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May 17, 2019

VIA E-MAIL AND U.S. MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
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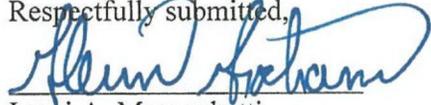
Re: In the Matter of the Petition of Public Service Electric and Gas Company
for Approval of its Clean Energy Future-Energy Efficiency Program on a
Regulated Basis
BPU Docket No. EO18101113 and GO18101112

Secretary Camacho-Welch:

Enclosed please find an original and ten (10) copies of Sunrun Inc.'s Initial Brief in this matter.

Please do not hesitate to contact me with any questions.

Respectfully submitted,



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*Case report
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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF PUBLIC)	
SERVICE ELECTRIC & GAS COMPANY FOR)	DOCKET NOS.
APPROVAL OF ITS CLEAN ENERGY FUTURE-)	GO18101112
ENERGY EFFICIENCY ("CEF-EE") PROGRAM ON A)	EO18101113
REGULATED BASIS)	

INITIAL BRIEF OF SUNRUN INC.

AND

CERTIFICATE OF SERVICE

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ENERGY EFFICIENCY (“CEF-EE”) PROGRAM ON A)	EO18101113
REGULATED BASIS)	

INITIAL BRIEF OF SUNRUN INC.

Pursuant to the *Prehearing Order Setting Procedural Schedule and Ruling on Motions to Participate and Intervene*, issued January 22, 2019 by Commissioner Solomon of the New Jersey Board of Public Utilities (“Board”), Sunrun Inc. (“Sunrun”) submits this brief in the above referenced dockets.

I. Introduction

New Jersey’s energy future is at a critical inflection point. While Governor Murphy’s clean energy agenda marks a new era of energy leadership in New Jersey, achieving the laudable goals established in the Clean Energy Act of 2018 (the “Act”) requires a dynamic and sustainable clean energy marketplace that advances customer choice, promotes competition, and leverages the expertise of private market participants to reduce costs and foster innovation. Distributed energy resources (“DERs”), including solar PV and energy storage, are dynamic resources with advanced capabilities that go well beyond traditional energy efficiency measures. Incorporating these resources into New Jersey’s energy efficiency and peak demand reduction programs should be a central pillar to achieving the state’s clean energy goals.

Indeed, the ability of advanced DERs to provide host-customer and system benefits is no longer an idea that might be realized at some point in the future. The customer and system-wide benefits that these technologies offer are a reality now and

policymakers and utilities in other states are expanding the scope of energy efficiency offerings beyond lighting, weatherization, and other traditional programs to include solar, storage and other customer-centric advanced DER solutions.

Critical to unlocking the benefits of these resources is enabling third-party providers to engage their customers to enroll their DERs for participation in utility programs. Removing barriers to market entry and creating new market participation pathways for third-party developers and DER aggregators to enroll solar and energy storage customers in utility energy efficiency, peak demand reduction, demand response, and other dynamic load management programs reduces ratepayers' costs, furthers clean energy goals and enables a more modern, resilient and cost-effective electric system.

Competitive suppliers of these technologies have existing relationships with customers and expertise in system installation, maintenance, and management. Leveraging these and other core competencies of non-utility suppliers will unlock additional value for ratepayers while at the same driving down program costs and significantly mitigating risk to ratepayers that otherwise would accrue under a utility deployment, ownership, and management model. New Jersey statutes recognize the importance of competitive markets in energy efficiency programs. Enhancing the role of third parties in the delivery of energy efficiency services should be a central pillar of Public Service Electric and Gas Company's ("PSE&G" or the "Company") energy efficiency and peak demand reduction programs.

However, PSE&G's petition for approval of its proposed energy efficiency programs fails to provide essential program frameworks necessary to further competition and foster a dynamic and sustainable clean energy marketplace necessary to achieve the

state's clean energy goals. The Company's proposal instead seeks approval of approximately \$2.8 billion in energy efficiency expenditures, while at the same time seeking to position itself as the sole provider of energy efficiency services in its territory without meaningfully integrating competitive market participants in delivering these services. The proposal directly contravenes the clear intent of the Act by failing to advance competition and falls well short of integrating advanced DER technologies, such as solar and battery storage to deliver energy efficiency services.

