NJUA
NEW JERSEY UTILITIES ASSOCIATION

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November 17, 2010

Ms. Kristi Izzo
Secretary of the Board
State of New Jersey
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

Re: I/M/O COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR 2010-2011: 2011 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS: TRANSITIONS WITHIN THE CLEAN ENERGY PROGRAM

BPU Docket No.: EO07030203

Dear Secretary Izzo,

On behalf of the seven investor-owned energy utility company members of the New Jersey Utilities Association (NJUA),[1] I am writing to provide input on the proposed 2011 budget for New Jersey's Clean Energy Program (NJCEP). As you know, NJUA provided a statement at the November 10th hearing that covered the NJCEP proposed budget and the preliminary paper on the transition of NJCEP. This letter only addresses the 2011 budget proposal as NJUA intends to file separate comments regarding the transition on November 26th. We appreciate the opportunity to provide input and continue to support the State's efforts to maximize limited resources while at the same time forging ahead to help consumers and businesses reduce their energy costs and advance New Jersey's economic development and environmental protection goals.

Each of the companies listed in this letter participated in the last revision of the Energy Master Plan ("EMP") and has a wealth of experience in delivering energy efficiency programs to their customers through various platforms, including direct program delivery, delivery through contractors and delivery via competitive procurement. These companies are still active participants in the NJCEP's Energy Efficiency and Renewable Energy Committees. Many are delivering supplemental energy efficiency, renewable energy and demand response programs or enhanced features of NJCEP programs, and some have experience delivering clean energy program solutions in other states.

As a result of our continuing involvement in the NJCEP committees, our specific input on the 2011 budget proposal will be brief. We are pleased to note that the proposed budget already reflects utility input as it was developed with broad stakeholder participation over the past few months. We believe

[1] The companies represented through this letter include Atlantic City Electric Company ("ACE"); Elizabethtown Gas Company ("E'town"); Jersey Central Power & Light Company ("JCP&L"); New Jersey Natural Gas Company ("NJNG"); Public Service Electric and Gas Company ("PSE&G"); South Jersey Gas Company ("SJG") and Rockland Electric Company ("RECO").

that the core of the budget reflects a balancing of competing priorities and limited funding. The reduction in administrative costs as a result of streamlining processes is clear evidence that there are opportunities to make the programs more cost effective with minor adjustments. Although NJUA is generally supportive of the budget as proposed, we would like to share the following concerns:

- Until 2007, many of the NJCEP programs were administered by the utilities. Importantly, when the decision was made to transfer those programs from the utilities to the State, it took more than three years to execute that transition. Managing the 2011 budget as proposed will require continuity beyond the proposed six month contract extension. In order to minimize market disruptions and customer confusion, we would encourage you to extend the Market Managers' contracts until the end of 2011. In so doing, you will allow for the EMP revision to be finalized and for the State's direction to be sufficiently clear to allow for reasonable transition planning. Moreover, establishing stability in the program structure should help all stakeholders and assist in effective longer range planning.

- To the extent that there is any additional funding available or the opportunity to shift funding, the Comfort Partners Program budget should be increased. The Comfort Partners Low Income Program has served over 55,000 households-helping them to make their energy bills more affordable and leading to significant savings on the amount of the participants' energy burden that is subsidized by all utility customers through the Universal Service Fund (USF) program. New Jersey's program has been recognized nationally for its success in delivering proven energy savings and continues to have broad-based support, as demonstrated by the specific references to its success by the Director of Rate Counsel, NJUA and other speakers during the November 10th public hearing. Comfort Partners is a perfect example of a successful societal benefits program as the implemented energy-efficiency measures lower long-term societal costs by reducing or potentially eliminating the subsidy that is provided by USF in future years for customers that participate in the program, thereby benefiting all energy customers.

- There is no money budgeted for 2011 for utility costs for Clean Power Choice, despite the fact that the utilities are continuing to run the program and included electronic data interchange ("EDI") costs in their compliance filing. The utilities expect to incur these costs, but the Board should know that without appropriate cost recovery the utilities will be unable to continue their involvement in the program. Accordingly, we would recommend that funding be made available to support the utilities' continued involvement in Clean Power Choice for 2011.

- New programs should be established on a pilot basis. The budget reflects a substantial allocation of funding for the development of new programs and/or approaches. In fact, more than 20% of the proposed NJCEP funding has been made available for new programs, including $30 million for a program that has not yet been fully developed as a concept. The Board has traditionally recognized the need to proceed cautiously with new approaches and frequently approves new utility programs or mechanisms as pilot programs in order to evaluate the results prior to expanding or adopting for a longer term and the commitment of significant resources. For example, we note that NJLEUC (New Jersey Large Energy Users Coalition) has recently submitted a proposal for a "Commercial and Industrial Self-Directed Investment Pilot Program." Although we are continuing to evaluate the merits of the proposal, we agree with NJLEUC's

determination that it makes sense to initiate a pilot program before a more broad-based program is implemented. Accordingly, the Board may wish to consider utilizing a portion of the above-mentioned $30 million, essentially allocated to explore new program approaches, for the purposes sought by NJLEUC.

- New program approaches should also contain some basic, critical administrative elements, including measurement and verification. It is important to note that the delivery of programs always includes administrative costs irrespective of which entity or entities deliver them. With respect to the desire to test a new competitive solicitation process, it is critical to recognize that the process of measuring and verifying energy savings achieved is labor intensive for customized solutions and programs. The goal should be to optimize resources but with recognition that, by its very nature, the delivery of energy-efficiency initiatives with any form of societal subsidy requires significant resources to maximize the benefits for which customers will be asked to pay. Absent clear definition of alternative goals, metrics and reporting requirements for new programs, all new programs should comply with the same reporting requirements and undergo the same evaluation as existing programs to determine actual program impacts and identify lessons learned to ensure critical feedback to ongoing program design and delivery. Additionally, there of course needs to be identification of the funding source for new initiatives as well as the recovery period.

Please feel free to reach out to me to discuss any of the points addressed through this letter. On behalf of the NJUA energy member companies, we again thank you for the opportunity to provide input.

Sincerely,

Karen D. Alexander

Karen D. Alexander
President and Chief Executive Officer

NEW JERSEY CEP TRANSITION PAPER TESTIMONY FILING

Prepared for:

New Jersey, Board of Public Utilities

Prepared by:

US DOE Mid-Atlantic Clean Energy Application Center

November 16, 2010

Policy Filing

U.S. Department of Energy
Mid-Atlantic Clean Energy Application Center
Promoting CHP, District Energy, and Waste Heat Recovery

NOTICES AND ACKNOWLEDGEMENTS

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Confidentiality: This filing is considered public information

Report preparation: This report was prepared by Gearoid Foley, an MA-CEAC Senior Advisor and President of Integrated CHP Systems Corp., 50 Washington Road, Princeton Junction, NJ 08550, Phone: (609) 799-2340 and email: gearoid@ichps.com and Richard Sweetser an MA-CEAC Senior Advisor and President of *EXERGY* Partners Corp. 12020 Meadowville Court, Herndon, VA 20170, Phone: (703) 707-0293 and email: rsweetser@exergypartners.com.

