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**RE: In the Matter of Proposed Update to New Jersey Clean Energy Program, New Construction Program, Docket No. QO22050327**

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The undersigned organizations (collectively, “NGO Commenters”) are pleased to submit comments on the New Jersey Board of Public Utilities (“Board,” or “BPU”) FY 23 redesign of its New Construction energy efficiency program.<sup>1</sup> According to the Stakeholder Meeting Notice, the re-envisioned New Construction Program will “bring projects to the next level of [energy efficiency] and building performance.”<sup>2</sup> Proposed updates are designed to remove barriers to participation, streamline the application process, and *align the program with New Jersey’s Energy Master Plan Goals*.<sup>3</sup> (emphasis added). Additionally, the re-envisioned New Construction Program is seeking to:

- Create a single point of entry for all market segments,
- Eliminate gaps in program offerings,
- Broaden depth and scope,
- Improve the customer journey,
- Increase participation, and
- Support building electrification.<sup>4</sup>

The NGO Commenters broadly support the above-listed goals and are confident that the proposed process improvements will help increase participation and decrease program complexity for utility customers while providing deeper energy savings for a broader and more diverse set of building types. As the Board is aware, investments in energy efficiency and building decarbonization are some of the lowest cost methods by which to meet the state’s ambitious 2030 and 2050 climate targets, reduce harmful indoor and outdoor air pollution, and create local well-paying jobs for its residents. Energy efficiency and building decarbonization programs are particularly important during the construction of new buildings due to their lower cost compared to building retrofits.

Despite strong support for the proposed process improvements and performance pathways, the NGO Commenters have several recommendations we believe are crucial for the success of the re-envisioned New Construction Program and achievement of the state’s climate targets.

## RECOMMENDATIONS

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<sup>1</sup> NJ BPU, Stakeholder Meeting Notice, In the Matter of the Proposed Updates to New Jersey’s Clean Energy Program: New Construction Program, Docket No. QO22050327 (Jul. 12, 2022). (*hereinafter*, “Proposed New Construction Program”).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> Proposed New Construction Program, Stakeholder Meeting Presentation, Slide 8

1. The Re-Designed New Construction Program Must Prioritize Building Electrification and Avoid “Locking-in” Building Sector Emissions From Gas Appliances

The re-designed New Construction Program must go all-in on building electrification. Achieving New Jersey’s climate targets contained in the Global Warming Response Act and Executive Order 274 cannot be accomplished without the rapid decarbonization of New Jersey’s building sector. Building sector emissions are the second largest source of climate pollution in New Jersey, accounting for more than a quarter of the state’s GHG emissions. Moreover, the indoor combustion of fossil fuels is responsible for significant amounts of indoor air pollution that harm building occupants.

Emissions from the building sector are so significant that both the 2019 Energy Master Plan (“2019 EMP”) and the Department of Environmental Protection’s (“DEP”) 80x50 Report call for the rapid decarbonization of the building sector through the widespread deployment of highly efficient cold-climate heat pumps and other electrification technologies. Specifically, Strategy 4 of the 2019 EMP recommends “the development of a transition plan to a fully electrified building sector and the incentivizing of the transition to electrified heat pumps, hot water heaters, and other appliances.”<sup>5</sup> The DEP’s 80x50 report is even more explicit, stating that the only way to achieve NJ’s climate goals are to “*phase out reliance on fossil fuels and aggressively pursue electrification of heating, cooling, and appliances.*”<sup>6</sup> NJ’s energy policy is even clearer when it comes to new construction. The 80x50 report states that “ultimately the best opportunity to electrify is when a building is being built.”<sup>7</sup> Moreover, the DEP found that “any delay in the building electrification transition will lead to stranded assets, higher costs, and limited flexibility to further reduce emissions.”<sup>8</sup>

The sum of NJ’s energy policy and the best available science is clear—New Jersey can never meet its climate targets if it continues to provide incentives for gas appliances in its state-run energy efficiency programs. Therefore, the proposed New Construction Program should focus on all-electric new construction and phase out existing incentives for gas appliances that pollute the climate and harm the health of building occupants. Unfortunately, the existing New Construction Proposal appears to continue the trend of using ratepayer funds for gas appliances.

The stakeholder presentation outlined four pathways, each of higher levels of performance: (1) Bundled Pathway; (2) Streamlined Pathway; (3) High Performance Pathway; and, (4) the Advanced Measure Bonus. The Bundled Pathway applies to numerous building types and award incentives for any project that achieves a minimum points requirement of “10”. As proposed on slide 12 of the stakeholder presentation, the current proposal would provide up to 5 points for gas and water heating equipment. In contrast, cold-climate heat pumps, ground source heat pumps, heat pump water heaters, and other electric technologies are not available in the Bundled Pathway, but only as an additive *via* the Advanced Measure Bonus. As currently constructed, the Bundled Pathway design is in direct opposition to New Jersey’s energy policy because it provides incentives for gas appliances that will lock in GHG and harmful air pollution for decades. The NGO Commenters recommend the removal of gas incentives from the Bundled Pathway, and the addition of more substantial incentives for all-electric appliances.

The NGO Commenters have similar concerns with the other pathways in the proposed New Construction Program such as the High-Performance Pathway, which awards incentives to projects that achieve certification from a national standard or meets a minimum performance threshold. While the NGO Commenters do support a “proxy” system for ease of use and implementation, not all building

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<sup>5</sup> NJ BPU, 2019 Energy Master Plan.

<sup>6</sup> NJ DEP, 2020 80x50 report at 39.

<sup>7</sup> 80x50 report at 50.