There is a better, more cost-effective way to achieve New Jersey's energy efficiency goals. Sunrun urges the Board to reject the Company's application and require PSE&G to refile its application to conform to the Board's directives implementing the Act and include program proposals designed to further competition that reflect stakeholder input. In the alternative, Sunrun urges the Board to condition approval with specific requirements to enhance the role of competitive market providers in the delivery of energy efficiency services and address other shortcomings in the Company's application.

II. Argument

A. PSE&G's Application Preempts the Board's Findings and Directives Implementing the Clean Energy Act of 2018

The Company's application preempts the Board's current process implementing the Act. The Act requires the Board to, among other things (1) determine the energy savings targets for full economic, cost-effective potential for electricity usage reduction as well as the potential for peak demand reduction¹; and (2) adopt an electric energy efficiency program that ensures investment in cost-effective energy efficiency measures,

¹ N.J. Stat. § 48:3-87.9(b).

ensures universal access to energy efficiency measures, and serves the needs of low-income communities by requiring each electric public utility to implement energy efficiency measures that reduce electricity usage in New Jersey.² In developing these targets, the Board is required “establish a stakeholder process to evaluate the economically achievable energy efficiency and peak demand reduction requirements, rate adjustments, quantitative performance indicators, and the process for evaluating, measuring, and verifying energy usage reductions and peak demand reductions by the public utilities.”³

The Company’s filing preempts the Board’s ongoing work implementing these requirements. The Board is currently conducting a stakeholder process on these issues and has yet to make critical determinations for implementing the requirements set forth in the Act. These determinations have far reaching implications on energy efficiency and peak demand reduction targets and programs that New Jersey utilities must implement.

Moreover, PSE&G’s energy efficiency plans are void of stakeholder input and the extremely limited ability for stakeholders to meaningfully participate and represent their interests in this proceeding further underscores the need to allow the stakeholder process in the Board’s proceedings implementing the Act to conclude. The Board’s determinations in those proceedings, and the utilities programs implementing the Board’s directives, will have direct and far-reaching impacts on ratepayers and competitive market providers. PSE&G should not be permitted to invest billions of dollars of ratepayer funds through this expedited proceeding that has severely limited opportunities for stakeholder participation prior to the Board concluding its work implementing the

² N.J. Stat. § 48:3-87(g).

³ N.J. Stat. § 48:3-87.9(f)(1).

Act. Approving PSE&G's proposal without allowing the stakeholder process required by the Act to conclude, and before the Board issues its findings implementing the Act, would flatly contravene the clear intent of the Act and severely undermine the ability of stakeholders to participate meaningfully in this critical proceeding regarding New Jersey's clean energy future.

B. PSE&G's Application Fails to Meet Statutory Requirements that Energy Efficiency Programs Be Implemented to Further Competition

PSE&G's petition also contravenes the Act's clear directives requiring the Board's implementation of energy efficiency programs to "place greater reliance on competitive markets with the explicit goal of encouraging and ensuring the emergence of new entrants that can foster innovations and price competition."⁴ Further emphasizing the importance of competitive markets in energy efficiency programs, N.J. Stat. § 26:2C-45 provides that competition in the renewable energy, conservation and energy efficiency industries is essential to maximize efficiencies and that programs "*should be implemented to further competition*" (emphasis added). Moreover, N.J. Stat. § 48:3-50 provides, *inter alia*, that the Board shall "ensure that improved energy efficiency and load management practices, *implemented via marketplace mechanisms* or State-sponsored programs, remain part of this State's strategy to meet the long-term energy needs of New Jersey consumers" (emphasis added). N.J. Stat. § 48:3-98.1(b) further provides that when determining the recovery by electric and gas public utilities of energy efficiency, conservation and renewable energy program costs, "the [B]oard may take into account the potential for job creation for such programs, the effect on competition for such

⁴ N.J. Stat. § 48:3-87(l)(1).

programs, existing market barriers, environmental benefits, and the availability of such programs in the marketplace.”

