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May 29, 2015

By Hand Delivery and Electronic Mail
Honorable Irene Kim Asbury, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for Fiscal Year 2016 Clean Energy Program
BPU Docket No.: QO15040476

I/M/O the Clean Energy Programs and Budget for the Fiscal Year 2016
BPU Docket No.: QO15040477

Dear Secretary Asbury:

Please accept this original and ten copies of Comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in connection with the above-captioned matter. Copies of the comments are being provided to all parties on the e-service list 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.

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Thank you for your consideration and assistance.

Respectfully submitted,

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I/M/O the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for Fiscal Year 2016 Clean Energy Program
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Comments of the New Jersey Division of Rate Counsel

May 29, 2015

INTRODUCTION

The Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("BPU" or "Board") for the opportunity to present comments on Board Staff's Comprehensive Energy Efficiency and Renewable Energy Resource Analysis ("CRA") and proposed funding levels for Fiscal Year 2016, and the proposed New Jersey Clean Energy Program ("NJCEP" or "CEP") programs and budgets for Fiscal Year 2016. The proposed CRA and CEP funding levels are reflected in a Staff Straw Proposal ("CRA Straw Proposal") posted on OCE's website on May 5, 2015, with amendments posted on May 21, 2015. The proposed programs for Fiscal Year 2016 are reflected in four draft "compliance filings," prepared by the Board's Office of Clean Energy ("OCE"), the Board's two contracted Market Managers, Honeywell and TRC, and the State's electric and gas utilities. The draft compliance filings were posted on the OCE's website on May 7, 2015. In accordance with Public Notice issued by the Board on May 5, 2015, a public hearing was held on May 22, 2015. The deadline for written comments, originally May 22, 2015, was subsequently extended to May 29, 2015.

In the CRA Straw Proposal, Staff notes that the procurement process for retaining a new program administrator for the NJCEP is in progress.[1] In anticipation of a new strategic plan to be developed and implemented with the assistance of the new program administrator, OCE is proposing to maintain existing ratepayer funding levels, and focus on effective delivery of its existing energy efficiency and renewable energy programs, with limited changes, during Fiscal Year 2016.[2] OCE is proposing to collect the same amount from ratepayers as in Fiscal Year 2015, approximately $344.7 million. Of that amount, about $213.7 million is allocated to NJCEP programs, $2.7 million is allocated to the Temporary Relief for Utility Expenses ("TRUE") program, $118.3 million is anticipated to be appropriated by the New Jersey Legislature for state government energy initiatives and utility costs, and $10.0 million is allocated to the New Jersey Energy Resilience Bank ("ERB").[3] The total proposed Fiscal Year 2016 budget for NJCEP programs, including both new funding and estimated carryover amounts from Fiscal Year 2015, is approximately $351.5 million, a reduction from the approximately $379.6 million Fiscal Year 2015 budget.

GENERAL COMMENTS

As noted above, instead of a multi-year CRA, Staff is proposing to essentially maintain the status quo in anticipation of a strategic planning process to be conducted with the assistance of a new program administrator. Rate Counsel supports this approach.

Rate Counsel supports OCE's efforts to assure that the strategic planning process will be informed by adequate data and analyses. The CRA Straw Proposal describes the work of three work groups that were convened by Staff to consider issues including evaluation, data collection,

[1] CRA Straw Proposal, p. 10.
[2] CRA Straw Proposal, p. 4.
[3] CRA Straw Proposal, p. 59.

and coordination among the clean energy programs run by the utilities and OCE ("Utility Work Group"). The results of these work groups included a schedule of evaluation activities for the NJCEP programs, which is being implemented by OCE, recommendations for data collection for utility and state-run programs, and proposals for coordinating and improving clean energy activities within the State. Rate Counsel supports Staff's continuing efforts to develop information and analyses that will support the upcoming strategic planning process.

The recommended budget in the Straw Proposal for evaluation appears to be reduced from the Fiscal Year 2015 level, $5.2 million, to $4.2 million.[4] Rate Counsel would strongly suggest that, at minimum, the Fiscal Year 2015 budget level be maintained, and that other program adjustments be investigated to accommodate this level. Program evaluations are critical to properly measure the actual benefits and value of the State's clean energy programs.

