



A PHI Company

**Comments of Robert K. Marshall, Regional Vice President
Atlantic City Electric
September 5, 2007
Stakeholder Meeting On Energy Efficiency**

Thank you for the opportunity to offer comments on the State of New Jersey Energy Master Plan proposal to achieve better energy efficiency in existing building stock. We applaud the State's efforts to reduce greenhouse gases, help customers save energy and develop renewable energy resources.

Atlantic City Electric believes that promoting energy efficiency is the best and most cost effective way for meeting the State's energy needs while protecting the environment.

Atlantic City Electric and its parent company, Pepco Holdings Inc., are establishing a leadership position in promoting energy efficiency and conservation with its almost 2 million customers in the Delaware, District of Columbia, Maryland and New Jersey jurisdictions.

We have begun to introduce our Blueprint for the Future across these four jurisdictions, which will provide long term sustainable benefits for our customers and the environment.

In terms of the specific options being proposed (energy efficiency portfolio standards versus a government based approach), we would offer these initial comments in favor of a decentralized, utility driven energy efficiency approach.

1) **Decouple utility rates to align utility interests with conservation.** In today's world, utility customers are better off financially when they use less electricity and/or generate their own electricity through cogeneration and/or renewable generation. However, due to the current volumetric rate structure, which ties the amount of a utility company's revenue to the amount of commodity consumed, New Jersey electric utilities are better off financially when their customers use more energy from the grid. This inherent conflict is recognized by many as a roadblock to a successful, fair and robust portfolio of programs to help reduce energy usage by customers or programs that encourage customers to install cogeneration and renewable generation. Decoupling of rates benefits all customers by stabilizing electric delivery bills, promoting conservation of energy and the use of renewable generation by removing the utility disincentive caused by volumetric rates. For the utility, decoupling serves two principal purposes. First it better aligns revenues with underlying costs. Second it reduces an inherent disincentive/penalty toward promoting energy efficiency and renewable generation by reducing the potential for under-recovering fixed costs. It is critical that the interests of the customers, the utilities, and the policy goals of the State of New Jersey fully align to support energy conservation and renewable generation.

- 2) **Allow utilities to more fully engage in the energy efficiency programs offered to its customers.** This engagement would include more direct interaction with customers and additional development of programs to assist them with their energy issues, including an advisory role in helping them through the array of programs and investment considerations that currently exist within the Office of Clean Energy. This greater engagement could be coupled with benchmarks for higher levels of performance that will be necessary if the State of New Jersey is to meet its aggressive energy efficiency objectives in the NJ Energy Master Plan.
- 3) **Encourage utility investment in new technologies.** Utility meters have remained relatively the same for many years, and utilities should be encouraged to install new technologies and automated metering infrastructure including smart meters and smart thermostats, thus providing customers with time based consumption data and dynamic pricing options on which to base their decisions on productivity, comfort and operation of equipment in their homes and businesses. The deployment of this equipment will help to lower electric commodity prices and help to mitigate generation market power.
- 4) **Mandate higher levels of energy efficiency through financial incentives coupled with more stringent building codes and construction standards.** More strict 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, the permitting and approval process must not be delayed so that projects move more quickly through the regulatory process.
- 5) **Encourage business investment in energy efficiency and other sustainable practices that are economically (and environmentally) beneficial to the business bottom line.** The State of New Jersey should encourage the use of best practices through a multi level approach.
- Conducting case studies of comprehensive design and projects using multiple efficient measures that have been implemented over the past several years in New Jersey.
 - Promote and recognize successful projects. Adopt a “Governor’s Award” program that awards and recognizes organizations/individuals and projects for implementing leading edge energy efficient practices and/or renewable energy projects.
 - Conduct pilot projects that test new technologies and/or alternative approaches to the operation of a facility.
 - Research and study other state jurisdictions with regard to construction and energy efficiency related codes and equipment specifications such as for heating, air conditioning, lighting, electric motors etc.
 - Drive market transformation starts with rebates, financing, incentives, and customer education/awareness campaigns that help bridge the gap between standard practice cost and high efficiency practice.
 - Encourage a sustainable transformation and influence change in customer behavior through the adoption of supporting governmental policies.
- 6) **Change the regulatory process to ensure adequate cost recovery for utilities that participate in energy conservation, not only by decoupling rates.** Require utilities to pro-actively encourage conservation, while allowing them to earn a reasonable return on their investments in energy efficiency, similar to other utility investments.

7) The State of New Jersey should partner with utilities to develop a small business customer awareness campaign to promote energy efficiency to their customers.

- Develop a statewide outreach campaign partnering the utilities with state colleges and universities to raise awareness on programs, incentives, best practices, case studies etc.
- Develop a partnership with utilities and the small business associations to offer energy efficiency financing to small business customers helping them to reduce their energy costs so that they become more productive and profitable.
- Encourage small business to partner with utilities to administer training programs across the state for various sizes of commercial customers such as retail, office, health care, casinos, and schools. Programs could include training in building operations and maintenance, lighting, motors and drives.
- Permit electric distribution utilities to establish new dynamic pricing programs that help businesses reduce peak electricity demand and new demand response programs that conform to the PJM demand response market.

Thank you for the opportunity to provide input to the formation of the State's long term planning for its energy future.