PSE&G’s proposals to position the Company as the sole provider of regulated energy efficiency services in its territory,⁵ would not only remove programs currently offered by the Office of Clean Energy from the energy efficiency offerings in its territory, but also appears to be designed such that they would severely limit the ability of competitive market participants to offer services to customers through PSE&G’s programs. In other words, while PSE&G notes throughout its proposals that it will utilize various vendors in the implementation of certain subprogram offerings, the Company’s proposals appear void of programs that would integrate competitive market providers in a manner that would allow, for instance, customers to participate in programs through DER aggregators to meet energy efficiency and peak demand reduction goals.

In sum, PSE&G’s programs are based on a utility-centric implementation model that would place *less* reliance on competitive market participants in delivering energy efficiency services, directly contravening the Act’s requirement that it place *more* reliance on competitive markets. Additional critical threshold matters regarding utility versus non-utility ownership of eligible program devices, device management and control, and how devices participating in certain programs will interact with other programs are either ill-defined in PSE&G’s proposals or indicate that the role of competitive market providers could be limited to that of a contractor to PSE&G for

⁵ See, BPU Docket Nos. GO18101112 and EO18101113, PSE&G Petition for Approval of Clean Energy Future-Energy Efficiency Program On A Regulated Basis, Attachment 1, PSE&G Clean Energy Future-Energy Efficiency Program Plan at 2 (Oct. 11, 2018) (“CEF-EE Plan”) (stating “[m]oreover, while PSE&G through this filing proposes that following a transition period, it will be the exclusive provider of regulated energy efficiency programs in its service territory, the Office of Clean Energy must continue to play a critical role in oversight, standard setting, and ensuring consistency in implementation of energy efficiency programs throughout the State, where appropriate”).

installing PSE&G-owned and controlled devices. The Company's Smart Home Pilot and Non-Wires Alternative ("NWA") Pilot illustrate these concerns.

1. Smart Home Pilot

The Company's Smart Home Pilot is intended to leverage multiple customer-sited DERs to manage customer load profiles. While the proposal is innovative in many respects, it appears to focus on a utility-centric implementation model that could stymie competitive market development for the technologies targeted by PSE&G. For instance, the Company offers examples of direct-to-consumer services as including "direct install, home equipment repair and monitoring, financing for the deployment of connected devices and renewable energy resources, and partnerships with other service providers such as telecommunications and security providers."⁶ Among other concerns, this suggests that the PSE&G intends to finance and own eligible devices to participate in the program. Further underscoring the competitive market impact concern is the Smart Home Pilot's proposed target customer group of residential electric customers "... who are willing to co-pay a portion of the cost for smart home system installations"⁷ and that "[t]o help offset overall pilot costs, PSE&G may require a customer cost contribution as part of participation in the pilot."⁸ While New Jersey statutes permit utilities to own and invest in behind-the-meter ("BTM") renewable resources, PSE&G's proposals appear to be designed only for customers that participate with utility-owned devices.

The Company's proposal to invest in BTM resources unnecessarily puts ratepayers at risk if PSE&G deploys "comprehensive smart home platforms and

⁶ *Id.* at 76.
⁷ *Id.* at 75.
⁸ *Id.*

customers [do] not fully utilize them.”⁹ To reduce ratepayer risk and encourage the emergence of new entrants to foster innovations and price competition¹⁰ PSE&G should seek to leverage private capital by designing this pilot, and other programs, to allow customers to participate with non-utility owned resources through third-party DER aggregators, as proposed by Sunrun.

