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Via First Class Mail & E-Mail
Ms. Kristi Izzo, Secretary
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: **Initial Energy Master Plan Comments**
of the New Jersey Large Energy Users Coalition

Dear Secretary Izzo:

Pursuant to the procedures established for receiving public input regarding New Jersey's draft Energy Master Plan, the New Jersey Large Energy Users Coalition ("NJLEUC") respectfully submits its Initial Comments. NJLEUC appreciates the opportunity to provide these Initial Comments, and looks forward to continuing involvement in this important effort.

INTRODUCTION

It is no secret that the high cost of energy in New Jersey threatens the State's economic competitiveness. Based on 2004 data, for example, the United States Department of Energy's Energy Information Agency places industrial electric rates in New Jersey at an alarming 37.6% above the prevailing regional average, and even higher relative to many other states that compete for New Jersey

jobs. Such statistics underscore that, when it comes to energy costs in New Jersey, the time for temporizing and half-measures is over; something must be done.

To that end, NJLEUC supports the Energy Master Plan's goals of reducing the high cost of energy in New Jersey, enhancing the efficiency with which the State consumes energy, and increasing the long-term role of alternative energy sources in meeting the energy needs of New Jersey's citizens and businesses. In pursuing these goals, it is vital that the Energy Master Plan ultimately adopted make maximum use of all options at hand to address both the near-term and long-term electricity and natural gas needs facing our state. Old biases against particular energy strategies must be reexamined, and new biases toward emerging energy strategies avoided. Particularly in the near-term, our State does not have the luxury to adopt a strategy that "picks and chooses" among preferred energy resources and results in higher costs to energy consumers.

As part of the strategy for accomplishing its stated goals, NJLEUC recommends that the Energy Master Plan include a commitment to take affirmative steps in the following five areas:

- Immediate investment in new generation/gas supply/transmission facilities.
- Demand management incentives for large energy users.
- Energy efficiency/alternative fund management for large energy users.
- Enhanced consumer information/education for all consumers.
- Increased Board of Public Utilities ("BPU") involvement in wholesale market forums.

Our Initial Comments provide an introductory discussion in each of these five areas. As the Energy Master Plan process unfolds, we stand ready to work with other stakeholders in developing more detailed implementation proposals concerning the matters discussed below.

COMMENTS

I. The Energy Master Plan Should Encourage Immediate Investment in New Generation, Gas Supply and Transmission Facilities in New Jersey.

The higher energy costs experienced in New Jersey are driven, in large part, by the related problems of the State's congested electric transmission systems and concentrated generation market. The lack of generation to meet peak demand creates the need to import power and increases the likely exercise of market power. On the gas side, New Jersey has long suffered the impact of capacity constraints on the interstate natural gas pipelines that deliver natural gas supplies to the State.

To address these concerns, the Energy Master Plan should commit the State to actively supporting, through various means, immediate investment in new supply sources and transmission facilities for electricity and natural gas within New Jersey. More specifically, the State should affirmatively foster the siting and construction of new generation and power lines on the electric side, and the siting and construction of LNG facilities and related pipeline infrastructure (whether considered interstate pipeline or local distribution capacity) on the gas side within New Jersey. Facility siting represents perhaps the greatest barrier to the construction of new generation, gas supply, and transmission facilities in the State. NJLEUC urges that the Energy Master Plan include policies that not only facilitate, but encourage, construction of these vital facilities in the proper locations within the State. Such facilities are needed immediately to increase competition, provide access to less costly power and natural gas supplies, and promote the State's continued economic vitality.

The State also should provide incentives to facilitate the installation and on-going operation of distributed generation and co-generation for large customers. Such programs would afford additional

means to reduce transmission congestion, improve efficiency, reduce emissions and reduce electricity costs.

NJLEUC recognizes that any such development must occur in an environmentally responsible manner. In an era when energy and environmental policies have increasingly converged, the Energy Master Plan must harmonize the need to develop additional energy resources of all types with the State's historic commitment to protecting the environment. These goals are not, and must not become, mutually exclusive ends. These needs could both be met, for example, by setting emission targets for new generation, but not requiring or discouraging any particular type of fuel source.

II. The Energy Master Plan Should Include Demand Management Incentives for Large Energy Consumers.

In pursuing the Energy Master Plan's goals, the "best megawatt" will be the one not consumed. Managing the demand side of the power market, particularly during times of peak demand, is critical to achieving the Energy Master Plan's goals of reduced peak demand, reduced need for new generation, reduced transmission congestion, reduced emissions and reduced costs, yet the draft to date says little about demand management.

As sophisticated energy consumers that place consistently high demands on the electric grid, large industrial and commercial end users represent potentially fertile ground for demand management programs, particularly in the near term. Accordingly, NJLEUC believes that loads participating in demand response programs should be compensated for that participation. Loads that curtail during peak periods incur the cost of lost production while those loads that do not curtail still benefit from reduced costs. Compensation for demand should reflect the value to the system at the time of the curtailment.

