

January 17, 2018

Board of Public Utilities  
NJ Office of Clean Energy  
Attn: Ms. Sherri Jones  
44 S. Clinton Ave., 7<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Re: NJCEP – “Request for Comments regarding HPwES Pilots and UEF Standards”.

Dear Ms. Jones:

On January 5, 2018, the NJ Board of Public Utilities, Office of Clean Energy (“OCE”), issued a request for comments on Proposed New Pilot Components of Home Performance with ENERGY STAR® (HPwES) Program and a Proposed Update of Commercial & Industrial (C&I) Standards to Conform to New Uniform Energy Factor (UEF) Standard. I am writing on behalf of five of the electric and natural gas companies (“the utilities”) that are members of the New Jersey Utilities Association (“NJUA”)<sup>1</sup> to share several concerns regarding the proposal. NJUA is the New Jersey statewide trade association for investor-owned utilities that provide essential water, wastewater, electric, natural gas, and telecommunications services 24 hours a day, 7 days a week, 365 days a year. While the utilities participating in this submission are generally very supportive of efforts to enhance energy efficiency offerings for New Jersey customers, they have specific concerns from a procedural and budgetary perspective, as well as with respect to the substance of the HPwES proposal.

### **Procedural Concerns**

The utilities appreciate the opportunity to provide input in the refinement of NJCEP programs. Historically, the NJCEP Energy Efficiency (EE) Committee has been the primary vehicle for staff from the OCE and NJCEP Program Administrator team to share insights on current program performance, present new program ideas, and solicit feedback from a broad range of interested stakeholders. The utilities have been active participants in the EE Committee since its inception. Unfortunately, the frequency of meetings has been sporadic, along with the corresponding opportunity to gather insights from key stakeholders active in energy efficiency markets in New Jersey. Only four EE Committee meetings were held in 2017 and there currently are no EE Committee meetings scheduled for 2018.

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<sup>1</sup>The five NJUA member companies participating in this submission include: New Jersey Natural Gas, Elizabethtown Gas, Public Service Electric & Gas Company, South Jersey Gas, and Atlantic City Electric.

Aqua New Jersey, Inc. • Atlantic City Electric Company • Atlantic City Sewerage Company • Elizabethtown Gas • Gordon's Corner Water Company • Jersey Central Power & Light, A FirstEnergy Company • Middlesex Water Company • New Jersey American Water • New Jersey Natural Gas. • Public Service Electric & Gas Company • Rockland Electric Company • South Jersey Gas • SUEZ • Verizon New Jersey

While the potential to launch these HPwES programs was mentioned in a cursory fashion at both the April and June 2017 EE Committee meetings, there was no detailed proposal circulated for stakeholder input through the EE Committee structure or even within the Compliance Filing. The utilities recognize that this opportunity to submit written comments is a chance to provide feedback but it is not a substitute for the robust exchange of ideas that occur at an EE Committee meeting. Participants benefit from NJCEP Administrator staff presenting an overview of a proposal with the opportunity to ask clarifying questions. All attendees benefit from the opportunity to hear the perspectives of others that so that it can inform their own opinion regarding a specific proposal. The written comment period should serve as a supplement to an interactive stakeholder discussion.

**Budgetary Concerns**

The June 2017 Compliance Filing and this subsequent proposal clearly address that these pilots should only be considered “If sufficient budgetary capacity remains later in the FY”. The utilities respectfully suggest that based upon the information publicly available at this time, there may not be sufficient budgetary capacity available.

- Publicly posted financial reports for NJCEP indicate that as of November 30, 2017, many programs have less than half their budget remaining.

| Program                                | Budget Remaining |
|--|------------------|
| Home Performance with ENERGystar       | 45%              |
| Residential New Construction           | 7%               |
| C&I Retrofit                           | 22%              |
| Pay for Performance Existing Buildings | 21%              |
| Pay for Performance New Construction   | 28%              |
| Direct Install                         | 36%              |
| Local Government Energy Audit          | 25%              |
| Combined Heat & Power                  | 44%              |
| Renewable Electric Storage             | 37%              |

- The utilities recognize that NJCEP routinely shifts money between programs through a public process, similar to the pending request to shift additional funds to the Residential New Construction Program. While there are some other NJCEP programs that appear to have sufficient funds to support transfers to other programs noted above, there is likely to be a surge in applications from some programs due to the recent extreme cold in December 2017 and January 2018 that would absorb the current apparent budget cushion.
- This proposal does not include any estimate of potential program participation and the related budget impact so it is not possible to consider how much of an impact it might have on existing budgets. While the Residential DI pilot proposal has a small unit cost, the Residential Air Sealing and Insulation pilot could have a larger impact, especially since it is not requiring a Building Performance Institute certification for participation.
- The utilities strongly believe that any potential excess funds in some program should be reserved to support other programs already being relied upon by customers and trade allies. If funding is available, NJCEP should consider enhancing training and outreach.

Substantive Concerns

- In regard to the proposal for the Residential DI Pilot:
  - The proposal does not include the full listing of eligible measures.
  - Considering that the proposed incentive, which theoretically would need to cover both the cost of the measures and the associated labor for the related installation, it is likely that the nine items selected for installation would skew to the least expensive and easiest to install rather than the most beneficial items from an energy efficiency perspective.
- In regard to the Air Seal and Insulation Pilot:
  - The utilities do not believe it is appropriate to broaden participation to non-BPI contractors without a broader discussion of whether other certifications should be required. There are numerous certifications available from different insulation industry associations. It would be important to ensure that any trade allies performing this type of work have a basic understanding of building science.
  - The appropriate structure for incentives is worthy of stakeholder discussion. Up-front incentives are certainly helpful to the marketplace but the potential to access financing may make participation more accessible to middle income customers.
  - Given some of the technical restrictions referenced in the proposal (e.g. ASHRAE requirement regarding bathroom or exhaust fan) and the intention to broaden the pool of contractors able to participate, it is very important to have a companion communications to ensure that the roll-out minimizes the potential for customer and/or contractor frustration if they are not eligible.
  - The proposal does not reference the planned quality control and inspection process.
  - It would be beneficial to set a clearer expectation of some of the insulation requirements (e.g. treatment of crawl space insulation in regard to traditional BPI prioritizations) to ensure participating contractors clearly understand the program and code requirements. This would help mitigate potential quality control infractions and improve customer satisfaction.
  - There is no indication whether this is limited to single family homes or if multi-family properties can participate.
  - Last year the BPU approved a new energy efficiency program for Elizabethtown Gas Company that included prescriptive rebates for insulation and air-sealing. That program has recently launched so it can provide valuable insights that could inform consideration of future program offerings.

Thank you again for the opportunity to participate in this process. We appreciate your consideration of our comments and look forward to an ongoing, collaborative effort.

Sincerely,



Thomas R. Churchelow, Esq.  
Senior Director, Government and Public Affairs  
New Jersey Utilities Association