In view of the limited changes being proposed by OCE, and the short time provided for comment, Rate Counsel is not providing comprehensive comments on the compliance filings posted for comment on May 7, 2015. However, Rate Counsel has identified some concerns relating to specific program elements, which are discussed below.

[4] CRA Straw Proposal, p. 54.

COMMENTS ON SPECIFIC PROGRAMS

I. ENERGY EFFICIENCY BUDGETS AND PROGRAMS

This section addresses the energy efficiency ("EE") programs and budgets found in the CRA Straw Proposal and the draft Fiscal Year 2016 compliance filings by Market Managers Honeywell and TRC, the OCE, and the investor-owned utilities (for the Comfort Partners EE program). Consultants retained by Rate Counsel have also reviewed several additional reports referenced in the CRA Straw Proposal, including Energy & Resource Solutions' ("ERS") *2015 Benchmarking Study of NJCEP* and NJCEP's *2014-2015 Evaluation and Research Plan.*

In addition, the CRA Straw Proposal indicates that Staff incorporated many of the recommendations provided by the four working groups on evaluation, data, utility coordination, and NJCEP programs as well as the ERS 2015 benchmarking study. For example, the CRA Straw Proposal indicated that NJCEP will conduct a new study to evaluate energy efficiency protocols in more detail than in previous years per a recommendation by the Evaluation working group and in response to a finding of the ERS benchmarking study that the protocols rely on a large amount of outdated data.[5] Further, the CRA Straw Proposal indicates that Staff will propose a pilot program to incorporate an investor confidence project, an initiative to develop alternative financing for energy efficiency services.[6] Finally, the CRA Straw Proposal adopted the draft compliance filings submitted by the Market Managers, which contain many recommendations found in the ERS 2015 benchmarking study.

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[5] CRA Straw Proposal, p.44.
[6] CRA Straw Proposal, p.44.

While many of the proposed initiatives found in the CRA Straw Proposal are appropriate as described, Rate Counsel has specific recommendations for improvements in the following areas:

1. The overall budget for the NJCEP;
2. NJCEP budget lapses;
3. Evaluation budget and plans;
4. NJCEP and utility EE program coordination;
5. Comfort Partners Program; and
6. Bidding energy efficiency into PJM's capacity market.

The following subsection sets forth Rate Counsel's comments on these areas. Finally, the last subsection offers comments on changes proposed by the Market Managers for the Residential and Commercial and Industrial EE programs in their respective compliance filings.

A. Comments on Specific Issues in the CRA EE Straw Proposal

1. Overall budget for the Clean Energy Program

As presented at the May 22, 2015 public hearing, Staff proposes a slight reduction in the EE program budget, from $304 million in Fiscal Year 2015 to $282 million in Fiscal Year 2016. Rate Counsel supports this reduction, in anticipation of a strategic planning process to be conducted with the assistance of a new program administrator.

2. Budget Lapses

The CRA Straw Proposal discusses the history of NJ CEP funding lapses, which have resulted in collections from ratepayers which exceed program expenditures over the years:

> With unspent SBC funds came budget lapses. The NJCEP saw unencumbered funds lapsed every year of the planning cycle, over $600 million, which in turn impacted incentive levels. Individual program offerings and incentives fluctuated widely over this CRA; they were increased considerably with the influx of ARRA dollars and then cut drastically when SBC funds were lapsed.[7]

[7] CRA Straw Proposal, p. 21.

If the budgeted funds are not spent on EE programs, these lapsed funds do not produce the system benefits that energy efficiency provides to all users on the system. Budget lapses thus pose a threat to energy efficiency because energy efficiency investment requires stable, predictable funding streams over a long planning horizon, as acknowledged by the Utility Working Group.[8] Rate Counsel recommends that OCE continue to aggressively review its budgeting processes in coordination with the new program administrator to minimize this reoccurrence.

