

**RUSSO TUMULTY NESTER
THOMPSON & KELLY, LLP**

A NEW JERSEY LIMITED LIABILITY PARTNERSHIP

240 Cedar Knolls Road, Suite 308
Cedar Knolls, New Jersey 07927
Tel: 973-993-4470
Fax: 973-993-3103

Howard O. Thompson
Direct Dial: (973) 993-4477
E-mail: hthompson@russotumulty.com
REPLY TO CEDAR KNOLLS OFFICE

175 Fairfield Avenue, #5A
West Caldwell, NJ 07006
Tel: 2973-403-1661
Fax: 973-403-9523

830 Bergen Avenue
Jersey City, NJ 07306
Tel: 201-434-5000
Fax: 201-434-0780

July 25, 2008

BY E-MAIL AND BY REGULAR MAIL

New Jersey Board of Public Utilities
Office of Policy and Planning
Attention: Draft EMP Comments
Two Gateway Center
Newark, New Jersey 07102

Re: New Jersey's draft Energy Master Plan – Comments of the PPL Companies

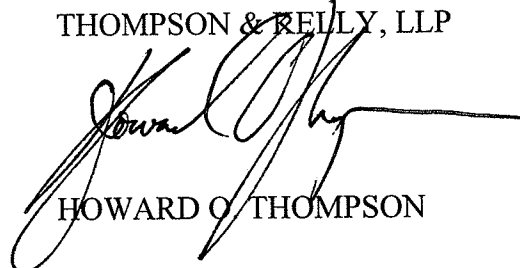
Dear Standing Committee Members:

Enclosed please find the Comments of the PPL Companies to the draft Energy Master Plan. These Comments are being submitted in Word format via e-mail and in hard copy.

The PPL Companies are pleased to be part of the process whereby New Jersey will set down these important goals for its future. The PPL Companies look forward to being part of the multiple and regional solutions that will be put to work for New Jersey. Thank you for your consideration of the enclosed Comments.

Very truly yours,

RUSSO TUMULTY NESTER
THOMPSON & KELLY, LLP



HOWARD O. THOMPSON

Enclosure

**COMMENTS OF PPL COMPANIES ON
NEW JERSEY'S DRAFT ENERGY MASTER PLAN
July 25, 2008**

I. INTRODUCTION

The PPL Companies are pleased to present these comments on the initial draft of New Jersey's Energy Master Plan (the "EMP"). PPL EnergyPlus, LLC is the power marketing company in the PPL family of companies. PPL Corporation is a "Fortune 500" company with over 11,000 MW of generation owned or under its control. PPL Corporation, through its various subsidiaries, has been a key provider of electricity to New Jersey for decades.

PPL EnergyPlus markets and brokers energy in key U.S. markets. It offers a full range of energy-service and energy-management solutions to its customers. When New Jersey opened its markets to competition through the Electric Discount & Energy Competition Act ("EDECA"), PPL EnergyPlus was one of the first entities to be licensed as a third party electricity supplier. PPL EnergyPlus also is a wholesale power supplier that has been active in all of the Basic Generation Service ("BGS") auctions that have been conducted by New Jersey's electric distribution companies (the "New Jersey EDCs") at the direction of the New Jersey Board of Public Utilities (the "BPU").

PPL Corporation's subsidiary, PPL Renewable Energy, is designing, constructing and will operate the largest rooftop solar installation at Schering-Plough in Summit, New Jersey, as well as other solar projects. PPL Corporation's generation and development subsidiaries also are expanding nuclear power, wind and hydroelectric power generation, thereby expanding low carbon/carbon-free generation in the PJM region.

PPL Corporation's electric distribution company in Pennsylvania, PPL Electric Utilities Corporation, along with PECO and PSE&G, was one of the three founding members of what has become today's PJM Interconnection. PPL Electric has long been ranked very highly for customer satisfaction. In November 2007, PPL Electric became the first Pennsylvania utility to track and display daily electricity use information for all of its customers. Working with PSE&G and FirstEnergy, PPL Electric is currently siting a major new transmission line to be located in Pennsylvania and New Jersey, known as the Susquehanna-Roseland 500 kV Transmission Line.

