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October 4, 2019

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: New Jersey Energy Efficiency Transition
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 Board Staff's September 23, 2019 Stakeholder Notice regarding the "New Jersey Energy Efficiency Transition," and the questions posed within the agenda for the Energy Efficiency ("EE") Stakeholder Meeting that was held on September 25, 2019. The Company appreciates the opportunity to provide these comments, which address how the next generation of New Jersey EE programs should be administered.

As stated in the Clean Energy Act, P.L.2018, c.17 ("CEA"), New Jersey electric utilities are required to achieve two percent energy savings within five years of implementing EE programs. Under the CEA, the utilities are responsible for achieving this goal. It is critical that the utilities, which are best positioned to offer cost-effective EE program portfolios (as noted by the American Council for an Energy Efficient Economy ("ACEEE") and others), have the opportunity to do so. The utilities should be permitted to develop full and robust program portfolios that will meet the State's goals, which can be supported by complementary offerings by the Board of Public Utilities' ("BPU") Office of Clean Energy ("OCE").

OCE is well-positioned to provide regulatory oversight and direction to the utilities, and to establish standards for Evaluation, Measurement and Verification ("EM&V") for utility-administered, customer-facing EE programs. OCE is also suited to administer market transforming programs, on a pilot basis, with an eye towards ultimately transitioning those programs to the

utilities for scaled implementation. OCE is also fully capable of working with other State agencies to drive changes in codes and standards to raise the baseline for EE in the State.

With regard to any programs that OCE chooses to administer, ACE strongly suggests that OCE provides consistent and timely reporting of program costs, program participation levels, and realized energy savings, with such data provided at the utility service territory level. In order for the utilities to streamline their programs, and so that the utilities can provide the best service to their customers, the utilities will need service-territory specific data regarding the savings achieved through OCE-administered programs. ACE further recommends that the State/BPU establish consistent and reliable funding sources for EE programs, to ensure that the State's aggressive EE goals can be achieved. ACE also suggests a five-year program cycle for utility-managed EE programs, as this timeframe will support a robust service-provider network, encourage market transformation and innovation, and maximize energy savings for New Jersey residents.

The agenda for the aforementioned September 25, 2019 meeting posed specific questions to stakeholders. ACE's responses to those questions are set forth below:

Question 1: Which types of programs and market supporting activities are best delivered by which entities?

ACE's Response to Question 1: ACE believes that it will be critical for the utilities and OCE to work together to meet the State's EE goals. OCE and the utilities each have unique capabilities. Maximizing the utilities' and OCE's respective strengths will help lower customers' energy bills, provide for a cleaner environment in New Jersey, and promote accountability for all parties involved.

ACEEE has determined that the states with the strongest EE performance have EE programs managed by utilities.[1] ACEEE's research also demonstrates that State instrumentalities, like OCE, are best suited to provide program oversight, to lead and pilot market transforming EE programs, and administering EM&V. Accordingly, ACE believes that OCE is well-positioned to:

(1) provide regulatory oversight and ensure accountability of the entities managing programs (*e.g.*, ensuring cost-effective program designs and determining whether EE targets are being met);
(2) initiate and support work with other state agencies to drive changes to building codes and standards;
(3) direct EM&V for EE programs; and
(4) ensure the consistency of incentives, participation criteria, and other standard program factors.

[1] See https://aceee.org/sites/default/files/publications/researchreports/u1808.pdf (2018 ACEEE State Energy Efficiency Scorecard, at 28, 31).

On the other hand, the utilities are well-suited to manage customer relationships, to leverage data for deeper energy savings, and to manage cost-effective EE programs. A study conducted by Accenture determined that 54 percent of customers look first to their utility when considering purchasing energy efficient products.[2] Additionally, the same study determined that:

- 61% of customers are likely to be interested in learning about EE programs when their electricity prices increase;
- 55% of customers are likely to be interested in EE programs when they sign up for electric service; and
- 46% of customers are likely to be interested in EE programs when they get their bill.

The points above are customer service moments that a utility can identify and leverage to promote their EE programs. Therefore, utilities are uniquely-suited to drive cost-effective EE programs by:

- Managing customer relationships, usage data, and communication channels to direct customers to relevant well-timed EE program offers;
- Leveraging in-house expertise from managing EE programs in other jurisdictions; and
- Being the trusted energy advisor to answer questions, identify energy-saving opportunities, and assist customers with their energy management decisions.

Furthermore, the deployment of AMI technologies will add to the range of programs and opportunities available to customers by utilities, including superior bill analysis, energy management and coaching software, smart technologies, and grid resiliency services.

Question 2: Which programs and activities require statewide consistency, and for what (brand, pricing, etc.)?

ACE's Response to Question 2: ACE first believes that program EM&V should be consistent across the State. Programs offered in different service territories—and possibly by different program administrators and implementors—should be evaluated equally and use the same assumptions, values, and measurements in program design. While each service territory may have different customer demographics, program portfolios offered by utilities should nonetheless be cost-effective and designed to achieve savings targets. EM&V is critical to an effective EE program, and OCE is well-positioned to carry out EM&V responsibilities.

Additionally, program reporting should be consistent so that EE programs can be benchmarked and compared, allowing the utilities to share best practices with each other, thereby driving continuous process improvement and ultimately reducing costs and increasing energy savings. Accurate and timely reporting of progress towards EE goals will help to hold the program implementers accountable for performance and make the best use of allocated funds. To realize

[2] https://www.accenture.com/_acnmedia/accenture/next-gen/insight-unlocking-value-of-digital-consumer/pdf/accenture-revealing-values-new-energy-consumer.pdf

these benefits, every entity that offers EE programs—including OCE— should be required to report its respective results, by utility service territory. Indeed, the utilities will need service-territory specific data related to OCE programs so that the utilities will be able to design their programs in a cost-effective manner.

In general, ACE recommends common EE program elements throughout the State, such as program names, incentive levels for specific measures, and educational sources and materials. In some cases, however, it may be more effective for a utility to tailor programs for certain populations or make a special offer that may not be available elsewhere in the State (particularly if such tailoring/offers are needed to ensure that the benefits of a program outweigh its costs, or to reach a specific customer type or demographic).

Question 3: What elements of existing program delivery in New Jersey are important to maintain in this transition?

ACE's Response to Question 3: Stakeholder working groups that focus on communication and collaboration are important to effective program design and management. A State entity overseeing the EE programs will need to be open and transparent with information and provide timely direction to the program implementers concerning contemplated policy changes. Acknowledging that program implementers will require realistic ramp-up periods to incorporate policy changes and feedback, and to make program modifications, will help programs to run more efficiently.

Question 4: Where do you see duplicative administration costs in programs now? Where are you concerned they might emerge in the transition?

ACE's Response to Question 4: There will be some duplication of administration costs whenever there are multiple parties targeting the same customer to participate in EE programs. Each EE program will have costs for recruitment, customer support, communication, and application and rebate processing costs. To avoid unnecessary duplication of costs, ACE recommends that the utilities, rather than OCE, offer the core EE programs that leverage customer data. ACE believes that State agencies should focus their efforts on market transforming programs and developing sound EE policies.

Question 5: What program administration structures best support delivering equitable access and outcomes for all ratepayers?

ACE's Response to Question 5: ACE recommends that EE portfolios be designed to maximize customer participation and equity across all rate classes. Every program will not be a fit for each customer. However, a well-designed portfolio needs to provide one or more meaningful programs that any customer could participate in to save energy. A meaningful program may be one that reduces energy consumption or provides a health or safety benefit. ACE believes that these

added benefits (avoided costs, environmental benefits, etc.) should be accounted for when evaluating to the effectiveness of the EE program portfolio.

Utilities have the ability to leverage customer and third-party data to design and market programs. Residential customers, for example, can be segmented and offered specific programs appropriate to their energy use and demographic information. ACE believes that an approach that allows the utilities to leverage the data they have is the most cost-effective way to ensure that EE programs will reach all customers.

Question 6: How should programs be delivered in order to maximize the energy efficiency opportunities and encourage deeper energy savings, while minimizing costs to consumers and ratepayers?

ACE's Response to Question 6: An effective EE program portfolio should be cost effective at the portfolio level, but also allow for individual market transformational programs to encourage deeper energy savings. Therefore, ACE believes there should be an allowance for innovation through pilot programs (with lower initial cost-effectiveness levels).

Deeper savings will be realized through consistent funding and longer program timelines. This approach will encourage greater program adoption and market transformations. Best practices derived from EE programs in other states show that multi-year program cycles, with approved multi-year program budgets, work to deliver higher savings, since the programs are managed to reliable and consistent budgets. For example, Maryland's EmPOWER MD program uses three-year program cycles and budgets, allowing time for planning and aligning contracts with the program needs. Further, the Maryland approach fosters business development by providing continuity and assurance for their business operations.

For New Jersey, ACE believes that a 5-year program cycle, consistent with the EE time horizon of the CEA, will allow for efficient program management and realization of energy savings.

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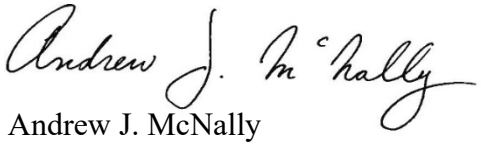
ACE appreciates the opportunity to provide the foregoing comments regarding the administration of EE programs. The Company looks forward to providing further input on EE matters in the future.

Respectfully submitted,



Andrew J. McNally

Atlantic
Health System
Morristown Medical Center

September 23, 2019

Good Afternoon Secretary Camacho-Welch and Board Staff:

My name is Patrick Burke and I am the Plant Engineering Manager at Morristown Medical Center, a Level 1 Trauma Center and one of the top hospitals in the Country. Our Facility relies on PSE&G to deliver Natural Gas for our Boiler Plant and Kitchen Cooking Equipment. As a 700+ Bed Hospital, utility interruptions have a significant impact on many, and in the worst of cases, can impact lives.

Both Morristown Medical Center and our Parent Company, Atlantic Health System, has benefitted in the past from PSE&G Energy Efficiency Grant Programs. This funding has permitted us to upgrade critical infrastructure that provides the framework for the core business of healthcare and promotes greater patient care as a result of our participation in previous programs. It is from this success that I can confidently assure you that PSE&G and the utilities are best positioned to administer statewide Energy Efficiency programs.

We value our relationship with PSE&G as a partner, as we do our other utility suppliers. Maintaining the operation of our facility is just as important to us as it is to our patients and their loved ones.

To provide you some background, through partnership with PSE&G in 2017 we upgraded all facility lighting to LED. In addition to the energy savings, and reduction in labor that is realized when you aren't replacing light bulbs every 2-3 years there are other, often overlooked benefits. During a recent electric utility outage, we were reminded of a long-standing issue at our hospital. One of our parking garages was never placed on emergency power. However, since upgrading the lighting to LED's we reduced the load from over 75KW to about 17KW. As a result, we now have our East Visitors Garage on Emergency Power, with minimal impact to our overall demand. These types of benefits are often not calculated into a payback calculation, but it has a huge operational impact after the installation and commissioning teams have gone home. There is clear value in bringing the right talent and experts together to manage this program, and PSE&G partnered not just with Atlantic Health but the right vendors and firms to ensure that the most optimal products and designs were implemented to maximize energy efficiency and cost.

It is for this reason I encourage the New Jersey Board of Public Utilities to establish the utilities as the administrators of the energy efficiency programs in New Jersey. We understand that any project must be looked upon in terms of payback. And often, infrastructure projects may not be the glamourous way to spend money. The measure of reliable infrastructure, good paying jobs, and future reduction of carbon dioxide and other emissions is something everyone likes to support, but often is a difficult sell. Partnerships, is one way to insure we are preparing for the future, and that preparation needs to begin now to secure a brighter future, a more reliable future, and one that conserves our resources for a better tomorrow. A tomorrow that benefits from utility oversight and administration of energy efficiency programs for New Jersey.

Thank you.

ECOENERGY OPTIONS

Thank you for your work and considering this input.

I work in the building performance industry. I test, measure, and model the performance of buildings and their systems and strive to improve building energy efficiency, comfort, durability, and safety.

I urge the NJ Energy Efficiency Transition to include, encourage, and incentivize the Passive House building standard. Passive House is a proven, valuable, ready to use standard for both new and existing buildings undergoing retrofit. Passive House is being successfully used in all relevant climates, for all building types (not just houses), and includes well-developed consultant, tradesperson/builder, and verifier training and testing.

Passive House buildings have specific metrics to meet for certification. In general the principles are:

1. Measured, very airtight building envelope.
2. High levels of continuous insulation with no thermal bridging.
3. High-efficiency doors and windows with optimized orientation and shading.
4. Dedicated mechanical ventilation incorporating heat / humidity recovery.

As a result of the above, Passive House buildings require minimal space conditioning systems and correspondingly less energy input.

Beyond energy and carbon benefits, Passive House buildings provide other advantages including:

1. Comfort - consistent temperatures and humidity throughout the building.
2. Indoor air quality - with verified building airtightness, control of the source and filtration of ventilation air is possible.
3. Resilience – lower heat gain and loss allow Passive House buildings to resist temperature changes during electrical outages.

To support the successful deployment of the Passive House building standard, training for Passive House consultant, tradesperson/builder, and verifier should be included in the NJ Energy Efficiency Transition planning.

NJ is poised to become a leader in transforming our new and existing buildings for the better. Including and incentivizing the Passive House standard in the Energy Efficiency Transition is a step in that direction.

Further, I suggest the NJ Energy Efficiency Transition:

1. Require an energy analysis at the change of ownership of buildings.
2. Establish a mechanism to provide information to new home and building owners regarding applicable NJ Clean Energy Programs available.

3. Provide a mechanism to encourage high-efficiency space and water heating electrification with heat pumps via the electrical and gas rate structures.
4. Enhance and enforce at a code level verified air and duct tightness requirements in combination with verified mechanical ventilation.

Kind regards,
Devon Basher

Building Performance Institute certified Energy Analyst, Envelope, Infiltration / Duct Leakage Professional. EPA Universal Refrigerant Technician. Certified Passive House Tradesperson.

Licensed NJ Home Improvement and Master HVACR Contractor

Building Performance Institute GoldStar Accredited Contractor

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Regulatory Affairs Counsel

October 4, 2019

VIA FEDERAL EXPRESS & ELECTRONIC MAIL

Honorable 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: New Jersey Energy Efficiency Transition - September 25, 2019 Stakeholder Meeting

Dear Secretary Camacho-Welch:

On September 25, 2019 New Jersey Board of Public Utilities Staff held a stakeholder meeting regarding the New Jersey energy efficiency transition and, in the Notice of that proceeding, provided for the submission of written comments concerning the administration of energy efficiency programs by October 4, 2019. In that regard, these comments are being submitted on behalf of South Jersey Gas Company ("SJG") and Elizabethtown Gas Company ("ETG") (collectively, the "Companies").

As the Companies have represented in prior submissions on this topic, we appreciate the dedication of the Board and Board Staff to fulfill the requirements of the Clean Energy Act of 2018 (the "Act") and to advance the State's clean energy goals. SJG and ETG remain committed to supporting the State's objectives and the Companies fully understand their responsibilities as reflected in the Act to ensure that the mandated energy reductions are met. *See* N.J.S.A. 48:3-87.9.

At the same time, the Companies want to take this opportunity to reiterate the importance of having the utilities manage energy efficiency programs. Utilities are uniquely positioned to deliver energy efficiency programs to customers and we respectfully urge that the utility role in program administration not be limited in a way that undermines our ability to advance the clean energy goals contained in the Act. Under the Act, utilities have the obligation to deliver savings. It is therefore critical, that when defining performance incentives and penalties for utilities, such incentives and penalties relate to the development, implementation, and administration of energy efficiency programs that are within the utilities' control.

Utility management of energy efficiency programs is consistent with the approach taken by energy efficiency leaders. Benchmarking demonstrates that seven of the top 10 states in American Council for an Energy-Efficient Economy's (ACEEE) 2018 State Energy Efficiency Scorecard ranking[1] run energy efficiency programs through their utilities. The remaining three states use either a combination of state and utility programs where the utility's credit for energy reduction is clear (NY), or an independent non-profit (VT, OR).

Thank you again for the opportunity to provide these comments. We look forward to continued collaboration with all stakeholders.

Respectfully yours,

Deborah M. Franco

/DMF

[1] https://aceee.org/sites/default/files/publications/researchreports/u1808.pdf

New Jersey Energy Efficiency Transition - Stakeholder engagement on energy efficiency.

TO: New Jersey Board of Public Utilities

FROM: Isles Inc.

Background

Numerous studies show that low-income, black, and Hispanic communities spend a high share of their income on energy. Median energy burdens for low-income households are more than **three times higher than among the rest of the population.**

Utility bills are the *primary* reason people resort to payday loans, foreclosures and play an outsized role in the perpetuation of poverty. But the impacts of soaring energy bills go beyond finances. Living in under-heated homes puts occupants at a higher risk of respiratory problems, heart disease, arthritis, and rheumatism.

Of course, most affordable housing is significantly less energy-efficient than other housing. People with less money aren't just paying a greater proportion of their income for energy — they're paying more per square foot.

The potential for energy savings in these older buildings is great. Roughly 97 percent of the excess energy burdens for renting households **could be eliminated by bringing their homes up to median efficiency standards**. A 2015 study by the U.S. Department of Energy found that the value of energy upgrades is 2.2 times their cost. Our experience shows that this figure is much higher for the most inefficient homes.

We are trying to get to environmental equity, but today, the benefit and burden of energy usage are not equally distributed.

How can we support improved energy efficiency for low-income families?

Program changes

Low-income Energy Efficiency (LIEE) programs are underperforming for many reasons and for decades, in New Jersey and elsewhere. Very few significant changes to *improve* LIEE programming and delivery have been made. In some ways, changes to state programs like the Weatherization Assistance Program (WAP) made delivery of that program *more difficult and more costly*. Multiple impediments exist, like program design, delivery, general commitment of state/utilities/government, understanding of customer needs, housing quality, etc. To address these issues, we suggest:

- Starting with where LI customer *are* (culturally, economically and socially) not where we want them to be. To do that the state must get real feedback from contractors, customers and other stakeholders to understand the dynamics of delivering these services effectively to LI customers.

