October 12, 2018

Grace Strom Power
Chief of Staff, N.J. Board of Public Utilities
Chair, N.J. Energy Master Plan Committee
44 South Clinton Avenue, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350

Subject: Comments on the 2019 New Jersey Energy Master Plan – Reducing Energy Consumption

Lime Energy supports expanding energy efficiency programs – and placement of utilities in a primary administrator role -- as a fundamental means of reaching a 100% renewable state energy profile by 2050 and as a pathway for economic transformation and job creation in New Jersey.

Dear Ms. Power,

On behalf of Lime Energy, we appreciate the unique opportunity to participate as a stakeholder in the New Jersey 2019 Energy Master Plan (EMP) process and provide comments as a member of the energy efficiency industry in the state.

Lime Energy is a national leader in the delivery of energy efficiency services to commercial utility customers, and we are headquartered in Newark with deep roots in New Jersey. Lime Energy partners with utilities and delivers energy efficiency to their customers in New Jersey; we also work in California, Illinois, Kentucky, Maryland, Massachusetts, New York, North Carolina, Ohio, South Carolina, Tennessee, and Texas. In the last several years alone, we have implemented 140,000 energy efficiency projects in commercial facilities. These projects deliver over 1.6 million megawatt-hours of energy efficiency resources annually.

Energy Efficiency Provides Multiple Benefits for New Jersey

Energy efficiency has many benefits. Clear energy efficiency goals and mandated standards can lower energy costs; create thousands of jobs; reduce the State's carbon footprint; and improve public health.

- **Lower energy costs.** Without appropriate investments in energy efficiency, ratepayers' utility bills are higher. Without enough consumer efficiency, utilities are required to overspend and procure expensive "peak" energy and undergo expensive transmission and distribution system upgrade projects. For example, in neighboring New York City, Con Edison's Brooklyn Queens Demand Management project has deferred $1 billion of investment in grid expansion.
- **Job creation.** Recent reporting from 2018 U.S. Energy and Employment Report (issued in May 2018 by NASEO and the Energy Futures Initiative) indicates that New Jersey currently has 33,815 jobs across the energy efficiency supply chain – everything from insulation installers to HVAC suppliers to software designers. There are 2,248,524 energy efficiency jobs in the US, which means that only 1.5% of these positions are in New Jersey – when New Jersey contains nearly 2.8% of the population. On a per capita basis, Massachusetts has 3 times more jobs, California has twice as many, and New York has 1 ½ times more.
- **Increased competition.** Energy efficiency improves the competitiveness of business and industry. By incorporating energy efficiency improvements into production and business planning, N.J. manufacturers can increase cost savings, raise productivity, and improve their competitiveness. See: www.trade.gov/press/publications/newsletters/ita_1009/energy_1009.asp

- **Reduced carbon footprint.** Energy efficiency is the simplest and most cost-effective way to decarbonize the grid. Buildings alone account for approximately 40% of carbon emissions in N.J., and energy retrofits and efficient new construction can reduce energy usage, and thereby greenhouse gases, by one-third or more.
- **Public health improvements.** There is a direct connection between energy efficiency and health. A recent whitepaper by E4 the Future titled, "Occupant Health Benefits of Residential Energy Efficiency," found that energy efficiency solutions such as weatherization, improved ventilation, heating system upgrades, and properly installed air-sealing and insulation reduce the occurrence or severity of such diseases as asthma, COPD, other respiratory ailments. Increasingly, public health experts and the U.S. Department of Energy are linking energy efficiency in buildings with improved indoor air quality and improved health outcomes, particularly in communities with disproportionate negative environmental impacts.

