

**Position of the Energy Company Members of the New Jersey Utilities Association
on Reviewing and Revising the State's Energy Master Plan (EMP)
September 30, 2010**

Introduction

New Jersey's Energy Master Plan (EMP) represents a roadmap for the long-term effort to achieve the State's vision for reliable, environmentally responsible and affordable energy. Given the dynamic nature of energy policy and its interplay with the economy and environment, it is appropriate that the EMP periodically be reviewed to ensure that the data underlying its policy goals have not changed, and if they have, that the roadmap be modified accordingly.

Achieving the goals of the EMP will not only require dramatic behavioral changes among customers, but also will directly affect the manner in which utilities conduct business. New Jersey's energy utility companies have a long record of successfully meeting the energy needs of their customers and will continue to do so long into the future.

Moreover, New Jersey's utilities are unique businesses, inextricably connected to the State with a vested interest in its economic success. NJUA member companies own and operate embedded physical infrastructure valued in excess of 24 billion dollars. To that end, utilities are uniquely positioned to contribute to the economic growth of the State through investments made in infrastructure maintenance and upgrades while simultaneously working to achieve the goals of the EMP. Increasing efficiency, reliability, safety and capacity through investments will ensure our energy infrastructure is best positioned to support our State's economic growth.

We offer below elements that we believe will be critical to the success of the EMP.

1. Role of Utility Companies in Achieving EMP Goals

New Jersey's electric and natural gas transmission and distribution companies serve over 3.7 million electric customers and 2.7 million natural gas customers. Through the provision of these services on a daily basis—services that are essential to, and enhance the quality of life—New Jersey's energy utilities enjoy a close and ongoing relationship with their customers unrivaled by any other entity.

That relationship is an asset that can and should be drawn upon to facilitate achievement of the EMP goals. It will be important to raise customer awareness about the importance of wise and efficient energy use; extensive and effective communication will be key to this effort. Much of what needs to be accomplished to achieve the goals will require significant changes on the part of end users; changes that are unlikely to occur without a strong partnership and cooperative effort among utilities, their labor force, their customers and the State. Utility participation represents a unique opportunity to help ensure the goals of the EMP and the benefits derived are shared by all New Jersey consumers, including our urban centers and those customers who struggle most with energy costs. Additionally, utilities do and can continue to play a significant role in stimulating economic and job growth in New Jersey through infrastructure and clean energy investments that are amortized over the life of the asset thus reducing the annual cost impact to ratepayers.

2. Alternative Fuel Vehicles

Comments at recent EMP stakeholder meetings indicate that the administration is committed to addressing transportation issues, including alternative fuel vehicles, within the current EMP review. We strongly encourage the consideration of these new technologies that provide superior emission profiles being done in conjunction

with the ongoing EMP review. Since infrastructure investments or changes may be necessary to meet resulting energy demand and maintain reliability, a coordinated approach prepares New Jersey for obtaining the benefits while simultaneously ensuring that the utilities can continue to provide safe and reliable service. Such investments will also lay the foundation for clean energy technologies serving that market to remain or establish business in New Jersey. The process should include a review of all alternative fuel technologies and consider what technologies are best suited to specific markets.

3. Innovative Ratemaking and EMP Cost Recovery

One of the most critical aspects of the EMP is the effect of any long term shifts in energy policy on the financial health of the utilities. Mandatory goals and programs which result in reduced sales can affect companies' ability to attract sufficient capital at reasonable costs. Excessive risk associated with requirements placed on utilities in order to achieve the EMP goals can affect not only shareholder value, but can in turn affect utilities' ability to meet their principal mission of providing safe, adequate, reliable and cost-effective service to customers. To avoid unintended adverse impacts on customers and shareholders, it is critically important that policies to implement the EMP goals reflect a reasonable balance between risk and reward for all involved. Specific areas that should be addressed in the EMP are outlined below.

- A. Cost Recovery. It is already established that achievement of energy efficiency and other EMP goals will require a dramatic shift in the way New Jerseyans think about and use energy. It is equally true that the traditional model for utilities' delivery of energy must also shift for the goals to be achieved. It is therefore critical that the ratemaking framework for utility companies' implementation of programs to achieve the EMP goals change to reflect the new paradigm. Efforts to achieve the EMP goals will need to be carried out by utility companies for decades. Because of that, it is imperative to set fundamental and long term principles toward the cost and rate treatment associated with energy efficiency and other EMP goals to ensure that appropriate signals are sent to investors—specifically that a dollar investment in energy efficiency or renewables should be as attractive as a dollar investment in utility infrastructure.
- B. Innovative Ratemaking—Customer Signals. By and large, current ratemaking and pricing structures don't support the attainment of EMP goals because they do not send an accurate price signal to consumers. There is a need for flexibility to adopt innovative ratemaking or dynamic pricing in order to create proper price signals to customers that will encourage the behavioral changes that are needed to meet the EMP's goals.
- C. Innovative Ratemaking—Utility Impacts. Absent a change in the traditional rate structure, utilities would be adversely impacted by strategies that will be needed to achieve the aggressive EMP goals. New rate structures, rate mechanisms and/or lost revenue mechanisms must be offered to ensure that the utilities are not financially impaired for their additional efforts to promote conservation, energy efficiency, and renewable energy. In addition, timely processes need to be in place to adopt these new models outside of the historically slow and costly traditional rate setting models.

Within policy guidelines established by the Board, each utility will need to determine the appropriate manner through which the impact of energy efficiency initiatives will be analyzed and evaluated. Such evaluations could include the analysis of existing data and/or the monitoring of impacts over time. Each utility will also need to determine the prudence, timing and manner by which they would file an innovative ratemaking plan with the BPU to ensure the continued success of the energy efficiency efforts. This will be critical to ensure the safety, reliability and security of the distribution systems for customers and will provide the appropriate incentives to utilities for investments made. A "cookie cutter" approach must be avoided or innovation will be stifled. Without individual new approaches, the goals of the State cannot be met.

4. Energy Efficiency/Conservation Measures

- A. Sector-Specific Strategies. While appropriate steps can and should be taken to ensure that the commercial and industrial sectors are adequately incentivized to aggressively participate in conservation and energy-

efficiency measures, recognition should be given to long-term value of residential sector involvement as well. While some resources may need to be directed to maximize the return on efficiency investments, gains made to date through the residential sector should not be overlooked.

- B. Building Codes and Standards. Higher levels of energy efficiency can be achieved through financial incentives coupled with more stringent building codes and construction standards. Enforcement of building standards and equipment efficiency ratings, together with financial incentives such as tax breaks and credits, would encourage investment by businesses. In addition, permitting and regulatory processes must accommodate the need for these projects to move quickly or risk diminishing the value of the incentive.
- C. Individual Metering. The State's building code should include requirements for individual metering in new construction of multiple tenant environments where such meters are compatible with the building's energy facilities. This will encourage conservation by individual tenants who will have the tools needed to better manage their energy consumption. The BPU must be encouraged to permit landlords to separately meter tenants to provide incentives for energy efficiency by tenants. Without individual accountability, energy efficiency will not be possible in many multi-tenant environments.
- D. Utility Incentives. The need to address the inherent disincentive to a utility toward the promotion of conservation, given traditional rate structures and recovery methods, is critical to ensuring that utilities are financially aligned with efforts to meet EMP goals. Removal of the disincentive will make utilities neutral with respect to decreased sales. A structure that moves beyond neutrality and provides utilities with financial incentives will result in the strongest focus and alignment with efforts to meet the EMP goals.

It is extremely important for incentives and fair treatment to be understood as distinct and important elements of a comprehensive structure that will need to be created to achieve the EMP goals. A structure that provides incentives but does not appropriately and fairly address the recovery of reduced sales would be incomplete because the financial loss from reduced sales might far exceed any opportunity available from incentive structures.

