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July 24, 2008

New Jersey Board of Public Utilities
Office of Policy and Planning
Attn: Draft EMP Comments
Two Gateway Center
Newark, New Jersey 07102

Re: Draft Energy Master Plan Comments

Dear Sir/Madam:

This firm is counsel to the Utility Workers Union of America, Local 601 (hereinafter "Local 601" or the "Union"). Please accept this correspondence, on behalf of Local 601, as the Union's comments with respect to the Draft Energy Master Plan (hereinafter "Draft EMP").

Local 601 understands that the Draft EMP is meant to be comprehensive and is designed to address a multitude of energy challenges which are critical to both the economy and the environment of the State of New Jersey. In this regard, Local 601 commends all involved with the EMP process for their commitment to finding solutions to the many energy challenges which are confronting our State. Having said this, however, there is one portion of the Draft EMP that Local 601 feels compelled to comment upon as the Union believes that implementation of certain "real time" pricing initiatives will be illusory in terms of reducing demand while at the same time creating serious negative societal impacts which will disproportionately impact lower income New Jersey families.

More specifically, Public Service Electric and Gas ("PSE&G") as well as other utility companies have filed petitions with the Board of Public Utilities related to the testing and/or implementation of certain "smart grid" technologies known as Advanced Metering Infrastructure ("AMI"). In its petition, PSE&G has stated that "smart grid technologies such as AMI are an essential part of the State's plan to meet its EMP goals in energy efficiency and demand response." Local 601 respectfully disagrees. Furthermore, based on various roundtable discussions that the Union has attended it appears that the overwhelming majority of panelists involved concurred with Local 601's position to the extent that AMI involves unproven and costly technology which will be unlikely to reduce residential consumer demand in any meaningful way. At the same time, however, Local 601 submits that not enough attention has been paid to the societal *costs* which will be associated with the implementation of technologies such as AMI. Moreover, Local 601 respectfully submits that because the costs and risks

associated with AMI and similar technology trump any potential, but not guaranteed, reduction in demand, the Draft EMP should focus on more proven alternatives with respect to reducing demand such as perfecting smart grid technology and educating consumers so that they choose and utilize efficient equipment.

First, and before addressing any of the misnomers that Local 601 believes are associated with AMI, the Union notes that the Draft EMP, under "Goal 2: Reduce peak demand for electricity by 5,700 MW by 2020" at "Action Item 3" and "Action Item 4" relate to AMI or similar technologies. In "Action Item 3" the Draft EMP recognizes that it is:

> "uncertain whether the infrastructure needed to provide real-time price information to small customers will eventually prove cost-effective and reliable, or whether smaller users will have the capacity to respond fully to pricing variations and be able to pay for the up front capital costs of installing the necessary equipment."

Furthermore, in "Action Item 4", the Draft EMP specifically sets forth that States have only "experimented" with AMI technology and that a determination will need to be made as to the "costs and benefits of smart grid infrastructure". Given these qualifications, it can hardly be said that the implementation of AMI is "essential" to the goals set forth in the Draft EMP.

With the experimental nature of AMI technology in mind, and with an understanding that this is specifically recognized in the Draft EMP, comments on the costs and benefits of AMI technology may be put in their proper perspective. On the benefit side of the equation, we trust that the utilities which have petitioned, or will petition, for the implementation of AMI initiatives will set forth, in great detail, the purported benefits of AMI technology in terms of demand reduction. We simply point out that, at best, AMI's contemplated benefits are fraught with experimentation and uncertainty. We would suggest that New Jersey carefully analyze data from other states, such as California, in analyzing whether the "benefits" in terms of load reduction will further the goals of the Draft EMP. In particular, we believe that any analysis of the proposed benefits of AMI include a consideration of *American* consumer habits and how those habits are effected by one's socio-economic status. We believe that the analysis will show that those who are less educated and/or those in lower income brackets are *less likely* to respond to real time price signaling.