Purpose: The purpose of this filing is to provide testimony in response to the NJ CEP Transition Paper and to support the adoption of combined heat and power (CHP) and combined cooling, heating and power (CCHP) systems in New Jersey.

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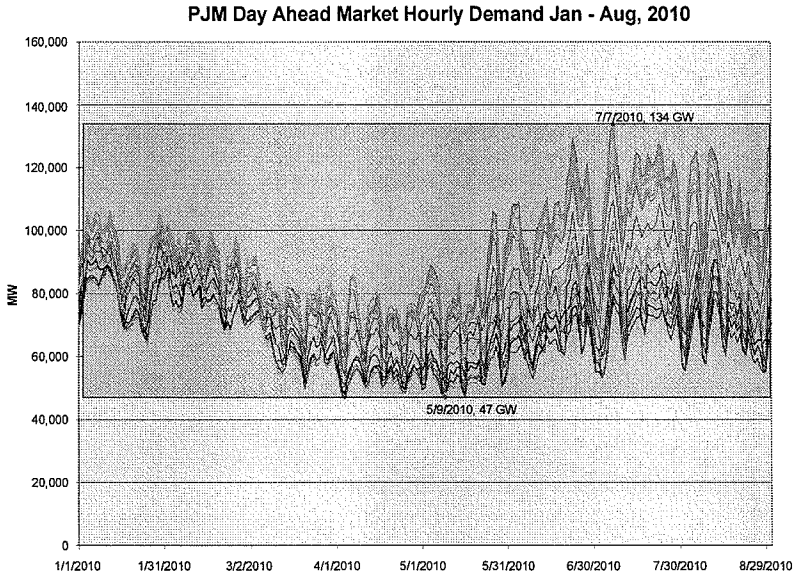
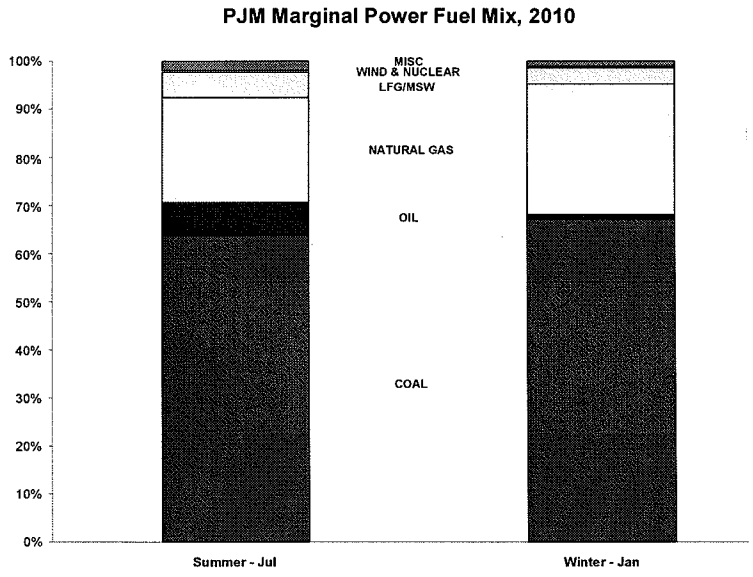
OPENING STATEMENT

We appreciate the opportunity to address the NJ Board of Public Utilities as it deliberates on the future direction of the Clean Energy Program and energy policy in general. The testimony here is derived from our work relating to the implementation of combined heat and power, district energy and waste heat recovery both in NJ as well as throughout the Mid-Atlantic region.

While we support the Board's efforts to increase renewable power generation, utilization of 'opportunity fuels' such as landfill and digester gas as well as adoption of cost effective energy efficiency measures, it must be recognized that these measures in combination amount to less than 10% of the total power supply. New Jersey obtains the vast majority of its power from the PJM Independent Systems Operator which is heavily reliant on coal fired power generation. The adjacent chart shows the 'Day Ahead' market demand which represents approximately 99% of the PJM supply. The first 40 GW of power supply is considered the 'Baseload Supply' and is generated from large coal and nuclear plants. The remaining almost 100 GW is considered the 'Marginal Supply'.



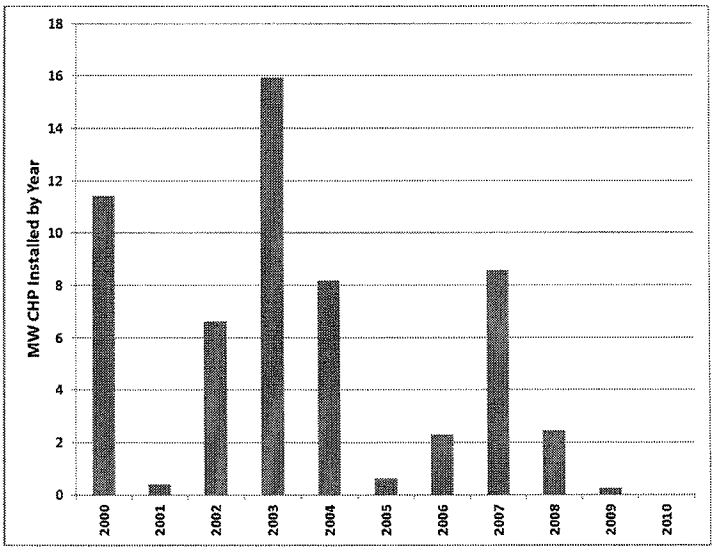
The adjacent chart shows the fuel mix for PJM's marginal power supply and demonstrates that approximately 65% of our marginal power supply is generated by coal plants. PJM dispatches generation based on supply cost and available capacity with regard to transmission constraints. While NJ deliberates on its clean energy programs, the fact remains that the vast majority of our power is based on an economic dispatch model without regard to emissions. Meanwhile, according to a recent Wood Mackenzie report, up to 60 GW of coal fired generation will be retired over the next decade due to aging, new environmental regulations, competition from low cost natural gas generation as well as financial support prompting the implementation of large scale wind generation. Independently, the North American Reliability Council (NERC)[1] recently stated that "Up to a 78



[1] Reference NERC's analysis Potential Resource Adequacy Impacts of U.S. Environmental Regulations,

GW reduction of coal, oil and gas-fired generating capacity was identified for possible retirement during the [next] 10-year period. NERC is seriously concerned about the consequences of these retirements on system reserve capacity. The PJM Market Monitor 'State of the Market Report' for 2009 states that over 11 GWs of coal fired units are at risk of retirement due to their inability to cover their avoided costs. This gives rise to a serious issue - **Where will New Jersey obtain the 'other' 90% of its power supply over the next decade and beyond, and what control does it have on emissions from this supply.** The Mid-Atlantic Clean Energy Applications Center (MA-CEAC) has previously submitted a report entitled "New Jersey Combined Heat and Power Market Assessment" which reviews the benefits offered to NJ by adopting CHP as well as the market potential and a review of the effects of various straw policies aimed at stimulating the CHP market. A copy of this report accompanies this submission. The attached version is a revision of the original version previously submitted to incorporate the effects of a market based CHP portfolio standard with associated compliance payments.

