To: Energy Master Plan Committee

Fr: Sara Bluhm, Assistant Vice President Energy & Federal Affairs
New Jersey Business & Industry Association

Re: Energy Master Plan

Date: July 25, 2008

On behalf of the New Jersey Business & Industry Association's 23,000 members, I would like to share our comments on Governor Corzine's Draft Energy Master Plan.
The Commercial and Industrial ratepayers of the state consume 64% of the electricity and have a vested interested in our energy future and policies.

For the past 18 months, the Association has been involved in the Governor's Energy Master Plan process. During this time, there has been working groups, roundtables and white papers that have illustrated the constraints of our electric system and the increases in cost. To quote Governor Corzine in his opening letter from the Draft Plan.

> "New Jersey's economy depends on a reliable supply of energy at a reasonable price. Surveys of the business community in our state repeatedly show that high energy costs weigh against decisions to locate, retain or expand businesses here."

NJBIA agrees with the Governor, but are very concerned with the ultimate policies, practices and prices that are a result of this plan. We look forward to working with the Energy Master Plan committee to create a more affordable and efficient electric supply. To that end these are our comments on the draft plan:

Energy Efficiency
NJBIA is concerned with the layering of additional taxes and fees on energy bills for ratepayers. Commercial and Industrial ratepayers are set to see almost 20 percent of their electric bill be government surcharges and taxes. With the passage of the Global Warming Response Act and the RGGI Auction enabling legislation, the Commercial and Industrial Ratepayer can potentially pay for energy efficiency five ways on their one electric bill: 1) the societal benefits charge (SBC), 2) the retail adder surcharge, 3) demand response programs, 4) RGGI auction compliance cost, and 5) any utility energy efficiency programs. The 2008 Clean Energy Budget, which comes out of the SBC tax, is over $390 million dollars; the retail adder fund has over $70 million, and the RGGI auction

is expected to bring in minimum of $40-70 million annually. Currently there does not appear to be any coordinated plan between State agencies for the disbursement of these funds or a review of the need to reduce/eliminate any of the taxes.

The State also needs to recognize the importance of funding business at a higher rate than residential if it aims to meet efficiency goals as well as environmental goals. The Clean Energy Program in 2006 spent over $56 million on residential customers to achieve 27,978 MWh savings and reduce 19,032 metric tons of CO_2. While $21,943 million was spent on Commercial and Industrial programs to achieve 98,377MWh savings and 67,969 metric tons of CO_2. Clearly it is a better use of ratepayer dollars to invest in business efficiency.

Looking forward to 2020, State policies must change to eliminate the $200,000 cap on business rebates and find new ways to incentivize companies to become energy efficient. Implementation strategies that rely on whole building retrofits of commercial and industrial spaces will not be possible if a cap is in place for these customers. Furthermore it is not fair that the C&I ratepayer is penalized but the State is using over $10 million of ratepayer money to do just this. Additionally there is no cap on the residential customer for the dollar amount that they can receive in rebates or incentives, while they contribute significantly less money than other rate classes.

NJBIA is also concerned with the proposed strategy to increase the state's building codes. There is no cost impact currently associated with the Commercial and Industrial sector. NJBIA has asked for this cost analysis and has yet to see what the impact would be on the business community. Additionally, the referenced legislation allows the Commissioner to change the code at anytime. Currently the building code is updated on a three year interval with changes being vetted by the Uniform Construction Code Advisory Board. Furthermore, it does not require that the energy subcode would have to adhere to the national model codes of the Building Officials and Code Administrators International, Inc., the National Electrical Code, and the National Standard Plumbing Code. If New Jersey does not follow the national code we have the potential to not have a workforce that has the training or certification to complete the construction jobs required, increase our construction costs, and uncertainty for building if the timeframes for codes keeps changing. Instead the Association recommends that the Plan consider A-2070/S-1077 which we fully support and encourages Green Building.

In regards to the Appliance Standards strategy, NJBIA did point out to the EMP committee that the legislation has been modified. We would like to point out that just like a car, appliances have model years and are often in development by the manufacturer for some time. Any changes to the appliance standards should take this planning and production into mind.

NJBIA is encouraged to see that the Plan takes into account the need for energy practices to be created for 10 industry sectors. Currently the Clean Energy Program fails to provide any guidance for the C&I ratepayer. NJBIA looks forward to assisting in the development and deployment of these best practices manuals as we see a true benefit in them. The Association would recommend further education and outreach for the rate class come from the money allocated to the Clean Energy fund for community outreach or business outreach and actually conduct an outreach campaign for the business community besides the one Clean Energy Conference that is held during the year.

The Association does have concerns with NEEP providing suggestions on policies for the BPU based on the June stakeholder meeting at which it was expressed they were coming up with a system to by pass State Treasury Procurement procedures. It was also not identified what the impact for ratepayers would be, how the proposed structure was different from the current market managers approach, and what staff would be eliminated from BPU.

