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Submitted electronically via: board.secretary@bpu.nj.gov

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

Re: Docket No. EO26040117, In the Matter of Executive Order 1 Modernization of the Traditional Electric Distribution Utility Business Model Study

Dear Secretary Golden,

On behalf of Northeast Energy Efficiency Partnerships (NEEP), we are pleased to submit comments on the New Jersey Board of Public Utilities (BPU) Phase 1 Study and efforts to modernize New Jersey's electric utility business model.

NEEP commends New Jersey for exploring options to lower bills for all residents and taking the time to comprehensively study options to ensure affordability. While there are many tools that New Jersey can use to tackle rising electric costs, NEEP encourages the BPU to prioritize energy efficiency as it considers electric utility business model reform. Energy efficiency, coupled with demand response (DR) programs and virtual power plants (VPPs), reduce distribution, generation, and transmission costs and can lower electricity bills for all customers. Long term utility business model reforms like decoupling can help to remove the throughput incentive and incentivize utilities to invest in energy efficiency. Rate design is a complementary tool that can help reallocate costs and align customer and grid costs.

NEEP offers recommendations below for the BPU to consider as it begins the Phase 2 study:

1. Offer Full, Symmetrical Revenue Decoupling.
2. Integrate Energy Efficiency and Distributed Energy Resources into Resource Planning.
3. Explore Bonding Tools to Lower the Cost of Capital for Energy Efficiency and DERs.
4. Prioritize Affordability, Efficiency, and Demand Flexibility if BPU Pursues Performance-Based Regulation.
5. Encourage Modern Rate Design to Align Price Signals with Cost Drivers.



Offer Full, Symmetrical Revenue Decoupling.

Utilities are disincentivized from investing in energy efficiency and distributed energy resources (DERs) because these projects generate lower revenues than traditional capital infrastructure. NEEP recommends that New Jersey implement full symmetrical revenue decoupling to eliminate this throughput incentive and align utility business models with energy efficiency, DR, and VPP goals.

Full decoupling breaks the link between sales volume and earned revenue, allowing utilities to recover authorized costs even when sales fall. Symmetrical true-up mechanisms adjust rates up or down so utilities do not over- nor under-earn. This makes decoupling an essential affordability tool for protecting customers from utility over-collection of revenues and maximizes energy efficiency as a least-cost resource.

Integrate Energy Efficiency and Distributed Energy Resources into Resource Planning.

Energy efficiency and DERs play an important role in the U.S. electric grid. DERs and energy efficiency are growing in popularity among customers, and grid operators and utilities are increasingly using these resources as grid assets and to manage peak loads.¹ Energy efficiency and load flexibility are the lowest-cost resources available to utilities for reducing electricity consumption and peak demand. These resources are also cleaner and faster to implement than new generation.²

Leadership from state regulators and utilities will be essential to maximize the potential of energy efficiency and load flexibility to save energy and reduce demand. The BPU can prioritize affordability by working with utilities to integrate energy efficiency and load flexibility programs into resource planning processes. In phase 2 of the utility business model reform proceeding, NEEP recommends that the BPU to explicitly define the roles of energy efficiency and DR across all proposed business model reforms. This could include full symmetrical revenue decoupling to incentivize investments in efficiency and DR (as described above), requiring utilities to evaluate efficiency and DR as default non-wires solutions within distribution system planning, and establishing energy efficiency and DR targets in performance incentive mechanisms (PIMs) (as described below).

Several states demonstrate how the BPU could require utilities to consider DERs and energy efficiency in resource planning:

¹ [NARUC and NASEO, Aggregated Distributed Energy Resources in 2024: The Fundamentals.](#)

² [https://www.aceee.org/resource/u2601/.](https://www.aceee.org/resource/u2601/)



- **Michigan:** In March 2026, Michigan Public Service Commission ordered Consumers Energy, the largest investor-owned utility in the state, to include aggregated distributed generation, DERs, and virtual power plants in its next integrated resource plan and to explain the role of DERs in meeting any needs for additional generation.³
- **Vermont:** The Vermont Public Utility Commission requires Green Mountain Power (GMP) to include DERs in its integrated resource plans and deploy Distributed Energy Resource Management Systems to manage these assets.⁴ GMP also prioritizes DERs in its Zero Outages Initiative by using microgrids and batteries to manage peak demand and provide resilience as an alternative to storm-hardening or undergrounding in certain communities.⁵
- **Virginia:** The Virginia State Corporation Commission commissioned a study to explore performance-based regulation and other regulatory tools for electric utilities in Virginia. One of the study's recommendations is for Virginia to adopt an all-source competitive procurement framework for generation resources.⁶

Explore Bonding Tools to Lower the Cost of Capital for Energy Efficiency and DERs.