- Have a unified and comprehensive communications plan to reach LI customer with program info and reason for participation.

- Train HVAC contractors to provide energy efficiency services for LI customers.

- Unify the disparate EE systems for low-income (DOE, LIHEAP, Clean Energy). Harmonize regulations, intake, etc. This includes making application process and documentation requirements less burdensome. Reduce documentation hurdle (the largest one) by making the program universal or nearly universal by using census tract for qualification, not household income. If you insist on income qualification, raise the qualification to at least 80% of HUD median, if not 100%.

- Require weatherization when households get heating assistance with a focus on High Use Customers

- Combine energy efficiency, lead safety, healthy homes and solar (both community and rooftop). Allow for flexibility in measures based on need in unit, not just focus on EE, which results in high number of deferrals for structural issues. Allow for or create fund for repair of roofs (the biggest expense and barrier to weatherization) to greatly reduce "deferred" units.

- Utilize variety of delivery methods. Consider giving *customers* more choice and control. Incentivize specific set of contractors to work in LI neighborhoods and have goals for units.

Jersey Central Power & Light
A FirstEnergy Company

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October 4, 2019

VIA ELECTRONIC MAIL ONLY

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EnergyEfficiency@bpu.nj.gov

Re: Jersey Central Power & Light Company's Comments on the New Jersey Energy Efficiency Transition Staff Stakeholder Notice Dated September 13, 2019

Dear Secretary Camacho-Welch:

On September 13, 2019, the Staff of the New Jersey Board of Public Utilities (the "Board") issued notice of a September 25, 2019 stakeholder meeting (the "Stakeholder Meeting") regarding implementation of the energy efficiency requirements of P.L. 2018, c. 17 (the "Clean Energy Act," codified, in relevant part, as N.J.S.A. 48:3-87.9). Subsequently, Board Staff issued an agenda for the Stakeholder Meeting clarifying that the meeting was to address the administration of energy efficiency programs under the Clean Energy Act.

JCP&L thanks the Board for the opportunity to provide feedback on this important issue. As set forth below, JCP&L believes that having the utilities be primarily responsible for administering energy efficiency programs in New Jersey is both consistent with the Clean Energy Act and, if the utilities are given flexibility to run programs tailored to meet their customers' needs, may be more advantageous than alternative options for administration of the programs. However, to the extent that the Office of Clean Energy ("OCE") continues to administer programs (such as through the Clean Energy Program), JCP&L encourages the Board to clearly delineate the respective roles of the utilities and the Office of Clean Energy and to ensure that any quantitative performance indicators ("QPIs") established are limited to programs administered by the utilities.

Utility Administration of Programs

To be consistent with the Clean Energy Act's mandate, New Jersey's utilities should be primarily responsible for administering energy efficiency ("EE") and peak demand response ("PDR") programs in their respective service territories. The Clean Energy Act dictates that the Board must "require each electric public utility and gas public utility to reduce the use of electricity, or natural gas, as appropriate, within its territory, by its customers, below what would have otherwise been used." N.J.S.A. 48:3-87.9(a). It further requires that "[e]ach electric public

utility and gas public utility shall establish energy efficiency and peak demand reduction programs to be approved by the [B]oard." N.J.S.A. 48:3-87.89(d)(1). And it requires that those EE and PDR programs comply with QPIs adopted by the Board. *Id.* Finally, it provides that a utility will receive an incentive by achieving or a penalty for failing to meet the QPIs adopted by the Board. N.J.S.A. 48:3-87.9(e)(2) and (3). These provisions make it clear that the Clean Energy Act envisions a primary role for utilities in offering EE and PDR programs in New Jersey.

New Jersey's utilities are also in an optimal position to offer these programs to their customers. Most of New Jersey's utilities have affiliates with extensive experience implementing EE and PDR programs in other jurisdictions. For example, JCP&L's four affiliated utilities in Pennsylvania began implementing EE programs in 2009 and PDR programs in 2012. Similarly, JCP&L's three affiliated utilities in Ohio began implementing EE and PDR programs in 2009. And, in Maryland, one of JCP&L's affiliated utilities began implementing EE programs in 2009 as well.

This extensive multi-state experience means that JCP&L has access to already established back-office administrative procedures and systems, and a staff with experience successfully designing and implementing comprehensive programs across multiple jurisdictions. Additionally, these prior experiences mean that JCP&L already has access to knowledge about program designs, program vendors, and implementation practices, which can be leveraged to capture cost savings through volumetric efficiencies and different delivery channels that can achieve increased customer participation in a cost-effective manner. Further, JCP&L anticipates continuing its efforts to utilize cross-jurisdictional efficiencies, as its affiliates have done in Ohio, Pennsylvania, and Maryland, where appropriate. This includes leveraging relationships with third-party vendors that have robust networks of trade partners in multiple states and cross-marketing programs where possible to maximize participation through recognized utility branding and service provider trust.

JCP&L recognizes that statewide programs, such as the OCE's Clean Energy Program ("CEP") may seem to be less administratively burdensome on their face – with only one office running programs for the entire state. However, a one-size-fits-all approach may not be most effective. Allowing the utilities to leverage and expand existing operations within and into New Jersey, rather than attempting to initiate new, or expand existing OCE offerings, will help capture synergies, including cost-effective and successful program designs that can help minimize overall costs and ensure targeted, cost-effective EE and PDR programs for each utility's respective customers.

Importance of Flexibility

As discussed above, allowing New Jersey's utilities to be primarily responsible for the offering of programs has many benefits. But, even if the utilities are primarily responsible for running programs, these benefits may not be able to be realized if the Board places too many constraints on utility-administered programs, such as by dictating that programs be implemented uniformly across the state, with identical incentive levels, or through a single statewide implementer or implementation approach. It may not be possible for the utilities to leverage existing operations and best practices used in other states if the utilities are not granted the flexibility necessary to do so. It would also result in lost opportunities to experiment and learn

from different designs and implementation practices. Put simply, one size does not fit all. Allowing flexibility enables programs, incentives, and delivery channels to be tailored to fit the uniqueness of each utility's customer demographics, rate structures, and relationships.

JCP&L believes that the individual utilities are in the best position to determine what program offerings, program designs, and implementation practices will be best received by their customers. This is because each of the utilities has unique insight into the factors that can potentially impact program adoption and performance in their individual service territories. Customer demographics, local markets and pricing, market participants, and electric rates vary across territories and can affect performance. This knowledge also places the utilities in the best position to determine where efficiencies or benefits can be captured through different types of coordination with other utilities where appropriate.

In short, JCP&L is committed to providing successful and cost-effective EE and PDR programs to its customers by leveraging the procedures, systems, and expert staff already in place. The Board should provide JCP&L, and the other New Jersey utilities, with the flexibility to implement programs in a manner that will best allow them to do so.

Role of the Office of Clean Energy

To facilitate the success of the Clean Energy Act's EE and PDR objectives, JCP&L agrees with the draft Energy Master Plan's conclusion that it will be necessary for New Jersey to "determine the role of utilities in energy efficiency, provide clear strategic direction, and support the utilities' efforts to achieve reduction targets."[1] As JCP&L has stated in prior comments during the Energy Master Plan Process, the Company believes that the OCE has a critical new role to play in supporting the utilities' achievement of the goals set forth in the Clean Energy Act. This role includes coordination of successful planning and integrated forecasting, tracking, reporting and assessment of energy savings from the broad range of sources contemplated by the Clean Energy Act, including such sources as building codes, efficiency standards, and initiatives outside of the utilities' programs.

With respect to the utilities' implementation of EE and PDR programs as OCE's programs continue to be offered, the potential for customer confusion, program competition, and market inefficiencies are significant risks to the utilities achieving their targets. In light of these risks and the utilities' responsibilities under the Clean Energy Act, JCP&L does not believe that a ramp up of the CEP is appropriate at this time. Rather, JCP&L recommends that the Board work with stakeholders to determine an appropriate role for OCE's programs during the transition to and ramping up of utility-run programs. Once utility-run programs are implemented, JCP&L recommends that the OCE assume the supportive role discussed above.

To the extent the OCE does continue to administer programs going forward, there needs to be a clear delineation of roles and responsibilities between the utilities and the OCE administration of programs. This includes an understanding of how savings from each program will be applied towards the achievement of each utility's Board-established QPIs. The Clean Energy Act gives

[1] *See* Draft Energy Master Plan at 60.

the Board the authority to set each utility's QPIs at "reasonably achievable" levels and mandates that the Board ensure that each utility's incentives and penalties be based upon the utility's performance. *See* N.J.S.A. 48:3-87.9(c). The Board should keep these mandates in mind both when setting each utility's QPIs and now as it considers the appropriate roles for parties to have in the administration of EE and PDR programs going forward.

JCP&L appreciates the Board and Board Staff's efforts throughout this ongoing EE stakeholder process and the opportunity to provide these comments. Determining the respective roles of the OCE and utilities in the future administration of EE and PDR programs in New Jersey is a crucial first step in this process. The Board's guidance on this issue, following stakeholder input, is going to be necessary for the utilities to develop and implement their EE and PDR programs in the most successful and cost-effective manner possible. As such, JCP&L encourages the Board to provide sufficient time for both these discussions and for the utilities to develop and file plans after decisions on this and other important issues have been made.

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

Very truly yours,

Joshua R. Eckert
Counsel for Jersey Central Power & Light Company

October 4, 2019

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: NJ EE Transition – Follow up comments to 9-25-2019 Stakeholder Meeting on Program Administration

Dear Ms. Camacho-Welch,

This transmittal is Lime Energy's comments on the New Jersey Energy Efficiency Transition, in accordance with the recent BPU public notice announcing the September 25, 2019 stakeholder meeting, which sought written feedback by October 4, 2019.

On behalf of Lime Energy and as a member of the Board of the Energy Efficiency Alliance of New Jersey (EEA-NJ), I want to express my thanks for giving Lime the opportunity to participate as part of the discussion panel on September 25. Lime and EEA-NJ's other member companies are committed to leveraging the full power of a robust energy efficiency marketplace as a critical component of a low-carbon-emissions future in New Jersey. We believe we bring valid experience and best practices to today's policy conversations, and we look forward to continued participation in the Energy Efficiency Transition policy development process.

Lime Energy, A Willdan Company

Lime Energy is known here in New Jersey, and nationally, as leader in commercial energy efficiency delivery; we specialize in serving the hardest to reach small business customers, which struggle to take advantage of energy saving opportunities. Lime is based in in Newark, New Jersey. In 2018, Lime became part of the Willdan family of companies, joining a firm with other affiliates operating in Edison with strong commercial efficiency capabilities. Together, Willdan and Lime employ 110 people in New Jersey and our business creates thousands more subcontractor and other supply chain jobs in the State.

Comments on Key Questions

Below are Lime's comments in response to the agenda questions from the September 25 stakeholder meeting:

1. Which types of programs and market supporting activities are best delivered by which entities?

Utility-administered programs with clearly regulated savings targets, buttressed by financing incentives and penalties, are a proven formula for large-scale, cost-effective energy efficiency programs with high participation and reliable systemwide savings. This approach enables energy efficiency market actors like Lime, to leverage the power of the utilities brand and data to prompt high participation at the lowest possible incentive levels across the vast mass consumer market.
Utility programs can be filed, funded and operated on multi-year cycles, and send clear signals to the market, rather than programs that are dependent on year-to-year state budget cycles.

Lime Energy has been a leading participating contractor in the current BPU programs, and it has had a positive impact on our business. We saw the opportunity here in 2015 and moved our national operations hub from Charlotte, North Carolina to Newark. Soon after, the program stalled for more than a year, which hurt our company performance tremendously and required unavoidable layoffs of quality employees in whom we invested. These ups and downs over the years have made it difficult for us and others in the business to operate with efficiency and with stability over time.

Utility programs driven by performance indicators – with financial impacts associated with achievement of targets – create more clear lines of accountability, all the way to program implementers like Lime. Utilities can share risk with providers like us, who contract with utilities on an energy-savings-delivered performance basis. Accountability has proven difficult with BPU programs. The BPU cannot reward or penalize itself for meeting or missing targets in the same way. Furthermore, utilities cannot be held to savings targets if they are in control of program design and the third-party implementation contracts.

2. Which programs and activities require statewide consistency, and for what (brand, pricing, etc.)?

Statewide consistency should be simply around the opportunity to participate. All sectors, including underserved ones like LMI and small business customers, should all have paths to participate that take into account of key barriers like lack of time to invest in the process, lack of upfront capital to invest in projects, and inexperience with efficiency which engenders distrust in promised energy savings. Each utility should be required to address each of these key customer segments with a minimum level of investment, but the utilities and their implementers should also have the opportunity to shape programs they feel will best lead to participation and attainment of their energy savings targets.

The utility's branding helps program participation as well. Trust is a fundamental hurdle when it comes to successfully customer engagement. Homeowners and

businesses are accustomed to the utility coming into their facilities to read a meter or make a repair. It has been proven time and again, and it has been our experience, that customers are more likely trust an energy efficiency offer presented as if it is coming from the utility. The most successful programs Lime operates are the ones in which we can "white label" our offerings, presenting the utility brand on our marketing material, our ID badges, and even the clothing we wear.

3. What elements of existing program delivery in New Jersey are important to maintain in this transition?

To minimize potential disruptions to the existing energy efficiency programs, companies, and the workforce, we recommend that the existing BPU programs continue uninterrupted until after utilities have contracts with their third-party implementers and new programs are fully launched. The BPU would begin winding down its existing programs as the utilities ramp up their corresponding new programs. If the BPU were to end programs before utility programs are available, there would be confusion among customers who no longer have access to incentives, while companies like Lime would experience significant job losses.

4. Where do you see duplicative administration costs in programs now? Where are you concerned they might emerge in the transition?

The current program administration structure is heavily layered. Various industry providers work for each other in hierarchical way creating unnecessary overhead costs and unclear lines of accountability for performance. The transition will have its temporary costs inefficiencies, but we believe that administrative costs rates will decrease overtime as the new, larger utility-administered program deployments scale to the 2.0% of electric and 0.75% of gas sales rates. The cost of program administration continues to decline as lessons are learned, and implementers fine tune their offerings. Moreover, the costs of program oversight are minimized when utilities meet reasonable reporting requirements that are evaluated by a third party. And again, performance-based contracts allow for startup costs to be absorbed by the private implementation firms. Companies like Willdan and Lime are familiar with programs where we are only paid for savings delivered, and we account for start up in our business models.

5. What program administration structures best support delivering equitable access and outcomes for all ratepayers?

To the extent that statewide standards are needed, equity must be protected, and utilities should be required to expend a nominal percentage of their program portfolio funds on underserved residential and commercial customers, particularly those in disadvantaged communities.

Lime specializes in serving the hardest to reach small business customers, which struggle to take advantage of energy saving opportunities. Lime has operated in New Jersey since 2011 and has been the BPU Direct Install Program's most productive participating contractor serving small businesses since its start, performing over 3,000 energy efficiency retrofits for smaller commercial customers. By contrast, over the same period Lime and Willdan has operated in New Jersey, we have completed 18,000 small commercial retrofits in the Carolinas (for Duke Energy), 42,000 in upstate New York (for Avangrid, Central Hudson, National Grid), 39,000 in downstate New York (for Con Edison), and 77,300 in Los Angeles, California (for LADWP). We as a state can do better, and the utility-driven programs Lime implements in other jurisdictions reach many more underserved customers.

6. How should programs be delivered in order to maximize the energy efficiency opportunities and encourage deeper energy savings, while minimizing costs to consumers and ratepayers?

Promoting deeper savings and doing so cost effectively is challenging but feasible if program administrators and implementers are provided with the flexibility to iterate with their program design and adjust incentive levels in reaction to adoption rates. As demand grows for a specific energy efficiency product or services or prices fall, incentive levels can be decreased; if a program is struggling to build participation, incentive spending rates may need to be increased. Incentive tiers can also be structured whereby customers are enticed financially to take part in longer payback measures (e.g. HVAC) along with shorter payback ones (e.g. lighting), and incentives are reduced if customers opt only for simple, fast-payback projects. Financing, particularly on-bill repayment, can be paired with more modest rebate levels to help customers defer upfront costs of retrofits. In both cases, flexible incentive structures and on-bill financing, utilities are in the best position to deliver these solutions to customers.

Lime Energy sincerely appreciates the opportunity to submit these comments today. We look forward to continued participation in stakeholder discussions toward the advancement of New Jersey's clean energy economy.

Sincerely,

Lloyd Kass
Senior Vice President

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

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STEFANIE A. BRAND
Director

October 4, 2019

VIA ELECTRONIC MAIL (EnergyEfficiency@bpu.nj.gov)
AND HAND-DELIVERY
Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350

Re: Clean Energy Act – Energy Efficiency Transition
BPU Docket No.: Undocketed Matter
Stakeholder Meeting – Program Structure
Comments of the Division of Rate Counsel

Dear Secretary Camacho-Welch:

Enclosed for filing please find an original and ten copies of the comments of the New Jersey Division of Rate Counsel ("Rate Counsel") submitted pursuant to the Board of Public Utilities' Notice dated September 23, 2019 ("Notice"). In accordance with the Notice, an electronic copy will be emailed to EnergyEfficiency@bpu.nj.gov.

We have also enclosed one additional copy of the materials transmitted. **Please stamp and date the copy as "filed" and return to our courier.**

Thank you for your consideration and attention to this matter.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: _____
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Clean Energy Act
New Jersey Energy Efficiency Transition
Stakeholder Process

BPU Docket No.: Undocketed Matter

Comments of the Division of Rate Counsel

October 4, 2019

Introduction

As part of the process to implement the Clean Energy Act[1], Board Staff ("Staff") convened a stakeholder meeting on September 25, 2019 and invited stakeholders to comment on the administration of the transition of energy efficiency ("EE") programs in New Jersey.[2] The within comments are being submitted pursuant to the Board of Public Utilities' Notice dated August 21, 2019 ("Notice") in this matter, which invited comments on six areas. However, at the outset, before addressing the six specific aspects of program administration set forth in the Notice, Rate Counsel submits that two overriding concepts should guide program design and administration: accessibility and affordability.

