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July 29, 2016

Weston Berg
State Policy Research Analyst
American Council for an Energy-Efficient Economy
Via Email: wberg@aceee.org

Re: New Jersey's Comments on the ACEEE 2016 DRAFT State Energy Efficiency Scorecard

Dear Mr. Berg:

The 2016 State EE Scorecard claims to provide an annual benchmark of the progress of state energy efficiency policies. This is the tenth edition of the State Energy Efficiency Scorecard, and, as in the past, the State continues to believe that the process and methodology are fundamentally flawed. Specifically, the State believes that ACEEE's scoring methodology treats New Jersey unfairly and does not give proper credit for the many good initiatives being implemented in our State. The following is a review of the ACEEE State Energy Efficiency Scorecard in terms of the overall criteria as fair to state agencies that manage and run statewide energy efficiency

programs. It appears the criteria as slanted towards states that manage EE and RE programs through their electric utilities.

First a review of the *Strategies for Improving Energy Efficiency* as listed in the 2016 State EE Scorecard.

1. Put in place and adequately fund an EERS or similar savings target.

New Jersey does not get any points for its annual goal setting because it is viewed as not similar to an EERS.

New Jersey's Clean Energy Program (NJCEP) develops the program's annual goals for the upcoming year for both electric and natural gas energy efficiency, and a renewable energy program through a detailed stakeholder process including EE/RE contractors, business groups, environmental groups, other state agencies, the electric and gas utilities and rate counsel. This annual goal setting is based on the current suite of NJCEP EE and RE program, the annual budget and the limits of the current program administered contracts. As part of this annual goal setting, NJCEP through an independent contractor performs both a forward looking and backward looking cost benefit analysis of all its programs.

Lastly, the BPU has a statewide Energy Master Plan that sets goals and objectives for all aspects of New Jersey's energy issues, including demand response (DR), energy efficiency (EE) and renewable energy (RE). While there are approximately 39 states that have some form of an energy plan, New Jersey is one of only 21 states that is required by law to develop an Energy Master Plan. The current Energy Master Plan (EMP) set a cumulative EE goal through 2020. It

is New Jersey's opinion given our current statewide state agency managed EE and RE programs that the EMP is the appropriate mechanism for setting statewide EE goals and not an EERS. In New Jersey the electric and natural gas utilities do not manage the statewide EE and RE programs. Therefore an EERS would not be as effective in New Jersey as it is in other states where individual electric and natural gas utilities run EE programs in their individual franchise areas. In a state managed statewide EE program such as New Jersey's Clean Energy Program setting the goal in the EMP is the more appropriate goal setting vehicle.

2. Adopt updated, more stringent building energy codes, improve code compliance and involve efficiency program administrators in code support.

New Jersey does not get full credit for managing energy building codes at the State level.

We agree buildings are a major use of energy. That is why the New Jersey Department of Community Affairs (NJDCA) has promulgated, adopted and implemented the current stringent building energy code. New Jersey's building codes are managed statewide by the NJDCA. They enforce all aspects of the building codes. They require compliance with all aspects of all the building codes. They operate training programs on all aspects of the building code and require local code officials to have annual training certification on all aspects of the building code. To single out one component of the building code to require evaluation of compliance is not something NJDCA would even entertain. NJDCA would not do a survey to determine compliance with the electric code or the plumbing code or the life-safety code. They expect and require 100% compliance on 100% of every permit reviewed and issued through the local building code approval offices. This same compliance requirement goes for the building energy

code. Not only do they expect compliance, but quite simply, they require it. We think compliance and training are required not optional.

3. Set quantitative targets for reducing vehicle miles traveled and integrate land use and transportation planning.

New Jersey does not get full credit for its statewide transit programs

We agree with this statement. In New Jersey, transportation has the largest impact on energy use and its environmental impacts. But up until just recently there was no real market for alternate fuel vehicles. New Jersey has adopted the California Clean Car standard. New Jersey has the best and largest statewide transit system. NJ Transit is not limited to one or two major cities, but is available statewide. You can get from one end of the state to the other using the NJ Transit system. New Jersey is the most densely populated state, so what may work in another state may not work in New Jersey in terms of VMT.

4. Treat cost-effective and efficient CHP as an energy efficiency resource equivalent to other forms of energy efficiency.

