

Submitted via E-Mail

Aida Camacho-Welch

June 4, 2021

Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor P.O. Box 350
Trenton, New Jersey 08625-0350

RE: Fiscal Year 2022 Proposed CRA, Budgets, and Program Plans

Dear Secretary Camacho-Welch:

The American Council for an Energy-Efficient Economy (ACEEE) welcomes this opportunity to provide comments in response to the “Fiscal Year 2022 Comprehensive Energy Efficiency and Renewable Energy Resource Analysis,” (“FY22 CRA”) issued by the New Jersey Board of Public Utilities’ (“BPU” or the “Board”) Office of Clean Energy (“OCE”) on May 18, 2021.

ACEEE is a nonprofit research organization based in Washington, D.C. that conducts research and analysis on energy efficiency. ACEEE is one of the leading groups working on energy efficiency issues in the United States at the national, state, and local levels. We have been active on energy efficiency issues for more than four decades and have actively participated in the Energy Efficiency Transition stakeholder engagement process in New Jersey to share our research and understanding of best practices.

ACEEE is pleased to see that the FY22 CRA largely maintains funding for energy efficiency (“EE”) programs. We acknowledge that NJCEP prioritizes EE programs, and we support the increased levels of funding for the Comfort Partners program, the State Facilities Initiative, and Program Evaluation/Analysis for FY22. We also commend the Board for appropriately transitioning a set of EE programs to the utilities, in accordance with guidance from the June EE Framework Order. We largely view the EE transition as successfully underway and consistent with the recommendations laid out in the EE Framework Order.

After reviewing FY22 CRA, we have identified three areas for improvement and/or where greater nuance is needed. We first summarize our recommendations and then provide additional details below.

- *Transparency and accountability:* Detail how proposed programs and budgets will meet the performance targets and metrics for which state programs will be held accountable.
- *Building electrification:* Leverage energy efficiency programs to further building electrification in ways consistent with state climate goals.

- *Ensure equity in access to EE programs and workforce opportunities:* Ensure all low-income customers have access to programs regardless of housing type and establish metrics to assess equity in access to programs and representation in the workforce.

Transparency and Accountability

As stated in the June EE Framework Order, staff should ensure its EE program reporting and evaluation requirements are consistent with those of the utility-run energy efficiency programs.¹ This information is needed to evaluate budget decisions, activities, and ultimately, to hold programs accountable to EE and climate goals. As with utility-run programs, staff should report on projections of key metrics such as energy savings, cost-effectiveness, environmental benefits (e.g, greenhouse gas reductions), number and types of participants, and program expenditures associated with state programs. The filings include budget and participation data for Comfort Partners and TRC, and while the TRC EE filing also includes energy savings goals (in annual and lifetime MWh and MMBTU and in MW), the table and narrative do not reference progress toward the goals in the June order or include information on cost-effectiveness or “cost to achieve.”²

Such metrics will help ensure that the portfolio of EE programs is cost-effective for all customer classes and that the budget is optimized across programs relative to targets. This type of prospective program filing is standard practice for both state-run and utility-run programs around the country, and without it, we are concerned the public’s ability to evaluate whether the state has the appropriate programs and budgets to meet its ambitious targets.

The EE framework order also required staff to develop three-year program plans for EE programs and Comfort Partners in coordination with utility program administrators and stakeholders. Specifically, the order states:

The Board DIRECTS Staff to develop detailed three-year program plans and budgets that are based on the State’s performance targets, submit Compliance Filings every three years as part of the State’s annual budget process, and update each three-year plan on an annual basis to confirm each year’s program budgets, subject to allocations based on the CRA process, which shall also be submitted every year years beginning in Fiscal Year 2022.³

¹ NJ Board of Public Utilities, IN THE MATTER OF THE IMPLEMENTATION OF P.L. 2018, c. 17 REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS, Docket No. QO19010040 (Jun. 10, 2020). [hereinafter, “2020 EE Framework Order”]. See pg 33, “Staff recommends that State program administrators also submit public reports consistent with the utility reporting framework and including values for each applicable metric.”

² TRC, Energy Efficiency and Renewable Energy Program Plan Filing, (May 18, 2021). [hereinafter, “TRC EE Filing”] and, Utility residential Low Income Comfort Partners Program , Proposed Program Description and Budget, (May 18,2021), [hereinafter, “Comfort Partners Filing”]

³ Ibid. 2020 EE Framework Order, pg 38.

