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March 11, 2021

By Electronic Mail (Board.Secretary@bpu.nj.gov)
Honorable Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
P.O. Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Clean Energy Programs and Budgets for Fiscal Year 2021 – True-Up, Revised Budgets and Program Changes
BPU Docket No. QO20080539

Dear Secretary Camacho-Welch:

Please accept for filing the attached comments being submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in connection with the above-referenced matter. These comments are being submitted electronically in accordance with the Board's February 23, 2021 and March 8, 2021 Notices in this matter. Copies of Rate Counsel's comments are being provided to all parties on the service list by electronic mail only.

Please acknowledge receipt of these comments.

Thank you for our consideration and attention to this matter.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: /s/ Felicia Thomas-Friel
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Enclosure

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IN THE MATTER OF THE CLEAN ENERGY PROGRAMS AND BUDGETS FOR FISCAL YEAR 2021 – TRUE-UP, REVISED BUDGETS AND PROGRAM CHANGES BPU DOCKET NO. QO20080539

Comments of the New Jersey Division of Rate Counsel

March 11, 2021

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 the proposed Fiscal Year 2021 ("FY21") program changes and revised budgets for the New Jersey Clean Energy Program ("NJCEP" or "CEP") and associated compliance filings.[1] Rate Counsel's comments on the budget revisions and Energy Efficiency ("EE") programs are found below, followed by comments on the Electric Vehicle ("EV"), Distributed Energy Resources ("DER"), and Renewable Energy ("RE") programs.

Budget Items

The CEP's initial budget for FY21 was approved by the Board Order in Docket No. QO20080539 on September 23, 2020 ("Order"), for a nine-month fiscal "year" ending on June 30, 2021. At that time, Board Staff ("Staff") had estimated $33.2 million in uncommitted carryforward funds from Fiscal Year 2020 ("FY20") which would be available to fund FY21 programs. For the current filing, Staff determined that the actual uncommitted carryforward amount from FY20 is $58.5 million, such that $25.3 million in *additional* funds that can be

[1] See Request for Comments: Proposed NJCEP Fiscal Year 2021 True-Up Budget, Budget Revisions and Program Changes, dated February 23, 2021 ("Request for Comments"). The items presented for comment included: New Jersey Clean Energy Program – Proposed Revised Fiscal Year 2021 Budget ("NJCEP Proposed Revised FY21 Budget"); the Division of Clean Energy ("DCE") Compliance Filing ("DCE FY21 Compliance Filing"); the Comfort Partners FY21 Compliance Filing; the TRC FY21 Compliance Filing; and the Charge-Up New Jersey EV FY21 Compliance Filing.

directed towards FY21 programs. Staff has also identified $5.9 million in "Other Revenues," including interest payments and application fees that can be put toward FY21 program expenses. This yields a total additional funding of $31.2 million for FY21 programs, bringing the previously approved FY21 budget of $509.0 million, to a proposed total of $540.2 million.[2] In addition to proposing an allocation of these funds, Staff has proposed to redirect some of the previously-approved NJCEP program funds to reflect program activity during the first calendar quarter of FY21, along with certain changes in program rules and timelines.[3] Finally, Staff has proposed certain changes in its program design to reflect recent changes in technology and cost for energy efficiency measures, specifically Commercial and Industrial ("C&I") lighting measures and heat pumps.

Allocation of Carryover Funds and Other Revenues

As shown on Page 3 of the Request for Comments, Staff has proposed to divide its allocation of these additional revenues roughly evenly between unspecified "State Energy Programs" and NJCEP programs; this would represent more than a 15% increase in the allocation to State Energy Programs, but less than a 4% increase in NJCEP program funding for FY21. Rate Counsel notes that funding for undefined State Energy Programs was already increased by 15% for FY21 relative to FY20, and is opposed to further diversion of these funds, which were collected from ratepayers through a Societal Benefits Charge ("SBC") to promote energy efficiency and renewable energy initiatives. Given the mandates for increased energy savings established by the Clean Energy Act of 2018[4] and in New Jersey's 2020 Energy Master Plan,[5] Rate Counsel believes that a more appropriate distribution of these funds would be to

[2] Request for Comments, tables on pages 2 and 3.
[3] Request for Comments, page 1.
[4] P.L. 2018, c. 17 (N.J.S.A. 48:3-87.8 et al.) Hereinafter "CEA".
[5] https://www.nj.gov/emp/docs/pdf/2020_NJBPU_EMP.pdf. Hereinafter « EMP »

allocate them in their entirety towards additional funding for NJCEP programs. At a minimum, Rate Counsel recommends that the additional funds be divided proportionately between the two major budget categories, such that $25.0 million be allocated to NJCEP programs, and $6.1 million to State Energy Programs. In particular, Staff could allocate these additional funds to help meet the high demand for its C&I buildings program without diverting funding from its residential energy efficiency programs.

