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Comments of the New Jersey Department of the Public Advocate Division of Rate Counsel

2010 Budget for Renewable Energy and Energy Efficiency Programs June 15, 2010

Please accept the within informal comments submitted on behalf of the the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") regarding the straw proposals for 2010 Energy Efficiency ("EE") and Renewable Energy ("RE") budget and program revisions.

Renewable Energy Program Straw Proposal

Rate Counsel supports OCE's proposal to reduce overall rebate caps and rebate levels in order to extend program benefits across a wider range of installations. Rate Counsel also supports the modifications of program eligibility that includes restricting non-residential applications to non-profit and government allocations. Rate Counsel takes no position at the current time in extending the program eligibility to residential purchased power agreements ("PPA"). Rate Counsel does recommend, however, that OCE reconsider all of the current program modifications made in this Funding Cycle 3 ("FC3") proposal and that none be precedent setting.

Rate Counsel's support of the current FC3 proposal is based upon the Straw Proposal's overall reasonableness relative to the dollars at question, and the relatively limited and expedited time period under which these proposals can be considered, changed, and implemented.

Rate Counsel is particularly concerned about what appears to an inadequate process of "searching out" the best rebate amount and level in the market to fund an adequate number of projects at the least cost to ratepayers. The fact that program applications far exceed available funding suggests that the program is still too "rich" and is over-incenting development. This is a program deficiency that should be addressed in the future. Pro forma analyses of the likely best rebate level is simply too generic and potentially misses a large number of efficiency improvements that could be made in the rebate process. The random selection of projects outlined in the Straw Proposal, while expedient, is simply an inefficient method of picking 'winners' and 'losers' in this process, and runs counter to the Board's overall goals of encouraging competition in renewable energy markets where possible.

Rate Counsel supports, at least in general principle, the suggested program modifications offered by Michael Flett (Flett Exchange) in the last Renewable Energy Committee meeting that would use a competitive bidding process for determining the appropriate rebate level for each individual project. Such a project would reduce, if not eliminate, the efficiencies inherent in the current one-size-fits-all approach. A competitive bidding process will facilitate project differentiation and financial needs, potentially delivering more solar capacity at lower unit costs. Rate Counsel is mindful, however, that concerns regarding administrative costs, relative to program/funding cycle size, needs to be evaluated further. Rate Counsel would support continued discussion on this potential rebate alternative.

Energy Efficiency Program Straw Proposal

Rate Counsel submits the following comments in response to the request for comments on the straw proposals submitted by EE Market Managers TRC Energy Services and Honeywell for changes to the 2010 New Jersey's Clean Energy Programs ("CEP") EE programs which were distributed to the Energy Efficiency listserve on June 7, 2010.

Honeywell and TRC propose largely reasonable modifications to the energy efficiency CEP which appear better match the budgets and programs designs to the available funds, given patterns of market demand for the programs. For residential energy efficiency, Honeywell's straw proposal increases the 2010 budget for Home Performance with Energy Star ("HPwES"), the efficiency retrofit program for existing houses. This would be the second increase to the HPwES program this year. Earlier, the HPwES budget was increased by $5 million. For commercial and industrial energy efficiency, a notable element of TRC's proposal is a reduction in the incentive for customers in the Direct Install program from 80% of project costs to 60% of project costs and an increase in the budget for that program by as much as an additional $4 million.

The proposed modifications seem to comport with two related objectives: (1) to maintain program momentum, and (2) to reduce or avoid confusion in the marketplace. The HPwES program has gained momentum despite two suspensions in accepting applications, and it appears that the Direct Install program has done likewise. In general, Rate Counsel is supportive of these goals. However, it is not clear the extent to which cost effectiveness has been considered in making these recommendations. For example, the Large Appliance Early Retirement program produces good energy savings per participant, yet the proposed modifications reduce the budget for this program. The appliance retirement program's budget should not be reduced by $1,545,000 as suggested by Honeywell in order to add to the HPwES budget. Even without including this element the 2010 HPwES budget would be increased by a very large $12,158,734.

The above comments are limited in scope to the straw proposals presented for 2010 EE budget revisions. Rate Counsel submits that a more detailed review of the EE budget and programs should be performed in the context of the annual EE budget approval process, recognizing recent expansions of electric and gas utility EE programs.

Very truly yours,

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