It appears that these filings and FY22 CRA represent one year of programming and are not part of a larger three-year filing. We recommend staff be consistent with the filing requirements of the EE Framework Order and report three-year plans and budgets.

Building electrification

Building electrification is critical to meeting the state's climate and energy goals and EE programs can be designed to facilitate such investments. EE programs should be designed to incorporate both efficiency and, where it reduces energy use, costs, and emissions, electrification. Doing so can help meet the State's ambitious climate goals, but can also lower costs, improve grid flexibility, and provide bill savings and healthier homes to those with the highest need.⁴ The immediate need for rapid decarbonization of the buildings sector is reflected in the CEA, 2019 EMP, and recent NJ DEP 80x50 report.

To avoid higher economic costs and the risk of locking in limited flexibility for future technology upgrades, these reports highlighted the immediate action needed to advance building electrification to meet long-term climate and energy goals. Specifically, they note the need to support electrification in new construction as a means of limiting new gas distribution and long-term reliance on fossil fuel infrastructure and prioritizing the near-term conversion of buildings heated by delivered fuels. Such actions will help ensure customer affordability and reduce the risk of stranded assets.⁵ The programs identified in the FY22 CRA do not clearly demonstrate how they plan to advance building electrification using these State-recommended strategies. Therefore, we recommend:

1. To promote higher efficiency standards that include electrification in the construction market, we recommend higher incentives for all-electric new construction. The economics of electrifying residential buildings will generally be more favorable in new construction than retrofits.⁶ This would require changes to the incentive levels but not a full redesign of the program and would better align with climate and energy goals of the state. As an example, a recent Settlement in front of the Public Service of Colorado (Xcel) 2021-2022 Demand-Side Management proceeding will provide increased incentives for all electric air-source heat pumps and heat pump water heaters over dual fuel homes in efforts to spur electrification in residential new buildings.⁷ Connecticut also offers an all-electric new construction program across Eversource and UI service territories.⁸

⁴ ACEEE. 2019. *Electrification and Efficiency: Crafting an Enduring Relationship*.

<https://www.aceee.org/blog/2019/01/electrification-and-efficiency>.

⁵ RMI. 2018. *The Economics of Electrifying Buildings*. <https://rmi.org/insight/the-economics-of-electrifying-buildings/>.

⁶ Ibid. RMI

⁷ Public Service Company of Colorado. 2021. 2021/2022 Demand-Side Management Plan.

https://www.xcelenergy.com/staticfiles/xcel-responsive/Company/Rates%20&%20Regulations/Regulatory%20Filings/CO-DSM/CO_2021-22_DSM_Plan_Final.pdf.

⁸ Energize Connecticut. 2019. RNC All-Electric Home Bonus Incentive. <https://www.energizect.com/your-home/rnc-all-electric-home-bonus-incentive>

2. ACEEE research has found that in the residential buildings sector switching from propane or oil heating to high-efficiency heat pumps can lower homeowners' costs, save energy, and reduce emissions in most regions of the country, including in New Jersey.⁹ We recommend that funds from Department of Energy's State Energy Program (SEP) be used to electrify delivered fuel customers. This is consistent with NJ DEP's recent 80x50 report that found that heat from air source heat pumps is less expensive than propane and heating oil, making such investments feasible, cost-effective, and necessary for the state to meet its climate targets.¹⁰

SEP funds are being used in several states to support electrification. The Nebraska Dollar and Energy Savings Loan (DESL) is a revolving loan fund through which the Nebraska Department of Environment and Energy (NDEE) finances energy efficiency projects, including loans for air source and ground water or ground coupled heat pumps.¹¹ In 2018, NDEE received SEP funding to support activities such as the DESL program.¹² Maine has also used SEP funding to support their statewide energy efficiency program administrator, Efficiency Maine, with programs that are targeted towards reaching the state's goal of installing 100,000 high efficiency air source heat pumps by 2025.¹³ Similarly, the Montana State Energy Office used SEP funds to bolster its Alternative Energy Loan Program which provides loans for ground source heat pumps and energy efficiency measures.