In a study presented at a seminar on 4/15/08, entitled: The Energy Crisis: A Study for Meteorologists, the cost of renewables is compared. The study states that Hydroelectric costs come to \$1.56 per Watt. This compares with \$24. per Watt for Photovoltaic power and \$12.70 per Watt for Concentrating Solar Power Systems. Ocean wave energy contains roughly 1000. times the kinetic energy of wind. Wave power production is more consistent than wind or solar resulting in higher overall capacity factors. Wave powered production of electricity already seems to represent environmental leadership in the domain of efficiency. New Jersey has about 110 miles of coastline that provides a rich and secure resource for ocean wave powered production of electricity. The future pricing of fossil fuel is uncertain as reserves deplete and there is more global pressure on remaining reserves. The nuclear industry faces factors such as storage of spent fuel and the high price of power plant and cooling tower construction. The Board of Public Utilities must leave room to expand renewable sources of electric production that will present ratepayers with very competitive rates. Ocean wave energy conversion to electricity can achieve this, once this industry is developed. Production of electricity using the kinetic energy found in ocean waves will allow for a safe, clean, competitively priced addition to the New Jersey power grid. As residents, we want both clean, safe, renewable power and low rates. Ocean wave energy conversion can provide this combination if development is encouraged. As a business located in New Jersey and as an ocean wave energy conversion developer, Able Technologies, L.L.C. wishes to express the need for keeping this method of renewable energy in the next New Jersey energy Master Plan.

Linda Rutta

Able Technologies, L.L.C.

Hello,

Thank you, I do plan to attend.

I will simply say - with all the **proven** technology available now -for many years, I believe a bit more of an aggressive savings program can be effective.

I have been involved - hands- on since - well - actually the late "70's in the Industrial /Commercial energy conservation industry, from "the Jimmy Carter Energy savings era" - and in many ways - still doing the same thing to this day.

It is proven that education is key, for actions being taken. Many of the businesses and corporations I have been involved with for these many years have made changes toward more efficiency - when they focused only on the bottom line of their company, for savings. Even today, some people are resistant to making changes -for a variety of reasons, even when their savings is clearly presented to them .

Rebates are important to people, this has been queried many times - would folks make efficient retrofit changes w/o rebates, yet, rebates are a big point in the decision process for end users.

Can some efficient measures and practices become - mandatory ??? or continue to stay voluntary ??? Elimination, in manufacturing of wasteful products is a good thing, yet takes many years to use up all "old", wasteful materials, i.e.: incandescents, etc.

I'll look forward to the meetings.

Thank you so much,

Highest Regards,

Meredith Nole

Meredith Nole, MIES

American Efficient Lighting

IESNJ Montclair Section V.P.

Efficient Lighting Expert

Certified Energy Auditor

Wholesale Lighting Supplies

SSL lighting partner

NYSERDA Lighting Partner - The Right Light

ANJEC Stakeholder Comments for 2010 Energy Master Plan

On behalf of the Association of NJ Environmental Commissions (ANJEC), thank you for this opportunity to submit comments as a stakeholder in the 2010 Energy Master Plan. Planning for reliable, safe and affordable energy without jeopardizing current and future environmental quality or economic stability is a complex matter that deserves holistic thinking, a transparent process and an unswerving commitment to do what's right not only in the present economic climate but for future generations.

Master Plan

During the session in Bordentown, DEP Commissioner Martin stated that the Governor's intention is to complete a new State Plan within six to nine months and to ensure that the EMP as well as regional and departmental plans are integrated into it. We strongly agree with this strategy, and hope that those individual plans would also incorporate energy issues into their planning. For example, functional plans of the Highlands Council, CAFRA, the Meadowlands and Pinelands Commission as well as interstate agencies such as the NY-NJ Port Authority, the Palisades Interstate Park Commission and the DRBC must also be integrated into the revised plan.

Greenhouse Gas Reduction

We were disturbed by the panel's unwillingness during the Bordentown session to discuss the current Administration's commitment to greenhouse gas reduction or how that might be addressed in the EMP. The overwhelming majority of scientists agree that global climate change is already well underway and it is predicted to have enormous economic impact in our coastal State. Rising sea levels, a warming climate and more frequent severe storms will affect everything from tourism and agriculture to property loss and the cost of emergency services. If we are serious about considering economic factors in the EMP, one of its stated goals should be reducing greenhouse gas emissions that exacerbate climate change and jeopardize the State's social, environmental and economic stability.

Big Solar

While we strongly support the expansion of clean energy generation in our state, we urge developers of large solar and wind installations to avoid situating them on prime agricultural soils and environmentally sensitive lands, particularly in the Pinelands, Highlands, CAFRA and Meadowlands.

While New Jersey's future depends on the availability of clean, dependable, affordable energy, we (and the other species we share this planet with) also need food and water to sustain life, and we must protect the natural resources that provide for these needs.

The abundant agriculture in the southern portion of our Garden State is currently at risk because of the “gold rush” of developers applying to build large-scale solar farms. How can NJ be sustainable if its already threatened agricultural base is further exposed to destructive development practices? How will our agricultural system, one of the most efficient and productive in the nation, respond to future demands for sustainable food sources and locally grown foods if its land base is diminished by the unplanned growth of land-consuming solar “farms”.

The remaining intact natural systems in the environmentally sensitive regions of our state produce and filter the drinking water for most of NJ, mitigate against flooding, cleanse the air and provide defense against climate change. Protecting jobs and buttressing the state’s economy will not keep taxpayers from moving out if there is insufficient clean water to drink, polluted air and continued exposure to climate disruption.

In addition, BPU President Solomon stated in Bordentown that current distribution facilities can’t support the grid-based large scale solar development in South Jersey at the level it has been happening. He stated a need for upgrading those transmission facilities to support more solar development. Again, we strongly endorse renewable energy development, but we urge caution in building new transmission lines, a process that is very disruptive to delicate ecosystems and watersheds, particularly in the Pinelands. We support a distributed system with less reliance on the grid

We therefore recommend that the new State Plan articulate where large-scale solar ground arrays should go, based on sound environmental impact assessment, and also suggest where solar development should be encouraged. We suggest prioritizing rooftops, impervious surfaces, brownfields in urban environments and abandoned extractive industry sites (mines, quarries and pits) near electricity demand. Prime farmlands, wetlands and transition zones, forests, and other sensitive natural features should be avoided, primarily because these areas already provide vital functions that should not be compromised and, importantly, they play an important part in attenuating the impacts of global warming.

We appreciate your consideration and wish you well in developing an Energy Master Plan that serves the best interests of all New Jerseyans, present and future.



A PHI Company

September 30, 2010

VIA ELECTRONIC MAIL
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Energy Master Plan Comments
State of New Jersey
Board of Public Utilities
Office of Policy and Planning
Two Gateway Center, Suite 801
Newark, New Jersey 07102

RE: Atlantic City Electric Company
Energy Master Plan Revision Comments

Ladies and Gentlemen:

On behalf of Atlantic City Electric Company (“ACE” or the “Company”), we would like to thank you for the opportunity to share our written comments on the New Jersey Energy Master Plan (also referred to herein as the “EMP” or the “Plan”) revisions. ACE is a regulated public utility that provides safe, reliable and affordable energy to more than 547,000 customers in southern New Jersey.

At the outset, ACE would like to recognize the leadership of Governor Chris Christie and his Administration, Board of Public Utilities’ President Lee Solomon, the Commissioners and Staff of the Board of Public Utilities (the “Board” or “BPU”), and the many other State agencies whose dedicated staffs have participated in the creation of the EMP. We applaud the open and transparent process under which the revision process has occurred.

New Jersey faces two critical energy challenges: the rising cost of energy and the impact of energy use on the environment. At the same time, customers are expecting more from their utility company when it comes to providing reliable electric service. ACE believes that the goals in the EMP should address these critical issues. Furthermore, these goals can best be achieved if the State and the utilities actively work together to implement the goals to be outlined in the EMP.

In an effort to help meet the State’s energy challenges, ACE has a plan that we call the “Blueprint for the Future” (referred to in these comments as the “Blueprint”). The Blueprint will complement the Plan and will assist in meeting many of the EMP’s goals. ACE’s Blueprint includes Advanced Metering Infrastructure (“AMI”) and related enabling technology, new

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demand-side management initiatives and renewable energy programs, as well as utility-managed energy efficiency and conservation programs. Implementation of these elements will help ensure the Plan's goals are achieved and sustained.

ACE understands that economic conditions that exist today are much different from those in place when the EMP goals were established in 2008. To this end, the BPU is reviewing and revising the existing EMP. According to a press release issued by Governor Chris Christie on April 20th, "While already ambitious in its targets, the plan must serve as a realistic map that will guide New Jersey towards a responsible energy future; one in which we find stable, predictable energy prices, a reduction in overall energy expenditures for all consumer classes, and a reduction in energy use".

