

# National Action Plan for EE Mid-Atlantic Implementation Meeting

April 30, 2007

Presented By

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Commissioner  
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# Outline of Conservation Incentive Program (CIP) Elements

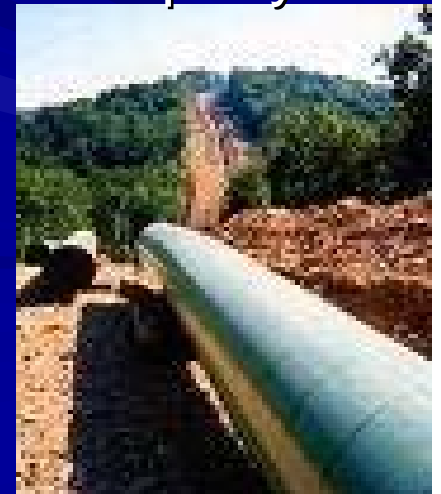
- The CIP calls for focused conservation efforts by South Jersey Gas (SJG) and New Jersey Natural Gas (NJNG) in an attempt to achieve a long term reduction in gas use.
- Both companies will use shareholder, as opposed to ratepayer, monies to finance and administer their conservation programs.

- The programs include incentives for customers to upgrade to more efficient heating equipment and to utilize automatic setback thermostats.
- The SJG and NJNG CIP programs can be distinguished from gas decoupling programs approved in other jurisdictions because it incorporates incentive-based criteria; recovery of revenue lost due to lower sales is not guaranteed.

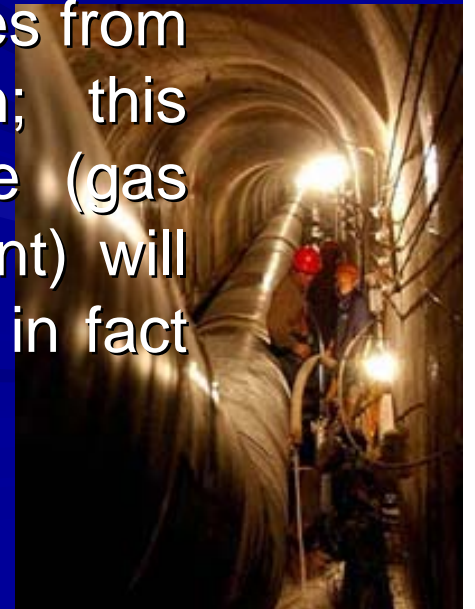


- The companies can be recompensed for reductions in (non-weather related) usage only to the extent that those costs are offset by gas supply cost reductions, which must be long term in nature and are generally linked to reductions in capacity costs paid to pipeline suppliers.
- The amount of recompense is also limited by a cap on the earnings of each of the utilities; if the surcharge related to lower usage would result in earnings in excess of a specified ROE cap, the amount of pass through is limited by the ROE cap.

- Each Company finances their respective programs entirely by shareholder monies. Each utility has set aside shareholder money (\$2 million for NJNG and \$1.2 million for SJG) for the three year pilot program. Each company has pledged to commit any additional required funds from shareholder monies.
- The conservation programs concentrate on so-called hardware type applications (high efficiency heating equipment, installation of setback thermostats) and take advantage of the unique relationship that each company has with its customers.



- The program also requires the Companies to undertake studies with respect to innovative rate design alternatives, e.g. inverted BGSS (Basic Gas Supply Service) rates, and the potential of advanced metering and/or control equipment as ways to reduce gas consumption.
- The centerpiece of the CIP is its requirement that the Companies reduce gas supply capacity costs in order to receive any recovery of revenue losses from non-weather related reduced consumption; this means that the BGSS ratepayer's net rate (gas supply component plus distribution component) will not increase as a result of the CIP, and may in fact decrease.