New Jersey does not get full credit for its EE CHP program

New Jersey agrees with this statement. New Jersey has a goal in the EMP for 1500 MW of CHP by 2020. We provide incentives for CHP through the NJCEP. As mentioned above, we do not think for EE and for CHP that an EERS is the best policy to be implemented by a state that actually runs the statewide EE and RE programs. This is more appropriately set annual by the NJCEP and cumulatively statewide in the EMP.

5. *Expand state-led efforts and make them visible.*

New Jersey does not get full credit for all the leadership it implements for State facilities

We agree with this action item. New Jersey has established an office in the BPU whose major focus is increasing EE and RE projects in State facilities. NJBPU through the NJCEP provides direct funding to the New Jersey State Energy Office that manages EE and RE projects for all State facilities. New Jersey has issued a \$100 million line of credit for EE and RE projects for State facilities that is managed by the NJBPU State Energy Office.

While New Jersey implements all the action items you call for in the 2016 State EE Scorecard, New Jersey does not get credit for them, because we have not implemented policies such as the EERS. For the reasons below, New Jersey feels the ranking and evaluation process is not fair to state entity run, statewide EE programs that have different but as effective tools in their policy tool box than an EERS.

The following are New Jersey's specific comments regarding the scoring criteria.

Chapter 2 Utility and Public Benefits Programs and Policies

Basing the ranking solely on annual incremental energy savings misses the bigger picture. While New Jersey's annual electric savings is approximately 0.05% of retail sales, cumulatively since the beginning of the NJCEP Program, electric retail sales have been reduced by approximately 6% directly because of the State's NJCEP EE programs.

Resource acquisition is an important criteria to monitor, but to put all the scoring in that category is a disservice to one of the main goals of EE programs: to transform the EE marketplace. New Jersey does that with several EE programs that help to shape future energy use and support adopting newer energy building codes and appliance standards. Several of the programs we run have cost/benefit ratios less than one, but we continue to operate them because they assist in EE market transformation. We spend \$35 million annually on low income programs that pay for 100% of the installed EE measure costs. The Comfort Partners program has very low energy savings compared to cost. If New Jersey wanted to increase its ranking, should we eliminate these programs for higher energy savings at the same or lower costs? But, we don't think that helps to transform the market or serve under represented sectors in the EE market. In addition, under the Global Warming Response Act, the electric and gas utilities also operate electric and gas energy efficiency programs which are not accounted for in Tables 9 and 11. The total spending would raise the overall percentage to approximately 2% for electricity and over \$35 per customer for natural gas if these separate electric and natural gas EE programs were included.

As noted above, New Jersey's EE policy objectives and goals are developed on an annual basis and adopted by the Board as part of the overall NJCEP budget approval process. An EERS in a state managed statewide EE program does not have the same effect as it would in an individually utility managed EE program. If we implemented an EERS we would most likely eliminate the EE incentive programs under the NJCEP as we did for solar in 2008. The analysis we have initially performed raises issues on the cost effectiveness of such a process in New Jersey in a state run statewide EE program.

We use the State Energy Master Plan (EMP) as our process to set statewide goals. New Jersey sets a cumulative energy savings goal over time. In Table 18, New Jersey should be reassigned at least 2 points because our EMP cumulative EE goal would translate in approximately 2% annually.

In table 20, because New Jersey runs the statewide EE program these are two criteria and two points the NJCEP cannot ever achieve. Given that NJBPU runs the statewide EE programs decoupling or utility performance incentives would not have the same impact or effect as in a state in which the individual utilities operate the programs. At N.J.S.A. 48:3-98.1, the NJBPU does have a mechanism that can allow or direct the electric or gas utility to file for an EE or RE program to be managed on their side of the meter or the customer's side of the meter. This statute allows for cost recovery under separate mechanisms which can include lost revenues and performance incentives if approved by the Board.

NJBPU is also the designated State Energy Office for all energy issues except for energy building codes and standards which is managed by the NJDCA. This provides New Jersey with a better, more efficient way to set policies for EE and RE programs than in other states. If the state sets out an EE or RE policy in the EMP, we as the NJBPU can work that through with the electric and natural gas utilities. As needed under N.J.S.A. 48:3-98.1, the NJBPU can direct the electric and gas utilities to develop EE and RE programs as needed in specific markets that compliment but do not compete with the NJBPU's NJCEP. At a minimum, New Jersey should

be awarded these 2 points similar to Hawaii being awarded points for a natural gas program when it does not have any natural gas.