CEP Line Item Transfers

Rate Counsel recognizes significant uncertainty in the future demand for NJCEP programs given the ongoing process of transitioning to utility administration of certain programs, such as Energy Efficient Products and Commercial and Industrial Direct Install. Given this, Rate Counsel believes that the proposed line item transfers shown on pages 3 and 4 of the Request for Comments are generally reasonable; however, Staff should consider whether certain cuts, such as the reduction proposed to residential efficiency programs, could be avoided by allocating carryover funds and other revenues as recommended by Rate Counsel (*see* above).

Program Changes

Proposed EE Program Changes

Staff has proposed two changes to its C&I EE program. Under its Large Energy Users Program ("LEUP"), Staff has proposed to institute a limit of 50% to the total savings on any project associated with lighting and/or lighting controls measures.[6] Rate Counsel believes that imposing this limit will encourage participants to focus their investments in broader measures to achieve deeper energy savings and supports this change. Staff and TRC, CEP's implementation vendor, have also proposed changes in certain technical specifications for fuel cells under the

[6] TRC FY21 Compliance Filing (Revised), page 56.

Distributed Energy Resources – Combined Heat and Power program,[7] which Staff describes as "maintain[ing] the status quo of the existing design."[8] Distributed energy resource program are discussed in further detail below.

Finally, Staff has proposed a pilot to allow automatic eligibility for its Comfort Partners program in six low-income neighborhoods across the State.[9] The change will allow customers in these neighborhoods to self-certify their eligibility without extensive paperwork which has been identified as a barrier to their participation. A similar geographic eligibility program has been under discussion in the BPU's Equity Working Group for Low- and Moderate-Income ("LMI") programs that will be administered by New Jersey's utilities. Rate Counsel supports this proposed pilot program.

Plug-In EV Incentive Fund

Staff reports that Phase 1 of its electric vehicle ("EV") incentive program, the Post-Purchase Incentive Program, is underway. Staff expects Phase 2, the Point-of-Sale program, which will allow rebates to be applied automatically to reduce the contract price upon purchase or lease of a new EV, to be implemented in the summer of 2021.[10] Staff further notes that Phase 3, the Electric Vehicle Charger Incentive Program, is "under development."[11] Phase 3 would provide a post-purchase rebate of up to $500 for the purchase of an eligible "single or dual port, level-two, electric vehicle charging equipment capable of capturing data" with a limit of two rebates per applicant and one per property.[12]

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[7] *Ibid.,* pages 73, 74 and 76.
[8] Request for Comments, page 8.
[9] Request for Comments, page 9.
[10] Charge-Up New Jersey FY21 EV Compliance Filing, page 4.
[11] *Ibid.*
[12] Charge-Up New Jersey EV FY21 Compliance Filing, page 11.

Rate Counsel acknowledges that the New Jersey PIV Act[13] directed the BPU to "establish and implement a light duty plug-in [EV] incentive program for the purpose of encouraging the purchase or lease of new light duty plug-in [EVs] in the State" at specific incentive levels.[14] However, the PIV Act stated that the Board "may establish and implement a program to provide incentives for the purchase and installation of in-home electric vehicle service equipment" at its discretion.[15]

Rate Counsel notes that EV technology and EV affordability have evolved rapidly, even in the brief two and a half years since the passage of the PIV Act. As an example, many new EVs require only a standard household outlet for Level I charging,[16] or a higher-voltage outlet (such as is commonly used for electric clothes dryers) for Level II charging. Furthermore, all of New Jersey's electric utilities have now filed for approval to administer EV charging incentive programs and two (ACE, PSE&G) have already been resolved by settlements approved by the Board.[17] Consequently, Rate Counsel believes that Staff should be judicious in allocating ratepayer funds for additional EV charger incentives where it is unclear that those funds will affect the customers' decision to purchase an EV.

