

Jess Melanson

From: Dolores Phillips [d.phillips@EPV.net]
Sent: Monday, August 19, 2002 5:07 PM
To: Jess Melanson
Subject: Deferred Balances Task Force Recommendations

To: Jess Melanson
Fr: Dolores Phillips
Re: Comments on The Deferred Balances Task Force
Dt: August 19, 2002

First of all, allow me to apologize for not getting these comments to you on Friday.

During the EDECA legislative making process, I represented a number of renewable energy and energy efficiency service companies based in New Jersey. It was our express purpose to incorporate into the legislation similar renewable energy initiatives that other states, through their electric deregulation, had incorporated. The purposes of these initiatives was to level the economic playing field, but also for the state to finally take action and implement measures that would promote the growth of renewable energy in New Jersey.

During the legislative process and the regulatory proceedings, we consistently made an argument that renewable energy should be utilized by the state as a valid method of helping to ensuring a consistent energy supply that was not subject to volatility of the Middle East oil prices, and as a method to consistent lower energy prices. To this end, we commissioned, along with Pace University Energy Project and with energy conservation service companies, a study of the PJM grid and its relationship to type of supply and the costs to the grid, and in turn, to each utility. The study was performed by an energy economist (Marcus) who also completed a similar study for the State of California. In this study, it clearly shows how photovoltaics, which produces maximum energy during the times when demand is the highest, performs the function of peak shaving, thereby lowering costs. The study clearly demonstrated that if the utilities deployed renewable energy, it would stabilize or lower costs of energy production to the PJM grid.

I have asked that Bill Potter, Esq. forward a copy of this study to you for review by the Task Force (energy service companies he represents were also part of this study). I believe this is an important point that must be shared with the Task Force members. The question, essentially, becomes: If the utilities are genuinely interested in controlling costs, why have they not embraced and deployed significant amounts of renewable energy to stabilize costs instead of purchasing on the spot market?

Former BPU President Herb Tate refused to acknowledge the importance of the Marcus Study during the regulation proceedings publicly and apparently influenced the BPU Board, which, chaired by Commissioner Fred Butler during a Tate hiatus, refused to allow the Marcus study to be admitted into evidence since all seven utility attorneys protested loudly.

Also, I mentioned to you that the internal study by California's Governor, Gray Davis, specifically noted that one of the problems leading up to the California pricing crisis once the rate cap came off, was that the State had lapsed on its previous commitment to dramatically grow the deployment of

renewables as a method to help stabilize supply

The utilities can and should incorporate significant amounts of renewable energy (i.e. photovoltaics, wind, and sustainable biomass only) into the generation matrix. Unlike the United States, Europe has far outpaced North America in its acceptance and deployment of renewables. Utilities in Europe recognize photovoltaics as a necessary component of energy production, and as a result are not only purchasing renewable generation, but are also purchasing renewable energy manufacturing facilities. This philosophy, and their philosophy of accepting the Kyoto Protocol, is what is the driving force behind the purchase of Siemens Solar by Shell Oil recently, and the purchase of Solarex, Inc. by BPAmoco.

One remedy to deferred balances is to require that energy conservation and renewable energy production be a strong component of the energy policy of the state and that goals be specifically established for each. Heretofore, the energy policy of New Jersey does not incorporate any measurable goals for either energy conservation or renewable energy production.

Suggestion

- Specific Renewable Energy Generation Requirement as an energy policy of the state that can begin immediately with implementing the Renewable Portfolio Standard with aggressive numbers and with a Photovoltaic requirement. The Renewable Portfolio Standard must also contain strong enforcement provisions and penalties to ensure that the utilities follow the letter of the law. (photovoltaics should be a preferred technology because of its peak shaving attributes and ability to produce quality jobs, and it is inherent distributed generation – thus, energy security)
- Renewable Energy Initiative by the State
 1. Continue and expand the green power procurement by the State and ensure that a photovoltaics requirement for a portion of the power is included in the next round of negotiations
 2. Procurement and installation of renewable energy systems for state buildings
 3. R & D funding and Economic Development Funding Initiative (including a manufacturing credit for photovoltaic manufacturing in NJ) for renewable energy manufacturing in NJ
- Super Net Metering – require the utilities to purchase renewable energy, with no cap, and at prices that are comparable to the market

Re-Write the Energy Policy and Energy Master Plan of New Jersey that will incorporate the use of renewables and energy conservation at measurable rates within a specific timeline

Of course, the BPU should investigate the matter, however, not before the final Commissioner is added to the Board, and the Board is allowed specific financial and personnel resources to Board. It also should be recognized that Fred Butler, who was sitting on the BPU at the time of the regulatory implementation of the EDECA, did not adequately challenge the utilities to demonstrate how they would ensure that deferred costs would not occur, and often took positions siding with PSEG. The point here, is that long-term staff at the BPU has had long-term relationships with staff at the utilities,

inadequate staffing, and lack of resources at the BPU has all undermined the BPU's ability to be an oversight agency.

As far as securitization of deferred balances: these costs should not be securitized because the utilities cannot demonstrate that they have diversified their energy supply with renewable energy, and reduced the demand through energy conservation requirements and renewable energy production.

Thank you for the opportunity to comment.