



**A Proposal to Implement an
Energy Audits Demonstration Pilot Program
in Somerset County, New Jersey**

*Enhancing Delivery of
New Jersey Clean Energy Programs to
Commercial Office and Industrial Building Tenants*

*Prepared By: John Maddocks
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INTRODUCTION

The Somerset County Business Partnership Foundation, Inc., a 501(c)3 corporation, seeks to establish, implement, and manage an Energy Audits Demonstration Project for commercial office and industrial building tenants in Somerset County, New Jersey.

The target market (population) for the Somerset County Commercial Energy Audits Demonstration Project are businesses who do not otherwise have access to federal, state, and/or local incentives for conducting energy audits.

The project will provide commercial office and industrial building tenants with valuable information on their current energy consumption, identify energy efficiency improvements for implementation, and provide a basis for a building tenant to negotiate with the building owner for capital improvements that will improve energy efficiency and reduce energy consumption.

A large percentage of the 53,000,000 square feet of commercial office and industrial space in Somerset County, New Jersey is occupied by companies who are building tenants, and who, as tenants, are not the utility rate payer of record. Almost all public resources and financial incentives available for energy consumption investigation and energy efficiency improvements are only available to the utility rate payer. Tenants in commercial office and industrial buildings are thus ineligible for assistance, resources, and/or incentives.

Owners of multi-tenant commercial office and industrial buildings have little incentive to encourage their tenants to implement energy efficiency strategies as the landlord simply “passes through” utility costs to the tenant. The pass through of utility costs from the landlord to the tenant creates a circular challenge; the landlord, although the utility rate payer of record, does not pay the bill and thus has no incentive to improve energy efficiency. The tenant is not the utility rate payer and thus does not have access to resources and incentives that would help improve energy efficiency. Additionally, commercial office and industrial building tenants are unlikely to make a capital expenditure for an energy audit knowing that they are not eligible for energy efficiency improvement incentive programs.

The Somerset County Commercial Energy Audits Demonstration Project will provide a resource to commercial office and industrial building tenants in Somerset County, New Jersey that will lead to the delivery of New Jersey Clean Energy Program incentives. This will be accomplished by empowering building tenants with the information needed to approach a building owner on specific energy efficiency improvements and identification of the incentives available to construct the improvements.

This Demonstration Project will have the net effect of reducing energy consumption by commercial office and industrial building tenants in Somerset County, New Jersey.

BACKGROUND

The Somerset County Business Partnership believes that highly energy efficient buildings will result in more valuable commercial office and industrial buildings, thereby increasing real property tax revenue at the County and municipal level. Highly energy efficient commercial

office and industrial buildings will be more competitive in a global marketplace. Competitively positioned buildings will lead to greater leasing activity and reduced vacancy rates.

To achieve this goal, the Somerset County Business Partnership, a 501(c)3 corporation, seeks funding to capitalize a Somerset County Commercial Energy Audits Demonstration Project. Through the Commercial Energy Audits Demonstration Project, the Somerset County Business Partnership would make available grant funding, on a competitive application basis, for non-utility rate payer commercial office and industrial building tenants to conduct energy audits.

This Demonstration Project is based on the following observations:

- Energy Audits are a prerequisite to a company understanding their energy consumption
- An Energy Audit is a prerequisite to understanding and identifying strategies that, if implemented, would reduce energy consumption
- Incentives for reducing energy consumption are generally only available to the utility rate payer, a scenario that precludes access to resources by commercial and industrial building tenants

This Demonstration Project seeks to overcome the lack of resources available to commercial office and industrial building tenants in Somerset County, New Jersey. By making Energy Audits funding available to commercial office and industrial building tenants, the Somerset County Business Partnership will provide these companies with a resource that both analyzes energy consumption and provides a basis for discussing energy efficiency improvements with the buildings owner.

There exists approximately 53 million square feet of commercial office and industrial space in Somerset County New Jersey. According to a 2006 report by Jones Lang LaSalle* only 15 percent of corporate real estate executives have a strategy to deal with rising energy prices. (*Energy Strategies for the 21st Century, D. Probst & J. Schinter, © 2006 Jones Lang LaSalle IP, Inc.)

Commercial office buildings represent approximately 36 percent of all electric consumption in the United States (2008 Buildings Energy Data Book, US Department of Energy).

A primary goal of the Somerset County Commercial Energy Audits Demonstration Project is to help commercial office and industrial building tenants better understand their energy consumption as a prerequisite to implementing energy consumption reduction strategies.

