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Market Manager Recommendations on the 2008 Clean Energy Program Renewable Energy, Energy Efficiency Programs and Energy Efficiency Protocols

Final Comments of the Department of the Public Advocate Division of Rate Counsel

November 30, 2007

Please accept this letter as the formal comments and recommendations of the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") regarding the proposed 2008 Renewable Energy ("RE") budget and RE programs, Energy Efficiency ("EE") budget and EE programs. The within comments address the proposed budgets and program proposals developed by the Market Managers,[1] as set forth in Honeywell's final 2008 Residential program plans document, dated November 6, 2007, TRC's draft 2008 Commercial and Industrial ("C&I") program descriptions and budget document, dated November 5, 2007, and the draft budget circulated on November 27, 2007. In addition, the within comments address other aspects of the proposed 2008 EE program, namely, the proposed incentives for the Market Managers, the proposed protocols for measuring resource savings ("Protocols"), and certain residential low-income programs.

Rate Counsel is also participating in the State's ongoing Energy Master Plan ("EMP") process as well as the 2009-2012 Comprehensive Resource Analysis[2] proceeding now before the Board of Public Utilities ("Board", "BPU") where energy efficiency programs and goals are also being addressed. While those proceedings are more comprehensive in scope, the within comments and recommendations are limited to the proposed 2008 RE and EE programs based on the information provided. Furthermore, Rate Counsel reserves its right to comment further on the 2008 RE and EE programs as the need arises.

I. Comments and Recommendations Regarding the Proposed 2008 Energy Efficiency Programs and Budget

[1] Honeywell, the residential EE market manager, and TRC, the Commercial and Industrial EE market manager, are collectively referred to herein as the "Market Managers."
[2] *See I/M/O Comprehensive Energy Efficiency and Renewable Energy Resources Analysis for the 2009-2012 Clean Energy Program*, BPU Dkt. No. EO07030203 (Order, 4/27/07).

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Overview

As a preliminary matter, Rate Counsel notes that the annual energy savings realized by the Clean Energy Program ("CEP") energy efficiency programs has declined after 2005, and are currently falling below the goals set by the Board of Public Utilities.[3] Rate Counsel recommends that efforts should be made to reverse this trend. There is a need to increase the net economic benefits to ratepayers from the CEP's 2008 EE activities, as well as to build a better foundation for what may be significantly increased energy savings goals after 2008.

Most of the current EE programs administered by the Market Managers have been operating in substantially their present form since 2001 or 2002. With some modifications and supplements, these programs are also the foundation of the proposed energy efficiency programs for 2008. Rate Counsel believes that the energy efficiency aspects of the CEP should be enhanced through a variety of interrelated improvements. Many of these improvements are in fact embodied in the draft material prepared by the Market Managers for residential and C&I EE programs.

As proposed by the Office of Clean Energy ("OCE"), the overall budget for EE programs in 2008 amounts to $196.6 million, an increase of $36.9 million over the amount budgeted for 2007.[4] Of the proposed total EE budget for 2008, $115.6 million is earmarked for residential EE programs, while $58.0 million is slated for C&I EE programs. The remaining $23 million for 2008 is set aside for other EE programs not specifically tied to residential or C&I energy customers. An additional $12.2 million is budgeted for 2008 OCE oversight funding.[5] As a point of reference, the proposed total budget for 2008 renewable energy programs amounts to $185.5 million.

The draft 2008 EE budget allocation among low-income, residential, and nonresidential energy efficiency sectors, and among particular programs, reflects the judgment of the Market Managers and the OCE, with input from EE working group members, as to what are feasible program budgets for 2008. Generally, Rate Counsel does not take exception to these allocations. In the "Other EE" category, however, Rate Counsel does not have sufficient information to comment on the proposed $9 million for the "Clean Energy Technology Fund". While Rate Counsel understands that the thrust of this program is to promote in-state economic development relating to energy efficiency products and services, little information was provided to date as to the goals of this fund and its applications. Rate Counsel looks forward to further discussion as the specific content of this program is developed.