New Jersey should consider leveraging existing bonding authorities and potential new financing tools to expand access to low-cost capital for more investments in energy efficiency, building decarbonization, and other projects in the near term to lower bill impacts now. This is especially important as investments in efficiency and electrification can save all ratepayers money and reduce emissions. In the long term, electrifying homes will avoid unnecessary investments in the gas system and proper weatherization will minimize the electric infrastructure upgrades. Yet these programs require front-end investment, which could exacerbate already rising bills in the near term.

The BPU could work with other agencies to approve the use of state bonding authority to reduce public benefit costs on electric bills. Connecticut offers a recent example. With authorization from the Connecticut General Assembly, the Connecticut Bond Commission approved \$250 million in state bond funding across two \$125 million allocations in August 2025 and September 2026 for affordability programs such as energy efficiency and electrification, alongside \$20 million dedicated to electric vehicle charging infrastructure

³ <https://mi-psc.my.site.com/sfc/servlet.shepherd/version/download/068cs00001rd2XbAAI> (pages 493-494).

⁴ <https://epuc.vermont.gov/?q=downloadfile/622470/165145>.

⁵ <https://eepower.com/news/gmp-grid-resilience-plan-will-overhaul-td/#>.

⁶ <https://betterenergy.org/blog/gpi-and-ceg-report-explores-performance-based-regulation-for-virginias-electric-utilities/>



through at least April 2027. Residential bills in Connecticut decreased by an average of 18% in 2026 due to these reductions in public benefits costs and supply rates, and the state expects bond funds to continue to reduce the average overall residential customer bill by 3-5%.⁷

In Massachusetts, the proposed Energy Affordability, Independence, and Innovation Act would allow utilities to issue rate reduction bonds, commonly known as securitization, to recover costs over extended timeframes and at a lower cost of capital than traditional methods of financing energy efficiency programs.⁸ An analysis of this provision in the bill estimates that it would save Massachusetts electric and gas customers \$6.5-\$8.1 billion between 2026 and 2035.⁹ Securitization is a great tool for programs like energy efficiency, grid modernization, and VPPs because it can lower the up-front cost compared to current funding sources.

Prioritize Affordability, Energy Efficiency, and Demand Flexibility if BPU Pursues Performance-Based Regulation.

As highlighted in the Phase 1 report, performance-based rates will not address affordability alone. If New Jersey pursues performance-based regulation, the BPU should make sure that PIMs include reforms that will lower costs for all including affordability, energy efficiency, and peak demand reductions. Measuring utility performance by using affordability-focused metrics should help prioritize utility investments that lower utility bills. Such metrics could include verified net energy savings, changes in bills, number of utility disconnections, and number of customers in arrears by ZIP code.¹⁰

The Illinois Commerce Commission (ICC) illustrates the use of performance metrics that focus on customer equity and affordability. In 2022, the ICC established performance metrics pursuant to the Climate and Equitable Jobs Act that require Ameren Illinois to collect and report disaggregated data on customer arrearages, disconnections, and enrollment of low-income and environmental justice communities in assistance programs. Ameren can receive a total reward or penalty of plus or minus three ROE basis points for its performance if it meets, or fails to meet, its target. Ameren successfully kept customer

⁷ https://portal.ct.gov/governor/news/press-releases/2026/09-2026/governor-lamont-announces-bonding-approved-for-reduction-in-public-benefit-costs?language=en_US.

⁸ <https://neep.org/blog/massachusetts-looks-tackle-energy-affordability-through-innovation-energy-efficiency>.

⁹ <https://www.mass.gov/doc/analysis-of-ratepayer-cost-savings/download>.