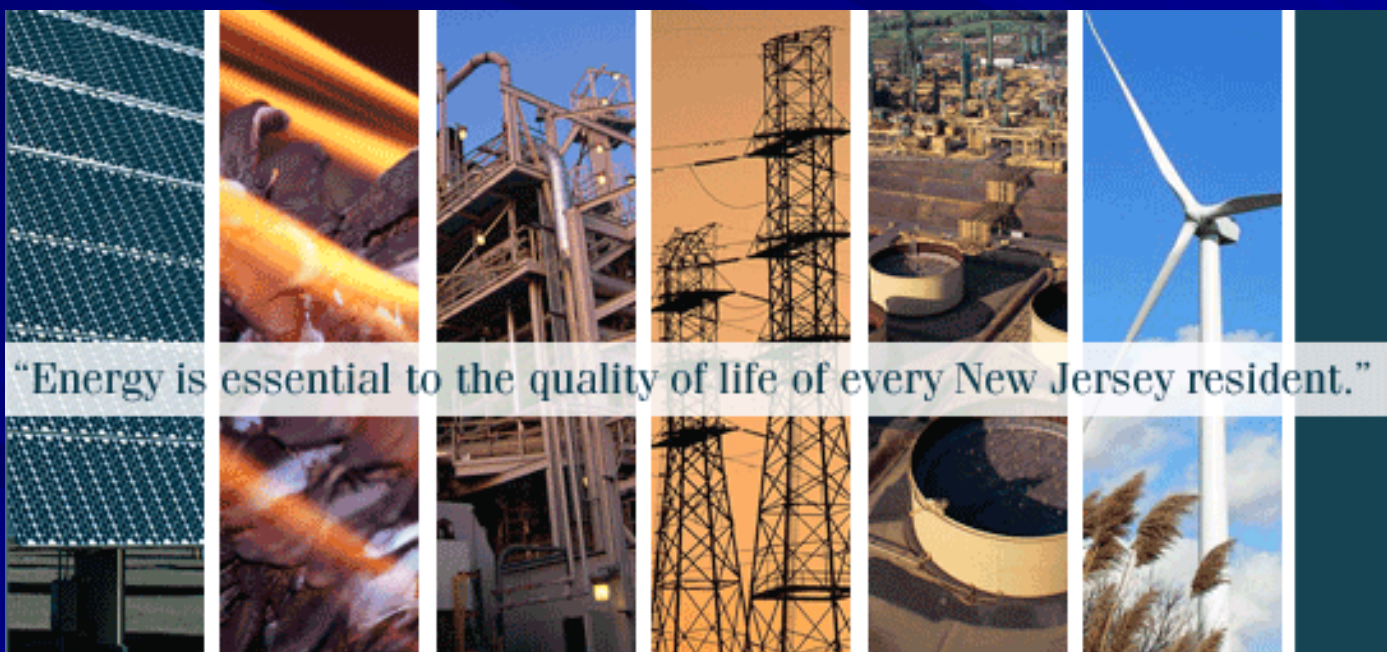
- In order to ensure that there would be a net saving to the BGSS ratepayer over the course of the CIP, the Companies flowed through gas supply capacity costs savings to the BGSS customers in the twelve month period before any CIP surcharge would be applied. These reductions reflect one time reductions that can not be offset by future CIP surcharges.
- The supply cost reduction for the 2006-2007 year for NJNG was approximately \$10 million; for SJG it was approximately \$7 million. The Companies have pledged continuing gas supply cost reductions during the period of the CIP regardless of the level of the CIP surcharge.

- The Companies will each make a “mini-rate filing” in June 2007 so that the Board can assure that the underlying distribution rates of each company are just and reasonable.





# New Jersey's Energy Master Plan



# What is the EMP?

- Long-term energy vision through the year 2020
- Comprehensive
  - Electric generation and demand
  - Energy efficiency
  - Renewable resources
  - Transportation
  - Building Codes
- Specific goals
- Benchmarks

# Goals

**Secure, Safe, and Reasonably Priced Energy  
Supplies and Services**

**Economic Growth and Development**

**Environmental Protection and Impact**

- **Reduce projected energy use by 20 percent by 2020**
- **Meet 20% of NJ's electricity needs through wind, biomass and solar**
- **Reduce greenhouse gas emissions at 1990 by 2020 and reduce them by 80 percent by 2050**

# Why is the EMP important?

- New Jersey's Economy Relies on Energy
  - Production
  - Delivery
  - Jobs

**Sound long-term economic strategy needs to address energy**



# Who is Involved?

- **Governor Jon S. Corzine**
- **Office of the Governor**
- **Governor's Office of Economic Growth**
  
- **Stakeholders throughout NJ**
  - Utilities
  - Businesses
  - Environmental Groups
  - Public Interest Groups
  - Citizens
  
- **Nine State Agencies:**
  - Board of Public Utilities (Lead Agency)
  - Agriculture
  - Community Affairs
  - Environmental Protection
  - Health and Senior Services
  - Children and Families
  - Human Services
  - Public Advocate
  - Transportation
  - Treasury

# Why does stakeholder input matter?

Energy Master Plan brings together people from public and private sectors.

Its planning process is informed by utilities, business groups, environmental groups, academia and private citizens.

# EMP Timeline

- Summer, 2007
  - Draft Energy Master Plan – Summer, 2007
- September, 2007
  - Proposed Energy Master Plan Document
  - Public Hearings
  - EMP Committee Vote on Adoption
- October, 2007

Governor Corzine Releases Completed Energy Master Plan

[www.nj.gov/emp](http://www.nj.gov/emp)

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