



Agenda Date: 10/7/19
Agenda Item: 8B

STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
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CLEAN ENERGY

IN THE MATTER OF THE IMPLEMENTATION OF <u>P.L.</u>)	ORDER DIRECTING THE.
2018, <u>c.</u> 17 REGARDING THE ESTABLISHMENT OF)	UTILITIES TO COMPLETE A
ENERGY EFFICIENCY AND PEAK DEMAND)	DEMOGRAPHIC ANALYSIS
REDUCTION PROGRAMS)	
)	DOCKET NO. QO19010040
IN THE MATTER OF THE CLEAN ENERGY ACT OF)	
2018 – UTILITY DEMOGRAPHIC ANALYSIS)	DOCKET NO. QO19060748

Parties of Record:

- Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel
- Timothy White**, Atlantic City Electric Company
- Deborah M. Franco, Esq.**, Elizabethtown Gas Company
- Mark Mader**, Jersey Central Power & Light Company
- Andrew Dembia, Esq.**, New Jersey Natural Gas Company
- Margaret Comes, Esq.**, Orange & Rockland Utilities
- Susan Ringhof**, Public Service Electric & Gas Company
- Maureen Minkel**, South Jersey Gas Company
- Robert H. Oostdyk, Jr., Esq.**, Butler Electric Company

BY THE BOARD:

This Order directs each electric public utility and gas public utility to conduct a demographic analysis pursuant to the energy efficiency provisions of the Clean Energy Act of 2018, to be completed by May 1, 2020.

BACKGROUND

On May 23, 2018, Governor Murphy signed P.L. 2018, c. 17, codified at N.J.S.A. 48:3-51-87 et seq., into law ("Clean Energy Act" or "CEA" or "Act"), effective immediately. Among other things, the Act mandates that the Board require each electric public utility to develop an energy efficiency program to "achieve annual reductions in the use of electricity of two percent of the average annual usage in the prior three years within five years of implementation of its electric energy efficiency program" and each gas public utility to develop an energy efficiency program in order to "achieve annual reductions in the use of natural gas of 0.75 percent of the average annual usage in the prior three years within five years of implementation of its gas energy efficiency program." N.J.S.A. 48:3-87.9.

As part of this mandate, the Act specifically provides that:

Each electric public utility and gas public utility shall conduct a demographic analysis as part of the stakeholder process to determine if all of its customers are able to participate fully in implementing energy efficiency measures, to identify market barriers that prevent such participation, and to make recommendations for measures to overcome such barriers. The public utility shall be entitled to full and timely recovery of the costs associated with this analysis.

[N.J.S.A. 48:3-87.9(f)(2).]

PROCEDURAL HISTORY

Consistent with N.J.S.A. 48:3-87.9(b), on December 18, 2018, the Board authorized the Division of Clean Energy to enter into a contract with Optimal Energy, Inc. ("Optimal") to perform a study to determine the potential for peak demand reductions for each utility in the state and to develop preliminary energy savings targets and quantitative performance indicators ("QPIs") for electricity and natural gas usage reduction, known as the Energy Efficiency Potential in New Jersey study ("EE Potential Study"). After proper notice, the Board held a stakeholder meeting on February 1, 2019 at the New Jersey State House and accepted written comments through February 15, 2019.

In May 2019, following a series of stakeholder meetings regarding the EE Potential Study, the Board accepted the study as complete. The Board also established the Energy Efficiency Advisory Group ("Advisory Group") to participate in an ongoing stakeholder process related to the development of New Jersey's next generation of energy efficiency and peak demand reduction programs. The Board also adopted the QPIs set forth in the EE Potential Study as preliminary and directed Board Staff ("Staff") to conduct a stakeholder process to receive comments and recommendations from interested parties.

Staff expects that the information resulting from the demographic analysis required by the CEA ("Demographic Analysis") will provide the basis for better program design, including increased access to energy efficiency.

Staff also expects that the Board will use the results of the Demographic Analysis to establish utility-specific QPIs, as the CEA directs that:

... In establishing quantitative performance indicators, the [B]oard shall also consider each public utility's customer class mix and potential for adoption by each of those customer classes of energy efficiency programs offered by the public utility or that are otherwise available. ...