This proposal is based on the following observations by the Somerset County Business Partnership:

1. A locally led public private partnership can result in a greater number of commercial office and industrial building tenants conducting energy audits.
2. Commercial office and industrial building tenants who conduct energy audits are more likely to reduce their energy consumption through implementation of energy audit recommendations.

3. Energy audits are a critical and necessary first step in achieving high energy efficiency in existing commercial office and industrial building.
4. A partnership among interested parties to make available, to energy users occupying commercial office and industrial buildings in Somerset County, New Jersey, free or reduced cost energy audits would help achieve the goals of various partners.

OUTCOMES

Outcome(s) for the Somerset County Commercial Energy Audits Demonstration Project will be:

- Energy users occupying commercial office and industrial buildings in Somerset County New Jersey will have performed energy audits where they otherwise may not have,
- Energy users in commercial office and industrial buildings in Somerset County New Jersey will have used energy audit results to take advantage of New Jersey's Smart Start Buildings® program(s),
- There will be an overall reduction in electric and gas commodities usage by commercial office and industrial building occupants in Somerset County New Jersey,
- There will be an increase in the value of commercial office and industrial buildings in Somerset County New Jersey, and
- There will be a decrease in the vacancy rates in multi-tenant commercial office and industrial buildings in Somerset County New Jersey.

PROPOSAL IMPLEMENTATION

The Somerset County Business Partnership proposes the following with respect to implementing the Somerset County Commercial Energy Audits Demonstration Project.

I. Establish a Demonstration Project Program Policy Committee

The Demonstration Project Program Policy Committee will serve as the responsible entity for delivering the Program in Somerset County New Jersey. The Demonstration Project Program Policy Committee will be supported by Somerset County Business Partnership Economic Development staff, with the Committee comprised of and representing the interests of Program partners. The Somerset County Business Partnership will serve on the Policy Committee representing the business community, Somerset County's primary utility companies, PSE&G and JCP&L/First Energy will serve on the Policy Committee representing the energy sector, and invitations to participate will be made to the New Jersey Board of Public Utilities, the New Jersey Economic Development Authority, and the New Jersey Department of Environmental Protection.

The Demonstration Project Program Policy Committee will insure that grants to businesses are delivered in a fair and efficient manner. The Demonstration Project Program Policy Committee will approve industries to be targeted for energy audits, approve an application form soliciting individual business participation in the Program, and review, approve, or deny individual applications for participation in the Program.

II. Establish Demonstration Project Program Fund

Upon securing funding for the Demonstration Project, the Somerset County Business Partnership will establish a segregated funds account. The Somerset County Business

Partnership's comptroller will be responsible for day to day management of funds, with the Board of Trustees of the Somerset County Business Partnership Foundation, Inc. is ultimately responsible for fiduciary responsibilities.

The Somerset County Business Partnership will manage receipt and distribution of all Demonstration Project funds through its 501(c)3 non-profit corporation. Funds will be segregated and be managed consistent with generally acceptable accounting procedures, including being subject to annual audit.

III. Solicit Applications for Participation in the Demonstration Project

Once the Somerset County Commercial Energy Audits Demonstration Project has been capitalized, the Somerset County Business Partnership, with the advice and guidance of the Demonstration Project Program Policy Committee, will seek to make funds available to commercial office and industrial building tenants.

The Somerset County Business Partnership will develop an application form for participation in the Demonstration Project and submit the Application to the Somerset County Energy Audit Investment Policy Committee for approval.

Additionally, the Somerset County Business Partnership will work with Somerset County's primary utility companies, PSE&G and JCP&L/First Energy, to identify high priority industry targets and individual customers for participation in the Demonstration Project.

The Somerset County Business Partnership will solicit applications for participation in the Demonstration Project, and submit recommendations for Energy Audit awards to the Demonstration Project Program Policy Committee.

Quarterly reports will be prepared by the Somerset County Business Partnership with respect to activities undertaken through the Somerset County Energy Audit Investment Program.

CONCLUSION

With the help of partners, the Somerset County Business Partnership believes that an energy audit program can be implemented locally which addresses the long term goals of the State of New Jersey with respect to energy consumption by commercial office and industrial utility rate payers.

We believe that the program we have outlined can be further defined to measure direct positive impacts and outcomes, and we look forward to the comments of interested parties as we move forward.

CONTACT INFORMATION

For questions or comments regarding this proposal please contact:

John P. Maddocks

Vice President, Economic Development
Somerset County Business Partnership
360 Grove Street
Bridgewater, New Jersey 08807
Telephone: (908) 218-4300 Extension 25
E-Mail: jmaddocks@scbp.org