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State of New Jersey
DIVISION OF RATE COUNSEL
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STEFANIE A. BRAND
Director

March 20, 2019

By Hand Delivery and Electronic Mail
Honorable Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: Proposed NJCEP FY19 True-Up Budget and Budget Revisions
BPU Docket No. QO18040393

Dear Secretary Camacho-Welch:

Please accept this original and ten copies of Comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in connection with the above-captioned matter. Copies of the comments are being provided to all parties on the e-service list by electronic mail and hard copies will be provided upon request to our office.

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

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Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

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New Jersey Clean Energy Program
FY19 Budget True-Up
BPU Docket No. QO18040393

Comments of the Division of Rate Counsel

March 20, 2019

The Office of Clean Energy ("OCE") circulated (via e-mail) a document entitled "Request for Comments – Proposed CEP FY19 True-Up Budget and Budget Revisions" on March 13 ("FY19 Budget Revision" or "Proposal"), and requested comments on the Proposal by March 20, 2019. In this document, the OCE proposes modifications to its Fiscal Year 2019 ("FY19") budget for New Jersey's Clean Energy Program ("CEP"). The Division of Rate Counsel ("Rate Counsel") submits the following comments on the OCE's proposed budget revisions, as well as the OCE's revised energy savings projections.

The OCE indicates that additional funding of $21 million is available for FY19, due to various factors including changes to prior-year commitments, uncommitted carryforward budget, new funding uses, state budget allocations, and other revenue. Proposal, page 2. Among these changes, it appears the variance in the amount of uncommitted carryforward (almost $20 million) has the largest impact. With the other budget adjustments, the net uncommitted budget for FY19 is approximately $21 million. The OCE proposes to allocate this additional funding to several CEP programs and reduce funding for other CEP programs that the OCE now projects will have lower participation figures than initially projected.

Overall, the OCE proposed substantial changes to its FY19 budget and energy savings projections for certain CEP programs. The largest budget modifications are in four program areas: (a) an additional $9 million for the Commercial and Industrial ("C&I") energy efficiency ("EE") programs; (b) an additional $15 million for the State Facilities Initiative; (c) a $6.3

million reduction in the Distributed Energy Resources program budget; and (d) a $5 million reduction in the budget for the Multi-family EE program.

The OCE provided several reasons for its proposed budget revisions. However, in many cases, the OCE's budget proposal is not well supported by those explanations. Further, Rate Counsel is concerned that several of the proposed budget changes might reduce the overall cost-effectiveness of the entire CEP program because the OCE is now projecting substantially less energy savings (except for residential lighting measures) or more budget allocations (without corresponding additional energy savings) than originally projected.

Rate Counsel's primary concerns are explained in detail, by program, as follows:

- **C&I EE Programs**: While the proposal adds $9 million to the C&I EE programs in total, the OCE's energy savings projections for the C&I EE programs remain unchanged. This appears to be inconsistent with the information provided by the OCE regarding the Direct Install program and the C&I Buildings program, which indicate that the OCE expects more participants and is providing additional lighting services. See FY19 Budget Revision, page 3.
- **State Facilities Initiatives**: The OCE proposes to add $15 million to this program. The OCE's only explanation for this change is the "increased number of facilities served." See FY19 Budget Revision, page 3. Given that the Proposal essentially doubles the original budget for this program, the OCE should, at minimum, provide information regarding the increase in the number of facilities served and its revised total number of facilities. In order to assess the reasonableness of the proposed change, it would also be helpful to provide an estimate of the original and revised energy savings for this program.
- **Distributed Energy Resources**: The OCE proposes to reduce the budget of this program by approximately $6.3 million, or about 18 percent of the program budget, because it expects fewer participants than initially projected. See FY19 Budget Revision, pages 3 and 6. It would be helpful to know how the projection in the number of facilities has changed in order to assess the reasonableness of the proposed change.
- **Multi-family Program**: The OCE proposes to reduce the budget for this program by $5 million, which amounts to a reduction of over 80 percent. The OCE states that the program was launched later than projected. See FY19 Budget Revision, page 3. Given the magnitude of the potential impact on this program, the OCE should provide more explanation on the change (e.g., actual commencement date vs. original date, revised number of buildings vs. original estimate of number of buildings to be served by this program).

- **Residential Energy Efficient Product ("EEP") – Lighting**: The OCE presents a breakdown of projected energy savings for lighting separately from energy efficient appliances, both of which are part of the Residential EEP program. See FY19 Budget Revision, pages 8 and 9. Lighting accounts for about 95 percent of the entire EEP program in the proposal. It also appears that the OCE changed its assumptions regarding lighting-related energy savings. As a result, the proposal assumes a nearly five-fold increase in the overall annual electricity savings for the entire EEP program, from the original estimate of approximately 66,000 MWh of annual, first year savings to the revised estimate of about 295,000 MWh. However, the Proposal also presents a substantial level of negative natural gas/fuel savings from lighting measures (negative 460 billion Btu), which results in a net increase in natural gas/fuel use not only for this program, but also for the entire residential program portfolio. Given the magnitude of the impacts, Rate Counsel strongly recommends that the OCE provide a detailed explanation for its revised energy savings estimates.
- **Residential New Construction**: The OCE proposes to reduce the budget for this program by about 2 percent (or $0.5 million). See FY19 Budget Revision, page 3. However, the OCE's revised energy savings projection for this program is about 60 percent less than the original projection. See FY19 Budget Revision, pages 8 and 9. These proposed revisions to the program budget and projected energy savings are inconsistent with each other and merit further explanation. Rate Counsel is also concerned that the reduced savings estimate would reduce their cost-effectiveness substantially.
- **Residential Existing Homes**: This program consists of the Residential Heating, Ventilation, and Air Conditioning ("HVAC") sub-program and the Home Performance with EnergyStar ("HPwES") sub-program. The OCE does not propose any changes to the budget for this program, but proposes to reduce the energy savings projection for the Residential HVAC sub-program by about 60 percent and for the HPwES sub-program by about 30 percent. See FY19 Budget Revision, pages 8 and 9. These proposed revisions to the energy savings projections appear inconsistent with a static program budget and warrants further explanation. Rate Counsel is also concerned that the reduced energy savings for this program will reduce its cost-effectiveness substantially.