Renewable Energy

ACE believes the EMP helps chart a course for the future that will benefit the State's economy, protect our environment and allow us to continue to provide reliable service to our customers. While the aggressive renewable energy goals of the EMP are laudable, the fundamental question that must be answered is "at what cost?" ACE has been and remains fully supportive of working with State leaders and other interested parties to advance the State's renewable energy goals. We support renewable technology, but believe it should be done in a fair manner, which balances the goals of the EMP with the economic impact on our customers.

We fully support Governor Christie's objective of ensuring New Jersey's energy policies result in a net economic benefit to the State. While renewable technology has and will continue to contribute to a cleaner environment, new job creation and new labor skills, it should not create a cost burden that hampers economic recovery. To succeed in these challenging economic times, New Jersey needs viable communities and a business climate that fosters business development and encourages business expansion. The economic benefits that renewables promise must fully off-set any costs that customers will be asked to shoulder to achieve our EMP goals.

The proportion of proposed and potential renewable projects in ACE's service territory continues to exceed what is proposed in all other areas of the State combined. Although ACE represents approximately 13 percent of the electric distribution load in the State, due to the rural and costal characteristics of its service territory, it has approximately 68 percent of the solar projects/megawatts ("MW") and 100 percent of the offshore wind projects proposed for the State. The development of transmission facilities will play a key role in achieving the objectives of the EMP. Transmission facilities support the importation and transfer of renewable energy resources (e.g., wind and solar) and new base load generation into and throughout New Jersey.

Therefore, it is important for the EMP to recognize that utilizing existing infrastructure as well as building new infrastructure to support increased renewable generation will also have its costs. We need to overcome resistance to new transmission and distribution facilities. There needs to be a fair and reasonable approach that takes into account the need for customer incentives, timely utility cost recovery, and the mechanisms that support renewable energy and additional capacity.

Any mechanisms to purchase energy, capacity or renewable energy credits should be analyzed against all viable supply alternatives to assure that the obligation to provide customers with reliable, cost effective supply is met. In addition, the renewable energy policy in New Jersey should recognize a balance between assuring customers stable prices in the years ahead versus the potential for new and innovative technology changes that would drive down costs and open up new opportunities for customers.

Energy Efficiency

ACE believes a framework and schedule for addressing the issues related to transfer of the New Jersey Clean Energy Program (“NJCEP”) programs needs to be established as soon as possible if timely and smooth transition is to occur. The Company understands the BPU is considering three models for administering and implementing energy efficiency programs, a State agency, electric and gas utilities, or a third party non-profit organization. The actions that should be undertaken to ensure a transition that aligns the utilities’ needs with successful program implementation include:

- Issuance of a Board Order authorizing the ability to and mechanism for the recovery of costs related to the transition imperative (e.g. additional human resources that may be needed to plan for and carry forward a smooth transition).
- Reconciliation of the desire for Statewide programs with the inherent variability across utilities; for example: creation of individual utility targets can complicate collaboration. Individual targets will by necessity require companies to give priority to their individual goals. Given service territory demographics, some programs may be inappropriate to conduct in some territories.
- Resolution of the existing Statewide funding obligations set for NJCEP; examples of issues that need to be resolved:
 - What amount of resources will be needed for an appropriate level of Statewide administration, particularly at the outset?
 - What happens to the balance of funds? Will those funds be allocated across the service territories or does the amount collected stay in each service territory after the payment of any “off the top” administrative costs?
 - Decide how to enable consistent program features where possible rather than identical programs and services (an example of consistency: require the availability of an on-line audit rather than mandate the same audit product across utilities).

For all of these issue areas, ACE believes it is much more important to ensure a smooth transition rather than a speedy one. Otherwise, both the programs and the utilities risk negative customer responses and experiences that would create additional barriers to meeting the EMP goals.

Billing Stabilization Adjustment

To remove any seemingly apparent conflict between the goals of the 2008 EMP and the utilities' duties to their shareholders, ACE has suggested a rate adjustment mechanism that would remove the link between electricity use and revenues. Under this mechanism (which is sometimes referred to as "decoupling"), a Bill Stabilization Adjustment (sometimes referred to in this letter as the "BSA") would periodically "true-up" over- or under-recovery of BPU-approved utility distribution revenues through a series of bill credits or charges that would adjust for revenues that are above or below the amounts approved as necessary by the Board. These usage changes would occur during unusually hot or cold weather or as the result of the successful implementation of conservation programs. If customers participate in conservation programs and thus conserve energy, they will still see reduced bills due to the reduced supply costs, which make up the majority of customers' bills.

An electric utility's costs for providing services are generally fixed, regardless of the amount of electricity that is delivered to customers. The BSA provides for a matching of revenues in quarterly periods with amounts that the BPU has approved. It also removes any disincentive to utilities for offering energy efficiency programs to customers.

The 2008 EMP notes that certain states have implemented rate restructuring to eliminate financial disincentives to gas and electric utilities from implementing conservation and efficiency programs. The Company submits that a well-designed rate restructuring program should have the following attributes:

- It will provide a stable means for the recovery of essentially fixed costs, while maintaining a rate structure that is independent of volumetric components. This will serve to make the Company whole for its cost of service, while providing the individual customer an incentive to conserve.
- It will position the Company financially to be a stakeholder in the promotion of energy efficiency measures.
- It would provide customers with reasonably stable bills over the course of a year. The mechanism should appropriately consider each service classification on an individual basis. Additionally, an effort should be made to identify and exclude rate classes that, due to size or usage characteristics, may not benefit from the mechanism.
- The mechanism should be understandable and verifiable based on available accounting data.

The Company's Bill Stabilization Adjustment, approved for affiliates of Pepco Holdings, Inc. ("PHI") in Maryland and Washington, D.C., possesses all of the above attributes. The annual revenue recovery for each class is fixed at a per customer level determined in a base rate proceeding. Each month, individual customers receive bills based on their metered usage. At the end of the billing month, the total actual revenue for the class is compared to the fixed, approved level of revenue, and any overage or underage is put in the Billing Stabilization Adjustment Surcharge, which is applied in a subsequent month. Since the total class revenue collected does not vary because of customer conservation, the Company has no disincentive to invest in conservation. The calculation is submitted to the staff of the public utility commission each month for review before implementation. The calculation is easily verifiable from inputs readily obtainable from company records.

Since the approval of the Billing Stabilization Adjustment, PHI's Maryland and Washington D.C. affiliates have filed a comprehensive set of demand side management programs for approval under their respective Blueprint for the Future dockets. This enhanced level of corporate interest in conservation and efficiency programs parallels the experience in New York and California cited in the draft Plan.

The Company respectfully submits that the Maryland and Washington D.C.-adopted decoupling method is better at removing the conservation disincentive than the pilot program that was approved by the Board for two gas utilities in October 2006. The primary reason for its superiority is that there appears to be much less uncertainty that the appropriate level of agency-approved base revenue will be recovered. The Company further submits that the current New Jersey gas pilot program -- known as the Conservation Incentive Program ("CIP") -- falls short of removing a utility's disincentive for conservation efforts. The CIP establishes a surcharge for the participating utility to recover revenue lost due to conservation programs, but the surcharge is limited. Lost revenues are recoverable only to the extent they are offset by long-term supply costs savings and limited by an earnings cap. Recovery is uncertain and depends upon whether the utility is earning above or below the cap. There may be unknown financial impacts due to factors that strongly influence the surcharge that many times are unknown and outside the control of the utility. There is also a requirement for Board approval for any change in the surcharge rate. This presents uncertainty for the utility. For these reasons, we strongly recommend that any proposals or mandates for utility-managed energy efficiency programs be accompanied by a decoupled rate structure.

Regulatory Lag

Regulatory lag can be defined as the cost recovery shortfall caused by the difference between the time period when costs are incurred and the time period when rates are implemented to recover those costs. In the case of ACE, regulatory lag has become an immediate issue because of the steady upward trend in costs, particularly related to substantial capital expenditures expected for the foreseeable future. ACE is in a situation whereby the Company cannot make up for rising costs through efficiencies and cost saving measures. This disparity denies the Company the opportunity to earn the returns authorized by the Board.

Implementation of the EMP may further exacerbate this issue without a mechanism to ensure timely cost recovery including a fair rate of return. A surcharge clause or tracker mechanism could be designed to recover costs associated with EMP mandates such as low-income assistance programs, specific capital investments, and increased support for renewable resources. A surcharge or tracker mechanism enables ACE to recover certain increased costs between rate cases. Another advantage is the ability of the utility to recover costs for certain investments and expenses as they are incurred instead of waiting for recovery through a rate case thereby smoothing out rate increases.

