

Dear Governor Murphy and State Senators and Assembly Members:

May 18, 2020: The time has arrived for the state to consider the establishment of a New Jersey State Public Power Authority, as a public benefits corporation, to harness the power of long-term offshore wind energy and other forms of clean energy for the citizens of New Jersey. Just like New York Governor Franklin D. Roosevelt did in 1931 to position New York to develop its long-term hydroelectric assets.

Then, Governor Roosevelt created the New York State Power Authority to keep the benefits of the venerable hydroelectric potential for citizens and not for the self-interest of the market. Low cost energy in New York is the foundation of the broader private economy. Since 1931 through Democratic and Republican administrations, low cost energy from the hydro facilities has been brought to upstate New York industries and homes. Now New Jersey can create a power authority structure to ensure the benefits of the ocean wind over the long-term will largely benefit New Jersey's economy and its citizens and not be subject to the uncompetitive regional markets.

A recent drawback in the state's pursuit to cleaner energy illustrates the current situation. Recently the Federal Energy Regulatory Commission (FERC) that has interstate jurisdiction for power transmission ordered the regional transmission organization (PJM) to counter price distortions caused by the state's clean energy policies. This basically, favors the regions' fossil fuel power generation which continues to represent a dominant source of fuel for electric generation in the region. This decision places New Jersey's clean energy goals in jeopardy given the weight of the federal order. This places the state's regulatory board, the NJ Board of Public Utilities (BPU), in a position of advocating its mission of protecting ratepayers, while also fighting a federal order that favors lower cost electricity derived from coal and natural gas, while at the same time pushing the higher all-in cost of wind facilities. It is not a role they should be in and a separation is needed.

In 2020, the state announced a policy to require 7500 MW of electricity generation, equal to almost one-third of the state's electricity needs, to come from offshore wind facilities. This after awarding the first bid to Orsted, a Denmark company. The one missing ingredient here is a public power authority to ensure the development meets New Jersey public's needs including from both the energy and environmental perspective. A state authority with the sole focus to tap the wind and other clean energy at a cabinet or authority level could pave the way for a coordinated effort with international developers. The new state authority could insert itself in the current regional debate because it would have a sole role as an unregulated public power utility to develop clean energy.

The New Jersey benefits from a state power authority include:

*State authority being in the driver's seat regarding new transmission locations and how it meets the state's clean energy needs to service an expanding EV fleet and its off-peak energy requirements, as well as to protect the beaches and the state's tourist industry

*Consolidation and expansion of other state clean energy strategies such as strengthening the New Jersey Office of Clean Energy electricity efficiency plans. The most effective way to lower CO2 is residents and commercial businesses using less energy. Investor-owned electric utilities have no passion to aggressively ramp up efficiency programs.

*Use of federal-state tax-exempt debt to finance a major portion of off-shore wind assets at the lowest possible cost and amortization of the cost over the decades for New Jersey citizen benefits. This would be a significant cost savings on the capital cost of new wind facilities benefiting NJ ratepayers. Use of remaining federal tax credits through state authority power purchase contracts with wind facility developers could also be effective.

*Private benefits would be economy wide with low cost electricity and it being renewable but also reliable

*State coordination of such new generation with critical new nuclear generation to ensure future electricity reliability would be a necessary future role. A new nuclear plant cannot be built by PSE&G, a regulated entity. A public power authority using the Nuscale nuclear technology to build several small reactors would provide 50-60 year clean energy assets. Regardless of the level of natural gas or renewable energy sources nuclear energy will be needed for resource diversity.

Some may object to creation of a state entity. Such an entity would have to have governance separate from state government and have as an objective low-cost clean energy as a foundation for the future NJ private economy. There are many examples of states in the US that have taken on the public power role to foster public policy or to improve the energy marketplace.

For example:

*Texas created the Lower Colorado River Authority (LCRA) to better manage flooding and water supply in a large region but then gave (LCRA) a major role in financing new transmission infrastructure to assist the state in development of the relatively successful deregulated energy market.

*California facing its failed energy deregulation plan that caused bankruptcies of the state's major investor-owned utilities, in 2002, turned to the California Department of Water Resources as a critical step to stabilize markets by issuing \$11 billion of municipal bonds to purchase energy.

*North Carolina created two public power agencies to finance on a tax-exempt basis shares of several nuclear assets as the investor-owned utility faced major financial losses due to construction delays.

*New York State Power Authority for decades has provided the state with capable and prudent management of the upstate hydro-electric facilities. The authority was also called into manage a troubled investor-owned utility nuclear facility and has taken a larger role in the state's transmission and clean energy plans.

The foundation of New Jersey's future economy is low cost energy but also clean energy that can meet the climate change challenge and ensure reliability of supply. Also, this issue becomes even more complicated as electricity use is set to expand as more electrification of the economy takes place from electric cars to buildings.

A New Jersey State Public Power Authority with a strong mandate to use its unregulated status and federal and state tax-exempt financing capability, that is revenue not tax based, could help address what could be challenging circumstances if stronger action is not taken soon.

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