

COMMENTS OF OPOWER, INC. ON THE STATE'S DRAFT ENERGY MASTER PLAN

Opower, Inc. ("Opower") would like to thank the State of New Jersey, Governor Christie, and the Board of Public Utilities for the opportunity to comment on the 2013-2016 NJ Clean Energy Program budget. Opower is a residential behavior-based energy efficiency and smart grid software company that operates in 24 states, including New Jersey, and the United Kingdom. By providing customers with better information on their energy use and personalized energy saving advice, Opower motivates customers to use less energy and save money on their monthly bills.

Opower applauds the State's emphasis on energy efficiency and demand response (EE-DR) resources as important contributors to delivering energy more cost-effectively to New Jersey's residences and businesses. To achieve the goals and initiatives of the 2011 draft EMP plan for energy efficiency and demand response, Opower recommends that the 2013-2016 NJCEP budget:

- (i) Prioritize customer education and outreach programs that result in measurable and verifiable energy savings.
- (ii) Retain its emphasis on the Total Resource Cost (TRC) test as the primary cost-benefit test for evaluating efficiency and demand response programs. However, a broader approach should be considered to evaluate low-income programs to increase their reach; and,
- (iii) Recognize the valuable role of behavior-based energy efficiency in delivering cost-effective savings to ratepayers.

Below find specific answers to three of the questions posed in the BPU order requesting comments:

EMP Questions

1. Given the goals and initiatives of the 2011 Draft EMP (or Amended EMP), how should the current NJCEP goals and objectives, as discussed above, be modified or re-prioritized for the period 2013 to 2016?

The Clean Energy Program Initiative #3 is to "Promote Cost-Effective Conservation and Energy Efficiency," and the objectives suggest "expanding education and outreach" as a tactic for achieving that goal. Opower applauds New Jersey's plan to expand customer education and outreach. As a company with expertise in applied behavior science, Opower understands the difficulty in getting residential households to take energy efficient actions and the importance of engaging them through outreach and education. We also know that energy efficiency technologies are only as efficient as the people who use them. As Opower and other energy information companies have demonstrated, providing customers with better information through multiple delivery channels can help them reduce their energy use and save money.

Rather than allocate customer education spend on programs that either have no measurable impact or that support one-time events or advertisements that have no lasting effect on customer behavior, OCE should support behavioral programs that (i) provide information to customers that generate measurable and verifiable energy savings, and (ii) increase the rate of

participation in other energy efficiency programs. Opt-out behavioral efficiency programs like Opower have the proven ability to lift program participation an average of 33%, and up to 59% in some regions. Opt-out design does this by giving the program provider access to more households that could potentially participate in other efficiency programs, and by promoting specific programs to the customers most likely to take advantage of them using segmentation and targeting. This benefits the ratepayers by ensuring that outreach funds are used most effectively.

Opower encourages the Clean Energy Program to leverage behavior-based programs as a tactic for achieving the “improve customer education and outreach” objective for 2013-2016.

12. How should the Board improve existing programs to further support clean energy program goals and the goals of the draft EMP?

The Board should allow behavior-based programs as an acceptable program option for residential customers in New Jersey. The current absence of any references to “behavior” or “behavior-based” efficiency in the draft EMP and in the OCE’s objectives could reinforce the perception amongst some of the states’ utilities that New Jersey does not support these valuable programs. Many states are taking advantage of the energy savings from behavior-based efficiency – in Massachusetts, utilities are using behavioral programs to meet 24% of their annual residential efficiency goals, and in Arkansas and Illinois, utilities are using behavioral programs to achieve more than 20% of their targets.

Behavior-based efficiency programs can augment existing programs by helping to maximize the potential savings of installed efficiency programs, driving participation in other utility-run efficiency programs, and delivering savings to all residential ratepayers – including hard-to-reach households, such as low income, renters, and seniors. Opower therefore encourages the Clean Energy Program to allow behavior-based efficiency programs as an option for 2013-2016 programs.

Individual Energy Efficiency Program Questions

2. What criteria should be established for choosing among competing energy efficiency programs and objectives, given funding constraints for periods 2013 through 2016?

There are robust benefit-cost tests like the Total Resource Cost (TRC) test that evaluate the overall benefits delivered to consumers, and Opower supports the 2011 Draft EMP’s commitment to prioritize the TRC when determining whether proposed investments will generate a sufficient return for ratepayers. As this is the metric for determining whether a program qualifies for the program, it follows that it would be an appropriate metric for choosing amongst competing energy efficiency programs. TRC is the primary cost-effectiveness test in the majority of states with efficiency programs, including most of the top states in energy efficiency savings.

Although the TRC is a useful tool for non-low-income residential programs, it may exclude valuable programs that could reach a greater number of ratepayers. For example, while behavioral-based programs can save energy and money for all classes of ratepayers, cost-

effectiveness decreases the more low-income households receive the program. Thus, there is often an inverse relationship between program cost-effectiveness as defined by the TRC and low-income participation. While the state should continue to prioritize low-income programs that pass the TRC test, there are a number of possible variations for evaluating cost-effectiveness that the state could consider to expand offerings available to low-income households.

In British Columbia, the TRC is used, but with a 30% adder for low-income energy efficiency programs to account for societal benefits¹. A number of states, including Wisconsin, Massachusetts, California, and Rhode Island, use additional non-energy benefits in calculating cost-effectiveness for low-income programs^{2,3,4,5}. These can include benefits for improved health and comfort, and can also include net benefits to the utility, like reduced arrears and costs from disconnection. The state should consider ways to factor in the societal benefits associated with delivering programs to more low-income residential households.