Other Generation

ACE recommends that the redesign of the EMP carefully consider maintaining a reasonable balance among many worthwhile but competing planning objectives.

The EMP is focused on cost-effective energy efficiency and conservation, demand response, renewable resources, economic development and customer education. Unfortunately, due to the uncertainty of future events and the complexity of the electric system, it is very difficult to achieve all of these goals simultaneously as the objectives themselves can often be in conflict with one another. For example, some of the lowest cost solutions may involve excessive price volatility and fewer environmental benefits relative to other solutions. In contrast, a solution focused solely on environmental concerns may lead to unnecessarily higher prices and dampen economic growth in those industries and commercial establishments requiring large amounts of electricity in their business processes.

Consequently, ACE respectfully suggests that, in pursuing the goals of the EMP, a reasonable balance among cost effectiveness, price stability, environmental benefits, system reliability and economic development be maintained. It is important that the EMP does not consider any of the plan objectives in the context of a “silo” in one at a time evaluations but considers finding the appropriate balance among them.

The development of significant amounts of off-shore wind capacity in New Jersey will likely require the need for major investments and upgrades in existing transmission facilities.

The “Offshore Wind Economic Development Act” (the “Act”) was passed by the New Jersey Legislature on June 28, 2010 and was signed by Governor Christie on August 19, 2010. The Act establishes an obligation for New Jersey generation supplies (both Basic Generation Service [“BGS”] and third party) to purchase off-shore wind renewable energy credits (“ORECs”) from qualified wind projects. As enacted by the Act, the OREC process will support development of at least 1,100 MW of off shore wind capacity. The ORECs will also be a carve-out to existing Class I renewable obligations. The Act further authorizes the Board to develop a process to qualify projects and set OREC prices to recover project costs over 20 years. The BPU’s rulemaking process must be complete within 180 days of enactment. The Act also provides significant economic development incentives to wind developers and wind-related equipment manufactures that locate in the State.

The implementation of the Act is likely to result in the development of significant generation capacity from off shore wind projects located immediately to the east of the ACE service territory. Injection of 1100 MW of new off-shore wind capacity into the ACE zone is very likely to result in the need for significant transmission investments and upgrades to avoid east to west congestion and to allow the offshore wind generated electricity to flow to other parts of New Jersey. ACE strongly recommends that the EMP be updated to consider the critical need for such transmission facilities.

The goal of developing energy “self-sufficiency” for the State of New Jersey should be evaluated carefully on the basis of cost-effectiveness, reliability, and environmental benefits.

Electrical energy flows into, within, and through New Jersey are controlled under the PJM regional transmission organization and Federal Energy Regulatory Commission (“FERC”) authorized market rules. As participants in PJM, New Jersey customers receive benefits from their association with a large and efficient power pool with diverse supply and demand side resources. These resources include a variety of plant designs, multiple fuel types and a wide range of capacities leading to a more resilient and efficient power grid. In addition, the large PJM area footprint provides greater diversity of customer load, weather variations and many interconnections with other large regional transmission organizations.

The longer term resource solution for New Jersey will involve three types of resources:

- generation;
- transmission; and
- demand side management resources.

These three resource types should be evaluated against one another simultaneously on the basis of their cost-effectiveness, environmental and reliability benefits. Due in part to the regional transport of air emissions from power generation resources and the global impact of greenhouse gas emissions, it may not matter whether these resources are physically located in New Jersey or not as long as the benefits of these resources to New Jersey customers are measurable and cost-effective. It does not appear to make sense to eliminate potential cost effective resources that can provide both economical and environmental benefits to New Jersey customers simply because they are located in another State.

The development of “energy sufficiency” for New Jersey as an independent “island” within PJM is likely to create unneeded and expensive redundancy with other existing facilities within PJM and significantly lessen the supply and demand diversity benefits of PJM participation. The cost of these redundant facilities to New Jersey customers would need to be collected through higher electric prices. The need for New Jersey to be energy independent from PJM and energy self-sufficient on its own should therefore be carefully evaluated on the basis of cost-

effectiveness, price stability, environmental benefits and economic development prior to having the EMP recommend such an action.

The EMP should indicate that ACE and other utilities should be allowed to recover their reasonably incurred expenditures for the implementation of the programs and policies prescribed by the EMP and related BPU Orders.

To the extent that the EMP requires ACE to undertake new responsibilities and change the existing BGS system, it will be necessary for the EMP to delineate the process or mechanism by which the additional expenditures will be recovered from customers as these changes are implemented. In addition, changes to existing systems and responsibilities could change the potential risk and exposure of the utility. For example, under the current BGS the vast majority of risk falls on the supplier. Changing the BGS could redistribute risk and exposure to customers. These risks and exposures will need to be appropriately mitigated and the cost for doing so will also need to be recovered.

Smart Grid

A background paper on the Smart Grid dated August 2, 2010 was prepared for the EMP Plan Policy Taskforce. A number of questions were included in that paper to stimulate discussion at a meeting of the Taskforce held the same day. ACE participated in that meeting and provides the following summary of PHI's position on the Smart Grid in partial response to the questions posed. As articulated below, it is PHI's position that an Advanced Metering Infrastructure ("AMI") is foundational to broad scale implementation of Smart Grid applications. Nonetheless, it is possible to deploy certain elements of a Smart Grid absent AMI, and ACE is doing just that.

PHI has been progressing with Smart Grid for several years, establishing a vision that evolved into the *Blueprint for the Future* and has acted on that vision in varying degrees across PHI's operating companies (ACE, Delmarva Power & Light Company, Potomac Electric Power Company).

PHI defines the Smart Grid as an electricity network, or grid, that has evolved from its historical components -- some dating back to the late nineteenth century -- to become "smart" or able to utilize today's state-of-the-art technology and communication innovations. By "smart," this means that the grid now has two-way communication between: home meters and the utility; advanced sensors throughout the grid to allow improved reliability, the ability to reconfigure itself, efficiency and security; an overall expansion in information flowing both to customers and the utility; an advanced analytical platform for better situational awareness; and ultimately building on all of these capabilities to provide real-time optimization of the distribution network.

PHI believes that a Smart Grid requires the more sophisticated meters known as AMI. The smart meter collects and communicates transactional data at the point of delivery to the customer. For this reason, AMI forms the foundational knowledge base for the Smart Grid. The Smart Grid also requires sensors throughout the distribution grid including a number of devices such as smart relays, smart switches and a number of other intelligent end devices.

PHI's Smart Grid is more than smart meters: it innovates across the full electrical system from the customer through the distribution and transmission system, delivering new intelligent capabilities to the electricity grid. PHI's vision is clear and compelling:

Through the 'Smart Grid', customers will become empowered to **make choices** regarding their **use and cost of energy**. It will open opportunities for **innovation**. It will provide the ability for a utility and its customers to take advantage of **energy alternatives and efficiencies** regarding both the production and consumption of energy. It includes a solid foundation of intelligent grid sensors, components and operational design to **improve control, quality, reliability, and security**. Adding, **operating and maintaining grid assets** will be based upon more up-to-date, fact-based data enabling the evolution from preventative and reactive to **predictive and self healing** for more efficient use of resources.

The goal from the outset has been to deliver benefits to all of our stakeholders through innovation on the grid; offering more choice and lower costs to our customers as well as creating a more efficient and more reliable electricity network. Smart Grid is an essential part of PHI's strategy that allows PHI to continue to be a competitive, reliable energy supplier.

PHI has significant plans to continue developing the Smart Grid: its objectives are consistent with the Federal Energy Independence and Security Act ("EISA") where Title XIII provides a ten part definition of Smart Grid:

Energy Independence & Security Act Definition	PHI Vision for its Smart Grid
1. Increased use of digital information and controls technology to improve reliability, security, and efficiency of the electric grid.	✓
2. Dynamic optimization of grid operations and resources, with full cyber-security.	✓
3. Deployment and integration of distributed resources and generation, including renewable resources.	✓
4. Development and incorporation of demand response, demand-side resources, and energy-efficiency resources.	✓
5. Deployment of 'smart' technologies (real-time, automated, interactive technologies that optimize the physical operation of appliances and consumer devices) for metering, communications concerning grid operations and status, and distributed automation.	✓
6. Integration of 'smart' appliances and consumer devices.	✓
7. Deployment and integration of advanced electricity storage and peak-shaving technologies, including plug-in electric and hybrid electric vehicles, and thermal-storage air conditioning.	✓
8. Provision to consumers of timely information and control options.	✓
9. Development of standards for communication and interoperability of appliances and equipment connected to the electric grid, including the infrastructure serving the grid.	✓
10. Identification and lowering of unreasonable or unnecessary barriers to adoption of smart grid technologies, practices, and services.	✓

PHI is ready to execute a range of Smart Grid initiatives, ensuring the delivery of benefits to the consumer, environment and society as well as enabling economic growth. These initiatives include:

- Advanced Metering Infrastructure
- Distribution Automation
- Demand Response Dynamic Rates
- Direct Load Control
- Transmission Automation
- Energy Efficiency

The Smart Grid involves overlaying the existing electrical infrastructure with an “intelligence” infrastructure that includes smart devices and communications technology such as fiber optics, mesh networks and wireless networks.

