

Powering New Jersey's Future: Defining our Energy Needs and Solutions

Date:

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The participants in the second discussion on the role of green technology in New Jersey's economic future were:

- Hon. Upendra Chivukula (D-17), Chairman, Assembly Telecommunications and Utilities Committee
- Kenny Esser, Energy Policy Advisor to Governor Jon Corzine
- Sara Bluhm, Assistant Vice President, Energy and Federal Affairs, New Jersey Business and Industry Association
- Rick Dovey, President, Atlantic County Utilities Authority

The following is a detailed summary, not a verbatim transcript, of the discussion:

Perkins: We spoke in the first panel about what's feasible, and what are the possibilities? This panel focuses on what happens if we get to the place with all the alternative energy solutions. We've heard that green technology is the wave of the future. We can see the signs of what's happening in NJ's economy, and it's not looking good anywhere. Does this hold the answer to NJ's economic problems, and what should we be doing now to go down the right path?

Dovey: We've put in a number of renewable technologies and energy efficient programs in our operation. We run a sewer plant and a recycling facility. This morning our budget committee is meeting, and because of the investment in these projects 7 or 8 years ago, we will be in good shape. It may not seem like a prudent time to be investing, but it's actually not soon enough. It will pay dividends later on. This is a great opportunity to focus on improving our infrastructure across the board.

Perkins: Kenny, what portion of the master plan addresses the work force?

Esser: The entire energy master plan will impact the work force. Immediately, I think efforts in energy efficiency and renewable energy, whether it be offshore wind farms or a broader scale ramping up of our energy efficiency efforts in the state, will put people to work, whether they be energy auditors or construction workers. A good portion will be new jobs, but others will be a change from their current jobs. When you're putting people to work through energy efficiency, it doesn't mean they were unemployed before. The entire plan will have different impacts upon the work force. Research is a critical component to meeting many of our energy challenges. If we don't have breakthroughs in research, the energy master plan will look exactly the same in 2020 as it does today. We need to push forward on that research side, and you'll see a commitment to both public and private research efforts. That will lead to a different type of job creation. These things together will create a comprehensive green industry - not just people installing solar panels, but research, manufacturing, engineering, architecture - a diverse and comprehensive industry.

Perkins: We're assuming that the energy master plan will sail through the Legislature. What's the political reality of this?

Chivukula: - I want to start the discussion with the ratepayers. Ultimately whatever we do will touch the ratepayer, whether it is gas or electricity. Other countries have created green jobs and we should take advantage of what other countries have done. There are some technologies that the energy master plan does not talk about - geo thermal, and other opportunities. You can't just create a job. You have to have a career path, a true educational curriculum to create sustainable economic growth. The Department of Labor and Workforce Development are working on programs, but we need to establish on the job training, and classroom training, to help the unemployed transition into these jobs. The plight of manufacturing has fallen on deaf ears in New Jersey, but we need to have manufacturing facilities here. That will create the research. The U.S. is finding out that we have moved away from manufacturing, and now we realize that any economy needs to have it.

Energy efficiency - should utilities get into this? Everybody has the opportunity to get into it, especially when you are trying to reduce consumption. We can talk about decoupling, but we need to see how we can

make the grid reliable and secure. We have the technology to modernize, and we need to prepare the infrastructure for that.

Perkins: Sara, can you give us the business perspective on the energy master plan, and also what we must do to create jobs? Is it realistic to assume that we can come back as a manufacturing base?

Bluhm: I would agree that ratepayers are essential to this discussion, and in New Jersey, 64 percent of electricity is purchased by commercial and industrial (C and I) users, so the business community has a very vested interest in this. Right now we're looking at almost 20 percent of the C and I electric bill coming from government imposed taxes and fees. If you're looking at adding on additional ways to fund, you're asking how that portion will increase. We're hearing from members sending electric bills, saying "Look how much these are going up."

There are already quite a few pots of money out there, societal benefits collecting \$958 million, RGGI funds bringing in \$40-70 million. C and I customers fund a retail margin fund, with \$100 million. There are things the state could do, such as change DOT specs to allow the recycling of asphalt, but we haven't changed those regs yet. We have quite a few industries here now that need help. How do we tie our universities to our businesses, as they do in Massachusetts and North Carolina? There are a few things in the energy master plan that will help, including on site energy generation, development, and best practices manuals, but it could also hurt business with additional costs.

