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Michael J. Renna
President & Chief Executive Officer

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VIA ELECTRONIC MAIL

Energy Master Plan Committee
New Jersey Board of Public Utilities
44 South Clinton Avenue
Trenton, NJ 08625
EMP.comments@bpu.nj.gov

Re: 2018 Energy Master Plan Comments

Dear Chairwoman Power:

Thank you for the opportunity to offer comments on the 2019 Energy Master Plan (EMP) and for allowing SJI to take part in the development of the State's vision for our energy future.

As the operator of two natural gas distribution companies serving 674,000 customers in New Jersey, South Jersey Gas Company ("SJG") and Elizabethtown Gas Company ("ETG"), SJI is committed to helping the State achieve the 2050 energy goals set forth in the Governor's executive order. We believe driving down energy costs, promoting a diverse portfolio of energy sources, promoting energy efficiency and conservation to reduce peak demand, capitalizing on emerging technologies in transportation and production, and protecting critical infrastructure will all help the State realize its 2050 goal. While we support the administration's commitments, we cannot lose sight of the critical role natural gas plays as we work towards balancing the State's energy portfolio.

Access to abundant and inexpensive natural gas is critically important to support the economics of building out the wind and solar infrastructure that will be necessary for the State to achieve the Governor's 2050 goal. A balanced energy portfolio, one that does not rely too heavily on any one source, must recognize our environmental responsibilities while also being cost effective for consumers.

As an active participant in the EMP process since its' inception, we are pleased to offer the following comments and suggestions that we believe will help drive the success of the Administration's 2050 plan.

Sustainable and Resilient Infrastructure

Safety is SJI's top priority. The impacts of a major storm like Sandy, along with other recent storm events highlight the critical importance of maintaining and upgrading pipeline infrastructure. Natural gas pipelines must continue to safely and reliably serve customers as additional energy resources are explored and developed over the next 30 years. Since 2009, SJI has worked diligently with the New Jersey Board of Public Utilities to strengthen and

improve our natural gas infrastructure. As a result of our SHARP program, our barrier islands are protected from major storm events. Because of the AIRP program, our gas system is safer and more reliable. SJG has safely replaced 842 miles of aging infrastructure and is on track to replace all remaining bare steel and cast iron in its distribution system by 2021. Since 2009, ETG has also enhanced their infrastructure through BPU approved programs, using an AIR program to make their gas system safer and more reliable. ETG has safely replaced 426 miles of aging infrastructure. In collaboration with State regulators, we look forward to using our collective expertise to reinforce the remainder of the ETG natural gas infrastructure. These efforts will ensure that natural gas, the cleanest and most cost-effective fuel, will help bridge the transition to 2050.

In addition to ensuring the safety and reliability of our system, we are committed to bringing the most cost-effective supply of natural gas to our customers. Without clean and cost-effective natural gas, the State will not be able to meet its' 2050 goal without putting an untenable financial burden on New Jersey residents. New Jersey is located within 100 miles of the largest natural gas shale basin in the United States. The rapid and sustained growth of production has resulted in a dramatic impact on prices. Delivery constraints have prevented New Jersey ratepayers from taking advantage of this abundant resource. Additional infrastructure will afford New Jersey homes and businesses access to some of the cheapest natural gas in the world. In fact, recent studies indicate eastern Pennsylvania and New Jersey could have saved over \$435 million in the winter of 2017/2018 if infrastructure was in place.

The increased access to affordable nearby shale gas will also ensure that New Jersey ratepayers continue to benefit, not only from inexpensive gas, but from the headroom it creates for investment in critical infrastructure improvements that ensure the resiliency and safety of our distribution system. Carbon-free electricity by 2050 will come at a significant cost. Maintaining lower energy costs in New Jersey, while exploring and building out to the 2050 goal, will require an inexpensive, clean, and dependable fuel source like natural gas. Moreover, until solar, wind, and storage technologies are fully dependable and resilient, it is imperative that we utilize natural gas as an energy source for economic development and manufacturing.

Reducing Energy Consumption

We are proud to say, in 2006, SJG was one of the first utilities in the country to implement decoupling with its Conservation Incentive Program ("CIP"). Today, the CIP continues to encourage customers to use natural gas more efficiently and reduce energy consumption, by eliminating the link between utility profits and the quantity of natural gas sold. Since the inception of the CIP, SJG's customers have reduced their natural gas usage by a total of 80.9 billion cubic feet, enabling them to save \$773.8 million in energy costs.

