

20% Energy Consumption Reduction by 2020

Objective: 20 million megawatt hours from efficiency and conservation by 2020.

Comment: PHI/ACE believes that this BPU objective may be detrimental to the Governor’s 20% energy consumption reduction goal. Increase of renewable energy and electric vehicles demands more use of electricity while reducing use of coal and foreign oil. Proper modeling must be used to determine appropriate energy consumption reduction targets among energy sources – transportation, heating and electric.

Strategy: To meet the Governor’s vision, PHI/ACE can pursue regional (PJM) market solutions using what can be called the “Utility of the Future.” Under the Utility of the Future (UOF) model, ACE will work with the BPU and other stakeholders to implement rate stabilization mechanism, build the smart infrastructure that allows for passive and active demand side management (DSM) programs and obtain timely and equitable returns and cost recovery on such investments with or without performance based regulation.

Responsible Party: NJ BPU, Governor’s Office of Economic Development (OED), PHI/ACE and CEEEP. PHI/ACE and OED will work jointly on the investment front while the BPU will ensure a binding timely return. ACE and BPU will ensure effective design and timely implementation of a rate stabilization mechanism. PHI/ACE will work with CEEEP to complete modeling that will include an integrated resource plan (IRP) for economic and environmental impacts of the 20% goal.

Timeline of Action: Modeling to determine the appropriate demand and supply side mix should be completed by the end of 2007. A new regulatory compact for the required investments, allowed return and cost recovery must be enacted as legislation by end of 2008. BPU and OED funding for demonstration of UOF features such as Automatic Metering Infrastructure (AMI), Plug-In Electric Vehicles (PIEV) should begin in 2007. Full deployment of UOF to meet the vision should begin around 2009.

Strategy Outcome: Reduction in energy consumption and the resulting environmental preservation and energy independence. New higher paying jobs and economic growth from AMI and Electric Vehicles deployments. More stable utilities and rates.

Implementation Cost: To Be Determined (TBD) but will include: Cost per efficient lighting and white goods replacement; Cost of AMI deployment; Cost of electric vehicles deployment; etc.

Funding Sources: (x) Private Sector Funds (x) Public Sector Funds (x) Consumer/ratepayer Funds

Indicators: Rate of AMI and PIEV deployment; DSM penetration levels; Rate stabilization and cost recovery mechanism

A. Current State of Indicator: 0% AMI deployment; 0 PIEV deployment; x% DSM penetration

B. Indicator Projection to 2020: 100% AMI deployment; 50,000 PIEV; xx% DSM penetration