Ensure equity in access to EE programs and workforce opportunities

We commend utilities and Staff on recent developments within the New Jersey Comfort Partners Program. The program has made strides in terms of simplifying enrollment and delivery of program services for low-income customers and providing funding for the installation of health and safety measures – many of which make energy efficiency retrofits and installation of energy efficiency measures possible. We are also pleased to see the location-based eligibility pilot and are hopeful that it will help reduce the burden of income verification and strengthen relationships with communities.¹⁴

⁹ ACEEE. 2018. *Energy Savings, Consumer Economics, and Greenhouse Gas Emissions Reductions from Replacing Oil and Propane Furnaces, Boilers, and Water Heaters with Air-Source Heat Pumps*. <https://www.aceee.org/research-report/a1803>.

¹⁰ NJ Dept. of Environmental Protection. 2020. NJ's Global Warming Response Act 80x50 Report. <https://www.nj.gov/dep/climatechange/docs/nj-gwra-80x50-report-2020.pdf>.

¹¹ ACEEE. 2021. *Supporting Rural Communities with State Energy Efficiency Policy*. <https://www.aceee.org/research-report/u2012>

¹² NDEE. 2020. *Annual State Energy Report 2019*. <http://dee.ne.gov/publications/pages/ene004>

¹³ NASEO (National Association of State Energy Officials). 2020. *U.S. State Energy Program Updates: Successful Projects and Programs Implemented by the States Utilizing SEP Funding*. https://www.naseo.org/data/sites/1/documents/publications/Final%20SEP%20Booklet%202020_05%2015%202020.pdf

¹⁴ Ibid. Comfort Partners filing.

We do have two areas of concern regarding the design and offerings of Comfort Partners. Electrification is absent from the offerings and incentives noted in the Comfort Partners Filing. If NJ is to meet their climate and energy goals, low-income customers have to be part of the transition. Where heating and cooling systems powered by electric resistance or delivered fuels must be replaced, electric equipment should generally be required. In addition, currently, participants of Comfort Partners must be a customer of record with a separately metered electric or natural gas account. This effectively leaves out low-income customers residing in master-metered multifamily buildings with 2-14 units. The NJ Multifamily EE Baseline Study estimated that across the state about 5% of multifamily units were master-metered for electric and upwards of 25.5% for gas service.¹⁵ To ensure all customers benefit and have access to these offerings, Staff should ensure that low-income customers are adequately served by the utilities' Multifamily program, or should adapt the Comfort Partners Program to serve these buildings.¹⁶

The FY22 CRA budget for workforce development has remained the same since FY21. As investments in energy efficiency grow across the state, we recommend that staff and program administrators expand workforce development opportunities, especially around high efficiency measures, deep retrofits, and electrification along with a focus on bringing greater diversity and inclusion to the sector. Working in the energy efficiency industry can be a pathway to financial security and career advancement, but minorities have historically been and continue to be underrepresented in the efficiency field.¹⁷ Inclusive and diverse efficiency workforce development programs can not only help steer energy efficiency investments to underserved communities, but also ensure that those services are delivered by people who live in those communities.

Staff, utilities, and program administrators should consider the following strategies to engage traditionally underrepresented workers, students, and businesses in energy efficiency:¹⁸

- Focus on supplier diversity and inclusive procurement for energy efficiency programs
- Increase the pipeline of workers by offering training for both contracting firms and students
- Use state policy to advance job training and contractor diversity programs
- Forge partnerships with skills-training providers and state agencies
- Co-deliver training for energy efficiency and renewable energy technologies
- Keep programs small so that individual needs can be met
- Provide wages to trainees
- Collect data and evaluate program performance.

¹⁵ ADM Associates, Inc. 2019. *NJ Multifamily Baseline Study*.

https://njcleanenergy.com/files/file/Library/NJ_Multifamily_EE_Baseline_Final%20Report_20190926_docx.pdf.

¹⁶ For more on effective multifamily program design see, ACEEE. 2019. *Closing the Gap in Energy Efficiency Programs for Affordable Multifamily Housing*. <https://www.aceee.org/research-report/u1903>.

¹⁷ NASEO (National Association of State Energy Officials) and EFI (Energy Futures Initiative). 2020. *2020 U.S. Energy and Employment Report*.

<https://static1.squarespace.com/static/5a98cf80ec4eb7c5cd928c61/t/5ee78423c6fcc20e01b83896/1592230956175/USEER+2020+0615.pdf>.

¹⁸ ACEEE. 2020. *Expanding Opportunity through Energy Efficiency Jobs: Strategies to Ensure a More Resilient, Diverse Workforce*. <https://www.aceee.org/research-report/u2010>

We look forward to continued engagement with the Board on these issues. ACEEE welcomes this opportunity to provide comments.

Sincerely,



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