Moreover, SJG and ETG are committed to providing solutions to customers to encourage energy efficiency and, in return, make energy bills more affordable.

To date, SJG and ETG have accomplished the following with BPU approved energy efficiency programs:

- Over 28,000 customers have participated in an energy efficiency program
- \$88.7 million invested in energy efficiency

- 817,757 metric tons of lifetime CO2 emissions reductions
- 22.8M dekatherms of lifetime gas savings
- 17,282 low income families have received assistance through Comfort Partners

Utility led energy efficiency programs should continue to play a key role in achieving the Governor's 2050 goals. SJI's energy efficiency programs have saved money for New Jersey customers and generated jobs, while reducing greenhouse gas emissions (GHG). We believe utilities are uniquely positioned to best promote the State's energy goals. SJG is currently proposing to expand our suite of energy efficiency programs to include all customer groups. Low to moderate income, small businesses, and public entities like municipalities, schools, universities, nonprofit institutions and healthcare facilities will all benefit from this expansion. The program will also include an online marketplace featuring smart thermostats, weatherization products, home energy assessments, energy efficiency rebates and financing and access to incentives, which help reduce customer payback periods and encourage customer participation, driving down usage and directly support New Jersey's energy efficiency and clean energy goals.

SJI also supports the exploration of emerging technologies as a means to lay the foundation for future energy efficiency innovation. Investing in energy efficiency also means investing in the local economy. To achieve the State's 2050 goals, occupations such as engineers, auditors, contractors, manufacturers, distributors, evaluators, project managers, and administrative personnel will all be required. Promoting the development of this talent will only help to strengthen the local economies of New Jersey.

Recent legislation, signed by Governor Murphy, gave New Jersey utilities targeted energy efficiency (EE) benchmarks. SJI believes we need the ability to control our own programs to meet the required EE targets. Empowering the utilities to control their EE programs, will allow the State to accomplish its EE goals while also holding each utility accountable for its efforts in support of efficiency.

Clean and Reliable Transportation

As the State examines the effects of GHGs on our atmosphere, climate, and air quality, the conversation must focus on transportation. Medium and heavy-duty trucks contribute a disproportionate amount of NOx emissions. Although light-duty vehicles are the source of the majority of the State's GHG emissions, the 52,000 registered heavy-duty trucks in New Jersey produce more smog forming NOx than the four million automobiles combined. With an estimated 500,000 truckloads of goods traversing our roads every day, the opportunity to reduce NOx and GHGs is both significant and achievable.

Compressed Natural Gas Vehicles (CNG) is a proven technology that has helped reduce emissions. Much of the policy focus in New Jersey is on light-duty electric vehicle (EV) technology and charging stations. Although we commend the Administration on efforts to expand EVs in New Jersey, we believe investments and incentives for medium/heavy-duty CNG vehicles can make a strong and noticeable difference in NOx reductions. The advancement of CNG in New Jersey can also have a great impact on environmental justice communities. SJI has made investments in CNG fueling infrastructure because we recognize CNG vehicles are efficient, cost effective, and immediately help reduce NOx emissions in New Jersey. Currently,


SJG has 138 CNG service vehicles in operations, with 33 more ordered for 2018. SJG has also constructed six fueling stations with another station under development. These stations are open to the public and are key in our effort to convert our entire fleet by 2021. At ETG we have 11 CNG vehicles with an additional 47 bi-fuel CNG vehicles. We are developing plans to convert ETG's entire fleet as well.

New Jersey faces competing incentives from other surrounding states, making it a challenge for fleet owners to invest in CNG in New Jersey. The EMP should address incentives to counter this issue. More broadly, the transportation elements in the EMP should support the transition from diesel to clean technology in the heavy-duty vehicle sector.

In closing, SJI remains committed to partnering with the State to help drive down the cost of energy, deliver safe and reliable service, improve energy efficiency, and support investments in renewable energy. We respectfully request your consideration of these comments in drafting the EMP.

Thank you again for the opportunity to provide comments and allowing SJI to be a part of the State's energy future.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Renna", with a long horizontal flourish extending to the right.

Michael J. Renna
President and CEO