

October 24, 2006

TO: Energy Master Plan Committee

FR: Sara Bluhm, Assistant Vice President
New Jersey Business & Industry Association

RE: State's Energy Master Plan

On behalf of the 23,000 members of the New Jersey Business & Industry Association, I would like to express our support for the State to examine our future energy needs. The business ratepayer is the State's largest consumer of energy and has a vested interest in our energy future. We support voluntary measures and incentives aimed at the business community to increase efficiency and lower energy consumption.

NJBIA is encouraged that the Energy Master Plan (EMP) Committee has convened these stakeholder meetings around the state and volunteers to assist the committee in any way possible including hosting focus groups and polling the business community. We are committed to the process and assisting where possible. Energy is one of the most crucial issues facing the business community today whether it be electric supply and generation, gas supply, or transportation. The state will not meet its 20% by 2020 and still meet the other three goals laid out in the EMP without the business community.

Last Friday, Dr. Patel briefed NJBIA's Energy Council on the history of the EMP and how the committee is planning to proceed this time around. I have asked the members of the Association to give me their ideas on the top 5 things they would like to see included in this year's master plan. We recognize that the committee is looking for well thought out proposals that are fiscally responsible. To that end, we plan on submitting additional comments beyond tonight's testimony.

However, I would like to offer a few suggestions for the committee's consideration:

- New Jersey needs to be involved at PJM—Regardless of travel restrictions placed upon the Board of Public Utilities (BPU), staff must be allowed to travel and participate in settlement talks at PJM or FERC that directly impact NJ ratepayers. More and more of our energy decisions are occurring at the PJM level and staff needs to be present.
- Opt out provisions for Societal Benefits Charges (SBC)—Industry currently pays the majority of the SBC surcharges since it is based upon consumption. However, commercial and industrial ratepayers are capped by the amount of money they can receive for energy efficiency and renewable projects. Additionally, delays have prevented rebates and incentives in certain areas from being paid. NJBIA proposes an opt out provision be developed for business ratepayers that can demonstrate that they can reduce demand, consumption, improve efficiencies, or

cut emissions by implementing/installing equipment, measures, practices, etc to meet these goals with the money that they would have otherwise contributed to the SBC. At a minimum we would like to see this apply to the Clean Energy Fund portion of the SBC. Our Energy Committee is still working on a more formal plan for implementation of this type of opt out provision.

- **Transitional Facility Assessment Surcharge (TEFA)**—As part of electric industry deregulation in 1997, the 13 percent “gross receipts and franchise tax” was scheduled to be reduced to eight percent over five years: consisting of the six percent sales tax and a two percent Corporation Business Tax assessment. Instead the phase-down was stopped at ten percent. This is an additional cost on companies not required in other states. In order to remain competitive with neighboring states, NJBIA advocates for the elimination of this tax.
- **Regional Greenhouse Gas Initiative (RGGI)**—New Jersey relies on leakage. Our state imports 30% of our power. Unless we are going to build additional base load generation within our state, RGGI is going to cost the ratepayers of the State. Furthermore, if New Jersey proceeds with RGGI rules there must be provisions for additional generation coming online instate and behind the fence generators must be exempt even if they sell 10% to the grid. A carbon tax is going to drive up the price of generation.
- **Nuclear Generation Stations**—Nuclear must be considered part of any electric future. It is a clean, safe and reliable source of base load power. Oyster Creek’s reauthorization needs to be encouraged as well as the development of new nuclear facilities. Renewables do not drive industry, base load power does. We can not expect to reduce consumption, improve efficiencies and still not invest in base load power. There needs to be a steady, reliable source to meets the demands of our economy.
- **LNG facilities**—New Jersey needs to add to our supply of natural gas by developing LNG facilities that are easily connected to the existing pipeline.
- **Energy Audits**—Instead of passing regulations or legislation mandating that appliance standards or building code for certain products be met, energy audits should be encouraged. Currently, Rutgers Center for Advanced Energy Systems (CASE) provides free energy audits. Members of NJBIA have found these audits to be beneficial because they are free, but they also offer a detailed plan of what could be changed within a facility and what price outputs and savings can be expected. Our universities are an underutilized segment in achieving energy efficiencies and more should be invested in free programs to audit existing buildings around the state.
- **Demand Side Management**—PJM offers two demand side management programs: economic and emergency. These programs are voluntary and have financial incentives for reducing electric consumption. New Jersey has few companies

enrolled in this program. One reason may be due to the lack of marketing. Instead of spending \$2.5 million on marketing the Clean Power Choice program which encourages ratepayers to pay more for renewable power, the state should redirect this money to efforts for demand side management. After all, the cleanest kilowatt is the one that is not generated.

- Diesel Retrofit Program—Encourage the State to effectively implement the diesel retrofit program, work with business to lower emissions and to ensure that New Jersey businesses are not put in a competitive disadvantage to those in neighboring states. NJBIA believes that the federal mandates of Ultra Low Sulfur Diesel and cleaner burning diesel engines will substantially diminish diesel particulates nationwide. This State program, coupled with the aforementioned federal mandates, are estimated to dramatically impact the amount of diesel particulates produced in New Jersey. Once the State program is in the latter stages of implementation, New Jersey should attempt to establish baseline data to quantify the impact this program is having on overall diesel emissions.

NJBIA believes that subcategories need to be developed within each of the three main categories to further evaluate where we currently are, where we want to be and how we get there without harming our business climate and economy.