Rate Counsel recommends that the OCE and its Market Managers continue to evaluate the impacts of existing and new energy efficiency programs throughout 2008. Such efforts will be necessary. Furthermore, the cost effectiveness of the various programs should be subject to

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[3] *See New Jersey Clean Energy Program, Program Summary 2001-2006*, a spreadsheet prepared by the CEP Program Coordinator; *New Jersey Clean Energy Program Report, January 1, 2006, through December 31, 2006*, submitted to the New Jersey Board of Public Utilities by the Office of Clean Energy, April 9, 2007; and oral remarks made by the Market Managers at the meeting of the New Jersey Clean Energy Council ("CEC") on November 27, 2007.

[4] Although $159.7 million was budgeted for 2007 EE programs, only $93.7 million of that amount is expected to be expended in 2007. Source: proposed 2008 budget circulated by the OCE on November 27, 2007.

[5] The amount budgeted for OCE oversight in 2008 covers both EE and renewable energy programs.

constant scrutiny to ensure that the most efficient means are utilized to achieve the savings targets. Rate Counsel also strongly recommends that the OCE and residential EE Market Manager should propose new ways to better serve the low-income community and other underserved segments to ensure that benefits of EE programs are far-reaching.

More specific comments regarding individual EE programs are found below.

1. 2008 Residential EE Budget and Programs (Honeywell, Market Manager)

A. Comments on Existing Residential EE Programs

A-1) Existing Homes Program

Through home improvement contractors, the "Home Performance with Energy Star®" program serves existing residences with a comprehensive treatment package, including HVAC upgrades, insulation, air filtration reduction, duct sealing, and other EE improvements. The EE upgrades improve the State's housing infrastructure. The proposed 2008 budget earmarks $9.2 million for this program, an increase over the $7.4 million budgeted for 2007. However, few homeowners took advantage of the program's offerings in 2007. Although the Market Manager expects to include 1,000 homes in the 2008 program, fewer than 50 home projects are expected to be completed in the 2007 program.[6] Rate Counsel recommends that if there appears to be any difficulty attaining the new target during the coming year, the Market Manager should work with EE subcommittee members to devise further revisions to the program so that the targeted EE savings goals can be reached in a cost-effective manner

B. Comments on New Residential EE Programs

B-1) Community-Based Efficiency Initiative

Rate Counsel is generally supportive of the proposal for a community-based efficiency initiative. A community-based effort is a reasonable approach to enhancing participation in EE programs. However, the effectiveness of such a program lies in the details. While Honeywell has submitted a general list of program goals and a list of proposed program activities for 2008, few details were provided. As envisioned by Honeywell, the community-based initiative would "(1) utilize social marketing to promote efficiency (and renewable energy) investments in the community; (2) facilitate easy access to all statewide programs for a community so that programs appear as a single integrated offering that could support clean energy investments; and (3) help adapt the programs as necessary to meet local needs." During 2008, Honeywell plans to select the first two New Jersey communities for participation in the program, and identify EE goals and opportunities for each.

While the proposed budget amount of $350,000 appears to be a reasonable estimate for program costs, Rate Counsel expects that more details regarding this program will be forthcoming, permitting a more refined estimate. The final budgeted amount for the community-based initiative should be supported by more detailed cost estimates and program details. Rate Counsel's support for this proposal is conditioned upon a review of the details of this program when they become available.

B-2) Energy Efficient Product Program - Appliance Recycling

[6] Honeywell presentation, CEC meeting , November 27, 2007.

Honeywell has proposed a new Appliance Recycling program for 2008, allocating $3.7 million for this program with a goal of collecting 20,000 inefficient refrigerators and freezers.[7] However, at the November 27, 2007 CEC meeting, the OCE noted concerns about the cost of this program in the light of its possible overlap with an existing appliance recycling programs operating under the auspices of other State agencies. Because of the need to procure energy efficiency at the lowest reasonable cost, this is reasonable concern. At the same time, some program design should be crafted that will significantly encourage early retirement of very old refrigerators and freezers if this can result in cost-effective efficiency gains. Rate Counsel suggests that Honeywell be tasked to reconsider and as necessary reconfigure the proposed program in the light of OCE's concerns. There is a need to procure cost-effective energy efficiency gains, if this can be accomplished for less than the budget initially suggested for this program.

