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AUTHOR: Dave Moore

AFFILIATION: NJ

ADDRESSEE: Gregory Jaczko

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From: Dave Moore [DMoore@salmonventures.com]
Sent: Wednesday, December 07, 2011 3:08 PM
To: CHAIRMAN Resource
Subject: Salmon Ventures Overview of NJ Energy Master Plan

Chairman Jaczko,

Dr. Edward Salmon thought you may find the below executive overview by **Salmon Ventures, Ltd.** of New Jersey's Energy Master Plan informative.

Summary

Yesterday, Governor Chris Christie released New Jersey's 2011 Energy Master Plan (EMP). The 2011 EMP outlines the Administration's strategic vision for the use, management, and development of energy in New Jersey over the next decade.

The EMP focuses on five overarching goals to lower the cost of energy for all customers while promoting renewable sources of energy. These goals are: 1) Drive down the cost of energy for all customers; 2) Promote a diverse portfolio of new, clean, in-State generation; 3) Reward energy efficiency and energy conservation and reduce peak demand; 4) Capitalize on emerging technologies for transportation and power production; and 5) Maintain support for the renewable energy portfolio standard of 22.5% of energy from renewable sources by 2021.

The EMP attempts to meet these goals by implementing an action plan comprised of a series of concrete policy options and recommendations grouped by subject area in four sections: conventional generation and other infrastructure resources; renewable resources; energy efficiency, conservation, and demand response; and innovative technology opportunities.

The EMP is consistent with the State Strategic Plan which identifies industry clusters that drive the State's economy including "green energy".

Grow In-State Electricity Resources

The EMP emphasizes the need to expand in-state generation to improve reliability and lower costs, consistent with environmental and economic development objectives. Some key features include new generation projects, assessing the implications of the Oyster Creek nuclear facility closure and the future of nuclear power in New Jersey, promoting effective use of biomass and waste-to-energy, and promoting the expansion of the natural gas pipeline system.

Cost Effective Renewable Resources

The EMP acknowledges that New Jersey's electric ratepayers have some of the highest retail rates in the country. It also highlights that renewable energy sources are part of the solution to reducing costs but that the technology is still young. It particularly mentions solar and offshore wind's commercial potential, but that it should not be implemented at a detriment to ratepayers. The EMP promotes solar installations that provide economic and environmental benefits by limiting SREC eligibility, increases transparency by registering solar projects with the BPU, and maintains support for offshore wind.

Prioritizing solar projects that have multiple benefits is consistent with Dr. Edward Salmon's comments. His recommendations were submitted to the BPU earlier this year during the EMP process.

(More on the solar initiatives below.)

Promote Cost-Effective Conservation and Energy Efficiency

In the last few years the State has implemented a variety of energy efficiency and conservation programs. The Administration intends a top-down reassessment of these programs and their efficacy. The Administration sets to reduce energy use at state government buildings, incorporate aggressive energy efficiency in building codes, redesign the delivery of state energy efficiency programs, monitor PJM's demand response initiatives, improve natural gas energy efficiency, and expand education and outreach utilizing state agencies, utilities, non-profits, and membership organizations.

Support the Development of Innovative Energy Technologies

The EMP emphasizes the need to support innovative technologies within the State as an avenue for economic development. The EMP mentions that the smart grid, smart metering, fuel cell technologies, hydro technology, geothermal and other technologies can significantly reduce energy use and warrant close examination. Finally, the EMP promotes partnerships in the development and testing of many new energy technologies with New Jersey's existing business incubators, higher education institutions.

Long Term Electricity Objective

In the EMP the Administration sets a goal that 70% of the State's electric needs come from "clean" energy sources by 2050. This clean energy includes renewable, nuclear, natural gas, and hydroelectric facilities. The EMP acknowledges that this will require significant technological advances to make solar and wind more viable.

Solar Initiatives

The EMP pays particular attention to the solar market in New Jersey. To address the drop in the market price of solar renewable energy certificates (SRECs) the Administration proposed several items to encourage growth of the solar industry and create the necessary certainty that will allow financial community to invest. The solar development plan includes:

1. *Accelerate the Renewable Portfolio Standard (RPS) and Reduce the Solar Alternative Compliance Payment (SACP)* - A temporary acceleration of the RPS – from one to three years – aims to provide relief for the current SREC market. Increasing the RPS and reducing the SACP attempts to provide the foundation for the solar industry to continue to develop while minimizing the impact on ratepayers.
2. *Returning to the Percentage Obligation for Solar* – The Administration recommends the Solar Advancement Act be amended to change the RPS for solar energy from a fixed amount to a percentage of total energy consumed so that the State can promote the development of other renewable sources, reward energy efficiency and conservation through further reductions in energy costs.
3. *Promoting Solar Installations that Provide Economic and Environmental Benefit by Limiting SREC Eligibility* – Recommends that projects offering a "dual benefit" take priority for approval because they can reduce energy costs for businesses and local governments, providing revenue for job creation and tax reduction.
4. *Expanding Opportunities for Solar* - The State will support an extension of the long-term contracting programs offered by the electric distribution companies in order to provide SREC price stability for further investments.

The full plan is available for download at

http://www.nj.gov/emp/docs/pdf/2011_Final_Energy_Master_Plan.pdf

Regards,
Dave Moore

David Moore
Manager of Communications
Salmon Ventures, Ltd
207 Bogden Blvd., Suite D
Millville, NJ 08332
856-825-0500 (O) 856-825-8228 (F)
www.salmonventures.com

