

**17<sup>th</sup> MADRI Working Group Meeting**  
**Talking Points for President Jeanne Fox**  
**Friday, June 27, 2008, 10 a.m.**

**[Text begins:]**

This may be the best of times and the worst of times for release of NJ's draft Energy Master Plan. It's good that energy is on everyone's minds. But the rising costs of energy are making accomplishing our goals even harder.

The draft EMP was released April 17, 2008. This has been a process in which stakeholders have played a significant role. We have had working groups, informational and comment sessions and just this week roundtables on economic development, energy demand and energy supply. Stakeholders have offered insight and opinions, suggestions and data to back it up.

**Public hearings are scheduled for July 10, 15 and July 17 at 2 p.m.** [Website: [www.nj.gov/emp](http://www.nj.gov/emp).]

**[pause]**

The draft Energy Master Plan sets forth 4 major challenges we face.

It also offers 5 goals backed by an array of proposals for action and implementation.

Challenges are:

1. Growth in our electric supply is not meeting growth in demand.

- Our consumption is growing 3 times faster than New Jersey's population growth.
- Our population is expected to grow by about 1 million by 2020.

2. Like Maryland and other states, our peak demand is rising very quickly. We reached levels in 2006 that were not expected until 2011 and it is getting more expensive. So the **second challenge**: Energy has become much more expensive and the trend is unlikely to end.

3. The **third challenge** is our response to global warming. Without action, we will be emitting more and more greenhouse gas, not to mention other pollutants, into the atmosphere. We must ramp up our efforts to reduce carbon emissions -- by approximately 24 percent by 2020 and then beyond that -- 80 percent by the year 2050.

Contributing to these first three challenges for New Jersey is our supply situation. New base-load generation has not been built in NJ since deregulation in 1999. Lack of generation contributes to rising electricity prices and causes potential reliability and security problems. We import 25-30 percent of our power on an annual basis -- and that is too much. Much of what we do import is coal-based.

President Jeanne Fox, NJ Board of Public Utilities

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The **fourth challenge** the EMP describes is what makes it harder for us to respond to the other three challenges: Like Maryland – like every other state - we are not masters of our own fate. We work with PJM, the Federal Energy Regulatory Commission (FERC), financial interests, state and federal environmental regulators – and the utilities themselves.

The Draft EMP offers specific proposals for solutions. Those proposals are not yet set in stone. There are many areas where we are likely to enlarge or revise between draft and final document.

We know we must improve energy efficiency and conservation, increase the level of demand response and encourage more combined-heat and power to be built along with other new, in-state generation that doesn't emit carbon. And we know we must support R&D to develop clean energy technologies and we must support education of the workforce for the Green economy. We must also engage other states and the federal government on these issues.

The draft EMP offers details of actions to be taken to fulfill all of those solutions. The action items in the draft document are accompanied by a set of implementation strategies that are being proposed to reach the draft EMP goals:

- **Goal 1:** Maximize the State's energy conservation and energy efficiency to achieve reductions in energy consumption of at least 20% by 2020.
- **Goal 2:** Reduce peak demand for electricity by 5,700 MW by 2020.
- **Goal 3:** Meet 22.5% of the State's electricity needs from renewable sources by 2020.
- **Goal 4:** Develop new, low carbon emitting, efficient power plants and close the gap between the supply and demand of electricity.
- **Goal 5:** Invest in innovative clean energy technologies and businesses to stimulate the industry's growth in New Jersey.

Regarding Goal 1:

We have already made gains in energy efficiency. The Clean Energy Program assisted customers in avoiding 1,447 Gwh of electricity consumption and 3 trillion Btus of natural gas usage from 2001 to 2007.

Commercial and industrial programs provided almost 2/3 of the electricity savings and almost 1/3 of the savings in natural gas. C&I customers saved about \$11 for every dollar spent in C&I energy efficiency programs. Residential programs provided 1/3 of the savings we have achieved in electricity savings. They saved about \$4 for every dollar spent on EE programs.

These are encouraging accomplishments. However, we need to save 20,000 GwH of electricity by 2020. We have to save as much electricity every year until 2020 as we have saved through the life of our entire Clean Energy program in the last six years.