Moving forward, the choice becomes clear, will NJ continue to import the vast majority of its power from out of state power producers through PJM and suffer the consequences of increasing cost due to coal retirements and increased transmission requirements or will we implement more in-state power generation. In addition to the coal retirement issue, the advent of Marcellus Shale natural gas provides an opportunity for NJ to make a clean cost-effective choice by stimulating the development of Combined Heat and Power (CHP). While development of in-state natural gas fired combined cycle plants do offer a potential solution to replace base load capacity, their long term investment horizon and transmission costs hinder their development for marginal capacity. CHP offers many of the same advantages as combined cycle plants including reduced emissions compared to the existing power supply, reducing retail power costs, leveraging private investment, creating jobs and perhaps most importantly retaining jobs in NJ. CHP offers the additional benefits of having shorter term investment horizons and freeing up existing transmission lines. While CHP operates at the same effective cost per kWh as combined cycle plants, it does not incur transmission or distribution costs and is therefore a cheaper solution for the rate payer. CHP is also more amenable to replacing marginal capacity which results in higher emissions reductions versus replacing base load capacity.



Much of this has been recognized by the Board which has made several efforts to stimulate the development of CHP in NJ. The 2008 NJ Energy Master Plan called for implementation of 1,500 MW of CHP over the 10-year forecast period. However, these efforts have not been met with success. The adjacent graph shows the volume in MW's of CHP installations in NJ since 2000 according to a Department of Energy sponsored report by ICF International. Multiple CHP support programs have been instituted including the BPU 'Pay for Performance' program and the utility based 'Carbon Abatement Program'. While these programs did incorporate CHP as an acceptable measure, they have in fact resulted in no CHP projects being implemented. We need to address this issue and stimulate the development of CHP in New Jersey. Following are the recommendations of the MA-CEAC in relation to the development of CHP according to the questions posed in the NJ CEP Transition Paper.

RECOMMENDATIONS

In order to stimulate the implementation of highly efficient CHP in New Jersey a new approach is required that will both jump start the industry in the short term as well as provide long term signals and support to sustain the industry in the long term. The current situation not only results in a serious lack of adoption but also threatens to dismantle the infrastructure required to support the industry. This infrastructure including engineering expertise and developer interest takes years to build and we can not let is dissolve now. We do believe that there is a path forward that can meet the Boards goals of transitioning from a grant based system to a market based system. However, the long term nature of project development must be taken into account so that the transition can accommodate revitalization of the industry.

In the short term, continuation of the existing capital grant approach with a transition to a CHP Portfolio Standard in the long term would revive CHP within the state. In addition other measures need to be implemented to both support development of CHP as well as remove barriers to its implementation through the transition period.

Short Term Capital Grant Program: It is evident from the poor performance of existing programs that CHP needs to be treated as a separate program area apart from energy efficiency. It also appears evident from the experience in NJ as well as other states in the region that CHP needs to be specifically defined in any electric utility based program. The existing programs offered a grant of $450/kWh that is on the low end of the scale by comparison with other programs in the region. MA offers up to $900/kW and NY offers a grant based on 30% of installed costs which typically amounts to $800/kW. A dedicated CHP program with a minimum of $450/kW should be continued over the next 5 years to resuscitate the industry and prevent the breakup of the industry infrastructure in NJ.

It is more desirable to have a neutral agency or independent program manager operate a specific CHP program. If the utilities are to manage a CHP program it must clearly delineate CHP and provide solid guidelines on implementation. To optimize the effects of such a grant program, proper technical pre-evaluation, as well as long-term performance reporting and evaluation are required. Proper quality control on the application and implementation phases of any CHP program are vital to ensure that we incentivize only the best plants which provide the maximum return on investment for the state as well as to the developer. Clear guidelines on annual useful output efficiencies combined with measurement and verification over the first few years of operation will avoid over sizing and poor performance. The performance metrics and production based payments utilized in the EDA Retail Margin Fund program are recommended with some minor adjustments to encourage utilization of high efficiency electric prime movers.

As acknowledged in the opening statement, none of the current programs have resulted in the development of a CHP market in NJ. However, the approach taken by the P4P program would potentially work if the initial facility wide audit requirement were removed. Most adopters of CHP are commercial, institutional and industrial entities that have already adopted energy efficiency measures. The requirement for these entities to prove a new 15% energy savings together with the cost of this audit are large impediments to their participating in the program. Another concern relating to existing programs is the lack of awareness or willingness among many of the approved program implementers to incorporate CHP in their evaluations. CHP by its nature combines multiple disciplines all of which are not within the scope of many traditional engineering companies. The payment mechanism being based on a fixed rate or 'per square foot' basis does not incentivize the engineer to consider this rather complex technology. This further supports the concept that a dedicated CHP program is necessary it we are to get positive results.

While the EDA's Retail Margin Fund program was cancelled, it did clearly demonstrate that a dedicated fund based on a $450/kW performance type grant can work for NJ. This program administered by the EDA with technical support from the BPU resulted in qualified applications for approximately 160 MW of CHP.

Long Term Market Based CHP Portfolio Standard: In the long term, the CHP industry can be encouraged to continue the development of plants to support clean efficient in-state generation through a CHP Portfolio Standard similar in nature to the existing Solar REC market. Given that the cost for CHP is considerably less and the developers are willing to fund the majority of the cost, this program would have a compliance payment well below the support levels needed for renewable generation. This mechanism allows for implementation of CHP through utility compliance payments that recognize the societal benefits provided by CHP and may well have those costs offset by reductions in power costs due to reduced demand. This mechanism needs to be instituted through the legislative process with the Executive maintaining control on program management and oversight. A portfolio standard moving to 10% of NJ's energy supply with a minimum compliance payment of between $20 to $40 per MWh would provide the right long-term signal to the market, overcome capital cost impediments and provide the state with sufficient in-state power generation to reduce power costs to all rate payers. Other benefits with real value to NJ that are not accounted for in the cost of power include emissions reductions, reduced transmission infrastructure needs and grid support for intermittent renewables. The compliance payment minimum value depends on the term of the credit with the $20/MWh being suggested over a 12-year period or $40 over a 7-year period. The minimum compliance payment needs to be set for the full payment period with no further payments to the developer after the period expires. The market effect of this approach is reviewed in the accompanying New Jersey Combined Heat and Power Market Assessment report.

