

Ms. Aida Camacho-Welsh
Board Secretary
New Jersey Board of Public Utilities
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Date: June 4, 2021

Subj: FY 22 CRA Budget and Program Plans

Dear Ms. Camacho-Welsh

Thank you for the opportunity to comment on the BPU's Clean Energy programs and budgets for Fiscal Year (FY) 2022, Docket Nos QO21040720 and QO21040720.

I have provided my comments in the following areas of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis (CEERERA) Funding Levels (FL) for FY 22.

- 1 Background
- 2 Rate Impact of the CEERERA and CEP
- 3 The State Energy Initiative
- 4 Community Solar
- 5 Storage
- 6 Allocation of CEP Costs – Carbon Charge
- 7 Biomass Incentive Program
- 8 Heat Pump Incentive Program
- 9 Comfort Partners Program

1. Background

First, to be clear, the BPU did not switch to a single year funding level from a 4-year funding level in order to advance the goals of New Jersey's Clean Energy Program (NJCEP or CEP). They did so to allow Treasury to annually misappropriate the CEP funds that Treasury was responsible to maintain for ratepayers to acquire energy efficiency (EE) and renewable energy (RE). These funds are collected through the societal benefits charge (SBC) on all electric and natural gas ratepayers for the CEP. They are not collected as a tax to be used in replacement of State taxes.

During the Period from FY12 to the current FY, Treasury has misappropriated over \$2 billion in ratepayer's funds for purposes other than EE and RE including simply to balance the State's budget. While it is appropriate and necessary to have a balanced budget to meet the New Jersey Constitutional requirement for a balanced budget, Treasury should not be misguided by the Legislature to essentially "rob Peter to pay Paul".

If the Legislature and Governor need to balance the budget and have presented the line-items in the State budget that they think are needed to manage the State appropriately, they should do so by raising the appropriate level of taxes. They should not constantly misdirect Treasury to raid other funds to hide expenditures they need to manage the State appropriately.

If the expenditures for all the programs in the State's budget are necessary and appropriate the Legislature and Governor should do the responsible thing and raise the appropriate level of taxes and not misappropriate funds from one account to the other in a shell game. I am more than happy to pay my fair share of taxes, but in some unfair and untransparent process.

The BPU CEP funding level needs to be set on more than an annual basis. The funding level should be set on a 4-year basis to allow the clean energy market (contractor, developers and installers) more than a year to plan their business growth. Setting funding level and budgets on an annual basis is no way to build the CEP to help achieve the goals in the 2019 Energy Master Plan (EMP). It is clear from past energy savings results that setting an annual funding level is not an effective management approach for the CEP. The CEP funding level needs to be set on a minimum of a 4-year cycle.

The BPU can appropriately manage this through an annual budget approval process in line with the approved 4-year funding levels, if the energy savings results are achieved in the prior year.

2. Rate Impact

The CEERERA does not include any reference to or reporting of the rate impacts of the FY 22 funding level by BPU. The CEERERA funding level, budgets and programs for FY 22 should not be approved by the BPU without a full and comprehensive rate impact analysis (RIA). The BPU should list all its annual Clean Energy expenditures including offshore wind, solar, EE, peak reduction, Class I and II RPS, Universal Service Fund (USF) and Lifeline; and list the individual program and cumulative CEP rate impacts.

The BPU Clean Energy costs are necessary and fully appropriate for New Jersey to reach its 2019 EMP Clean Energy goals. The BPU should be transparent about the total cost and the rate impacts for its CEP; since, the data on calculating the rate impacts are already public provided in the CEERERA other Orders.

The CEERERA includes the 2019-20 Estimated Retail Revenues in the Proposed Allocation to Electric and Natural Gas Ratepayers table. This table lists only the regulated electric and natural gas utility retail revenues. A more appropriate accounting for the overall rate impact would be the full retail revenues that includes the wholesale cost for energy plus the distribution cost and not just limited to the distribution revenues.¹ These total revenues are reported annually and monthly by the US Energy Information Agency (EIA) in their Annual Energy Outlook as well on the Rutgers Energy Data Center website. See <https://www.eia.gov/electricity/data/state/>

3. The State Energy Initiative

There is no description of this line-item expenditure in the CEERERA. This line-item appears to be the use of the ratepayer's societal benefits charges (SBC) for the State to pay its electric and natural gas bills. The BPU should provide a clear and comprehensive listing of this line item.

The BPU lists the 2019 Energy Master Plan (EMP) as a clear driver for the budgets and programs in the CEERERA FL for FY 22. The BPU should require that this line-item budget be used to implement the goals and strategies in the 2019 EMP. The \$87.1 million line item should be used for the following:

- i. Upgrade fossil fuel heating including hot water, in all existing state buildings to be retrofitted with clean energy heat pumps especially in building heated with oil and/or propane. The retrofit to heat pumps from oil and/or propane, in addition to lowering greenhouse gas emissions, will reduce the electric and natural gas costs to the State.
- ii. Switch out from all fossil fuel powered internal combustion engine (ICE) vehicles to clean electric vehicles (EV). This switch will save the State in transportation costs since an EV operating costs are substantial less than an ICE vehicle's operating and maintenance costs. In addition, given the very low greenhouse gas emissions from the New Jersey electric generation sector, this switch will result in substantially lower greenhouse gas emissions from the State's transportation sector.
- iii. Install solar and storage on all available existing state buildings to power the retrofit to heat pumps and switch to EV.

The above three integrated initiatives will, over time, assist the State in reaching its 2019 EMP 1005 carbon neutral clean energy goals in State building that also significantly lowers the State's energy operating costs as it pays down the investment in this capital cost. The above three initiatives would be a better use for these funds than the State just simply paying its energy bills with ratepayer funds that were raised to advance EE and RE programs and goals.