2. 2008 C&I EE Budget and Programs (TRC, Market Manager)

A. Comments on Existing C&I EE Programs

Rate Counsel's comments on the following C&I EE topics are found below:

1. Overall C&I Rebate Cap;
2. Combined Heat and Power Program; and
3. Emerging and Advanced Gas Efficiency Technologies.

A-1) Overall C&I Rebate Cap

The incentive cap for C&I projects was recently increased from $100,000 to $200,000 per customer. New Jersey has a number of C&I facilities whose high levels of energy use may be subject to substantial reduction through the installation of energy efficiency measures. However, not all of these facilities will necessarily participate in the new Pay for Performance program. Rate Counsel is concerned that even the revised limit of $200,000 may constrain large energy efficiency projects at large facilities: In view of the clear need to increase C&I energy savings from the CEP program, the C&I market manager should further evaluate any rebate cap in order to foster larger projects with more cost-effective EE savings. Proposals for increasing the cap should also include more stringent measurement and verification ("M&V") protocols commensurate with the larger rebate amount.

A-2) Combined Heat and Power Program

OCE's proposed 2008 C&I EE budget includes a $7.5 million line item for combined heat and power ("CHP") projects. Rate Counsel recommends that CEP should continue to promote CHP projects on a pilot basis, subject to minimum CHP system efficiency requirements and to periodic assessments of program cost-effectiveness.

A-3) Emerging and Advanced Gas Efficiency Technologies

Rate Counsel notes that the CEP faces challenges in increasing the level of gas savings going forward. The Market Managers have indicated that they intend to examine emerging gas efficiency technologies -- both new technologies and those with some field track record. Rate

[7] Honeywell presentation, CEC meeting , November 27, 2007.

Counsel supports these efforts. Rate Counsel also recommends that pilot programs for new EE technologies which show promise could be conducted within the framework of the overall C&I programs and their budgets. Such technologies may include condensing water heaters (both commercial and a new lower cost residential model), a new generation of gas heat pump, a large capacity "super boiler", a high efficiency infrared heater, drainwater heat recovery, super-efficient residential windows, and super-efficient residential new construction, for example. Rate Counsel submits that as new EE technology enters commercial operation, the Market Manager should seek ways to incorporate the new technologies into existing C&I programs on a pilot basis.

B. Comments on New C&I EE Programs

TRC's 2008 C&I program and budget proposal also includes several new C&I EE programs:

1. Direct Installation Program;
2. Pay for Performance Program; and
3. K-12 Schools Energy Education Pilot Program.

Each of the aforementioned proposed new C&I EE programs is addressed below.

B-1) Direct Installation Program

In order to increase the CEP's energy efficiency impact in the commercial market, Rate Counsel supports this turnkey direct installation track for small business customers, using selected delivery contractors and higher incentives than the general C&I program. An amount to develop this program was included in the 2007 EE budget[8], but the transition to new Market Managers delayed this program. Therefore, funding and priority for the program needs to be more transparent in 2008. Rate Counsel is encouraged that appropriate program plans and a budget of $4 million to fund this effort is included in TRC's proposed 2008 C&I EE plan.

B-2) Pay for Performance Program

Included in the proposed 2008 budget is an amount of $6 million for a "performance contracting" C&I program, known as "Pay for Performance," whereby EE service provider companies are paid for measured and verified ("M&V") energy savings from EE projects at host facilities. This proposal was also included in the 2007 CEP budget, but its implementation was delayed.

The proposed Pay for Performance Program design takes a comprehensive, whole building approach to energy efficiency in C&I buildings, especially those using large quantities of energy. The program links incentives to savings and includes an M&V component to ensure that estimated savings levels are achieved. The proposed program will require "Energy Reduction Plans" for all projects, and a minimum performance level, such as 15% of total building energy consumption, will be required of projects. Participants will be required to work with an approved vendor to develop the Energy Reduction Plan and install the recommended efficiency improvements.