During the transition from the capital grant to a portfolio standard, CHP developers would have the option of accepting the grant payment or enrolling in the CHP credit program. After 5 years, the only option would be the credit program. This approach also opens up the possibility for utilities to participate directly by building their own CHP plants in NJ. The utility should further be incentivized by being to pass on the compliance payment to the rate payer even if they can produce the

Other Measures: During the 5-year transition from capital grants to a portfolio standard other measures need to be taken to help resuscitate and sustain the industry. These measures include the implementation of a "Permit by Rule" approach to air permitting for qualified CHP projects that meet efficiency goals and incorporate prime movers that meet state of the art emissions regulations for stationary engines. An interconnection standard for CHP needs to be developed for all state utilities that define all requirements and response time schedules. In addition a revolving loan program that helps to develop long term financing for CHP projects would work together with the portfolio standard approach to stimulate long term sustained development of CHP.

FOLLOW UP

I and my colleagues are available to discuss any of the above issues and will continue to support New Jersey in its efforts to develop a clean, cost effective and reliable power market through effective utilization of CHP in line with the NJ Board of Public Utility and Department of Energy's goals.

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December 3, 2010

VIA REGULAR AND ELECTRONIC MAIL
Kristi Izzo
Secretary of the Board
New Jersey Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
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Re: I/M/O COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR 2010-2011: 2011 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS: TRANSITIONS WITHIN THE CLEAN ENERGY PROGRAM
BPU Docket No.: EO07030203

Dear Secretary Izzo:

I write on behalf of the energy utility members of the New Jersey Utilities Association ("NJUA"), specifically, Atlantic City Electric Company, New Jersey Natural Gas Company, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas, Public Service Electric and Gas Company, and South Jersey Gas Company in connection with the ongoing discussions concerning the potential transition of New Jersey's Clean Energy Program ("NJCEP") to a new structure and in response to the White Paper on Transitioning Clean Energy Programs ("White Paper") prepared by the Staff of the New Jersey Board of Public Utilities (the "BPU" or "Board"). These comments reflect the consensus views of the above-referenced energy company members. Jersey Central Power & Light Company, and Rockland Electric Company will be filing separate comments.

As you know, NJUA provided a statement at the November 10th hearing that addressed high-level considerations shared by all of the New Jersey electric and gas utilities regarding transition of the NJCEP. NJUA appreciates the opportunity to provide more detailed input and support the State's efforts to maximize limited resources while at the same time forging ahead to help consumers and businesses reduce their energy costs and advance New Jersey's environmental and economic goals.

Each of the referenced companies to this submission actively participated in the last revision of New Jersey's Energy Master Plan and has a wealth of experience in delivering energy efficiency ("EE") programs to their customers through various platforms, including direct program delivery, delivery through contractors and delivery via competitive procurement. These companies are still active participants in the NJCEP's Energy Efficiency and Renewable Energy Committees.

Many are delivering supplemental energy efficiency, renewable energy and demand response programs or enhanced features of NJCEP programs.

NJUA's energy utility members propose that the administration of EE programs be established through a regulatory structure that is mindful of the interests of the State, utility customers, and utility shareholders. Further, NJUA's energy utility members believe that it is more prudent to resume utility EE program management and resolve the previously identified issues than to transition to a third administrative model in less than ten years.

What follows below are some essential attributes related to the delivery of robust EE programs for the State and discussion on how utility management of such programs can address those needs.

- **To grow energy efficiency as a market and achieve growth in green jobs, approvals and the payment of financial incentives need to flow on a timely basis.**
    - The current NJCEP program administrative structure is, of necessity, tied to many layers of Treasury rules. As a result, there are stumbling blocks and delays that could be eliminated under utility administration. As referenced during the November 10th public hearing by several speakers from the contractor community, currently, customers often wait months for rebate checks, a situation which adversely affects their experience with the program and increases the likelihood of negative impressions shared with others. Additionally, as also alluded to by some of the November 10th speakers, trade allies conceivably have tens or hundreds of thousands of dollars tied up while they await rebates being assigned to them or the receipt of direct incentives due to them. The utilities, as a result of utility working relationships with contractors, have also heard numerous stories of cash flow complications negatively impacting contractor businesses, delaying or negating growth, increasing the need for layoffs and even instances of refusing additional customer jobs. Under a utility managed structure, incentives and processing would not be linked to the current approval process and payments to both customers and contractors would likely be expedited, thus increasing program activity and positive impressions.

- **Streamlined processes can be established and will lower administrative costs.**
    - As the 2011 NJCEP budget planning process has already demonstrated, focusing on processes can significantly reduce administrative costs. We believe that the Board's decision to take a step back and evaluate the programs and the related processes was entirely appropriate and that this type of review should be an on-going responsibility for any program manager. It is in the interests of customers and stakeholders alike to develop a structure where the entity responsible for the delivery of the program is not compensated for processing specific administrative elements. It may still be necessary and cost effective to secure the services of certain contractors for the delivery of shared administrative services but that could be separated from the decision making responsibility on which administrative steps are necessary under a utility managed structure. Further, while concern has been expressed that a utility managed program

structure could translate into 7 sets of programs and administrative costs, NJUA's energy utility members stress that they are prepared to explore opportunities to standardize program elements and employ shared services where appropriate. The NJCEP Comfort Partners program serves as a great example of successful utility efforts to develop a common program and rely upon shared services to effectively serve the market.

- **There should be a portfolio of programs to serve the needs of different market segments.**
  - NJUA's energy utility members recognize the great potential for energy savings in the industrial and commercial sector and appreciate the need to refocus and shift greater resources to those areas. However, we would caution against entirely abandoning the residential and small commercial markets. Significant effort and resources have been invested over many years in these sectors and we do not believe that it would be in the State's long-term interests to discount those gains or cease entirely to grow them further. The work associated with these programs serves thousands of small businesses across the state that then drive significant economic activity at the local level. Further, robust energy efficiency programs for broad market segments are an important consideration for state efforts toward attracting green energy manufacturers to the state. Utilities have the best general knowledge of their own service territories and can also leverage account specific information to target and communicate with customers eligible for specific programs. Maximizing the use of utility communication channels and customer service infrastructure provides a cost effective means of reaching customers with information about mass market programs.

- **New approaches should be initially established on a pilot basis with the opportunity for implementation on a wider scale if evaluation shows favorable results.**
  - Unfortunately, the State's administrative requirements have negatively impacted NJCEP's ability to get new programs to market quickly. As an example, Office of Clean Energy ("OCE") staff, the Market Managers and many other stakeholders worked diligently to launch the current NJCEP Direct Install program. However, that effort took several years to move from concept to market and faced several implementation hurdles along the way. On the other hand, a comparable utility program was introduced within 7 months of BPU approval. Utility proposal and management of pilots for other operational areas are commonplace, with programs generally launched within months of BPU approval. Additionally, the BPU is able to authorize adjustments, extensions or modifications to such pilots on a comparatively expedited basis. Since there has been discussion about trying new approaches to developing and delivering EE programs, it is worth noting that in the last 18 months to 2 years, the utilities have introduced several new approaches to program design, such as on-bill financing and targeted market sectors. Utility management can expedite moving new programs to market while also providing the ability to expand or modify to maximize results.

