

September 28, 2007

TO: President Fox and Commissioners Bator, Butler and Fiordaliso

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

Re: In the Matter of the Provision of Basic Generation Service (“BGS”) for
the Period Beginning June 1, 2008 Docket No. ER07060379

On behalf of the over 23,000 members of the New Jersey Business & Industry Association (NJBIA), I would like to thank the Board for allowing us to comment on the 2008 BGS Auction. Our membership is comprised of both BGS-FP and BGS-CIEP customers.

NJBIA, since deregulation occurred, has tried to look at the overall energy situation for all businesses – not certain segments of our membership. This has involved our advocacy of programs that result in the greatest good for the greatest number of members. To that end, we were very pleased to see that the Board has implemented the Office of the Business Energy Ombudsperson and created a section on its website for commercial ratepayers. NJBIA looks forward to working with the Board to reduce the cost of doing business in New Jersey and the effects of energy pricing on our competitiveness.

NJBIA is very concerned about our escalating high electric prices and our competitive disadvantage in this region. While the energy master plan is currently under development, there are many programs currently being discussed that would have a direct impact on the overall electric price for the nonresidential ratepayer.

The CIEP switching numbers constantly indicate that while 85 percent of the load has been switched over to competitive third party suppliers, 35 percent of customers have not left their traditional utilities. These customers are paying approximately \$1 million a month in BPU imposed .005 retail margin adder surcharges for not shopping around. It is expected that by the end of this energy year there will be over \$90 million in this fund. While the Board has allocated money from the fund in the past, with the exception of the Ombudsperson, there have been no funds expended to benefit this rate class.

NJBIA has opposed the expansion of the CIEP rate class that is required to shop competitively. In September 2007, the rate class subject to this retail adder finally received guidance from the Board with the Ombudsperson’s *How to Shop* guide. Furthermore, a survey of ratepayers by the Ombudsperson’s

office found “that of customers in the 750 to 1,000 kW range – 76 percent ... thought they would experience a negative financial impact if they became eligible for hourly pricing”. Additionally, the survey found that “Nearly four out of 10 customers who are now on hourly pricing said that if given the choice, they would prefer NOT to be.” While the price of BGS may shift in the coming years, this survey does help illustrate the economic implications of the CIEP rate class expansion and retail adder provision. Furthermore, this also backs up NJBIA’s earlier claims that the Board needs to address education for non residential customers at a greater level.

NJBIA opposes any efforts by the Board to lower the threshold of ratepayers subject to the retail adder and mandatory competitive shopping.

Another area of concern for the business community is the impact of the Regional Greenhouse Gas Initiative (RGGI) and the Global Warming Response Act (Act) on the BGS Auction in the future. While New Jersey is one of ten states that are participating in the RGGI collaborative, it is one of 3 energy consumers within the fourteen state PJM grid to do so. There is the potential for CIEP customers and FP customers to be hit with vast increases as New Jersey based power companies try to comply with standards imposed under RGGI and the Act. Furthermore, there has been discussion of an emissions portfolio standard being imposed upon generators. While NJBIA does not want emissions to be generated elsewhere within our grid, our State can not afford to shut its borders to outside generators—some of which are clean. The Board needs to understand that PJM dispatches based on economics and those economics impact our ratepayers. Yet the reliability of the system also impacts our ratepayers. A business losing power is often more of a dramatic loss than a house that loses power. NJBIA does not feel that the Board should consider anything related to an emission portfolio standard before an energy master plan is completed or a state wide inventory of sources of emission or a thorough understanding of PJM dispatch is undertaken.

Energy Efficiency has been a part of our electric pricing for several years in the form of the Societal Benefit Charge. Our State has literally spent millions of ratepayer dollars on this effort. Perhaps not in the wisest fashion since Commercial & Industrial has received less money than residential, but returns a greater savings. Yet there is discussion by the Board to implement an energy efficiency portfolio standard. NJBIA feels that the State is not going to achieve any goals related to energy efficiency without the business ratepayer. Instead of educating business on ways to save money or how to perform audits, the Clean Energy Program has elected to hold a two day conference, spending several hundreds of thousands of dollars of ratepayer money and still charging ratepayers to attend. The Board should be demanding the Clean Energy Program start to educate, encourage and expand incentives to the commercial and industrial ratepayers. NJBIA believes that this voluntary measure would be more beneficial than trying to set up a new program and imbedding it in the price of already rising electric prices.

Another area that the Board could voluntarily be encouraging is demand response, including the PJM programs. The Board approved \$1.9 million dollars last year to market the CleanPower Choice program to encourage ratepayers to pay more for the purchase of renewable power. Think of how dramatic our energy savings could have been if the Board had put this kind of

money behind a campaign to educate and inform ratepayers about demand response instead. Furthermore, the C&I rate class is still waiting for the demand response assistance program authorized under a Board Order from February of 2006 from the Retail Adder Fund. This is an issue that needs to be further evaluated, have customer education developed and a pilot program tested before being added to the base price of electricity. NJBIA understands that demand response can help all ratepayers by reducing the peak, but again the Board has failed to educate or encourage on a voluntary basis. There is not a need to imbed it in the rate, before ever trying to promote it to ratepayers.

Finally, NJBIA would encourage the Board to reduce the portion of the Societal Benefits Charge assessed to customers given that the Board has approved the solar transition. Since larger Commercial and Industrial ratepayers will no longer be eligible for rebates for solar installations it is not fair for them to continue to fund the SBC at the levels they previously paid.

NJBIA looks forward to continuing to work with the Board in matters related to the nonresidential ratepayer.