In order to achieve the targets set forth in the Clean Energy Act for the good of all of our State's residents and businesses, we must work to ensure energy efficiency is delivered equitably by identifying the market barriers faced by different participant groups and developing strategies to overcome those barriers. Furthermore, these programs must be delivered in a manner that does not render EE measures unaffordable for ratepayers nor should the overall cost of such programs unduly burden ratepayers.

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

[2] Staff expects to convene at least five future stakeholder meetings on topics that may include but are not limited to: program structure; administration and oversight; funding and budget; cost recovery; performance incentives and penalties; application of utility targets and utility specific QPIs; demographic analysis; cost benefit analysis and evaluation, measurement, and verification; filing and reporting requirements; and peak demand response. Notice, p. 3.

Specific Topics

1. Which types of programs and market supporting activities are best delivered by which entities?

With respect to who should administer and deliver EE programs, state-run energy efficiency programs, third-party supplier-run programs, and utility-run programs each have unique strengths and weaknesses. Rate Counsel supports a hybrid system with the Clean Energy Program ("the CEP") administering programs that require statewide consistency, supplemented by utility programs that can include things that the CEP cannot do, such as on-bill financing.

Energy efficiency programs currently offered by the electric and natural gas utilities (collectively "utilities") vary throughout the state. In some cases, this may lead to inefficient program delivery and customer confusion. The statewide administrator, the, CEP has the opportunity to serve as an intermediary between customers and the wide array of statewide program offerings. The CEP model of program delivery has a number of advantages being a single state-wide administrator, resulting in consistent program parameters, less customer confusion, and more efficient marketing and outreach. Further, state-run programs do not have an inherent incentive to increase energy use.

Preferably, the CEP would lead energy efficiency programs that need consistency across the state, with the CEP and the utilities sharing some responsibilities.[3] State-run programs also have the advantage of being public interest-driven rather than profit-driven, elevating the needs of the consumer and the State's energy savings and policy goals. Therefore, most of the CEP's

[3] In Massachusetts, for example, the utilities coordinate under the collaborative of Mass Save. As a unifying brand across the state, Mass Save enables customers to access efficiency from a single point of contact. While Mass Save is the face of efficiency in Massachusetts, the programs are still operated by the utilities in each service territory. For more information see https://www.masssave.com/. Unlike Mass Save, the CEP would maintain its ability to operate programs throughout the state.

existing programs would likely continue to be operated by the CEP. However, some of the existing inefficiencies and weaknesses of the CEP operations would have to be resolved. For example, (a) the CEP's marketing efforts merit improvement; (b) policies for timely evaluation and measurement studies of its EE and DR programs are needed; and (c) consistent program performance reporting by CEP is needed.

Third-party EE providers should be permitted to compete in the market. However, third-party EE providers face their own set of hurdles.[4] For example, third-party EE providers may need to spend more on program marketing to increase name recognition. For third-party suppliers that exist in the same jurisdiction as historical or existing efficiency programs (either state-run or utility-run), program overlap can cause customer confusion and jurisdictional tension. Much like state-run programs, third-party EE providers similarly do not have disincentives to reduce energy sales. For some third-party EE providers, energy efficiency may be the sole focus of the organization, leading to innovative technologies and programs.

Utility-run programs have the advantage of existing familiarity with customers. Likewise, customers are familiar with their utility and may be more inclined to participate in a utility-led program. Programs that are territory-specific likely require a utility's unique capabilities and familiarity with the region. For example, large custom projects, such as a hospital or large manufacturing facility, could require one-on-one customer attention that is more easily delivered by a utility. Utilities frequently address the specific needs of large commercial and industrial customers through routine interactions with account managers. One program that should stay with the utilities is the low-income Comfort Partners program, for reasons described separately below.

[4] Third-party EE providers could be energy service companies ("ESCOs"), HVAC and electric contractors, as well as others qualified to implement and install EE measures.

There are other programs that only utilities currently could provide, such as on-bill financing or pay-as-you-save mechanisms provided on a customer's bill. Utilities can take advantage of their billing system to set up on-bill financing. However, utilities might require a higher cost of capital to fund EE projects compared to other funding sources, such as green banks or public funds, since a utility will seek to be paid for its administrative costs and a return on its investment. Financing EE measures should be open to entities and funds other than utilities, since they may be able to provide them at a lower cost than the utilities' cost of capital. Utility administration would also force plumbers and carpenters, etc. to go through the utility to get the work, with the utility tacking on administrative fees and profit, thus leading to higher prices.

Further, as a cautionary note, due to a utility's monopoly status it will be difficult for other EE providers to compete with them, which will impact the cost of these programs. This point is particularly important. Program administration should not lead to monopolies in the delivery of EE programs. Utilities should not be permitted to establish monopolies in their service territories for the administration of EE programs. This would also lead to very different options for customers in the different service territories. Some utilities might offer a comprehensive set of cost-effective options which complement other EE programs, while others likely would not, based on past experience.

Utilities should focus on complementing the Office of Clean Energy's ("OCE") CEP programs and doing things - like on-bill financing - that the CEP cannot do now. Therefore, we need <u>both</u> utility and CEP programs, as well as third-party suppliers, to complement each other.

2. Which programs and activities require statewide consistency, and for what (brand, pricing, etc.)?

See above for recommendations on statewide consistency.

3. What elements of existing program delivery in New Jersey are important to maintain in this transition?

The Comfort Partners program should remain under the joint management of the New Jersey utilities. If New Jersey were developing programs from the ground up, the CEP might be the more practical entity to run Comfort Partners, but the progress in the Comfort Partners program should not be reset at this juncture. The utilities have worked consistently to cultivate the Comfort Partners program since its launch in 2001, with infrastructure and processes already in place for addressing the low-income market segment on a statewide basis.[5] It is important to preserve the existing network the utilities have built, as well as the productive relationship with the Weatherization Assistance Program ("WAP").

Existing CEP EE programs should remain in place during the transition. The CEP's coordination of the statewide technical reference manual ("Protocols for Energy Savings") should also remain in place. Since the CEP operates statewide and can coordinate with all of the utilities, the CEP is the entity best suited to maintain the Protocols for Energy Savings manual. Further, because the CEP does not collect performance incentives or incur penalties, it is an unbiased coordinator of independent program evaluation results. While the process for updating the Protocols for Energy Savings manual with up-to-date evaluation studies could be improved, the CEP remains the most qualified entity to maintain the document.

[5] Rockland Electric Company does not participate in the Comfort Partners program.

4. Where do you see duplicative administration costs in programs now? Where are you concerned they might emerge in the transition?

There are currently duplicative marketing efforts between the utilities and the CEP. The CEP should be the primary vehicle for marketing because of its presence statewide. Further, the CEP could help reduce customer confusion by ensuring utility-specific programs are marketed consistently across territories.

The utilities and CEP can also enhance efforts to collaborate on measurement and verification ("M&V") studies. Currently, some utilities conduct their own M&V studies. Opportunities for collaboration on M&V studies include (a) examining utility programs and CEP programs that are similar; and (b) identifying characteristics of measures or programs that both CEP and utilities are interested in (e.g., heat pump performance, free ridership).

5. What program administration structures best support delivering equitable access and outcomes for all ratepayers?

The Comfort Partners program should remain under the joint management of the New Jersey utilities for the reasons stated above. However, there are limits to Comfort Partners' reach, given that this program provides services at no cost to participating households. Moderate income customers and low-income customers who have not yet been able to participate in Comfort Partners face market barriers that should be addressed, to ensure that all ratepayers have access to cost-effective energy efficiency. For example, low-income customers are much less likely to have capital to invest in efficiency than market rate customers. Unlike the CEP, utilities can currently offer an on-bill financing service in which energy efficiency improvements are repaid through a customer's energy bills. Utilities and the CEP can work together to publicize

the availability of the on-bill program structure with multi-lingual marketing efforts and bill inserts targeted to reach low- and moderate-income neighborhoods.

Targeting marketing efforts to reach low-income neighborhoods would help, especially those that have outdated housing stock that would benefit from energy upgrades. Increasing accessibility by providing marketing materials in different languages could also help. Partnerships with trusted local organizations (e.g., community action agencies, food banks) can also greatly increase the visibility of and participation in targeted programs. Further, community-based social marketing ("CBSM") campaigns can influence a targeted behavior (e.g., energy consumption) through social and behavioral factors and achieve much greater participation and deeper savings than those achieved by programs that only use economic and attitudinal traits as motivation. Program Administrators must address this issue. Finally, the OCE should review, monitor, and report on low- and moderate-income programs (including Comfort Partners and any offerings developed to address the unmet needs of low- to moderate-income households) and multi-family offerings periodically to increase transparency and reveal trends that can inform future programs.

Alternative program delivery methods (e.g., direct installation of measures) may be helpful for those with limited ability or time to arrange the installations of EE and DR measures by themselves. Some customers may lack access to efficiency offerings for reasons other than income. Multi-family housing units present special challenges, where the interests of both landlords and tenants in saving energy must be addressed.[6]

Commercial and industrial customers have various needs and barriers to participation

[6] Absent data on the effectiveness and costs of the CEP's recently-implemented multi-family program, Rate Counsel cannot provide specific recommendations on addressing the multi-family segment at this time.

which need to be addressed in program administration and design as well. New Jersey should identify the existing barriers to participate in energy efficiency programs and develop cost-effective ways to address these barriers in programs administration and design. In sum, program administration should consider access to programs and cost-effectiveness.

6. How should programs be delivered in order to maximize the energy efficiency opportunities and encourage deeper energy savings, while minimizing costs to consumers and ratepayers?

In order to make recommendations regarding how program delivery can improve, it is important to understand how effective these programs are in reaching EE goals. Utilities and the CEP alike should improve reporting practices to increase transparency and promote well-informed stakeholder input. The OCE should establish metrics and a data reporting dashboard to help track progress. The metrics should be simple (related to cost and savings targets), informative, and published quarterly. The OCE should also clarify which entities need to meet which EE targets. Now, it is unclear how the CEP and the utilities would allocate the responsibility to meet the EE targets. In the absence of substantive and up-to-date statewide program goals and data, at this juncture Rate Counsel offers several general recommendations, as set forth below.

The Board should engage with local communities and customer groups to understand their energy needs, understanding that each may have slightly different needs and objectives. For example, Rate Counsel believes that low and moderate income households have different energy needs and will require separate programs and goals to better serve each community. Commercial and industrial customers have differing energy needs and face various barriers to participation which need to be addressed in program administration and design as well.

To maximize energy savings, New Jersey can follow the models of other states in the region to adopt technologies that are cost-effective and successfully implemented. Such technologies may include: net zero energy homes and office buildings;[7] heat pumps for homes and businesses that currently have electric resistance heat;[8] and electric and thermal storage systems (e.g., ice energy, chilled water tank, hot water tank) and load control technologies.[9]

Finally, programs should adequately value marketing. Energy efficiency programs are more successful when participation levels are maximized. As such, programs budgets should allow for substantial marketing efforts, particularly those that target hard-to-reach customers. Maintaining strong marketing is in the best interest of the program administrators and the participants.

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[7] See https://zeroenergyproject.org/2016/01/25/zero-energy-homes-and-office-buildings- cost-less-to-own-even-without-incentives-and-rebates/.

[8] See http://www.energy.ri.gov/reports-publications/past-projects/ri-renewable-thermal-market-development-strategy.php and: http://www.masscec.com/heatsmart-mass.

[9] See http://energiesprong.eu/country/new-york.

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

October 4, 2019

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
Suite 314
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 DOCKET No. QO19010040

Dear Secretary Camacho-Welch:

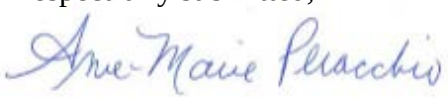
New Jersey Natural Gas Company ("NJNG") has already shared significant input within this proceeding through our remarks at the February 1, 2019 public hearing and through written remarks submitted on February 15, 2019, as well as expressing significant support for the remarks and comments submitted by the New Jersey Utility Association on the same dates. We look 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 also provided significant input through my participation in the panel discussion at the September 25, 2019 Energy Efficiency Stakeholder Meeting in this proceeding. Since these elements are already part of the record within this Docket, we will not repeat that content within this letter. However, we would like to highlight a few relevant concerns:

- NJNG looks forward to being an active participant in the responsive stakeholder process referenced in the September 13, 2019 notice. In order to support robust participation from all stakeholders, NJNG would encourage the Board to announce the target dates for the remaining stakeholder meetings so all interested parties can strive to avoid scheduling conflicts.

- NJNG appreciates the breadth of the decisions that need to be made to successfully implement these provisions of the Clean Energy Act. NJNG would encourage the Board to consider a phased approach that will support a strong review of the topics and reach decisions on key elements earlier in 2020. Prioritization of the most important topics related to planning and preparing filings will allow for utilities to submit more thoughtful and thorough filings. Early guidance on programs that may still be served by New Jersey's Clean Energy Program ("NJCEP") for any period beyond fiscal 2021 should also be helpful to the Office of Clean Energy ("OCE") as they plan NJCEP programs for fiscal 2021. This is very important considering that recent dockets released by BPU staff within this proceeding provides conflicting information and does not allow for sufficient time to prepare a robust filing and support efforts to support utility coordination and collaboration.
    - The September 13, 2019 public notice referenced a BPU decision in Late Spring 2020 with utility filings due in Late Summer/Early Fall 2020.
    - The presentation at the September 25, 2019 stakeholder meeting referenced a BPU decision in the Spring 2020 with utility filings due in Summer 2020.
- Since the energy savings goals of the Clean Energy Act are approximately five times higher than the estimated NJCEP savings for Fiscal 2018, we need dramatic changes in the approach to offering programs and supporting trade allies. In this period of shifting approaches to administration and programs, it is critical to learn more about successful programs in other jurisdictions. Participating in national conferences and organizations like the Consortium for Energy Efficiency ("CEE") is one of the most effective ways of gaining such insights. We would encourage NJCEP's continued participation in CEE to allow OCE to build this knowledge and note that it will be relevant even as programs transition to utilities because it will support their oversight role.

NJNG appreciates the opportunity to provide comments on these topics. We look 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
Director- Conservation and Clean Energy

NEW JERSEY UTILITY SHAREHOLDERS ASSOCIATION

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October 4, 2019

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

Re: Energy Efficiency Transition—Program Administration
In the Matter of the Implementation of P.L. 2019, C. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs—BPU Docket No.QO19010040

Dear Secretary Camacho-Welch:

On behalf of the members of the New Jersey Utility Shareholders Association (NJUSA), please accept for the record our comments on the above-referenced matter.

NJUSA is a not-for-profit, volunteer association of New Jersey residents who are individual investors in one or more of the parent companies of regulated utilities operating in New Jersey. NJUSA's mission is two-fold: 1) to increase members' understanding of public policy issues and processes that can affect the value of their utility stocks and 2) to help them have a voice in the public policy arena. NJUSA members offer a unique perspective insofar as they are both ratepayers and shareholders. Our members public policy interests thus include not only how the administration of New Jersey's energy efficiency programs affects the value of their shares, but also how it affects their access to program services and the costs to deliver those services.

Since our principal role is to represent our members' interests as shareholders, NJUSA strongly urges the Board of Public Utilities (the Board) to ensure that before the concerted effort to reduce energy consumption is undertaken a regulatory mechanism, such as decoupling, is in place. To ensure that the gas and electric utilities are able to meet continuously their service obligations, they must be kept financially whole. To advance accelerated energy efficiency efforts without such a mechanism will reduce the attractiveness of the utilities to existing and prospective shareholders. Shareholders will not view as favorable investment options companies with electric and gas utilities that operate in a state with mandatory energy reductions that cause reductions in sales unless there is a concomitant mechanism to enable them to be kept whole and preferably, grow. Energy efficiency is clearly an important component of the clean energy future the State envisions, but it cannot be achieved effectively without the participation of the energy utilities and unless those utilities are financially strong.

That said, as residents and ratepayers, every aspect of New Jersey's future, including its economic and environmental future, matter to NJUSA members. With that in mind, NJUSA suggests that the best structure for the administration and delivery of energy efficiency programs should lie with the electric and gas utilities.

The delivery of energy efficiency in New Jersey has occurred under programs delivered by regulated gas and electric utilities on and off as State prerogatives dictated for nearly twenty years. During that time, some programs were delivered by third parties under contract with the Board.

While NJUSA has not itself studied the relative strengths and weaknesses of utility versus third-party program administration models, the evaluation performed by the Brattle Group makes a strong case for utility-led programs. (See attachment to "Public Comments to NJ BPU Draft Energy Master Plan, Martha Merrill, Uplight, September 16, 2019, Brattle Group study: "Energy Efficiency Administrator Models Relative Strengths and Impact on Energy Efficiency Program Success." If the energy efficiency targets are to be achieved, the Board should not ignore this important work or the high efficiency achievements that occurred when the utilities were responsible and accountable for program administration and delivery under the oversight of the Board.

We believe the utilities are best positioned to achieve the State's clean energy goals because they can meet the six criteria described below.

1. **Efficient and effective program administration…**

   The electric and gas utilities have an advantage over programs run by the Board that rely on third-party contractors because they do not have to go through the public procurement process and its inherent delays, they can ramp up quickly, and eliminate the risk that funds will be diverted away from clean energy priorities as has occurred in the past;

   The utilities also have the ability to achieve cost-effective program administration due to economies of scale, program experience and the use of existing resources;

   The utilities can also achieve cost-effective administration because their expenses will be subject to the Board's regulatory oversight.

