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STEFANIE A. BRAND
Director

April 12, 2012

Via Overnight Delivery and Electronic Mail

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

Re: In the Matter of Comprehensive Energy Efficiency and Renewable Energy
Resource Analysis for 2009-2012 Clean Energy Programs: 2012 Programs and
Budgets: Compliance Filings BPU Docket Nos. EO07030203 and EO10110865
Proposed Changes to the 2012 NJCEP Market Manager Compliance Filings
Comments of the New Jersey Division of Rate Counsel

Dear Secretary Izzo:

Enclosed please find an original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel in connection with the above-captioned matters. Copies of the comments are being provided to all parties by electronic mail and hard copies will be provided upon request to our office.

We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope.

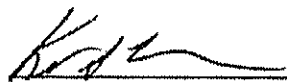
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Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By:


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**In the Matter of Comprehensive Energy Efficiency
and Renewable Energy Resource Analysis
for 2009-2012 Clean Energy Programs:
2012 Programs and Budgets: Compliance Filings
BPU Docket Nos. EO07030203 and EO10110865
- Proposed Changes to the 2012 NJCEP
Market Manager Compliance Filings**

**Comments of the New Jersey
Division of Rate Counsel**

April 12, 2012

The Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("BPU" or "Board") for the opportunity to present our comments on the Request for Comments Regarding Proposed Changes to 2012 New Jersey Clean Energy Program ("NJCEP") Market Manager Compliance Filings ("Request for Comments"), circulated to stakeholders by the Applied Energy Group ("AEG") on behalf of the Office of Clean Energy ("OCE") in an e-mail notice issued March 23, 2012.

The Request for Comments sets forth the Market Managers' proposed changes to the Residential and the Commercial and Industrial ("C&I") programs and marketing plans found in their respective 2012 Compliance Filings. Rate Counsel's comments discuss each of these areas below.

Residential Programs

For the Residential programs the Market Manager, Honeywell, proposed the following modifications to its 2012 compliance filing:

1. Change the description of the Residential New Construction program ("RNC") to reference the 2009 version of the International Energy Conservation Code [IECC],
2. Reinsert a requirement to install ENERGY STAR qualified HVAC equipment for the RNC program,

3. More clearly reference the EPA Multifamily New Construction Program Decision Tree for the RNC program, and

4. Insert a revised Appendix C with corrected gas savings estimates in Appendix C.

Rate Counsel has no objection to Honeywell's proposed changes listed in items 1 to 3. Regarding the proposed change in item 4, the revised version of the Energy Savings Table (initially provided as Appendix C of Honeywell's Residential Energy Efficiency and Renewable Energy Program Plan Filing for 2012) should be circulated with corrections noted.

C&I Programs

For the C&I programs the Market Manager, TRC, proposed six modifications to its 2012 compliance filing:

1. Edit the incentive tables, including adding incentives for New and Existing Kitchen Hood variable-frequency drives [VFD] and Boiler Economizing Controls,
2. Clarify that eligible Combined Heat and Power [CHP] projects must be less than or equal to 1 MW,
3. Include a proposal to implement a T-12 [florescent lighting] replacement program for schools as a part of the Direct Install, Pay for Performance, and C&I Retrofit programs,
4. Modify the language concerning eligibility for Direct Install to allow customers whose peak demand exceeds 150 kW by more than 10% in any of the preceding 12 months to appeal to TRC to grant an exception,
5. Increase the cap on the budget of the Direct Install – Local Government program to accommodate approximately \$800,000 in remaining applications that were submitted prior to the closing of the program in May 2011, and

6. Delete language in certain sections of the compliance filing and eliminate new programs that were approved by the Board for implementation in 2012, to avoid making changes to the Market Manager contract given the upcoming release of the Request For Proposals for program administration.

Rate Counsel has the following comments on TRC's proposed modifications, by item number:

1. Edits to the incentive tables. Rate Counsel does not object to the kitchen hood VFD incentives or boiler economizing controls. However, Rate Counsel suggests that, for all programs going forward, the program administrator provide proposed incentives as a percentage of the total incremental costs to help stakeholders consider the reasonableness of these incentives.¹

2. CHP program eligibility. Rate Counsel supports limiting the CEP CHP program to units less than or equal to 1 MW. Implementation of a 1 MW threshold will prevent CHP or fuel cell projects that receive funding from the large CHP solicitation from also receiving funding from CEP CHP/Fuel Cell program incentives on the first MW of eligible capacity.

3. T-12 fixture replacement program. Rate Counsel suggests that the T-12 fixture replacement proposal for Schools needs to be presented in greater detail. More information about TRC's proposed changes is needed. For example, what types of replacement lighting fixtures would be eligible for the rebates? Additionally, Rate Counsel has the following concerns about the proposed T-12 fixture replacement program:

¹ Alternately, the program administrator should provide incentives as a percentage of the total installed cost when there is no baseline measure with which to compare the cost of energy efficient measures (e.g., insulation without gut remodeling).

a. Consistent with the state's energy efficiency goals, program participants should be encouraged to assume as much cost-effective, comprehensive energy efficiency investments as possible. Because there are no audit requirements associated with the C&I Retrofit program for prescriptive measures, Rate Counsel is concerned that funding T-12 replacements as part of the C&I Retrofit program could result in lost opportunities to pursue comprehensive efficiency retrofits. Also, by focusing only on highly cost-effective lighting replacements, Rate Counsel is concerned that this program would result in cream skimming, i.e. pursuing only the lowest cost or most cost-effective energy efficiency measures, leaving behind other more substantial, yet still cost-effective opportunities.

