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**RE: Docket No. QO23100733, In the Matter of the Implementation of Federal Inflation Reduction Act HOMES (Home Efficiency Rebates) and HEEHR (Home Electrification and Appliance Rebates) Program**

Dear Secretary Golden:

The Energy Efficiency Alliance of New Jersey, Clean Water Action, Emerald Cities Collective, Environment New Jersey, New Jersey Sierra Club, and New Jersey Sustainable Business Council are pleased to jointly submit these comments to the New Jersey Board of Public Utilities (“BPU” or “Board”) regarding the implementation of the Home Energy Rebate Programs in New Jersey.

EEA-NJ is New Jersey’s trade association for the energy efficiency industry. With our sister organization the Keystone Energy Efficiency Alliance, we represent 65 business members across Pennsylvania and New Jersey. Our mission is to champion efficiency as the foundation of a clean, just, and resilient energy economy.

**1. How well does this approach align with the goals of HER, HEAR, and the IRA more broadly?**

In our view, in a state like New Jersey where robust energy efficiency programs already exist, the goal of the Home Energy Rebates should be to fill funding gaps to allow for comprehensive home efficiency and decarbonization, and to catalyze market transformation that will allow the market to continue supporting these kinds of projects when funding is depleted. The M-RISE program fills an existing weakness in comprehensively decarbonizing multifamily buildings, and the CP-HEAR program has potential to make Comfort Partners more effective. However, we

have concerns that this program design misses an opportunity for market transformation, which we'll discuss in question 4.

We also note the need for comprehensive, critical home repairs to be integrated into all low-income energy efficiency programs. Without them, it is impossible to serve large segments of the population who could most benefit from efficiency services. While not directly funded by the Home Energy Rebates, we urge BPU to consider how to integrate these programs with those vital services.

## **2. What would be the best analytical approach – measured or modeled – for calculating energy savings in multifamily buildings? Are there scenarios where one would work better than the other?**

We appreciate the Board's responsiveness to comments from ourselves and many other advocates to allow both modeled and measured approaches to the Home Energy Rebate calculations in multifamily buildings. Both approaches have challenges in multifamily buildings that vary based on the type of building and the metering approach. Due to these complexities, most multifamily projects will use the modeled approach. We believe project designers should be allowed flexibility to use the approach that works best for their building.

Benchmarking can help ensure quality baseline data for both approaches. For larger multifamily buildings covered by New Jersey's mandatory benchmarking, the Board should ensure that benchmarking data is submitted ahead of project design.

With regards to an approach to modeling, careful considerations of modeling methodology is needed to address DOE's BPI-2400 modeling requirement, given that multifamily homes are inconsistent with the BPI-2400 calibration methodology. We refer to comments submitted by MaGrann Associates, an EEA-NJ member, on February 28 (and resubmitted for today's deadline) for recommendations of how to apply the standard to multifamily homes. We must ensure that modeling standards are robust and clear, avoiding added complexity that limits participation. BPU should allow modeling approaches that are appropriate for the vastly different scales of multifamily projects.

## **3. What criteria and process could be used to select buildings for the M-RISE Program?**

There are several criteria that are all vital to ensuring the M-RISE Program reaches its goals:

- 1) Energy use of the building. Poorly performing large buildings can be identified by their mandatory benchmarking reports. (Again, compliance with the benchmarking rule will be very important, and may be a precursor to eligibility for large buildings.) The BPU will

need to find a way to assess energy performance of smaller eligible buildings that is not unduly burdensome to small landlords.

- 2) Energy costs to tenants. Buildings can be prioritized if tenants are paying the utility bills and thus would directly experience the savings from efficiency improvements. In buildings where tenants do not pay the full cost of utilities (whether all utilities are incorporated into the rent, or whether the tenants pay for electricity but not gas heat), BPU should ensure that energy savings are passed on to tenants and, crucially, that overall tenant costs do not increase.
  - a) One common challenge that must be overcome in multifamily building electrification is the situation where tenants pay for in-unit electricity but centralized heat is included in the rent. If individual unit heat pumps are installed, the tenant may be responsible for heating costs that they did not previously pay. BPU must ensure that buildings have a plan for addressing this issue that appropriately passes on the cost savings of efficiency to the tenants.
  - b) Simultaneously, building owners must be able to recoup the financial investment they contribute through energy savings in common areas.
- 3) Financial need for improvements. Buildings that are not served, or are insufficiently served to make the needed improvements, through existing utility and other programs should be prioritized. M-RISE should evaluate which other programs can serve eligible buildings and enable incentive stacking to facilitate the most comprehensive retrofits.
- 4) Need of the community. We recommend creating criteria to prioritize buildings based on their status as overburdened communities in EJMAP and/or in Urban Enterprise Zones. When funding projects, especially in overburdened communities, M-RISE will need to adopt tenant protection mechanisms to ensure that projects do not cause rents or total cost of rent + utilities to rise, so that projects benefit the current and/or local residents.