The Company’s proposed implementation strategy for the Smart Home Pilot to “optimiz[e] the number of devices that work together, and choosing a vendor that has overcome interoperability issues and integrations with third-party devices”¹¹ compounds these concerns. The implementation strategy suggests that PSE&G would utilize a single vendor to control a variety of devices located at a customer’s home, which would include solar PV inverters and battery storage.¹² In the event that the Smart Home Pilot proposal were to allow non-utility owned resources to participate, the single vendor control model raises significant concerns about proprietary control algorithms for smart inverters and energy storage systems, how PSE&G’s chosen vendor’s control algorithms would impact third-party owner’s responsibilities to their customers with respect to device operation, and other issues related to customer and third-party owned solar and battery storage devices.

Moreover, critical details regarding how a customer is compensated for the services provided are unspecified, including the differences in value that one “integrated” technology offers over another technology and how the Smart Home Pilot would be implemented – such as part of an existing demand response program, or otherwise. A

⁹ *Id.* at 77.

¹⁰ N.J. Stat. § 48:3-87(1)(1).

¹¹ CEF-EE Plan at 77.

¹² *Id.* at 74-75.

fundamental consideration for both compensation and technology integration is that certain technologies, such as energy storage, have capabilities that other technologies, such as lighting controls and other more “passive” resources, do not possess. Energy storage has numerous “active” use cases, including the ability for dispatch to reduce a customer’s grid consumption or dispatch to deliver locally produced energy to constrained areas in response to specific grid management needs.

To encourage broad participation of customer-sited solar, energy storage and other advanced DERs, Sunrun urges the Board to require PSE&G to adopt the recommendations discussed further below to revise the Smart Home Pilot or adopt alternative mechanisms to allow these resources to participate in the Company’s energy efficiency and peak reduction programs, such as demand response or other dynamic load management programs. As discussed further below, other states are implementing these types of programs, including New York where PSE&G is adapting dynamic load management programs in its Long Island service territory to allow customers to participate with customer-owned and third-party owned battery storage through DER aggregators. PSE&G is well positioned to adopt similar programs in New Jersey.

2. Non-Wires Alternative Pilot

PSE&G’s proposed NWA Pilot is intended to assess whether certain targeted demand side solutions can cost-effectively defer or replace the need for, and investment in, new electric infrastructure and equipment upgrades by reducing the electric load at a substation or circuit level.¹³ Potential NWA solutions identified by PSE&G include distributed generation, energy storage, energy efficiency, demand response, and grid

¹³ *Id.* at 78.

software and controls.¹⁴ While PSE&G's administration of the NWA Pilot would include selecting third-party implementation contractors to manage NWA pilot design and service delivery, it appears that the Company proposes utility ownership of the NWA solutions, including distributed generation and energy storage technologies.¹⁵ For example, the proposal states "for energy storage, financing and leasing options will be offered to customers."¹⁶ While Sunrun commends PSE&G for proposing an NWA program, critical program design elements, including device ownership and control, participation mechanisms and compensation structures, and the role of competitive market participants are ill defined at best.

Utility ownership, or utility control of non-utility owned assets (if allowed to participate), raises important issues about the respective roles of utilities and non-utility competitive providers. Utilizing selected vendors to provide certain energy efficiency services, such as home weatherization, may be appropriate means to integrate competitive market providers in the delivery of those types of utility funded programs. However, certain advanced technologies, such as solar and energy storage are fundamentally different resources with different market characteristics, including ownership and financing; system operations; and their capability to provide active as well as passive energy efficiency services. These differences are critical when considering the role of utilities and competitive market providers.

Sunrun has evaluated NWA offerings in numerous states and has found that successful offerings adhere to four key principles:

- Facilitate and encourage competition in delivering NWA solutions;

¹⁴ *Id.*

¹⁵ *Id.* at 79.

¹⁶ *Id.*

- Clearly articulate the specific needs of the project;
- Structured to effectively deploy storage capacity; and
- Instill customer trust in the solutions and technologies.