3. Evaluation Plan and Budget

The CRA Straw Proposal lists a significant number of new evaluation studies scheduled for Fiscal Year 2016 based on the latest evaluation plan, called the *2014 and 2015 Evaluation and Research Plan* prepared by the Rutgers Center for Energy, Economic and Environmental Policy ("CEEEP"). About 14 evaluation studies are scheduled for Fiscal Year 2016. While it is understood that NJCEP has historically lagged in conducting evaluation studies, the number of evaluation studies set for Fiscal Year 2016 is significantly higher than the number of studies scheduled in the past few years.[9]

It is not clear, however, whether the proposed evaluation budget is sufficient to cover the scheduled evaluation studies. The evaluation-related budget for Fiscal Year 2016 is $4.2 million according to OCE's compliance filing.[10] In contrast, the evaluation budget for Fiscal Year 2015 was $5.2 million. At a minimum, the OCE should provide a Fiscal Year 2016 CEP budget line for each of the studies listed in Table 7 of the CRA Straw Proposal and spend no less than the Fiscal Year 2015 budget for evaluation.

[8] CRA Straw Proposal, p. 31.
[9] The number of proposed evaluation studies is found on page 14 of the CEEEP's *2014 and 2015 Evaluation and Research Plan.*
[10] OCE FY2016 Compliance Filing, Appendix A.

4. CEP and Utility EE Program Coordination and Other Program Delivery Issues

The CRA Straw Proposal provides a discussion and recommendations on CEP and utility program coordination issues as part of the summary of the Utility Work Group 9 ("UWG") activities.[11] Staff appropriately states that it is important to "review the filings of the Evaluation, Data and Utility work groups and work with the respective program administrators to implement uniform data, data-collection methods, evaluation and reporting requirements for all programs." However, Rate Counsel notes that the CRA Straw Proposal does not address similar programs offered by both utilities and the NJCEP. It is also important to note that the UWG comments on CEP and utility program coordination are confusing, and may be taken as a recommendation to restrict the ability of the state to deliver EE programs. For example, the CRA Straw Proposal recommends that "...[t]he State can deliver statewide programs in territories where a utility does not deliver EE programs," but also recommends that "...[u]tilities should be encouraged to leverage their ample resources and unique advantages to deliver innovative programs that the State cannot."[12] Rate Counsel recommends that innovative utility EE programs that fall outside the purview of NJCEP programs should be encouraged.

5. Comfort Partners Program

The program evaluation conducted by Apprise in December 2014 identified some significant issues with the *Comfort Partners* program.[13] Apprise found that *Comfort Partners* was not achieving expected savings and that there were weaknesses in the audit and installation

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[11] CRA Straw Proposal, pages 29 to 32.
[12] CRA Straw Proposal, page 31.
[13] Apprise study, New Jersey Comfort Partners Final Evaluation Report, Dec. 2014 ("Apprise study").

procedures.[14] Apprise also found a high rate of job inspection failures: of the 18 percent of jobs in the treatment group that had a third party inspection, 33 percent failed the inspection, most commonly due to health and safety problems and missed opportunities.[15] Additionally, Apprise discovered many missed opportunities for installing the most cost-effective measures and concluded that "many of these missed opportunities would not result in greater expenditures, as they would require re-prioritizing or better quality work done" and that "in over 70 percent of the cases where there were missed opportunities, the contractors did not spend up to the seasonal guideline, and could have done a more thorough job."[16]

Rate Counsel is concerned with the findings of the Apprise study. With the significant barriers to and high administrative cost of reaching and serving a lower-income population, it is critical that all cost effective measures are installed once the contractor is in the home. In addition, contractors should be held to high quality standards, and the accuracy of energy savings reporting should be improved. However, the issues identified in the Apprise study are not addressed in either the CRA Straw Proposal or in the utilities' joint compliance filing.[17] While some of Apprise's recommendations pertain to specific contractors, most can and should be addressed by the whole program. For example, Apprise identified "a significant training opportunity" associated with the general lack of connection between the tests contractors were conducting and how the findings of the tests should guide the scope of work.[18] Moreover, the study included recommendations for changes to program procedures to address this disconnect

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[14] Apprise study, page xv.
[15] Apprise study, page viii.
[16] Apprise study, page xv.
[17] New Jersey's Clean Energy Program FY 16 Program Descriptions and Budgets: Utility Residential Low Income Comfort Partners Program and Clean Power Choice Program. May 6, 2015.
[18] Apprise study, page xi.

and to better align savings opportunities with program spending.[19] The Apprise study also calls for changes to the energy savings protocols and requirements that contractors provide data quality control plans.[20] All of these recommendations should apply to all *Comfort Partners* contractors, statewide.

