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**Remarks of Stefanie A. Brand,
Director, Division of Rate Counsel,
Regarding the State’s Progress on the Energy Master Plan’s
Goals for Offshore Wind Energy, Presented at the Assembly
Telecommunications and Utilities Committee Stakeholder
Meeting on
March 5, 2012**

Good morning. My name is Stefanie Brand, I am the Director of the Division of Rate Counsel. I would like to thank Chairman Chivukula and members of the committee for the opportunity to testify today regarding the state’s progress towards the Energy Master Plan’s goal of adding offshore wind energy generation to the state’s renewable energy portfolio.

The Division of Rate Counsel represents and protects the interest of all utility consumers—residential customers, small business customers, small and large industrial customers, schools, libraries and other institutions in our communities. Rate Counsel is a party in cases where New Jersey utilities seek changes in their rates and/or services. Rate Counsel also gives consumers a voice in setting energy, water and telecommunications policy that will affect the rendering of utility services well into the future.

When the Legislature passed the Offshore Wind Economic Development Act (OWEDA) a year and a half ago, those of us who supported it knew that we were on the cutting edge and that the process of making off-shore wind a reality was going to be long and challenging. We knew there would be difficult problems to solve, such as how to facilitate financing, how to value an OREC, how to connect these facilities to existing infrastructure and more. The beauty of the Act is that it encourages a resolution of these difficult issues while ensuring that New Jersey's ratepayers are protected. The Act's fundamental structure, that ties ratepayer subsidies to projects that demonstrate net benefits to the state and postpones payment of those subsidies only once the facility is generating electricity, ensures that we are supporting worthy projects and not merely throwing ratepayer money at projects that may not work. In fact, New Jersey's statute is now touted as the model for off-shore wind legislation, cited by advocates and regulators in Maryland and other states as a framework to be emulated.

And it is indeed working as intended. With respect to the projects to be built in federal waters, a series of stakeholder meetings were held, in which proposals from the industry relating to the application process and payment mechanisms were debated. These stakeholder meetings were attended by representatives from the wind industry, third party suppliers, electric distribution companies, Rate Counsel and Board Staff. The discussions were extensive and frank, and all of the varying interests were discussed and debated. It was, frankly, the type of process that we need in order to figure out the difficult issues

raised by trying to develop the first off-shore wind farms in the U.S. Those discussions I believe led to a framework Board Staff can use to develop regulations governing the off-shore wind program and I look forward to seeing the draft regulations and seeing that process move forward.

With respect to the proposed project in state waters off the coast of Atlantic City, you may be aware that Rate Counsel had significant concerns regarding that project as proposed. Rate Counsel was concerned about the high cost of the project and our expert concluded that the applicant had not demonstrated that the project would provide net benefits to New Jersey's ratepayers. Experts retained by Board Staff reached similar conclusions. This should not, however be viewed as failure. To the contrary, the statutory framework is working precisely as intended. As a result of the analysis performed by the experts retained by Rate Counsel and Board Staff, the applicant is going back to refine its submission and submit a revised application. I sincerely hope that it is able to produce an application that does demonstrate net benefits, and we will examine that application carefully to make sure that it does. To me, these protections that the Legislature incorporated in the statute are working to make sure that any application that may ultimately be approved is worthy of the ratepayer subsidies they are seeking.

I do believe that the larger projects in the federal waters may be able to avoid some of the pitfalls of these early applications. I hope to see economies of scale. I also believe that the fact that several developers will be competing for a finite amount of ratepayer subsidies will encourage those developers to offer the

best, and lowest, bids they can. Although there are a limited number of developers, and a market that is no where near as diverse as we'd like, any competition within the process should provide a downward pressure on price and upward pressure on the quality of the applications.

Of course, there are some things we can't control. It is my understanding that the drop in natural gas prices has created some difficulty for developers with respect to financing. I think this is a significant problem as we view natural gas as a "bridge fuel" to get us through this period between reliance on dirtier fossil fuels to an energy mix that relies more on renewable resources. We should not be lulled into a false belief that we do not need renewable resources simply because we have a significant supply of natural gas. We need to continue the path toward developing cost-effective renewable resources and be grateful that we have natural gas to serve as a bridge during this transitional period.

What we cannot do, however, is attempt to make up for the reluctance of lenders to finance projects by substituting ratepayer dollars. If the banks believe a project is too risky to fund, we should not ask ratepayers to assume that risk. The OWEDA appropriately committed ratepayer funds to secure a long-term and adequate stream of revenue to assist the developers in obtaining financing. If that is not enough for investors to assume the risk of financing a project, then ratepayers should not be asked to take on more.

Finally, to answer the question posed in the notice of today's hearing, I would say the State is making steady progress toward reaching the Energy Master Plan's goals of adding offshore wind energy generation to the State's

renewable portfolio. We all knew that this would take time and substantial effort, and I believe that all of the interested parties have approached this difficult task diligently. New Jersey's statute fairly balances the desire to encourage offshore wind with the need to protect ratepayers from risky investments. It ensures that we will benefit from the process overall and will ultimately have available a substantial number of working offshore turbines.

New Jersey's statute is becoming the model for other states and that is something to be very proud of. I applaud the Legislature for its foresight and thank you for the opportunity to testify today. I am available to answer any questions.