



April 28, 2023

Sherri L. Golden, RMC
Secretary of the Board
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**Re: New Jersey Second Triennium of New Jersey’s Energy Efficiency programs
- Program Administration and Design, Filing and Reporting Requirements, Cost Recovery
- Energy Efficiency as a Resource and Evaluation, Measurement, and Verification
Docket No. QO17091004**

Dear Secretary Golden:

The Energy Efficiency Alliance of New Jersey (EEA-NJ) thanks the New Jersey Board of Public Utility (BPU) for this opportunity to submit comments on the straw proposal for the New Jersey implementation of the second triennium of New Jersey’s energy efficiency (“EE”) programs implemented pursuant to the New Jersey Clean Energy Act of 2018.

EEA-NJ is New Jersey’s trade association for the energy efficiency industry. With our sister organization the Keystone Energy Efficiency Alliance, we represent 70 business members across Pennsylvania and New Jersey. Our mission is to champion efficiency as the foundation of a clean, just, and resilient energy economy.

Our comments will address specific subjects across the first two topics set forth by the BPU in the straw proposals: Topic 1, the Program Administration and Design, Filing and Reporting Requirements, Cost Recovery and Topic 2, Energy Efficiency as a Resource and Evaluation, Measurement, and Verification (EM&V).

I. Program Administration and Design, Filing and Reporting Requirements, Cost Recovery

Utility-led programs

EEA-NJ appreciates the inclusion of behavioral solutions as a core principle in the second triennium. This low-cost, data driven measure provides personal recommendations to save money and energy on a customer’s utility bill. This addition complements the other residential core programs well.

As utilities and the BPU seek to best serve disadvantaged customers and meaningfully address energy burden, it will be important to ensure eligibility criteria do not unnecessarily restrict or create barriers for participation in low- and moderate-income programs. EEA-NJ recommends, in appropriate cases, allowing for the use of multiple data sets to identify who might be energy burdened, including federal poverty guidelines, area median income, census tract data, overburdened communities’ designations and other criteria, will help ensure customers in need are more likely to be identified and served by the programs designed to help them.

Utility-run Comfort Partners programs that would be delivered in coordination with Utilities’ moderate-income weatherization programs present a great opportunity to create a one-stop shop for customers and contractors. This coordination could provide benefits to program participants such as avoiding the “eligibility cliffs,” and to simplify administration/application. However, Comfort Partners and moderate-income weatherization programs should remain distinct and separate to ensure that Comfort Partners’ focus and funding remains dedicated to serving low-income residents. Comfort Partners is a designated low-income program and should remain so.

Additionally, EEA-NJ recommends that Utilities with overlapping service territories should coordinate budgets and services for Comfort Partners. The Comfort Partners program will require additional coordination this triennium on a host of other fronts including federal funding, coordination with other state programs, and Governor Murphy’s executive order (EO) 316.¹ Accordingly, EEA-NJ recommends a continued coordination between the Utilities and BPU to ensure pairing of state and utility programs and stacking of federal rebates to the greatest degree possible to yield the highest efficiency gains and flow of funds to a single site/project.

“Incentives for whole building EE and electrification solutions” is listed as a core utility-led program for both residential and commercial and Industrial (C&I). Yet, the multifamily section of the proposal is silent as to core programs. EEA-NJ wants to ensure that “Incentives for whole

¹ [NJ 2023 New Jersey Executive Order 316](https://nj.gov/infobank/eo/056murphy/pdf/EO-316.pdf) - The EO 316 has set a target to install zero-carbon-emission space heating and cooling systems in 400,000 homes and 20,000 commercial properties and make 10% of all low-to-moderate income (LMI) properties electrification-ready by 2030.

<https://nj.gov/infobank/eo/056murphy/pdf/EO-316.pdf>

building EE and electrification solutions” will be included across multifamily programs, as implemented under both residential and C&I. We urge this clarification and inclusion in the final program.

Additional Utility Initiatives

EEA-NJ would like to highlight the limited detail and guidance in the Demand Response (DR) Program section of the main straw proposal and subsequent non-inclusion of DR in the EM&V straw. The lack of detail for the demand response programs in this initial straw sets the stage for a host of disjointed programs among the utilities, where service territories overlap and across the state, as well as in the utilities’ plan filings. We appreciate BPU’s recognition of this fact and look forward to BPU’s additional stakeholder process regarding this topic.

Further, we recommend including communication pathways for wi-fi devices to participate in DR both with and without Advanced Metering Infrastructure. Demand Response enrollment can and should happen at the time of a retrofit or when a customer purchases a smart thermostat on the utility’s Marketplace e-commerce portal. The goal of the process should be to provide clear directives on how participation and coordination should be established *prior* to the utility filings, without a need for pilots.

Flexibility

EEA-NJ supports the flexibility proposed in the straw proposal which outlines a tiered structure for Budget Adjustments by the Utilities through increasing notices and approval based on the percentage of budget shifted. It appears that these budget adjustments are intended to occur once a year. EEA-NJ recommends including clarification to these shifts in budgets to be “**once** per 365-day period”. This would allow for a clear demarcation of when and how program budgets are modified and provide for clarity in tracking.