Staff's proposed incentive would only be available to PIV owners who purchase "electric vehicle charging equipment capable of capturing data, also known as a 'smart' or 'networked' charger."[18] Rate Counsel believes this limitation is a minimum requirement to ensure that the program will provide an incremental benefit, rather than simply providing an additional payment to participants who would have installed an at-home charger without the incentive. However,

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[13] P.L.2019, c.362

[14] N.J.S.A. 48:25-4(a).

[15] N.J.S.A. 48:25-6.

[16] N.J.S.A. 48:25-2 defines "Level One EVSE" to include "a standard wall plug into which the charging cord provided with a plug-in electric vehicle can be connected."

[17] See I/M/O PSE&G EV, BPU Dkt. No. EO18101111; I/M/O ACE EV, BPU Dkt. No. EO18020190; I/M/O RECO EV, BPU Dkt. No. EO20110730; and I/M/O JCP&L EV, BPU Dkt. No. (pending).

[18] Charge-Up New Jersey EV FY21 Compliance Filing, page 11.

Staff has not articulated how it will capture this data and use the smart charging capability, or if it will merely mandate that participants also engage in their electric utility's managed EV charging programs. Rate Counsel believes that Staff should clarify its purpose before it can reasonably devote ratepayer funds to incentives for in-home EV chargers.

Distributed Energy Resource Programs

Combined Heat and Power and Fuel Cells

The NJCEP offers incentives for Combined Heat and Power ("CHP") and fuel cell projects. To qualify for incentives, program applicants must meet a number of eligibility criteria. The FY21 Program Changes and True-up budget proposes to amend the definition of fuel cells to specify certain levels of efficiency.[19] It also proposes to amend the manufacturer diversity caps with the new efficiency definitions, effectively eliminating incentive commitments for fuel cells without heat recovery ("FCwoHR"), and adding incentive commitments for fuel cells with annual system efficiency of greater than 40 percent, but less than 60 percent.[20] The FY2021 budget for Combined Heat and Power ("CHP") and Fuel Cell projects was $24.6 million. The true-up filing reduces this by $1.2 million for a revised FY21 budget of $23.4 million.[21]

Rate Counsel understands that CHPs and fuel cells may contribute to enhancing system resiliency and reliability, but has also previously expressed concerns about ratepayer-funded subsidies for fossil-fueled CHP and fuel cell projects. These are mature technologies with established markets. As part of the ongoing strategic planning process, DCE should carefully evaluate the need for ratepayer-funded subsidies for fossil-fueled CHP and fuel cell projects.

[19] TRC FY21 Compliance Filing, p. 73-74.
[20] TRC FY21 Compliance Filing, p. 76.
[21] NJCEP Proposed Revised FY21 Budget.

Microgrid Development

The Microgrid program responds to the 2015 Energy Master Plan Update's recommendation to increase the use of microgrid technologies to improve grid resiliency and reliability. Phase 1 of the BPU's Town Center Distributed Energy Resources ("TCDER") Microgrid Incentive Program was to implement a feasibility incentive program and conduct feasibility studies. This was completed in FY2020. The BPU funded 13 feasibility studies that Staff reviewed and accepted. The BPU also launched Phase II in FY2020. This consists of incentives for a detailed design of the TCDER Microgrid, with the approved feasibility study participants eligible for Phase II incentives. According to DCE's FY2021 Draft Compliance Filing, eleven applications were received in May 2020 and in FY21 the BPU will review applications and consider awards for detailed design. The Board approved 8 projects for funding out of a $4 million budget at its March 3, 2021 agenda meeting.[22] The top seven ranked projects received full funding, while the eighth-ranked project received partial funding from the remaining funds.

The FY2021 budget for Combined Heat and Power ("CHP") and Fuel Cell projects was $6 million. The FY 21 true-up filing reduces this by $700,000 for a revised FY21 budget of $5.3 million.[23] Rate Counsel supports the recommended budget true-up for this program.

