



State of New Jersey
DIVISION OF RATE COUNSEL
31 CLINTON STREET, 11TH FL
P. O. BOX 46005
NEWARK, NEW JERSEY 07101

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

September 12, 2011

Via Overnight Delivery and Electronic Mail

Honorable Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**Re: In the Matter of Comprehensive Energy Efficiency and Renewable
Energy Resource Analysis for 2009-2012 Clean Energy Program: 2011
Programs and Budgets: Compliance Filings Proposed Extension of
Promotional Incentive Increases (HPwES)
BPU Docket Nos. EO07030203 and EO10110865**

Dear Secretary Izzo:

Enclosed please find an original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel in connection with the above-captioned matters. Copies of the comments are being provided to all parties by electronic mail and hard copies will be provided upon request to our office.


We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope.

Honorable Kristi Izzo, Secretary
September 12, 2011
Page 2

Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By 
Felicia Thomas-Friel, Esq.
Deputy Rate Counsel

c: publiccomment@njcleanenergy.com
OCE@bpu.state.nj.us
Mike Winka, BPU
Mona Mosser, BPU
Benjamin Hunter, BPU
Anne Marie McShea, BPU
EE Committee Listserv

**In the Matter of Comprehensive Energy Efficiency
and Renewable Energy Resource Analysis
for 2009-2012 Clean Energy Program:
2011 Programs and Budgets: Compliance Filings
Proposed Extension of Promotional Incentive Increases (HPwES)
BPU Docket Nos. EO07030203 and EO10110865**

**Comments of the New Jersey
Division of Rate Counsel**

September 12, 2011

The Division of Rate Counsel (“Rate Counsel”) would like to thank the Board of Public Utilities (“BPU” or “Board”) for the opportunity to present our comments on the proposal to extend increases in certain 2011 Clean Energy Program (“CEP”) incentives that was submitted to stakeholders for comment by the Office of Clean Energy (“OCE”) in a notice issued September 1, 2011 (the “September 1 Notice”).

OCE has proposed to extend the current Home Performance with ENERGY STAR (“HPwES”) “Summer Promotion”, which was approved earlier this year, is currently in progress, and is approved to end September 30, 2011. The Summer Promotion was intended to increase participation in the HPwES program by providing additional incentives in the form of discounts to participants in Tier 2 and Tier 3 of the HPwES program who enroll during a summer promotion period. However, the residential Market Manager has reported that the Summer Promotion results have been below expectation to date. The proposed extended Summer Promotion is intended to encourage participation in the HPwES program by homeowners who need to replace their heating systems. The

extended promotion would start on October 1, 2011 and end on December 31, 2011, coinciding with one of the busiest times of the year for heating system replacement.

Rate Counsel has generally supported efforts to increase participation in HPwES via the WARM Advantage and COOL Advantage heating, ventilation and air conditioning (“HVAC”) programs, which have seen high participation rates in 2011. At the same time, Rate Counsel has expressed concerns about the HPwES Summer Promotion in its previous comments, and these concerns have yet to be addressed. These concerns include:

1. Customer incentive levels may not be the primary reason that HPwES participation has been lacking in 2010 and 2011. Rather, increased education and outreach to contractors may be needed.
2. The summer promotion could be providing more than 100% of the incremental costs of energy efficient measures.
3. The Market Manager has still not presented any basis for the discount amounts (\$500 for Tier 2 services, \$750 for Tier 3 Level 1 and \$1000 for Tier 3 Level 2), which may be excessive.
4. The Summer Promotion does not appear to address contractors’ resistance to participating.
5. Increased participation in the HPwES program attributable to the Summer Promotion might not displace participation in the HVAC programs but rather supplement it, potentially exhausting the 2011 CEP budgets before the end of the year and leading to disruptive program suspensions.

6. The Summer Promotion could be providing greater incentives to people who might have participated in the program even in the absence of the promotion.

For these reasons, Rate Counsel has previously recommended that the causes of low participation in the HPwES program and high participation in other programs should be further investigated. Moreover, support for the specific discounts being offered through the promotion should be provided.

Conclusion and Recommendations

Rate Counsel does not object to the proposed extension of the HPwES Summer Promotion. However, Rate Counsel's support is conditioned upon implementing measures to ensure that the level of incentive does not exceed 100% of the total incremental cost of various measures qualified for the HPwES program. In addition, the OCE - or the Market Manager - should be required to provide support for its claim that specific incentive levels are needed to boost the participation in HPwES. Rate Counsel continues to recommend that the causes of low participation in the HPwES program and high participation in other programs should be further investigated. Finally, the OCE should reassess the incentive levels and marketing strategies (education, training, and other outreach) for HPwES and other programs for the 2012 program cycle.