Reduce peak demand for electricity by 5,700MW by 2020
NJBIA is very concerned about Plan's strategy lowering the threshold for mandatory shopping for customers with over 500kw peak load share. This is a very aggressive drop in the threshold which may impact other programs. While NJBIA recognizes that the Plan wants to make larger ratepayers aware of what electricity they consume, it also has to take into account that these customers are used to paying the FP price which has been lower than the CIEP price. Some customers may shop competitively, but many of these businesses do not have energy managers that can negotiate these markets. The BPU Business Ombudsmen are in place to assist customers, but can not realistically help all of the impacted customers or negotiate the contracts with them. Businesses could see a huge spike in their electric costs at a time when the economy is not doing well.

We are encouraged to see that the Retail Margin Adder would be eliminated. While it may have been imposed by the BPU to spur competition, it is now just a tax. There has not been a significant shift in those customers that shop versus those that do not. With over $70 million in the fund, the money needs to be returned to this rate class and the tax needs to be abolished.

Another possible conflict in lowering the threshold for mandatory competitive shopping is that a customer could shop and be locked in for a certain price at a certain peak load. If they are locked in at price and quantity, it may discourage demand response participation. New Jersey historically has done little to no promotion of the PJM demand response program. Instead of taking ratepayer money to create a new program that the BPU may not have the staff to handle, New Jersey should first examine participating in the PJM program. There should be a stakeholder process to evaluate the strategies presented and any potential unintended consequences. It would also need to be determined if this would be funded by all rate classes. The Plan does not have a funding source or price tag associated with this strategy.

Similarly, having a voluntary load management program needs to be fully examined. NJBIA supports the PJM emergency and economic demand response programs. However, there are many industries where it is not realistic to move workers hours or when production occurs. The State must also be willing to have flexible permits from the Department of Environmental Protection (DEP) in order for this program to be fully realized. A recognition that it is better for the state to have a facility that can shift load and run a cogen and not face permit infractions than have PJM call a peak loader to meet demand. If the goal is to lower emissions and insure grid stability, the DEP must be willing to have flexible permits for participates enrolled in the PJM program.

All of these issues rely on a sophisticated grid system as well as end user. It is not possible to just change meters and expect change overnight. While NJBIA has supported the use of retail margin funds for the purchase of C&I advanced meters, we recognize that not every company has the staffing to monitor its energy usage on an hourly basis. There needs to be an education component that goes along with a smart grid. And it is not just meters that need to be upgraded, it truly needs to be a smart *grid*. The transmission lines, new generation, utility workers, customers, etc all need to be able to communicate and work effectively together.

Renewables

NJBIA recognizes that any electric portfolio needs to be diverse. However, there also needs to be a recognition that the economy runs on base load power. New Jersey is number two in the nation for solar because for many years the state subsidized solar projects up to 70 percent. As we are transitioning off of that model, it can not be expected that renewables will reach a reliability factor that will guarantee the power to move industry.

In terms of ratepayer dollars, the Association feels that we should encourage the development of renewables on land and not use ratepayer money for off shore projects. If private industry wants to develop off the coastline that is an option, but the State should not be spending millions of dollars in exploration if that money could be put to use in funding ratepayer projects instate. Furthermore, if the Societal Benefits Charge is going to continue to be used to support the development of renewables, a thorough review needs to be made of the renewable projects the State supports. The Plan calls new charges to be investigated related to biofuels. Yet there is no examination of the impacts of RGGI offsets and the possibility of private sector development occurring.

Develop new low carbon emitting efficient power plants

NJBIA supports the development of new nuclear power plants and combined heat and power behind the fence generation. We also support the relicensing of our current nuclear fleet. With over 50 percent of New Jersey's baseload power coming from nuclear, the State can not turn its back on this emission free source of reliable affordable power.

Attention needs to focus on bringing new plants online to help the state meet the growing demand within our borders. New Jersey's commercial and industrial customers are competing with companies in other states. Multi-state corporations often report that New Jersey is the most expensive in which they buy power. We need to change that to remain competitive. The additional capacity a nuclear power plan can bring over time as well as a cheap source of power can help level the playing field. In the short term the jobs associated with developing these plants can also help our economy.

Combined heat and power (CHP) also is going to need the help of government to succeed at the levels called upon by the plan. Again the State needs to remain competitive with its surrounding states in order to get companies to spend capital in New Jersey on cogen units. NYSERDA - Existing Facilities Program is currently offering $750 per kW for CHP ($650 upstate) and 10 cents per kWh for 2 years. If the plant operates 90% of the time, the per-kWh portion adds another $1,500 per kW. This is an incentive program. Our rebate levels must be on par to surrounding states.

Today, the BPU offers assistance for CHP once a year and it takes months to know if an applicant will qualify. While interest in the program is high, it needs to occur more often and with more support. There needs to be assurances that DEP will issue timely permits, BPU incentives will be available at the same time and any financing needed will come from EDA. It needs to all be available and done in one application. Furthermore, the sales and use tax exemption must apply to all cogens in state, not just those developed before 1997.

Invest in Clean Energy Technologies and Businesses

Regardless of the type of business, NJBIA welcomes new industries developing in the state. To compliment the strategies in the Plan the state will need to invest in many different careers and technologies. It will not just be blue collar workers doing installations, but also white collar engineers and others who will work towards achieving these goals. We recommend that as EDA offers workspace, labs, etc it also look into the green sector and ability of collaborating companies working under one of its roofs.