¹ Minus the very small non-utility energy costs.

While this is difficult to do - How can the State ask ratepayers to implement the above three strategies to reach the 2019 clean energy goals, if the State is not willing to put its money where its mouth is? The State needs to lead by example.

4. Community Solar

The BPU should develop a line-item in the budget that provides for an incentive for not-for-profit (NFP) organizations and local governments (LG) to develop a community solar ownership-based model for low-income households. While the current BPU community solar program is the best in the country to address the LMI community, it is limited to the development of community solar by large (mostly out of state) solar developers that offer only a subscription-based model to LMI households.

To advance a different, more open system, that allows for an NFP/ local governments ownership model for low-income households, the BPU needs to provide an incentive to offset the inability of the NFP/ local governments to access the federal solar investment tax credit (ITC). The federal solar ITC is only available to commercial taxable entities. The BPU should develop a community solar ownership model incentive that makes up for the lost ITC to NFP and local governments that want to build community solar for their low-income households.

The community solar regulations allow for a low-income pilot that is 10% of the total approved community solar annual capacity or 15 MW. This would help in providing the clean energy economy to low-income households in a more inclusive way than the current LMI Community Solar or Comfort Partners programs can provide.

5. Storage

The storage provisions of the 2018 Clean Energy Act (CEA) at N.J.S.A. 48:2-25 et seq do not limit the BPU in developing a storage incentive to only solar and storage. The BPU storage incentive program should be available to other types of storage technologies linked with other types of DER facilities/technologies. The key metric for the overall storage incentive should be reducing distribution congestion on local peak demand or to increase solar hosting capacity on feeders or lines that have reached their max load as set forth in the current BPU interconnection (IX) regulations at N.J.A.C 14:8-5.

6. Allocation of CEP Costs to Electric and Natural Gas Ratepayers

The allocation to electric and natural gas ratepayers has always been determined based on usage as set forth in the current CEERERA. The allocation for the FY 22 funding level should not be based just on usage. The key to the goals in the 2019 EMP and the 2018 CEA is the reductions in energy greenhouse gas emissions to assist in mitigating the impacts of global climate change. The goals and objectives of the FY 22 CEERERA are to support and help achieve the goals and strategies in the 2019 EMP and 2018 CEA.

The allocation of the CEP costs to electric and natural gas ratepayers should be based on the greenhouse gas (GHG) and global warming impacts of the use of electricity and natural gas. This can be easily accomplished by:

- i. Converting the total electric and natural gas usage into GHG emissions using GHG emission factors; and ²
- ii. Then allocating the CEP funding based on the percentage of electric GHG emissions to the total CEP GHG emissions and the percentage of natural gas GHG emissions to the total CEP GHG emissions.

This would make the EE and RE SBC a carbon-based charge which would be substantially better than trying to implement a federal carbon tax since New Jersey never benefits on any federal tax. If the State added a new gasoline tax to be used for the replacement of fossil fuel ICE vehicles to EVs based on the transportation GHG emissions, the State would have a full fossil fuel carbon-based charge across the electric, natural gas heating and transportation sector and would not need any federal carbon tax.

7. Biomass Renewable Energy Electric Generation – Class I RE

The BPU needs to develop an incentive program for biomass electric generation. The State has recently passed a comprehensive solid waste management bill that requires organic waste including food waste (defined in EDECA as biomass - a Class I RE) to be source separated from the municipal solid waste disposal stream to be reused and recycled. A major component of this reuse and recycling of source separated organic waste is to be used to generate Class I renewable energy through the combustion of biomass generated natural gas or to replace pipeline natural gas with renewable natural gas.

An example of the types of facilities to incentivize in the Biomass Program is the Trenton Biogas facilities. Trenton Biogas is approximately 3 MW in size. This smaller capacity footprint has lower environmental impacts. This program could be managed as a competitive process similar to the BPU's Community Solar program that appropriately manages siting and state energy policy requirements.

8. Heat Pump Incentive Program

Water heater and heating system heat pumps are a key to achieving the 2019 EMP goals in the building thermal sector. In order to assist in achieving these EMP goals the BPU needs to develop a more comprehensive heat pump incentive program. The BPU should not allow this very important technology that will help to achieve the 2019 EMP thermal sector goals to be managed by the bifurcated electric and natural gas utility EE programs. It is highly unlikely that the natural gas utilities will promote heat pumps over natural gas hot water systems and natural gas heating systems. The retrofitting of

² The electric GHG emission factor should be based on the New Jersey electric generation unit (EGU) GHG emissions and not the marginal or average PJM EGU GHG emissions factor.

existing buildings with heat pump system is too important to leave to this bifurcated utility EE process. The BPU should significantly increase the incentives for all heat pump technologies and directly manage this program.

9. Comfort Partners Program

While the pilot program to move away from strict income verification may be appropriate to increase the access to the program, the overall incentive structure in the Comfort partners Program should not be a one size incentive structure for all low-income households. The state designates low-income in several categories including extremely low income. The lower the overall household income, the greater the Comfort Partners Program incentive and program offerings should include. In the cases of extremely low income, the Comfort Partners program should cover the cost for windows upgrade, doors replacement, roof repairs and additional significant structural insulation to help make the home net zero energy use with solar. The Comfort Partners program should be required to install solar on all appropriately faced low-income homes at no or low cost to the homeowner depending on the overall household income levels.

Thank you for the opportunity to submit comments on these important clean energy programs, funding levels and budgets.

Very Truly Yours

Michael Winka

Michael Winka

Community Clean Energy Microgrids