2. **Efficient and effective program delivery…**

   Many the above advantages apply to program delivery as well. Additionally, the utilities are better able to efficiently and effectively deliver programs because they have direct and trusted relationships with customers data on customer usage and numerous existing communications avenues through which end-users most in need can be identified and assisted in adopting efficiency measures.

3. **Directly gauge energy and cost savings for customers…**

   No entity is better positioned than the utilities which own and operate meters to know historical and current customer usage patterns as well as energy and cost savings opportunities. To reach the aggressive goals established by the Clean Energy Act, innovative approaches to energy efficiency and personalized outreach to customers will increase chances for success.

4. **Achieve program continuity and consistency …**

   The electric and gas utilities are embedded in New Jersey. They have demonstrated commitment to the long-term health and economic well-being of their customers and the communities they serve.

The utilities are and will be here. Additionally, utility-run programs can also provide long-term opportunities to reconnect with customers during replacement cycles to maintain and enhance efficiency gains when customers seek to make future investments.

5. **Effectively and directly identify and reach customers...**

Utility-run programs can provide a more effective way to market programs to targeted customers. They can leverage existing communications outlets, including routine interactions with customers (e.g. promotions when payments are made online or interactions with customer service representatives). Leveraging existing utilities resources will be less expensive than it would be if the Board tried to achieve that level of customer engagement where the pre-existing relationships do not exist. Additionally, utilities have the ability to identify and prioritize the customers with the greatest potential energy and cost savings and meet the Board's other important policy objectives, such as ensuring that low-income customers have opportunities to achieve energy and cost savings.

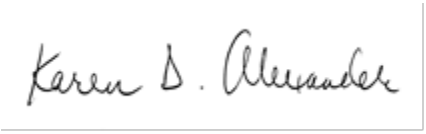
6. **Directly tie program delivery and performance accountability to the responsible entity…**

It would be ineffective and unfair for utilities that are statutorily responsible for achieving the energy efficiency goals and achieving performance metrics that are to be developed to have to rely on the performance of persons or entities not within the utility's control. If the utilities are to be held accountable as required by N.J.S.A. 48:3-87.9(a) for reducing average annual electricity usage by 2 percent and natural gas usage by 0.75 percent respectively of the average annual usage in the prior three years, their performance should not be tied in any way to the performance of third parties.

Energy efficiency is the least-cost, most-readily available and environmentally sound electricity resource. The expertise of the utilities is critical to attaining the very aggressive goals set out by the Clean Energy Act. If New Jersey is indeed facing a climate crisis, time is of the essence. We therefore urge the Board to move forward expeditiously to bring utility expertise and resources to the task. To do so will make the important environmental, energy and cost savings benefits of energy efficiency a near-term reality for our members and all New Jerseyans.

Thank you for considering our views.

Sincerely,



Karen D. Alexander
President

Submitted via E-Mail

October 4, 2019

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

Secretary Camacho-Welch:

The Natural Resources Defense Council ("NRDC") is pleased to submit these comments on the New Jerseys Energy Efficiency Transition, Program Administration.

Respectfully Submitted,

Eric Miller
NJ Energy Policy Director, NRDC
Emiller@NRDC.org

I. INTRODUCTION

The Natural Resources Defense Council ("NRDC") is pleased to offer these comments to the Board of Public Utilities ("BPU") in its first of five planned stakeholder meetings designed to provide the information necessary to make New Jersey a national leader in Energy Efficiency. P.L. 2018, c. 16 (C.48:3-87.3-87.7) ("Clean Energy Act, or CEA"), signed into law in May of 2018, sets ambitious targets of 2.0% annual retail sales for electric utilities and .75% a year. Despite a promising start, more than a year has passed since the passage of the CEA, and little progress has occurred. NRDC is confident that with some modifications, the stakeholder process can be improved to design and deliver the programs that New Jersey needs to be successful over the next several months.

NRDC and other groups have previously provided comprehensive responses to the questions posed by the BPU regarding program administration and incorporates those comments by reference.[1] Therefore, NRDC's comments will focus on the choice of program administration generally, as well as additional considerations it believes the BPU should take immediately to ensure a robust stakeholder process.

[1] *See*, NRDC *et al. 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* (Feb 15.), *available at*: https://s3.amazonaws.com/njcepfiles/Binder1.pdf; *NRDC, NJ Draft Energy Master Plan Comments* (Sept. 14 2019), *available at* https://nj.gov/emp/pdf/draft_emp/NRDC%20NJ%20Draft%20Energy%20Master%20Plan%20comments.pdf. *See also*, Energy Efficiency Alliance of New Jersey, *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* (Feb 15.), *available at*: https://s3.amazonaws.com/njcepfiles/Binder1.pdf

II. COMMENTS

a. The BPU Should Provide an Oversight and Governance Role, and Allow Regulated Utilities to Administer the Bulk of Energy Efficiency Programs

The BPU should adopt an administrative structure that places the Office of Clean Energy ("OCE") and BPU in an oversight role with utilities as the key program administrators. The CEA is clear in its requirement that *utilities* not the OCE are ultimately responsible for meeting the energy efficiency targets set by the Market Potential Study. This program structure mirrors that of leading states across the nation. Moreover, New Jersey program performance to date does not indicate that it can successfully scale programs under its current administrative model, and OCE has provided no information or indication that it could do so.

Energy efficiency governance structures that designate utilities as program administrators and state agencies as oversight and program coordinators have seen substantial success in other states—including in states that, similar to New Jersey, have ambitious clean energy programs across the board, and thus limited capacity at the agency level to dedicate to implementing energy efficiency programs. In May 2019, ACEEE released a policy brief that compared the various Energy Efficiency Resource Standards ("EERS") of 27 states.[2] Included below are those high-achieving states, as well as their program administration model:

State	EERS	Program Administration
Massachusetts	Net annual savings of 3.45 million MWh (not including fuel switching) for 2019- 2021, equivalent to savings of about 2.7% of retail sales per year	Distribution utilities administer their own programs with collaborative input and oversight from the EE Advisory Council. All IOUs have partnered together to sponsor the Mass Save program
Rhode Island	Average incremental savings of 2.5% for 2018-2020. EERS includes demand response targets.	Narraganset Electric, a National Grid company implements programs. They are similar to those offered by National Grid in Massachusetts.

[2] ACEEE, Policy Brief: State Energy Efficiency Resource Standards (EERS) May 2019 (May 2019), *available at* https://aceee.org/sites/default/files/state-eers-0519.pdf

Vermont	Annual incremental savings totaling 357,400 MWh over 2018-2020, or approximately 2.4% of annual sales. EERS includes demand response targets.	Vermont is unique in that it has an energy efficiency utility, efficiency Vermont, which is part of the Vermont Investment Corporation.
Maine	Electric savings of 20% by 2020, with incremental savings targets of ~ 1.6% per year for 2014-2016 and ~2.4% per year for 2017-2019. Efficiency Maine operates under an all cost-effective mandate, however has fallen short of targets in recent years due to budget cuts.	Statewide program is administered by Efficiency Maine, with oversight from the MPUC.
Maryland	15% reduction in per capita peak demand by 2015, compared to 2007. After 2015, targets vary by utility, ramping up by 0.2% per year to reach 2% incremental savings.	Utilities administer EE programs, overseen by the PSC.
New York	An April 2018 NYSERDA and Department of Public Service white paper (*New Efficiency: New York)* called for 185 TBtu of cumulative annual site energy savings under the 2025 energy-use forecast [required under the subsequent December 2018 PSC order and codified in the Climate Leadership and Community Protection Act], as well as an electric site savings sub-target of a minimum of 3% of IOU sales in 2025.	For a long period of time NY ran a hybrid program between NYSERDA and the IOUs. The IOUs are now responsible for programs that address customer end uses, with NYSERDA only running limited programs and focusing on market transformation.
Arizona	Incremental savings targets began at 1.25% of sales in 2011, ramping up to 2.5% in 2016 through 2020 for cumulative electricity savings of 22% of retail sales, of which 2% may come from peak demand reductions.	Arizona utilities administer programs.
Colorado	For 2015–18, PSCo had been required to achieve incremental savings of at least 400 GWh per year; starting in 2019, this was increased to 500 GWh, or roughly 1.7% of sales. HB 17-1227 extends programs and calls for 5% energy savings by 2028 compared to 2018.	Utilities administer programs, which are overseen by the PUC.

Illinois	Incremental savings targets vary by utility, averaging 1.77% of sales from 2018 to 2021, 2.08% from 2022 to 2025, and 2.05% from 2026 to 2030. SB 2814 (Public Act 99-0906) also sets a rate cap of 4%, which would adjust targets downward should utilities reach spending limits.	Utilities administer programs.

[3]

As indicated in the above figure, leading states typically have programs that are administered by regulated utilities, with oversight done by the state's Commission and advisory committee. The only states without those models are Vermont and Maine. However, Vermont's program history is unique and has not been replicated anywhere else in the country, and Maine is not currently meeting its targets due to budgetary cuts. Importantly, those high achieving states also have clear roles for regulators, state energy offices, and utilities when it comes to program implementation. To the extent that program implementation is shared among multiple entities in a service territory, the roles of each entity must be clearly delineated to avoid customer confusion that will stunt the market. Additionally, clear delineation is required to accurately attribute energy efficiency savings to the correct entities for compliance purposes, as well as EM&V and incentive payments. No matter what entity ultimately administers programs, key elements of program success are robust stakeholder involvement, transparency, oversight, and reporting, all of which are currently missing in New Jersey.

In addition to the best practices from leading states, it appears that the existing administrative structure would face serious challenges in scaling to the level required to meet the energy efficiency savings floor established by the CEA. While New Jersey has been identified as one of

[3] *Id.*

the "most improved states" in the ACEEE 2019 State Energy Efficiency Score Card, its ranking is the result of the innovative policies that New Jersey has adopted over the past 2 years, rather than the State's performance in implementing those policies. Indeed, when looking at 2018 net incremental savings and savings as a percentage of 2017 retail sales, New Jersey ranks 34th achieving only 259,857MWh of savings, or 0.35% of 2017 retail sales.[4] This performance puts New Jersey well below the US median of 0.67% of incremental savings, and nearly an order of magnitude behind leading states like Massachusetts and Rhode Island. In fact, New Jersey's energy efficiency savings actually decreased from the 2016 energy year. Based on this performance, New Jersey needs to increase its incremental savings six-fold to meet the 2.0 target floor set by the CEA.

More troubling is that New Jersey achieved this performance while spending $129 million on electric energy efficiency programs in 2018, or 1.32% of state electric revenues, placing it 22nd in program spending nationally.[5] When comparing New Jersey total MWh savings of 259,857 to its cost of $129 million, it indicates that each MWh saved in New Jersey costs $496. Meanwhile, Massachusetts achieved more than 5 times more MWh savings at a cost of approximately $389 per MWh saved. Together, it would appear that New Jersey's existing programs are not capable of getting New Jersey past 2.0% electric savings and 0.75% gas savings absent a massive change to program administration.

[4] ACEEE, 2019 State Energy Efficiency Score Card, at 29 (Oct 1. 2019), *available at* https://aceee.org/research-report/u1908
[5] *Id.* at 35.

The deficiencies in New Jersey's existing program performance identified by ACEEE in its 2019 State Scorecard are similar to those that were identified in 2016, when the BPU contracted Energy & Resource Solutions ("ERS") to deliver a report entitled *Process Evaluation Study prepared for The New Jersey Clean Energy Program by ERS* completed in January 2016. That process evaluation identified several critical areas of improvement, including:

- NJCEP is understaffed for its budget size compared to peer programs. As a result, the staff focus on contract management rather than program performance.

- There is less of an institutionalized focus on performance than peer programs.

- Evaluation has been a minor part of NJCEP operations compared to the industry in terms of budget, frequency, of studies, and the amount of data collected. NJCEP also does not perform any M&V of projects to measure savings.

- Programs are consistently undersubscribed as compared to available budgets and potential study findings. Marketing budgets have been dramatically cut in past years to well below the industry average.

- There is presently little or no focus on the cost efficiency of the programs and no performance metrics or specific tracking related to $/kWh saved by portfolio, program, or measure.[6]

At this present time, NRDC is not aware of any steps taken by BPU and OCE to address the serious program deficiencies identified by ERS, and it does not appear that recent program performance has improved compared to 2016. In fact, New Jersey's energy savings actually decreased from its previous year's scorecard, where the energy savings amounted to 0.55% of retail electric sales. Therefore, if OCE is inclined to continue or expand its existing programs to

[6] ERS, Process Evaluation Study prepared for The New Jersey Clean Energy Program, at 48 (Jan. 16), *available at* http://njcleanenergy.com/files/file/Library/NJCEP%20Process%20Evaluation%20Final%20Report%20and%20Memo%2002152017.pdf

comply with the CEA, NRDC respectfully requests that OCE make available to stakeholders the steps it has taken an any documents it has prepared to improve the above-identified shortcomings in the existing programs.

Based on program administration structures in leading states, as well as New Jersey's own performance to date, NRDC recommends that utilities be the primary program implementers for the state of New Jersey. However, New Jersey should look north to New York, specifically at the recent changes at the New York State Energy Research and Development Authority ("NYSERDA"), to see how OCE can become a thought leader in New Jersey's energy efficiency process.

b. The BPU Should Provide Clarification on the Role of the Energy Efficiency Advisory Group

NRDC respectfully requests that BPU provide additional information to stakeholders regarding the role of the Energy Efficiency Advisory Group ("EEAG") during the stakeholder process. In response to the requirements of the CEA, the BPU appointed representatives from the New Jersey Utility Association, Rate Counsel, The Chemistry Council, Environmental Defense Fund, and the Urban League of Essex County to the EEAG. The only guidance on the EEAG is contained in section f(1) of CEA, and 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.

Currently, it is unclear how stakeholders should interact with the advisory group, and what form recommendations made by the EEAG will take. Additionally, the remainder of the stakeholder process will require the input of technical experts on topics such as program design, cost-effectiveness, performance incentives, and cost recovery. To date, there has been no indication that the EEAG has the internal resources to secure experts on these topics to inform its recommendations to BPU. Therefore, NRDC recommends the BPU provide funding so that the EEAG may secure technical experts on these topics to inform their decision-making process.

c. The BPU Should Empower Interested Stakeholders to Fully Participate in the Design Process by Convening Working Groups on Key Topics

In addition to providing EEAG with the internal resources it requires to make informed recommendations to the BPU, it is critical that the BPU expand the stakeholder process to allow for working groups on key energy efficiency design issues moving forward. This would allow those external stakeholders, who were not selected for the EEAG, to offer their expertise in a more meaningful way. For New Jersey to have an energy efficiency program that exceeds the floor set by CEA, it must answer fundamental questions regarding program design, cost-effectiveness, cost recovery, rate design, measurement, and verification, reporting requirements, and a host of other topics. As it currently stands, the five planned stakeholder meetings, which will amount to no more than ten hours of total stakeholder input, is insufficient to provide the forum necessary to reach stakeholder consensus and actionable work product. Moreover, many of the questions it appears the BPU is likely to solicit written feedback on have been asked and answered by stakeholders in the February 15, 2019 comment solicitation already conducted by BPU.

Therefore, moving forward the stakeholder processes primary function should be to secure stakeholder consensus on key issues, as well as actionable technical information regarding key aspects of program design; neither of which will be provided under the current stakeholder model. Such an outcome is best accomplished through collaborative working groups, where stakeholders can speak frankly with each other, and provide information that can ultimately be reported out to the EEAG and provided to the BPU as it develops its straw proposal.

III. CONCLUSION

NRDC appreciates the opportunity to provide its comments on the first portion of the BPU's energy efficiency transition stakeholder process. While NRDC has various concerns with the stakeholder process thus far, we believe that there is sufficient time to expand the stakeholder process, clarify key questions, and ultimately leverage the knowledge of interested stakeholder that will meet the requirements of the CEA at a low cost to ratepayers, and in the timeframe required to meet our climate and clean energy targets.

Joseph F. Accardo Jr.
Vice President Regulatory &
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October 4, 2019

Via E-mail (Energy.Efficiency@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 Transition, Stakeholder Meeting #1

Dear Secretary Camacho-Welch,

Please accept this correspondence on behalf of Public Service Electric and Gas Company ("PSE&G") in connection with the above-referenced matter. PSE&G thanks the New Jersey Board of Public Utilities ("BPU" or "Board") for its initiation of this stakeholder process and the opportunity to provide these comments.

The Board of Public Utilities Should Disband the State's Energy Efficiency Programs, and Shift to a Utility-Managed Program Model

As the Board is aware, the first stakeholder meeting for energy efficiency required by the Clean Energy Act of May 2018 ("CEA"), held on September 25, 2019, focused on program administration. It is PSE&G's position, set forth in more detail below, that the BPU should dissolve the energy efficiency programs within the New Jersey Clean Energy Program ("NJCEP"), and the State's utilities should become the primary providers of regulated energy efficiency programs in their respective service territories. In fact, there is no better time than the present for utilities to launch widespread energy efficiency programs, given that the rankings the American Council for an Energy Efficient Economy ("ACEEE") revealed this week demonstrate that New Jersey is faring even worse in energy efficiency than it has in recent years, at a time when the State should be achieving significant energy reductions.

To reverse this downward trend, PSE&G agrees with three of the panelists at the September 25th stakeholder meeting, as well as a chorus of stakeholders who have presented their views on program administration to the BPU over the past year, that large scale, utility-led energy efficiency programs should be adopted in short order.

Over the past decade, with Board approval, PSE&G has invested approximately $400 million in award-winning energy efficiency programs for underserved customers, including small businesses, hospitals, multifamily buildings, government facilities, and non-profit entities. But more can and must be done, and the time to act on energy efficiency is now.