Rate Counsel recommends that the Board require the utilities to file a plan, including detailed changes to policies, proposed training, task assignments, and target completion dates for addressing the issues identified in the Apprise study.

6. Bidding EE into PJM Capacity Markets

Rate Counsel has repeatedly recommended that CEP offer its energy savings into PJM's capacity markets. The Straw Proposal also discusses this issue as part of the summaries of the Utility Work Group and the Data Work Group.[21] Rate Counsel recommends that the CRA Straw Proposal adopt the advice of the Data Work Group and bid its energy efficiency capacity into the PJM market. Furthermore, the CRA should call on the Market Managers and Staff to monitor any changes in the PJM rules to ensure that such participation is beneficial to ratepayers.

B. Program-Specific EE Issues

1. Home Performance with Energy Star

The residential program Market Manager, Honeywell, offers several recommendations in its compliance filing, some of which are based on recommendations found in the ERS benchmarking study:

- Reduce incentives and interest rate buy-downs;
- Increase savings through insulation and duct sealing; and

[19] Apprise study, pages xvi to xix.
[20] Apprise study, pages xv and xvi.
[21] CRA Straw Proposal, pages 28 to 30.

- Increase participation through more multi-family projects, a pilot for insulation and remodeling projects, and targeted marketing.[22]

Honeywell's proposal to reduce the maximum incentive from $5000 to $4000 per project is reasonable. This is a 20 percent reduction in incentives and the lowest end of the incentive reduction recommendation by the ERS benchmarking study. The Market Manager should revisit this issue next year and consider reducing the maximum incentive to $3000 per project, given that the benchmarking study recommended an incentive reduction of 20 to 40 percent.

One of the current financing options under this program is a 0 percent interest, 10-year loan of up to $10,000. The proposed change to this option is to offer a 0 percent interest, seven-year loan of up to $12,000, or a 2.99 percent interest, 10-year loan. This multi-option approach might help to address the diverse needs of participants, but it is possible that the proposed increase in interest to 2.99 percent may discourage many customers from implementing a larger project. The Market Manager should more fully examine the pros and cons of this option compared to a lower interest loan option with a 10-year term that offers up to $12,000.

2. Residential New Construction

Honeywell proposes major changes to the current incentive levels and structures for the Residential New Construction program. There are currently three tiers of incentives under this program (Tier 1 through Tier 3). Incentives are determined based on participants' Home Energy Rating System ("HERS") Index score. Tier 1 and Tier 2 incentives are currently capped once a participant reaches a certain level of efficiency as measured by the participant's HERS score; Tier 3 has no incentive cap before a participant reaches the highest possible HERS score.

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[22] ERS 2015, Review and Benchmarking of New Jersey's Clean Energy Program, prepared for the New Jersey Board of Public Utilities, page 10.

The current maximum incentives for Tier 1 and Tier 2 are $2,500 and $3,500 for new homes, respectively, when the home achieves a HERS score of 50 (which indicates that the house uses 50 percent less energy than a house built to the current code).[23] These incentives are reduced by $250 for every five points that the home scores above 50 (a HERS score above 50 indicates that the home uses more energy than homes with a HERS score of 50). For example, if a home scores 60 on the HERS index, the residents' incentive will be reduced by $500. Incentives do not increase above the maximum amounts, even if HERS scores are reduced below 50.

Current Tier 3 incentives are provided to houses that meet the Department of Energy's Zero Energy Ready Homes' criteria. The incentive for Tier 3 starts at $10,000 for single-family houses when their HERS score reaches 50, and increases by $800 for each five points below a HERS score of 50. For example, the total incentive for Tier 3 for a single-family house with a HERS score of 20 would be $14,800.

Compared to these current structures, Honeywell's proposal includes an additional tier ("Tier 3 Plus") and proposes that incentives for all levels change based on the participant's HERS score. The proposed incentives increase significantly as HERS scores are reduced, and are significantly greater than the current incentives when new homes reach HERS scores of 50 or lower, as shown in the table below. The maximum proposed incentives for new single-family houses are $18,250 for Tier 1 (about seven times higher than the current maximum incentive level), $19,250 for Tier 2 (about 5.5 times higher than the current maximum incentive), and $21,250 for Tier 3 (about 1.5 times higher than the current maximum incentive).

