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At Issue

An Aggressive Agenda To Subdue Soaring Energy Prices

Energy has risen to the forefront of public debate as gasoline, electric, and natural gas prices have skyrocketed. NJBIA is already pursuing an aggressive agenda to cut energy taxes for manufacturers, make the Board of Public Utilities (BPU) more business friendly, and combat initiatives that will raise electric prices.

New Jersey's commercial and industrial customers consume 68 percent of the State's electric power, so soaring energy prices have hit businesses particularly hard. How did this happen? Wasn't the 1999 deregulation of New Jersey's electricity market supposed to lower energy costs? It's not that deregulation doesn't work. It's the fact that in the end, the State left intact many of the systematic costs that deregulation was supposed to remove and even added some new ones.

Take the transitional energy facility assessment surcharge (TEFA), for instance. The 1999 deregulation law eliminated the old 13 percent gross receipts and franchise tax on energy and replaced it with TEFA, the 6 percent sales tax, and 2 percent Corporation Business Tax. But TEFA was supposed to be phased out five years ago. Lawmakers delayed the phase out as they were looking for new revenues. As a result, New Jersey ratepayers are saddled with additional costs that are not experienced in other states.

Similarly, all energy consumers pay a Societal Benefits Charge that annually funds a \$140 million program of subsidies for renewable energy sources (solar and wind energy projects) and energy efficiency upgrades. Commercial and industrial consumers pay the bulk of the money into the fund, but BPU rules severely limit the benefits businesses can receive from this program.

Furthermore, the State has assessed and collected an additional surcharge on large commercial and industrial customers who have remained with their traditional electric utilities. The surcharge was designed to push companies into the deregulated

market by forcing them to pay extra if they did not shop around for electricity. The fund currently has more than \$45 million, and anyone who was going to be nudged into shopping for better deals on electricity would have done so by now. This money should be returned to commercial and industrial ratepayers. In February, the Board took an important step in this direction by allocating some funds for energy audits to help businesses reduce energy waste and other programs.

Since shifting to deregulation, the BPU has not changed its regulatory procedures to include more active participation by businesses that pay a higher percentage of the rates. NJBIA recommends that the BPU set up meetings with the business community on a quarterly basis, expand the amount of information available to business customers on the BPU's Web site, and shift to a more open, transparent and participatory rule making process.

More costs are coming in the future. New Jersey is one of eight Northeast states participating in the Regional Greenhouse Gas Initiative (RGGI) to reduce greenhouse gas emissions. RGGI will use a cap-and-trade program. Emissions will be capped at each power plant. Those that are under their emission-cap levels will be able to sell the unused portion as a credit to plants that exceed their cap levels. RGGI's goal is to freeze power plant emissions at 1990 levels and then reduce them by targeted amounts by 2020. After the cap-and-trade program for power plants is implemented, the states may consider expanding the program to other electric-power sources.

RGGI policymakers, ratepayers and the public lack a realistic and meaningful understanding of the costs of the RGGI program. If RGGI is to move forward, policymakers must make changes to the program to protect against price spikes and ensure reliability.

There is hope. The BPU is reviewing its energy master plan, giving the business community an excellent opportunity to make meaningful changes to the present system. Let your legislators and the Governor know that the State needs to combat policies that drive up your energy costs. ❧