Before addressing the substantial societal costs associated with AMI technology, Local 601 would be remiss if it did not mention PSE&G's "MyPower" pilot program as the Union believes that PSE&G may tout MyPower as a pilot which revealed that smart metering may reduce demand during times of peak usage. As part of the cost benefit analysis that the Draft EMP seems to contemplate, Local 601 submits that it is absolutely critical that the language in the EMP be specific and unequivocal such that those utilities, such as PSE&G, who may have an economic incentive for proffering technologies such as AMI, be responsible for *proving* any pilot results that they intend to rely upon instead of only summarily concluding that such pilots effectively reduced peak demand. Here, we believe that it is critical that utilities, such as PSE&G, be required to present evidence to substantiate any proffer that their pilot programs showed an economically feasible reduction in demand. Mere conclusions should not be adequate considering the significant societal costs which will be outlined herein. For example, with respect to PSE&G's MyPower pilot, a full inquiry must be undertaken into all aspects of the

program such as sample size, reliability of data, trends, and the like.

Local 601 would proffer that to the extent that MyPower was tested in higher income areas, such as Cherry Hill, the results are unreliable to the extent that they may not simulate what the results may be in an urban, lower income area such as Newark. Another critical question to consider would be the sample size included in the pilot. MyPower involved several hundred residences which would appear to be a small sample size especially when considering how real time pricing may impact different socio-economic groups. While utilities may be proposing larger pilot programs, the reality is that these programs must be directed, via the EMP, to consider the societal costs as outlined herein below.

In terms of the costs associated with AMI technology, we stress that the term "cost" involves much more than superficial dollars which will have to be spent to research and install so-called smart meters. While the dollars spent on research and implementation should be a concern, especially to the extent that utilities will try to pass these costs onto ratepayers, there are other societal concerns which deserve attention. For the sake of clarity, Local 601 will set forth its concerns related to the "costs" associated with AMI technology in bullet point fashion:

- Essential Uses: The use of AMI or smart grid infrastructure may not take into account essential uses such as the use of electric to power devices necessary for medical treatment at the home. Individuals who must power such devices cannot exercise discretion and will be forced to pay higher prices even if they are living below the poverty level.

- Heat Wave Effect: Those individuals who do not have discretionary income will be forced to avoid usage during peak times such as during periods of extreme hot or cold temperatures. This will undoubtedly lead to public health issues as people will "trade off" their own safety because of the inability to afford higher rates during peak times.

- Technology: The technology that the utilities have proposed is unproven and as such there can be no certainty that the use of such technology will in fact lead to a decrease in energy consumption. Indeed, PSE&G, in its own petition, has noted that AMI is an "emerging technology".

- Labor Market Costs: The implementation of AMI will result in the loss of hundreds, if not thousands, of jobs. Meter readers as we know them today will be a thing of the past. Even if some jobs may be replaced, these jobs are sure to be more technical in nature. Meter readers and similar positions are entry level jobs which are often filled by minorities and women who will be displaced as a result of this initiative resulting in further costs to society as these individuals are forced into public welfare programs.

- Validity of "Price Signals": Given the monopolization present in the area of public utilities, will the price signals be manipulated to benefit the utility companies? In the context of AMI, one must recognize that the volatility of price signals creates the opportunity for error and the potential for abuse. Furthermore, particular attention must be paid to the source or genesis of price signals. For example, if price signals are based upon the cost per kilowatt during the last ten percent (10%) of a given time interval, the

costs may not accurately reflect the "price". This would be particularly the case if, during the first ninety percent (90%) of the time interval, the price for electricity was significantly less. Consumers should not bear the significant burden of paying prices based on a cost which reflects a mere snapshot of time during which the marginal price per kilowatt may be artificially high. Put another way, depending on the way that the price signals are developed, consumers may be forced to pay, not the actual cost of electricity, but rather an artificially inflated cost.

- Replacement of Human Infrastructure: With the implementation of AMI and the elimination of meter readers and certain field representatives, citizens will interact largely with technology. The reduction in visits by utility employees will result in the loss of a significant public service to the extent that such employees may address customer concerns "in person" and report safety issues which may only be detected via field visits.

- Loss of Ratepayer Privacy: AMI and similar technologies brings the public utility further into the homes and minds of citizens. Utilities will be able to profile the usage of individual households and closely monitor the same.

The aforementioned list of "costs" associated with AMI and similar technologies is meant to be demonstrative and is therefore not inclusive of each and every potential societal cost that may be associated with the implementation of these technologies.