We believe that with the right mix of programs, policy and price, we can get it done. The largest portion of what we need to achieve in EE lies in the 3.7 million commercial and residential buildings in this State. That's 500,000 commercial and industrial buildings and 3.2 million residential.

The draft EMP proposes redesigning energy efficiency programs with an emphasis on whole buildings. This means starting from the assumption that the first step in improving efficiency is to encourage homeowners, businesses, municipal officials and everyone we can to conduct comprehensive energy audits.

The Northeast Energy Efficiency Partnership (NEEP—Sue Coakley) has been helping the BPU identify the program mix that will leverage available funds most effectively. NEEP's final report should be completed by early fall. NEEP met with stakeholders again the other day in this on-going effort.

We have already begun working with the Legislature to authorize development of statewide building codes that would require new construction to be at least 30 percent more energy efficient than what is currently required.

We also propose to increase the use of energy efficient appliances. We'll do that through a combination of approaches –

Education - about best practices and about the value of life-cycle cost evaluation,--

And rebates and other incentives.

**Peak load reduction is Goal 2** and we have a target of a 5,700 MW reduction there. That would break down to 3,500 MW from EE and combined-heat and power, and 2,200 MW from demand response.

**To meet Goal 3** – a 22.5% increase in the use of renewables by the year 2020 – the draft EMP lists these action items:

Complete the transition of our solar program to a fiscally responsible market. We have an already extraordinarily successful solar program – we are second only to California in number of systems installed. We aim to transition the program to continue to nurture solar in this State.

This next stage in the growth from infancy to maturity for our solar program involves moving to a financing system based on SRECs (solar renewable energy credits) and reduced rebates. The next 4-year funding cycle for the solar program will also include rebates for smaller systems. We expect to adopt our final SREC rules by the end of this year.

Our existing Renewable Portfolio Standard aids the growth of the solar market here. By 2009, 0.16% of the generated power must come from solar and by the time we get to 2020 that percentage ramps up to 2.12%.

The BPU recently approved a solar program for PSE&G which aims to finance 30MW of solar with approximately \$100 million in loans between now and 2010.

The draft EMP also envisions reaching our renewable goals by developing 1,000 MW of off-shore wind power. To that end, we are currently evaluating proposals for a wind energy pilot project that would produce up to 350 MW of that 1,000. The evaluation committee – which includes people for BPU, DEP, the Governor's Office, and the U.S. DOE -- expects to select the pilot program proposal in the next couple of months. The DEP is undertaking an eco-system study to determine the effect of off-shore wind on the eco-system. Once that is completed, we will figure out what the solicitation or permitting rules for additional projects would be.

For onshore wind, we are aiming at 200 MW by 2020. To do that, we will continue to offer rebates through our Customer On-site Renewable Energy program for projects of 1 MW or less. Our Small Wind Working Group has already developed a model zoning ordinance for municipalities. We will be

assessing the market to determine how we can assist the growth of large-scale wind onshore. OCE expects to subcontract with state colleges to conduct an anemometer program – to help people assess their wind power potential. OCE also is planning a guidebook for small wind systems for both residential and commercial sites.

The draft EMP aims at developing NJ's biomass and to develop a biomass strategy by the end of 2009. Beginning in 2015, 2 percent of space heating oil would be required to include biofuel and that rises to 5 % by 2020. The draft EMP aims at developing 900MW of biomass-fired electricity capacity by 2020. One possible way to accomplish this would be to increase the Class II RPS – that is waste to energy generation --- would increase from 2 1/2 % to between 5 and 13 %.

Another possible action under consideration is raising the RPS beyond 22.5 % for the years 2021 to 2025. We will be doing a preliminary evaluation of that by the end of this year and the future updates of the EMP would look at that as well.

**[pause]**

Governor Corzine and the NJ State Legislature really do get it when it comes to energy and controlling greenhouse gas emissions. Through Executive Order 54 and two pieces of enabling legislation that have become law, they set targets for emissions reductions.

The Global Warming Response Act codified EO 54 and puts NJ on track to cut its CO2 emissions to 1990 levels by 2020, which is 20 percent below where we'd be if we did nothing. Emissions would be cut further by 2050, to 80 percent below 2006 levels. The law also mandates the tracking statewide greenhouse gas emissions and requires DEP to create an inventory of those greenhouse gas emissions.