- **Oversight and measurement and verification of the programs needs to be maintained under any structure but must strike a balance between obtaining useful results and the associated cost for oversight**
    - With respect to testing a new competitive solicitation process, it is critical to recognize that measuring and verifying energy savings achieved is a labor intensive effort for customized solutions and programs. The goal should be to optimize resources with recognition that, by its very nature, the delivery of energy efficiency initiatives with any form of societal subsidies requires significant resources to maximize the benefits for which customers will be asked to pay. Utilities are familiar with developing protocols for measuring energy savings and are in the best position to monitor actual results subsequent to customer participation in a program.

- **It is critical to set some long range planning targets so that trade allies can accurately gauge and plan their business needs to meet customer demand. However, there must be some level of flexibility within the program portfolio to allow for resources to be potentially redirected to meet demand or capitalize on success in other programs.**
    - Many contractors and trade allies express frustration with the single year planning horizon for NJCEP programs. That approach does not provide an opportunity for mid-or long-range planning for market participants in terms of staffing, anticipated work loads and investment in materials. A utility managed option may provide more flexibility in setting appropriate contractor guidance for future incentives and also for establishing a process to shift funding to meet market demands. We believe these concepts are worth exploring through a collaborative process.

NJUA's energy utility members believe that the interests of all stakeholders would be best served if a structure for the transition of NJCEP programs back to utility management is collaboratively developed. Based on the high-level concepts addressed herein, Appendix A to this document presents a starting point for a collaborative discussion of such a structure. Included in Appendix A are responses to elements within the White Paper, a suggested process for developing and managing the transition of programs and comments on approaches and models discussed in the White Paper. We also suggest that such a collaborative process be conducted on an expedited basis, especially if the Board draws on the expertise of the USDOE Technical Assistance Program ("TAP"). The question of optimal structure for governance, administration and delivery of programs has been evaluated in jurisdictions throughout the country with a range of structures and results. If the BPU is interested in exploring the utility managed options, TAP should be able to provide valuable input from successful programs in other states, thus helping New Jersey accelerate the decision making process to establish the best long term structure or mix of approaches.

NJUA's energy utility members appreciate OCE's leadership as well as the collaborative approach Staff has taken to analyzing the NJCEP transition issues and looks forward to continued discussions. As indicated herein and in the comments presented by NJUA at the November 10th public hearing, NJUA's energy

utility members would welcome the designation of a member of Senior Staff to facilitate the recommencement of a series of transition coordination meetings with the utilities, Rate Counsel and Board Staff, including as appropriate USDOE Technical Assistance Program input or participation.

We again thank you for the opportunity to provide input and look forward to continuing to work collaboratively with Board Staff on the NJCEP transition process.

Sincerely,

Karen D. Alexander

Karen D. Alexander
President and Chief Executive Officer

Appendix A

Preliminary Framework Discussion Points

Note: *As mentioned in the letter that accompanies this discussion document, the energy utility members referenced as participants in these recommendations[1] believe the interests of the State would be best served if key stakeholders addressed these concepts through a collaborative process.*

I. Proposed Framework for Utility Management of Energy Efficiency Programs

NJUA's energy utility members believe the utilities are uniquely positioned to provide administration for energy efficiency ("EE") programs in New Jersey under a regulatory structure that is mindful of the interests of the State, utility customers, and utility shareholders. What follows below are comments and observations intended to provide a framework for the beginning of discussions on how to achieve a workable plan that balances concerns about the need to deliver energy efficiency programs in a cost efficient and uniform manner with the equally important need to offer EE programs that address the unique market characteristics of the respective individual utility service territories.

1. NJUA's energy utility members recognize that effective energy efficiency implementation requires a mixture of approaches, including incentives, financing, buy-downs and potentially bidding for savings. We envision working with Office of Clean Energy ("OCE") and other stakeholders to develop the most efficient and cost effective approach for each market segment.
2. At the outset, NJUA's energy utility members agree with OCE that although utilities can and should continue to manage utility Renewable Energy (RE) programs approved under RGGI, it would not be appropriate for utilities, as participants in this market, to manage other aspects of RE such as SREC registration. Accordingly these comments are limited exclusively to utility EE management with the RE market function most likely best to remain with OCE.
3. It is assumed that the New Jersey Economic Development Authority ("EDA") would continue to manage the current loan and grant programs contained in the 2011 budget.
4. As part of the transition envisioned by the NJUA's energy utility members, there would be General EE programs and Market EE Segment programs. General EE programs would be jointly coordinated on a statewide basis and Market EE Segment programs would focus on specific market/customer segments that could be jointly coordinated depending on the segment.
5. The General EE programs would focus on residential, small business and any other programs implemented on a statewide basis.

[1] Atlantic City Electric Company, New Jersey Natural Gas Company, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas, Public Service Electric and Gas Company, and South Jersey Gas Company

a. From a customer perspective, the General EE programs would provide the same features and benefits throughout the State – same primary program design, program rules, and incentive levels, etc. although there may be some differences in delivery, e.g. utility on-bill repayment options.

b. NJUA's energy utility members propose to create an integrated structure for coordinating program design and delivery on a statewide basis for certain key functions. NJUA's energy utility members would identify areas where there may be the potential to share administrative functions and work to develop a structure to provide such functions across multiple territories, including the possibility of competitively bidding for the provision of certain shared services.

6. The Market EE Segment programs would focus on larger customers and could vary by utility, based on the customer demographics and the mix of customer segments and needs in their respective service areas.

    a. Market sector specific efforts have been a New Jersey Clean Energy Program ("NJCEP") goal for the last two years. These programs would seek to leverage and promote sector specific resources, benchmarking, financing, and other tools such as networks available through Federal resources or programs like Sustainable Jersey. Sectors that could benefit from a focused approach include industrial facilities and manufacturing, leased commercial space, hospitals/health care, and multifamily housing, etc.

    b. Where appropriate, NJUA's energy utility members would propose to coordinate and share administrative resources in Market Segment programs as well. For example, there are some customer sectors that have a large presence in one utility, but are relatively rare in other utility territories (e.g. industrial, multifamily housing, or agricultural). In such cases the utility with the larger concentration of these facilities could develop a program and delivery mechanism for that program. Utilities could implement an appropriate cost-sharing agreement that would enable the developing utility to provide services to customers in other utilities' territory. Program investments would accrue to the appropriate utility. This would provide significant efficiencies of scale for programs targeted at specific sectors.

7. NJUA's energy utility members enjoy a good relationship with the existing contractor base and would propose to develop program structures that continue to nurture and grow those relationships. Except for programs that rely upon direct installation of measures at a pre-approved price (e.g. Direct Install), the mass market programs would be open and available to all contractors that meet minimum program qualifications.

8. NJUA's energy utility members would develop a proposed structure for a fair allocation of shared costs where there are shared services. Cost sharing agreements have been collaboratively developed in the past for other programs and could be used as a model going forward. (As an example of one approach to successful agreements, the utilities have jointly managed, budgeted and shared costs for the low income Comfort Partners program on a statewide basis for the last 10 years.)

