

New Jersey Energy Master Plan
Strategy Template
2005-2020

Utility Gas and Electric Residential Efficiency Incentive Program

<u>SUBMITTED BY</u>	
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Objective

1. Attain technically feasible electricity efficiency and conservation gains of 19.95 million MWhs by 2020.
2. Attain technically feasible efficiency and conservation gains of 77.2 trillion BTUs of non-electric heating demand by 2020.
3. Meet 5% of heating demand in the state with renewable fuels by 2020.
4. Electricity prices per unit in New Jersey should remain no more than +5% of the regional average.
5. Natural gas prices per unit in New Jersey should remain below the regional average price by at least 15%.
6. Improved air quality
7. Reduced greenhouse gas emissions
8. Gross state product growth
9. Improved energy efficiency
10. Increased job growth

Strategy

Enable utilities to offer gas and electric equipment leases to residential customers for the installation of qualifying energy efficient equipment and appliances. Qualifying equipment would be ENERGY STAR or better, and includes equipment that can be cost-effectively upgraded to a higher efficiency level such as: heating, cooling, water heating, refrigerators, dishwashers and clothes washers. The program would be designed to increase the speed of adoption of energy efficient equipment by encouraging the installation of high efficiency equipment at the time of replacement by eliminating the high upfront cost to customers. In order to minimize the ratepayer impact, non-participants will only contribute the incremental investment needed to upgrade the equipment to an energy efficient unit. Descriptions of the program features follow:

- The Offer- At the time of failure or obsolescence, a Customer may reach out to an Equipment Partner (EP) to acquire a replacement.
 - For those customers choosing to lease equipment, the EP would be authorized to offer to the consumer the opportunity for turnkey installation

- of the equipment at no upfront cost and a low fixed monthly charge inclusive of maintenance for the life of the equipment (lease period).
- For those customers choosing to purchase and own equipment, a rebate for the incremental cost of the qualifying energy efficient equipment would be offered.
- Cost Recovery- The utility would recover energy efficiency and base equipment costs differently.
 - The base equipment costs would be recovered from the customer directly either as a part of the monthly lease payment, or paid upfront in full.
 - The incremental cost (above the base equipment cost) for an energy efficient unit would be recovered in rates in order to take advantage of the low costs of capital available to the utility.
- Billing- Lease payments would be billed as an added line item on the customer bill.

If successful, the program could be expanded to the small commercial market.

Responsible Party

Primary responsibility will fall to the electric and gas utilities. Responsibility for implementation of a pre-approved asset investment recovery mechanism will fall to the Board of Public Utilities in cooperation with the utility.

The suggestions in this document all require very significant capital investment on the part of the utilities to provide the vehicle driving the societal benefits for the State in lowering state-wide peak electrical demands and lowering energy usage at non-peak periods. Accordingly, prior to program implementation, the utilities would need to work with the New Jersey Board of Public Utilities and other stakeholders to develop an appropriate pre-approved asset investment recovery mechanism for this purpose.

This new investment will lower annual throughput, suppressing the recovery of previously existing investment, and slow the recovery of this investment. This new environment requires that the traditional recovery mechanism of throughput needs to be reconsidered, or an algorithm developed to be applied to the consumer's bills to afford the utility's appropriate recovery of existing and future investment as throughput declines. One method to assure appropriate rates is to decouple the utility investment recovery from throughput.

Timeline of action

Program design and development can be initiated upon approval by the BPU, and will require 6 to 12 months to launch.

Strategy outcome

- Benefits-
 - Program participants receive high efficiency equipment for the approximate rental costs of standard efficiency equipment reducing essentially all barriers to acceptance.

- All participants and non-participants receive the energy savings benefit of the energy efficiency equipment at a cost lower than or equal to the alternative supply costs, resulting in no or decremental rate impact.
- Utilities are encouraged to promote energy efficiency by participating in the program in lieu of filing for lost revenue compensation.
- Non-Utility Equipment Providers can increase sales of equipment and installation services by having a powerful no up-front cost program.
- The State can acquire energy efficiency toward its goal of serving traditionally difficult to reach market segments, in a manner which is cost effective, organized, measurable, and which can easily be extended to other product categories as energy-efficient equipment becomes available.

Assuming an aggressive implementation that achieves a 50% participation rate, energy savings can be achieved approaching 475 GWhrs and 90 million therms per year, at an annual investment to ratebase of less than \$75 million.

Implementation cost

See Strategy Outcome

<u>Source of Funding</u>	
Funding sources Yes – Utility	
Public sector funds No	Consumer/ratepayer Funds Consumers and ratepayers pay for respective share of the investment

Indicators

Percentage of residential and small commercial equipment sold in 2006 that is ENERGY STAR or better

Percentage of New Jersey annual household income spent replacing failed energy consuming equipment

Source

New Jersey Energy Efficiency and Distributed Generation Market Assessment Report Prepared by KEMA, Inc. for Rutgers University Center for Energy, Economic and Environmental Policy in 2004.