April 6, 2026 *Submitted electronically to Docket No. QO23030150*

Sherri Lewis
Secretary of the Board
New Jersey Board of Public Utilities
44 S Clinton Ave
Trenton, NJ 08625

Re: Docket No. QO23030150, In the Matter of the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Second Triennium of Energy Efficiency and Peak Demand Reduction Programs.

Dear Secretary Lewis,

The American Council for an Energy-Efficient Economy (ACEEE) is a nonprofit research organization based in Washington, D.C. that for more than four decades has been a leader on energy efficiency policy and analysis. Its independent research advances investments, programs, and behaviors that use energy more effectively while helping to build an equitable and affordable clean energy future across all sectors of the economy.

ACEEE is grateful for the opportunity to submit these comments to the New Jersey Board of Public Utilities (NJBPU) in response to the Triennium 2.5 Straw Proposal, published on March 13, 2026. We commend New Jersey for its strong record of achievement in energy efficiency over the previous triennia. However, we are concerned by the proposed reductions in energy efficiency investment for Triennium 2.5. **We view a 30% reduction in energy efficiency investment as an impediment to New Jersey's ability to cost-effectively meet demand growth.**

As energy system costs increase and the grid struggles to keep up with rising demand, now is not the time to consider cutting reliable, quick, and low-cost sources of energy like utility demand-side management programs. We encourage New Jersey to continue to expand energy efficiency investments to meet demand growth. We are concerned that the adjustments proposed in Triennium 2.5 could lead to overall reduced investment in efficiency programs and a decrease in ambition, leaving low-cost savings on the table and increasing utility reliance on costly supply-side resources. This will ultimately increase costs for customers, rather than promoting affordability.

Energy efficiency is a least-cost resource. Consistent investment in utility demand side management programs is a foundational strategy for ensuring energy affordability for New Jersey residents. In New Jersey, energy efficiency is the least-cost resource for meeting energy demand. The cost of energy efficiency in New Jersey was $52/MWh in 2024[1], cheaper than the national average costs of supply-side resources, from onshore wind ($27 – $73/MWh), to gas combined cycle ($45 - $108/MWh), to gas peaking ($110 – $228/MWh), and to U.S. nuclear ($142 - $222/MWh)[2]. Reducing investment in utility energy efficiency programs and reducing overall energy savings targets will require utilities to instead

[1] *New Jersey Clean Energy Program Statewide Compilation Report, PY3 4Q FY24:* *https://cdn.sanity.io/files/d0gy0d77/production/6ea4fb2b96a2883b239d28532bc68970eba4ceb0.pdf*.

[2] Specian, M., and A. Aquino. 2026. *Faster and Cheaper: Demand-Side Solutions for Rapid Load Growth*. Washington, DC: ACEEE. http://aceee.org/research-report/u2601.

rely on more expensive supply-side resources to meet demand growth, which will not advance affordability for customers.

Similarly, utility demand response programs are a cost-competitive source of peak demand reduction. For example, the cost of demand response for Jersey Central Power & Light is $82/kW per year, compared to the national average costs of load reduction from supply-side resources, which range from gas peaking ($52 - $86/kW-year), to gas combined cycle ($66 - $113/kW-year), to U.S. nuclear ($364 - $531/kW-year), to onshore wind ($399 - $608/kW-year)[3]. While we only expect gas supply costs to rise,[4] the best-performing utility demand response programs can deliver capacity savings at less than $40/kw-year[5].

Given the lower costs of energy efficiency and demand response compared to supply-side resources, utility energy efficiency and demand response programs are crucial resources for cost-effectively meeting rapidly increasing demand growth in New Jersey. Public Service Electric & Gas Company (PSE&G) forecasts that data center peak demand will triple by 2030 and quadruple by 2045, increasing from 343 MW in 2024 to nearly 1,200 MW by 2030, and 1,545 MW by 2045[6]. For the state of New Jersey, energy efficiency has the potential to reduce annual electricity consumption by at least 7% in 2040, providing an important strategy for addressing the expected growth in demand[7].

Reducing investment in energy efficiency and demand response programs is in conflict with New Jersey's policy goals. Gov. Mikie Sherrill's executive order, signed in January 2026, set forth goals for the state to develop virtual power plants (VPPs)[8]. Reductions in energy efficiency program funding would be in conflict with this goal.

As documented in ACEEE's recent report entitled *Faster and Cheaper: Demand-Side Solutions for Rapid Load Growth*, VPPs are one of the most valuable demand-side management (DSM) programs for addressing load growth. Other valuable utility DSM programs for load reduction include HVAC electrification and demand response and weatherization, water heating electrification, storage programs, electric vehicle programs, and large C&I demand response[9]. ACEEE recommends that New Jersey maintain or increase investment in these programs in order to address load growth challenges and progress towards its policy goals.

Further, in February 2026, the New Jersey BPU directed the electric utilities to identify strategies for distributed energy resource (DER) usage in addressing grid congestion. The demand response roadmap developed by Berkeley Lab for the New Jersey BPU recommends that the BPU support utilities to

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[3] Ibid.

[4] Marshall, C. 4/2/2026. *Gas turbine costs to spike 195% from data center boom, report says.* E&ENews. https://www.eenews.net/articles/gas-turbine-costs-to-spike-195-from-data-center-boom-report-says/.