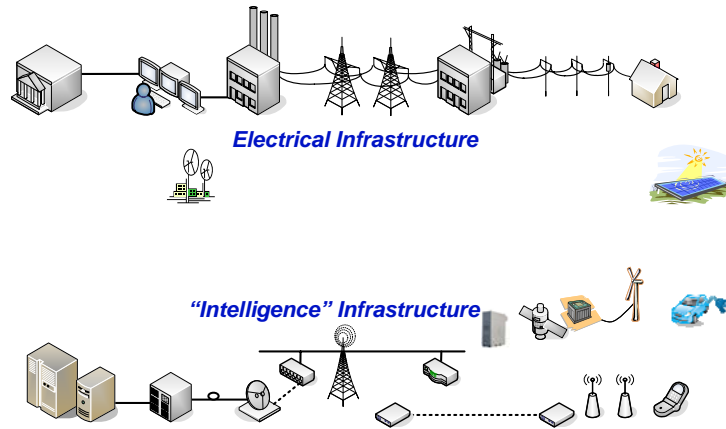
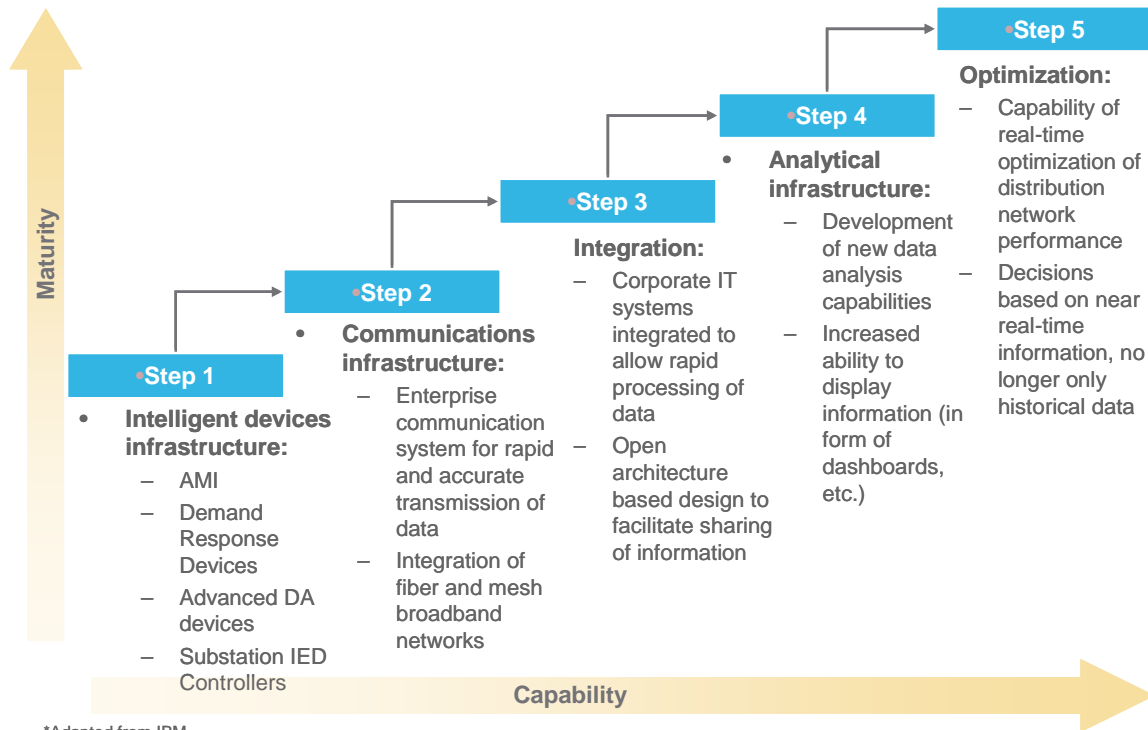


Illustration by the Electric Power Research Institute (EPRI)

PHI is taking an evolutionary approach to achieving its Smart Grid vision. The evolution has five overlapping steps that transform the existing grid to a Smart Grid.



These steps are being implemented concurrently through the Smart Grid projects with the intent that the infrastructure is a shared responsibility. A key measure to assure that the different solutions work together is to establish design principles and standards that each project conforms with.

PHI will assure interoperability and mitigate the risk of failure by focusing on design standards, principles and openness that will assure the Smart Grid works by design. The design will

need to conform to both existing standards and anticipate future ones that are evolving and adapting. The importance of being consistent with external groups such as the National Institute of Standards and Technology (“NIST”) or Zigbee is that they produce implementation standards that are implemented in the devices PHI purchases. PHI is taking the following actions to ensure that the standards adopted are consistent both internally and externally:

- Establish membership in key standards and industry bodies to represent PHI interests, including Gridwise Alliance, Electric Power Research Institute’s (“EPRI”) IntelliGrid SM Partners, Systems Applications and Products (“SAP”) Lighthouse, Smart Energy Alliance and Distribution Vision 2010. In addition, monitoring other groups that include International Electrotechnical Commission (“IEC”), Institute of Electrical and Electronics Engineers (IEEE) and Zigbee.
- Participate in NIST’s Interoperability Roadmap workshops.
- Delegate design & implementation to specialists in the individual projects and where practical elevate these to be common standards.
- Define overarching design principles that apply to all projects that address integration, security, performance and architecture.
- Establish a Smart Grid Design Authority – a dedicated team of technical professionals focused on ensuring there is a consistent design across the program and dealing with design issues as they arise. This group will maintain a set of applicable standards that cover requirements and implementation from standards bodies such as NIST, IEE, ISO (International Organization for Standardization) and IEC.

Cost Recovery

ACE would seek to recover its capital costs associated with the implementation of elements of the Smart Grid associated with distribution assets herein described through a surcharge similar to the Infrastructure Investment Surcharge (“IIS”) approved by the Board on April 28, 2009 in Docket Nos. EO09010049 and GO09010054.

Should AMI be approved for deployment in New Jersey, ACE would also seek to establish a regulatory asset to include the net book value of existing metering equipment that is not fully depreciated, amortized over a future period (e.g., fifteen years).

National Policy Issues

In response to BPU’s request for comment on national policy issues, ACE believes that certain key energy issues require a federal policy. Global Climate Change is one of the most complex environmental, economic and political issues confronting world leaders today. ACE recognizes the benefits of reducing greenhouse gas (“GHG”) emissions on a global basis and the Company is taking action to address its carbon footprint. ACE is also working directly with national policymakers to devise solutions to climate change that balance the need to protect the environment with the need to minimize the economic impacts on American families and businesses.

ACE supports a mandatory, national, market-based regulatory program to reduce GHGs that:

- Ensures stable, long-term public/private funding to support the development and deployment of needed technology solutions and the recovery of appropriate costs.
- Provides achievable timelines for GHG reduction that align with the development and deployment of enabling technologies.
- Employs market mechanisms to secure cost-effective GHG reductions and provides a reasonable transition schedule
- Establishes long-term solutions for GHG reductions that minimize the impact on the economy and stimulate future investments in zero- or low-GHG technologies.
- Provides the certainty of a consistent national policy harmonized and enforceable at the federal level.

Conclusion

Renewable Energy - The Company believes that any mechanisms to purchase energy, capacity or renewable energy credits should be analyzed against all viable supply alternatives to assure that the obligation to provide customers with reliable, cost effective supply is met. In addition, renewable energy policy in New Jersey should recognize a balance between assuring customers stable prices in the years ahead versus the potential for new and innovative technology changes that would drive down costs and open up new opportunities for customers.