[23] NJCEP, *Notice of Changes New Jersey ENERGY STAR Homes Program*, available at http://www.njcleanenergy.com/files/file/Residential%20Programs/NJ%20ENERGY%20STAR%20Homes/2013/2013ESHProgramChangeLetter_11513.pdf

Proposed Incentives for New Residential Construction for Single Family[24]

	Tier 1	Tier 2	Tier 3	Tier 3 Plus
HERS (Before Renewables)	*ENERGY* Efficient Home	ENERGY STAR Home Version 3	Zero Energy Ready Home	Zero Energy Home 100% Renewables
65	$750	$1,750		
60	$1,000	$2,000		
55	$2,000	$3,000		
50	$3,500	$4,500	$6,500	$9,500
45	$6,250	$7,250	$9,250	$12,250
40	$9,250	$10,250	$12,250	$15,250
35	$12,750	$13,750	$15,750	$18,750
30	$16,250	$17,250	$19,250	$22,250
25	$17,250	$18,250	$20,250	$23,250
20	$18,250	$19,250	$21,250	$24,250

Incremental to the proposed Tier 1 incentives, the proposed Tier 2 and Tier 3 incentives add $1,000 and $2,000, respectively, at each HERS level. Essentially, participants are rewarded for fulfilling the requirements of the next strictest tier with an additional $1,000. Honeywell's proposed Tier 3 Plus would reward homes that meet all energy needs with renewable energy with an additional incentive of $3,000 incremental to Tier 3 incentives.

The proposal to modify incentive levels based on HERS scores is reasonable. However, the proposed levels of increased incentives are excessive, and are not supported by any evidence or any economic analysis. It is also notable that the maximum incentives available for new homes in other jurisdictions are lower than the proposed incentives by Honeywell. Per the ERS Benchmarking Study, the maximum incentives for homes with a HERS score of 20 are about

[24] Honeywell 2015. *Honeywell's Residential Energy Efficiency and Renewable Energy Program Plan Filing for Fiscal Year 2016*, Table 1, page 14.

$7,250 in Connecticut Light and Power's program and $8,000 in NYSERDA's program. [25] Rate Counsel recommends that the incentive levels for Tier 1 increase based on the current incentive structure for Tier 3, in which incentives increase by $800 for every five points below a HERS score of 50. The additional incentives proposed for Tier 2 and Tier 3 appear reasonable (that is, $1,000 and $3,000 greater than a comparable HERS score in Tier 1). However, it is not clear whether the additional incremental incentive of $3,000 for Tier 3 Plus is necessary, mainly because solar photovoltaic systems (which are the most popular renewable energy system for homes) already receive a significant amount of incentives in New Jersey, including the proceeds from the sale of Solar Renewable Energy Certificates ("SREC").

3. Energy Efficient Products Program

Honeywell proposes modifications to incentive levels and structures for lighting, clothes washers, refrigerators, advanced power strips, cable set top boxes, and refrigerator recycling. Most of the proposed changes appear reasonable, but Rate Counsel is concerned about the proposed incentives for advanced power strips and refrigerator recycling.

The current incentives for advanced power strips range from $7 to $10 for Tier 1, and are currently not provided to Tier 2 advanced power strips. The proposed incentives for advanced power strips are $15 for Tier 1 and $40 for Tier 2. Based on actual price data in the market, these proposed incentive levels appear excessive—the Tier 2 incentive especially so.[26] The price ranges for power strips are $20 to $30 for Tier 1 and $40 to $55 for Tier 2. The proposed incentives likely reduce the price of Tier 1 and Tier 2 power strips to an equal price, or could even make Tier 2 power strips cheaper than Tier 1 power strips. Rate Counsel recommends that

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[25] ERS 2015. Review and Benchmarking all of New Jersey's Clean Energy Program, prepared for the New Jersey Board of Public Utilities, Page 47.
[26] http://www.energyfederation.org/estarlights/default.php/cPath/5794

NJCEP maintain the current incentive levels of $7 to $10 for Tier 1 and provide a lower incentive level for Tier 2 than the proposed $40 incentive.[27] Rate Counsel recommends an incentive level of $25 for Tier 2 power strips.

