

## 8. NEW JERSEY

(1999 Utility Statistics from [www.eia.doe.gov](http://www.eia.doe.gov))

Population (2001 Census Estimate): 8,484,431  
Net Summer Capability (MW) 16,651  
Electricity Consumption (MWh) 73,140,489

	Investor- Owned	Public	Federal	Coop- erative	Total
Number of Utilities (Elec.)	4	9	0	1	14
Percentage of Retail Sales	98.5	1.4	0	0.2	100.0

Mechanism: Societal benefits charge on electric and gas customers of 7 major utilities  
Creation: Legislative  
Duration: Minimum 8 years (2001-2008); comprehensive analysis every 4 years  
Administration: Electric and Gas Utilities, initially  
Budget: Minimum \$107.5million/yr. 2003: \$124.126million+carryover  
Program Name: New Jersey Clean Energy Program, but often referred to as Comprehensive Resource Analysis (CRA) programs  
Benefit Measure: Total Resource Cost utilized by utilities, but no formal approval.  
Incentives: Performance incentives and lost revenue recovery concepts approved. No specifics decided upon.

### Survey Questions

#### 1. Process and timeline

Restructuring legislation, SB7 ("the Act") passed in February 1999. Utility plans filed in February 2000. Board of Public Utilities (BPU) approved initial plans and budgets in March 2001. New energy efficiency (EE) programs began in May 2001.

#### 2. Organizational structure

Seven major electric and gas distribution utilities (DUs) were given administrative and implementation responsibilities for the first year's EE programs and one renewable program. They chose to work together through a collaborative (see below).

The BPU determined system benefit charges (SBC) for each utility and approved utility plans, budgets, cost recovery and incentive measures. During the first year the BPU retained a consultant to recommend a permanent administrative structure for Comprehensive Resource Analysis (CRA) programs. The report was submitted in April 2002. The utilities have continued to administer the approved programs in the absence of a new structure.

## New Jersey Clean Energy Collaborative (the “Collaborative”)

Six of the seven major utilities chose to approach their CRA planning requirement together. They reached a settlement with the Natural Resources Defense Council (NRDC) and other parties, and submitted their plans jointly to the BPU in February, 2000. The seventh utility ultimately joined. The DUs and NRDC formed the Collaborative to develop statewide approaches for planning, programs and evaluation. The Collaborative formed a Management Team, and Program Teams, and contracted with advisors for technical and management expertise

The Management Team and Program Teams were primarily staffed by appropriate utility personnel. Facilitation and technical expertise were provided through contracts with advisors as necessary. Technical advisors provided a wide range of program design and evaluation capabilities to the program teams.

The Collaborative submitted quarterly and annual reports, annual program plans and budgets, evaluation proposals and other filings on behalf of the members to the BPU.

A ballpark figure given for non-utility Collaborative costs per year is \$0.5-1million. An advisor to the Collaborative estimated that about 30 FTE staff in the utilities are working on the EE programs. The utilities have reported administrative costs of 6%.

In the Clean Energy Collaborative Annual Report 2001, the following overall administrative and related cost percentages were reported for utility CRA programs:

Administration	6%
Sales	6%
Marketing	7%
Training	1%
Market Research	7%
Grants and Implementation Contracts	73%

By the end of the first quarter of 2002, the grants and implementation expenditures were up to 79%, due to decreases in start-up costs. The Collaborative allowed for some joint purchasing opportunities. The Davies Report (see below) includes a detailed discussion of the DUs administrative costs. It also concluded that program results are a more important indicator of effective administration than the size of the administrative budget.

## Clean Energy Advisory Council

The BPU directed the formation of this group in December, 2002. They will make recommendations on program administration and design in the near future. The utilities may have to operate their CRA programs on a month-to-month basis until the BPU hears from this Council and issues decisions regarding program administration.

