

**Testimony of Dr. Edward H. Salmon, Chairman
New Jersey Affordable, Clean, Reliable Energy Coalition
Before the New Jersey Energy Master Plan Committee**

In the spring of 2007, my partner Rick Mroz and I were asked to serve as leaders of a new organization. It was anticipated the main purpose of this organization would be to provide a reliable third-party voice in the important discussion on New Jersey's steadily increasing energy needs. On August 16, 2007, the New Jersey Affordable, Clean, Reliable Energy Coalition was officially launched with the mission of generating public support for the increased production of affordable, clean, reliable energy to help meet growing energy demand in New Jersey. Our Coalition has sought to achieve these goals by increasing the public's awareness of the need for conservation, energy efficiency, maintaining existing clean energy providers, and promoting the development of new affordable clean energy sources. The Coalition's membership includes over 30 businesses, labor unions, and statewide, regional and local leadership organizations representing the business, healthcare, labor, consumer, academic, civic, and environmental communities. Some of our members include:

- NJ Chamber of Commerce
- NJ Business and Industry Association
- NJ SEED
- NJ Alliance for Action
- Southern New Jersey Development Council
- AFL-CIO
- NJ IBEW
- Exelon
- Lifebulb, LLC
- Eco Engineering
- Pennoni and Associates

In addition to our member organizations, the Coalition also has over 30 statewide, regional, and local leaders known as Distinguished New Jerseyans. Some of our Distinguished New Jerseyans include:

- Dr. Fred Abbate, Former President/CEO of the New Jersey Utilities Association
- Bill Bradley, Former U.S. Senator
- Leanna Brown, Former NJ State Senator
- Brendan Bryne, Former Governor of NJ and BPU President
- Connie Hughes, Former BPU Commissioner
- Carol Murphy, Former BPU Commissioner
- Ron Jaworski, NFL Great and NJ Businessman

Since its inception less than a year ago, our Coalition has undertaken a number of activities and initiatives in meeting our main objectives, for example:

- Active participation in the discussion on energy issues facing New Jersey through outreach and communication to the press and media.
- Engaging public opinion on New Jersey's energy issues by administering polls, focus groups and research reports.
- Educating citizens, businesses, and policy makers on the need to increase energy efficiency and conservation.
- Development of community partnerships to assist with conservation education.
- Hosting, sponsoring and attending local and statewide events related to energy initiatives.

The NJ Energy Coalition would like to praise Governor Corzine, his administration, the Board of Public Utilities, and all the individuals involved in producing an Energy Master Plan for our State's future; one that emphasizes the need to increase energy efficiency, conservation, investment in renewables, and new mass generation. During a time when every American citizen is being deeply impacted by volatile energy costs, it is absolutely imperative that New Jersey set a concrete course of action that will insure demand increases are met and rising costs are negated over the next decade and beyond. In doing so, New Jersey has the opportunity to set the example for other states to follow as they move toward more stable energy supply and demand.

The Energy Master Plan (EMP) closely coincides with the NJ Energy Coalition's goals to increase support for a broad palate of energy supply. This includes renewable sources and clean energy technologies while also addressing the need for more conservation measures and just as important, adding to the State's fleet of baseload power plants. We at the Coalition believe that energy efficiency and conservation are fundamental in meeting the ambitious goals of the EMP. It is important the State decisively establish programs that educate the public on the need to conserve their energy use. In order to achieve success, the State must provide adequate financial incentives that will not only encourage the utility industry to support increases in efficiency, but will engage the average New Jersey citizen to incorporate conservation practices into their home and business on a daily basis. Demand response and Smart-Grid technology are two such cost-effective examples that if promoted correctly can significantly encourage customers to conserve during peak hours.

We at the NJ Energy Coalition also strongly support the goal to achieve 20% of our energy supply from renewable sources by 2020. The principal leaders of our Coalition were closely involved with development of the Wind Farm at the Atlantic County Utilities Authority Wastewater Treatment Facility in Atlantic City. We praise the Board of Public Utilities for initiating the pilot offshore wind project that is currently underway. Our leadership also assisted with the solar panel installations at the Toms River School District and we are enthusiastic advocates for the expansion of solar in New Jersey. Our State is ranked second in the nation in solar energy initiatives, and if we wish to achieve the number one status, the State must provide monetary encouragement for solar investments. Like conservation and energy efficiency, support for more wind and solar must come from the State through the development of financial incentives for new projects. However, these incentives should not

result in shifting the economic risks to utilities. Risk and reward must be balanced for all parties, including utilities, their customers and shareholders.

With the reliable voice that our Coalition's leadership has established throughout our first year of operation, we are fully and readily available to assist the administration with meeting the goals of the EMP and would welcome any opportunity to do so.

There are five specific issues that we at the NJ Energy Coalition believe need to be stressed more clearly and adamantly than the language of the EMP currently offers. We would like to briefly talk about these issues:

1.) Agency Coordination

It is critical that the State include in the EMP measures for increased agency coordination and regulatory certainty for the development of new generation facilities. This would require collaboration between the legislature, BPU, and DEP in establishing a standardized and integrated permitting process that includes a timeframe and cost of all review procedures. At present, the lack of regulatory certainty acts as a disincentive for energy investors. A standard timeline and cost for building new generation must be established, whether it applies to wind farms, cogeneration, or larger baseload such as nuclear. In other words: a one-stop shop for new energy that simplifies and cuts-down the process. **Active cooperation of the approval agencies would provide regulatory certainty without adding more government.** Coordination would clarify the approval processes and timelines, both of which are fundamental to the planning process of developing new generation facilities. They are also most important to investors seeking to provide capital for significant investments within the timeframe established by the EMP.