[8] *See I/M/O Comprehensive Energy Efficiency and Renewable Energy Resources Analysis for 2005-2008: Final 2007 programs and Budgets* , BPU Dkt. No. EX04040276 (Order, December 22, 2006).

Unlike the existing SmartStart Program[9], this program's use of incentives is not specifically tied to implementation of the recommended energy efficiency measures, but will be released over time upon the completion of three milestones: (1) submittal of a complete Energy Reduction Plan; (2) installation of measures in the Plan; and (3) completion of the M&V report showing that the minimum performance threshold has been met.

The Pay for Performance Program can complement existing C&I programs by encouraging those EE service provider companies and those large C&I facilities that are most interested in a comprehensive, whole-building approach to address opportunities for EE savings. TRC also seeks to expand the network of EE service provider companies to make this program more accessible to small business energy users. Rate Counsel is encouraged that the Pay for Performance program will be moving forward in 2008.

B-3) K-12 Schools Energy Education Pilot Program

The proposed 2008 budget includes $400,000 for a pilot [K-12] School Energy and Educational Program ("SEEP"). This amount is in addition to the amount of $3.7 million budgeted for the installation of energy-efficient equipment in schools. Rate Counsel understands that OCE is currently developing a pilot program that will provide a range of services to educate students, teachers, and staff, while simultaneously enhancing schools' ability to manage operational energy use and to comprehensively access OCE programs. Rather than directly delivering technologies, the SEEP program would build institutional and individual capacities to understand and implement energy efficiency and environmental concepts and measures in an ongoing fashion. While the SEEP pilot program is in the process of development and implementation, the CEP needs to explore options for a more extensive suite of schools-related services and programs. For example, energy use benchmarking tools and training could be more widely applicable to school districts.

Rate Counsel encourages the OCE to actively develop EE options for schools, including possible additional pilot initiatives, during 2008. However, the OCE should coordinate its efforts with the CEC marketing and communications working group, as well as school stakeholders, such as the New Jersey Department of Education, local Boards of Education, educators, and school staffs.

3. General Comments

A. Residential Low Income

The proposed 2008 EE budget includes $32.7 million for residential low-income programs, of which $25.5 is earmarked for the "Comfort Partners" program, $6.9 million is directed to Department of Community Affairs ("DCA") weatherization projects, and $300,000 is allocated to the DCA's "WAP" weatherization program.[10] Rate Counsel supports these programs and recommends that the OCE and the residential EE Market Manager also consider new programs and approaches to serve the needs of low-income energy customers.

B. Performance Incentives for Market Managers

[9] Smart Start is the existing overall C&I efficiency program.

[10] The "Comfort Partners" program serves low-income energy customers with direct installations of EE measures, personalized education and training, bill arrearage reduction for participants, and coordination of services with other low income programs.

The purpose of performance incentives is to motivate the Market Managers to achieve and surpass a set of robust goals for the programs they manage. Performance incentive structures are also used in other jurisdictions, such as Oregon and Vermont, where non-utility entities manage ratepayer funded demand-side programs. Requests for proposals ("RFPs") were issued by the BPU to procure the services of the Market Managers. The RFPs contained a framework providing for financial incentives that the Market Managers could earn based on their performance. A performance incentive structure is already in place for 2007. The Honeywell and TRC documents cited above include proposed performance incentives for 2008.

The RFPs specified three levels of incentives: one for achieving 100 - 119% of program goals; another for achieving 120-139% of program goals; and a maximum amount for achieving 140% or more of goals. The 2008 incentives proposed in the Honeywell and TRC filings represent the following percentages of the program budgets proposed in those filings.