Energy Efficiency - ACE believes it is important to ensure a smooth transition from the New Jersey Office of Clean Energy to utilities and/or other third parties. Otherwise, both the programs and the utilities risk negative customer responses and experiences that would create additional barriers to meeting the EMP goals.

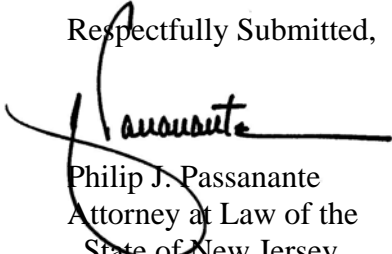
Regulatory Lag - ACE believes it is beneficial for the customer and the Company for the utility to recover costs of certain investments and expenses as they are incurred instead of waiting for recovery through a rate case, thereby smoothing out rate increases.

Other Generation - ACE recommends that the redesign of the EMP carefully consider maintaining a reasonable balance among many worthwhile but competing planning objectives as described in detail in our comments.

Smart Grid - The Company's goal from the outset has been to deliver benefits to all of our stakeholders through innovation on the grid -- offering more choice and lower costs to our customers as well as creating a more efficient and more reliable electricity network. Smart Grid is an essential part of ACE's strategy that allows the Company to continue to be a competitive, reliable energy supplier.

ACE thanks all parties for the opportunity to share written comments and looks forward to participating in the finalization and implementation of the 2010 revised EMP in the near future.

Respectfully Submitted,

 /jpr

Philip J. Passanante
Attorney at Law of the
State of New Jersey

Stakeholder Comments
New Jersey Energy Master Plan Discussion
Bayshore Recycling Corp
75 Crows Mill road, PO Box 290
Keasbey, NJ, 08832
Valerie Montecalvo, President
September 30, 2010

Thank you for the opportunity to provide comments in the context of the stakeholder process being led by the Board of Public Utilities (BPU) toward updating the 2008 New Jersey Energy Master Plan. We applaud the open, transparent and participatory process undertaken under Governor Christie and President Solomon's leadership and the direct participation of sister agencies like the Department of Environmental Protection (DEP) and Economic Development Authority (EDA).

Our comments pertain to the 2008 Energy Master Plan Goal 3, Action Item 3: "Develop 900 MW of biofuels and biomass as part of the State's RPS."

Specific Comments:

1. Bayshore strongly supports retention or re-adoption of the 2008 Energy Master Plan Goal 3, Action Item 3 toward developing 900 MW of biofuels and biomass as part of the State's Renewable Portfolio Standard.
2. Interagency actions to evaluate and pursue incentives to advance the 900 MW goal that were identified in the 2008 EMP are also strongly supported with respect to:
 - Identification and removal of regulatory barriers to the advancement of biomass to energy and biomass to fuel technologies;
 - Review of the feasibility of adding a societal benefits charge on petroleum based fuels to support bio-energy incentive programs;
 - Establishment of bio-energy enterprise zones across the State where biomass feedstocks are readily available and can be efficiently utilized to create energy or manufacture fuel;
 - Development of consumer-based biofuels incentive programs;
 - Formally modifying the RPS to support the 900 MW biofuel/biomass goal by 2020.
3. We recommend application of broad definitions of eligible feedstock materials in energy and fuel production from biomass. In this regard, it is critical to the viability of advanced recycling and materials recovery of construction and demolition debris that engineered biofuel be recognized under feedstock definitions. Beyond traditional definitions that recognize organic sources such as sustainably grown and harvested crops, including native noninvasive energy crops, agricultural residues and non-recycled organic waste including waste

cooking oil, grease and food wastes, sewage and algae – we recommend the addition of language to include “carbonaceous materials recovered from a DEP approved materials recovery facility (including, but not limited to, non-recyclable wood, paper, plastic, waxy cardboard and rubber left after processing”). In the absence of inclusion of construction and demolition derived fuel, this segment of the waste stream will be destined for landfilling with no environmental or energy benefit.

4. In line with comment 3 above, Bayshore further recommends that construction and demolition derived fuel be incorporated within applicable definitions of Class 1 renewable energy. This can either be done in recognizing that carbonaceous materials recovered from a DEP approved material recovery facility is a sustainable resource or through a categorical determination that construction and demolition derived fuel falls within the “industrial by-product technologies” element of the existing definition of Class 1 Renewable Energy.
5. Finally, Bayshore understands and supports a market based approach toward establishment of a self-sustaining financing mechanism to promote clean energy. However, the disparity in cost per unit of clean energy between technological options must be addressed. Bayshore supports the concept of a technology neutral or generic renewable energy certificate program in order to bring more balanced head to head competition in the marketplace.

Company Background and Context of Comments: Bayshore Recycling Corp and its affiliated companies operate six separate and distinct recycling companies within its 52 acre Eco-Complex and Energy Park in the Keasbey Section of Woodbridge Township, New Jersey. Each contributes environmental benefit by reintroducing materials into the economic mainstream which would otherwise be disposed of in our State’s landfill facilities. As one of New Jersey’s largest recyclers, Bayshore is permitted by NJDEP to accept over 10,000 tons per day of material and some operations run 24 hours per day, six days per week. Services include: recycling concrete, asphalt, brick, block and glass cullet into aggregate materials; remediation of petroleum contaminated soils; materials recovery of mixed construction and demolition debris into secondary products such as landscaping mulch and bio-fuel; full-service metals recycling; acceptance of dredge material at our barge terminal and a tenant operation for food waste to fertilizer. In 2008, \$5.7 million was invested for a 679 kilowatt (9,365 panels) rooftop solar energy system that assists in powering the operations. A more detailed breakdown of approved capacities for recycling operations is as follow:

- 3,000 TPD Concrete, Asphalt, Brick or Block and Glass Cullet (Class B operation);
- 2,500 TPD Petroleum Contaminated Soils – (Class B low temperature thermal desorption unit);
- 500 TPD Untreated Wood (Class B operation);
- 100 TPD of Industrial Slag (Class B operation);

- 1,000 TPD of Mixed Construction & Demolition Debris – bulky waste type 13 (Transfer Station/Materials Recovery Facility);
- 1,500 TPD of Source Separated Food Waste (Approved in Middlesex County Plan and under review for Biomass to Energy/Fuel facility development);
- 1,000 TPD Class A recycling facility (pending for Middlesex County Plan inclusion);
- Over 5 ton storage capacity for consolidation of consumer electronic waste as a “Large Quantity Handler” of Universal Waste (pending Middlesex County Plan inclusion);
- Unspecified capacity for metals recovery (copper, brass, aluminum, stainless, wire and steel);
- Waterfront Development/Water Quality Certificate/Acceptable Use Determination approval for dredged material storage and handling through use of existing spudded work barges on the Raritan River. Permitted approval to store 143,000 cubic yards of material to a height of 40 feet.

Bayshore takes the position that whatever can be recycled, either through source separation or through materials recovery from a mixed waste stream, should be. Subscribing to a “higher and better use” concept for materials management, recycling should be supported to the maximum extent possible. As noted, Bayshore accepts both source separated materials streams (primarily construction and demolition debris, metals and non-hazardous contaminated soils) and mixed bulky waste. We invested over \$10 million this past year to develop a mechanized materials recovery facility that also includes hand picking of materials to ensure that maximum levels of recycling take place. On average we can recover 70 – 75% of the materials from a mixed bulky waste stream – and have achieved up to 95% recovery from some specialized client waste streams.

We are permitted to accept up to 1,000 tons per day of bulky waste (ID 13). Waste materials are loaded into our mechanized materials recovery operation where “finger screens” initially separate out 10” minus feedstock. Following processing through overhead magnets, materials pass through a secondary finger screen to separate out 2” minus feedstock. From here, 2 – 10” overs are sent to a de-stoner dual air knife with the lighter materials blown off. What follows are three manual picking lines (A, B and C). We currently are employing 30 pickers to further separate out commodities (with higher volumes in the future as the system is designed to employ 56 pickers per day). All pickers separate wood and are assigned one additional material (plastic, cardboard, paper, metal, aggregate, etc.). Over half of the incoming mixed waste stream is wood waste. Recovered dimensional lumber and pallets are sent directly to a shredder for the production of six inch mulch products further marketed to the landscape industry. Other non-wood commodities separated and removed are sent to market (plastics, tires, Styrofoam, metals, aggregate). Even the fines from the process are marketed – currently to landfills for use as daily cover as approved by NJDEP. After recovering as much materials as possible for marketing as recycling commodities, an “engineered bio-fuel” is derived from recovered chipboard, painted wood, plywood and spools that are sized to a 4” minus wood chip. Creasote and chromated copper arsenate (CCA) are not acceptable

for inclusion in our bio-fuel. Our bio-fuel is shipped to out-of-state facilities (currently a paper mill) under approvals from both NJDEP and PADEP.

