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BRIAN O. LIPMAN
Acting Director

October 12, 2021

VIA 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 Second 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 September 23, 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,

Brian O. Lipman, Esq.
Acting Director, Division of Rate Counsel

By: /s/ Kurt S. Lewandowski
Kurt S. Lewandowski, Esq.
Assistant Deputy Rate Counsel

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Proposed New Jersey's Clean Energy Program Fiscal Year 2022
Second Budget Revision
BPU Docket No. Q021040720

Comments of the New Jersey Division of Rate Counsel

October 12, 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 Second Budget Revision to the New Jersey Clean Energy Program ("CEP") for Fiscal Year 2022 ("FY22").[1]

Proposed Revisions

First, Board Staff ("Staff") proposes to reallocate $20 million in CEP funds to the Electric Vehicle Plug-In EV Incentive Fund ("EV Fund") which, in turn, funds the Charge Up New Jersey ("Charge Up NJ") Program for EV/PHEV incentives. Staff asserts that the reallocation is necessary to replenish the EV Fund in order for the Charge Up NJ incentive program to continue. Eligibility for the Charge Up NJ program incentives was paused by Staff on September 15, 2021, with the expectation that the Charge Up NJ program would fully utilize its funds identified in the FY22 Budget if eligibility for the Charge Up NJ program were to continue beyond that date. Specifically, Staff proposes to reallocate $10 million from State Facilities Initiative ("SFI") program and $10 million from Energy Storage ("ES") program.

As described in the CEP's FY22 Compliance filing, "[t]he State Facilities Initiative identifies and implements EE projects in State-owned facilities or State-sponsored projects

[1] See Request for Comments, Proposed New Jersey's Clean Energy Program Fiscal Year 2022 Second Budget Revision, Docket No. Q021040720, September 23, 2021 ("Request for Comments"). the` Board approved the Fiscal Year 2022 Budget for the CEP, as memorialized in a Board Order dated June 24, 2021 (BPU Docket No. QO21040720). Staff also proposed a First Revision, released for comment on August 27, 2021.

with the objective of producing energy and cost savings."[2] Staff asserts that the SFI program is not expected to fully expend its budget of $57,733,448 by the end of FY22 and thereby proposes to reallocate $10 million from the SFI program to Charge Up NJ.[3]

The ES program focuses on meeting the energy storage goals set forth in the Clean Energy Act ("CEA", L.2018, c.17)).[4] The CEA sets a goal of 600 megawatts of energy storage by 2021 and 2,000 megawatts of energy storage by 2030. The FY22 budget for the ES program is intended to fund Phase II of that effort and focuses on storage coupled with solar photovoltaic.[5] In addition, the FY22 ES budget was intended to fund "incentives to help achieve New Jersey's ES goals, to provide cost-sharing in order to leverage USDOE ES funding, and to retain a consultant to assist Staff in these activities."[6] Now, Staff proposes to reallocate $10 million from the ES program funds and states that Phase II of the ES Program is still under development and review, and its proposed funding decrease "reflects best estimates of how much funding will be needed for the remainder of the fiscal year."[7]

Second, in addition to the FY22 CEP budget reallocations, Staff proposes to reduce the incentives available under the Charge Up NJ program. Under Staff's proposal, incentives for EVs with MSRPs under $45,000 will be reduced from a maximum of $5,000 to $2,500.[8] For

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[2] Per the MOU between the BPU and Treasury, SFI Projects will meet one or more of the following criteria: "(a) improvements, upgrades, and replacements of air handling and movement systems; (b) lighting and equipment upgrades and replacements; (c) boiler, chiller, and HVAC replacements; (d) lighting and building controls; (e) renewable energy ("RE") and EE systems at all State facilities; and (f) injection of funding for State facility projects outside of the ECC domain that have an EE or RE component but are stalled due to lack of funding." From BPU Division of Clean Energy draft CEP Compliance Filing, "Renewable Energy Programs, Energy Efficiency Programs, Distributed Energy Resources, and NJCEP Administration Activities, May 18, 2021." ("Compliance Filing"), p. 4.
[3] Request for Comments
[4] <u>N.J.S.A.</u> 48:3-87.8 (1) (d.)
[5] Compliance Filing, p. 20.
[6] Compliance Filing, p. 20.
[7] Request for Comments
[8] <u>See</u> "Revised Charge Up New Jersey Compliance Filing, September 23, 2021."

EVs with MSRPs between $ 45,000 and $55,000 the incentive will be reduced from a maximum of $2,500 to $1,000.[9]

Rate Counsel's Comments

Rate Counsel does not recommend adoption of the reallocations and revisions as proposed. Rate Counsel's concerns center on the issues of equity and program effectiveness.

First, the issue of equity arises when millions of New Jersey utility ratepayers are required to fund the purchase of high-MSRP new vehicles for a number of vehicle owners who are fortunate enough to afford these vehicles. While Rate Counsel has questioned the budgets for the SFI and ES in the past, these programs at least have wide-spread benefits. Reductions in the energy costs of State facilities made possible by the SFI frees up funds for other government services benefiting New Jersey residents. Similarly, the ES budget is directed towards activities which help the electric energy sector meet the State's energy storage mandates. Further, any unused funds in the FY22 budgets for these programs might be carried-forward to FY23 budgets or used to reduce SBC charges going forward.

Second, the Charge Up NJ incentives skew towards the high end of the MSRP range. According to Staff's tabulations, over 80 percent of the EV incentives were applied to the lease or purchase of two EV models at the top end of the eligible MSRP range.[10] These models are beyond the scope of affordability for most New Jersey ratepayers, especially those in Overburdened Environmental Justice communities, who may not even own a car. Incentives should focus on the lower MSRP range where the market might reasonably be considered more price-sensitive and where incentives might cause a buyer to choose an EV or PHEV over a gasoline-powered vehicle or non-PHEV. This might also prove effective in

[9] Id.

[10] See I/M/O The Fiscal Year 2022 Charge Up New Jersey Program, Docket No. QO21040745 (Stakeholder Meeting Notice, dated May 18, 2021).The two EVs in question currently have base MSRPs of approximately $37,700 and $50,700, respectively.

incenting an increased level of EV sales as more lower-priced EVs become available for purchase in the marketplace.

Third, the Board should examine the effectiveness of the current incentive structure in fostering EV sales. This would entail a study of what impact the incentives played in causing a buyer to choose an EV over an ICE alternative. This conundrum is much like the "free rider" issues examined in the evaluation of incentives for EE measures, where the objective is to incent customers to adopt EE measures that they would not otherwise have adopted. Or, as one industry commenter at the September 30, 2021 virtual Public Stakeholder Meeting said in reference to EVs, the objective of the Charge Up NJ program should be to "incent" buyers to purchase an EV, not "reward" them for doing so.

Finally, the Board should revisit the Charge Up NJ program and the FY22 budget in the event that any new federal initiatives in these areas are implemented. Such federal initiatives might reduce the extent of ratepayer funding for these programs. Further, until the Board is able to ensure that incentives are incenting rather than rewarding, the Board should consider lowering the MSRP threshold for any incentives to $45,000 along with the reduced incentives proposed by Staff, and reduce the proposed reallocations accordingly. It is unlikely that a $2,500 to $1,000 incentive is influencing the purchase decisions of an individual able to afford a car with an MSRP higher than $45,000. Reducing the threshold will ensure that incentives go where they are actually needed, and will limit ratepayer exposure to incent higher end cars that most cannot afford.