Honeywell also proposes to conduct a pilot project that would add primary refrigerators as eligible measures in the refrigerator recycling category, which currently focuses on secondary refrigerators. The current incentive for recycling secondary refrigerators is $50 per unit. Honeywell proposes that participants who recycle primary refrigerators also receive this $50 per unit incentive. Further, Honeywell proposes that participants who *buy* a new refrigerator receive either $50 or $75, depending on the model. This means that a household that buys a new refrigerator would likely receive an additional $50 incentive on top of the proposed $50 or $75 incentive, because it is typical that a household recycles its old primary refrigerator when purchasing a new one. It is not clear to Rate Counsel that this proposed additional incentive is necessary. Rate Counsel recommends that Honeywell provide more rationale for proposing this pilot project and report how the additional incentive would change the economics of buying ENERGY STAR refrigerators.

Rate Counsel also recommends that the current incentive for recycling refrigerators (up to $107 per unit) paid to the recycling implementation partner be reduced for the second unit, per a recommendation by an ERS benchmarking study. The ERS benchmarking study indicates that there is no significant extra cost for the partner to recycle another refrigerator at one site.[28]

4. Commercial and Industrial Programs

[27] Based on the market data and incentive levels currently provided by program administrators in Massachusetts. http://www.energyfederation.org/estarlights/default.php/cPath/5794

[28] ERS 2015, Review and Benchmarking of New Jersey's Clean Energy Program, prepared for the New Jersey Board of Public Utilities, page 64.

TRC, the Market Manager for the Commercial and Industrial ("C&I") EE programs proposes various modifications to the existing measure eligibility, customer eligibility and requirements, and incentive structures and levels of the C&I EE programs. Rate Counsel recommendations for some of the proposed modifications are described below:

- Smart Start: TRC proposes to reduce rebates for LED lighting, eliminate the Hurricane Sandy enhancement rebate, allow building shell improvements to be evaluated through custom path, and eliminate the IRR (Internal Rate of Return) requirement for Custom projects.
- Direct Install: TRC proposes to add series boilers for K12 schools, identify additional/enhanced incentives for distressed communities, and increase the capacity of boilers to be more in line with commercial and industrial facilities.
- Pay for Performance: TRC proposes to increase the minimum size eligible to participate from 100kW peak demand to 200kW to align with Direct Install, create incentive adders for savings over 4 percent up to the total incentive levels of $0.11 per kWh and $1.24 per therm, eliminate the IRR requirement, and allow TRC to conduct expedited pre-inspections without the OCE appeal/exemption process.
- Local Government Energy Audit: TRC proposes to increase the minimum size eligible to participate from 150kW peak demand to 200kW peak demand to align with the Direct Install and Pay for Performance programs, and increase the savings limit for lighting from 50 percent to a maximum of 70 percent.[29]

[29] TRC 2015. New Jersey's Clean Energy Program Fiscal Year 2016 Program Descriptions and Budget – Commercial & Industrial Energy Efficiency Programs Managed by TRC as C&I Market Manager, PDF page 1 – 5.

The majority of the proposed C&I EE program modifications appear reasonable. However, Rate Counsel requests that TRC provide more explanation for its proposal to eliminate the IRR requirement for custom projects under the Smart Start program, for new and existing buildings under the Pay for Performance program, and under the Large Energy Users program. Rate Counsel further requests that TRC explain why it proposes to increase the savings limit for lighting from the current 50 percent to a maximum of 70 percent.

RENEWABLE ENERGY BUDGETS AND PROGRAMS

A. SREC Registration Program

The CRA Straw Proposal notes that New Jersey's solar market remains strong, and that new registrations in OCE's Solar Renewable Energy Certificate ("SREC") Registration Program ("SRP") have exceeded expectations. [30] OCE is proposing a budget of approximately $4 million for the SRP.[31] Honeywell's compliance filing states that it has made changes to streamline the registration process, and that it is in the process of rolling out a web-based system to replace the current paper-based process.[32] Rate Counsel supports the continuation of the SRP, and further supports efforts to streamline and automate the registration process.

