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BRIAN O. LIPMAN
Acting Director

September 17, 2021

By Electronic Mail
Honorable Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: Proposed New Jersey's Clean Energy Program
Fiscal Year 2022 First Budget Revision
BPU Docket No. QO21040720

Dear Secretary Camacho-Welch:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in accordance with the Notice issued by the Board of Public Utilities ("Board") in this matter on August 27, 2021. In accordance with the Notice, these comments are being filed electronically with the Board's Secretary at board.secretary@bpu.nj.gov.

Please acknowledge receipt of these comments.

Thank you for our consideration and attention to this matter.

Respectfully submitted,

BRAIN O. LIPMAN
Acting Director, Division of Rate Counsel

By: /s/ Maura Caroselli
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Enclosure

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Proposed New Jersey's Clean Energy Program Fiscal Year 2022 First Budget Revision
BPU Docket No. QO21040720

Comments of the New Jersey Division of Rate Counsel

September 17, 2021

Introduction

The Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("BPU" or "Board") for the opportunity to present comments on the proposed First Budget Revision to the New Jersey Clean Energy Program ("NJCEP" or "CEP") for Fiscal Year 2022.[1]

I. Proposed Revision

NJCEP proposes to reallocate approximately four percent (4%) of its approved funding for the Commercial and Industrial ("C&I") Buildings Subprogram, totaling $5,400,000, to meet unexpected demand for its Residential Existing Homes programs, specifically Home Performance with Energy Star ("HPwES") and HVAC. The Existing Homes budget would be increased from $12,498,503 to $17,898,503, or approximately a 43% increase in funding for this program.

In support of this reallocation, NJCEP notes that "At the end of Fiscal Year 2021 ("FY21"), the HPwES Program received an increased number of applications that are projected to exceed the original HPwES forecast by approximately $3,400,000, as the applications are processed into commitments and/or payments during FY22. In addition, during late FY21 and early FY22, the HVAC Program received a large volume of applications

[1] Request for Comments, Proposed New Jersey's Clean Energy Program Fiscal Year 2022 First Budget Revision, Docket No. Q021040720, August 27, 2021, ("Request for Comments").

that are projected to exceed the original HVAC forecast by approximately $2,000,000."[2] In addition, NJCEP states that "demand for some of the C&I Buildings sub-programs has been less than expected resulting in available funds to meet the $5,400,000 needed for the Existing Homes Program."[3]

2. **Rate Counsel Comments**

New Jersey's energy efficiency program administration is undergoing a significant reorganization, and the unexpected volume of applications for the NJCEP Existing Homes programs may reflect customer anxiety about whether the same programs remain available under utility administration as had under state-level administration. Indeed, NJCEP postulates that: "The unusual application volumes and amounts appear to be related, at least in part, to the then impending closure of some NJCEP programs on June 30 and the transition of those programs to the utilities, which began late in FY21 and will continue through FY22."[4] However, it is unclear why this dynamic would apply to the residential programs and not to the C&I programs. In fact, Rate Counsel notes that the same or better incentives are now available through utility Existing Homes programs, so the apparent rush of applications to the state program represents, at least in part, a failure to effectively communicate the nature of the transition to customers. Nonetheless, the customers in question have applied to the state program according to the associated requirements, and they should not be denied the energy efficiency services they have requested, especially if available funding can be released from other programs as proposed.

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[2] Request for Comments, page 1.
[3] *Ibid.*
[4] *Ibid.*

Rate Counsel also notes that NJCEP's C&I programs have historically had far greater cost effectiveness than its Residential programs. As reported in the FY22 TRC Compliance Filing,[5] NJCEP's C&I programs have benefit-to-cost ratios of 1.3 and 2.1 on the Societal Cost Test ("SCT") and the "modified" New Jersey Cost Test ("NJCT"), respectively, while the Existing Homes programs have ratios of 0.4 and 0.7 on the SCT and the modified NJCT, respectively. As a result, the proposed reallocation will impair the overall cost-effectiveness of the CEP programs to a certain extent. However, given that the overall size of the C&I programs would remain significantly larger than the Existing Homes programs, Rate Counsel believes that the overall benefit-to-cost ratio, as calculated by NJCEP, would likely remain above 1.0. Rate Counsel requests that notices of future budget reallocations include a discussion of the benefit-to-cost ratios of the programs involved in the reallocation.

Finally, Rate Counsel notes that NJCEP is not requesting additional funding for its programs at this time because of the available funds from under-subscription to the C&I programs. This is appropriate, especially for programs that are being terminated and for which customers should be redirected to the utility programs.[6] While, it is favorable that the overall NJCEP budget is not increasing, it does raise the question as to whether enough potential participants are aware of the C&I programs and whether additional marketing of the programs may be warranted.

Notwithstanding some concerns regarding the underlying reasons for the unequal participation in these programs, Rate Counsel does not oppose the requested reallocation of NJCEP funds.

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[5] New Jersey's Clean Energy Program Fiscal Year 2022 Program Descriptions and Budget, Energy Efficiency and Renewable Energy Program Plan Filing, Draft for Public Comments, May 18th, 2021. See Summary of Benefit Cost Analysis on page 108.

[6] Most utility programs should now be fully operational. The exceptions, including Energy Solutions for Business and certain Multifamily programs, are scheduled for launch on October 1, 2021.