### 3. Funding mechanisms

The Act required electric and gas utility customers to contribute funds to new CRA programs, with 25% of those funds supporting renewable energy projects. The BPU had to determine how much money the utilities were spending on DSM activities as of the date the law went into effect (2/9/99), then take at least half that amount and direct it to new CRA programs. The remainder would continue to be collected and used to pay off prior commitments or continuing programs that would not be considered CRA. The Act requires that as spending for prior commitments goes down, spending for CRA programs should go up. The BPU determined that the total SBC would be \$215million, including the new CRA spending and continuing recoverable expenses due to old DSM programs. Funds remain with the utilities.

"System benefit charges...[for new programs, that] range from 0.4 to 1.8 mills/kWh and 4.7 to 8.9 mills/therm, are based largely on the level of efficiency funding in rates at the time the restructuring legislation was enacted" (D. Bryk et al)

The March, 2001 BPU Final Order, as adjusted in its August, 2001 decision determined the following budget amounts for the new CRA programs. The total SBC is \$215million/year:

	EE	Renewables	Total for new programs
2001:	\$86.25million	\$28.75million	\$115million
2002:	\$89.5million	\$29.8million	\$119.3million
2003:	\$93.1million	\$31million	\$124.1million

### 4. Degree of association with a long run resources plan

The Act requires the BPU to conduct a comprehensive analysis of CRA programs every four years, requiring four-year plans from utilities, but there is no long run resources plan. The BPU can, and does change programs, funding and administration within the four year period.

### 5. Guidelines for program effectiveness and success

The Act set program goals of "transforming markets, capturing lost opportunities, making energy services affordable for low-income customers and eliminating subsidies for programs that can be delivered in the marketplace without...customer funding." The BPU indicated in their March, 2001 Final Decision and Order that the goals of the Act were to: stabilize utility rates; lower the high cost of energy; provide clean air by locating and developing new sources of renewable energy, and deliver energy efficiency in a competitive marketplace.

### 6. Pre-implementation program evaluation guidance

In July 2001 the Collaborative filed with the BPU the variety of measures, including the Total Resource Cost test with environmental adders, they would use to assess energy savings, environmental benefits and attainment of other program goals. The utilities are following the proposed protocols in the absence of other guidelines.

The utilities use conversion formulas developed by the New Jersey DEP to determine annual, lifetime and cumulative lifetime reductions in SO<sub>2</sub>, NO<sub>x</sub>, CO<sub>2</sub> and mercury due to electricity and gas efficiency program implementation.

The Objectives of the Collaborative's evaluation activities are:

- Assessing goal attainment by programs;
- Assessing energy impacts, lost revenues and cost-effectiveness;
- Providing timely feedback to program managers; and
- Providing necessary information for program design and decision-making.

## 7. Results of program evaluation

The Collaborative issued RFPs and contracted for evaluation. Some contractors have assisted with oversight of evaluation issues, such as designing evaluation measures into programs. Others contractors evaluated the effectiveness of programs

BPU required utilities to report goals and incentive metrics compared to achievements. Utility by utility figures can be seen in the appendices to quarterly reports submitted to the BPU, posted on the BPU website.

Here are the broad results reported in the Collaborative's 2001 Annual Report. Details for each program and utility are available in the Report and its appendices.

Energy Savings, actual, Dekatherms	270,762 Dth
Energy Savings, committed, Dekatherms	100,754 Dth
Energy Savings, actual, MWh	54,969 MWh
Energy Savings, committed, MWh	69,639 MWh
Demand Savings, actual, MW	224 MW
Demand Savings, committed, MW	22 MW
Annual Emissions Savings, Electric Programs only:	
CO <sub>2</sub>	27,485 metric tons
NO <sub>x</sub>	80 metric tons
SO <sub>2</sub>	128 metric tons
Hg	1.2 pounds
Actual Expenditures	\$57,520,000
Committed Expenditures	\$22,207,000
Benefit/Cost, Residential (not Low Income)	1.52
Benefit/Cost, Non-residential	1.80

In July, 2002, the BPU suspended utilities' program evaluation activities, so that BPU staff could review the bids from independent contractors for evaluation. Those contracts have not been approved. There has been no independent evaluation since that time. However, the utilities are continuing to use the measures proposed by the Collaborative in July, 2001 to report results.

