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Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

August 15, 2014

VIA Hand 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

Re: I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource
Analysis for Fiscal Years 2014-2017 Clean Energy Program
BPU Docket No. EO11050324V

I/M/O the Clean Energy Programs and Budget for the Fiscal Year 2015
BPU Docket No. QO14050489

Dear Secretary Izzo:

Enclosed please find original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel in connection with the above-captioned matter.

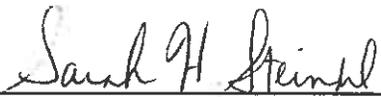
We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope.

Kristi Izzo, Secretary
August 15, 2014
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Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND
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**I/M/O Comprehensive Energy Efficiency and Renewable Energy
Resource Analysis for Fiscal Years 2014-2017 Clean Energy Program
BPU Docket No. EO11050324V**

and

**I/M/O the Clean Energy Programs and Budget for the Fiscal Year 2015
BPU Docket No. QO14050489**

Draft NJCEP FY 2015 Programs - Filings

Comments of the New Jersey Division of Rate Counsel

August 15, 2014

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 New Jersey Clean Energy Program (“NJCEP” or “CEP”) programs for Fiscal Year 2015 (“FY15”). The proposed programs for FY15 are reflected in four draft “compliance filings,” prepared by the Board’s Office of Clean Energy (“OCE” or “Staff”), 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 August 1, 2014, with a comment deadline of August 15, 2014.

The present comment process is a departure from the usual process for consideration of the NJCEP programs and budgets. In the past, the Board has released proposed budgets simultaneously with the draft compliance filings that detail the proposed NJCEP programs for the upcoming program year. However, the Board’s Notice in this matter dated May 23, 2014 (“May 23 Notice”) stated that the lack of a new program administrator and other factors, created challenges with regard to the OCE’s Comprehensive Resource Analysis (“CRA”) straw proposal

for Fiscal Years 2015, 2016 and 2017. Therefore, the OCE proposed to extend the present NJCEP programs for another year. May 23 Notice, p. 2. Accordingly, a budget proposal was posted for comment without new compliance filings. By Order dated June 30, 2014, the Board approved the OCE's proposal to continue the FY14 NJCEP programs into FY15, and approved the OCE's proposed budget.

GENERAL COMMENTS

In the compliance filings posted for comment on August 1, 2014, the OCE proposes limited changes to the current NJCEP programs, thus continuing the basic approach of maintaining the status quo through FY15. In our June 12, 2014 comments on the proposed FY15 NJCEP budget, Rate Counsel supported this approach. Rate Counsel was an active participant in the three work groups convened by Staff to explore changes to the programs, processes and structure of the NJCEP. According to the Board's May 23 Notice, the recommendations developed by the work groups are expected to be available in late summer 2014. In addition, the Board continues to work towards the issuance of a Request for Proposals ("RFP") for a new Program Administrator. To this end, the New Jersey Department of the Treasury recently posted the Board's Request for Information to assist in developing the RFP.¹ Given these developments, Rate Counsel continues to support OCE's proposal to make only limited changes to the current NJCEP programs for FY15.

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 August 1, 2014. However, Rate Counsel has identified some concerns relating to specific program elements, which are discussed below.

¹ The Notice is posted at <http://www.state.nj.us/treasury/purchase/notices/072514a.shtml>.

COMMENTS ON SPECIFIC PROGRAMS

A. RESIDENTIAL EE PROGRAMS

1. Residential New Construction, HVAC, and Products Programs

Rate Counsel supports the proposal to revise eligibility requirements to comport with new federal standards and to coordinate the introduction of the revisions with the availability of qualifying products in New Jersey retail stores. Rate Counsel also supports the proposed continuation of “Superstorm Sandy” incentive support for qualified equipment as part of the ongoing post-storm rehabilitation and rebuilding effort. With respect to the “open rater” programs for Residential New Construction, Rate Counsel urges the OCE and Market Manager to adopt standards and a review process prior to implementation to ensure that uniform standards are adhered to by the raters.

2. Lighting

Rate Counsel does not object to the proposed reduction in LED lighting incentives in response to market-driven reductions in retail prices for LED lamps.

3. Set Top Box Program

The Honeywell draft Compliance Filing for FY15 (“Honeywell Compliance Filing”) includes a discussion of its television “set-top box” program. This program is intended to encourage pay television service providers to provide their customers with energy efficient set-top boxes.² The incentives provided under this program are negotiated with OCE’s industry partners.³ Honeywell is proposing a target of 30,000 set-top box rebates for FY15.⁴ Honeywell also proposes to explore the possibility of including advanced power strips within this program.