9. NJUA's energy utility members expect that all reasonable costs incurred would be recovered. Energy efficiency programs that include utility investments which are amortized over time (e.g. customer energy conservation measures, incentives and customer financing) and incurred financing costs should be recovered using the respective utilities' rate of return consistent with N.J.S.A. 48:3-98.1. Operating expenses would be recovered on an annual basis and would not include a return component.

10. NJUA's energy utility members could fund a firm to perform essential monitoring and coordinating services, similar to the role that Applied Energy Group currently performs for OCE – reporting, coordinating the utilities and other stakeholders, evaluation, etc.

11. As contemplated herein, the NJBPU, through the OCE would provide policy direction and regulatory oversight for state-wide and utility specific energy efficiency programs. The costs for OCE could continue to be funded through the SBC. Under the proposed paradigm, OCE responsibilities would include:

    a. Establishing energy efficiency goals consistent with available funding, the Energy Master Plan and other state policies,

    b. Reviewing and approving program plans and budgets submitted by the utilities,

    c. Setting requirements, protocols and priorities for program evaluation, measurement, verification and reporting including cost effectiveness assessment and related research,

    d. Preparing and publishing regular reports of overall progress towards Energy Master Plan energy efficiency goals, and

    e. Supporting program coordination with state agency programs and policies

12. Funding sources for energy efficiency in 2011 and 2012 should be a combination of the Societal Benefits Charge ("SBC") and RGGI clauses. The exact mix and amount will depend upon decisions made relative to utility incentive mechanisms. We expect that in 2012 the CRA Proceeding schedule would still apply and funding levels for 2013-2016 would be established through that process. Additionally, funding to support OCE's responsibilities defined above should be provided through the SBC funding mechanism along with any programs that may be retained by OCE.

13. NJUA's energy utility members continue to believe that funding energy efficiency through the RGGI model statutorily authorized in N.J.S.A. 48:3-98.1 is in the best interest of all stakeholders. As the State puts more emphasis on financing energy efficiency, the utilities are uniquely positioned to provide this service, particularly for residential and small business customers where commercial lending may not be viable and certain market segments where there is not ready access to financing.

14. In order to provide stability for all stakeholders, customers, contractors and the utilities, multi-year budgets and plans, subject to an overall budget cap, should be approved by the Board. Board approval would be required to exceed the cap.

II. Transition Process

NJUA's energy utility members fully agree with the position taken in the NJCEP Transition White Paper at page 3 that "planning will be key to an effective transition." Significantly, the transition process must include adequate lead time to ensure that there is minimal disturbance in the marketplace, both for customers and contractors. We believe the following approach could meet this objective if all parties are prepared to execute an expedited process.

1. Extend the Market Managers' contracts through the end of 2011. This will ensure stability in the markets while the parties determine the final rules and structure under which the utilities would operate.
2. Direct the utilities, Staff and Rate Counsel to develop and recommend the organizational, accounting, funding levels, programs and implementation ground rules under which the utilities would be operating beginning in 2012. NJUA's energy utility members suggest that a senior BPU staff person be assigned to coordinate and manage this process.
3. The Board could then address the recommendations.
4. The utilities would then submit appropriate filing(s) for the agreed to programs. Where appropriate these would be joint filings.
5. Once approved, the utilities would develop and implement the organizational, management, accounting, personnel and contractor structures required to assume responsibility for the energy efficiency programs.

III. Utility Management of EE Programs and BPU/OCE Objectives

Section 4 of the White Paper asked that certain Objectives be considered as a guide in considering the future structure of the NJCEP and the overall transition. The following delineates why the utilities are best suited to meet these objectives.

1. Advancing the Governor's goal of enhancing economic development and job creation:
    a. Where appropriate, NJUA's energy utility members are committed to using the existing NJ labor, contractor, supplier, engineering and energy services base to implement the energy efficiency programs. Using the existing base to meet program implementation needs will allow rapid job creation along with a multiplier effect throughout the NJ economy. Additionally, the utilities could provide support to the existing base by providing timely payments to all service providers.
2. Supporting the revised EMP goals:
    a. Because of their critical role in the NJ energy economy and their understanding of the underpinnings of the EMP, NJUA's energy utility members believe the utilities are best suited to be able to support and develop strategies for achieving appropriate funded, revised EMP energy efficiency goals.

3. Transitioning from rebate-based incentive programs to programs that are more market-based, including public and/or private financing programs, and returning the funds to the administrator over time:

    a. NJUA's energy utility members agree that there may be merit in movement from rebate based incentives to other mechanisms, but caution that a well balanced energy efficiency program portfolio should contain a mixture of mechanisms that address the particular characteristics and circumstances of each market and customer segment. For example, most businesses and consumers have an investment payback criterion of 5 years or less, yet many energy efficiency measures have paybacks in the range of 10 years or more. Effective program design must recognize this mismatch and develop mechanisms for overcoming barriers to market adoption of deeper energy saving measures and approaches.

    b. Some of the utilities have already implemented an approach in their financing programs that could be leveraged to assist in developing this framework. Nearly every New Jersey consumer and business is a utility customer; utilities understand their energy usage behavior and energy needs and have unique access to them. In this respect, utility funded on-bill financing is proving to be extremely popular with customers because it avoids the normal financing hassles, provides funding in small amounts where commercial lending is not viable, does not result in another bill and generally results in a lower utility bill.

4. Reducing the costs of administration of the NJCEP and utility managed EE and RE programs

    a. Program administration costs, regardless of the administrator, are a direct result of the program design, the target market, the scale of the program, and efficient delivery processes. The utilities have unique advantages that should ensure cost effective, efficient program implementation. Their procurement and purchasing power are regularly used to procure cost effective products and services and should be able to ensure that quality program services are procured effectively at reasonable cost. Utility access to their customers through multiple channels enables targeted and cost effective marketing.

5. Consistent, but not necessarily the same programs across the state

    a. NJUA's energy utility members are committed to having General EE programs for residential and small commercial customers that provide consistent features and benefits in key areas of program design, program rules and incentive levels.

6. Benefiting and supporting all ratepayer classes, directly or indirectly

    a. At the November 10th hearing, the utilities were asked by Commissioner Randall if they were willing to take back all of the OCE programs. At that time there was hesitation in the response because the utilities do not have detailed information on the operation and/or participation levels of all the current OCE programs. Since the transition was enacted, data regarding program participation has not been routinely shared with the utilities. However, NJUA's energy utility members are 100% committed to energy

efficiency programs that meet the needs of all ratepayer classes, residential, commercial and industrial, in their respective service areas. NJUA's energy utility members propose to work with OCE to transfer existing programs, modify existing programs or develop new programs that will benefit and support all ratepayers.