In short, the companies in the PPL family have had and continue to have a significant stake in and involvement with New Jersey. If New Jersey is to have competitively priced, reliable electricity, then the EMP and all public policies of the State need to be consistent, clear and fair. Entities, such as the PPL Companies, simply ask for a level playing field where (a) competition is fostered and (b) energy and energy solutions are recognized for what there are: regional in nature.

II. NEW JERSEY NEEDS A MARKET-ORIENTED APPROACH

Market solutions work. PPL respectfully submits that New Jersey's public policies should encourage market solutions and fair competition because fair competition and market-generated solutions will lead to lower prices. Electricity prices have risen in New Jersey and elsewhere primarily due to dramatic spikes in underlying energy costs. Public policies that encourage competition help keep prices from rising even further. Market participants seek to find ways to cut costs, be the low bidders and gain market share. The EMP needs to not only concern itself with what type of electric generation supply will be available and when, but also with continuing to foster the competitive market and having electricity rates that are comparable to or better than other states in the region.

Sensible policies should foster the EMP's goals. New Jersey's public policies should and do have other worthwhile aims, such as encouraging development of renewable energy sources. Caution must be exercised, however, in setting policies that can be costly to implement. As noted in the EMP's roundtables, New Jersey's ratepayers end up paying for those implementation costs. Therefore, the policies need to be sensible and they need to bring in market participants that can focus on implementation in a cost effective way. The EMP, legislation implementing policies and the BPU in particular can not simply turn to New Jersey's EDCs and expect these regulated utilities to somehow solve the State's urge to install thousands of megawatts of renewable generation in New Jersey. There is a marketplace and there are suppliers, such as the PPL Companies, out there that want to participate. Regulations need to foster the market's handling of renewable generation building/installation. Legislating or regulating large percentages of renewables to be funded by the New Jersey EDCs impairs the growth of the market. The EDCs should be asked to support the small end of the market (under 100 kW), supplementing the BPU's programs operated by the Office of Clean Energy ("OCE") – but even with those programs, cost analysis is needed.

A regional approach to regulation is needed. It is extremely important for New Jersey, in setting the new version of its EMP, to recognize that New Jersey is part of a regional marketplace. The EMP cannot lose sight of the fact that economic development in New Jersey is dependent upon electricity rates not being dramatically higher than rates in other states. While it is worthwhile to set goals for expansion of renewable generation in New Jersey, the pro-New Jersey policies need to include and treat regional participants fairly because regional participants help to provide a reliable supply of competitively priced power. As Governor Corzine said in the opening paragraph of his April 17, 2008 cover letter to the EMP,

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.

If New Jersey's environmental and electricity policies are so insular that only New Jersey companies end up participating (perhaps because they have no choice), while companies outside of New Jersey elect not to participate, then New Jersey could imperil its economic well being with higher electric rates and little reduction in greenhouse gases.

Everything is on the table as no one strategy will work alone. The public policies represented in and/or enunciated by the EMP should promote cooperation and participation in moving New Jersey's electric and gas markets forward to cleaner, more efficient power usage. No one strategy or policy is the magic solution and the EMP should reflect that reality. As the New Jersey State Chamber of Commerce stated at the EMP's Public Hearing in Trenton, "everything has to be on the table." Sensible policies and utilization of a variety of resources and participants on a regional basis are needed for New Jersey to achieve its goals of cleaner power and cleaner air by 2020 and 2050.