CEP Market Manager Incentives as a Percent of Program Budgets

Goal Achievement Level	Renewable Energy	Energy Efficiency--Residential	Energy Efficiency --C&I
Level 1: 100-119%	0.12%	0.34%	0.53%
Level 2: 120-139%	0.16%	0.45%	0.70%
Level 3: 140%	0.20%	0.56%	0.88%

Rate Counsel has not had the opportunity to determine whether the program goals proposed by the Market Managers are appropriately robust bases for the performance incentive levels that are proposed. Therefore, OCE Staff should evaluate whether the goals are reasonable on an ongoing basis and develop a more detailed database upon which to evaluate the goals and incentives on a going-forward basis.

C. Protocols to Measure Resource Savings

The Protocols are used to estimate the gas and electricity savings that result from each energy efficiency program and its measures, as well as the impacts of the renewable energy programs on conventional electricity consumption. The Protocols combine engineering methods and other measurement and verification techniques to provide an explicit methodology for estimating the energy effects of the Clean Energy program and its components. The proposed updates to the Protocols are limited in scope. The updates appear to be designed to reflect new codes and standards, technology changes, and improved information, as well as to address new programs being added in 2008.

Rate Counsel believes the proposed revisions to the Protocols represent reasonable updates. Also, Rate Counsel notes that an independent impact evaluation of energy efficiency programs by the consulting firm Summit Blue is underway and is expected to be completed in mid-2008. Therefore, Rate Counsel recommends that as impact evaluations of Clean Energy programs are completed, the OCE should review the findings to determine how the results of those evaluations can be used to improve the accuracy of the Protocols. The results of those evaluations should be circulated, with a reasonable timeframe for comment by all interested stakeholders.

II. Comments and Recommendations Regarding the Proposed 2008 Renewable Energy Programs and Budget.

Rate Counsel's comments below address the renewable energy program issues and are divided into three additional sections. Our comments and recommendations address each program area including the Customer On-Site Renewable Energy (“CORE”) program, the Clean Power Choice (“CPC”) program, and the Renewable Energy Development Initiative (“REDI”) program.

While many of our comments are reiterations of suggestions Rate Counsel submitted on October 22, 2007, other comments reflect modified or updated positions. In particular, Rate Counsel has modified its earlier position on the CORE budget allocation to reflect new information that has come to our attention since the prior comment period.

A. CORE Program Recommendations

Rate Counsel provided comments on the proposed CORE budget on October 10, 2007 and reiterated our position in the October 22, 2007 comments submitted to the Office of Clean Energy.

In each of those comments, Rate Counsel noted that the original budget (provided to the parties on August 14, 2007) should be modified to reallocate the larger than 10 kW funds ($14,360,000) to public entities. These funds should be reallocated on a 50-50 basis to public non-schools and public schools. This recommendation is based on the following position:

1. This modification would result in a more balanced allocation of funds across a wide range of installation sizes and types. It balances funding “access” with efficiency (in the sense that larger installations in the public sector tend to have lower installed costs per kW and lead to larger opportunities for more solar capacity for the dollars spent on the program).

2. Placing all the greater than 10kW funds into the less than 10kW category is not efficient. Rate Counsel believes that residential customers need to have access to funding, but an overly large commitment limits the external benefits of the subsidy program.

3. Rebate dollars are no longer needed for the greater than 10 kW class. Over the past year, stakeholder comments, OCE strawman proposals, and various different rate impact analyses have all assumed that rebates would be offered for only small scale (less than 10 kW) projects. Thus, eliminating funding for the greater than 10 kW class is consistent with all of the information presented in the generic SREC proceedings and presumably what is intended to serve as the evidentiary record upon which the Board’s approval of the OCE proposed market design was based. Greater than 10 kW projects will not be unnecessarily prejudiced, including those in the existing queue, since these projects have alternative financial support opportunities through both the Board-approved SREC-Only Pilot Program and the new OCE new market design (which was predicated on no rebates for greater than 10 kW projects).

4. Over the past several years, the CORE data appears to suggest that (a) there is an increased interest in public sector solar projects; and (b) public sector solar projects have seen the largest cost decreases per installed kW of any class, over any period.

