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VIA ELECTRONIC DELIVERY & OVERNIGHT MAIL

Ms. Sarah Bluhm
Business Ombudsman
Office of the Ombudsman
New Jersey Board of Public Utilities
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Testimony of
Joseph Accardo
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New Jersey Energy Master Plan
Reducing Energy Consumption
September 14, 2018

Good morning. My name is Joseph Accardo, Deputy General Counsel and Chief Regulatory Officer for PSEG. Thank you for the opportunity to provide initial thoughts and comments with respect to Governor Murphy's proposed 2019 Energy Master Plan and today's "Reducing Energy Consumption" stakeholder meeting. This is the second of five stakeholder meetings designed to gather input from members of the general public, community leaders, environmental groups, and business and industry leaders on the proposed EMP.

PSE&G applauds Governor Murphy's bold commitment to reducing energy consumption and investing in Energy Efficiency. Indeed, we believe one of the most important missions for utilities will be to help their customers use less energy. In order to achieve that mission, however, utilities will have to reset our core business model – shifting from the 20th-century model in which utilities sought to sell as much electricity and natural gas as possible to a new

approach ... helping customers use less energy and thereby save money on their monthly bills.

This paradigm shift will require an adjustment to how rates are set – encouraging utilities to help customers use less energy while still allowing utilities to collect the revenue needed to provide safe and reliable service. The current business model creates a disincentive to promote energy conservation and efficiency. This disincentive must be eliminated if the energy reduction targets of 2% for electricity and 0.75% for gas are to be achieved.

As you may know, “Energy Efficiency” is comprised of many components including:

- encouraging customers to upgrade to appliances and equipment that use less power while providing the same or greater level of service, comfort and convenience;
- using more power at times when demand is low and less when demand is high;
- installing equipment to allow motors to run at lower speeds and save energy when full power is not needed; and
- installing more efficient LED lights or exhaust fans to avoid using air conditioning.

Energy Efficiency delivers clean energy benefits similar to solar or wind, but at a fraction of the cost to consumers. Energy Efficiency costs less than any source of electricity – whether fossil fuels or renewables. Energy Efficiency saves U.S. consumers approximately \$90 billion per year according to the American Council for an Energy-Efficient Economy, and that translates to household savings of \$460 a year.

There are broader benefits for the environment and public health, as well. Energy Efficiency already helps reduce carbon emissions by nearly half a billion tons per year. Reducing electricity use by 15 percent could prevent 30,000 asthma attacks and save Americans as much

as \$20 billion in avoided healthcare costs.

Across the nation, the States with the most successful Energy Efficiency portfolios are operated by their utilities, with State regulators providing strategic leadership and oversight. In New Jersey, utilities must also take a leadership role to ensure we achieve the aggressive energy conservation goals established in the Clean Energy Act, and that Energy Efficiency's benefits are available to all customers, regardless of income. Given the mandatory energy reduction targets in the new Clean Energy Law, utilities must be free of any unnecessary encumbrances that will prevent them from meeting these targets. When done correctly, Energy Efficiency can produce a big win for customers and the environment. PSE&G – as well as the other gas and electric utilities - is uniquely situated to implement Energy Efficiency programs given its preexisting customer relationships, experience in implementing award-winning Energy Efficiency programs, ability to provide on-bill repayment options, and access to customer usage data.

There's no question that Energy Efficiency should be our top priority. But we also recognize that other priorities need to be addressed.

The U.S. must continue its conversion to renewable resources. We also must preserve our existing climate-friendly sources, such as nuclear, which safely supplies 20 percent of the nation's electricity and more than 50 percent of its carbon-free electricity. Because transportation represents the nation's largest source of greenhouse gases, utilities should lead the drive to electrify the sector – cars, trucks, buses and trains – by investing for the automobile sector in a universal EV-charging infrastructure. We're seeing automakers step up here and in Europe. Now it's time for utilities to act, as well.

Utilities also should continue to leverage technology to help make our grid more reliable

and give customers the tools they need to help customize their energy use in whatever manner suits their needs – whether that’s cutting costs or reducing their carbon footprint. Even as utilities evolve, we also must realize that the existing infrastructure remains essential to our business. That’s why we must continue to invest in modernizing the nation’s aging electric and gas networks.

For most of the last century, American utilities were engaged in a rush of furious growth and expansion, to spread the availability of electricity and natural gas as far and as wide as possible. The achievement of a universal power supply unquestionably was and remains a public good of the utmost significance which resulted in improved health, education and economic opportunity for entire communities. These advantages are why the modern energy grid is considered the most significant engineering feat of the 20th century. Necessary efforts to maintain what we have achieved must be continued.

But utilities today are also leading a new era of growth and change.

Clean energy resources, such as solar and wind, will be part of that. Other innovations – electrifying transportation, energy storage and smart energy platforms – will be game-changers. But it is Energy Efficiency that has the greatest potential at this time to transform the energy sector and its relationship with customers while providing the radical reductions that are needed to meet our climate challenges.

Sarah Bluhm, Business Ombudsman

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Thank you for the opportunity to appear today and to provide these comments.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Joseph F. Accardo Jr.", written in a cursive style.

Joseph F. Accardo Jr., Esq.