[N.J.S.A. 48:3-87.9(c)]

STAFF RECOMMENDATION

Staff oversaw the work of the consultant in studying energy efficiency potential within New Jersey and has developed a better understanding regarding the next generation of energy

efficiency in the state as a result. However, Staff believes that the intent of the Act is for the utilities and the BPU to obtain more detailed demographic information about all current gas and electric customer class mixes in each territory – including residential, commercial, and industrial customers – as well as information regarding factors that contribute to customers' access to and participation in energy efficiency and peak demand reduction programs.

Staff recommends that the Board direct New Jersey's public electric and gas utilities to jointly engage a consultant to complete the Demographic Analysis required by the CEA. Staff expects that this approach will ensure consistent study results, including the same characteristics and the level of detail across the state. This consistency will allow for the results to be compared among utility territories and also aggregated statewide in order to understand the demographics of utility customers throughout New Jersey.

Staff recommends that the RFP and subsequent deliverables produced by the consultant at a minimum include the following technical elements:

Objective:

The objective of the Utility Demographic Analysis is to "...conduct a demographic analysis as part of the stakeholder process to determine if all of its customers are able to participate fully in implementing energy efficiency measures, to identify market barriers that prevent such participation, and to make recommendations for measures to overcome such barriers." (N.J.S.A. 48:3-87.9(f)(2)).

Deliverables:

Pursuant to the statute, the Demographic Analysis will answer the following questions:

- What are the major customer categories in each electric public utility and gas public utility's service area?
- Which customer categories are able to participate fully in implementing energy efficiency measures?
- What market barriers prevent full participation?
- How can energy efficiency programs overcome these barriers?

Minimum Technical Requirements:

- Propose data sources in detail (e.g., State data, utility data, publicly available secondary sources, prior proprietary studies, primary sources such as surveys/field site visits) and data collection methods for residential, commercial, and industrial customers. Explain how all existing data will be utilized to the extent possible before primary data is collected. If data is to be requested from a New Jersey state agency (e.g., the BPU or New Jersey Department of Community Affairs) and/or utilities, please specify and indicate level of dependency on this data and provide a risk management plan.
- If applicable, describe how survey instruments will be distributed or site visits will be executed. Also describe any prior experience in overcoming participation barriers from building owners/tenants.
- Describe how statistically significant samples will be determined. Quantify sample sizes and associated confidence parameters.
- The Demographic Analysis should develop statistically valid data within each service territory, disaggregated at the municipal level, or by zip code, census tract, or other similar designation for residential, commercial, and industrial customers. Identify what designation will be utilized.
- Describe the data security protocols that will be used to protect the confidentiality of New

Jersey specific customer data. All supplied data will remain the property of the utility to which it belongs. The contractor will have no ownership of the customer data and shall not use the data outside of the scope of the Demographic Analysis. The contractor will work with the utilities to ensure that the customer confidentiality requirements of N.J.S.A. 48:3-49 are maintained. In the RFP, the utilities should include language that outlines, at a minimum, the requirements for the usage, storage, protection, transmission, re-use, and end of contract handling of all customer data, as well as remedies for breach of these requirements.

- Propose a process that ensures that all deliverables do not contain confidential information and are stratified in such a way that customers are not individually identifiable.
- The Board reserves the right to utilize the data and results of the Demographic Analysis as necessary to implement the CEA.

Data should include, at a minimum, the following customer characteristics:

- **Residential**
 - Utility (service territory)
 - Rate class
 - Location (municipality)
 - Annual energy use (kWh, therms)
 - Unit size (ft²)
 - Units in structure (single family, multifamily)
 - Age of structure (year built)
 - Household size (# of people)
 - Household member ages (young family, teens present, elderly)
 - Tenancy (owner occupant, renter)
 - Household income (\$/year)
 - Preferred language(s)
 - Building certifications (e.g., Energy Star, LEED)
 - Energy efficiency program participation (New Jersey Clean Energy Program ("NJCEP")) and utility programs)
- **Commercial**
 - Utility (service territory)
 - Rate class
 - Location (municipality)
 - Annual demand & energy use (kW, kWh, therms)
 - Unit size (ft²)
 - Units in structure (single tenant, multiple tenants)
 - Preferred language(s)
 - Age of structure (year built)
 - Sector (NAICS code)
 - Building certifications (e.g., Energy Star, LEED, ISO140001, ISO50001)
 - Energy efficiency program participation (NJCEP and utility programs)

- **Industrial and Other**

- Utility (service territory)
- Rate class
- Location (municipality)
- Annual demand & energy use (kW, kWh, therms)
- Structure size (ft²)
- Age of structure (year built)
- Sector (NAICS code)
- Industrial processes present
- Building certifications (e.g., Energy Star, LEED, ISO140001, ISO50001)
- Energy efficiency program participation (NJCEP and utility programs)

Reports of Findings:

Staff recommends that the contractor provide a final report fulfilling all objectives stated above, a summary presentation, and an appropriately anonymized microdata set suitable for public use. Staff recommends that any report that contains confidential information be accompanied by a publicly redacted report for distribution.