Conclusion

Therefore, Rate Counsel strong recommends that the proposed budget revisions should be re-evaluated, taking into consideration the above-mentioned concerns.

March 20, 2019

VIA ELECTRONIC MAIL

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

Proposed NJCEP FY19 True-Up Budget and Budget Revisions

Dear Secretary Camacho-Welch:

New Jersey Natural Gas Company ("NJNG") has reviewed the New Jersey's Clean Energy Program's™ (NJCEP's) Proposed Fiscal Year 2019 True-Up Budget and Budget Revisions which were released on March 13, 2019 by the Staff of the New Jersey Board of Public Utilities ("BPU" or "Board"). NJNG appreciates the Board's effort to solicit input from stakeholders but notes that it is challenging to provide constructive input given the limited amount of information for some elements of the proposal. NJNG recognizes that BPU staff have a tremendous workload related to the implementation of the Clean Energy Act but believe that on-going stakeholder engagement through the NJCEP Energy Efficiency Committee[1] would improve the feedback on proposals and position stakeholders to properly support and promote program modifications. Through this letter, NJNG is providing input on a few of the proposed changes based upon our understanding of the proposal.

<u>Comfort Partners:</u> NJNG appreciates that this NJCEP Fiscal 2019 True-Up budget reflects an increased budget for the Comfort Partners program. Comfort Partners, the free energy saving and energy education program for qualified low-income customers, has helped more than 113,000 families since it was launched in 2001. The utilities are proud of this program that is helping those customers most in need to reduce their energy bills and make their homes healthier and safer. This program also has the potential to reduce future costs for all customers

[1] The NJCEP Energy Efficiency Committee has not met since September 27, 2018 and the NJCEP website does not indicate any upcoming meetings.

by reducing the costs associated with the Universal Service Fund program as the work performed, i.e. energy efficiency measures installed, through the Comfort Partners program directly reduces the energy burden of participating customers. It perfectly aligns with the Murphy Administration's focus on ensuring that all customers can participate in the benefits of a fairer and stronger economy.

Direct Install Program Changes: **N**JNG supports the NJCEP Fiscal 2019 True-Up budget's proposed increase in funding for the Direct Install ("DI") program. Given our relationship supporting the DI program with On-Bill Repayment options, we are ready to work closely with the NJCEP Program Administrator and the DI contractors to support the deployment of this increased budget and have some planned outreach activities booked for this Spring.

Clean Energy Conference: NJNG is extremely supportive of the BPU's proposal to host a Clean Energy conference in the Fall of FY 2020. Prior to the NJCEP conferences being eliminated in 2010, NJNG actively participated in the Planning Committees for the conference and also played a role as a sponsor and exhibitor. We believe it is an excellent way to showcase the range of opportunities and engage customers, trade allies and other key stakeholders. We would be happy to support this effort again.

Community Energy Grants: NJNG recognizes the importance of helping municipalities understand their best opportunities for advancing clean energy. We have been working closely with Sustainable Jersey Green Teams for years and support municipal and school district efforts to implement energy saving actions through our Environmental Defense Fund Climate Corps program. NJNG would encourage the Board to explore the potential to partner with Sustainable Jersey and the League of Municipalities on the refinement of the concepts, as well as the implementation and outreach for this program. Sustainable Jersey has a proven track record for the distribution of municipal grants and is the primary resources for municipalities interested in advancing clean energy within their community. Partnering with them may present an opportunity to launch the program in a more cost-efficient manner and should lead to more effective engagement.

From a broader perspective, it is challenging to reconcile the expansion of NJCEP programs when there isn't clarity on the implementation of the Clean Energy Act. Given that legislation's intent to give the utilities the responsibility for achieving energy reduction targets and pending legislative deadlines that fall within the next few month, it is worth broader stakeholder engagement on role of NJCEP administration. From the broad range of stakeholders who spoke at the February 1st Public Meeting and filed written comments in that proceeding, it is clear that many parties are seeking a broader role for the utilities. At this point it is still not clear what the next steps in that proceeding may be, but we are hopeful there will be additional opportunities for stakeholders to provide input and work toward a collaborative approach. As noted in the comments filed by the New Jersey Utilities Association, the utilities see the opportunity to explore coordination and collaboration but those discussions inevitably and repeatedly return to a fundamental problem. It is impossible for the utilities to determine the optimal approach or progress very far without a clear understanding of the role of NJCEP.

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

Respectfully submitted,

Anne-Marie Peracchio

Anne-Marie Peracchio
Director- Conservation and Clean Energy