

NJ Board of Public Utilities Hearing

June 17, 2011

Comments by George Waidelich, Vice President – Energy Operations, for Safeway Inc.

Safeway has a small footprint in NJ but a fairly large footprint in PJM. We have participated in competitive power markets, including NJ, across North America in both gas and electricity for the last 15 years. We are also a member of the COMPETE Coalition, an organization of over 500 companies, that believe in the value, and work to improve, competitive power markets. **28 of COMPETE's 571 members have headquarters located in New Jersey, and 53 of those customers have a large footprint in New Jersey with over 1,950 stores or other facilities providing hundreds of thousands of New Jersey jobs.** So my comments are based on experience with both wholesale and retail power markets, most importantly, and dialogue with my peers who represent most of the major market participants including commercial and industrial customers.

Energy is one of our largest **operating** expenses after salaries and benefits. This is a common attribute of the retail industry. Safeway has fewer stores today in NJ than we did a few years ago. And the reason is profitability - our expenses were greater than revenues. Like the BPU we desire that our stores in NJ have reliable, competitively priced electricity. Safeway needs reasonable competitive energy prices to compete.

Wholesale and retail competition in power markets is working; specifically it is working in New Jersey. The success of these markets is interdependent on each other. In that you cannot have vibrant retail competition without sustainable and functioning wholesale competition. PJM has made significant improvements over the last decade to improve the efficiency of its market.

We believe whole heartedly **from our experience** that subsidized generation by NJ consumers will actually lead to **higher electric rates, higher costs for goods and services, and fewer jobs.** We also believe that this policy will increase our costs not just here in NJ, but throughout our stores in the PJM region. That will hurt our competitiveness, impact our profitability and impact jobs.

NJ energy policy must place more emphasis on the principle of the “**greatest benefit for the least cost**”. Generation subsidized by NJ's businesses and families is not consistent with this principle. In fact, this type of scheme reminds me of the NUG (Non-Utility Generation) contracts of the 20th century required by PURPA. Those contracts over their term consistently did not meet the expectations regulators had when they were passed. Subsidized generation will leave NJ consumers with the short end of the stick just like the NUG contracts executed in the past.

Investors not Consumers should continue to be at risk for new generation – this is one of the main cornerstones of competitive markets. Competitive power markets are working and the data shows that retail electricity prices in competitive markets including New Jersey, have increased at a lower rate than inflation, and in real terms are lower than when States began restructuring.

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