B. Biopower Program

Staff proposes to allocate $3 million, the same amount as in Fiscal Year 2015, for a biopower solicitation to be issued in Fiscal Year 2016.[33] The CRA Straw Proposal recognizes OCE's continuing difficulties in generating interest in its biopower program. Only 14 projects totaling 8.5 megawatts, have been installed since this program was initiated in 2013. Since this

[30] CRA Straw Proposal, p. 45-46.
[31] CRA Straw Proposal, p. 46.
[32] Honeywell Compliance Filing, p. 55.
[33] CRA Straw Proposal, p. 47.

program was changed from fixed to competitively determined rebates during Fiscal Year 2014, two solicitations have resulted in no qualified proposals.[34] Honeywell's compliance filing states that possible changes in the design and incentive structure for this program will be discussed within OCE's Biopower Technical Working Group, and that a Staff straw proposal will be circulated for comment following those discussions.[35] Rate Counsel will reserve any additional comment on the merits of the Biopower program for the upcoming stakeholder process.

C. Renewable Electric Storage Program

OCE is proposing to increase the budget for its Energy Storage Program, which is being re-named the "Renewable Electric Storage Program" from $3 million to $6 million.[36] In Fiscal Year 2015 the first competitive solicitation held under this program resulted in 22 applications requesting more than $4.6 million in incentives, of which 13 applications requesting a total of $2.9 million in incentives were approved by the Board in March of 2015.[37] On May 7, 2015, Staff issued a Straw Proposal that included a proposed transition of this program from a competitive process to an open enrollment process with administratively determined rebates.[38] Rate Counsel has concerns about this proposed change, which are detailed in separate comments being submitted in response to the May 7, 2015 Straw Proposal. The May 7, 2015 Straw Proposal also includes eligibility criteria, and data reporting requirements, to assure that this program focuses on storage projects that are integrated with, and used to support, existing renewable energy facilities in New Jersey. Rate Counsel supports these elements of the May 7, 2015 Straw Proposal, as explained in Rate Counsel's comments.

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[34] CRA Straw Proposal, p. 46-47.
[35] Honeywell Compliance Filing, p. 57-58.
[36] CRA Straw Proposal, p. 48.
[37] CRA Straw Proposal, p. 48.
[38] FY2016 Renewable Electric Storage Incentive Program Straw Proposal, May 7, 2015.

II. COMBINED HEAT AND POWER ("CHP") AND FUEL CELLS

In past comments, Rate Counsel has expressed concern about this program's failure to expend available funds.[39] The TRC compliance filing proposes a budget of approximately $20.6 million for the Combined Heat and Power ("CHP") and Fuel Cell incentive program, consisting of approximately $14.8 million in new funding and $5.8 million carried over from Fiscal Year 2015.[40] This represents a significant decrease from the initially approved budget amount of approximately $40.4 million for this program in Fiscal Year 2015.[41] Rate Counsel supports this recommendation. In addition, the CRA Straw Proposal notes the past low levels of interest in this program, and proposes to initiate a stakeholder process to assess market barriers, review the relevant policies, and examine the relationship between this program and the State's resiliency goals.[42] Rate Counsel supports this recommendation.

CONCLUSION

For all the foregoing reasons, Rate Counsel recommends that the Board and the OCE adopt its suggestions to modify the Fiscal Year 2016 CRA budget and renewable energy and energy efficiency programs in the interests of more transparency and cost-effectiveness.

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[39] I/M/O the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for Fiscal Years 2014-2017 and I/M/O the Clean Energy Program - Programs and Budgets for Fiscal Year 2015, BPU Dkt. Nos. EO11050324V and QO1400489, Rate Counsel Comments, p. 7-9 (June 12, 2014).

[40] TRC Compliance Filing, Appendix C; CRA Straw Proposal, p. 59..

[41] I/M/O the Clean Energy Program - Programs and Budgets for Fiscal Year 2015, BPU Dkt No. QO14050489, Order, p. 13-14, 29 (June 30, 2014).

[42] CRA Straw Proposal, p. 6.