III. THE EMP CORRECTLY FOCUSES ON ENERGY EFFICIENCY

Energy Efficiency is an essential part of New Jersey's future. The PPL Companies applaud New Jersey for placing a high level of importance on Energy Efficiency in its draft Energy Master Plan. The ideal way to reduce peak demand and the resulting strain on electricity transmission and distribution systems is for customers to cut back on their usage. With respect to commercial facilities, such as office buildings, and with the residential market, this is best achieved by encouraging use of the considerably more efficient air conditioning products that are now available and more efficient, "smarter" appliances. Without smart meters and time of use pricing, it is difficult to motivate residential customers to consistently alter their electricity usage patterns and, as has been noted in the Roundtables and Public Hearings, some customers cannot change their usage patterns. But reducing usage is a must for system reliability and for reducing carbon emissions and improving air quality.

Energy Efficiency is an area where New Jersey government can have genuine and significant impact. More efficient equipment and less usage are ideal areas on which New Jersey government to focus its efforts. Less demand means less usage of high cost generating units that set the hourly pricing of electricity. While many issues identified in the Energy Master Plan can not be solved or addressed by New Jersey on a "go it alone" type basis, energy efficiency is an issue where New Jersey's governmental policies and efforts can make a difference. Those policies, among other things, should foster: (1) changes to more efficient equipment (doing even more than is done right now on light bulbs, setting building codes as suggested, and assisting with air conditioning and appliance replacement and/or standards all would have a positive impact), (2) use of advanced metering with certain customer groups (PPL Electric Utilities has advanced metering in place in its service territory) to understand and adapt usage, (3) all levels of New Jersey government leading by example, and (4) weatherizing and various old building stock upgrades to reduce usage. The Energy Master Plan should set definitive goals for how New Jersey can reduce usage and how New Jersey government can effectively assist small customers.

The marketplace has energy efficiency tools to help. The market has developed and is developing energy solutions for commercial and industrial customers. These customers are motivated to reduce usage at peak time and also on an overall basis. Many companies, including PPL EnergyPlus and other third party suppliers, work with C & I customers to implement usage strategies and reduce usage. New Jersey should set goals that will affect these larger customers and allow the market to provide solutions. Cost savings that can be achieved will drive energy efficiency efforts with and by larger customers.

IV. NEW JERSEY'S BGS APPROACH WORKS AND NEW JERSEY'S PUBLIC POLICIES AND THE EMP SHOULD EXPRESSLY SUPPORT AND NOT ADVERSELY AFFECT THE BGS AUCTION PROCESS

BGS is a key ingredient to competitive energy supply. The current draft of New Jersey's EMP correctly focuses on the need for energy efficiency, the need to assure reliable supply for New Jersey ratepayers, and the need to expand renewable energy sources in the face of existing renewable portfolio supply requirements. One of the key ingredients in meeting these needs and the successful operation of a competitive electricity market in New Jersey is the BGS auction and supply approach.

The BGS auction process is the superior way to serve New Jersey ratepayers. The BGS procurement process has had and always should have the goal of obtaining reliable electric energy supply via a competitive process, at a cost consistent with current forward market conditions for New Jersey electric customers who have not chosen an alternative energy supplier. BGS's competitive auction process has proven to be the best method to achieve this goal. The auction process ensures that only qualified bidders with acceptable credit ratings will participate in the auction and ensures adequate competition. Expected participation is known well in advance of the auction start. Energy volumes to be procured can be adjusted in the BGS process to maintain a competitive auction, whereas volume adjustments are usually not addressed if supply was procured through a Request for Proposal ("RFP"). Also, bidders are limited in the amount of load they can win in the auction, which ensures diversity of supply. The dynamic and transparent BGS auction process provides a mechanism for bidders to refresh pricing and adjust their bid strategy consistent with decreasing auction prices and decreasing the energy volumes (tranches) being bid as the descending clock auction progresses. The resulting final auction price is consistent with market conditions and is the same price for all winning bidders. In an RFP process to acquire supply, there is no price transparency and suppliers provide a single, inflexible bid, usually with no opportunity to refresh pricing. The lowest bid in an RFP process may not reflect current market conditions. Also, if multiple bidders are to be selected in the RFP process, winning bids can vary, resulting in a higher overall price than the current market would set in a competitive process.

