

# NJBIA

## AT ISSUE *By Sara Bluhm, Vice President*

### Driving Down the Cost of Electricity in New Jersey

It's been another sweltering summer, the kind where your air conditioner struggles to beat the heat and your electric meter spins out of control. But while New Jerseyans may have had trouble avoiding the heat this summer, they can at least enjoy some relief on their electric bills. NJBIA has been working hard for some time to bring down the cost of electricity in New Jersey, and those efforts are now paying off.

It's no secret that New Jersey has some of the highest electricity rates in the nation, but a recent study by the Rutgers Center for Energy, Economic & Environmental Policy caught policymakers' attention. It found that 27 percent of a commercial and industrial ratepayer's bill, and 26 percent of a residential customer's bill, is spent to satisfy government policy requirements, such as taxes and fees that have nothing to do with the price of the commodity or its distribution. Based on this study and feedback from our members, NJBIA has been pushing for changes and getting results. In June, several policy changes were made that will actually lower your bills.

First, the Board of Public Utilities (BPU) eliminated the "retail margin" surcharge. Following deregulation, this charge was imposed on large commercial and industrial customers who stayed with their traditional utility and did not switch to a third-party supplier. It turned into a tax that generated revenues of more than \$1 million per month, which sat unused.

In addition, Governor Chris Christie recently announced plans to withdraw New Jersey from the Regional Greenhouse Gas Initiative (RGGI), the regional cap-and-trade program that requires electricity generators to purchase credits to offset carbon emissions. NJBIA supports the withdrawal, as RGGI did nothing more than tax electricity with no discernible environmental benefit. It gave other states that are not RGGI members, such as Pennsylvania, a cost advantage over New Jersey.

The Governor has also released a new Energy Master Plan (EMP) that has two big goals: 1) reducing the cost of energy and 2) increasing the production

and use of renewable energy. Taking these steps will reduce electricity rates, which will lower the cost of living and make New Jersey businesses more competitive. The Governor also wants to expand electricity generation, which would lower costs and improve reliability.



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The state budget also contains good news for ratepayers. The Governor and Legislature approved a phase-out of the Transitional Energy Facility Assessment (TEFA) surcharge. One of the larger energy taxes, TEFA makes up between 3 and 4 percent of your electric bill. The phase-out originally was supposed to begin in 2001. It can now begin right away. The tax will be reduced by 25 percent starting January 1, 2012 and by another 50 percent in 2013. It will be eliminated altogether in 2014.

All of these actions together will save ratepayers about 5 percent on their electric bills, which is especially good news for commercial and industrial ratepayers, who consume over 64 percent of the state's total electricity.

A lot more work needs to be done to get New Jersey's energy rates down from the nation's top tier, but these policy changes have New Jersey's electricity costs pointed in the right direction: down. **NJB**