2.) Continued Investment in Nuclear Energy

Our Energy Coalition's main philosophy is that a stable energy landscape in New Jersey will be achieved through a mixed basket of options. The EMP accounts for many of these solutions: developing renewable sources, increasing energy efficiency, decreasing peak demand, and investing in new clean energy technologies. However, as clearly stated under Goal 4 of the Plan even if the State fulfills its goals for all of the aforementioned initiatives, projected demand increases leave 54,000 giga-watt hours of energy unaccounted for by 2020. This staggering figure can only be met with new baseload energy.

With that in mind, ensuring that New Jersey's current nuclear power facilities remain in operation and that new nuclear generation is developed is an absolute necessity in achieving the goals of the EMP. Currently, nuclear power is the largest and most vital source of baseload electricity in the State, accounting for over 50% of our supply in 2006. **Most notably, nuclear power produces virtually zero carbon emissions.** This fact alone makes nuclear the best contender to increase energy supply while simultaneously meeting Governor Corzine's Executive Order 54 to reduce carbon emissions by 2020.

While investment in renewable energy is an exciting and crucial part in our clean energy future, it will never replace the need for a strong, baseline, reliable and constant energy supply.

As it stands in the current draft of the EMP, nuclear energy is only briefly mentioned as an option for new forms of mass generation. It is our recommendation that the State explicitly commit to the development of new nuclear generation facilities in the EMP. In addition, it is recommended that the EMP also account for the contribution that the current nuclear facilities make to our State and that a commitment is made to ensure that these facilities remain in operation for as long as regulations permit. In order to keep costs down, increase supply, and reduce our carbon footprint on the residential, commercial and statewide level, it is critical that existing nuclear sites stay in operation and that the development and construction of new nuclear generation facilities is adamantly encouraged.

3.) Transmission

Upgrading the State's transmission infrastructure is a critical component to be highlighted in the NJ EMP. New transmission facilities will be required to support the transportation of proposed renewable energy resources in addition to new base load or nuclear energy in the State. However, it is equally important that New Jersey does not isolate itself as an island, but collaborate with upgrades in surrounding states to maximize the stability of our region. The completion of the Mid-Atlantic Power Pathway (MAPP) will provide the additional infrastructure needed to support proposed clean energy projects in the Mid-Atlantic. It will also complement New Jersey's energy efficiency and demand-side management initiatives. MAPP will improve the flow of electricity, ensure a reliable, long-term supply, deliver lower cost power during periods of highest demand, reduce the cost of power by reducing congestion, and create a bigger corridor for delivering new, clean energy solutions.

4.) Decoupling

The current decoupling pilot program that has been adopted by two NJ gas utilities is a good start, but we need wholesale decoupling in the utility industry in order to remove the disincentive to promote conservation efforts. In order to get gas and electric utilities on board with the EMP's energy efficiency goals, decoupling must be broadened into a more financially viable incentive than the current program provides. The gas pilot program establishes a surcharge for the utility to recover revenue lost due to conservation programs. However, the surcharge is limited in two areas: a.) lost revenues are recoverable only to the extent that they are offset by long-term supply costs savings and b.) they are limited by an earnings cap. Recovery is uncertain since it depends upon whether the utility is earning above or below the earnings cap. There also may be unknown financial impacts due to factors that strongly influence the surcharge that are beyond the control of the utility. The established relationships that utilities maintain with their customers will be the most effective means of educating citizens on conservation practices. **Therefore, it is absolutely crucial that the State develop the decoupling**

program into something that works for every utility and generates their support for energy efficiency by removing the financial disincentives.

5.) Liquefied Natural Gas

Under its goal of investing in low carbon-emitting power plants, the EMP calls for the development of more cogeneration natural gas fueled facilities. The value of natural gas is that it is cleaner than other fossil fuels, its worldwide supply is projected to peak later than other fossil fuels, and the efficient cogeneration plants that it has the potential to power can easily meet peak demand. Natural gas already plays a significant role in meeting energy needs and it is therefore important that a stable and cost-effective infrastructure is developed that will maintain current natural gas needs and support the addition of cogeneration facilities. **Investment in Liquid Natural Gas (LNG) facilities within the State must be included in this infrastructure to ensure stability in both the natural gas market and the supply.** The EMP does briefly comment on LNG as part of its proposed feasibility analysis of this fuel source, but it is the recommendation of our Energy Coalition that LNG be brought to the forefront of this issue and that the State adamantly pursue advancements in this technology as part of any and all developments in the natural gas infrastructure.

In Summation

As we move forward with the final draft of the EMP and the State begins the ambitious task of advancing its goals, it is essential that the progress of the EMP is regularly assessed and benchmarked to assure that nothing is being left to fall to the wayside. The extent and breadth of this Plan prove that there is no one solution to meeting the future energy needs of our State, but rather a mixed basket of solutions that must be met equally to guarantee overall success. The New Jersey Affordable, Clean, Reliable Energy Coalition once again applauds the State for the creation of the EMP, but also challenges it to take into account the comments submitted at these hearings and to follow this through until all the objectives are met. **Our Energy Coalition and its members value this opportunity to contribute to the finalization of the EMP and look forward to supporting the State with its implementation.**

Presenter Dr. Edward H. Salmon

Dr. Salmon has spent 26 years in government as a Mayor, Freeholder Director, State Legislator, President of the New Jersey Board of Public Utilities and member of the Governor's Cabinet. As a member of the National Association of Regulatory Utility Commissioners (NARUC), Dr. Salmon served two years as Vice President, Chairman of the Executive Committee, founder of Washington Action, trustee of the National Regulatory Research Institute, and presently is President of NARUC's Commissioners Emeritus.