BGS works. The bottom line is that that BGS works. One telltale sign is that small commercial and industrial customers that are on fixed pricing and can shop for the most part stay on BGS. The statistic noted in the July 11, 2008 BPU meeting was that 90% of

a group that could shop stayed with BGS because third party suppliers could not usually beat the price. The BGS system has resulted in bidders delivering electricity without the cost of marketing to individual customers, but with those individual customers having the benefit of bidders competing against each other to serve significant tranches (usually around 100 MW).

Renewable requirements add to upward price pressures. In addition, it is important that the EMP acknowledge that establishing certain state policies may adversely affect the ability of the BGS auction process to keep prices from rising further, even if energy raw material prices fall. Rising renewable requirements, while meritorious, send prices higher. This does not mean that BGS does not work or that BGS needs to be fixed, as the Rate Counsel has advocated. In fact BGS does work, but results are affected by factors such as the Renewable Portfolio Standards (“RPS”) and dramatically higher oil and gas prices.

The BGS process is consistent, competitive and should be maintained. New Jersey’s BGS auction process has brought about a consistency of approach that allows the market to work. While the prices of energy raw materials have climbed dramatically, the competition faced by BGS bidders has helped fight upward pricing pressures. The BPU has repeatedly indicated that the BGS auction process is a good, competitive way for New Jersey’s default, full service supply needs to be met. Those who would tinker with, or replace a portion of, the BGS supply via RFPs or other mechanisms invite higher prices and supplier favoritism, rather than competitively set prices that help New Jersey’s economy. The final version of the EMP should expressly confirm the BPU’s existing BGS process as an important part of the State’s energy policy.

V. THE EMP SHOULD DIRECT THAT STATE REGULATION MUST BE MEASURED, FAIR, PLAINLY ESTABLISHED AND REMAIN CONSISTENT

Too much regulation will choke the market. State policies need to recognize that too much regulation ties the hands of competitors who may end up looking elsewhere to do business. Less competition and/or overly burdensome regulation will result in inflated energy prices. By way of example, if requirements are placed on suppliers to use only New Jersey generation sources, some suppliers will not participate in the market and others will simply seek to charge more for this added cost of doing business.

New Jersey should regulate with the region in mind. While supporting intrastate development of renewable energy generation is logical, the EMP and New Jersey regulation generally should avoid policies that are anti-interstate commerce in nature. First, there is a natural tension between the ability of states to regulate commerce and the U.S. Constitution (i.e. the Commerce Clause). Secondly, there are matters that can not be solved solely on a state basis and need regional and/or national solutions. As stated by the New Jersey Utility Association (“NJUA”) at the EMP’s Public Hearing in Newark: “New Jersey can increase its energy self-reliance and achieve its environmental goals, but should not adopt policies that treat the state in isolation, as though it is an island.”

New Jersey should welcome development of out-of-state renewables. One area of concern is that out-of-state suppliers within the PJM region that are developing new renewable energy generation should not be discriminated against because the generation is located outside of New Jersey instead of inside New Jersey. The draft EMP is so focused on expanding in-state generation that it ignores that solar, wind, hydro and other Class 1 generation southwest and west of New Jersey also helps with air quality in New Jersey. Out-of-state solar and certain hydro generation – at least to the extent that such generation constitutes new or expanded levels of such generation – should count for meeting New Jersey’s regulatory requirements, as long as a renewable energy credit is generated, counted and retired. If the concern of an environmental policy is to have cleaner air, then renewable sources nearby, not just in, New Jersey should count when it comes to regulation.

Transmission lines are needed for New Jersey and the region. Another area of concern with regulation is with the need for transmission lines. New Jersey should support new or expanded transmission lines that can bring such power more easily into New Jersey during times of peak usage and generally. As noted by the NJUA with respect to its concern about isolationism by New Jersey:

As the final EMP is developed, the need to assure the reliability of the transmission and distribution system should remain a primary focus. ...
Assuring adequate transmission capacity is critical to ensuring reliability and should not be viewed only as an enabler of imported coal-fired power.