IV. Competitive Procurement of EE, NJLEUC Proposal and Other New Approaches

New program approaches should be established initially on a pilot basis. The 2011 budget reflects a substantial allocation of funding for the development of new programs and/or approaches. In fact, more than 20% of the proposed NJCEP funding has been reserved for new programs, including $30 million for a program that has not yet been fully developed as a concept. The Board has traditionally recognized the need to proceed cautiously with new approaches and frequently approves new utility programs or mechanisms as pilot programs in order to evaluate the results prior to expanding or adopting for a longer term and the commitment of significant resources. For example, we note that NJLEUC has recently submitted a proposal for a "Commercial and Industrial Self-Directed Investment Pilot Program." Although we are continuing to evaluate the merits of the proposal, we agree with NJLEUC's determination that it makes sense to initiate a pilot program before a more broad-based program is implemented. Accordingly, the Board may wish to consider utilizing a portion of the above-mentioned $30 million, essentially allocated to explore new program approaches, for the purposes sought by NJLEUC.

New program approaches should also contain some basic, critical administrative elements, including tracking and reporting results and program evaluation. It is important to note that the delivery of programs always includes administrative costs, irrespective of which entity or entities delivers them, that are a function of the program's design, target market, and scale. With respect to the desire to test a new competitive solicitation process, it is critical to recognize that the process of measuring and verifying energy savings achieved can be labor intensive for customized solutions and programs. The goal should be to optimize resources but with recognition that, by its very nature, the delivery of energy-efficiency initiatives with any form of societal subsidy requires significant resources to maximize the benefits for which customers will be asked to pay. Absent clear definition of alternative goals, metrics and reporting requirements for new programs, all new programs should comply with the same reporting requirements and undergo the same evaluation as existing programs to determine actual program impacts and identify lessons learned to ensure critical feedback to ongoing program design and delivery. In addition, there also needs to be identification of the funding source for new initiatives as well as the recovery period.

V. Energy Efficiency Utility ("EEU")

The utilities urge caution when considering the formation of an EEU to administer energy efficiency programs for the State. NJUA's energy utility members concerns are twofold:

First, we believe that the creation and establishment of an EEU would be significantly more complex and time consuming than the White Paper assumes, with very little to be gained over the joint

operation of the EE programs by the utilities. The White Paper allowed for 60 days to establish the EEU and have it operational. We believe this significantly understates the real time it would take. For example, the White Paper appears to assume that the BPU could direct the utilities to form an EEU. However, in those limited states that have adopted the EEU model, enabling legislation was required. We believe that it is quite possible that either new or amended legislation could be required in New Jersey as well. If so, although it is difficult to predict, it is not unreasonable to assume that a legislative process alone could take in excess of 6 months. Assuming legislation is passed, the BPU would then have to establish a regulatory framework for developing an EEU. Then the entity would have to be created and established by the utilities, with an appropriate governance structure to be approved by the Board. Members of the Board of Directors (BOD) would need to be recruited and, once in place, would need to recruit and hire an Executive Director and EEU management staff. All of this could conceivably take several months of reviewing resumes, conducting interviews, performing background checks, and negotiating employment terms. Whether in-house staff is hired to administer the programs (Vermont model) or this function is outsourced and contracted (Wisconsin model), it would still take several months before the EEU would be functional and could begin the process of issuing competitive solicitations for any required sub-contractors. In all, we believe that the establishment of a functional EEU could take up to 18 months, which would result in either a much longer extension to the Market Manager's contract than currently contemplated or a major disruption in the delivery of the programs.

We would also point out that the EEU model does not necessarily result in lower costs to implement energy efficiency programs. For example, based on an Institute for Electric Efficiency Report[2] and Energy Information Administration[3] data, Vermont has the highest implementation cost per capita in the Nation and Wisconsin's is about the same as New Jersey. In this context, it is also relevant to note that the concept of an EEU has been studied before, most recently in 2007. At that time, the issue was comprehensively explored and not acted upon by the Board as part of its 2007 *New Jersey Energy Master Plan Implementation Strategy Template 2005-2020 – Energy Efficiency Proposals* process. In fact, in response to requests for comment from Dr. Bharat Patel, a long-time member of Board Staff, PSE&G specifically provided as follows:

> The straw proposal raises the possibility of delegating responsibility for energy efficiency to a new government or nonprofit agency. There are a number of reasons why an independent efficiency entity similar to the agency created in Vermont and referenced in the straw proposal would be neither necessary nor appropriate for New Jersey.
>
> - New Jersey is more urbanized and has a broader industrial and commercial base than Vermont. Vermont's population is about the same as Essex County, NJ. The State's efficiency agency, "Efficiency Vermont," does not serve Burlington, the State's largest city.

[2] 2009 Summary of Electric Efficiency Impacts, Expenditures, and Budgets (Based on CEE/IEE Industry Database)
[3] Report No. DOE/EIA-0226 (2010/06) Data for March 2010, Table 5.6.A Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State March 2010 and 2009.

- Creating a new state-run or nonprofit agency can take considerable time. In Oregon, for example, it took six years from the time enabling legislation was enacted to get an agency similar to Efficiency Vermont up and running.
- The creation of Efficiency Vermont was based on a unique set of circumstances that does not exist in New Jersey. Vermont is served by 22 small electric utilities that wanted to cede responsibility for efficiency programs.

As previously noted, the straw proposal that prompted Dr. Patel to ask for these comments did not end up being implemented.

Secondly, according to the description of the EEU in the White Paper, the utilities would be required to establish a legal entity, have its structure and by-laws approved by the BPU, make SBC payments to the EEU and yet, apparently, have no involvement in either the policy direction or day-to-day operations of the EEU. Policy direction would be the sole responsibility of the BPU, presumably through the OCE. Additionally, it appears that the White Paper anticipates that the utilities would be required to support marketing and customer service through their call centers and provide customer data to support the marketing and program delivery efforts of the EEU. This business model would require that utilities somehow turn over their customers' proprietary information to a third party entity and allow that entity to leverage utility business assets developed over decades in order to benefit the programs of this designated third party. Irrespective of the potential legal issues associated with such a concept, it remains undeniable that it is critically important for the provision of safe, adequate and proper service that all of the utilities maintain customer satisfaction and good customer relations.

In closing, the NJUA's energy utility members believe that previous issues with utility administration can be resolved and that it is more prudent to resume utility EE program management and resolve the previously identified issues than to transition to a third administrative model in less than ten years. Creating a new administrative model using the EEU or some other concept, which could have unknown legal, regulatory and administrative challenges, would simply impede program progress while the as yet unknown issues with the new model are discovered and hopefully remedied if possible.

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December 3, 2010

VIA HAND DELIVERY AND ELECTRONIC MAIL

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
oce@bpu.state.nj.us

Re: NJCEP Transition

Dear Secretary Izzo:

These comments are submitted on behalf of Jersey Central Power & Light Company ("JCP&L") in connection with the ongoing discussions concerning the anticipated "transition" of New Jersey's Clean Energy Program ("NJCEP"), which has been addressed, among other places, in the NJCEP Transition White Paper, dated November 4, 2010 ("White Paper"), promulgated by the Staff of the Board of Public Utilities ("Board").