Perkins: You've all talked about the importance of the ratepayers. Given that business pays a significant share, from a policy perspective, do you think we need to ask individuals to pay more, and from a political perspective, do you feel that it's fairly balanced? We'll let Kenny go first.

Esser – Well, I'm not running for office, but I know some people who are. (Laughter.) I think, in looking at the energy master plan, we were very open and honest about what we felt the impact of rates would be. If we're implementing all the things on the timetable we've laid out, we'll save consumers – both residential and C and I - in the neighborhood of \$30 billion between 2010 and 2020. Whenever we develop any program, we're very mindful of what the impacts are going to be on the ratepayers. The Governor's economic stimulus address in October, in which he called on us to work with the BPU and Rate Counsel to put in place an aggressive statewide energy efficiency program, will create jobs and lower everyone's energy bills. We're very mindful of not putting programs on the backs of the broader rate base. If our policies are raising the costs of doing business in New Jersey, then we've just had the opposite effect of what we are looking to do, which is to stimulate New Jersey's economy. Through RGGI, to C and I customers for cogeneration development, and on the demand/response side, we're working aggressively with PJM to socialize those investments across the entire PJM territory to start paying for energy efficiency and demand response programs, which probably help the C and I customers more than it will the residential. So to answer your questions, we are absolutely mindful of the impacts, and that's why we're putting these programs in place.

Perkins: So from a policy perspective, you're looking at this as pretty evenhanded?

Esser: We can look at rates, and we should also look at total energy expenditure. Under our plan, rates will stay pretty comparable to what they are now, but consumption should fall by more than 20 per cent. At the end of the day, what matters isn't necessarily the rate, it's how much money you're paying every month.

Chivukula: I think one of the things that is lacking in New Jersey is consumer education. We don't know the actual cost of a kilowatt hour. That is where the industrial customer is having difficulty, in not having real time pricing capability. We should provide opportunities for them to install the meters they want and control their usage. Also, when you look at the bill, you don't know that 5 cents of the dollar goes to societal benefit charges, and you don't know how that money is invested.

Perkins – What is the societal benefit charge? Who actually decides that?

Esser: It's not me (laughter). It's done through a process of stakeholders based on customer class and utility territory. Those dollars are collected for low income heating and electricity assistance, and renewable energy programs.

Perkins: Rick, you've put these programs in place. Was it difficult? Were there regulatory hurdles?

Dovey: There are always difficulties, but we had a lot of assistance from the BPU and state government officials. We started eight years ago by meeting with BPU staff, saying, tell us every program there is, and we'll try to match it to something we do. Wind was one, solar was another, and so was biodiesel. Our entire trash and sewer fleet – over 100 vehicles- has been operating on biodiesel for the past three years. We've found all that very helpful. For the consumer and businesses, they're not used to working with state agencies. We've tried to be a go-between in guiding our customers through this process. It can be overwhelming. There's a lot of information coming at you, but if you work at it, the right people are pretty helpful.

Perkins: Has there been a bottom line impact to your budget?

Dovey: Yes, our budget is \$2 million less this year than it would have been otherwise, and that's significant. Our customers do see a benefit.

Perkins: Let's talk numbers of jobs. Asemblyman Chivukula, what do you see in your best case scenario?

Chivukula: There are projections as high as 40,000. That will take some time, because this won't happen overnight. In the next six months, if we can create 5,000 jobs, that would be a relief and I think that is realistic. The Governor wants to infuse \$500 million to stimulate the economy, but where is it coming from? SBC? I hope not. We have to engage the utility companies and other private investors so we can bring capital here to create more jobs. The government can only do so much. We have to be mindful of the ratepayer and use an appropriate business model.

Esser: - Our estimate for new jobs created is 20,000 jobs in 2015. It's almost like a bell curve, and each job should be sustainable, so we count each job once. On the \$500 million, we're trying to iron out details and mitigate the impact to ratepayers. Part of that money is going to make sure that customers who are getting work done on their house or business are responsible for a portion of those upgrades. We're very sensitive to not raising everybody's rates a tremendous amount.

Chivukula: To meet our goals, we'll have to build cogeneration plants. The energy master plan calls for offshore wind, and building an offshore wind plant will take about four years. This will create jobs, but we don't know how much expertise there is in New Jersey, and how many New Jerseyans will benefit from that.