Governor Murphy signed the CEA into effect more than 16 months ago. It called for the Board within 12 months of its passage to "require each electric public utility and gas public utility to reduce [customers' energy usage]," a deadline that has passed without any meaningful action in terms of program implementation. *See* N.J.S.A. 48:3-87.9a. Only the State's gas and electric utilities have the responsibility under the CEA to reduce customers' energy usage. Thus, it is entirely consistent with both the language and spirit of the CEA for utilities that are ready to implement widespread energy efficiency programs to begin to do so now. To that end, PSE&G recommends that the Board develop a transition plan, such as the one PSE&G proposed in its Clean Energy Future – Energy Efficiency ("CEF-EE") filing pending before the BPU, to promptly establish utilities as the primary providers of regulated energy efficiency programs and sunset the NJCEP energy efficiency programs in a coordinated manner.

Utilities are best suited to implement energy efficiency programs because of their distinctive advantages that can make New Jersey a leader in this area, as the Legislature and Governor Murphy envisioned with the passage of the CEA. For example, utilities have: (1) established customer relationships and a trusted brand; (2) the ability to provide on-bill repayment to customers; (3) access to customer usage data, which will increase in its granularity with the deployment of advanced metering infrastructure that is contemplated in the draft Energy Master Plan; and (4) expertise and experience in running award-winning energy efficiency programs. Indeed, panelist Adam Procell of Lime Energy commented at the September 25th stakeholder meeting that the most effective energy efficiency programs his company has implemented (and it

has also worked on NJCEP projects) are those in which its employees can wear utility identification badges and clothing, because the utility brand is trusted by customers. Panelist Robert Mulcahy of Hackensack Meridian Health was extremely complimentary of PSE&G's and New Jersey Natural Gas's energy efficiency programs at the September 25th meeting. The Board should dissolve its energy efficiency programs, and shift to a utility-managed program model.

The Board Should Promptly Shift to the Utility-Managed Program Model

Prompt implementation of utility-led energy efficiency programs is critical because the State continues to fall behind the rest of the country in energy efficiency, and it will continue to do so unless there is meaningful and prompt action on the Board's part.[1] According to the ACEEE rankings released this week, New Jersey's ranking in terms of electric savings dropped from 29th in 2017 to 34th in 2018, an all-time low for New Jersey in the ACEEE rankings, and electric savings for the State decreased from 0.55% to 0.35% (a 35% decline to nearly one-sixth of the CEA's 2.0% target). Energy efficiency spending as a percentage of electric revenues in New Jersey increased from 29th in the country to 22nd, meaning the State is paying more for energy efficiency and saving less.[2]

The significance of the ACEEE's rankings cannot be overstated. At a time when the State should be taking giant leaps forward in terms of energy efficiency, it is actually taking steps backwards. Mr. Procell perhaps best summarized the concern at the September 25th stakeholder meeting when he noted that the State is still determining which entities will run energy efficiency programs more than 16 months after the CEA went into effect. The utilities are the answer.

[1] As New Jersey Natural Gas representative and panelist Anne-Marie Peracchio stated at the September 25, 2019 stakeholder meeting, the State needs to approach energy efficiency differently if it is going to meet the aggressive energy reduction mandates set forth in the CEA. The different approach that the BPU should adopt is large scale, utility-led programs, and the dissolution of the NJCEP.

[2] While the State fared better in gas savings in 2018 according to the ACEEE, it is still only achieving 0.29% savings reductions, meaning gas savings will need to be increased by more than 2.5 times the current level to reach the CEA's 0.75% target. Moreover, energy efficiency spending as a percentage of gas revenues increased from 14th in the country to 12th, meaning that the State is paying more for a minor improvement in gas energy efficiency, not that the NJCEP has strengthened its performance.

Further delaying utility-managed energy efficiency programs will only continue the State's regression with respect to energy efficiency and, more importantly, cost customers money, cause millions of tons of avoidable carbon dioxide emissions, and forego thousands of potential jobs. Energy efficiency investments are the least-cost resource for electricity, and can cost-effectively reduce emissions in the near term. As BPU President Joseph L. Fiordaliso appropriately noted in his opening remarks at the September 25, 2019 stakeholder meeting, the cheapest energy is the energy we do not use. To avoid more costly emissions solutions in the future, the Board's utility program implementation timeline, as outlined in its public notice, needs to be significantly accelerated for all utilities that are ready to implement programs. Simply put, the State cannot afford to wait until July 2021 (or even July 2020) to begin implementing energy efficiency programs.

Utility-Managed Energy Efficiency Programs are Superior to State-Run Programs

Utility-managed energy efficiency programs possess several advantages over state-run programs. For example, unlike state-administered programs, multi-year, utility-led energy efficiency programs have more funding certainty, as they are not subject to the annual budget process that deters the private energy efficiency market from investing in New Jersey. Mr. Procell noted at the stakeholder meeting that the State budget process creates a roadblock to the NJCEP's ability to create energy savings. Moreover, utility-led program funds can only be used for energy efficiency, and would not be subject to the same raiding of the Clean Energy Fund that saw 1.5 billion dollars siphoned away from the Board's Office of Clean Energy ("OCE") since 2008.

Also unlike the OCE, utilities are subject to numerous energy efficiency program filing requirements, including cost-benefit analysis and measurement and verification. Utility energy efficiency expenditures are also annually reviewed for prudency by the BPU and the New Jersey Division of Rate Counsel, providing even greater transparency. The OCE, on the other hand, is its own evaluator of its programs' effectiveness, providing an obvious conflict of interest and a lack of transparency.

Utilities also have the ability to issue rebates to customers much faster than the OCE can do so. The amount of time a customer waits for a rebate -- or real dollars – is vitally important to

them, and therefore should be important to the State. Delay in customers getting paid creates roadblocks for participation in energy efficiency programs, and will jeopardize compliance with the State's energy reduction targets. As multiple panelists commented at the September 25, 2019 stakeholder meeting, the State needs to simplify the administration of energy efficiency programs. The most logical way for the State to achieve this goal is to transition program responsibility to the utilities.

Lastly, the utilities have the ability to amortize costs of energy efficiency programs over the useful life of the energy efficiency assets, limiting the maximum bill impact of these programs. Currently, customers pay for the NJCEP in the year of the expenditures, which leads to rate shock and the inequitable situation of customers paying for programs without seeing the benefits. This is the equivalent of buying a house, not with a mortgage, but by paying the entire purchase price up front with cash. Needless to say, very few people can afford to do this.

Given the inherent advantages utilities enjoy over state-run energy efficiency programs, it is no surprise that utility energy efficiency program administration is the most common model in leading energy efficiency states. No other state utilizes the New Jersey model where the regulator is both the administrator and the evaluator.

It is also no surprise that a broad range of stakeholders have consistently advocated for utility program administration before the Board in the past year. Utility customers, environmental advocates, elected officials, and private sector energy efficiency businesses appeared at the Energy Master Plan stakeholder meetings, the Board's February 1, 2019 energy efficiency stakeholder meeting, and the public hearings in PSE&G's CEF-EE filing and encouraged the Board to approve utility-led energy efficiency programs with alacrity. Three of the panelists at the September 25th stakeholder meeting also advocated for utility-led energy efficiency programs.

There is a reason why the current New Jersey model stands alone: the objective data, including from here in our state, demonstrates that the government-as-administrator model simply does not work. For example, the most recent independent evaluation report of the OCE programs, performed by Energy & Resource Solutions ("ERS") in 2016, found that "NJCEP is generally less cost-effective than peer programs" and that "compared to other EE portfolios, New Jersey has a

typical-sized budget but achieves fewer energy savings than most, resulting in a higher cost per energy unit saved than many other programs with very similar portfolios."[3] The report also noted that "cost efficiency is not a focus within the organization."[4]

Similarly, a cost benchmarking study of the NJCEP that ERS performed in 2015 concluded: "The first portfolio-wide trend of note in the data is an overall high cost per kWh relative to other programs," and the "program-by-program $/kWh results fall short of the level of excellence desired by the NJCEP administrators, with few exceptions."[5] The 2015 ERS benchmarking study found that the OCE programs were on average in the 39th percentile of peer programs for their cost efficiency, far away from the top quartile of programs that would be considered the most cost-effective.[6]

Unfortunately, as the 2019 ACEEE scorecard rankings demonstrate, these issues, noted in 2015 and 2016 evaluations, continue to plague the OCE. Drastic change is needed, in the form of large scale utility programs, to combat climate change and meet the CEA's energy reduction targets. Rather than operating energy efficiency programs, the OCE is better positioned to take the lead in oversight of the utilities' programs, setting the long-term strategic direction for the utilities, and leading other statewide market transformation initiatives to support the development of a robust energy efficiency ecosystem in the State, such as job training and technology development. This role for the OCE best aligns with the responsibilities of most other state regulatory agencies.

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[3] *See Process Evaluation Study prepared for the New Jersey Clean Energy Program*, January 2016, at pp. 42 and 95 (accessible at: http://www.njcleanenergy.com/files/file/Library/NJCEP%20Process%20Evaluation%20Final%20Report%20and%20Memo%2002152017.pdf).

[4] *Id*. at p. 94.

[5] *Review and Benchmarking of the New Jersey Clean Energy Program prepared for the New Jersey Board of Public Utilities*, February 24, 2015, p. 6 (accessible at: http://www.njcleanenergy.com/files/file/Library/ERS%20Benchmark%20and%20Program%20Review_v3.pdf).

[6] *Id*.

Conclusion

The utilities are the only entities that have the responsibility (and incentive) to meet the savings targets under the CEA. With that responsibility must come full control over their ability to meet those targets, free from any competition or customer confusion caused by the NJCEP. PSE&G recommends that the BPU sunset its energy efficiency programs, and work with the utilities and other stakeholders on a plan that will promptly transition energy efficiency program administration to the utilities consistent with the CEA's objectives. Again, the time to act on energy efficiency is now, without any further delay, so that the State can reverse its lack of success with respect to energy efficiency, and begin to meet the targets set forth the in the CEA.

PSE&G once again thanks the Board for permitting it to submit these comments.

Respectfully submitted,

Joseph F. Accardo, Jr.

October 4, 2019

Re: Energy Efficiency and Peak Demand Reduction Comments

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 implementation of the energy efficiency and peak demand reduction programs required by the New Jersey Clean Energy Act.

1. Ensure New Construction (Developer & Homebuilder) Market Served Same Statewide

It is critical that the new construction (real estate developer and homebuilder) market be served statewide with consistent incentives, eligibility criteria and rules across all service territories. Developers and homebuilders work across utility service territories and any new differentiation between one service territory to another would create significant consternation and dramatically depress participation in the long run. Whatever entity administers the various programs for new construction, they just need to be the same everywhere in every aspect. They should also strive to achieve continuity with the programs currently offered by NJCEP, as many development/construction 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 statewide. Also, developers and homebuilders need to be able to choose from an open market of qualified partner organizations in any energy efficiency programs for new construction. This is because many developers have established relationships with one or more partner organizations, who in turn encourage participation by developers and homebuilders 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 and homebuilders, which 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.

This is a systemic problem resulting from many forces, will be incredibly difficult to solve. But it is worth solving because of the potential cascading, wide-ranging positive impact. It is possible that regionalization or privatization of enforcement of the Energy Subcode, if not of all of the NJ UCC, may prove to be the best option in the long run.

3. Streamline Green Building Standards for NJEDA Tax Credit Programs (Economic Redevelopment and Growth, Grow NJ, NJ Forward, NJ Aspire, Evergreen etc.)

The most recent version of the "Green Building Standards Guidance for Potential ERG and Grow NJ Applicants (Updated 7/13/16)" allow for various methods for compliance, including not actually earning certification but simply the "equivalency" thereof. There is also redundancy in the standards, which allow compliance based on participation in NJCEP requiring a % energy reduction but then also allow compliance by just directly documenting that energy % reduction without NJCEP participation. This puts the NJEDA in a position of directly reviewing the accuracy of energy modeling results, which are incredibly complex, instead of those results being reviewed and tracked by NJCEP. It would seem to make more sense for NJEDA to follow the NJHMFA model of simply requiring projects to participate in applicable NJCEP program as a prerequisite for tax credits.

Whatever the future of the NJEDA Tax Credit Programs turns out to be, it should include a streamlining of the Green Building Standards. Considering projects participating in these programs are some of the largest, and most-prominent, in the State – it is of particular importance for them to achieve real demonstrated energy savings through mandated participation in an above-code utility company rebate program.

Matthew Kaplan, MBA, LEED AP
CEO

ReVireo
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October 4, 2019

Via Electronic Mail (energyefficiency@bpu.nj.gov)

Aida Camacho-Welch, Secretary
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Re: Energy Efficiency Program Administration

Dear Ms. Camacho-Welch:

On behalf of the Sierra Club and its more than 20,000 New Jersey members, we submit the following comments in response to the solicitation issued by the Board of Public Utilities (BPU) on 9/13/2019.

Efficiency and peak demand reduction reduction are of utmost importance to our members as both are critical to meeting New Jersey's energy decarbonization objectives in a cost effective and low-impact way. We thank the BPU for consideration of our perspective.

I. Background and Relevant Statutory Language

On May 23, 2018, Governor Murphy signed into law the Clean Energy Act of 2018, which created the annual energy efficiency requirements that are the subject of this proceeding. As stated in the solicitation, the Act dictates that the Board shall require (a) each electric public utility to achieve, within its territory by its customers, annual reductions of 2 percent of the average annual electricity usage in the prior three years within five years of implementation of its electric energy efficiency program; and (b) each natural gas public utility to achieve, within its territory by its customers, annual reductions in the use of natural gas of 0.75 percent of the average annual natural gas usage in the prior three years within five years of implementation of its gas energy efficiency program.[1] The savings targets of 2% for electricity and 0.75% for gas represent floors, not ceilings, as the Act further directs the BPU to set targets in excess of these

[1] N.J.S.A. 48:3-87.9(a).

percentages based on what it determines to be the "full economic, cost-effective potential in each service territory."[2]

The Act also requires the BPU to adopt and update regularly Quantitative Performance Indicators (QPIs) for each public utility, which include reasonably achievable targets for energy usage reduction and peak demand reduction.[3]

Prior to passage of the Clean Energy Act, there were no binding targets for energy efficiency or peak demand reduction. The BPU's Clean Energy Program (CEP) offers a variety of efficiency incentives to utility customers statewide, using funds from the Societal Benefits Charge (SBC), which are collected from customers by utilities and transferred to the BPU. The CEP has operated since 2001.

At one time utilities were required to administer energy efficiency programs with oversight from the BPU, but the administrative duties were turned over to the Office of Clean Energy in 2007. Several utilities continue to offer incentives that are intended to supplement but not compete with the CEP efficiency offerings.[4]

II. Utilities Should be Required to Administer Efficiency and Demand Response Programs with BPU Oversight

Because the statute specifically requires public utilities to reduce energy consumption within their territories, they should be responsible and accountable for developing and implementing plans to meet the targets identified in the statute. The BPU's primary role should be oversight and coordination of utility programs.

It is understandable that some may have concerns about utilities' motivation to produce high levels of energy savings given the potential impact on their revenues, and their lack of performance on efficiency programs over a decade ago. But we have two extremely important tools that were not available then that should produce better results this time around. First, there is a quantitative target enshrined in the statute. Sufficient penalties for non-performance as authorized by statute should entice utilities to meet their targets.

Second, the statute allows the utilities to recover lost revenues from efficiency programs. Specifically, it states:

> *Each electric public utility and gas public utility shall file annually with the board a petition to recover on a full and current basis through a surcharge all reasonable and prudent costs incurred as a result of energy efficiency programs and peak demand reduction programs required pursuant to this section, including but not limited to recovery of and on capital investment,* ***and the revenue impact of sales losses resulting from***

[2] N.J.S.A. 48:3-87.9(a).
[3] N.J.S.A. 48:3-87.9(c)
[4] ACEEE State and Local Policy Database: Utilities. https://database.aceee.org/state/new-jersey. Accessed 9/27/19.

> ***implementation of the energy efficiency and peak demand reduction schedules****, which shall be determined by the board pursuant to section 13 of P.L. 2007, c. 340 (C.48:3-98.1).*[5] [emphasis added]

The ability for recovery of lost revenues in addition to cost recovery should remove the throughput incentive that traditionally encourages utilities to increase rather than decrease energy sales. This should make them agnostic about efficiency, rather than in opposition to it. Reasonable performance incentives for exceeding targets can make them willing partners in accelerating deployment.

However, we strongly recommend that full revenue decoupling be employed as a method of allowing cost recovery, rather than a lost revenue recovery mechanism (LRAM). Decoupling is advantageous because it implicitly accounts for other factors that impact utility revenues, such as weather, economic and population growth or decline, and fuel switching, in addition to energy efficiency, and leads to better outcomes for ratepayers than an LRAM.[6]

Utilities have certain inherent advantages related to program administration as compared to a third party entity such as the CEP. Perhaps most importantly, utilities have an existing relationship with their customers, which makes marketing programs easier and cheaper. Utilities also have access to all customer data, which facilitates effective program design and targeting of resources.

While there may be some value in having consistent programs across the entire state as is possible with a single program administered by the CEP, the recent track record of the program suggests that it will be unable to achieve the goals set out in statute. According to the Draft Energy Master Plan, the highest level of savings achieved in a single year was about 520,000 MWh in FY2014.[7] This represented about 0.7% of statewide retail sales of electricity that year. In 2018, the savings rate slipped to 0.35%.[8] This is despite the single statewide administrator being in place, which was supposed to significantly improve performance. These low savings rates are partially due to chronic diversions of SBC funds to fill holes in the budget, and while Governor Murphy has committed to phasing out these diversions, that will always be a risk for a state-administered program that can be completely avoided with a utility-administered program.

III. Role of the Clean Energy Program

The CEP should continue to exist, but the use of SBC funds for consumer efficiency program delivery should be phased out. SBC funds should be redirected to other types of programs,

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[5] N.J.S.A. 48:3-87.9(e)(1).