Recent Legislation Enacting Utility Ownership of Energy Efficiency Resource Standard

The recent enactment of A3723 is driving New Jersey in the right direction, creating a long-term commitment to more energy efficiency for more residents and businesses. The commitment allows private companies like Lime Energy to invest and take greater risks knowing that the trajectory for energy efficiency programs is certain. The new law also calls for a transformation in the management and delivery of energy efficiency. In the past, the Office of Clean Energy and Board of Public Utilities (BPU) have directly administered a large portion of the energy efficiency programs in New Jersey. The law directs the BPU to hold the utilities accountable for energy efficiency programs that will deliver nearly 4 times the savings per year currently attained by the BPU and utilities today.

Recommendations

The mandate that the utilities become primary actors in the design and administration of efficiency programs provides ample opportunities to improve the reach of energy efficiency to all customer segments and sectors, positively impacting consumers, the economy and the environment. Lime Energy offers the following best practices to ensure that increased commitment and investment in energy efficiency creates the greatest benefit to the State of New Jersey, its residents, its businesses, and other stakeholders in the state.

1. **Incentivize Utilities to Drive Energy Efficiency to their Customers**
   When utilities are rewarded for their involvement in energy efficiency, they will support the state's efficiency goals. When utilities are not incentivized, as New Jersey's current system highlights, they opt not to provide efficiency offerings to their customers. Creating the proper incentives for utilities will allow New Jersey to maximize the advantages from their participation. According to reporting from American Council for an Energy-Efficiency Economy (ACEEE), most of the states that rank high in their scorecard (e.g. Massachusetts, California, Rhode Island, New York) reach their energy efficiency targets through utility-administered efforts. Furthermore, as the efficiency rules are fleshed out, regulators should closely consider the policy and market impacts of the design of the utilities' savings targets, and performance incentives and penalties.

2. **Maintain Continuity with Existing Efficiency Programs**
   While Lime Energy strongly supports the expansion and centrality of investor-owned utilities in the delivery of energy efficiency, that does not mean the state should abandon existing BPU-run efficiency programs. Though limited in budget and reach, the State's existing programs have been successful within their scope. By preserving the existing system while introducing new utility-run programs, New Jersey can experience a smooth transition with complementary rather than overlapping offerings. The alternative, as New York experienced over the last decade, can create setbacks that stall progress, disrupt the market,

eliminate jobs, and confuse customers.

3. **Encourage Program Administrators to Adopt Pay-for Performance Practices**
   Pay-for-performance energy efficiency programs reward energy savings in real-time, relying on measurements of energy saved to compensate both utilities and program implementers. They incentivize utilities to meet state targets and to invest in cutting edge energy efficiency technologies. More than half of states, including efficiency leaders like Massachusetts and Rhode Island, have adopted pay-for-performance programs to animate markets, create flexibility, and pay for actual (rather than estimated) savings.

4. **Promote Programs That Make Energy Efficiency Affordable to All State Energy Consumers**
   By creating specific programs that cater to underserved populations, New Jersey can ensure that all residents and businesses enjoy that benefits associated with energy efficiency. In the commercial sector, the segment of utility customers most familiar to Lime Energy, small businesses are the underrepresented group. Institutional constraints such as a lack of time, lack of capital, and lack of expertise often prevent small businesses from participating in one-size-fits-all commercial efficiency programs. Lime Energy has experienced tremendous success with small business direct install (SBDI) programs across the country. The current BPU-administered New Jersey Direct Install Program is an excellent program, but far more can be accomplished, and the utilities are in an advantageous position to reach a larger number of small businesses on a cost-effective basis.

   Both the recently-approved New Jersey Natural Gas energy efficiency program filing and PSE&G's comprehensive multi-year plan that was filed with BPU last month are strong examples of how to reach tens of thousands of small businesses with the benefits of energy efficiency in just a few years. This kind of ambitious pursuit of energy efficiency action bodes well for advancement of utility-driven programs.

Lime Energy appreciates the opportunity to share the best practices we have observed across the country delivering energy efficiency. We are excited by the opportunity to work with New Jersey and its utilities to provide energy efficiency to New Jersey's residents and businesses.

Sincerely,

C. Adam Procell
President & CEO