[5] Specian, M., and A. Aquino. 2026. *Faster and Cheaper: Demand-Side Solutions for Rapid Load Growth*. Washington, DC: ACEEE. http://aceee.org/research-report/u2601.

[6] PSE&G. 2024. *2025 PSE&G Load Forecast Adjustments*. https://www.pjm.com/-/media/DotCom/planning/res-adeq/load-forecast/pseg-documentation.pdf.

[7] Specian, M., and A. Aquino. 2026. *Faster and Cheaper: Demand-Side Solutions for Rapid Load Growth*. Washington, DC: ACEEE. http://aceee.org/research-report/u2601.

[8] Sherrill, M. January 20, 2026. Executive Order No. 2. https://www.nj.gov/infobank/eo/057sherrill/pdf/EO-2.pdf.

[9] Ibid.

advance demand response programs and deploy new demand response capabilities in Triennium 3[10]. To follow these recommendations and meet the growing need for demand response, utilities must be able to leverage energy efficiency and demand response program capacity. Reducing energy efficiency budgets and incentives would impede progress towards these goals.

Switching from net to gross savings accounting for Clean Energy Act savings target compliance should not lead to reduced utility efficiency program investment and ambition. ACEEE is opposed to reducing the energy savings achieved through utility efficiency programs, as this reduces the overall cost-effectiveness of utility energy resource portfolios. Based on New Jersey's Statewide Clean Energy Program reporting for 2024, and the estimated net to gross (NTG) ratio of 0.7 across the portfolio, we calculated that if New Jersey maintains its same electric savings target while switching to accounting in gross rather than net savings, there would be a 43% reduction in actual energy savings achieved by utility programs.

If moving to a gross savings accounting method, New Jersey would need to increase their savings goals by at least 150% to keep energy efficiency progress in step with the ambitious resource standards set by other leading states, and to maintain energy affordability for its residents. For example, while Maryland and New York also measure savings in gross rather than net, their targets are for greater than 2% annual savings in the 2027 Triennium 2.5 planning cycle window. For New Jersey to avoid reductions in utility energy savings while switching from net to gross accounting, utilities would need to work towards a gross savings goal for utility programs of 1.7% of retail sales, and a statewide gross savings goal (for utility programs and BPU programs combined) of 2.8%.

If utility program savings goals themselves are not adjusted to retain an ambitious level of energy savings, we recommend that BPU-funded savings goals be increased to compensate for the 43% reduction in energy savings achieved by utilities that will result from switching from net to gross savings accounting to meet savings targets, to ensure that New Jersey can continue to address load growth effectively through procurement of least-cost energy efficiency resources and peak demand reduction.

It is important to provide clear incentives for utilities to administer ambitious efficiency programs that meet savings targets. While some states have taken action to lower the return on equity (ROE) utilities receive on their entire rate base as an affordability measure, the proposal within Triennium 2.5 could potentially reduce the ROE on efficiency programs to below the ROE for other base investments, effectively disincentivizing investment in energy efficiency compared to other parts of the utility resource portfolio. An ROE adder for energy efficiency is an important tool for reducing capex bias, a term for the incentive to invest in capital intensive solutions rather than operational expenditures like energy efficiency programs[11]. By earning a ROE adder on energy efficiency, utilities are incentivized to invest in energy efficiency as a more cost-effective solution compared to capital-intensive infrastructure investments, for meeting demand.

We do not see the recovery of potential foregone revenue as adequately substituting for a performance incentive for energy efficiency investment with a lower ROE on energy efficiency. We recommend that New Jersey maintain the current ROE on energy efficiency and further explore performance incentive mechanisms that incentivize high-performing efficiency and demand response programs. We also

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[10] Murphy, S. and J. Schellenberg. 2025. *Demand response roadmap for the New Jersey Board of Public Utilities*. Berkeley Lab. https://cdn.sanity.io/files/d0qy0d77/production/55740710c44883850df029fef9c6a434110ed446.pdf.

[11] Rebane, K. and C. Goldenberg. 2024. *How to Restructure Utility Incentives: The Four Pillars of Comprehensive Performance-Based Regulation*. RMI. https://rmi.org/insight/how-to-restructure-utility-incentives-four-pillars-of-comprehensive-performance-based-regulation/.

support revenue decoupling as a largely more effective approach than a lost revenue adjustment mechanism (LRAM)[12]. This approach is taken by New York and Illinois and could be considered in New Jersey.

In summary, ACEEE recommends New Jersey expand investments in energy efficiency and demand response programs to ensure that utilities address rapid demand growth using fast, reliable, and least-cost energy resources. Changes made to savings accounting methods and performance incentives in Triennium 2.5 should not decrease the ambition of New Jersey's savings targets or impede progress towards these targets. ACEEE appreciates the opportunity to comment on the proposed policy changes and remains available as a resource in continued discussions.

Sincerely,

Anna Johnson
Senior Policy Manager, State & Utility Program
American Council for an Energy-Efficiency Economy (ACEEE)

[12] Shea, D. 2023. *Performance-Based Regulation: Harmonizing Electric Utility Priorities and State Policy*. NCEL. https://documents.ncsl.org/wwwncsl/Energy/Performance-Based-Regulation-Primer-f01.pdf.