

New Jersey Energy Master Plan
Strategy Template
2005-2020

South Jersey Gas--Smart Growth

SUBMITTED BY

Name of Organization: South Jersey Gas

Mailing Address: 1 South Jersey Plaza, Folsom, New Jersey 08037

Contact Name: Samuel A. Pignatelli

Telephone #:

609-561-9000 X 4204

E-mail address: spignatelli@

sjindustries.com

Objective

Goal 1: Secure, Safe, Reasonably Priced Energy Supplies and Services; 20% reduction in electric outages; Goal 2: Economic Growth and Development; Job Growth; and Goal 3: Environmental Protection and Impact

Strategy

SMART GROWTH

NJBPU's Smart Growth/Main Extension regulations, aimed at promoting Smart Growth in NJ, will be considered for renewal in July 2007. SJG would suggest that adoption of certain revisions to these regulations would serve to effectively promote the objectives of the EMP and remove impediments to its success.

Conversions/Unavailability of Efficiency Rebates

The State's Main Extension regulations prohibit the owner of "new construction" housing located in a non-Smart Growth area from converting from another heating fuel to natural gas prior to expiration of fifteen (15) years from initial construction. Pursuant to the regulations, such a homeowner may convert to natural gas within the 15 year period so long as the *homeowner*, and not the utility, covers all costs associated with installation of the necessary utility infrastructure. As a result, you will have far fewer homeowners converting and/or investing in environmentally superior, more energy efficient home heating equipment prior to 15 years from construction of their home.

While not expressly set forth in the regulations, the NJBPU is also following a policy which prohibits the provision of energy efficiency rebates/incentives in connection with construction located in non-Smart Growth areas.

It is respectfully submitted that the regulations and policy described above, as applied, serve as an impediment to the State as it seeks to meet its energy conservation and economic goals as set forth in the pending Energy Master Plan (EMP).

This is particularly true in the southern part of the State---an area where housing pressures are great due in part to ongoing development in the State's casino industry. In point of fact, between 70% - 80% of SJG's service territory (which is comprised of the State's southernmost counties) is considered "Non-Smart Growth". Experience to date has shown that the State's Main Extension regulations have not prevented building in Non-Smart Growth areas. Rather, building in these areas has continued. Instead, the result has been another increase in the cost of housing in southern New Jersey---since the homeowner in non-Smart Growth areas must now pick up utility installation/equipment costs.

Significantly, the high cost of housing has been identified (see NJ Future Brookings report/Rutgers Bloustein School Economic reports) as one of the greatest challenges facing New Jersey today in attracting and retaining business, growing the economy and creating and maintaining jobs (See "*Prosperity At Risk: Towards a Competitive New Jersey*" (May 2006) New Jersey Future/Brookings Institution Report)

Also, like the cable/telecommunications industry which is statutorily exempt from the Main Extension regulations, natural gas utilities operate in a competitive marketplace. That is, a homeowner has no choice but to obtain water service (if offered) and electric service when building a home. However, the homeowner may choose as their heating source electric heat, oil or propane instead of natural gas. Since propane and heating oil are not subject to the Main Extension regulations, homeowners in Non-Smart Growth areas are opting to use these other heating fuels to avoid even higher housing costs. In addition to putting natural gas utilities at a competitive disadvantage in the market, the result is more homes using less environmentally friendly fuels---ironically homes located in the very areas that the State is seeking to protect.

The Main Extension regulations and the policies relevant thereto serve as a disincentive to energy efficiency in a number of ways. First, increasingly more efficient equipment will presumably become available as the years proceed and the regulations' prohibition against conversion will prevent a homeowner from installing such equipment for a period of years resulting in a loss of potential conservation

opportunities. Also, the initial expense associated with utility service in non-Smart areas serves as a disincentive to the use of natural gas and encourages the selection of oil, electric and propane as heating fuels. This conversion prohibition thus continues the utilization of less cleaner burning, less environmentally friendly fuels and promotes the selection by the homeowner of electric appliances which negatively impacts the environment and places additional pressure on the grid. From an economic perspective, the regulations which impose still additional financial burdens on prospective homeowners, serve to perpetuate NJ's reputation as a State in which housing is unaffordable. This impacts the willingness of businesses to remain in or to relocate to NJ which, in turn impacts jobs and the health of the State's economy.

- **Strategy 1:** Along with other revisions to the Main Extension regulations, the prohibition against conversions should be eliminated. This can be done without impeding the integrity of the regulations.
- **Strategy 2:** The NJBPU policy denying energy efficiency rebates and incentives to homeowners in Non-Smart Growth areas should be eliminated. (Note: As this is a policy, not a regulation, no change to the regulations is required here). Presumably, the availability of such incentives is not the determining factor when a homeowner chooses where to build. Thus, the house will be built regardless. As the homeowner has determined to proceed (even *with* the higher costs imposed by the Main Extension regulations), the State should seek to ensure that the home will be as energy efficient as possible. The provision of available rebates/incentives to these homeowners will assist in this effort and in the State's ability to meet its EMP goals.
- **Strategy 3:** In order to encourage the development of Distributed Generation (DG) facilities in New Jersey and the benefits that such facilities will provide, SJG recommends that the Main Extension regulations be further amended to exempt infrastructure constructed to serve a DG facility in a Non-Smart Growth area.

Responsible Party

Administration, NJBPU, Legislature (possibly)

Timeline of action

The timing of this strategy's implementation would depend upon the form the available incentive might take---i.e. whether legislation or regulation or simply a change in policy directives is required to achieve the suggested amendments.

Strategy outcome

- More energy efficient homes
- Use of cleaner burning heating fuel
- Less threat to the environment (oil tanks)

Implementation cost

N/A

Source of Funding

N/A

Funding source	Yes	No
Private sector funds		X
Public sector funds		X
Consumer/ratepayer Funds		X

Indicators

N/A

Source

N/A

A. Current state of indicator

B. Indicator Projection to 2020.