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WRESTLING WITH DEVILISH DETAILS OF HOW TO CURB ENERGY USE IN NJ

TOM JOHNSON | JUNE 10, 2019

A year-old law could save gas and electric customers a lot of money, but it's apparent at an NJ Spotlight roundtable there's no consensus on how to implement the law

R. Neal Elliott of the American Council for an Energy-Efficient Economy

With a new law establishing tough mandates to reduce energy use, there is widespread agreement New Jersey has the potential to achieve huge benefits and savings for customers but far less consensus on how the state will realize those goals.

It is a dilemma as policymakers, utilities and clean-energy advocates struggle to iron out the details on how to implement the year-old law requiring electric and gas companies to curb customer use by 2 percent and 0.75 percent, respectively, annually.

If the Murphy administration aims to achieve its ambitious clean-energy agenda and sharply reduce greenhouse-gas emissions, New Jersey must aggressively pursue those energy-efficiency goals, according to panelists at an NJ Spotlight roundtable on Friday in Hamilton Township.

"Energy efficiency is the foundation of any effective climate change policy," said R. Neal Elliott, senior director of research for the American Council for an Energy-Efficient Economy, the keynote speaker at the event. "It's the least cost, easiest and most accessible."

Elliott identified several opportunities for New Jersey to achieve significant reductions in energy use, particularly in the transportation sector, which contributes 48 percent of the state's greenhouse-gas emissions.

Switch to freight by rail?

One option is to reduce truck traffic by switching to freight by rail, he said. Another step would be to establish greenhouse-gas emission reduction targets for the transportation sector. "Now's the time to really turbo-charge everything," he said.

A recent study by a consultant for the New Jersey Board of Public Utilities concluded the state's targeted goals are achievable, projecting they could end up saving customers — in a state with high energy costs — $14 billion over the next decade. But the analysis only received a **lukewarm response** from the state agency, with commissioners noting they were not endorsing its findings.

The study left numerous issues unresolved: Who administers the overall program — utilities or the state, how do utilities recover losses they incur when customers reduce energy use, and what kind of incentives and penalties occur if the reductions are met or fall short?

Those issues are likely to be resolved by an advisory group that will help the BPU and others answer the questions. In the meantime, proponents want the state to get moving on trying to achieve those goals.

David Daly, president and COO of PSE&G

"The biggest question we have today is the challenge of how we begin to implement these programs and how we accelerate this as quickly as possible," said David Daly, president and COO of Public Service Electric & Gas, the state's largest utility.

PSE&G has proposed a $2.8 billion energy efficiency program to the BPU even though the state agency has yet to define the parameters and other details of the law. Nevertheless, it has won backing from some clean-energy advocates and energy-efficiency firms, who want the state to get moving on implementing energy-saving measures.

State cannot afford to overpay

For the most part, panelists seemed to agree that utilities are most well-positioned to convince customers to undertake energy-efficiency measures. They also suggested the most effective energy-saving programs occur in states where utilities recover lost revenues from those efforts.

Not so fast, argued Stefanie Brand, director of the New Jersey Division of Rate Counsel.

While endorsing energy efficiency, Brand warned the state could not afford to develop a program that would overpay for its acknowledged benefits, a problem New Jersey is now trying to rectify with its solar installation program, a system most agree is way too expensive.

Having the utilities in charge of energy-efficiency programs did not work in the past, Brand noted. "To have them as sole provider of energy efficiency (as PSE&G advocates)," she said, "monopolizes a competitive industry" now in place.

Brand also argued against decoupling, a mechanism that allow utilities to recover lost revenue from customers using less gas and electricity. "You will add a profit to a utility for every dollar they spend," she said, noting the companies already are getting a return on their fully weighted cost of capital. "It's a great deal."

'Let's be real here'

But Daly, too, argued utilities are in the best position to deliver energy savings to their customer, while adding there are inefficiencies in government, particularly as it handles both oversight and execution of state policies.

He argued for some sort of decoupling provision, saying without one, it would be a failed financial outcome for the utility, one that could amount to $160 million. Brand countered that $160 million is a rounding error for PSE&G. "Let's be real here," she said.

Isaac Gabel-Frank, a vice president of Gabel Associates, noted the Clean Energy Act allows for utilities to collect lost revenue from energy-efficiency measures. If not decoupling, it likely means utilities will have some alternate form of lost-recovery mechanism, he said.

Julian Boggs, policy director of the Keystone Energy Alliance, said energy-efficiency measures need to compete with generation as a resource. "If you are making an investment in energy efficiency, that has to be a good investment," he said.