Sunrun strongly supports the adoption of an NWA pilot in PSE&G's territory; however, Sunrun urges the Board to ensure that such a program incorporates these principles, described in more detail below, in the pilot design and implementation.

i. Competition

A central pillar of the NWA concept is that DERs may provide more cost effective solutions compared to traditional utility capital investments to meet electricity system needs. Implicit in the NWA construct is that utilities and non-utilities are competing to provide the most cost-effective solution for a specific grid need. Competitive NWA solicitations are the vehicle most often utilized in other states to identify the most cost-effective solution.¹⁷ While some utility solutions may not be wire-based (e.g., a battery at a substation), the NWA concept results in the identification of the most cost-effective alternatives through competition in the process. Substituting one utility investment for another as an "NWA" without consideration of competing solutions from non-utility providers is inconsistent with the central purpose of NWAs.

Sunrun also notes that in addition to competitive solicitations for NWA solutions, states have also begun to explore other procurement mechanisms, including tariff-based mechanisms as a means to address short-term planning horizon needs where a

¹⁷ See, e.g., New York Pub. Serv. Comm'n, Docket No. 16-M-0411, In the Matter of Distributed System Implementation Plans, Order on Distributed System Implementation Filings at 19 (Mar. 9, 2017) (noting the Commission's adoption of processes for procuring DERs for use in NWA projects through competitive sourcing); Cal. Pub. Utils Comm'n, Rulemaking 14-10-003, Decision 16-12-023, Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot (Dec. 15, 2016).

competitive solicitation may not be able to meet a particular grid need on short-notice.¹⁸ Competitive solicitations and other procurement mechanisms such as tariffs should be examined through this NWA Pilot. This will provide important learning opportunities to determine the most suitable procurement mechanisms for different grid needs and ensure that the most cost-effective NWA solutions are deployed.

ii. Clear Articulation of Project Needs

When a utility identifies a potential NWA location, clearly describing the need is essential to receiving promising proposals for solutions. While BTM energy storage with solar aggregation can be leveraged to provide a number of different grid services, DER solutions for NWAs are tailored to meet specifically identified and pending grid conditions or upgrade needs that would otherwise be met with investments in traditional distribution infrastructure. A clear articulation of NWA project needs allows respondents to design a portfolio of solutions that can be optimized for deployment at the NWA location to enable effective solutions for that specific grid need.

To provide a framework for successful NWA solicitations and enable DER providers to submit satisfactory NWA proposals, utilities should provide certain information and data available to NWA solicitation respondents (under non-disclosure agreements, as necessary), including:

- The target area “needs assessment” should identify the hours of need in the specified location and the anticipated traditional infrastructure investment, as well as the DER service capabilities necessary to defer the traditional infrastructure investment.

¹⁸ Cal. Pub. Utils Comm’n, Rulemaking 14-10-003, Administrative Law Judge’s Ruling Directing Proposals for Distributed Energy Resource Tariffs (Nov. 16, 2018).

- Other quantitative and qualitative guidance on underlying infrastructure needs, including cost estimates for traditional solutions to focus proposals on the approaches that can deliver the most cost-effective solutions.
- Data that can be utilized in providers’ models, including 8760-type load data, GIS-based map data, and accurate local grid descriptions sufficient to engineer targeted solutions.
- End-use data, including GIS-based mapping of end customers associated with relevant grid features, the number of customers by customer class, and historic aggregate usage data by customer class (8760 basis).

Finally, NWA solicitations must allow sufficient time to compile proposals and implement solutions. The timing required between the identification of the need and the time required to develop and implement the NWA solutions will vary by location, capacity and performance requirement parameters, and other considerations that should be determined through a robust stakeholder process.

iii. Structuring to Deploy Storage Capacity

Solar plus energy storage can provide “anchor” firm capacity for NWA projects with residential load. Sunrun recommends that utilities design NWA solicitations around a “stack” of likely NWA technology solutions, with residential solar plus storage anchoring the foundation. Sunrun recommends solar plus storage as the foundation or “anchor” because of the services these paired technology provide, as well as how they are delivered to customers.

