



**New Jersey Energy Coalition
Comments for October 14, 2011 BPU Hearing
Docket No. EO11050309**

Good morning, President Solomon. On behalf of the members of the New Jersey Energy Coalition, thank you for the opportunity to provide comments today.

As background, the New Jersey Energy Coalition (Coalition) is a broad-based advocacy group whose membership includes over 100 business, industry and labor organizations and policy leaders from across New Jersey. Our mission is to raise public awareness and generate public support for the increased production and distribution of clean, affordable and reliable energy for our state.

The Coalition supports the notion of energy as a driver of economic development for the state and we applaud efforts to drive down the cost of energy for all customers. The Coalition supports having a wide diversity of energy options, whether it's nuclear, renewable or clean fossil generation. We believe that where economic, new generation will be built.

The Coalition does not support customer subsidization of mature, fossil fueled generating capacity in New Jersey. A clear benefit of EDECA and electric restructuring was shifting the construction, operation and maintenance risks for costly generation from consumers to investors. LCAPP is returning those risks to NJ consumers by its subsidization of 2,000 megawatts of gas fired generation. We believe it would be a mistake to seek to expand LCAPP beyond that amount.

We believe government-mandated customer subsidies are not necessary to encourage investment in mature, conventional electric generating technologies such as combined-cycle power plants. Such subsidies will only drive up the cost to consumers and divert resources from emerging clean energy technologies and energy efficiency programs.

Similar efforts were undertaken in the 1980s (the Non-Utility Generator program). The NUG contracts have added a whopping \$3 billion to New Jersey electricity bills. That program also was hailed as a means of "lowering customer bills." Today, electricity from NUG producers costs twice the wholesale market price, adding significant costs to the average residential customer's monthly bill.

New Jersey has sufficient generating capacity through PJM, a multi-state regional competitive wholesale market that operates on sound economic principles and is responsible for ensuring reliable electricity service.

In fact, during the recent heat wave, PJM managed all-time record high demands and operated the system seamlessly. Besides PJM's proven ability to maintain reliable service, it currently has very high supply reserve margins, and existing market prices signal that no new generation is currently needed.



Today the PJM reserve margin is more than adequate. As we look ahead, inefficient units will retire and as the economy recovers from the recession that new capacity will come on line. It is a competitive marketplace that will respond to market forces. Subsidizing unneeded, uneconomic generation will not only discourage investment in new competitive generation when it is needed, it will deter investment in existing generation and clean, cost effective energy efficiency and demand response programs.

We do believe that the state should reward innovative programs to reduce peak demand, reduce consumption, and spur the development of emerging renewable technologies. NJEC believes that for these types of leading edge energy technologies, customer subsidies may be appropriate to accelerate their adoption into the market and promote green job creation in our State.

Let me cite an example where state support has been effective. New Jersey's support for solar development has produced great results. New Jersey ranks second in solar capacity, which has created jobs and helped budding businesses take root. These incentives have helped spur significant technological improvements that have driven costs down. The cost of solar panels has dropped by 55 percent over the past two-and-a-half years. State support has furthered its public policy objectives, allowed New Jersey to achieve its RPS targets and launched a green industry

Competitive markets support energy conservation and demand response. Encouraging lower use, particularly at the time of peak demand, is an important policy that must be continued. Demand response rewards customers who agree to reduce their energy consumption during periods of peak load. During the July 2011 heat wave, PJM called on more than 2,300 megawatts of demand response when it was needed. That's more megawatts than the combined output of the three plants that the BPU agreed to subsidize this past spring.

Energy efficiency and conservation should be a primary tool in New Jersey's energy toolkit. They lower costs to customers and reduce environmental impacts. Subsidizing new generating capacity would significantly hurt the market for demand response and conservation programs, and send the wrong signals to those areas where new technologies are being developed to manage peak demand and lower energy bills for industry and business.

In closing, the NJ Energy Coalition is on record of supporting competitive energy markets across the multi state PJM region. Where it is needed, we believe New Jersey subsidies should be limited to developing new technologies and encouraging innovation that benefits New Jersey consumers.

Thank you for affording the Coalition and its members the opportunity to provide comments.

October 14, 2011

New Jersey Energy Coalition
Dr. Edward H. Salmon, Chairman