



**Comments of Jim O'Reilly, Director of Public Policy  
Northeast Energy Efficiency Partnerships (NEEP)  
To the New Jersey Board of Public Utilities  
Regarding the Revised 2011 New Jersey Energy Master Plan**

**August 25, 2011**

President Solomon, Commissioners Asselta, Fiordaliso, and Fox: thank you for the opportunity to provide comment on the revised 2011 Energy Master Plan.<sup>1</sup>

As you are aware, NEEP is a regional nonprofit organization founded in 1996 whose mission is to promote the efficient use of energy in homes, buildings, and industry in New England, New York, and the Mid-Atlantic states. We do this through regionally coordinated programs and policies that increase the use of energy efficient products, services and practices, and help achieve a cleaner environment and a more reliable and affordable energy system.

The 2011 Energy Master Plan speaks to the high value the Christie Administration places on energy efficiency as a central energy policy strategy. As the report notes, efficiency is "the best way to lower individual energy bills and collective energy costs." Clearly, New Jersey's energy efficiency programs have been doing just that, saving over 30 million lifetime MWh in electricity use and 532,409 kW in peak demand since 2001.<sup>2</sup> These programs have benefitted all ratepayers, generating \$2.60 for every dollar invested.<sup>3</sup> Energy efficiency programs not only save dollars that would otherwise go to out of state energy providers, but they also create well-paying in-state jobs. A recent report by the Brookings Institution noted that New Jersey ranks eighth nationally in "green jobs," with over 90,000 jobs, with growth of 4.7 percent between 2003 and 2010.<sup>4</sup>

However, despite the apparent value the Administration places on energy efficiency, NEEP is concerned about whether the revised EMP will translate into a tangible commitment by the state that allows the residents and businesses of New Jersey to capture the tremendous benefits offered by energy efficiency. In particular, we are troubled to see the EMP refer to the chief funding mechanism for energy efficiency programs as "a hidden tax," as well as its characterization that the electricity and natural gas reduction targets from the 2008 EMP are overly-aggressive or unachievable. For example, the Plan notes on page 21 that "Changes since the 2008 EMP require that the 20% energy reduction goal be modified..."

Given these statements, coupled with the significant harm the Christie Administration caused to the state's energy efficiency programs by diverting \$158 million from the Clean Energy Program to the

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<sup>1</sup>These comments are offered by NEEP staff and do not necessarily represent the view of NEEP's Board of Directors, sponsors or funders.

<sup>2</sup> Office of Clean Energy Financial Reports, "2001-2010 Program Results," online at <http://www.njcleanenergy.com/files/file/Library/2001-2010%20Program%20results.xls>.

<sup>3</sup> Rutgers Center for Energy, Economic, and Environmental Policy (CEEPEP), "Analysis for the 2011 Draft New Jersey Energy Master Plan Update," March 21, 2011, 95, online at <http://policy.rutgers.edu/ceeep/publications/2011/2011DraftEnergyMasterPlanUpdate.pdf>.

<sup>4</sup> Brookings Institution, "The Clean Economy in the State of New Jersey," online at [http://www.brookings.edu/~media/Files/Programs/Metro/clean\\_economy/clean\\_economy\\_profiles/states/34.pdf](http://www.brookings.edu/~media/Files/Programs/Metro/clean_economy/clean_economy_profiles/states/34.pdf)



state budget in 2010, NEEP feels that nothing short of a clear and decisive commitment from the Administration to capture all cost-effective energy efficiency should be included in the final Plan.

The draft 2011 Plan leaves many of the important energy efficiency policy decisions for consideration by the Board of Public Utilities (BPU) at a later time. NEEP looks forward to providing feedback to the BPU as it evaluates the current New Jersey Clean Energy Program (CEP) and alternative program administration models. We urge the BPU to consider the following recommendations for inclusion in the final 2011 Energy Master Plan and future efficiency policy proceedings.

**1) Maintain Funding for Customer Energy Efficiency Programs:** While NEEP supports the state's efforts on building energy codes and state buildings, ratepayer-funded customer efficiency programs are essential to promoting savings in existing and new private buildings. The draft Master Plan focuses on the costs of energy efficiency programs, including inaccurately calling the Societal Benefit Charge (SBC) a "hidden tax," but their costs must be compared with the cost of supply. According to recent analysis, the average cost of New Jersey Clean Energy Program energy efficiency programs is about 2.5 cents/kWh, significantly less than the average retail price of electricity at 14.5 cents/kWh.<sup>5</sup> Energy efficiency is and will continue to be the best deal for New Jersey ratepayers into the foreseeable future.