Respectfully submitted,

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¹ Utilities Commission Act – Demand Side Measures Regulation. November 7th, 2008. Accessible at: http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/10_326_2008

² Low-income Public Benefits Evaluation: Interim Benefit-Cost Analysis. 2007. State of Wisconsin Department of Administration: Energy Division.

³ Tetra Tech. 2011. Massachusetts Special and Cross-Sector Studies Area, Residential and Low-Income Non-Energy Impacts (NEI) Evaluation. Massachusetts Program Administrators.

⁴ D07-12-051, Section 4.3.8 (Issued December 20, 2007 in Rulemaking 07-01-042) recommended refining existing rules, but instructed utilities to follow D.02-08-034 (Issued August 9, 2002 in R.01-08-027) in the interim.

⁵ The Rhode Island Energy Efficiency and Resource Management Council. 2008. Proposed Standards for Energy Efficiency and Conservation Procurement and System Reliability.



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VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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Trenton, NJ 08625-0350

**Re: In the Matter of the Comprehensive Energy Efficiency and
Renewable Energy Resource Analysis for the 2013 – 2016
Clean Energy Program
Docket No. EO11050324V**

Dear Secretary Izzo:

In compliance with the October 7, 2011 Order (“October 7 Order”) issued by the New Jersey Board of Public Utilities in the above-referenced proceeding, Pivotal Utilities Holding, Inc. d/b/a Elizabethtown Gas provides its responses to the following two questions:

Question No. 1

Q. What is the current amount being collected in rates for each gas and electric utility: for Clean Energy Programs; for legacy programs?

A. There are no legacy program costs currently being collected in Elizabethtown’s rates.

Elizabethtown’s currently effective Clean Energy Program (“CEP”) Rider rates of 0.0304 per therm (applicable to the Residential, Commercial, Industrial and Street/Yard Lighting classes) and 0.0284 per therm (applicable to Cogeneration customers) are designed to collect \$14,493,246 in CEP costs.

Question No. 2

Q. How much was collected in rates for each gas and electric utility by rate class for the year 2010?

A. The amount collected through Elizabethtown's previously effective CEP rate of \$0.0158 per therm (applicable to the Residential, Commercial, Industrial and Street/Yard Lighting classes) and \$0.0148 per therm (applicable to Cogeneration customers) for the year 2010 by class is as follows:

<u>Customer Class</u>	<u>Revenue Billed</u>
Residential	\$3,300,990
Commercial	\$2,017,876
Industrial	\$2,143,066
Street/Yard Lighting	\$ 400
Cogeneration	\$956,148

The October 7 Order also directed the Office of Clean Energy ("OCE") to initiate a fourth comprehensive energy efficiency and energy resource analysis proceeding and to request public comments on how the CEP program can support the proposed Energy Master Plan ("EMP") objectives and the changes the programs and funding levels needed to achieve these objectives. What follows are Elizabethtown's comments in response to various areas of consideration that the October 7 Order asked the parties to address.

Preliminarily, Elizabethtown appreciates the opportunity to submit these comments and looks forward to continuing to working with the Staff, Rate Counsel and the other stakeholders to help meet the clean energy goals of the State and implement the objectives of the EMP. Elizabethtown is a strong supporter of clean energy programs that encourage energy efficiency by the State's utility customers. Toward this end, the Company has six Board-approved energy efficiency programs that offer a range of rebates and related offers designed to enhance or complement the CEP. In addition, Elizabethtown's energy efficiency programs contain various customer education and outreach initiatives, including an on-line customer Dashboard, designed to encourage customers to conserve energy and provide information to them on how to lower their gas bills.

The October 7 Order asks for comment on the possible reduction or elimination of the Societal Benefits Charge, the charge that currently funds the CEP, as well as replacing current rebate programs with financing programs and/or other mechanisms to generate revenues for the CEP. Elizabethtown respectfully submits that achieving the state's goals cannot be achieved by the complete elimination of the current rebates and the associated mechanism used to fund these offers.

While Elizabethtown supports a CEP model that includes a financing component, it should not be the only available CEP offer. Customers should continue to have the opportunity to choose from an array of offers including, but not strictly limited to, a financing incentive. This "one-size fits all" approach may be particularly inappropriate for low-income households that are unable to make large scale energy efficiency investments, but who can still benefit from other program offers.

In addition, while Elizabethtown supports a CEP model that includes a financing component, it respectfully submits that on-bill financing should not be required on a uniform basis. While utilities should have the option to offer on-bill financing where appropriate, requiring utilities to do so ignores the practical reality that some utilities may not have the technology in place to do so and mandatory on-bill financing may require a significant incremental investment in a utility's billing systems in order to implement such a program.

Finally, Elizabethtown supports the continuation of utility-administered energy efficiency programs previously approved by the Board like those already being offered by the Company. Allowing utilities to continue these programs complements those being offered by the CEP and is consistent with the State's clean energy objectives.

Elizabethtown looks forward to working with all stakeholders to continue to advance New Jersey's clean energy goals and to establish an appropriate budget for the 2013 through 2016 CEP years.

Respectfully submitted,

/s/ Mary Patricia Keefe

Mary Patricia Keefe

Vice President, Regulatory Affairs

cc: Service List (attached)

Docket No. EO11050324V – In the Matter of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2013-2016 Clean Energy Program.

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