

October 12, 2018

New Jersey Energy Master Plan Committee
C/O Board of Public Utilities
P.O. Box 350
Trenton, NJ 08625-0350

Subject: "Best practices" designation, Cost-effectiveness of energy efficiency

Dear EMP Team members,

This letter is a supplement to my prepared statement of September 14 at the EMP hearing on reducing energy consumption. At the hearing, my comments centered on energy efficiency, steps in energy planning, and select policies to cut energy demand. This letter discusses overreliance on best practices, and the importance of cost-effectiveness methods for energy efficiency (EE).

As I described in my September 14 testimony, the best practices label is usually based on engineering and administrative criteria, which excludes considering a state's unique economic, political and institutional circumstances. While the label is useful for providing guidance, suggesting good practices to emulate, it unfortunately discourages critical thinking needed to identify conditions when those practices would not work in New Jersey. With the benefit of hindsight, we can identify factors that undercut New Jersey's previous effort to achieve best practices in energy efficiency under the Corzine Administration. Best practices in EE have an important role. I believe best practices in energy efficiency should always be considered in EE planning, but unique conditions in New Jersey may force us to evaluate alternatives.

In 2009, Northeast Energy Efficiency Partnerships (NEEP) led a team of energy efficiency experts in presenting New Jersey with a set of best practice recommendations¹, which in hindsight could not be implemented under foreseeable conditions. The recommendations depended on a major reorganization of state agencies and required billions of dollars in new funding from a wide range of sources, both public and private. Furthermore, cost savings from NEEP's recommendations were reported as Total Resource Cost (TRC) estimates, which EE supporters could not understand and rally behind, and the recommendations came months before an election. While I was an early supporter of NEEP's report, and I cited its findings at EMP hearings, I see now that it was easy for out-of-state experts to recommend a strategy that

¹ Northeast Energy Efficiency Partnerships (2009). An Energy Efficiency Strategy for New Jersey, Achieving the 2020 Master Plan Goals. www.state.nj.us/emp/docs/pdf/041609NEEP.pdf

would be difficult for New Jersey to implement. Loss of experienced BPU staff after 2009 made progress even less likely. While these same obstacles to best practices may not recur under the new clean energy law, the 2009 experience can serve as a reminder not to view best practices as the only path to progress.

Newcomers to energy efficiency may not realize that it is possible to improve on best practices by understanding the rationale for those practices and subsequent history. For example, stakeholder forums that seemed necessary in leading states like California 20 years ago may have become obsolete over time, but remain in existence due to bureaucratic inertia. ACEEE and some EE consultants often view those stakeholder meetings as part of best practices. California, which has pursued energy efficiency for 44 years, bears a high administrative cost for its many stakeholder groups and regionalized decision-making that are rooted in California's past experimentation with EE programs. While California has many programs to emulate, New Jersey should be able to streamline and improve on programs first developed in California, at least in terms of how programs are administered.

Cost-effectiveness is a highly technical subject, and due to its complexity New Jersey may not recognize that this is an urgent topic to consider for the EMP. Leading states have found that cost-effective energy efficiency is often the largest contributor to the state's clean energy plans, larger than renewables. Cost-effectiveness methods directly affect the cost of energy savings and consequently rate impacts. Changes in cost-effectiveness methods can alter the amount of potential energy savings in New Jersey by a factor of two to four.

Since the new clean energy law includes mandates regarding 1) analysis of EE costs and benefits, 2) research on statewide EE potential savings, and 3) the need to pursue all cost-effective EE, New Jersey should look at these requirements together, rather than in isolation. Each requirement has important implications for EE in New Jersey and energy efficiency's role in the Energy Master Plan. It is not prudent to wait for current data on New Jersey's potential EE savings before discussing cost-effectiveness for energy efficiency consistent with the Murphy Administration's goals.

Yours truly,



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