Renewable Electric Storage

The CEA directed the Board, in consultation with PJM Interconnection, LLC, to conduct an analysis and submit a report to the Governor and the Legislature concerning energy storage opportunities in New Jersey.[24] Within six months after the completion of the report the Board

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[22] See I/M/O TCDER, BPU Dkt. No. QO16100967.
[23] NJCEP Proposed Revised FY21 Budget.
[24] N.J.S.A. 48:3-87.8(a), (b) & (c).

was directed to "initiate a proceeding to establish a process and mechanism for achieving the State's energy storage goals with a focus on achieving 2,000 MW of energy storage by 2030."[25]

In FY2019 the Board retained Rutgers University to conduct an analysis of energy storage in New Jersey. The Board accepted the final report on June 12, 2019.[26] DCE's Compliance Filing states that the Board initiated a proceeding to establish a process and mechanism for achieving the CEA's energy storage goals during the 5th quarter of FY2020.

The FY2021 budget included $7 million in funding for grants and administration of the new energy storage program. However, the FY21 true-up budget removes this $7 million and the compliance filing simply notes that the Board will continue its efforts to develop a program to meet the goals of the CEA. Rate Counsel supports the CEA's energy storage goals. However, since this program is at an early stage of development, no details of the program are available. For this reason, Rate Counsel is not able to comment on the removal of the $7 million budget item.

Renewable Energy Programs

Solar Transition/SREC Registration

In accordance with the CEA, the Board's Solar Renewable Energy Certificate Registration ("SREC") Program was closed to new applications when 5.1% of the kilowatt-hours sold within the New Jersey came from solar electric generators connected to the State's electric distribution system (the"5.1% milestone").[27] The Board determined that the 5.1% milestone

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[25] N.J.S.A. 48:3-87.8(d).
[26] DCE FY21 Compliance Filing, p. 8.
[27] N.J.S.A. 48:3-87(d)(3).

would be reached before May, 2020 and accordingly closed the SREC Program to new applications after April 30, 2020.[28]

The Board is currently engaging in a process to transition to a new Successor Solar Program. An extensive stakeholder proceeding was conducted to evaluate options and recommendations as to how the SREC program should be replaced, and the Board will determine the details of the Successor Program. In the interim, the Board approved a Transition Incentive Program to provide a bridge between the legacy SREC program and a new Successor Program. This Transition Program was approved in December 2019 and further amended by orders in January and February 2020, and opened to new applicants on May 1, 2020. The Transition Program will remain open until the Successor Program is established.[29]

The proposed SREC Registration Program budget is $2.1 million for administration, processing, and related activities by TRC.[30] Rate Counsel supports the recommended budget for this program.

Offshore Wind

The FY21 budget for offshore wind ("OSW") of $4.16 million was to support the evaluation of OSW Renewable Energy Certificate ("OREC") applications as well as modeling work performed by Rutgers Department of Marine and Coastal Sciences.[31] The FY21 true-up adds $15.4 million to the offshore wind budget that reflects two changes. First, the Board and the South Jersey Port Corporation ("SJPC") entered into a Memorandum of Understanding ("MOU") to support the development of manufacturing facilities in New Jersey to support the

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[28] I/M/O the Closure of the SREC Registration Program Pursuant to P.L. 2018, c. 17and I/M/O a New Jersey Solar Transition Pursuant to P.L. 2018, c. 17 – Calculation of 5.1% Milestone for SRER Program Closure, BPU Dkt. Nos. QO18070698 & QO19010068 (Apr. 6, 2020).
[29] TRC FY21 Compliance Filing, p. 78.
[30] NJCEP Proposed Revised FY21 Budget.
[31] DCE FY21 Compliance Filing, p. 4.

growing offshore wind industry. The MOU enables the transfer of $1.8 million in Societal Benefits Charge ("SBC") funding to the SJPC. Rate Counsel supports this recommended budget addition.[32]

Also, Board Staff anticipates recommending the Board enter into an MOU with the Economic Development Authority ("EDA") to support a portion of the development and related expenses of the New Jersey Wind Port. This will also enable the transfer of SBC funds, totaling $13.2 million, which will directly support the development of the Wind Port. Rate Counsel supports this recommended budget addition to the FY21 true-up.[33]

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[32] DCE FY21 Compliance Filing, p. 4.
[33] DCE FY21 Compliance Filing, p. 4.