¹⁰ <https://www.raonline.org/knowledge-center/improving-utility-performance-incentives-in-the-united-states-a-policy-legal-and-financial-framework-for-utility-business-model-reform/>



disconnections under its annual performance targets of 5,730 disconnections in 2024 and 5,157 disconnections in 2025, so it received three basis points each year.¹¹

Hawaii serves as an example of aligning PIMs with state energy efficiency and related goals. In 2021, the Hawaii Public Utility Commission adopted a performance-based rate for Hawaiian Electric.¹² The company earns additional revenue if it achieves performance in key areas: interconnection, low-to-moderate income energy efficiency, and advanced metering infrastructure. The Low-to-Moderate Income (LMI) energy efficiency incentive advances equity and affordability by directing program administrators to expand energy-saving opportunities for LMI customers.¹³ It does this by requiring Hawaiian Electric to engage with customers to better market energy efficiency programs. The incentive includes two performance metrics: a “savings” metric that measures the delivery of energy savings to LMI customers, and a “participation” metric that measures increased participation by LMI customers. Hawaiian Electric can receive up to two million dollars as reward.¹⁴

Encourage Modern Rate Design to Align Price Signals with Cost Drivers.

The BPU should pursue modern rate designs to align price signals for customers with cost drivers for electricity prices. As highlighted in the phase 1 report, rate design will not inherently address the affordability issue but can improve alignment between customer bills and their costs to the grid. Rate design can also provide incentives for ratepayers to change behavior and reduce overall system costs. The BPU can use a variety of mechanisms to modernize rates, depending on the agency’s goals.¹⁵ NEEP recommends considering default time of use (TOU) rates and income-graduated fixed charges or tiered discount rates.

- **Default TOU rates** with protections for low- and moderate- income customers can have the widest impact by incentivizing customers to shift load away from daily peak periods. TOU rates should be centered around a narrow peak window and send a strong enough price signal to incentivize load shifting. Research shows that

¹¹ <https://icc.illinois.gov/docket/P2022-0063/documents/328505/files/571865.pdf>;
<https://pims.rmi.org/?tab=0>.

¹² <https://puc.hawaii.gov/energy/pbr/>.

¹³ https://puc.hawaii.gov/wp-content/uploads/2020/12/PBR-Phase-2-DO-5-Page-Summary.Final_12-22-2020.pdf.

¹⁴ https://neep.org/sites/default/files/media-files/06_pims_equitymetrics.pdf.

¹⁵ [Modern Rate Design in the Northeast: Unlocking Efficiency, Affordability, and Electrification | Northeast Energy Efficiency Partnerships](#).



differentials of 4 to 6 times higher for on-peak versus off-peak usage can provide a strong incentive for customers to shift their energy usage.¹⁶

- **Income-Graduated Fixed Charges or Tiered Discount Rates** can support affordability goals. Income-Graduated Fixed Charges reallocate fixed charges based on income to lower costs for those who are most energy burdened. This can be used in tandem with a reduction in the volumetric rate while introducing or increasing the non-low-income fixed charge amount to maintain revenue stability for the utility.¹⁷ In 2024, California regulators tied both fixed and volumetric rates to customer income.¹⁸ Tiered discount rates provide discounts on electricity rates based on income. In Massachusetts, National Grid offers a tiered discount rate that ranges from 32 to 71 percent based on customer incomes.¹⁹

Conclusion

NEEP thanks the New Jersey Board of Public Utilities for the opportunity to provide comments on utility business model reform. As the BPU advances in this process, NEEP recommends it identifies clear milestones for implementing reforms and provide ongoing opportunities for stakeholder input throughout. This could look like an implementation roadmap or another brief resource to make next steps clear for New Jersey stakeholders. We commend BPU for the extensive stakeholder engagement it has already conducted and look forward to ongoing collaboration.

In addition to these comments, NEEP is available to provide additional technical assistance to the BPU. If you have questions or would like additional information, please reach out to Mary MacPherson, mmacpherson@neep.org.

Sincerely,

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¹⁶ Sergici, Sanem, Ahmad Faruqui, Nicholas Powers, Sai Shetty, and Jingcheng Jiang. "PC44 Time of Use Pilots: Year One Evaluation." The Brattle Group. September 15, 2020. Available at:

<https://www.brattle.com/insights-events/publications/pc44-time-of-use-pilots-end-of-pilot-evaluation/>.

¹⁷ [Modern Rate Design in the Northeast: Unlocking Efficiency, Affordability, and Electrification | Northeast Energy Efficiency Partnerships](#).

¹⁸ <https://www.cpuc.ca.gov/news-and-updates/all-news/cut-residential-electricity-prices>.

¹⁹ <https://www.nationalgridus.com/MA-Home/Payment-Assistance-Programs/Discount-Rates>.