Jersey Central Power & Light
A FirstEnergy Company

300 Madison Avenue
P.O. Box 1911
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September 18, 2007

Office of Clean Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: Energy Efficiency Portfolio Standards and Energy Master Plan

Dear Sir or Madam:

These comments are being submitted on behalf of Jersey Central Power & Light Company ("JCP&L") in connection with the discussion September 5, 2007 on Energy Efficiency Portfolio Standards (EEPS) and the Energy Master Plan.

Funding: Discussions of the various regulatory constructs proposed leads JCP&L to the conclusion that the current established methodology for efficiency program funding through the SBC is the most effective mechanism for funding, and thus achieving the state's energy efficiency goals. It provides price transparency for the various technologies, proven measurement and verification protocols and a reporting and evaluation process by which the BPU has the information needed to make the necessary adjustments to program design, funding or the master plan itself based on thorough review and analysis.

Energy Efficiency Portfolio Standards: JCP&L does not support implementation of an Energy Efficiency Portfolio Standard (EEPS) approach at this time. If the Board wishes to consider an Energy Efficiency Portfolio Standard (EEPS) approach to transition the State's energy efficiency efforts to a more market based methodology involving new energy efficiency "commodities" or credits, further analysis is required. JCP&L supports market based solutions that will ultimately serve to change customers' behavior toward energy usage, but research indicates there is little experience with this type of program and no counsel from the experts included in the discussions that an EEPS would yield more cost effective or efficient results.

JCP&L further notes that management of resources during system peaks - generally the top 100 peak load hours is not part of EEPS. However, this is very important and is highlighted in the Energy Master Plan. EEPS discussions to date have not generally addressed this issue, and our comments contained herein are only in reply to the September 5, 2007 discussions regarding EEPS.

Utility Roles: There has been much discussion about voluntary or mandatory utility involvement in the delivery of energy efficiency programs with potential penalties and/or rewards for either attaining or not attaining efficiency targets. JCP&L cannot support any proposal for utility involvement in program delivery that follows a regulatory design mandating utility participation. Again, we believe that the market needs to work in ways to alter how customers ultimately use energy and serve to change their behaviors and usage patterns.

The Board's September 11, 2003 Order in Docket No. EO02120955-In the Matter of the New Jersey Clean Energy Program-Recommendations for Administration and Fund Management, directed the Office of Clean Energy to assume the role of administrator of the Clean Energy Program from the utilities after a transition plan was developed and implemented. This decision was made after thorough discussion and comment from various parties including the Division of Ratepayer Advocate, environmental organizations, renewable energy and energy services companies, as well as other interveners who argued that there is an inherent conflict in utilities administering these programs. They also argued, and the Board found that it would be more efficient and cost effective for an Independent Statewide Administrator or the Board itself to oversee the program and funding.

After careful analysis and discussion of the below principles and criteria, the Clean Energy Council also recommended to the Board that the Office of Clean Energy become the administrator of the program:

- Availability of administrative resources
- Experience and existing relationships with relevant parties and stakeholders
- Cost Effectiveness and administrative efficiency
- Accountability and oversight
- Flexibility of the Administrator
- Aligning the interests of the administrator with program goals
- Organizational culture of the administrator
- Sustainability of the Clean Energy Program
- other transition issues

After four years, this transition is virtually complete. Market Managers have been hired by the State, utility staffing for Clean Energy programs has been reduced and transfer of records and data is complete. JCP&L believes that the above criteria continue to be valid and that adopting new and unproven regulatory constructs for New Jersey is not in the best interests of its residents and businesses. JCP&L supports discussion at the September 5th meeting that reinforced the need for continuity and responsibility of the Clean Energy programs for attainment of NJ's energy goals, with "all hands" support.

20% Goal: Regarding the overall program goal of a 20% reduction by 2020, JCP&L shares the concerns of NJLEUC regarding attainability and cost to customers. We also concur with Rate Counsel that if the KEMA report is to be the basis for the reduction goal, then the goal for electric energy efficiency should be reduced to 17% and the fuels goal raised accordingly.

JCP&L supports stronger state efficiency and building code standards but the percentage improvements need further discussion.

Clarity of how achievements will be assessed and quantified against any goal is also missing. While NJ has protocols for Measurement and Verification of Clean Energy savings, how savings impacts from code changes, rate designs, non-subsidized customer investments in efficiency improvement, maintenance improvements, and behavior changes should be included and addressed. Establishing a goal without defining clear metrics for achieving it would be inappropriate.

Finally, JCP&L wants to encourage consideration of utility rate design methodologies (see the JCP&L strategy for power factor improvement) that promote efficient use of resources by customers, particularly during summer peak load hours. Efforts to promote the reduction of "waste" are the first giant steps toward achieving reduction goals.

JCP&L appreciates this opportunity to share its views.

Very truly yours,

Christopher W. Siebens
Manager – Demand Response Programs