One party commented at the Public Hearings that New Jersey needs transmission lines, but should not have anymore than it needs. It is respectfully submitted that if PJM and the Federal Energy Regulatory Commission (“FERC”) have made the decision that transmission lines are needed for regional reliability, then New Jersey should expedite the approval process for where those transmission lines are to be placed.

Renewable regulation needs to lead to a market-based approach. Another area where regulation needs to be carefully imposed is with respect to renewable requirements and LSEs. New Jersey has implemented regulatory requirements that, through at least 2020, raise the level of renewables that must be supplied by all LSEs as part of their overall portfolio or face costly alternative compliance payments. The solar supply requirement rises significantly as a subset of the rising Class 1 renewable requirement through at least 2020. It appears that New Jersey is pressing its EDCs to create solar loan programs to speed installation of smaller generation systems, with the EDCs to be required to auction these systems’ SRECs. These auctions need to be conducted prior to the BGS auctions and participation should be voluntary. Whether it is an OCE-sponsored rebate system for very small projects or these RGGI-imposed, EDC-sponsored programs, these programs should focus on smaller systems and they should be brief in duration, as regulation impairs the ability of the market to act. Initially, the solar industry is focusing on larger customers and larger projects; but over the near future, the solar industry will begin to deal with smaller systems as the rising solar RPS requirements and Solar Alternative Compliance Payment (“SACP”) regulations begin to have an impact. In the end, each market participant should be free to meet the renewable portfolio supply requirements as

it determines to be the least cost alternative to having to pay SACPs. The short term programs need to be tailored to support the BGS auction system while fostering the growth of environmentally friendly generation for New Jersey.

It is essential that regulations be definite and unchanging. Consistency of the regulatory process is crucial to participation and those entities seeking to provide competitive pricing. Regulatory uncertainty will be a nightmare for participants, who (if faced with such uncertainty) would be prudent to: (a) elect not to participate, meaning less competition and higher prices; or (b) to participate and hedge against such regulatory uncertainty by supplying at high prices, with New Jersey's ratepayers bearing the higher prices. Therefore, a key tenet of the EMP must be a commitment to provide clear, fair, definite and unchanging regulations.

VI. NEW JERSEY NEEDS TO LOOK REGIONALLY, RATHER THAN TRYING TO "GO IT ALONE"

New Jersey needs to look regionally. A key tenet of the EMP must be that New Jersey can not "go it alone." New Jersey must set policies that are inclusive, rather than exclusionary, when it comes to fostering renewable generation and reliability. Renewable generation elsewhere in PJM helps to reduce emissions and this is a good result for New Jersey. While New Jersey wants to avoid cheap, less environmentally friendly generation inside and outside of the state, there is plenty of emission-friendly power in Pennsylvania and elsewhere that exists and/or will be built. If hydro plants are added or upgraded, if solar and wind generation is installed, and if expanded nuclear power occurs as anticipated elsewhere in PJM, these power sources can benefit New Jersey in the context of pricing and in the context of emissions.

Reliability and supply are regional issues. Keeping the lights on and keeping them on with electricity prices that are not through the roof must be the stated centerpiece of energy policy in New Jersey. Reliability is not just a state issue. It is very much a regional issue. The importance of reliability can not be understated and a central element of reliability is upgrading transmission. Likewise, electricity supply is not just a state issue. Electricity supply is very much a regional issue. The EMP should avoid any implication that electricity generation from elsewhere in PJM is "bad". There is a need for non-New Jersey generation and the transmission lines existing and proposed. The EMP should be encouraging construction and participation of out-of-state renewables as part of an overall plan to increase use of renewable sources in New Jersey.