b. While Rate Counsel understands that the intention behind providing an incentive covering 100% of the cost of fixture replacement is to jump start the Energy Savings Improvement Program [ESIP] process, Rate Counsel does not believe that 100% is necessary to serve this purpose. In general, incentives for C&I customers could be set to provide a one or two year payback period. The payback threshold should be informed by perceived market barriers by the eligible customers for participating in the T-12 fixture replacement program.

c. Rate Counsel maintains its position that the total incentives provided for energy efficiency projects should be less than 100%. Rate Counsel has expressed throughout the various CEP and utility energy efficiency proceedings the need that interested applicants for funding have some financial stake in the project in the interest of fairness to ratepayers.

4. Exceptions to the 10% plus 150 kW eligibility limit for Direct Install. Case-by-case consideration of exceptions to the 150 kW plus 10% limit on peak demand in the previous 12 months may be appropriate, provided that limits are set on the capacity of key systems that are eligible for incentives (i.e., HVAC equipment) to prevent the program budget from being overwhelmed by applications from large C&I customers. Based on the C&I 2012 Program and Budget Filing, the Direct Install program limits the capacity of boilers to 500 mbh. By e-mail on April 5, 2012, TRC informed Rate Counsel that the Direct Install program also has limits on the capacity of cooling equipment (15 Tons) and furnaces (140 mbh). The capacity limits for cooling equipment and furnaces are not, but should be, set forth in the C&I 2012 Program and Budget Filing.

5. Backstop funding for the Direct Install – Local Government program. The proposed increase in the budget cap for the Direct Install – Local Government Entities program from \$9.5 to \$10.3 million should only go forward to the extent that eligibility for the backstop funding is limited to entities that contribute to the SBC. Language limiting participation to SBC-paying entities is not evident in TRC's March 23, 2011 Program & Budget Filing proposing implementation of the Direct Install – Local Government program. Such language should be provided in the C&I 2012 Program and Budget Filing.

6. Deferral of programs and other changes until a new program administrator is selected. Rate Counsel does not object to the proposed changes, provided that the program administrator Request For Proposals and solicitation process is implemented as expeditiously as possible. Rate Counsel is concerned about delays in the program evaluation process.

Marketing Plans

Revised marketing plans have not yet been made available. Rate Counsel does not specifically object to changing marketing plans. Therefore, the market manager contracts do not need to be amended at this time, provided that any revised marketing plans are provided for review, with an opportunity for interested parties to file comments.

Conclusion

For all of the above reasons, Rate Counsel urges the OCE to adopt its recommendations regarding the proposed changes to the Residential and C&I programs and Marketing plans. Rate Counsel reserves its right to supplement these comments based on additional information received from the OCE, the Market Managers, or other parties to this proceeding.

Comments

Mike Ambrosio

From: Jeffrey Burger <jeffreybdadof4@gmail.com>
Sent: Saturday, March 31, 2012 4:42 PM
To: publiccomments@njcleanenergy.com
Subject: Proposed new funding for Schools Utilizing just "Direct Install" path is misguided

Dear Board,

EISP Program should not be limited to Direct Install contractors. it makes more sense for Pay for Performance program with a modification to the below suggestions .

It does not make sense to create a "New Fixture" replacement strategy in schools without having a specifying engineer or Architect to first review the proposed layout from the stand point of aesthetics, Historic Preservation, appropriate foot-candle level and ASHRAE standards. Only then after each board of education signs off on the that recommendation could the project go out for competitive bid as a fully funded SBC Derivative funded project.

In addition, if the Board chooses to adopt this standard by allowing this as a retrofit only scenario (ok for direct install for retrofit only), I suggest that TRC monitors the pre and post foot-candle level. It should be noted that the new generation of reduced level fluorescent lamps utilized in the Direct Install program may often result in classroom foot-candle levels falling below 50, as a result each school would be in danger of losing its funding. Suggest that any retrofit be required to a post inspection with a minimum of 55 foot-candles as the new T-8 typically have a lamp lumen depreciation of 10% over mean lumens.

In closing, I also would suggest that emergency lighting and egress lighting be included in this program. Often the existing emergency battery in schools are old, not maintained and require maintenance. In either event all classrooms should have an incentive that covers emergency/egress lighting to the path of egress and as provided by Code.

All existing fluorescent lamps need to be recycled, & all existing fluorescent ballasts need to be reviewed to determine if PCB's are present. I am not aware that anyone has required the Direct Install contractors to furnish certificates of reclamation that would provide a school board with some assurance that the items have been properly recycled. Any or all contractors should be doing this.

In closing pursuant to NJSA18A if the derived energy savings can be determined to be quantified, the project does not have to be competitive bid, if the project has a return of under 10 years. It is my understanding that it would be a more prescriptive approach to allow each school district \$300 per fixture for a direct fixture replacement, that way the individual school board could consult independently with its architect/engineer for the best solution. On a whole any replacement of T12 to T-8 or T5 to new fixtures would comply with the law as a more appropriate by use of state funds then blindly utilizing existing Direct Install contractors to Design and Install suitable lighting solutions.

That is how I see it.

Jeffrey Burger