<sup>8</sup>

performance certifications have the same level of stringency. At a minimum, the NGO Commenters recommend an incentive structure that further encourages decarbonization requirements such as zero energy homes and Passive House by removing incentives for equipment that combusts fossil fuels. One way to better incentivize fully electrified buildings is to set program prerequisites that buildings must meet before being eligible for higher tier incentives. This could include minimum requirements for building envelope performance and electric HVAC equipment, as well as solar and electric vehicle (EV) readiness.

Fortunately, the NGO Commenters believe that the program implementer, TRC, is well-positioned to modify the proposed New Construction program to better align with the state's electrification goals. In addition to serving as the long-time program implementer for the Board, TRC has deep experience with cutting-edge new construction programs. For example, in 2019 it prepared a report on the Commercial Zero Net-Energy market for California as well as an assessment of all-electric residential new construction for the Building Decarbonization Coalition.<sup>9</sup> That report found that the residential new construction market "offered significant opportunity for electrification through the design and construction of all electric homes."<sup>10</sup> More recently, TRC was selected as the program implementer for Pacific Gas and Electric Company's "Statewide New Construction Residential All-Electric" program. New Jersey has the opportunity and obligation to replicate these initiatives given TRC's implementation expertise and the state's commitment to tackling the climate crisis.

## 2. New Jersey Should Build Upon Nation-Leading Programs in Other Jurisdictions

The NGO Commenters strongly recommend that the proposed New Construction program leverage program design, implementation, and lessons learned from nearby jurisdictions. There are many states that have identified building decarbonization as a key climate and public health priority and made significant progress by adopting all-electric new construction programs.

On the residential side, the Mass Save program recently launched an "All-Electric Home Incentive" that provides up to \$40,000 in financial assistance as well as technical assistance for builders, developers, and homeowners in new-home construction to reduce energy consumption when compared to homes built to code minimums.<sup>11</sup> A key design element of this program is that each incentive level requires a heat pump for space heating, electric cooking, and EV readiness. Alongside the incentive, Mass Save partnered with Passive House Massachusetts to launch the "Passive House and All-Electric Homes Training" program to support workforce development and market transformation in the energy efficiency and building construction industries.<sup>12</sup> New Jersey should use holistic programs such as these as the starting point for its own programs.

Another helpful resource for the Board and TRC is the recently updated "Building Electrification: Programs and Best Practices" report by the American Council for an Energy Efficiency Economy ("ACEEE"), which reviewed building decarbonization program across the country.<sup>13</sup> The key states in that report were California, Colorado, New York, Massachusetts, and Vermont. It also identifies incentive types and design pathways, as well as integration with other clean energy technologies, namely building envelopment measures such as insulation, and air sealing. Importantly, the report also discusses barriers

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<sup>9</sup> [http://www.buildingdecarb.org/uploads/3/0/7/3/30734489/bdc\\_all-electric\\_survey\\_report\\_final\\_2019-08-1.pdf](http://www.buildingdecarb.org/uploads/3/0/7/3/30734489/bdc_all-electric_survey_report_final_2019-08-1.pdf)

<sup>10</sup> *Id.*

<sup>11</sup> See, <https://www.masssave.com/en/saving/residential-rebates/all-electric-home>

<sup>12</sup> <https://www.masssave.com/saving/residential-rebates/passive-house-training>

<sup>13</sup> <https://www.aceee.org/sites/default/files/pdfs/b2201.pdf>

and opportunities for electrification for different building types that can be useful as New Jersey designs its own programs.

3. The Board Should Design a Robust and Transparent Stakeholder Process to Settle Key Program Design Questions

An important component of the phase-in of the proposed New Construction program will be a robust stakeholder process and transparent reporting on how the new program is progressing. During the stakeholder presentation, TRC indicated that the New Construction Program would be transferred over a period of time from the legacy program, and that not every portion of the new program may begin at the same time. While the NGO Commenters support a “soft” roll-out of the program to avoid any gaps in program implementation, the type of rollout is also an opportunity for continued stakeholder engagement over FY23 to ensure that the final program design adequately accomplishes the goals.

There are still other significant design elements and implementation questions that need to be discussed and answered before the proposed New Construction Program goes live. Chief among them is how the Board plans to attribute savings to the New Construction Program. Unlike traditional energy efficiency programs, electrified new construction will grow electric load while increasing overall efficiency. The primary metric currently used to measure program success in the electric sector is annual reduction in retail electric sales expressed in MWh. The MWh metric is inappropriate to support more meaningful building decarbonization programs. The Clean Energy Act of 2018 only requires that the Board measure energy efficiency program achievement as a percentage of energy sales, it does not prescribe the specific energy metric the Board must use. Therefore, new primary metrics, whether BTUs or GHG reductions, should be used. There are also topic areas that would benefit from further stakeholder engagement, such as cost-effectiveness testing protocols, market transformation, consumer education, and marketing. Given the breadth of topic areas, the NGO Commenters recommend the Board continue to hold stakeholder meetings on these, and other, topics that allow for broader stakeholder participation than some of the current working groups, which are limited to utilities, program administrators, Rate Counsel, and Board Staff.

**Conclusion**

The NGO Commenters appreciate the opportunity to provide input on the proposed New Construction Program. While the proposed process improvements are a strong step in the right direction for New Jersey’s clean energy program, the NGO Commenters have serious concerns that the current proposal is a missed opportunity for New Jersey to begin to make real progress on its electrification goals. Therefore, the NGO Commenters respectfully request the Board consider the recommendations made in these comments and continue to hold stakeholder meetings with interested parties.

Sincerely,

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