[6] For further analysis of options, we recommend the following report from the Regulatory Assistance Project: Revenue Regulation and Decoupling: A Guide to Theory and Application. November 2016. Available at: https://www.raponline.org/knowledge-center/revenue-regulation-and-decoupling-a-guide-to-theory-and-application/

[7] Draft 2019 New Jersey Energy Master Plan Policy Vision to 2050, page 61, Figure 8.

[8] 2019 ACEEE state efficiency scorecard, Table 7, page 29

including vehicle and building electrification, targeted solar incentives (especially those that enable low and moderate income households to access solar), and possibly targeted smart grid projects that allow for integration of high levels of renewables.

With respect to efficiency, the CEP should be involved in advancing state level standards that individual utilities do not directly influence. For example, statewide efficiency standards that exceed federal standards should be set for as many appliances and products as possible, including requiring the highest level of energy star certification available in a given product category. This is especially critical considering recent federal rollbacks on standards that were already in place. The CEP should advise and assist the Department of Community Affairs in adopting the most energy efficient residential and commercial building codes, as well as the most recent International Green Construction Code (IgCC) within one year of their publication. It should assist in the statewide transition to net-zero energy codes within one to two code update cycles (the next 4 to 8 years), and work with local jurisdictions responsible for building code enforcement to train inspectors and contractors in proper code application. In this way, the CEP would be focused on making sure all newly built and remodeled buildings (and the appliances within) are as efficient as possible, and the utility administered programs would be focused on retrofitting existing buildings, as well as customer behavior programs.

The CEP, and BPU more broadly need to look at all of their policies and directives with an eye toward maximizing efficiency and reducing peak demand. For example, time of use rates would send price signals to consumers to shift high energy demand activities such as vehicle charging to off-peak hours whenever possible, which is a no-cost method of demand reduction. Technologies such as advanced metering and storage can be integrated with smart appliances to reduce peak demand and match consumption with production from distributed generation systems.

IV. Role and Membership of the Independent Advisory Committee

The statute requires public utilities, the Division of Rate Counsel, and environmental and consumer organizations to be represented on the Independent Advisory Committee (IAC). In addition to these representatives, the Board should invite third party efficiency program experts from one or more of the following organizations: American Council for Energy Efficiency Economy (ACEEE), Northeast Energy Efficiency Partnership (NEEP), and Regulatory Assistance Project (RAP). We also recommend inviting efficiency contractors and program administrators with experience delivering on EERS requirements to provide representatives.

The IAC should be a permanent body that meets regularly to discuss all aspects of implementing efficiency programs. In Oregon, for example, utilities rely on strong advisory committee(s) that meet at least quarterly to discuss program design and delivery, program evaluation and verification of savings, marketing materials and strategy. These advisory committees are comprised of all relevant stakeholders, including the regulatory staff, consumer and environmental advocates and industrial customers.

In New Jersey, a primary responsibility of the IAC in the short term should be to flesh out the details of the transition of program delivery from the CEP to utilities.

V. Establishing and Enforcing Quantitative Performance Indicators

The Clean Energy Act recognizes that enforceable targets for utilities cannot simply be set by calculating 2% (for electric) or 0.75% (for gas) of the average consumption of the previous three years, as there are too many factors that are outside of a utility's control that impact consumption:

> *"In establishing quantitative performance indicators, the board shall use a methodology that incorporates weather, economic factors, customer growth, outage-adjusted efficiency factors, and any other appropriate factors to ensure that the public utility's incentives or penalties determined pursuant to subsection e. of this section and section 13 of P.L.2007, c.340 (C.48:3-98.1) are based upon performance, and take into account the growth in the use of electric vehicles, microgrids, and distributed energy resources."* [9]

In practice, identifying and accurately quantifying all these exogenous factors in order to isolate the impacts of utility efficiency investments from observed energy consumption is an extremely complex, arduous, and inexact undertaking. It is preferable and more accurate to adopt a measurement and verification protocol based on a Technical Reference Manual (TRM).[10] The TRM includes a combination of deemed savings for common efficiency measures, and protocols for calculating expected savings from custom measures. A TRM allows for the direct calculation of energy savings resulting from utility investments that are completely independent of the exogenous variables cited in the statute. It therefore meets the requirement of the statute without actually having to perform the prescribed analysis.

The law also states:

> *"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, building codes, and other efficiency standards in effect, to achieve the targets established in this section."*[11]

It would be unfair to either penalize or reward a utility based on the performance of non-utility efficiency programs, even though the statute allows them to be factored into the target setting. Therefore, Sierra Club supports the establishment of two separate targets within each utility service territory. "Utility targets" and associated performance benchmarks should be based

[9] N.J.S.A. 48:3-87.9(c)
[10] Pennsylvania has a robust TRM that it has refined multiple times since 2008 through its implementation of an EERS known and Act 129. Because it is adjacent to New Jersey and has a very similar climate, the savings factors included should be broadly applicable to New Jersey, and it should be consulted.
[11] N.J.S.A. 48:3-87.9(c)

solely on what each utility itself controls. This should include both new and existing programs. A second “overall target” should be set that is the sum of utility and non-utility programs, such as building codes, federal lighting and appliance standards, weatherization programs, and investments by the CEP within a utility’s service territory (should such programs exist).

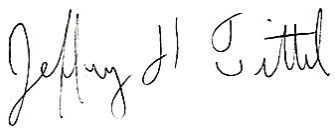
The Overall Targets must be at least 2% (electric) or 0.75% (gas) of the baseline average per the statute (but likely significantly higher based on the results of cost effective efficiency potential studies). However, the performance of the utility, and the assessment of penalties and crediting of incentives should only be based on its ability to achieve or exceed the Utility Target over which it has control.

Utilities should be allowed to propose in their portfolios measures that augment or enhance non-utility efficiency programs, if these measures are not redundant with activities undertaken by the CEP. For example, if a utility intervention can be demonstrated to improve the building code compliance rate, the utility should be able to include that savings delta in its portfolio.

VI. Conclusion

New Jersey was once a leader among states in energy efficiency policy, but has languished in the last decade. Deploying all cost-effective efficiency as quickly as possible will reduce the need for dirty generation and will allow us to absorb the electrification of transportation and space heating necessary for decarbonization without taxing the electrical grid. It is also critical to reduction of energy burdens for low income households. We urge BPU to develop and finalize an efficiency rulemaking as quickly as possible.

Respectfully Submitted,



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COMMENTS
State of New Jersey
BOARD OF PUBLIC UTILITIES
Energy Efficiency Transition
October 4, 2019

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On behalf of Signify, I write to express strong support for efforts underway by the State of New Jersey under the visionary leadership of Governor Phil Murphy to develop a plan for the Garden State to convert to clean and renewable energy sources, to achieve significant reduction of energy consumption and to deploy world class sustainable infrastructure.

Signify, formerly known as Philips Lighting, a global leader in lighting products, systems and services, delivers innovations that unlock business value, providing rich user experiences that help improve lives. Serving professional and consumer markets, we lead the industry in leveraging the Internet of Things to transform homes, buildings and urban spaces. Signify's U.S. corporate headquarters is based in Somerset, NJ, and is home to more than 300 employees.

When it comes to energy efficiency, Signify "walks the talk". More than a year ago, our U.S. operations achieved carbon neutrality and all the company's operations will be net zero carbon by the end of next year. Worldwide, 92% of our electricity use comes from renewable sources, 80.2% of our revenues are from the sales of sustainable products and we were recently named industry leader by in the 2019 Dow Jones Sustainability Index (DJSI) for the third consecutive year. On the local level we promote rapid acceleration of solid state lighting and serve communities by donating LED light bulbs such as those to be disseminated to Franklin Township citizens on "Franklin Day" September 28.

While action at the federal level continues to stall, many states are moving forward to embrace policies and actions in accordance with The Paris Climate Treaty. Massachusetts and New York are both leading in this area, passing legislation, deploying policies and implementing plans to make an impact in their municipalities' efforts to reduce greenhouse gases.

In New Jersey, we applaud the leadership of Governor Murphy in creating Executive Order 28, an important step in achieving the State's ambitious clean energy goals. We agree the purpose of New Jersey's 2019 Energy Master Plan (EMP) is to create a strategic vision for the production, distribution, consumption and conservation of energy in New Jersey. The State's energy policy should reflect the full scope of New Jersey's current energy sector as well as its future. New opportunities – jobs, industries and increased economic development – are a natural derivative as the State undertakes the imperative of expanding its green economy.

That said, among the challenges in taking on such a monumental effort is making sure programs are affordable, benefits are well quantified and effectiveness is achieved. While the EMP's goal is laudable, we would encourage an approach that nets early wins, such as creating documentable savings through the adoption of additional energy efficiency programs for residents, business and municipalities. While the NJ Board of Utilities' leadership, oversight and experience is critical to a successful implementation of the EMP, we believe stakeholders such as the those in the utility sector have incredible experience and expertise to offer and should be a valued partner in the State's efforts to meet these goals.

At this juncture, our primary concern is timing and the seemingly slow pace for approval, adoption and implementation of this program. With each passing month, we lose ground and fall further behind in achieving important clean energy goals for the State of New Jersey. Earlier this week, the American Council for Energy Efficient Economy (ACEEE) released it's fifty state scorecard.* While New Jersey is being applauded for developing a Clean Energy Plan, it will not move forward in the rankings – staying stuck in the middle of the pack – due to lack of execution. We would urge a more accelerated decision making process and execution timetable so that all stakeholders can begin to reap the benefits of proposed energy efficiency programs.

Clean energy is vital for our collective futures and we must work collaboratively to accelerate efforts to significantly reduce energy consumption, employ clean and renewable power, effectively modernize the grid and ensure the State's infrastructure is both resilient and sustainable. We are grateful for Governor Murphy's leadership in guiding New Jersey to a clean energy economy and look forward to the expeditious rollout of plans to help New Jersey achieve these important goals.

* https://aceee.org/sites/default/files/publications/researchreports/u1908.pdf

Submitted by: Jean Cantrell
Head-Government Relations
jean.cantrell@signify.com

sunrun

October 4, 2019

Aida Camacho-Welch
Secretary
New Jersey Board of Public Utilities
44 S. Clinton Avenue
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EnergyEfficiency@bpu.nj.gov

Re: **New Jersey Energy Efficiency Transition - Sunrun Comments on Program Administration**

Dear Ms. Camacho-Welch:

Pursuant to the New Jersey Board of Public Utilities' ("BPU" or "Board") September 23 Staff Stakeholder Notice ("Stakeholder Notice") regarding New Jersey's Energy Efficiency Transition, Sunrun, Inc. ("Sunrun") respectfully submits these comments. The Stakeholder Notice requests input on the preliminary issue of energy efficiency program administration. Specifically, the BPU requests stakeholder input on which entity should bear the responsibility of administering all energy efficiency programs in the state of New Jersey. We note that the BPU has indicated in the Stakeholder Notice that there will be several other opportunities to engage of other topics related to the implementation of the energy efficiency provisions of the Clean Energy Act of 2018.

Background on Sunrun and Engagement in New Jersey Energy Efficiency Proceedings

By way of brief background, Sunrun is the largest residential solar, storage, and energy services company in the country, with more than 233,000 customers in 22 states, including New Jersey, and in the District of Columbia and Puerto Rico. We pioneered the "solar-as-a-service" model over 12 years ago to make solar energy more accessible to residential customers. With Sunrun's rooftop solar, battery storage and energy services products, homeowners are saving money, reducing their greenhouse gas footprint, and becoming energy management partners capable of delivering grid benefits and lowering system costs for other ratepayers. In aggregate, customer-sited solar plus battery storage can provide tremendous peak reduction benefits to New Jersey ratepayers and the grid. As the stakeholder process continues and the BPU begins to delve into program design options for energy efficiency, Sunrun looks forward to providing additional input on effective mechanisms for integrating and scaling customer-sited battery storage to help meet New Jersey's clean energy goals. As you know, Sunrun is an active participant in Docket No. EO18101113, *In the Matter of the Petition of Public Service Electric & Gas Company for Approval of its Clean Energy Future-Energy Efficiency ("CEF-EE") Program on a Regulated*

Basis pending at the BPU. Sunrun is committed to collaborating with New Jersey energy stakeholders to create energy efficiency programs that empower consumers, reduce costs and facilitate a more resilient energy delivery system.

Sunrun attended the Stakeholder Meeting ("Stakeholder Meeting") on September 25 in Trenton. We greatly appreciate the presentations by experts, community leaders and BPU staff's overview of the stakeholder engagement process for energy efficiency implementation moving forward. BPU staff clarified that the September 25 meeting would be the first of several meetings on various subtopics including but not limited to, funding and budget, program structure, performance incentives, peak demand response and evaluation, measurement and verification. We look forward to engaging in those meetings and providing helpful input.

On September 25, a few of the speakers highlighted that in order to enable broader customer adoption of energy efficiency measures, New Jersey's energy efficiency program should be "simple" and prevent "market confusion." While Sunrun fully agrees that energy efficiency programming should be simple and easily accessible for all consumers, we would caution against administration of the program in manner that would stymie competition and consumer choice. Indeed, whether the administrator of New Jersey's Energy Efficiency transition is a utility or the state or perhaps a hybrid independent entity, the program should prioritize involvement of the private market in order to drive down costs, yield greater benefits and encourage entrepreneurship.

Broader Energy Efficiency Access Through Competition

As a restructured electricity market, New Jersey must support the participation of competitive suppliers and developers in the marketplace so that consumers are empowered to choose the energy services most affordable for them and their families. Upholding principles of competition not only drives down costs but is critical for the state's goals of greater diversity, economic development and community revitalization. Competition enables market players from under-served and underrepresented communities to contribute to our modernizing grid as entrepreneurs and owners of distributed energy resources.

These principles are well-established in New Jersey state law. Indeed, N.J. Stat. § 26:2C-45 states "that public utility involvement and competition in the renewable energy, conservation and energy efficiency industries are essential to maximize efficiencies" (emphasis added) and that "the use of renewable energy and that the provisions of P.L.2007, c.340 (C.26:2C-45 et al.) should be implemented to further competition" (emphasis added), and (ii) the guidance provided in N.J. Stat. § 48:3-98.1(b) that when determining the recovery by electric and gas public utilities of energy efficiency, conservation and renewable energy program costs, "the board may take into account the potential for job creation for such programs, the effect on competition for such programs, existing market barriers, environmental benefits, and the availability of such programs in the marketplace." (emphasis added). In order to ensure the highest value for ratepayers, both in the near and long-term and to meet New Jersey's statutory directives to advance competitive markets, energy efficiency programs must be structured to accelerate market understanding and the development of sustainable business models that can be implemented by competitive market providers.

Thank you for considering Sunrun's comments herein. Please do not hesitate to contact us if you would like further information regarding our input.

Sincerely,

Nicole W. Sitaraman

Nicole W. Sitaraman
Senior Manager, Public Policy
Email: nicole.sitaraman@sunrun.com

DSM Administration, Incentives, and Innovation

NJ BPU EE Stakeholder Advisory Group Meeting

Tanuj Deora

September 25, 2019

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Challenge:

Current approaches to customer-sited resource evaluation ***grossly under-value*** and ***systematically under-deploy*** behind-the-meter assets, resulting in a **less resilient, dirtier,** and **more expensive** energy system.

Solutions:

- Pressure test **methodologies**, **assumptions**, and **outcomes** of **market potential** studies
- Incentivize innovative deployment of technologies to **increase** technical, economic, **achievable potentials**
- Find tech & program **synergies**; eliminate barriers between EE, DR, other DER for savings & **demand flexibility**
- Move past prescriptive, cost-based oversight; **focus on outcomes, incentivize accordingly**

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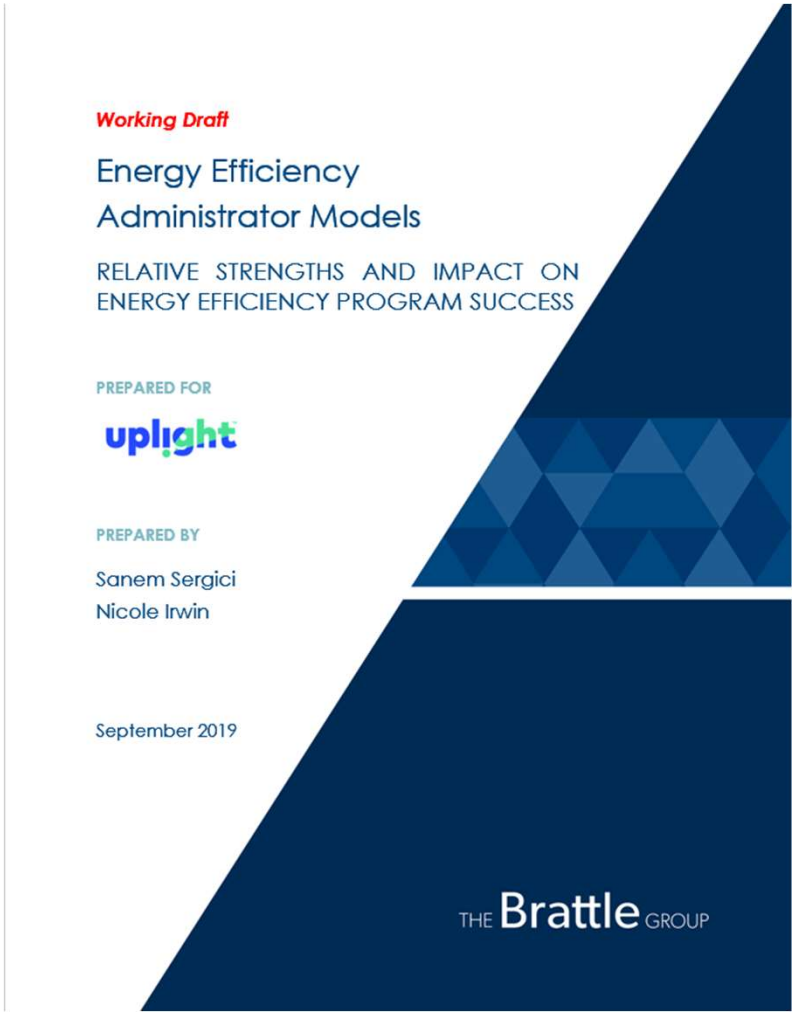
Who Should Run DSM Portfolios?