Staff also recommends that the utilities should make clear to bidders what existing information, including all publicly available information, will be available for the analysis, including the level of detail and accuracy, and encourage bidders to propose methodologies that draw upon that existing data before collecting primary data.

Following contract award, Staff recommends that the utilities include Staff in the project launch meeting and provide, at a minimum, monthly updates to Staff on the status of the project.

Should the consultant collect primary data through a survey or other similar method, Staff recommends that the utilities provide Staff with five (5) business days to review the survey instrument before it is implemented.

DISCUSSION AND FINDINGS

After careful review, the Board **FINDS** that a joint consultant to perform the demographic analysis required by the Act is an efficient and effective way to perform the demographic analysis and will help to ensure consistency and comparability of the results. The Board **HEREBY ADOPTS** Staff's recommendations, as detailed above, regarding the study process and minimum technical requirements of the RFP.

The Board **DIRECTS** the utilities to develop a joint RFP in order to procure a consultant to perform the demographic analysis in order to fulfill requirements of the Act. The proposed RFP should be submitted to Staff and the New Jersey Division of Rate Counsel ("Rate Counsel") no later than Tuesday, November 12, 2019 in anticipation of an RFP being released soon thereafter by the utilities in a manner that is consistent with appropriate requirements. The Board **FURTHER DIRECTS** the electric public utilities and gas public utilities to utilize all available data before directing the contractor to collect primary data. The Board **DIRECTS** the electric public utilities and gas public utilities to ensure that Staff are included in the project launch meeting scheduled following contract award, but no later than January 15, 2020; provide Staff with monthly updates on the status of the project; and provide Staff with five (5) business days to review any survey instruments before they are implemented.

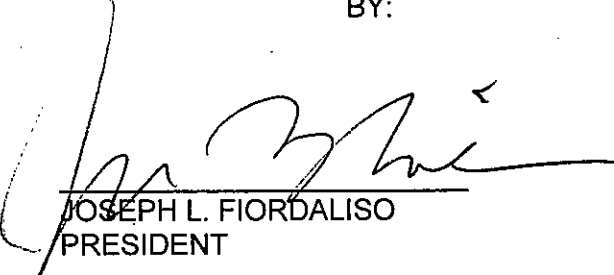
Board **FURTHER DIRECTS** the electric public utilities and gas public utilities to identify costs to date as well as anticipated future costs associated with the Demographic Analysis. The Board **ORDERS** that such costs determined to be prudent will be collected through a new component of the individual utility clauses used to collect costs related to programs under N.J.S.A. 48:3-98.1. The costs related to the analysis should be treated as operations and maintenance ("O&M") and will therefore earn no return. The requests for cost recovery should be included in annual true up filings following the completion of the demographic analysis. Butler Electric Company may recover prudent costs through a quarterly filing related to its biennial petition to adjust its Levelized Energy Adjustment Clause ("LEAC").

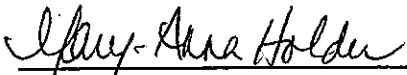
The Board **DIRECTS** the public utilities, together, to submit the final report and microdata set resulting from the demographic analysis shall be submitted to the Board Secretary no later than May 1, 2020, with a copy provided to both Rate Counsel and the Energy Efficiency Advisory Group. Any report that contains confidential information must be accompanied by a redacted report acceptable for public distribution.

The effective date of this order is October 17, 2019.


DATED: 10/7/19

BOARD OF PUBLIC UTILITIES
BY:

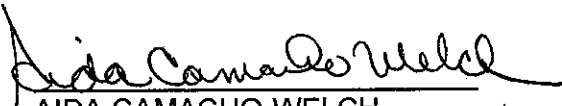

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AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

In the Matter of the Clean Energy Act of 2018 – Energy Efficiency and Peak Demand Reduction Programs and the Energy Efficiency Advisory Group
In The Matter of the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs

In The Matter of the Clean Energy Act of 2018 – Utility Demographic Analysis

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