**4. Does this approach address the unique needs of our state in terms of:**

**a. the need for efficiency and electrification upgrades in multi-family buildings?**

**b. the need for efficiency and electrification upgrades in low- to moderate-income households?**

We are very pleased that the Board increased the allocation to multifamily buildings beyond what is required by DOE guidance, as we previously advocated. The multifamily sector has been underserved by existing programs and we appreciate the Board's acknowledgement of this need. However, we believe that the decision to put 100% of the Home Energy Rebates and 85% of the Home Electrification and Appliance Rebates solely towards low-income multifamily buildings means we miss opportunities for market transformation and exclude segments of New Jersey's population with high need for efficiency and electrification.

- 1) Crucially, limiting the HER program to multifamily misses the opportunity for New Jersey to create a measured savings approach in single-family homes. While modeled and measured approaches are both proposed to be permitted under the M-RISE program, the complexities of multifamily housing means most projects will use the modeled approach. The HER program could afford an exciting opportunity to deploy a measured savings approach – which is absent from existing utility programs – and scale it up for the future. Without allowing for single-family homes to participate, we severely limit the measured savings opportunity and a potential for a shift in the market.
- 2) The current approach largely excludes both renters and owners of single-family homes. This creates an equity issue because the program will not serve New Jersey’s rural communities.
- 3) We are concerned about the complexity of the rollout of M-RISE. Comprehensive multifamily retrofit projects have long implementation timelines. With HOMES originally designed for single-family households, M-RISE will need a studied, conscientious rollout. It could be years before any M-RISE projects are completed. Given the almost two years that have passed since the Inflation Reduction Act became law, we believe there is value in a quick and easy rollout of at least part of the programs. A single-family portion of the program could be quickly and effectively rolled out and might be used to pilot a measured savings approach and/or to extend Comfort Partners-level service to households up to 80% AMI (significantly higher than the current Comfort Partners thresholds).

With regards to the Comfort Partners electrification adder, we commend the BPU for acknowledgement of the need to do “new outreach efforts to low-income delivered fuel and electric resistance customers and offer to convert their space and water heating to heat pumps.” These customers stand to benefit greatly from heat pump conversion, and delivered fuels customers are underserved by existing programs since they heat with a non-utility fuel.

For existing Comfort Partners participants, it appears that the current proposal would allow only for upgrades to electrical panels and wiring, not actual installation of heat pumps and heat pump water heaters. While electrification-readiness is important (and overlooked by current programs because those upgrades don’t directly cause energy savings), it means that the customer will need additional work and investment in the future to actually benefit from that investment. Should the program proceed with this focus, BPU will need to employ robust recording and tracking systems so that these customers may be reached again when funding for electric conversion becomes available.

Electrification readiness may be appropriate for households where the bill impacts of heat pump conversion are unclear. For homes heating with delivered fuels that have clear economic and health benefits of changing fuels, full heat pump electrification should always be available.

**5. Do you believe the proposed budget allocations for the M-RISE Program and the CP-HEAR Program are appropriate?**

In line with the comments above, we believe the budget allocations should be re-assessed, with at least some of the HER funding addressed to single family homes, and HEAR funding allocated as needed to create a comprehensive program.

**6. Do you have any other concerns regarding this approach or additional ideas for consideration?**

For M-RISE, CP-HEAR, and any other HER programs that may arise, we urge BPU to develop an intake and selection process that screens for *all* programs for which the property is eligible and facilitates stacking of funding. Streamlined coordination with the Core Multifamily Program proposed in the utilities' Triennium 2 filings will allow the M-RISE budget to make the most impact and provide the deepest retrofits and greatest energy savings and emissions reductions.

If this funding is braided with utility programs, utility cost-effectiveness should NOT constrain the portion of the project funded with Home Energy Rebate dollars. These funds can be used to facilitate projects that would otherwise be infeasible.

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Thank you for the opportunity to comment on this matter. We look forward to the rollout of the Home Energy Rebates programs in New Jersey, and hope that these comments help shape programs that lead to market transformation in our state.

Sincerely,

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