How Should they be Incentivized



Every DSM Administrator Model has a Unique Set of Strengths and Shortcomings

Table 1: Program Administrator Strengths

Relative Strengths:	Program Administrator		
	Utility	State	Third Party
Focus singularly on EE			✓
Align EE program with state policy goals		✓	✓
Integrate EE program with broader DER deployment	✓		
Acquire new customers at low cost	✓		
Design EE program to meet specific system needs	✓		
Independently compile customer data and analytics	✓		
Consolidate administrative functions across jurisdiction		✓	✓
Respond quickly to evolving industry/customer needs			✓
Direct accountability/transparency	✓		✓

Table 2: Program Administrator Weaknesses

Relative Weaknesses:	Program Administrator		
	Utility	State	Third Party
Potentially misaligned incentives	×		
Inability to provide robust EE program infrastructure and retain staff		×	
Subject to political pressures and budget expropriation		×	
High transaction costs		×	×

Source: *Energy Efficiency Administrator Models: Relative Strengths and Impact on EE Program Success (Draft)* The Brattle Group, 2019.

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Optimal DSM Deployment Responsibilities

	Characteristics	Appropriate Roles
Regulators	• Driven by societal interests • Enforcement capability	• Oversight & evaluation or planning (IRPs, program design) and operations
State Agencies	• Driven by societal interests • Low cost of capital • Long time horizons	• Industrial policy • Workforce development • Codes & standards (appliances, building) • Public sector finance (QECBs, MUSH EPC)
Utilities	• Existing consumer touch points • Access to capital • Accountability • Access to data	• Program administration • Consumer engagement • Resource integration
Third Party Providers	• High risk tolerance • Cross-jurisdictional / multi-state experience & expertise	• Research, development & deployment • Marketing • Cutting edge data analytics application

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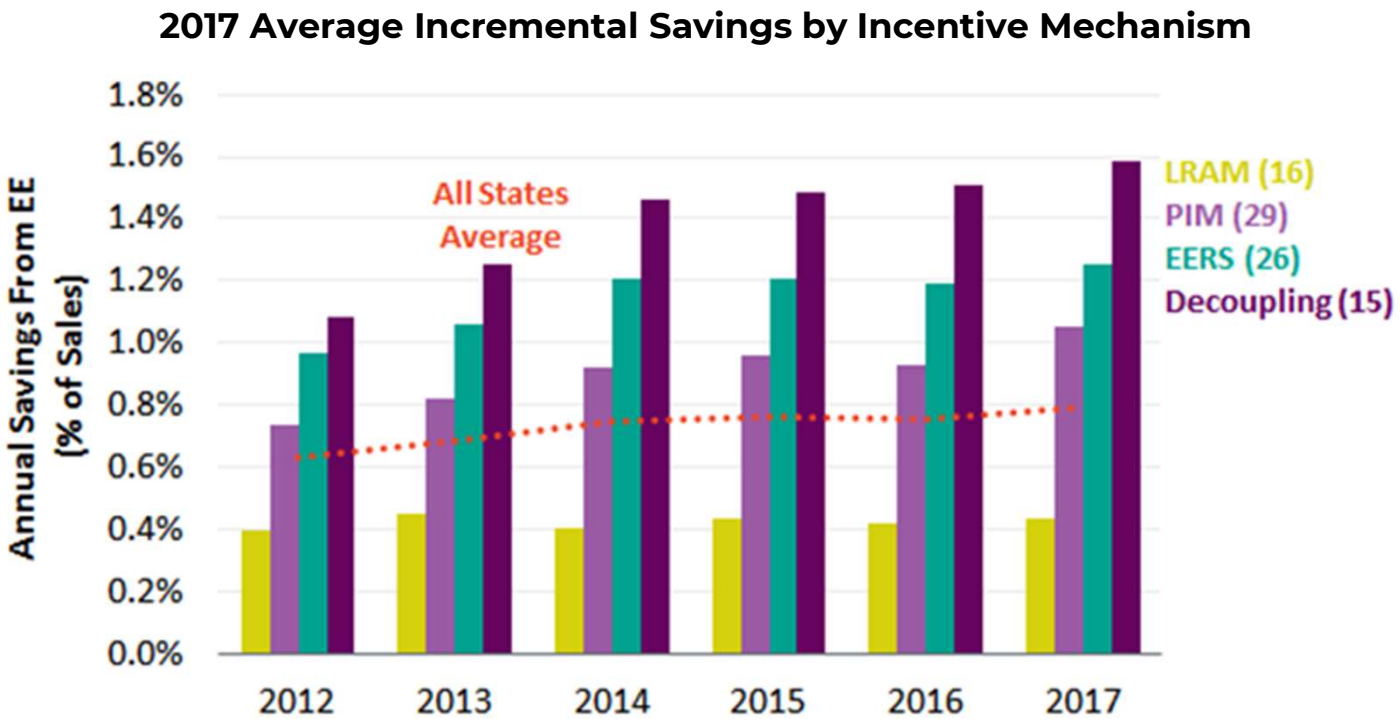
Utility Incentive Mechanisms have a Significant Impact on the EE Resource Realized



LRAM = Lost Revenue Adjustment Mechanism, PIM = Performance Incentive Mechanisms, EERS = Energy Efficiency Resource Standard

Source: *Energy Efficiency Administrator Models: Relative Strengths and Impact on EE Program Success (Draft)* The Brattle Group, 2019.

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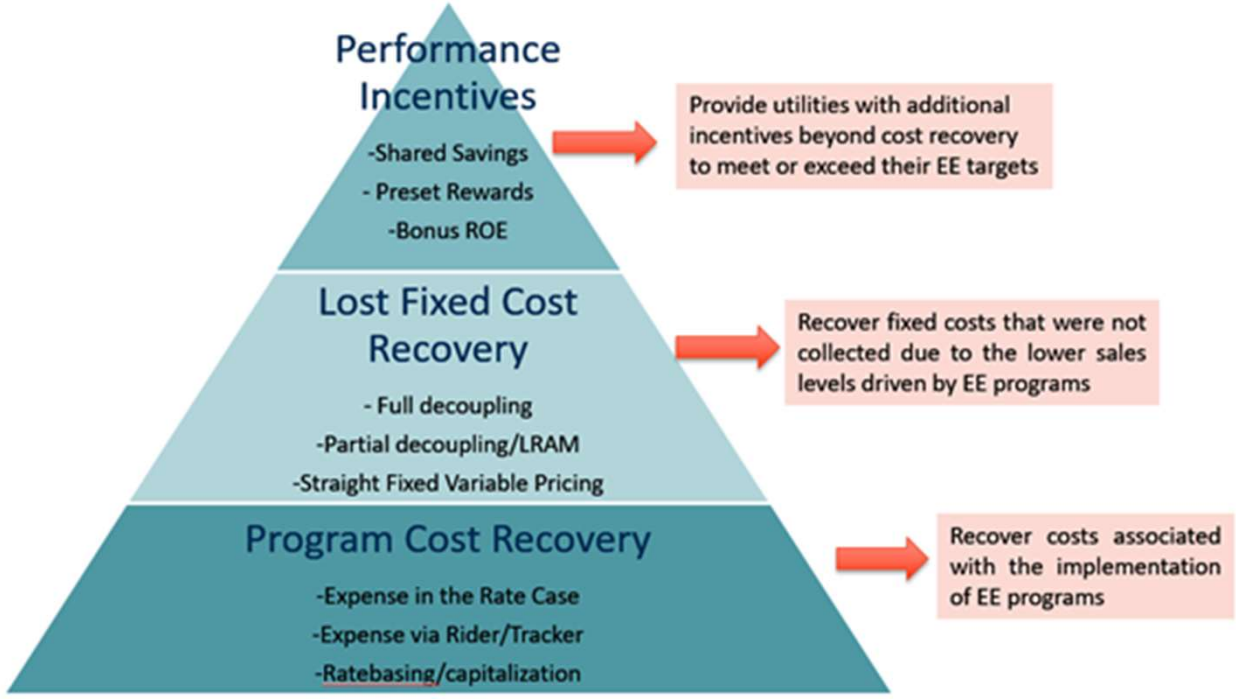
An Effective Incentive Regime Builds on Three Distinct Elements



Source: *Energy Efficiency Administrator Models: Relative Strengths and Impact on EE Program Success (Draft)* The Brattle Group, 2019.

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Principles for Utility Program Administration

Utility Scope	• Leverage utilities brands, touchpoints, access to capital, data to design integrated programs and engage consumers

Program Flexibility	• Learn from and adjust program parameters real time to:
	  ○ Ensure equity across consumers
	  ○ React to exogenous variables
	  ○ Maximize benefit/cost & reinvest redirect to successful approaches

Certainty & Continuity	• Consistency for consumers allows consumers and technology solutions providers to get comfortable with and make critical investments
Program Integration	• Getting the most from limited consumer touch points to cross-market • Ensure max utilization of tech (e.g. smart t-stats for EE & DR; advanced inverters for grid support)
Alignment of Incentives	• Develop & support incentives & business models to ensure the interests of utilities, solutions providers, individual consumers are aligned with the system & societal benefits

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Designing for the Future

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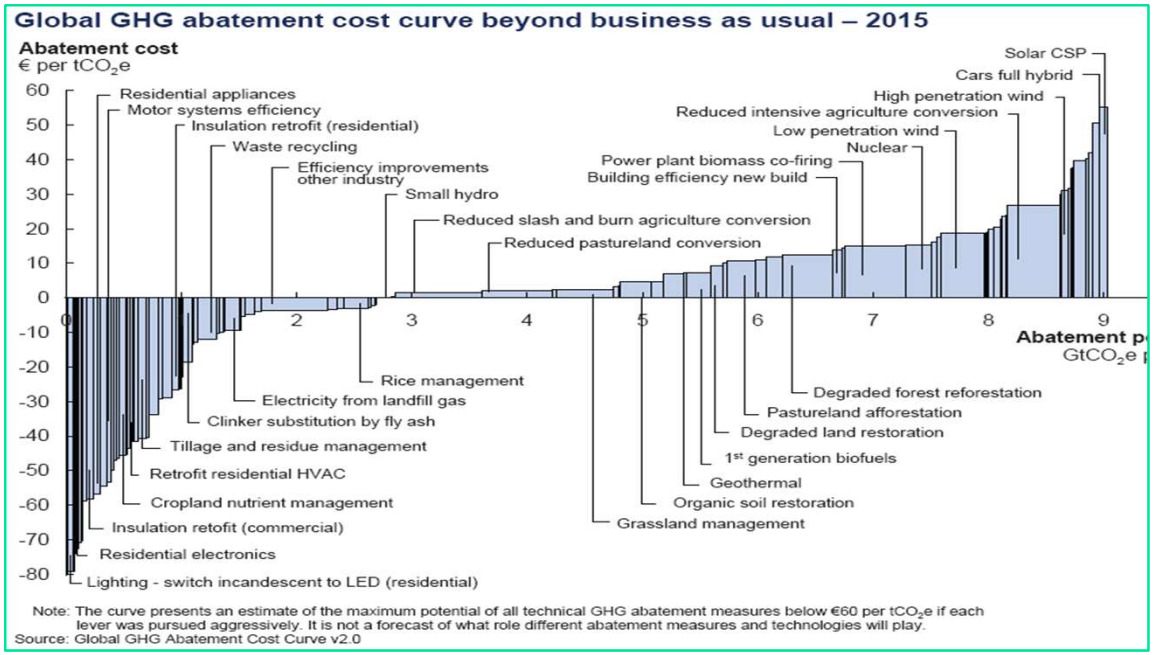
DSM Provides both Direct GHG Emissions Reduction and Indirect Reductions by Enabling Higher Levels of VRE Integration



Source: 2009 US Carbon Abatement Cost Curve, McKinsey

Consensus is Building on the Energy System of the Future

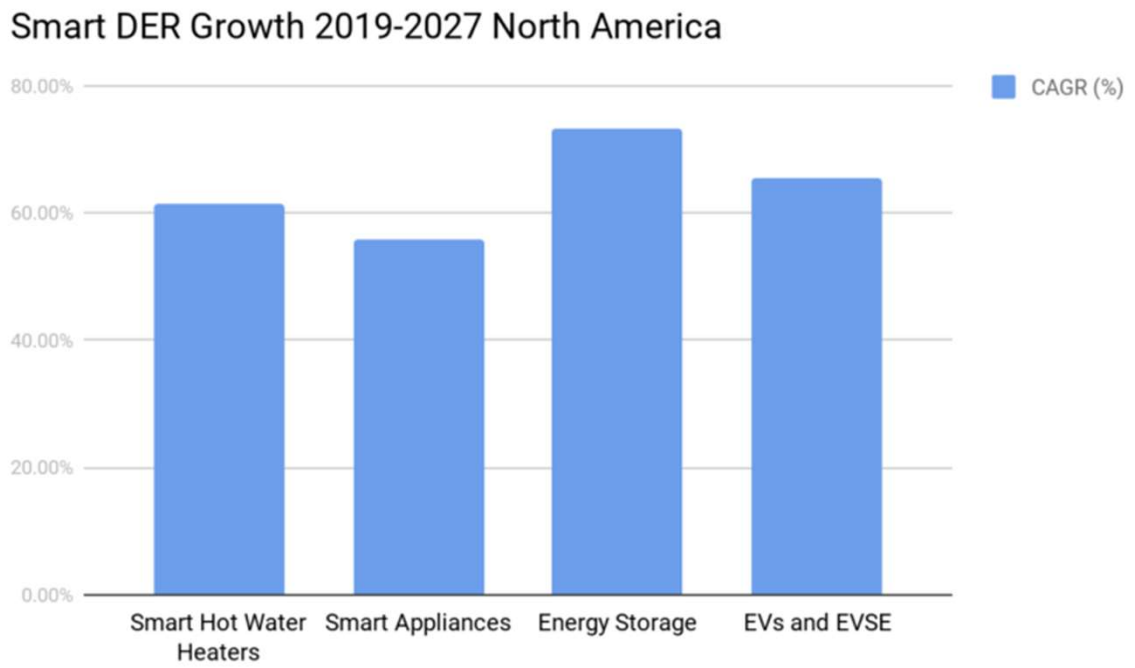
Decarbonized

Digitized

Distributed

Democratized

IoT-enabled DER will continue to grow at an impressive rate



Source: Navigant.

An IoT Optimized Future Delivers a Multitude of Value Streams

System Efficiency
Deliver 30%-40% of Needed Energy Sector Carbon Reductions

Demand Flexibility
VPPs & NWAs to Lower Supply Costs & Integrate Renewables

Value-Optimized Resilience
DER to Provide Resilience as a Service for Priority Loads

Engaged Consumers
Reset How Consumers Think about Their Utilities

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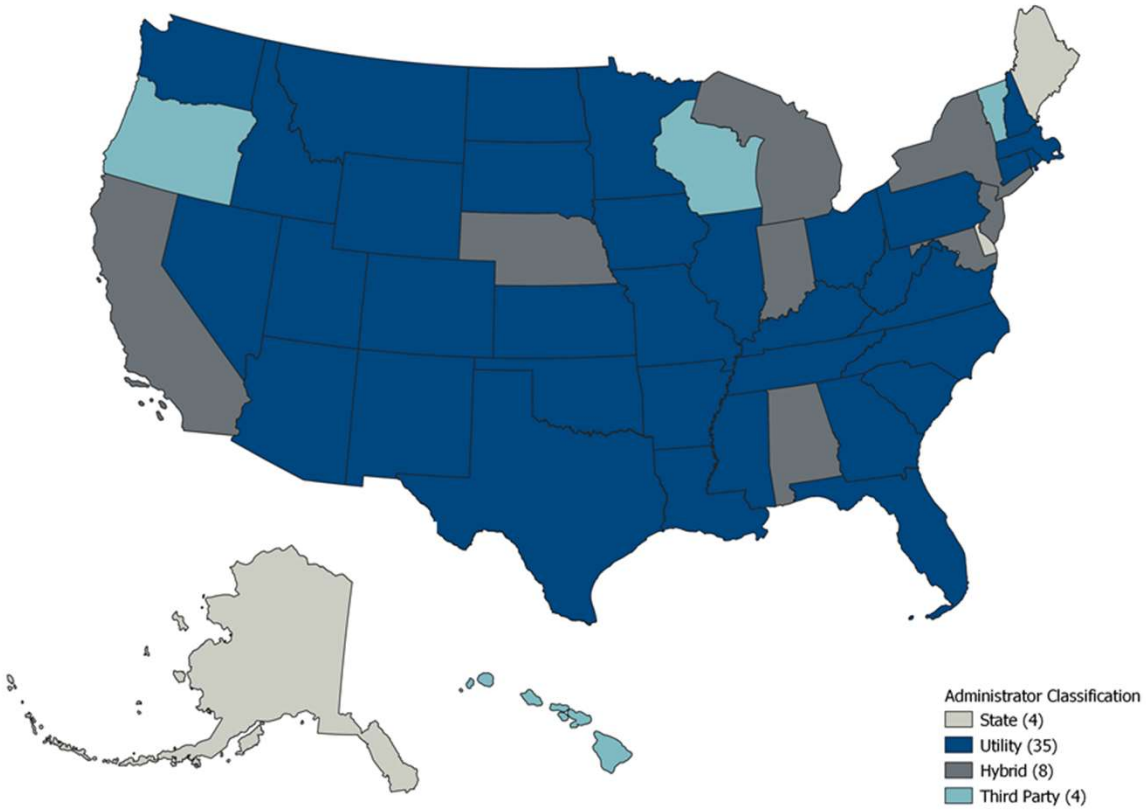
The Utility Administration Model is Dominant Across the US