Solar plus storage deployment requires one-on-one, in-depth engagement with customers to educate them about the technology, value, and process for deployment. This

deliberate customer engagement can form the foundation for additional customer actions. For example, once a customer has decided to adopt a 10-year solar plus storage solution, adding a connected thermostat, conducting online energy audits, or adopting other solutions becomes a simpler add-on to the process.

iv. Instilling Customer Trust

Success in residential solar plus storage-based NWA projects requires homeowners to trust and adopt new technologies that will last 10 or more years. To ensure that solar plus storage solutions are effectively leveraged to defer traditional infrastructure upgrade investments as part of an NWA project, a high density of customers must adopt these solutions in a relatively short period of time. This requires collaboration between the utility and DER providers and effective co-marketing between the respective entities can help build customer trust in adopting DERs. Such an approach enables DER providers and the utility to engage local institutions, community organizations, and individuals based on the appeal of these values and to help customers understand why they and the community as a whole benefit from customer adoption of solar plus storage and other DER-based NWA solutions.

As proposed, PSE&G's NWA Pilot does not meet many of these criteria. Sunrun strongly urges the Board to adopt the recommendations provided herein to ensure that the program is designed to further competition and achieve the most cost-effective NWA solutions.

C. PSE&G's Energy Efficiency Programs Can and Should Be Designed to Foster Competition and Leverage DERs to Provide Customer and System Value.

Utility ownership, or utility control of non-utility owned assets, raises important issues about the respective roles of utilities and non-utility competitive providers in delivering energy efficiency services. Utilizing selected vendors to provide certain energy efficiency services, such as home weatherization, may be an appropriate means to integrate competitive market providers in the delivery of those types of utility funded programs. However, integrating certain advanced technologies, such as solar and energy storage as proposed in PSE&G's Smart Homes Pilot and NWA Pilot, are fundamentally different resources with different market characteristics, including ownership and financing, system operation, and their ability to be actively managed through dispatching to meet customer and system needs. These differences are critical when considering the role of utilities and competitive market providers in energy efficiency program design and implementation.

While Sunrun appreciates PSE&G's statements at hearing that it is committed to working with third parties to implement the proposed programs,¹⁹ the Company offered no specific proposals regarding whether or how it will revise its programs to adhere with statutory requirements to "ensure the emergence of new entrants that can foster innovation and price competition." The Company's statements lack the specificity and commitment needed to address these shortcomings in its petition.

¹⁹ It is Sunrun's understanding that the transcript is not made available to parties or participants by virtue of party or participant status and instead the transcript must be purchased and would cost \$2,212.50. Sunrun therefore does not possess the transcript of the evidentiary hearings and is compelled to note that the cost of obtaining the transcript is a substantial barrier to public access to essential proceeding documents that reduces transparency and adds yet another hurdle to stakeholders' ability to meaningfully participate and have their voice heard on consequential matters before the Board. Unlike PSE&G, stakeholders cannot pass on the cost of the transcript to New Jersey ratepayers.

To ensure the highest value for ratepayers, both in the near and long-term, and to meet New Jersey's statutory directives to advance competitive markets, the Company's proposed programs and pilots must be designed to accelerate market understanding, foster innovation, and facilitate the development of sustainable business models by competitive market providers. To achieve these goals, energy efficiency and peak demand reduction programs should create market participation pathways that allow third-party providers to enroll and manage their customers' advanced DERs, including solar PV, advanced inverters and battery storage in utility programs.

Sunrun appreciates that the Company's proposals recognize that these advanced DERs have important benefits to offer; however, Sunrun strongly recommends incorporating alternative programs and revising certain program design elements to integrate competitive market participants in PSE&G's programs. The recommendations offered herein and in Sunrun's public comments²⁰ provide administratively efficient mechanisms to integrate advanced DERs, such as solar PV, smart inverters and battery storage into the Company's energy efficiency and peak demand reduction offerings. These approaches are being adopted by other states, including Massachusetts,²¹ New Hampshire,²² New York,²³ and Vermont²⁴ and should be a core part of PSE&G's programs.

²⁰ See Docket Nos. GO18101112; EO18101113, In the Matter of the Petition of Public Service Electric & Gas Company for Approval of its Clean Energy Future-Energy Efficiency ("CEF-EE") Program on a Regulated Basis, Public Comments of Sunrun Inc. (Mar. 27, 2019).

