

October 29, 2011

State of New Jersey
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Re: Comments on Board's Investigation of Capacity Procurement and Transmission Planning
Docket No. EO11050309

Safeway has long participated in competitive gas and electricity markets across North America, including the New Jersey market. We are also an active member of the COMPETE Coalition, a group of 600-plus – electricity stakeholders, including customers, suppliers, generators, transmission owners, trade associations, environmental organizations and economic development corporations – that support well-structured competitive electricity markets for the benefit of consumers. Twenty-eight COMPETE members are headquartered in New Jersey and 53 of these energy customers have a large footprint in New Jersey with over 1,950 facilities providing hundreds of thousands of New Jersey jobs.

I testified before the Board in June of this year regarding my experiences in both the regulated and unregulated power markets and also communicated the experiences of many of my peers who represent most of the large energy users in the New Jersey market. In the months since that hearing, nothing has caused me to reconsider the comments I made at that time. Wholesale and retail competition in power markets is working; specifically it is working to provide lower costs and better service to rate payers in New Jersey. If anything, I believe the case for letting competitive markets work is even stronger now than it was back then due to the severe economic conditions that exist today.

We continue to believe from our experience that subsidized generation by New Jersey consumers will actually lead to higher electric rates, higher costs for goods and services, and fewer jobs. We also believe that the subsidization of new power plants will increase our costs not just here in New Jersey, but also to our stores throughout the entire PJM region. As we are already entrenched in an extremely competitive business sector, higher energy costs could be a contributing factor on whether we keep stores open.

The organized markets under PJM's existing wholesale market design and rules are working well, providing reliable, competitively priced electricity. PJM has made significant improvements over the last decade to improve the efficiency of its market. The success of these markets is interdependent on each other. You cannot have vibrant retail competition without sustainable and functioning wholesale competition. That is not to say they cannot be improved. I understand that others at the October 14 hearing discussed some of the improvements that

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could be made. We would encourage the Board to continue to work with PJM and its stakeholder group to develop those improvements.

As I said back in June, New Jersey energy policy must place more emphasis on the principle of the “greatest benefit for the least cost.” Generation subsidized by businesses and families is not consistent with this principle. New Jersey benefits from not being an energy island. New Jersey families and business are able to tap into less expensive resources located in nearby states. Subsidies paid by one state’s customers make that state’s businesses less competitive.

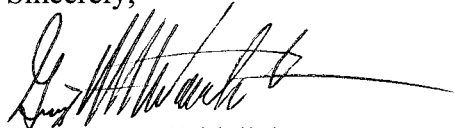
Any short-term potential savings resulting from New Jersey’s attempt to artificially depress capacity prices will be shared with electricity customers in Delaware, Maryland and Pennsylvania. Roughly half of any short-term price reduction would go to businesses and families in those other states, but only New Jersey companies and residents will pay the subsidies, making New Jersey less, not more, competitive.

In the long run subsidies will make electricity more expensive. Once the state intervenes, private concerns will retreat from the market, fearful that the state will subsidize their competitors. That will lead to a reduction in market liquidity and ultimately higher costs.

I would ask New Jersey regulators to look at the advances being made in other states to build and strengthen competitive markets. In Ohio, regulators have just recently made great strides to give consumers more access to competitive markets and remove the burden of stranded costs. In Pennsylvania regulators are investigating ways to improve competitive markets as well. These are the policies that will make those states more competitive. New Jersey risks losing business to pro-competition states like these if it goes down a path that saddles customers with unnecessary costs.

Investors not consumers should continue to be at risk for new generation – this is one of the main cornerstones of competitive markets. Competitive power markets are working and the data shows that retail electricity prices in competitive markets including New Jersey, have increased at a lower rate than the rate of inflation, and in real terms are lower than they were prior to the inception of competitive retail energy markets.

Sincerely,



George M. Waidelich
VP Energy Operations