## 8. Financial and performance incentives

The Act, according to the BPU, required the BPU to determine "the level of cost recovery and performance incentives for old and new programs, and whether the recovery of DSM costs may be reduced or extended."

In 1991 the BPU approved the use of performance incentives in the DSM program regulations. In March 2001 the BPU rejected the Collaborative's performance protocols as too heavily weighted towards administrative goals. The utilities filed modified incentive proposals consistent with the BPU's concerns in July 2001, in November 2001 and November 2002. These filings are pending before the BPU.

In March 2001, the BPU indicated it would approve lost revenue recovery related to CRA programs, if tied to approved savings protocols. The Collaborative filed proposed protocols. No decision to date. The utilities are "booking" the lost revenues.

## **Issues and Special Situations**

### The Future of the Collaborative

The utilities presently have no authority to enter contracts, so they are operating on month-to-month contract extensions. The Collaborative's purpose, to support the utilities and NRDC in joint program planning, implementation and evaluation, appears at least temporarily moot. The Davies report recommended that the BPU give formal recognition to and require accountability of the Collaborative, but that has not happened yet. The BPU has hired more staff who are working closely with utility management teams on the CRA programs. This may improve the regulatory lag that has led to program planning and evaluation delays.

### The 75/25 split

The Act requires each utility to split CRA funds, 75% for EE and 25% for RE over the first eight-year period of the program. The BPU, in March 2001, stipulated that utilities were to maintain this ratio each year. The utilities requested that they be held to a multi-year requirement for the 75/25 ratio. This filing is pending before the BPU.

### Program Budgets

The BPU last approved program budgets in August, 2001. Technically the BPU must approve budget changes. The utilities have requested BPU permission to modify program budgets. The BPU had not made decisions re: these filings to date.

### Parity between Suppliers

The funding for different programs is uneven between service territories. The BPU-approved amounts are based on prior spending with some modifications, not on the actual cost of programs in each service territory reaching the same percentage of customers.

### Rate Increase

The rate cap and mandated decreases created by the Act will expire August 2003. During the CRA proceedings that resulted in the March 2001 Final Decision and Order, the BPU acknowledged there would be rate impacts after the end of the rate freeze, and that new program spending plus existing commitments could exceed collections. Revenue recovery will be an issue in rate cases.

### Advisory Group

No official advisory group was formed initially for the CRA programs. The Collaborative members viewed themselves more as a working group to get the utilities' job done. However, in the absence of an advisory board, some expected the Collaborative to serve a more public purpose. The new Clean Energy Advisory Council will most likely fulfill this role.

### **Resources**

New Jersey Board of Public Utilities  
609-777-3300

[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

Final Decision and Order, March 9, 2001.

*New Jersey Clean Energy Collaborative 2001 Annual Report* and quarterly reports.

*New Jersey Clean Energy Collaborative 2003 Program Plan*, November 1, 2002.

On the BPU website. Scroll down on the right and choose "Clean Energy Program".

SB7 Electric Discount and Energy Competition Act February 1999 (The Act)

[www.bpu.state.nj.us/wwwroot/energy/EX00020091ORD.pdf](http://www.bpu.state.nj.us/wwwroot/energy/EX00020091ORD.pdf)

New Jersey Clean Energy Program

[www.njcleanenergy.com](http://www.njcleanenergy.com)

Dale Bryk, Senior Attorney, Natural Resources Defense Council

212-727-4480, [Dbryk@nrdc.org](mailto:Dbryk@nrdc.org)

Michael Ambrosio, Collaborative facilitator, Deloitte Touche Tohmatsu

973-683-7383 [Mambrosio@deloitte.com](mailto:Mambrosio@deloitte.com)

Susan Coakley, Northeast Energy Efficiency Partnership

Former Collaborative facilitator, most recently technical advisor team leader

781-860-9177 x 12 [Scoakley@neep.org](mailto:Scoakley@neep.org)

D. Bryk, J. Plunkett, and S. Coakley, *Utility Administration of System Benefit Charge-funded Energy Efficiency Programs in New Jersey: Model or Mess?* ACEEE Summer Study Session on Building Efficiency, Summer, 2002. Communication from Dale Bryk.