²¹ Mass. Dept. of Pub. Utils, Docket Nos. 18-110 through 18-119, Order Approving Massachusetts Joint Statewide Electric and Gas Three-Year Energy Efficiency Plan 2019-2021 (Jan 29, 2019) ("Order Approving Three Year Energy Efficiency Plan).

²² New Hampshire Public Utilities Commission, Docket DE-17-189, Liberty Utilities Petition to Approve Battery Storage Pilot Program, Order No 26,209 (Jan. 17, 2019).

²³ Long Island Power Authority, Proposal Concerning Modifications to LIPA's Tariff for Electric Service *available at* <https://www.lipower.org/wp-content/uploads/2019/03/DLM-Storage-Tariff-Proposal-2-25-19-Redline.pdf> ("LIPA Tariff Modifications").

Moreover, these recommendations would allow the Company to provide greater customer and system benefits and meet statutory requirements, including promoting the lowest cost to ratepayers and ensuring that the implementation of energy efficiency programs place greater reliance on competitive markets with the explicit goal of encouraging and ensuring the emergence of new entrants that can foster innovations and price competition.²⁵

D. PSE&G Should Incorporate a Bring-Your-Own-Device Model in its Energy Efficiency Programs to Foster Competition and Leverage DERs to Provide Customer and System Value.

Advanced DERs, and battery storage in particular, offer unique operational characteristics that make them particularly well suited to provide energy efficiency and peak demand reduction services. Competitive market providers stand ready to partner with PSE&G to develop and implement “innovative go-to-market approaches” to achieve the overarching goals of the Smart Home Pilot, the NWA Pilot, and other energy efficiency and peak demand reduction programs. However, PSE&G’s currently proposed programs require significant modifications in order to, among other things, allow competitive market providers to participate. Sunrun strongly urges the Board to require PSE&G to revise its energy efficiency proposals to incorporate energy efficiency and peak demand reduction programs that integrate third-party participation through customer-sited solar and battery storage.

Incorporating participation features that allow customers to enroll and participate in programs through third-party DER aggregators, such as under a bring-your-own-

²⁴ Green Mountain Power, GMP Bring Your Own Device “BYOD” Access & Service Agreement available at <https://greenmountainpower.com/wp-content/uploads/2019/03/BYOD-Terms-and-Conditions-3-11-19.pdf>.

²⁵ N.J. Stat. § 48:3-87(l).

device (“BYOD”) model as proposed by Sunrun in its public comments, would enhance market competition, leverage the customer engagement and education expertise of DER providers, and spur innovation in the control, management and dispatch of various types of DERs. The BYOD model also ensures that customers are allowed to participate in utility programs with non-utility owned DERs, and that competitive market providers, including DER developers that offer aggregation services, are able to work with their customers to manage and dispatch participating DERs to achieve customer and program goals.

Moreover, the BYOD model provides the framework for integrating customer- and third-party owned solar and battery storage to provide grid services in the future for broader application across New Jersey as part of a full-scale subprogram, which PSE&G states as a fundamental goal of its pilot programs. This is particularly important for customers adopting solar and battery storage in the future, as the BYOD feature provides a scalable design to integrate customer-sited resources into a platform to provide valuable grid services that benefit both participating and non-participating customers. The BYOD model also mitigates ratepayer costs and risk by utilizing non-utility capital to deploy and manage participating resources and allocating the risk of non-performance to private market participants, not utility ratepayers.

BYOD models are being adopted for energy efficiency and peak reduction programs in other states and offer a roadmap for implementation in New Jersey. Indeed, PSE&G is familiar with this concept as it is currently in the process of implementing BYOD program features for customer-sited energy storage in its dynamic load

management programs in its Long Island service territory in New York.²⁶ The goal of that program “is to catalyze the local availability of energy storage for the commercial and residential market while providing load relief, especially in those defined areas of the grid where peak demand needs are most critical.”²⁷