VII. THE EMP CORRECTLY FOCUSES ON MAKING THE POTENTIAL OF RENEWABLES A REALITY FOR NEW JERSEY

PPL is helping the New Jersey solar market. The PPL companies applaud the effort of New Jersey to expand renewable generation available for New Jersey's ratepayers. The PPL Companies have been successful in developing, owning and operating solar projects

both with and without state support, using a market-driven approach. Solar energy projects will continue to be developed with or without long-term contracts and securitization. PPL recently announced that PPL is the owner and operator of what could become the largest rooftop-mounted solar installation in the United States, approximately 1.7 MW, located at the headquarters of Schering-Plough in Summit, NJ; and this project was consummated without state support or securitization. PPL has approximately 5 megawatts of solar projects in operation or under construction in New Jersey, with another 5 megawatts of solar under contract, which we market to our customers. PPL continues to be interested in additional solar development in the state, and has already identified sites that could support at least another 3 to 4 MW of solar projects. In addition, PPL owns hundreds of acres of property in the state, which could support larger projects.

PPL is active in renewables regionally. Today, PPL has about 30 megawatts of renewable energy projects in operation or under construction throughout the mid-Atlantic and Northeast regions, and has plans to invest at least another \$100 million on renewable energy projects in coming years. Over the past five years, PPL has invested approximately \$50 million in New Jersey, including fuel cells, landfill gas and solar projects. Thus, PPL has a continued interest in developing solar generation in New Jersey and other locations within the mid-Atlantic region.

A competitive framework is needed. Development of renewable generation needs to be the result of competitive opportunities. If a larger percentage of the marketplace is truly competitive over time, developers will feel that they have greater certainty as to the rules and can then compete effectively on equal footing with all other developers. If policymakers send these types of positive signals to the market, developer interest will continue to grow and flourish. On the other hand, if the New Jersey market appears to be state-supported or quasi-regulated in nature (e.g., through the establishment of set, or tariffed, rates to be charged by EDCs), developer interest in the state will decline significantly and dry up, because the competitive market will be supplanted by a regulated model. Only with a competitive market in a clear regulatory framework will the future efficiencies of solar technology, and the related cost benefits for consumers, truly be realized.

VIII. GETTING THE ENVIRONMENTAL PORTION OF NEW JERSEY'S PUBLIC POLICIES CORRECT WITH RESPECT TO THE MARKET AND COMPETITION IS CRUCIAL TO SUCCESSFUL DEVELOPMENT OF GENERATION FOR NEW JERSEY

New Jersey is part of a regional system. There is a simple truth that the Energy Master Plan must face when it comes to the environment and energy supply: New Jersey is part of a regional system and is on the receiving end of air pollutants that travel globally, nationally and regionally. Therefore, there are many things that are beyond New Jersey's ability to control or directly influence on a stand alone basis. The generation subsidiaries of PPL Corporation have been spending significant monies to reduce carbon emissions,

improve efficiency, and bring renewable generation to the market place. While not all generators are so motivated, the existence or expansion of national regulatory policies is the crux of the matter.

Efficiency and renewables help RGGI. RGGI's goal of reduced emissions is commendable, yet actions with respect to RGGI's aims will adversely affect prices. New Jersey already has high electricity prices and higher prices will further hurt the competitive position of New Jersey. Therefore, whatever is done by New Jersey in an attempt to reduce emissions and/or prevent "leakage" needs to be prudently pursued and cost effective. Aside from encouraging/promoting energy efficiency, the best thing that New Jersey can do from a regulatory perspective on the environmental front is to set policies that let the market quickly develop renewable generation. And that renewable generation does not necessarily have to be in the State of New Jersey. The borders of New Jersey as a demarcation point for the location of renewable generation can run afoul of the federal Interstate Commerce Clause. PJM has interfaces that are more realistic lines of what power gets into New Jersey. New out-of-state, environmentally friendly generation that is nearby needs a place in New Jersey's plans – including solar. Right now, SRECs must come from New Jersey, whereas solar projects across the border to the west (among other locations) also benefit New Jersey's energy supply and air quality. Consideration of a broader solar supply area – particularly when the market is funding the installation of that renewable supply instead of rebates – needs to be part of New Jersey's EMP.