Whichever program administration model New Jersey puts in place, long-term, secure, and adequate funding will be critical to its success. Stable funding allows for larger, multi-year savings projects and instills confidence in the market that New Jersey will continue to invest in efficiency in future years. This is particularly true in the commercial and industrial sectors. The final Energy Master Plan should recommend that investment levels for energy efficiency programs through the Societal Benefit Charge SBC, should be, at a minimum, maintained at current levels, and be open to adjusting those investments in the future to meet the state's energy efficiency goals. Never again should the administration consider raiding these *ratepayer* funds to supplement a *taxpayer*-based state budget.

**2) Include Binding Energy Efficiency Targets:** The draft EMP suggests that the administration is backing away from the savings goals from the 2008 EMP, a move that would prove costly to the state and put the state at a disadvantage with its neighbors. States throughout the Northeast and beyond have established a policy that favors achievable, cost-effective energy efficiency before turning to new electric and natural gas supply, often called an all-cost effective efficiency mandate. Leading states, such as Massachusetts and Vermont, allow state regulatory authorities to adopt binding short and long term energy saving goals that utilities or third-party program administrators must meet.<sup>6</sup> This approach is a flexible, market-based approach that seeks the lowest cost resources for ratepayers, promotes long-term reductions in energy use, and sends the appropriate signal to efficiency markets, program administrators and key customer sectors.

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<sup>5</sup> Cost of saved energy figure is taken from "Analysis for the 2011 Draft New Jersey Energy Master Plan Update," 96. New Jersey electric rates are taken from the EIA profile of New Jersey, online at [http://www.eia.gov/cneaf/electricity/st\\_profiles/new\\_jersey.html](http://www.eia.gov/cneaf/electricity/st_profiles/new_jersey.html)

<sup>6</sup> Connecticut, Maine, Massachusetts, Rhode Island, and Vermont have all adopted policies that effectively call for their state's program administrators to promote efficiency before new generation resources and create multi-year savings goals through a collaborative stakeholder process. Maryland, New York, and Pennsylvania have taken a different approach, calling for certain levels of savings by a specific date. Our experience suggests that the approach in the former states is both more effective and easier to implement.



The 2011 Energy Master Plan should recommend that the BPU explore binding energy efficiency targets as part of its consideration of a new administrative model for its energy efficiency programs.<sup>7</sup> NEEP believes that the 20 percent reduction savings targets for electric and gas consumption by 2020 cited in the 2008 Energy Master Plan, representing annual savings of around 2 percent, are achievable and should form the basis for discussion of binding savings goals.<sup>8</sup> Appropriate incentives for achieving energy savings goals, such as shareholder performance incentives for program administrators and revenue decoupling for the electric and natural gas utilities, should also be considered.

**3) Follow Through on Building Energy Codes and Appliance Efficiency Standards:** NEEP wholeheartedly endorses the Plan's commitment to implementing aggressive building energy codes and its recognition of the value to the state of strong appliance efficiency standards. The first step in this commitment will be for the state to adopt at the earliest possible time the 2012 International Energy Conservation Code (IECC). The state would also be well served by adopting an informative appendix to the code that allows communities that so wish to adopt an even more efficient energy code, or a so-called "stretch code," similar to what the states of Massachusetts and Oregon have done in recent years. Finally, the state should not only monitor the full schedule of appliance standards rulemakings being undertaken by the Department of Energy, but be willing to weigh in to support those rulemakings that provide significant savings to the residents and businesses of New Jersey. As the facilitators of a regional project to advance appliance standards in the Northeast, NEEP is more than willing to work with the state on such input to the federal rulemaking process.

**4) Create an Energy Efficiency Stakeholder Advisory Board:** The Energy Master Plan should recommend that New Jersey create a stakeholder advisory board that has the authority to review energy efficiency programs and make policy recommendations to BPU and the legislature. States in the Northeast have found that transparent, inclusive advisory boards that have participation from utilities, state agencies, major energy users, consumer advocates, the environmental community, and other key energy policy stakeholders yield better program design and establish a forum to modify programs in response to on-going market developments. Stakeholder advisory boards have proven to be especially helpful at the launch of new energy efficiency initiatives.<sup>9</sup>

**5) Focus on Developing Coordinated Energy Efficiency Programs:** NEEP believes that the upcoming BPU evaluation of energy efficiency programs should focus on creating a coordinated delivery structure that serves all customers and all fuel types. We support efforts to transition the programs away from the current Clean Energy Program (CEP), which could provide for more flexible and responsive energy efficiency programs. The EMP references a number of alternative program delivery approaches, including an energy efficiency utility and a larger role for the distribution utilities. Each is worthy of consideration. Some states, like Connecticut, Massachusetts, and California, have found success by having the distribution utilities run its energy efficiency programs. Others, including Oregon, Wisconsin, and Vermont have all found that using a third-party administrator is an effective approach

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<sup>7</sup> The BPU has the authority to adopt such binding targets according to its "energy efficiency portfolio standard" statute in Title 48, Section 3-87.