Other states have also adopted BYOD model to leverage the core competencies of competitive market providers in the deployment of advanced DER assets and enrolling these customers in utility energy efficiency programs. For instance, the Massachusetts Department of Public Utilities (“Massachusetts DPU”) recently approved utility proposals to implement an active demand reduction program, which includes “demonstration offerings to test the daily dispatch of storage . . . to support the potential launch of statewide daily dispatch offerings for residential and/or C&I customers.”²⁸ The Massachusetts program will operate on a pilot basis initially and is structured to allow participating customers to enroll energy storage assets and receive payment on a performance basis. In approving the program, the Massachusetts DPU found the “approach appropriately considers the ability of a daily dispatch offering to deliver cost-effective benefits to customers prior to a statewide deployment” and that the “pay-for-performance incentives appropriately protect ratepayers because incentives will only be paid for actual performance.”²⁹

These considerations and program frameworks being implemented in New York by PSE&G and utilities in other states are directly applicable and adaptable to PSE&G’s

²⁶ See LIPA Tariff Modifications.

²⁷ LIPA Tariff Modifications (discussing LIPA’s proposal to modify its Tariff for Electric Service to enable incentives in support of PSE&G Long Island’s planned behind-the-meter energy storage program and allowing residential and other customers to participate in PSE&G Long Island’s dynamic load management programs with customer or third party owned storage devices through third party DER aggregators).

²⁸ Order Approving Three-Year Energy Efficiency Plan at 32.

²⁹ *Id.* at 33-34.

energy efficiency programs in New Jersey. Integrating the BYOD model into PSE&G's Smart Home Pilot and NWA Pilot proposals, and as part of PSE&G's demand response and other dynamic load management programs, would provide the necessary pathway for competitive market participants to unlock value for participating customers and ratepayers more broadly to further New Jersey's energy efficiency and peak demand reduction goals.

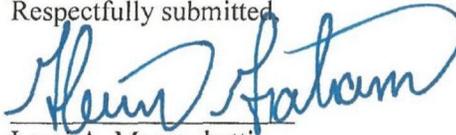
III. Conclusion

Sunrun recommends the Board reject the Company's application as filed and require PSE&G to refile its application following the Board's directives for implementing energy efficiency and peak demand reduction programs pursuant to its implementation of the Act. The Company's proposal to expend billions of ratepayer dollars and position itself as the sole efficiency services provider in its territory in a manner that limits avenues for competitive market provider participation would put New Jersey on the wrong path for achieving its clean energy goals. It is critical that such expansive and far-reaching programs provide the necessary frameworks to integrate competitive market participants, are guided by the Board's implementation of the Clean Energy Act, and are a result of a fair and open stakeholder process.

In the event that the Board determines that PSE&G's proposal warrants approval; however, Sunrun strongly urges the Board to ensure the approved programs are implemented to preserve and enhance competitive markets, particularly in the delivery and management of customer-sited solar and storage by requiring program design revisions to incorporate third party participation models, such as Sunrun's proposed BYOD model. Conditioning approval on these program revisions will ensure that

PSE&G's energy efficiency programs adhere to statutory directives to further competition in order to lower program costs, reduce ratepayer risk, and foster the development of a dynamic and sustainable clean energy marketplace necessary to achieve New Jersey's ambitious clean energy goals over the long-term.

Respectfully submitted,



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Dated: May 17, 2019

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IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF ITS CLEAN ENERGY FUTURE –)
ENERGY EFFICIENCY (“CEF-EE”) PROGRAM ON A)
REGULATED BASIS)
)

DOCKET NO.
EO18101113

CERTIFICATE OF SERVICE

I, Blake Elder, hereby certify that I have this day caused a copy of the foregoing document to be served upon the official service list for **EO18101113**, attached hereto, by electronic mail to all persons with a valid email address. I further certify that on this date ten copies of this document have been sent for filing to the Board of Public Utilities.

Dated: May 17, 2019.

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In the Matter of the Petition of Public Service Electric and Gas Company for Approval of its
Clean Energy Future – Energy Efficiency (“CEF-EE”) Program on a Regulated Basis

BPU Docket Nos. GO18101112 & EO18101113

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