In January, the Governor signed what we like to refer to as “the RGGI Amendments.” RGGI stands for Regional Greenhouse Gas Initiative. These amendments confirm NJ's participation in RGGI, which, as many of you know, caps CO2 emissions from power plants in a 10-state region stretching from Maine to Maryland. (Delaware, not Pennsylvania.)

The new law approaches this cap in a way that's fundamentally different from previous pollution emissions caps such as the acid rain program that the first President Bush signed in 1990.

Those other caps handed out emissions credits to power plant operators for free; in RGGI, due to New Jersey's efforts, states will sell these credits to benefit the public. The law also commits the State to reducing our own carbon footprint. The State Government's goal is to reduce its own overall energy use 10 percent by 2012 in its vehicle fleet, facilities, and equipment.

And so we already have much in place that we need to achieve our EE and RE goals and the final EMP will fill out that picture.

**Achieving Goal 5**—investing in clean energy technologies and businesses – will help us achieve our first three goals. The draft EMP proposes expanding the Edison Innovation Fund to invest in innovative clean energy technology including manufacturing for EE and RE. It also calls for the development of a “Green Collar Jobs” program. We want to make sure NJ workers have the skills to advance the green economy.

On the technology investment side of the equation, the NJ Economic Development Authority Clean Technology Fund has \$11 million to support commercialization of clean energy technologies, and our expectation is that funding levels will remain at that level in the 2009-2012 funding cycle for the Clean Energy Program. \$4 million of the 2008 allocation is for the Edison Innovation Fund for R&D.

Regarding Green Collar Jobs –

The Department of Labor has convened an Industrial Workforce Advisory Committee to work on this. We hope to get our community and county colleges involved. Options include an 8-week course on how to conduct energy audits, including doing audits that qualify for EnergyStar or Home Performance with EnergyStar standards.

[pause]

We need to save 80,000 Gwh of electricity in order to achieve NJ's EE and GHG goals. The draft EMP sets a target of developing 1,500 MW of combined heat and power.

Assuming that happens, we achieve 10,000 Gwh of the savings we would need. Improving our RE profile gets us approximately 16,000 Gwh of the total savings. That still leaves 54,000 Gwh.

As much as we would like all of that 80,000 Gwh to come from RE, EE, demand response, and CHP, it can't. We have to have a dialogue about how to fill that gap. As Adam Zellner, from Governor Corzine's Office puts it when he talks about the EMP – in that dialogue, we need to be *real*.

New power will come from new generation in-state, or it will come from new generation imported over new transmission lines from other states, such as Pennsylvania, where much of their power comes from coal. Or it could be a combination of both of these. Unfortunately, we will undermine our own efforts to reduce our emissions if we import “dirty power.”



And regardless of where the power comes from out of state, new transmission lines will have to be built and the expenses of that will have to be borne.

The draft EMP puts forth the argument that we don't have to choose those alternatives. We as a State can work to develop more clean power in-state. The plan sets a target of 1500 MW of co-generation by 2020. It also proposes taking a careful look at what legal authority NJ now has to influence the building of new power generation facilities. If new legal authority is needed, the draft proposes that the Governor would work with the Legislature seeking that new authority.

The Governor put it this way recently when he addressed the New Jersey Utilities Association: "We cannot push off into the future choices that need to be made today."

Most power plants can't be built in a year or two -- it takes as much as 10 years to develop and construct a nuclear power plant. We rely significantly now on nuclear generation for power. Much of our power generation from nuclear and other sources will be retired in the next 10 or 20 years. So then what do we do?

Fully implemented, the draft EMP will get us to our 2020 goals. But we can't stop there. Those are our intermediate goals. To achieve the full level of greenhouse gas reductions and for many other good reasons I have tried to explain to you today, we need to think long-term and we have to start the conversation about it now.

**[pause]**

I think the draft EMP is a realistic document. It sets the course for identifying our energy challenges and implementing solutions – for a future with adequate, reliable energy supplies that are competitively priced and environmentally responsible.

**Thank you. I will now take questions.**

**END**