<sup>8</sup> New Jersey Energy Master Plan of 2008, p. 54, online at [http://www.state.nj.us/emp/docs/pdf/081022\\_emp.pdf](http://www.state.nj.us/emp/docs/pdf/081022_emp.pdf).

<sup>9</sup> See the "Recommendations for Policymakers" section of NEEP's 2010 "From Potential to Action" report for more about state experiences with stakeholder advisory boards, online at <http://neep.org/public-policy/policy-outreach-and-analysis/potential-study>.



to energy savings.<sup>10</sup> The delivery model matters less in our experience than good policy. In NEEP's experience, all successful programs include binding energy savings targets on program administrators, stable, long-term funding, coordinated statewide programs, the appropriate regulatory framework, including incentives and penalties linked to energy savings goals, and a process that receives input from all key stakeholders. NEEP would be happy to provide more information about successful program delivery models further with the BPU in the months ahead.

**6) Financing Mechanisms Are Not a Substitute for Customer Programs:** The draft Energy Master Plan discusses revolving loan funds as an alternative approach to energy efficiency programs. We recommend, however, that the BPU consider a revolving loan fund, or any other financing mechanism, as separate from the ratepayer-funded energy efficiency programs. Financing programs alone are inadequate to promote energy efficiency programs, as they cannot overcome informational and other market barriers to investing in efficiency or preserve a strong network of qualified contractors to undertake energy upgrades.<sup>11</sup>

We encourage the BPU to take note of the approach to financing taken in Massachusetts, Maine, and New York and other states. Each prioritizes establishing energy efficiency programs that address the needs of each customer sector first and then offers financing options that leverage ratepayer dollars and drive deeper savings projects. This approach best addresses market and financial barriers to energy efficiency while reducing overall program costs.

**7) Evaluation, Measurement and Verification of Energy Efficiency Savings:** In 2009, New Jersey joined ten other states in the Northeast and Mid-Atlantic region to develop common protocols for evaluating and reporting energy efficiency savings and their associated impacts. With cuts in the Clean Energy Program funds in 2010, New Jersey ceased its participation in the [Regional EM&V Forum](#) ('the Forum'). We encourage New Jersey to consider re-joining the Forum, including informing the Forum's 2012-2014 Three-year Plan currently in development, and guided by an [independent evaluation](#) recently conducted among Forum state members. Participation in selected Forum projects can help New Jersey leverage opportunities for joint research, saving money on expensive research projects that support efficiency savings bid into PJM's capacity market and can inform updates to New Jersey's savings assumptions. Additionally, NEEP welcomes New Jersey's participation in the Forum's Regional Energy Efficiency Database. Starting in 2012, Forum states will be reporting their statewide savings, costs, emission and job impacts in the database using consistent reporting parameters, thereby enabling states and regional entities to benchmark and analyze energy efficiency data and impacts across states and at regional levels.

We thank the Board for the opportunity to comment during the review of the state's Energy Master Plan. NEEP stands ready to help New Jersey maximize the potential of energy efficiency to improve to the state's economy, environment and future. Please do not hesitate to contact me at [joreilly@neep.org](mailto:joreilly@neep.org) or (781) 860-9177 ext. 118 with any questions or comments you may have.

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<sup>10</sup> If the BPU creates an energy efficiency utility, we encourage you to review the design NEEP outlined in its "An Energy Efficiency Strategy for New Jersey" report. Such an energy efficiency utility would be run by a third-party contractor, with assistance from the utilities, and coordinate all statewide energy efficiency programs. See "An Energy Efficiency Strategy for New Jersey, March 2009, p. 20-21, online at <http://www.state.nj.us/emp/docs/pdf/041609NEEP.pdf>

<sup>11</sup> See Vermont Law School Institute for Energy and the Environment, "Financing Residential Energy Efficiency in Vermont," July 2011, online at <http://www.highmeadowsfund.org/storage/research/VLS-IEE%20Energy%20Efficiency%20Financing%20Study%20Final.pdf>