Toward the future, Bayshore wishes to attract additional technologies at our Eco-Complex and Energy Campus, with a primary focus on thermochemical conversion (gasification and pyrolysis) and anaerobic digestion. Evolving technologies can produce clean energy and/or fuels from biomass using feedstocks such as food waste and the other materials noted above which currently are generated after materials recovery at Bayshore.



September 30, 2010

New Jersey Board of Public Utilities

New Jersey Energy Master Plan Committee

RE: New Jersey Energy Master Plan

CCS Materials, Inc. of Piscataway, New Jersey is a new company attempting to commercialize a Low Temperature Solidification process to produce engineered materials. CCS Materials, Inc. respectfully submits the following comments on the New Jersey Energy Master Plan for consideration by the Committee:

1. Energy efficiency is recognized as a cost effective way to reduce the amount of energy consumed. This concept generally refers to the energy efficiency of buildings, but energy efficiency of production processes may also be a source of energy reduction. Processes that make products in ways that are more energy efficient than large-scale well-established industrial processes should receive support and preference in the Plan in proportion to the energy consumption saved when compared to current or historic processes.
2. Low carbon emitting energy generation is an important component of the Plan. With similar overall benefits, the Plan should also provide parallel support and encouragement of production processes that result in significantly reduced carbon dioxide emissions compared to the current or historic processes, particularly, those that are carbon negative.
3. Energy use and carbon dioxide production are not only local but are also national and international concerns. While this is a New Jersey Plan, the Energy Master Plan should not limit its focus to the energy efficiency and carbon dioxide reduction of only those products now produced in New Jersey. On the contrary, the Energy Master Plan should also support world-class production and technology development of any useful product being highly energy-efficient and having significantly-reduced carbon dioxide emissions when the development of such a technology would benefit the State of New Jersey in terms of investment, technology base and job creation. Performance in energy efficiency and significantly reduced carbon dioxide emissions, and the benefits of the development of such technologies as growing industries in the State of New Jersey should both be considered as key criteria to receive support and preference from the New Jersey Energy Master Plan.

If you have any questions about these comments, please contact Thomas Christopher at tchristopher@ccsmat.com or 610-657-2762.

CCS MATERIALS, INC.
11 Colonial Drive
Piscataway, New Jersey 08854

September 27, 2010
Board of Public Utilities
Public Hearing re NJ Energy Master Plan

As the Englewood Councilwoman who spearheaded the city's growth and progress on sustainability issues, I urge the Board of Public Utilities to include options on wave energy/hydroenergy in the NJ Energy Master Plan. The 110 miles of NJ coastline provide an exciting and secure resource for the production of ocean wave powered electricity.

As a frequent visitor of Oregon where I have family, I see and hear future methods of electricity discussed and embraced. The time is now for New Jersey - we need ocean wave generation of electricity - renewable, clean, cost effective.

As an Englewood Councilwoman, I am familiar with the renewable initiatives of Able Technologies, LLC. We must nurture and encourage these efforts to have kinetic energy flourish in New Jersey.

Best, Charlotte Bennett Schoen, *Councilwoman*



September 28, 2010

VIA ELECTRONIC MAIL

Energy Master Plan
New Jersey Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

RE: Comments on the 2010 Energy Master Plan

Dear President Solomon and commissioners on the New Jersey Board of Public Utilities:

On behalf of the 85 member companies of the Chemistry Council of New Jersey (CCNJ), representing a \$27billion state industry that provides more than 65,000 high-paying jobs, I wish to submit my comments in regards to the New Jersey Energy Master Plan, which is currently undergoing a revision.

CCNJ applauds the efforts of the Christie administration to re-examine the Energy Master Plan published last year, which set some very ambitious goals for the state. CCNJ hopes that the revised plan will address the need for new base load generation, and competitively priced electricity that is reliable. As you set goals for the future, please be mindful that today's high cost of energy continues to put our members at an economic disadvantage and jobs at risk. We urge the state to do more to address this dire situation.

Every year CCNJ conducts an Annual Membership Survey. One of the questions centers on what our members see as their major issues of concern. Since 2008, Energy Costs/Issues ranked 2nd among our membership, which was preceded by the cost of Regulatory Compliance/Regulatory Changes. Consistently our members have told us that the cost of electricity in New Jersey is an important factor considered when deciding to downsize or close a plant or facility.

In 2000 the chemistry industry directly employed nearly 100,000 people in New Jersey; today that number is about 65,000. NJ will continue to lose high-paying jobs to states across the river and countries across the ocean if nothing is done to address New Jersey's high energy costs. Our state can no longer afford the loss of these jobs that the business of chemistry provides, since for every chemical industry job in New Jersey, a total of 5 jobs are created within the state.



New Jersey's industrial electricity rates are already 81% above the national average, the 5th highest in the nation, and this is before you add in all of the different taxes and mandated charges, such as the Retail Margin Fund, Societal Benefits Charge and Sales and Use Tax. Add to this the high cost of oil and the volatile pricing of U.S. natural gas; you can appreciate why the chemistry industry in New Jersey – an energy intensive industry – is hemorrhaging.

ELECTRICITY RATES

	ALL SECTORS	INDUSTRIAL	COMMERCIAL	RESIDENTIAL
Rank Among States	4 th	5 th	4 th	5 th
NJ Price (cents per kilowatthour)	15.65	12.72	15.20	16.86
US Average (cents per kilowatthour)	10.19	7.01	10.46	11.92
% Above Nat'l Average	54%	81%	45%	41%

Data Released Energy Information Administration: Year to Date June 2010

http://www.eia.doe.gov/state/state_energy_profiles.cfm?sid=NJ

The business of chemistry is an energy intensive industry: we use energy to power our manufacturing facilities and as a raw material or feedstock to create many energy-saving materials.

Energy represents a significant share of US/NJ business of chemistry manufacturing costs. For some energy-intensive products, energy for both fuel and power needs and feedstocks account for up to 85% of total production costs. Because energy is vital component of the industry's cost structure, higher energy prices can have a substantial impact on the business of chemistry (Guide to the Business of Chemistry 2010, p. 103). Below is a chart of energy costs for the business of chemistry in the US since 2000.

Energy Costs (million \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Business of Chemistry	37,136	37,985	31,625	41,847	51,923	61,786	65,881	75,683	88,983	55,226
Fuel & Power	15,284	16,322	13,791	16,699	17,952	21,587	21,583	23,203	27,820	14,232
Feedstocks	21,852	21,663	17,834	25,148	33,971	40,199	44,298	52,480	61,163	40,994

Source: Guide to the Business of Chemistry 2010, p. 103 – Bureau of the Census, Energy Information Administration, American Chemistry Council

The business of chemistry based in NJ, represents about 5% of the total US based chemistry industry.



We understand that energy consumption and our environmental impact go hand in hand. Before the high cost of energy started to cripple our industry, the chemistry industry made many improvements to its operations in order to become more energy efficient and to reduce its environmental impact. The industry's commitment to this end has been demonstrated with the reduction of greenhouse gas emissions by 10% from 1990-2005, and by improving energy efficiency by 47% since 1974, and 27% since 1992 at our plants.

We certainly encourage the promotion of energy efficiency in New Jersey. We are an industry that has been regularly engaged in this practice with much success; however, the industry is limited to energy efficiency innovation currently available and some measures may be cost prohibitive.

Large energy users, like the members of the council pay a disproportionate amount into the societal benefits fund; perhaps as you review the Energy Master Plan and the different funds, you may look at the different taxes and surcharges and make them more equitable. The CCNJ feels that it is only right that the share paid by large industrial users be directed to programs that will help these rate payers implement more energy efficient technologies that will help NJ achieve its lower carbon and energy use goals.

While the Energy Master Plan has five admirable goals to maximize energy conservation and energy efficiency; reduce peak demand for electricity; meet the State's electricity needs from renewable sources; develop new low carbon emitting, energy efficient power plants; and invest in innovative clean energy, the truth of the matter is that we need to take more action now and begin to address the issue of new supply today. We fully support the creation of a Power Authority to help New Jersey cut through the supply issue.