The 2 MW cap on behind-the-meter power needs to be lifted. Another important element to driving the solar market forward and thereby helping address environmental concerns in New Jersey is that there is a 2 MW cap on behind-the-meter solar power. This restriction should be lifted. The size of the system should not be limited. Given (a) the rising percentage of aggregate supply that must be met with solar according to New Jersey's existing regulations and (b) the solar generation shortfall in New Jersey (as projected by the OCE), larger renewable systems should be encouraged with regulatory consistency to speed New Jersey toward its renewable/green goals. Larger systems can be built and economies of scale make larger systems more cost effective. Such larger systems are quick ways to help meet New Jersey's environmental concerns.

IX. STREAMLING PROCESSES WORKING OFF OF FIXED SETS OF RULES WILL EXPEDITE ACHIEVEMENT OF NEW JERSEY'S ENERGY GOALS

Streamline processes. It is extremely important to all would-be suppliers that the rules of engagement for installing generation – solar, wind or any other kind – be set and fixed. Continual tweaking and possibilities of change leave suppliers uncertain as to what conditions will apply and for how long. The rules need to be set and stay set. Likewise, state and local siting and construction approval systems for any kind of generation, while focusing on safety and quality, should strive to streamline the development and approval process.

One-stop regulation would help achieve the EMP's goals. Given the large mandate for increases in solar, wind and other renewables, as enunciated in the EMP, it may make sense to have an energy siting and construction council under the authority of the BPU, as a one-stop application process – with a mandate to get proposed projects done. But while this may not be necessary, one of the public policies that should be set out by the EMP is that New Jersey government should streamline, expedite and encourage the development of generation (renewables and other needed generation) and the siting and construction of transmission lines so that New Jersey's energy needs can be met in a cost-effective manner.

X. TRANSMISSION, RELIABILITY AND RESOURCE ADEQUACY ARE ESSENTIAL ELEMENTS OF ANY PLAN TO ADDRESS NEW JERSEY'S ENERGY NEEDS; AND CORRECTLY ADDRESSING THE PRIMARY PLACE THESE ISSUES HAVE TO THE SUCCESS OF NEW JERSEY'S ECONOMY ON AN EVERYDAY BASIS MUST BE A STATED GOAL IN THE EMP

Reliability is essential. The importance of electric transmission and distribution system reliability to New Jersey, its economy and its ratepayers can not be understated. The EMP can not be complete without identifying the maintenance and improvement of transmission and distribution system adequacy into and in New Jersey as a critical element of New Jersey's plans. The New Jersey Utility Association (the "NJUA") already has noted this concern in its presentation at the July 10, 2008 Public Hearing on the EMP. PPL Corporation and its subsidiaries have been key providers of electricity to New Jersey for decades, have supported the movement to a market based supply system (wholesale and retail), and have been key participants in PJM. One thing that has been consistently needed and focused upon since the inception of PJM is the need to build, maintain and expand transmission facilities so that electricity generated gets to where it is needed.

New transmission lines are needed. The draft of the EMP did not take into account the impact of newly proposed transmission lines. Two new transmission lines have been proposed by PJM to support the growth in energy needs in New Jersey and elsewhere. One of those new transmission lines would run from PPL's Susquehanna nuclear power plants across eastern Pennsylvania into northern New Jersey and terminate at PSEG's Roseland substation. This line would significantly improve transmission reliability and reduce congestion. It will help New Jersey and, assuming prompt approval of routing, can help New Jersey within the next five years. There have been concerns expressed about transmission lines being added from New Jersey into New York; but the impact of the new PPL/PSEG transmission line to add power, or at least offset losses of power, needs to be addressed in the EMP.