Local 601, as a labor union which represents approximately 1,400 members employed by PSE&G has a responsibility to its membership with respect to the preservation of work, and the Union is by no means attempting veil its concerns in this area by setting forth a comprehensive list of costs related to the implementation of AMI technology. To the contrary, Local 601, when it intervened in PSE&G's initial petition related to AMI infrastructure, set forth in detail, its concerns regarding the impact of AMI and like technologies on PSE&G's work force and work force demographics. While these concerns may be gleaned from the list of costs related to AMI technology as set forth herein above, some further elaboration of the Union's concerns in this regard is appropriate as follows:

- Elimination/reduction of positions such as Meter Readers, Customer Service Representative, Field Collectors, and Field Service Representatives because of the automation associated with AMI.

- Job loss which will be particularly devastating to minority communities. For example, with respect to Meter Readers, the majority of Local 601 members who begin their careers as meter readers are minorities. The Meter Reader position is an entry level job that provides an opportunity for advancement. Not only does the Meter Reader position provide a fair starting wage, but it also provides for a full compliment of benefits, including, but not limited to, healthcare benefits and dental benefits, which are largely paid for by PSE&G. In addition, employees, depending on their date of hire, may be entitled to certain retiree benefits including a retiree Voluntary Employee Benefits Association ("VEBA"), retiree medical, defined benefit pension plan and/or cash balance pension plan.

- Job loss which will have a disproportionate impact on women. The overwhelming majority of customer service, call center positions are held by women. Again, the introduction of AMI will result in the elimination or severe reduction of these opportunities which provide for fair wages and a full compliment of benefits.

- Reduction of those positions which require face to face interaction between the utilities and their customers. Local 601's meter readers and field representatives perform an important role in terms of educating residential users and identifying problems which otherwise might not be discovered and which could either pose public safety concerns or impact efficiency. Meter readers and Field Representatives are qualified to conduct audits on energy efficiency and to communicate the results of such audits to residential consumers. The service that these members provide to consumers has been specifically recognized by PSE&G in the roundtable discussions which have been conducted relative to the Draft EMP. In fact, during these roundtables, PSE&G relayed the fact that meter readers represented by Local 601 do "a great job" and that this public service would not be replicated via the implementation of smart metering. By removing this human interaction, there will be *less* opportunities to directly educate consumers on issues of efficiency, and this very concern was voiced by numerous panelists during the roundtable sessions which were conducted to discuss the Draft EMP.

In sum, when considering the costs related to the implementation of AMI and similar technologies related to price signaling, a broad range of societal impacts must be considered because the effects of the introduction of this technology will be far reaching, not only with respect to Local 601's members, but also to everyday consumers as well as the poor and disadvantaged.

While we understand that the Draft EMP contemplates "evaluation" of smart metering technology in the context of curbing demand as opposed to the "implementation" of such technology, we believe that it is important that the Energy Master Plan Committee understand the societal costs which are implicated by the implementation of AMI technology. One of Local 601's concerns is that too little attention was given to the societal costs of the aforementioned technology at the various roundtable discussions that preceded the public hearings on the Draft EMP. In this regard, we would respectfully submit that the Draft EMP should not turn a blind eye to the societal costs involved with such technology, and should, in fact, unequivocally embrace a comprehensive cost/benefit analysis that will include an in depth evaluation, not only of the hard financial costs of implementing smart metering, but in addition, the often overlooked societal costs as set forth herein.

We believe that it is absolutely critical that the utilities should be "brought to task" in terms of undertaking studies concomitant to their pilot programs that focus on a broad array of societal/sociological issues. Furthermore, the utilities must bear the burden of showing that real time pricing does not disproportionately affect demand across various income groups or otherwise subject consumers to unfair pricing mechanisms. Here, it is critical that <u>all</u> consumer groups, including those with lower incomes, be included in pilot programs.

We thank the Energy Master Plan Committee for reviewing our comments with respect to the reduction of peak demand portion of the Draft EMP, and we look forward to continuing our participation in this process.

Very truly yours,

O'BRIEN, BELLAND & BUSHINSKY, LLC

Brett I. Last, Esquire

BIL/lrf
cc: Noel Christmas, President, Local 601