Under this approach, a payment for each megawatt of peak period demand avoided through demand response techniques should be priced at the same level as electricity that otherwise would have been

purchased. In addition, New Jersey should help promote better opportunities within existing PJM load response programs, and develop State-based programs that compliment those PJM programs.

III. The Energy Master Plan Should Include Energy Efficiency and Alternative Energy Fund Management for Large Energy Consumers.

Because they impose consistently high demands on the electric grid, large commercial and industrial consumers are natural targets for energy efficiency and alternative energy programs. The industrial customers served by the state's utilities have contributed millions of dollars into energy efficiency funds. Those funds, however, have not been well managed, nor have they achieved the energy reductions possible through more efficient deployment of funds. To date, the opportunity to use these funds to support substantial and effective energy efficiency and alternative energy programs at industrial and manufacturing facilities -- facilities managed by people with an incentive to produce the best possible results -- largely represents an opportunity missed.

Notwithstanding this absence of State support, the need to remain competitive in an increasingly global economy has spurred NJLEUC members to invest in energy efficiency programs of their own accord. NJLEUC believes that the Energy Master Plan should build on these private efforts by providing the utilities' large commercial and industrial customer segments a mechanism through which they can invest their energy efficiency fund dollars directly in their own efficiency and alternative energy programs and in exchange for achieving documented efficiency gains. Utility-run efficiency programs may produce satisfactory results for small commercial and residential consumers, but NJLEUC believes that large

commercial and industrial customers can deliver better and more significant results through self-funding and self-management of energy efficiency projects at their facilities.

Consequently, NJLEUC recommends that the Energy Master Plan include a funding source for energy projects undertaken at large commercial or industrial facilities designed to achieve either greater energy efficiency in the consumption of electricity or natural gas, or increased reliance on alternative energy technologies. For example, such projects could receive a credit against the "Energy Efficiency and Renewable Energy Programs" charge embedded in the sponsoring company's Societal Benefits Charge ("SBC").

IV. The Energy Master Plan Should Include Enhanced Consumer Information and Education Programs.

It is often said that knowledge is power and, in pursuit of the Energy Master Plan's efficiency goals, this may quite literally be the case. New Jersey consumers at all levels could contribute to achieving more efficient statewide energy consumption if they had available an information system that could stream real-time consumption data and real-time market data directly to a desktop computer with a local historical data base. Armed with this basic data set, consumers would have the ability to take action to load shift and curtail otherwise unnecessary energy consumption. Even the availability of real-time pricing data alone, provided to consumers subject to time-of-use tariffs, could provide a sufficient means to spur demand response.

Greater information access also could assist consumers in better understanding the information conveyed on their monthly utility bills. Since the advent of retail competition, utility billing has become increasingly complex, to the point where consumers may not always have a complete understanding of all costs associated with their total bill. To enhance consumer understanding, electronic presentation of all

utility-related information that either appears on a utility bill or that supports the calculation of a bill should be readily available to all customers from an internet website. Via such a website, all current and historical information related to generation of the utility bill should be easy to view and download.

Enhancing consumers' ability to respond in real time to market signals could contribute significantly to reducing energy consumption and shaving peak power demands without installing any additional power generation or transmission infrastructure. NJLEUC urges the final Energy Master Plan to commit the State to deployment of more sophisticated meters to residential customers as a necessary first step to achieve price responsiveness. NJLEUC envisions a State-led effort in which the electric utilities work cooperatively with an outside consultant selected by the State to develop a uniform data system for New Jersey. As part of this effort, an appropriate statewide consumer education campaign would be required to introduce consumers to this new technology with the ultimate aim of maximize the public's ability to use this data system.

V. The Energy Master Plan Should Require Greater BPU Participation in Wholesale Energy Market Forums.

Many of the policies affecting energy costs in New Jersey involve wholesale energy markets, and are set at the Federal Energy Regulatory Commission or within PJM. In addition, the Electric Reliability Organization mandated by the Energy Policy Act and recently approved by the FERC will establish a regional reliability organization with responsibility for New Jersey and its neighboring states. State Commissions represent vital stakeholders in the policy formation process before the FERC and PJM. Consequently, it is essential that the BPU actively and consistently participate at the FERC and before PJM in matters involving, for example, transmission siting, generation additions, congestion pricing, and interconnection policies to protect the interests of New Jersey energy consumers.

CONCLUSION

NJLEUC applauds the Corzine administration for recognizing the critical need to address the high cost of energy in New Jersey and launching the Energy Master Plan effort in response. We appreciate the opportunity to submit these Initial Comments for consideration, and we look forward to working constructively with all stakeholders to produce an Energy Master Plan that achieves a brighter energy future for all New Jersey consumers.

Respectfully submitted,

NEW JERSEY LARGE ENERGY USERS COALITION

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