Natural gas is not the sole source of fuel. The EMP must also recognize that too much reliance on electricity generated from one type of raw material would not be prudent. Reliance on natural gas-fired generation plants should recognize the cost and supply issues related to natural gas. It simply is more expensive per kWh than electricity from

nuclear and coal-fired power plants. If New Jersey wants to support natural gas-fired generation plants, it needs to confirm in the EMP that, as a matter of public policy, New Jersey will put in place supportive regulations that allow and expedite (a) sites for liquefied natural gas delivery and (b) the building of gas-fired plants. But even then, the market is driven by price and other power is cheaper. Further, while New Jersey is mandating increased amounts of solar power, (1) solar power is very costly, (2) new technology in solar will be needed to make it competitive, and (3) there needs to be an expedited, highly supportive governmental process in place that gets solar installations approved and “on line” quickly. New Jersey ratepayers, as noted by the Rate Counsel, can only bear so much more in electricity charges. Delays in bringing sources “on line” and efforts to thwart cheaper power end up costing New Jersey ratepayers and New Jersey’s economy. A balanced and reasonable approach to sources of supply, with out-of-state sources part of the mix, is the more prudent course for New Jersey to pursue.

Adding nuclear power makes sense as part of the solution. Nuclear power and efforts to site this type of generation will also need to be pursued as part of a comprehensive solution to energy issues in New Jersey and beyond. In that regard, PPL is considering building a third nuclear reactor in Pennsylvania. PPL announced in December 2007 that PPL Nuclear Development plans to ask the U.S. Nuclear Regulatory Commission to approve a combined license to construct and operate a new generating unit near the PPL Susquehanna plant, located in Berwick, Pennsylvania. While PPL has not yet decided to move forward with construction, PPL plans to file a license application by the end of 2008.

Adding wind and solar power makes sense as part of the solution. Wind and solar power and efforts to site these types of generation are to be applauded. The involvement of New Jersey’s government to identify viable plans for off-shore wind and help site the generation is an appropriate goal of the EMP and New Jersey public policy. Likewise, the need to set rules and then get out of the way so the market can develop new generation should be a stated goal of the EMP. The BPU is transitioning solar to the market and that transition should be short. The same stated goals (identify the locations, set the rules and get out of the way) should be the case for wind generation.

A multi-source approach is needed. In the end, the EMP must acknowledge that wind and solar power, while commendable, have reliability issues that mandate a more-encompassing approach to supply. The reality is that transmission and out-of-state power will be needed, thereby making transmission upgrades a crucial matter to support as a state policy. Transmission upgrades are part of the careful balancing that is needed in the EMP. No one source of generation – inside New Jersey or outside of New Jersey – represents the “silver bullet” that solves the long term challenges of continued supply, increased supply needs, and cleaner supply. A unified approach is needed.

XI. SUMMARY

The following are specific recommendations for the final version of the EMP:

- 1. Goal: New Jersey will foster electric system reliability by affirmatively supporting transmission and distribution expansion, upgrades and maintenance that will serve the needs of New Jersey's ratepayers and respect the needs of the region.**
- 2. Goal: New Jersey will continually institute and maintain clear, measured regulation that fosters competition, is not discriminatory, streamlines, and which is consistent such that market participants can rely on it not being changed.**
- 3. Goal: While fostering the growth of renewables in the state, New Jersey acknowledges that it is not an island unto itself and, therefore, New Jersey will create and/or support policies that respect the state's need for lower cost power and a free market.**
- 4. Goal: New Jersey will maintain the BGS auction format, which represents the best way to bring competitive supply to New Jersey and to provide price signals to New Jersey's ratepayers.**

XII. CONCLUSION

The PPL Companies appreciate the opportunity to be part of the process to help shape the revised Energy Master Plan for New Jersey. Mapping out a concrete plan to help New Jersey address its energy supply needs, recognizing the changes that need to be made, and implementing the policy decisions that are made, are great challenges; but they are challenges that must be met. The PPL Companies look forward to being part of the multiple and regional solutions that will be put to work for New Jersey.