5. Redirecting these greater than 10 kW commitments to public installations would serve the public interest by:

   a. Reducing on-site energy costs for public institutions that are supported by all types of ratepayers through taxes or public contributions. This is not the case for small scale residential applications where the primary benefits are restricted to the installing household. Supporting public sector applications that have a broad constituency helps to insure that more ratepayers who cannot afford or do not qualify for PV installations receive some benefit from the SBC contributions potentially through reduced taxes and/or other public fees or a reprioritization of public funds to other important public uses;

b. Creating a visible indicator of state commitment to renewable energy and placing solar energy installations in places of high visibility where the public has access to view the technologies in action and learn more about how the application works in a real world setting. This is not the case with private residential applications where the public at large, cannot go, uninvited, to see how the investment they made through their SBC rates works;

c. Increasing public school applications to provide positive signals to children about the benefits of renewable energy and how it works (i.e., market transformation for RE).

Table 1 below summarizes Rate Counsel's initial recommended reallocation:

Table 1: Original Rate Counsel CORE Budget Allocation Proposal (October 22, 2007)

		Presented to RE Committee 14-Aug-07	
Budget Category		Preliminary 2008 CORE Budget	Percent of 2008 CORE Budget
		----- (thousand $) -----	
<10 kW (non-public)	$	21,540	30%
>10 kW (non-public)	$	-	0%
Public - Non-Schools	$	26,925	38%
public - Schools K-12	$	21,899	31%
Sunlit (HMFA affordable housing)	$	1,436	2%
Inspections/Other Admin	$	-	0%
New Wind & Biomass	$	-	0%
Total	$	71,800	100%

However, there have been at least two clean energy meetings since our initial comments on the Clean Energy Program proposal and Rate Counsel has also had the opportunity to meet with the solar industry to discuss our initial position. These meetings have been helpful in clarifying several issues related to what has been referred to as the "litigant class" and how they fit into several proposals related to the overall CORE budget allocation.

In our initial comments, Rate Counsel recommended eliminating the funding for the greater than 10 kW class. We continue to believe this is appropriate yet recognize that the litigant class needs to be made whole for prior commitments agreed upon as a result of arbitration with the Board. Therefore, Rate Counsel modifies its initial recommendation by adding $1.2 million in funding to the greater than 10 kW class to fund the litigant class installations only. Our $1.2 million recommendation is based on the estimates offered by MSEIA for this class. The money for this class has been taken from all of the other categories in our initial recommendation on a pro rata basis. Our revised proposal for CORE budget allocations, based on a revised $65 million anticipated total budget, is provided below in Table 2.

Table 2: Revised Rate Counsel CORE Budget Allocation Proposal

Budget Category		Preliminary 2008 CORE Budget	Percent of 2008 CORE Budget
		----- (thousand $) -----	
<10 kW (non-public)	$	19,140	29%
>10 kW (non-public)	$	1,200	2%
Public - Non-Schools	$	23,925	37%
public - Schools K-12	$	19,459	30%
Sunlit (HMFA affordable housing)	$	1,276	2%
Inspections/Other Admin	$	-	0%
New Wind & Biomass	$	-	0%
Total	$	65,000	100%

Rate Counsel continues to take no position at this time regarding the increased allocation of funding support to wind and biomass resources. Our recommendations at this time assume no allocations to this sector pending future review, particularly the relationship between these proposed levels of support and REC prices in the market. At this point, no information has been provided which would indicate that wind and biomass rebates have been set at levels that, when coupled with REC revenue support, would not result in over-subsidization.

However, to the extent the proposed funding allocation to these two sectors is accepted, Rate Counsel strongly supports the performance-based approach proposed by the market managers. Rate Counsel would encourage the market manger and OCE to consider similar mechanisms for solar energy projects funded under CORE in the future once funding for new projects becomes available. It is our understanding from the most recent Clean Energy Committee meeting that performance-based measures are being considered for solar for the 2009 budget year.