Chapter 3 Transportation

New Jersey does not have a specific goal to reduce transportation greenhouse gases (GHG) but does have a statutory requirement in the statewide Global Response Act to achieve a 20% reduction in 1990 statewide GHG levels by 2020, and an 80% reduction in 2006 statewide GHG levels by 2050. This includes transportation. New Jersey should be given the 1 point for a GHG target in Table 23.

Chapter 4 Building Energy Codes

As noted above, New Jersey had adopted IECC 2014 and ASHRAE 90.1 2013 last year and is now implementing these new codes. NJDCA implements building codes statewide. The building codes are managed and enforced by the NJDCA statewide through and with every local municipality. As discussed with NJDCA, there is no need for an energy building code compliance study or additional compliance activity since compliance with all building codes is required and mandated statewide - not voluntary or optional. New Jersey should be allocated all 7 points in Table 23.

Chapter 5 CHP

NJBPU has operated an EE incentive program for CHP since 2005. The State's Energy Master Plan set the goal for this program at 1500 MW of CHP by 2020. In addition, NJBPU has worked with the New Jersey Department of Environmental Protection to streamline the environmental permits for natural gas powered CHP on 3 MW or less.

All New Jersey electric distribution companies have interconnection requirements in their approved tariffs consistent with FERC QF requirements. CHP is a QF and as such all NJ electric utility are required by FERC to provide for interconnection to their system. The NJBP has developed supportive declaratory rulings and findings for CHP since the enactment of PURPA.

New Jersey does not have a production goal or a revenue stream, but has an equivalent capacity goal and a capacity incentive. The incentive is wholly structured to assist holistically in developing this market and New Jersey does not see the need to develop two separate funding mechanisms or other deployment incentives. The NJCEP CHP single capacity based incentive does what ACEEE has split in 3 different incentive buckets. For reasons cited above, we do not see the need for a separate EERS for CHP when the NJBPU can incorporate all of the incentives and policy drives in one statewide program. For these reasons, New Jersey should be awarded the full 4 points.

Chapter 6 State Government Initiatives

New Jersey's Clean Energy Program has more details than what one can glean from DSIRE. The NJCEP's Home Performance with Energy Star (HPwES) has a loan buy down component along with a significant and substantial rebate. The NJCEP buys down the loan to a 0% interest. This in effect doubles the incentive. This program works in conjunction with and complimentary to several natural gas utility programs that currently manage the repayment of the HPwES loan through their on-bill repayment program. The current structure of the HPwES program is not cost effective but it is the programs position we need to be at this level to develop this relatively new EE program. This is the major difference between ranking just on resource acquisition and the balance of program objectives in New Jersey for market development. If we were just interested in resource acquisition ranking, New Jersey may not be implementing a HPwES program.

The NJBPU established a separate office to advance energy efficiency and renewable energy in State facilities. The Office of State Energy Facilities Program has access to the suite of EE and RE incentives in the NJCEP. NJCEP manages a free energy audit program for public facilities including state, county and local governments, not-for-profits and state colleges and universities. The Office of State Energy has access to a \$100 line of credit for state RE and EE projects. This office also manages the performance contracting process for public facilities. This office has assisted school districts with poor bond rating to actually financing EE project through the New Jersey Energy Saving Investment Program (ESIP).

New Jersey has managed a low income program since 2001. The typical budget is \$35 million per year and upgrades approximately 7,500 homes per year. This program is in addition to the USDOE weatherization program. The NJ Comfort Partners Program is one of the longest running programs in the country. The program just completed its 100,000th home. The program funds 100% of the EE measures installed and will also perform health and safety upgrades such as moisture control. This is one of the programs in the BPU suite of EE and RE programs that scores significantly less than one on any cost benefit analysis, but one the State will continue to operate regardless of the score.

In this category New Jersey should be allocated the full 3 points for financing incentives and the full two points for lead by example for a total of 5 points in this category.

The above are reasons New Jersey does not feel its ranking can be reduced to one single score. Can a State program improve their cost effectiveness and increase the kwh and therms saved per dollar spent? Yes, absolutely, but at what value? The scoring and ranking, in our opinion, seems to be biased to utility managed programs, not state run statewide programs or especially not in competitive energy states.

As always, if you have any questions, please do not hesitate to let me know. We look forward to the modifications being made and to New Jersey receiving more of the credit it deserves in your Scorecard.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Kenneth J. Sheehan". The signature is fluid and cursive, with the first name "Kenneth" and last name "Sheehan" clearly distinguishable.

Kenneth J. Sheehan
Chief of Staff, New Jersey Board of Public
Utilities