² See Honeywell Compliance Filing, pages 27, 32, 34 & 36.

³ Id., page 27

⁴ Id., page 36.

Rate Counsel concurs with the objectives of the set-top box program. As noted on the New Jersey Clean Energy Program website, the television set-top box is likely “the biggest energy drain in your house.”⁵ Promoting energy efficient set-top boxes can contribute significantly to New Jersey’s energy goals and also create cost savings for consumers. Rate Counsel also supports Honeywell’s proposal to require qualifying set-top boxes to meet the new ENERGY STAR V4.1 specifications.⁶ As recognized by Honeywell, a number of pay television industry participants have recently entered into a Voluntary Agreement to increase the efficiency of the set-top boxes provided to consumers. The agreement includes a commitment that at least 90 percent of all new set-top boxes will meet ENERGY STAR V3.0 efficiency levels.⁷ Rate Counsel is in agreement that the OCE program should provide incentives for exceeding the commitments reflected in the Voluntary Agreement.

While Rate Counsel supports the set-top box program, the Compliance Filing should include more information. The Honeywell Compliance Filing includes a general description of this program. However, there are few details concerning how this program operates, and what criteria and standards to be followed for granting rebates. Also, the Honeywell Compliance Filing does not address how this program will serve the State’s long-term energy efficiency goals. The target of 30,000 rebates represents only a small percentage of the millions of cable and satellite television customers in New Jersey. The Compliance Filing should include a plan to leverage this program to transform the market for set-top boxes in New Jersey.

⁵ <http://njcleanenergy.com/set-top-box>.

⁶ Honeywell Compliance Filing, page 32.

⁷ See USDOE December 23, 2013 press release, available at: <http://energy.gov/articles/us-energy-department-pay-television-industry-and-energy-efficiency-groups-announce-set-top>.

The originally Voluntary Agreement, dated December 6, 2012, and an amendment effective January 1, 2014 are available at <http://i.ncta.com/VoluntaryAgreement-EnergyEfficiencyofSetTopBoxes.pdf> and <https://www.ncta.com/sites/prod/files/VOLUNTARY-AGREEMENT-ENERGY-EFFICIENCY-OF-SET-TOP-BOXES.pdf>

B. COMMERCIAL & INDUSTRIAL EE PROGRAMS

1. Smart Start – Prescriptive/Custom

Rate Counsel supports the transition to incentivize newer technologies (i.e., LED lighting, wireless lighting controls, variable frequency HVAC drives) with the expectation that these measures will be evaluated for cost effectiveness.

More specific standards should be developed for the content and evaluation of custom measure applications in order to provide applicants with some degree of certainty with respect to the required content of their applications and to provide clear standards for review of custom applications.

2. CHP/ Fuel Cell Program

The TRC draft Compliance Filing for FY15 (“TRC Compliance Filing”) includes a proposal to consider, on a pilot basis, applications for rebates for Combined Heat and Power (“CHP”) and fuel cell projects using mixed fuels, such as natural gas and biogas.⁸ The Compliance filing proposed that the Market Manager be given discretion, subject to approval by Staff, to establish additional eligibility criteria for such projects, and to recommend reduced incentives “if equipment output is derated based on fuel input or other factors” associated with the use of mixed fuels.⁹

Rate Counsel has concerns about the process contemplated in the Compliance Filing, as the criteria and incentive levels for mixed-fuel projects would be established by the Market Manager and Staff without stakeholder input. Prior to implementing the proposed pilot program, input should be solicited from stakeholders through the CHP/Fuel Cell Working Group. Additionally, expansion of the pilot program should be considered only after interested

⁸ TRC Compliance Filing, page 51.

⁹ Id.

stakeholders have had the opportunity to provide input based on data obtained from the operation of the pilot program.

3. Pay For Performance (“P4P”) Program

The OCE and the Market Manager should record and track the applicants who receive Incentive #1 payments but do not implement the measures identified in the Energy Reduction Plan. The information garnered from tracking may provide insight which may be helpful in developing modifications to the program in order to yield greater EE savings.

4. Sector Specific Programs (“Outreach”)

Rate Counsel supports the effort to develop and leverage relationships with trade allies, trade shows, chambers of commerce, and other organizations to improve program performance and administrative efficiency. However, Rate Counsel concurs that the C&I marketing and outreach plans should be revised, if needed, once the pending market research study for the entire CEP is completed.