Perkins: There's a sense of urgency here. How do you balance time constraints against immediate economic demands, and the need to structure the programs correctly? Sarah, what are three steps that need to happen to provide relief to your members?

Bluhm: One solution is within the Clean Energy Fund. Right now, there's a limit on how much C and I customers can get out of the Fund. Why have a cap? If there's an \$11 dollar return for every dollar invested in clean energy, open the Fund base! I don't think we've spent all the money in that Fund since it's been introduced. We need to remove the limits and create an opportunity for C and I customers to get assistance in the form of rebates. They need to see a payback in 6 months, and that money would help. The state could also release additional retail funds. We haven't been able to tap into that since it was created, and there's 100 million sitting there. We can do some tweaks, such as onestop permitting, and there are other regulatory tweaks we can make.

Chivukula: If we are to create an incentive, we need to get a flexible rate structure even if it's only temporary, because we are in an extraordinary financial situation. If we had the capital, we could invest and create the jobs

Perkins: How likely are we to have that happen?

Chivukula: It has to come from the Governor and the Legislature, but it can happen.

Perkins: Is there a will in the Legislature?

Chivukula: The devil is in the details, but we can't impact the ratepayers adversely.

Perkins: We've already effectively entered the next political phase in New Jersey, the gubernatorial campaign. Kenny, do we have the commitment from the Governor that we need? Where do we come up with the dollars?

Esser: We're very clear in the energy master plan where our commitments lie. Our office remains 100 per cent committed to seeing this through. The retail margin fund, building code legislation, and increased efficiency appliance standards – we look forward to seeing all this come out of the Legislature.

Perkins: Does that happen this year?

Esser: It's not our call. You asked for details on how to make this happen. The first step is creation of demand for these sorts of actions, and the BPU's done that through the renewable portfolio standard. We're creating the demand for energy efficiency investments with demand and response to get peak demand reductions. The second piece is facilitating the development of offshore wind, and finding ways to make resources available, that mitigate impacts to ratepayers. The DEP, EDA, and BPU will get that done. We need to start making sure that the workforce is New Jersey based, working with the Department of Labor and EDA to put in place job training programs that, unfortunately, have to be reactive – we need to create demand.

The last area is the research. New Jersey won't solve these problems on its own. We desperately need Federal leadership, which we'll apply to research through the Energy Institute Concept, and increased funding in the Edison Innovation Fund. The last phase in making sure that these concepts come to market is supporting commercialization of these technologies through EDA incubators, so that we'll have new technology when we update master plan in 2020 – I don't know who will be doing it, but it will not be me! (Laughter.)

Question – I'd like to give an example of public policy working at cross purposes to the detriment of the overall goal. We talk about incentives for developers of wind power, yet we also have COAH, which assesses a fee on developers to fund its efforts. This is not unusual, I'm just wondering if any state government people have given any thought to harmonizing these rules.

Chivukula: We're reviewing COAH regulations now. It's problematic for many businesses, but there's a commitment on the part of the Legislature so that people who work in New Jersey have the opportunity to live in New Jersey. But you're right, we have to balance what we are doing.

Question: What about specs exempting independent power producers, or green energy developers?

Chivukula: We're investigating exempting green improvements from the property tax assessment. I think we need to take a holistic view of how we can make New Jersey affordable.

Perkins: Last thoughts from each panel member?

Bluhm: It's great to have a road map going forward, but we have many resources available right now. There's no need to tax anyone further.

Chivukula: I think we have to keep in mind the cost of generation. I think we need to keep that in mind and have a holistic view of what it does to the ratepayer. The ratepayer should be at the center.

Esser: Going back to the energy master plan, we have a rare opportunity in the state where, if we implement this, there's economic gain through increased reliability of energy resources and increased affordability. Also, there's an opportunity to improve the environment by reducing greenhouse gas emissions – something like 23 percent below 1990 levels for electricity sector's contribution to greenhouse gas emission by 2020.

Dovey: Solar is really the short term opportunity in New Jersey. As fast and furious as any business could move forward, they should do so because the capital is available because of the value of the assets. Capital is there, opportunity is there, and incentives are there. The great challenge in the next few years is aligning and coordinating new job training through community colleges, high schools and universities, and educating young students about what these jobs really are. Right now people say “green jobs” and we don’t really know what that means.

Perkins: Thank you all for participating in our conversation.