Any energy policy that relies on only one source of generation will certainly continue to drive up New Jersey's already high electricity rates, which as noted earlier are among the highest in the nation for all ratepayers. This is why CCNJ fully supports a diversified energy portfolio in New Jersey. We encourage the BPU to bring new power plants online, including making a clear commitment to proven technologies like nuclear generation, and to begin providing incentives to companies that have cogeneration power plants to bring them online, since they are a cleaner source of energy and would provide immediate relief.

I urge the BPU not to discount the promise nuclear energy presents to our state as a viable solution for the state to meet its electricity demands for the future, while remaining "green" and reducing its greenhouse gas emissions.



Windmills and other sources of alternative energy may present some attractive solutions, but it would be impossible for windmills to replace nuclear power plants or even conventional power plants. According to an article in the Wall Street Journal, *The Wrong Way To Go Green* (April 27, 2010), “you'll need 45 times the land mass of a nuclear power station to produce a comparable amount of power; and because you are in the middle of nowhere you'll also need hundreds of miles of high-voltage lines to get the energy to your customers.”

When considering Onshore or Offshore wind generation, let's be clear, the wind does not always blow in New Jersey. And when considering solar generation, the Sunday doesn't always shine.

In fact, a recent article on NYTIMES.com, pointed out how Denmark has shifted to providing more than 13% of its energy by harnessing the wind. But in doing so the country has increased its reliance on coal, because as the article states: “wind, being wind, isn't always blowing. What this means for Denmark—which is heavily reliant on coal—is that demand for coal literally shifts with it. Sometimes the wind is blowing when you need it; then you use it. Sometimes it is not blowing when you need it; then you use another energy source—again, in Denmark's case, coal. Sometimes it blows when you don't need it; then you export it—as Denmark often does. As is the case everywhere, the failure of wind to meet energy needs precisely when they arise means that it must always be buttressed by conventional sources of generation—sometimes coal, sometimes natural gas” ([For Whom the Wind Blows](#), NYTimes.com, May 17, 2010).

The chemistry industry, an energy intensive industry, needs access to cheap and reliable electricity, and therefore we cannot rely on alternative generation alone. Base load generation, like nuclear, is needed to meet not only our energy demands but the demands to reduce greenhouse gas emissions in the state. More nuclear generation in our state will help us improve reliability, reduce emissions, and provide cheaper electricity.

Looking to the future, CCNJ encourages New Jersey to join the efforts of other forward thinking states and federal legislators to expand access to domestic energy resources at the same time that it is encouraging fuel diversity and efficiency.



As you finalize the revised NJ Energy Master Plan, we encourage the BPU, EMP Committee, State and Federal Legislators and Governor Christie to consider and support the following energy solutions in the final Energy Master Plan:

- Support lifting the moratorium and expanding access to domestic energy supplies;
- Continue to encourage energy efficiency;
- Continue to Increase New Jersey's fuel diversity, including:
 - ✓ Supporting carbon capture and sequestration
 - ✓ Increase investment in renewable energy systems
 - ✓ Consider new nuclear energy production;
- Avoid climate policies that will continue driving utilities to switch to natural gas without enough supply to meet that demand.

The CCNJ looks forward to continuing the dialogue with the BPU and the Christie administration about the Energy Master Plan and other very important energy issues. We seek to advance innovative and forward thinking solutions that will help address our immediate issues, while focusing on the future without compromising our environmental commitment.

Sincerely,

A handwritten signature in black ink that reads 'Hal Bozarth'. The signature is written in a cursive, flowing style.

Hal Bozarth
Executive Director
Chemistry Council of New Jersey

NEW JERSEY
CITIZENACTION

Phyllis Salowe-Kaye/Executive Director

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VIA ELECTRONIC MAIL

September 30, 2010

New Jersey Energy Master Plan
New Jersey Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

RE: Comments on the 2010 Energy Master Plan

Dear President Solomon and Commissioners on the New Jersey Board of Public Utilities:

Our vast economic achievements over the past century could not have happened without the effective development and regulation of electric energy. Electricity is a unique good in modern society, not a simple commodity. Access to safe, reliable and affordable electric service is indispensable to the health, safety and well-being of every person and business, and should be regarded as a right.

New Jersey's decade long attempt to restructure the electric service industry has been a failure. For the vast majority of ratepayers, this experiment has not produced affordable electric rates or consumer choice. The price for electricity is higher than ever and it only promises to go higher in the near future, regulatory oversight has been severely weakened and reliability has been compromised, threatening the economic well-being of our State.

The provision of electric service is a complex social, economic and technical process involving billions of dollars of capital investment and complex system coordination.

As demonstrated by the Northeastern Blackout in 2003, as well as the Enron and other energy trading scandals, the manufacturing of this product and the unique nature of the industry create unparalleled opportunities for discrimination, market manipulation and disruptions of electricity service.

New Jersey ratepayers, particularly residential consumers and small business owners, are being severely stressed by the high and unaffordable cost of utility services. Utilities impose a disproportionate burden on the poor. In 2003 and according to the US Department of Housing and Urban Development, for single, elderly poor and disabled persons living on a fixed income, the average energy burden was 19% of their household income. It is likely even higher today.

NEW JERSEY CITIZEN ACTION

Phyllis Salowe-Kaye/Executive Director

Board of Directors

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Accordingly, the electric industry must be comprehensively regulated by state and federal agencies. Therefore we call on the BPU and other policy makers to:

1. Pursuant to EDECA, the BPU must certify that that the residential market for electricity in New Jersey is not competitive and reclassify electricity as a regulated commodity. The legislature must also direct the BPU to set all electric rates based on the reasonable cost of providing electricity, (cost-of-service). Finally, the legislature must also immediately bar the BPU from setting rates on the basis of anything other than cost-of-service and therefore is prohibited from setting or increasing rates for any ratepayer solely for the purpose of stimulating the development of competition.
2. Ensure NJ's Annual Basic Generation Service Auction is Transparent and Free from Market Power Abuses. Since 2002, the BPU has conducted an annual Basic Generation Service (BGS) Auction to establish electricity prices for virtually all residential customers in New Jersey. EDECA established the BGS Auction as a default mechanism for those customers who did not or could not choose among competing electricity suppliers. Since competition has not formed in New Jersey's residential energy market, residential consumers have no choices to pick from and are by default hostage to auction prices. The BPU must increase its scrutiny of the auction, which occurs in a virtual "black box". The current process does not provide the information needed to ensure ratepayers are charged just and reasonable prices for energy usage. Complete and uncensored reports including underlying supply contracts must be provided for regulatory review and public scrutiny. Moreover, the Board should require a market power analysis of the BGS auction, similar to that provided by the PJM Market Monitor of our regional grid, to determine if market power is impacting BGS rates and if so take steps to alleviate market power and reduce rates. The BPU should also establish a permanent Market Monitor.
3. Establish Pay as Bid Auction Prices. Under the current BGS auction rules, ratepayers are forced to pay a higher price than the bidder was willing to accept. The NJ BPU should halt this anti-consumer practice immediately and adopt a Pay-as-Bid procedure. This procedure provides winning bidders the lowest price they freely agreed to accept, not the current practice of awarding the highest price accepted for the product on which they bid.
4. Create a public power agency with the mandate to meet New Jersey's increasing energy demand in a reliable, affordable, efficient and environmentally sound manner. This agency will be authorized to build, own and operate, as well as purchase, power plants and transmission and distribution assets. The agency will be authorized to auction the right to build power plants to, or contract with, private generators that will sell energy on a cost-of-service basis to the utility distribution companies.

NEW JERSEY
 **CITIZEN ACTION**

Phyllis Salowe-Kaye/Executive Director

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5. Direct the BPU to insure reliability and deter market manipulation by establishing and enforcing maintenance, operation and reliability standards and penalties for both utility and merchant generators.

The BPU should enforce the current laws and regulations requiring all New Jersey residents have access to affordable electric rates by expanding the eligibility of the Universal Service Fund (USF) program immediately, so that moderate income households who are now struggling to keep up with rising rates can begin to afford their electricity. The BPU should also eliminate the arbitrary maximum benefit of the USF program so that those households who need the program the most can have affordable electricity rates, as well.

6. Establish a statewide Citizen Utility Board to protect the interest of consumers.

Thank you very much for your careful consideration of our comments.

Sincerely,

Phyllis Salowe-Kaye

Phyllis Salowe-Kaye
Executive Director