Cost Recovery and Lost Revenue Treatment

EEA-NJ appreciates Staff’s recommended limitation placed on the proposed Lost Revenues Adjustment Mechanism (LRAM). Specifically, we support limiting the LRAM calculation of its return on equity (“ROE”) and disallowing recovery if ROE from the Utility’s last base rate case increases by 50 basis points or more, as well as requiring a base rate case filing no later than five years after the commencement of an approved EE program. However, we feel that it is important that New Jersey institute full symmetrical decoupling. Staff needs to clearly state that utilities can and should file plans that incorporate decoupling. Traditional ratemaking structures tie profits to volumetric sales of electricity, motivating utilities to increase sales and resist reducing sales through energy efficiency programs or other means.

The Conservation Incentive Program (“CIP”) is an improvement over LRAM as it provides incentive payments for participating in energy efficiency programs; however, unlike LRAM cost recovery, CIP incentives scale upwards as utilities invest more in energy efficiency. While the incentive to sell more energy and make more revenue still exists, there is now a counter incentive to maximize energy efficiency and CIP incentives.

Full symmetrical decoupling would guarantee utilities a fixed revenue determined in a base rate case; the process is similar to standard rate proceedings, with the addition of a responsive mechanism that controls utilities’ revenue streams. The mechanism would leave utilities indifferent to energy usage and would focus their profit-making activities on cost savings and meeting minimum performance standards, including those for energy efficiency.

Reporting Requirements

EEA-NJ recommends including Quantitative Performance Indicators (QPIs) in annual and quarterly progress reports, in addition to the triennial review. This would ensure QPI metrics are being tracked throughout the three-year program cycle and provide insight as to where the utilities and the state are in relation to their overall targets.

II. Evaluation, Measurement, and Verification (EM&V)

Technical Reference Manual

The Evaluation Framework establishes a Technical Reference Manual (“TRM”) for the triennium, and an annual TRM update to be completed in the intervening years. Mid-triennium changes could negatively impact programs, as these programs are designed based on the TRM guidance established at the start of the triennium. Utilities and Implementers rely on one set of rules when designing programs and bidding for the program contracts, respectively. Therefore, if there is an annual update, there should also be an opportunity for stakeholders to be made aware and provide input on this process to allow for transparency of the rules across the board.

Benefit-to-Cost

EEA-NJ appreciates the inclusion of CEA at N.J.S.A. 48:3-87.9(d)(2) in the benefit-to-cost ratio and recognition that a program may have a benefit-to-cost ratio of less than 1.0 but may be appropriate to include within the portfolio if implementation of the program is in the public interest, including, but not limited to, benefitting low-income customers or promoting emerging energy efficiency technologies. This provides a great opportunity for expanded low-income programs.

However, EEA-NJ does have some concern about vagueness of “emerging” technologies, and which technologies would be included. In addition, EEA-NJ suggests that not requiring “pilot programs” to meet the 1.0 isa better approach.

New Jersey Cost Test

The National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources² (NSPM for DERs) provides guidance for developing a primary Jurisdiction Specific Test (JST) through a set of core principles that represent sound economic and regulatory practices. The NSPM for DERs is policy-neutral in that it does not recommend any specific cost-effectiveness tests or policies, but rather supports cost-effectiveness testing (CET) practices that align with a jurisdiction’s policy goals and objectives.

While the National Standard Practice Manual (NSPM) was not formally used in the New Jersey Cost Test (NJCT) Committee process or recommendations for the second triennium, many of the elements of proposed NJCT updates do align with NSPM principles. EEA-NJ commends the NJCT Committee, Statewide Evaluator, and BPU Staff for the focus in this straw proposal and memo on aligning the NJCT with state policies, ensuring transparency and opportunity for stakeholder input in this process, and incorporating other key elements of the NSPM principles.

EEA-NJ endorses the increases of non-energy benefits/non-energy impacts (NEB/NEI) in the New Jersey Cost Test (NJCT). The incorporation of an increased NEB/NEI adder of 23% for all programs and an additional 13% adder for low- and moderate-income programs for a total adder of 36% will help expand the adoption of measures where the need is highest in low-income residences, which are typically the worst performing. The use of these adders allows for a more accurate balance on the scales when assessing true cost of EE measure and provides a more holistic approach when addressing the full impacts of energy burdens on consumers.

Additionally, EEA-NJ would like the NEB/NEI adders incorporated into the decarbonization straw to help deeper measures, which tend to be more expensive, meet the NJCT. The inclusion of these increased NEB adders would make New Jersey a leader in the field regarding the actualization of societal benefits and expanding the universe of benefits.

Evaluation, Measurement, and Verification Working Group

Lastly, we would like to see improved involvement and transparency from the Evaluation, Measurement, and Verification Working Group (“EM&V WG”). EEA-NJ appreciated the Statewide Evaluator report-out to the EE Stakeholder group last year, and requests that this type

² <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>

of engagement be expanded in the next triennium. While we appreciate the opportunity to comment on the EM&V straw proposal, this voluminousness of the EM&V straw alone made it difficult to fully engage within the prescribed deadline. As was more in keeping with past practice, providing updates and opportunity throughout the second triennium to engage with BPU on EM&V studies, recommended updates to the NJCT and TRM could aid in reducing massive information dumps at one time with a limited-time review window and would allow for greater involvement by stakeholders.

EEA-NJ appreciates all the work BPU Staff has already put in to improve the energy efficiency programs for this second triennium. We urge BPU to continue to promote and advance coordination between state EE programs and the historical federal funding opportunities. EEA-NJ also looks forward to providing additional comments on the upcoming straws: Goals, Targets, Performance Incentive Mechanism; Decarbonization Start-Up Programs; and Demand Response Programs.

Thank you for the opportunity to submit these comments.

Respectfully submitted,



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Energy Efficiency Alliance of New Jersey