B. CPC Program Recommendations

The key recommendations of the market manager on the CPC include:

- Assist the OCE in a rulemaking process for the program which has been operating under a Board Order without formal rules since its inception.
- Manage a competitive solicitation for Clean Power Marketers (CPMs) and their offerings of renewable power products.
- To continue to promote the Community Partnership program.

Rate Counsel Comments and Recommendations:

- Rate Counsel supports the development of a rulemaking proceeding to define the terms and conditions of the CPC program.

- Rate Counsel supports the development of competitive solicitations on product offerings.
- The market manager's original proposal included a recommendation to potentially modify REC vintages. The current version of the proposal has omitted this recommendation. Rate Counsel could support this recommendation, particularly if the intent is to modify particular REC vintages to account for additional financial support under this program. Rate Counsel believes that it is appropriate to provide the "correct" incentives for RE projects (i.e., no over-subsidization). Rate Counsel would suggest that if the market manager and OCE move forward with any potential modification of REC vintages, it do so within the context of some type of rulemaking in which all stakeholders can participate and provide input.
- Rate Counsel continues to have concerns about the recommendation of offering a "bounty" to marketers for customer participation. Rate Counsel cannot support such a proposal until more information about the eligibility, size and duration of the bounty is clearly defined. Presumably, there will be further discussion in the future rulemaking process.
- Rate Counsel would like to again express its reservations about any process which would drop CPC customers who miss one bill payment. Presumably, this will be an issue that will be more clearly defined, addressed, and debated in a future rulemaking process.
- Rate Counsel continues to strongly support the proposed emphasis on annual verification for program participants. Rate Counsel would suggest that potential penalties for those found to be in non-compliance be addressed in the anticipated future rulemaking.
- Rate Counsel questions, based upon the information provided at this time, whether ratepayer funds should be used to develop baseline carbon footprint metrics for communities participating in the program. Rate Counsel believes this activity is beyond the scope of the program.
- Rate Counsel would support increased emphasis on the collection of information on the voluntary market and would suggest that a process to develop metrics which outlines the scope of the market, in terms of both active and potential participants, be explored. Other measures which evaluate market structure, scope, and concentration should be explored.
- Rate Counsel notes that the program is seriously lagging in meeting its participation goals, despite considerable broad-scale media marketing to introduce the program to potential participants throughout the state. To avoid diminishing returns, the broad-scale media marketing should be radically reduced now that the program is fully rolled out. The aim must be more results for much less ratepayer spending. The outreach focus should now shift to marketing by the participating Clean Power Marketers, the use of utility bill inserts, publicity at community events and other venues that are "closer" to the potential participants.

C. Comments on the REDI

The goals offered by the market manager on the REDI include:

- Launch the REDI initiative and manage all transition activities

- Develop and administer a competitive solicitation for grants to support RE development.
- Provide upfront financial support and incentives for at least 20 projects focusing on non-solar RE projects.
- Develop market-based activities to build information base on technologies and financing mechanisms for large-scale projects.
- Establish collaborative relationships with stakeholders.

Comments on these goals, and the specific program implementation activities include:

- Rate Counsel has some concerns about the prudence of spending dollars on certain market research activities (i.e., other state initiatives, DOE initiatives on Solar Cities, etc.) that could be redirected into specific RE projects. It would appear that these are the types of research activities that a company like Honeywell, a subject-matter expert in this area, would do as an ongoing part of its normal business operations. This raises questions about why such research activities should be subsidized by New Jersey ratepayers.
- Incentives created in the REDI need to take into account the REC and SREC implications. For instance, the internal rate of return will be based on revenue streams from SRECs and RECs determined in the market with no financial support. The support provided in the REDI needs to be scaled, or adjusted, for this additional margin of support to ensure no free-riders/over-subsidization.
- Rate Counsel believes that aspects and direction of the Community-Based solar program needs to be determined in an upcoming rulemaking proceeding.
- The market manager proposed that a number of organizations provide input on the Quality Control Provisions. One important stakeholder group is missing from this team: ratepayers. Rate Counsel would suggest that ratepayer groups be represented on this team.

Respectfully submitted,

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