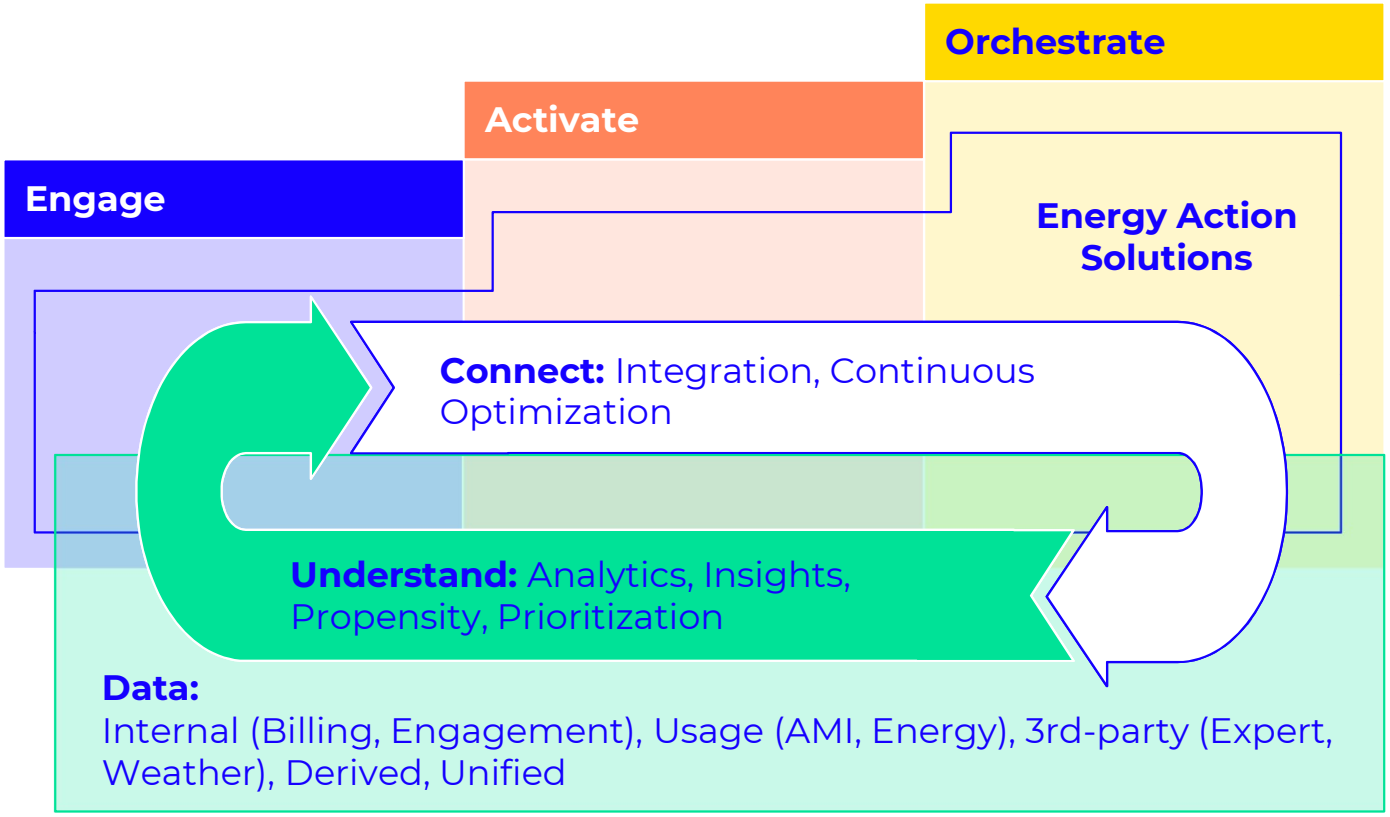


Source: *Energy Efficiency Administrator Models: Relative Strengths and Impact on EE Program Success (Draft)* The Brattle Group, 2019

Big DSM
& Decarb
Ambitions:

We Have
the Tech.

Do We Have
a Strategy?



Stages of Developing & Deploying an Effective DSM Portfolio

Source: *Energy Efficiency Administrator Models: Relative Strengths and Impact on EE Program Success (Draft)* The Brattle Group, 2019.

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About Uplight

OUR PURPOSE

To Create a More Sustainable Future

OUR MISSION

We Motivate and Enable Energy Users and Providers to Accelerate the Clean Energy Ecosystem

Certified B Corporation

Note: Uplight starts the audit for B Corp Certification on July 15 with an expectation of certification on August 3. Simple Energy, Inc., continues to be a Certified B Corp.

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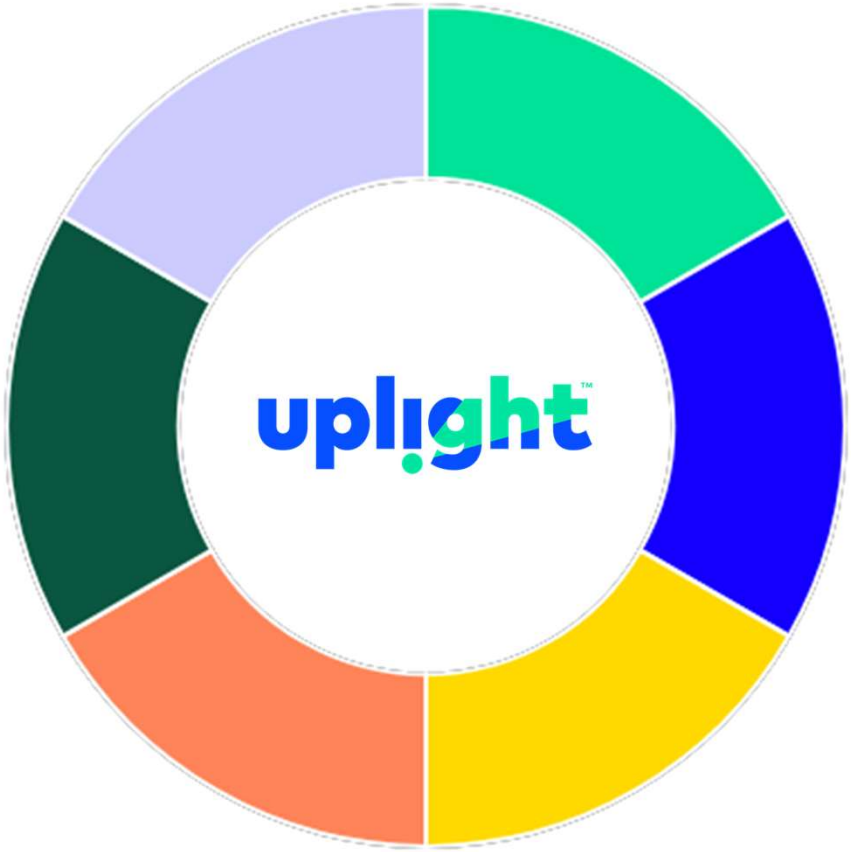
One Company Built From Six Leaders



Tendril
- EE at Scale
- Home Energy Management

Simple Energy
- Leading Marketplace
- EV & Renewables Advisors

FirstFuel
- Non-Residential
- Complex Building Analytics

EnergySavvy
- Utility Personalization
- Next Best Action

EEme
- Device Level Disaggregation

Ecotagious
- BEE portfolio
- Additional Disaggregation

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Uplight—Already Delivering to the Market at Scale

85 Global Utility Partners Serving 40 States and 5 Nations

Including electric, gas, and regional programs

110 Million+ Residences and Businesses Reached

Via 20+ energy action solutions

31 Billion+ Data Points from 100s of Customer Attributes

Powering personalized insights—
And energy actions taken

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WHAT IS UPLIGHT?

An end-to-end system, for energy users and providers, to power the customer energy experience and motivate customers into action.

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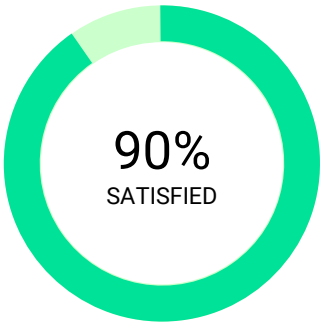
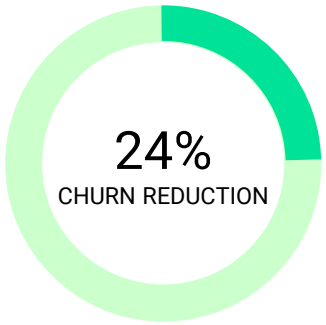
CASE STUDY

Our Solutions Have Proven Results



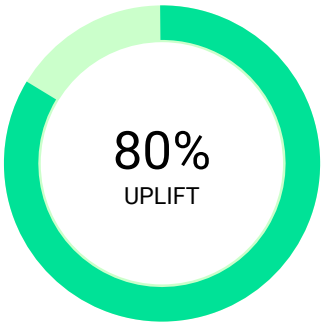
Satisfaction

Comprehensive customer satisfaction surveys for retailer Uplight solutions



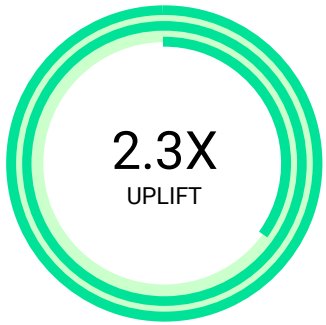
Retention

Retailer Partners reduced churn by 24% with Bill Analyzer digital engagement solutions



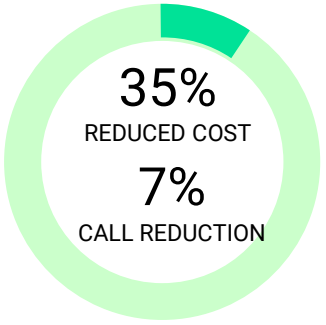
Acquisition

Uplight lifted SunPower's response rates by 80% by modeling the viral spread of home solar and predicting who is most likely to go solar next



Cross-sell

Personalizing cross-sell products and service through marketplace enables 2.3x uplift in cross sell value



Cost to Serve

Integrated platform approach proven to drive 35% reduction in cost to service + reduced high bill complaints by 7%

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Energy Efficiency Administrator Models: Relative Strengths and Impact on Energy Efficiency Program Success

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Prepared for Uplight, October 2019

Executive Summary

Energy efficiency (EE) will be a vital component of the formula for success as more cities, states, and regions set increasingly ambitious clean energy goals and carbon reduction targets. Meeting such goals will require improved coordination across the energy ecosystem, prompting a fresh look at the different models and incentive mechanisms for entities undertaking EE program administration and delivery steps. In this report, we review four types of EE administrator models that have emerged across jurisdictions, with a focus on their relative merits and potential weaknesses: i) utility administrator model; ii) state/government administrator model; iii) third party administrator model; and iv) hybrid model. We discuss each model's structural advantages and limitations, as well as the experiences in various U.S. jurisdictions to date to provide some insight into the effectiveness of each administrator model. A brief summary is as follows:

Utility Administrator Model

- Utilities have an established role as EE program administrators. Pre-existing relationships with EE industry contractors and customers, as well as access to detailed customer data on load and bills can benefit utilities when designing and implementing EE programs. Utilities can effectively integrate EE programs with broader DERs (including demand response, behind the meter generation and storage, and IoT device management) and grid modernization deployment and design the program to meet specific system needs.
- However, utilities may suffer from misaligned incentives. Our study shows that provision of conducive regulatory treatment, such as decoupling and performance incentive mechanisms, effectively addresses this problem and improves EE savings performance.

Third Party Administrator Model

- Third parties have the unique advantage of being able to singularly focus on EE programs and outcomes. Their business model is designed to be compatible with public policy goals and they are potentially more flexible to meet evolving industry and customer needs. A single third party is typically responsible for statewide EE programs and achieve some efficiencies relative to separate utility administration.
- However, this comes at the potential expense of systemic synergies in branding, customer acquisition and engagement, data analytics, and across the meter integration, which are typically utility strengths.
- It may take time for a third party to build up industry and customer relationships previously cultivated by the utility, and even once the third party is established certain functions such

as management of funds, other functions (such as measurement and verification) may need to remain with other entities to ensure proper treatment.

State/Government Administrator Model

- State/government administrators can integrate EE programs in context of other public policy goals such as decarbonization and bring spotlight to the EE programs, identifying best practice and providing room for innovative approaches, investing in workforce development, highlight economic development benefits, and educating consumers.
- State control of ratepayer funds intended for EE programs can be susceptible to redirection towards other state budgetary needs. The state may also have less existing expertise on EE program administration which takes time and resources to build up and maintain.
- State programs are the most difficult to integrate with utility programs, though it has been accomplished in a few jurisdictions after transition to the state administrator model.

Hybrid Administrator Model

- Hybrid models can leverage strengths of both utility and third-party or state entities, each of which can focus with greater clarity on its assigned responsibilities. Competition between entities can potentially lead to a greater diversity of approaches to EE.
- The arrangement may impose a greater administrative burden on the regulator and may be overall more costly to administrate given that two entities are working in parallel. Close coordination between administrators (either directly or through the commission) and a high level of collaboration between entities are key to reducing inefficiencies and enabling innovation in this model. The hybrid system should be designed such that distinct entities have distinct and complementary missions – overlap may risk confusing customers.

Table 1 provides a preview of our comparative summary of strengths and weaknesses across the various administrator models.

Table 1: Program Administrator Strengths and Weaknesses

Relative Strengths:	Program Administrator		
	Utility	State	Third Party
Focus singularly on EE			✓
Align EE program with state policy goals		✓	✓
Integrate EE program with broader DER deployment	✓		
Acquire new customers at low cost	✓		
Design EE program to meet specific system needs	✓		
Independently compile customer data and analytics	✓		
Consolidate administrative functions across jurisdiction		✓	✓
Respond quickly to evolving industry/customer needs			✓
Direct accountability/transparency	✓		✓

Relative Weaknesses:	Program Administrator		
	Utility	State	Third Party
Potentially misaligned incentives	×		
Inability to provide robust EE program infrastructure and retain staff		×	
Subject to political pressures and budget expropriation		×	
High transaction costs		×	×

We undertake a quantitative regression analysis to gauge the effectiveness of these alternative EE administrator models. A key aspect of our methodology is to incorporate the effect of various regulatory inventive mechanisms available to utilities across the U.S. to address program cost recovery, lost fixed cost recovery, and performance incentives. Given that energy efficiency programs have a direct influence on utility revenues, it is important to ensure that utilities' incentives are aligned with EE program objectives, and any such exercise would be incomplete without bringing incentives into the picture. Our analysis accounts for these and other drivers associated with the success of EE programs over 2012-2017, in the 50 U.S. states and the District of Columbia, including the impact of administrator model on program success.

Our findings indicate that it is not so much the administrator model but rather regulatory incentive mechanisms (specifically, decoupling and performance incentive mechanisms) that are associated with strong EE performance. Other drivers such as a long term and credible commitment to energy efficiency program pursuit by states, which manifest themselves in ambitious savings goals and dedicated funds for EE programs, also have a significant impact on state progress towards EE savings. Table 2 summarizes our results.

Table 2: Regression Results from Alternative Specifications

	Model 1		Model 2		Model 3	
Variable	Estimate	Pr(>|t|)	Estimate	Pr(>|t|)	Estimate	Pr(>|t|)
Intercept	0.35%	0.14	-0.55%	0.03 *	-0.39%	0.10
EERS Goal (% of sales)	-	-	0.20%	0.00 **	0.18%	0.01 **
Full Decoupling (binary)	-	-	-	-	0.13%	0.04 *
LRAM (binary)	-	-	-	-	-0.04%	0.45
PIM (binary)	-	-	-	-	0.11%	0.02 *
Restructured State (binary)	-	-	0.07%	0.46	0.04%	0.60
Electricity Price (c/kWh)	-	-	0.04%	0.00 **	0.03%	0.00 **
Utility Administrator (binary)	0.22%	0.40	0.27%	0.10	0.20%	0.20
Third Party Administrator (binary)	0.96%	0.01 **	0.32%	0.06	0.19%	0.20
Hybrid Administrator (binary)	0.34%	0.24	0.23%	0.18	0.14%	0.37
EE Spending (% of Revenue)	-	-	0.20%	0.00 ***	0.19%	0.00 ***
Year Trend (yr since 2011)	0.03%	0.00 **	0.02%	0.04 *	0.02%	0.03 *
State GDP per Capita	-	-	1.39%	0.38	-0.14%	0.92
R^2	11.90%		84.35%		85.48%	

Notes: * Pr (>|t|) < 0.05, ** Pr (>|t|) < 0.01, *** Pr (>|t|) < 0.001

A few of our key takeaways from the research and analysis undertaken in this study are:

- All administrator models have certain strengths and weaknesses. Each jurisdiction should weigh the relative strengths and weaknesses of each administrator model and decide which one is likely to yield the least-cost and most sustainable framework for administering and delivering EE programs.
- While energy efficiency administrators play an important role in effective program budget setting, management, and in some cases execution of the EE programs, utilities' full support and pursuit of these initiatives plays a key role in the success of these programs (even when the utility is not itself the EE program administrator). More specifically, utility incentives should be aligned with the goals of the EE programs by providing them with certain and timely program cost recovery, eliminating risk of lost revenue (decoupling), and providing ways to improve their earnings in the form of performance incentive mechanisms.
- Our results suggest that while energy efficiency model administrators are important for effective implementation of energy efficiency programs, no single model is associated with better EE performance, as measured by annual EE savings. What seems to matter most is the availability of full decoupling, performance incentive mechanisms, and having a state level energy efficiency goal. These three drivers collectively highlight the importance of a state's commitment to a long-term energy efficiency agenda and enabling utilities such that they have the right incentives to help and be partners in achieving that agenda.
- Given that incentive policies have more of an impact than the administrator model on EE program success, then perhaps it makes the most sense to leave EE administration functions with the "default" entity (the utility in most instances), if the entity has a proven record of delivering successful energy efficiency programs. At least in jurisdictions that have not already implemented a different model, it would require a significant amount of start-up cost and transition time to establish a new entity (third party or state administrator) that does not already deal with electricity customers.