At the outset, JCP&L addresses two of the fundamental preliminary principles highlighted in the White Paper. First, JCP&L endorses the White Paper's recognition (at 3) that "planning will be key to an effective transition" because potential disruptions from a poorly planned transition can have an adverse impact on program participation levels, both from a customer and a contractor perspective. Indeed, past experience demonstrates that significant momentum can be lost through the market disruptions and customer confusion that has accompanied past transitions. Therefore, it would be inadvisable to impose upfront, avoidable deadlines on the transition process that effectively force such disruptions, which means that the existing market manager contracts, which are scheduled to expire in January 2011, must be

extended for a sufficient period of time to enable the requisite orderly transition to be properly planned and implemented. In particular, JCP&L endorses the recommendation made by the New Jersey Utilities Association at the November 10, 2010 public hearing that the market manager contracts be extended until at least the end of 2011.

Second, the White Paper also correctly recognizes that the NJCEP transition process is inextricably intertwined with the ongoing efforts to reassess and finalize the State's Energy Master Plan ("EMP"). As the White Paper states (at 5), a major objective of the transition is to "support[] the revised EMP goals." In this light, it is imperative that the EMP process be completed and its policies and goals be established before any NJCEP transition plan can be finalized.

As to the substance of the transition plan itself, JCP&L believes that it is important to distinguish between the existing statewide NJCEP programs, which are currently offered on a uniform basis across the State and administered by the Office of Clean Energy ("OCE"), and any supplemental or complementary market-based programs that may be offered or proposed by individual utilities.

JCP&L believes that the statewide NJCEP programs should continue to be administered by the State and should continue to be funded primarily through the non-bypassable societal benefits charge. Given the significant differences in the service territories and customer bases of the seven utilities in the State, and the utilities' different approaches, capabilities and administrative structures for these types of programs, the goal of ensuring uniform statewide offerings and administration are best achieved through central administration at the State level. While the utilities can work collaboratively, and have done so in the past in many contexts, JCP&L believes that it would be more efficient for the statewide programs to be implemented directly through the State.

While it would be premature to be too prescriptive at this point, such State administration could continue to be effected through the OCE, or could be effected through a new state-sanctioned entity, whether characterized by such terms as "energy efficiency utility,"

"sustainable energy utility" or other appropriate designation. However, there is no reason to require the utilities to form, or otherwise become involved with the formal management or governance of, such an entity. Because the point of such an entity is to maintain the statewide uniformity of these programs, under the management and control of the Board or the OCE (or other designated State agency), the imposition of a requirement for the utilities to become involved in its formation and governance would serve only to raise complexities and cause confusion as to the allocation of roles and responsibilities among the various parties. It would be simpler and cleaner for any requisite legislation to be enacted authorizing the State to form and administer the entity directly, without complicating the process by placing the utilities in the middle of the structure. Nonetheless, because of the knowledge and experience gained from their long history of involvement with these types of programs, it is imperative that the utilities continue to have an opportunity for input through informal stakeholder processes or the like.

With respect to complementary market-based programs, JCP&L believes that individual utilities should continue to be allowed to propose to the Board their own programs under the RGGI legislation, N.J.S.A. 48:3-98.1. This would enable each utility to structure programs best tailored to the unique characteristics of its service territory and its specific customer base. Of course, the utilities would expect to recover all associated costs relating to any such approved program and to earn a management fee, incentives or appropriate rate of return, as contemplated by the RGGI legislation.

Thank you for this opportunity to comment on these important matters.

Respectfully submitted,

Marc B. Lasky

RENEWABLE POWER INC

December 3, 2010

Ms. Kristi Izzo
Secretary
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ

Dear Ms. Izzo: Please accept the following comments:

Comments on the NJCEP Transition White Paper

1. **Transition to the Utilities**; Prescriptive rebate programs funded by the SBC or REGGI funds can be managed by utilities, or by an outside firm under contract to the utillities. The latter would be more advisable to promote efficiency as would a uniform set of prescriptive efficiency measures across the entire state. It can be confusing and inefficient to implement energy efficiency measures for energy users who have facilities in multiple service territories to have to address different program requirements, forms and alloable measures.

2. **transition to a state agency**; No state agency has the capability or expertise to manage the large tasks necessary to achieve the stste's energy master plan goals, nor are state agencies necessarily responsive enough to evolve their programs to ensure success, which can require both evolving technical market outreach approaches. With communication media evolving very rapidly, success will require innovative education, outreach and enrollment approaches to achieve the efficiency and renewable goals of New Jersey.

3. **transition to a trade organization, not for profit or for profit entity;** and No trade organization or not for profit entity has the management capability to take on the tasks required, nor do we believe that they could successfully manage the effort.

4. **transition to an energy efficiency utility.** Procurement for energy efficiency not done by the public utilities (prescriptive measures) should be handled by an energy efficiency utility. This has been done with some measure of success in Vermont. Such an agency should also procure all not-net metered solar and wind capacity under long term contracts acquiring all the electric production and environmental benefits for a twenty year term. By having the authority to enter into long term contracts for energy and capacity contracts for verified energy efficiency, renewable electricity and capacity and energy from Load-Shift or energy storage, such an entity will be able to both lower consumption through efficiency improvements, and flatten the state's high peak demand from

investments in load shift and energy storage. Capacity, whether from new peak generation, or from off peak chilling, delivers peak electric capacity, and should be regarded as of equal value. In fact, off-peak chilling capacity has more value to the state because it reduced electri load at the point of use during the highest demand hours, while new generation often requires additional investment in grid capacity. Firm long term (10+ yr) contracts for Negawatts or renewable power or load shift capacity will allow for financial institutions to step up and provide debt financing for a large part of the capital required for the billions of needed investment. These insititutions have largely not participated because long term contracts have been scarce, and contracts for SRECs with EDCs continue to have a regulatory risk, something avoided by lenders.

Such an agency would be able to build the expertise, both within and through outside suppliers, to assess and approve custom energy efficiency projects and implement the project controls and reporting necessary to ensure the Negawatts or renewable power is only paid for to the extent it is actually delivered. A conservative estimate of the capacity from current off peak storage technologies that shift air condition oads to off peak hours, implemented as the existing stock of rooftop and central chilling equipment needs to be replaced, is in excess of 1000MW in the commercial sector. Advancing technology will likely increase this amount substantially, particularly if it can be applied to the residential sector.

Transition timing

Transition to new programs and/or new Program Management will take at least one year, and perhaps as long as two years. Existing programs and management should be kept in place with at least a six month overlap where new programs and management overlap with the continued existence of existing programs. The loss of activity that has resulted from other program transitions, or the halt of one program and the beginning of another, and the disruption and loss of momentum it causes in the marketplace, is more costly in terms of lost results than the cost of having two programs exist for some period of time while one program winds down and the new one ramps up.

Yours truly,

Dennis Wilson
President

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