
Public Hearing

before

ASSEMBLY ENVIRONMENT, SCIENCE AND TECHNOLOGY COMMITTEE

“Air Quality Update: Status of the implementation of programs required by the Clean Air Act Amendments of 1990, focusing on the operating permits program and other programs affecting business and industry in New Jersey”

LOCATION: Sayreville Municipal Building
Sayreville, New Jersey

DATE: August 1, 1996
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Steven J. Corodemus, Chairman
Assemblyman John E. Rooney, Vice-Chairman
Assemblyman Robert G. Smith
Assemblyman John S. Wisniewski

ALSO PRESENT:

Assemblywoman Arline M. Friscia
District 19

Jeffrey T. Climpson
Office of Legislative Services
Aide, Assembly Environment, Science
and Technology Committee



Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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ASSEMBLYMAN STEVEN J. CORODEMUS (Chairman):

Would everyone please start taking their seats?

I would like to welcome everybody to the hearing before the Assembly Environment, Science and Technology Committee. This is a different experience for us in the Committee, in that we typically meet to deliberate on bills. With our busy schedule during the voting session periods, we do not have time to do any retrospective looking at what we have done in the past, how things are working out, and implementation. Since the members were available for a hearing and we want to take advantage of this recess, so to speak, of the summer, we thought it would be appropriate to talk about clean air.

The last time this Committee dealt with the clean air issue was in 1995. I was a member of the Committee, John Rooney, Bob Smith, and we now have new Committee members. Somehow, things come back to us in the Legislature in one form or another. Rather than be flat-footed in the event that our intervention is needed on clean air, I thought it would be appropriate for us to have an orientation hearing on clean air.

The Clean Air Act is being implemented by the administration and, quite honestly, the Legislature has not had a role in that capacity. It is not our purpose to serve in that capacity, but, nonetheless, we should be aware of how it is working out.

For those purposes, we decided to have this hearing here today. We are here in Sayreville, because Sayreville is a key location area in that it has industry. It is the crossroads of major transportation arteries in the State of

New Jersey, the Turnpike, the Parkway, and within a short radius 287, 9, 35, 440. It is a very key transportation hub. We are here today for that reason.

To that extent, I would like to thank Mayor Zagata and Administrator D'Arco for making this room available to us. We appreciate their hospitality. It has been many years since I have been in the Sayreville Town Hall, and I would like to commend them. They really maintain this building in beautiful condition. They seem to have made some nice improvements, and have made it very comfortable for all of us.

Is the Mayor or the Administrator here in the room today? (no response) If not, we will extend our thanks to them later.

Before we start, we are going to try to keep this meeting down to a term of two hours. We are going to ask the guests who have accepted our invitation to testify from business and industry to keep their comments as short as possible. Some were unable to appear today, but they have provided written testimony in advance.

Before I go any further, I would like to welcome the members of the Committee. We are going to take a roll call. We are also going to ask the Committee members if they have a short statement, to make it. As we start, if we have time, we are going to go beyond the invited list of speakers into the public. If you would -- and the invited speakers -- please state your name and spell it for us. The minutes of this hearing will be transcribed by the Office of Legislative Services. This will help all of us immensely when we have to get the transcript out after the hearing.

Jeff, would you like to start with the roll call?

MR. CLIMPSON (Committee Aide): Assemblyman Wisniewski?

ASSEMBLYMAN WISNIEWSKI: Here.

MR. CLIMPSON: Assemblyman Smith?

ASSEMBLYMAN SMITH: Just in time to make that brief statement, Mr. Chairman, or--

ASSEMBLYMAN CORODEMUS: Right after roll call.

ASSEMBLYMAN SMITH: Here.

MR. CLIMPSON: Assemblyman Gusciora? (no response)

Assemblywoman Wright? (no response)

Assemblyman Wolfe? (no response)

Assemblyman Bodine? (no response)

Assemblyman Rooney?

ASSEMBLYMAN ROONEY: Here.

MR. CLIMPSON: Assemblyman Corodemus?

ASSEMBLYMAN CORODEMUS: Here.

We are also pleased to have with us another one of our colleagues, Assemblywoman Arline Friscia. It is a pleasure to have you here with us today.

ASSEMBLYWOMAN FRISCIA: Thank you, Steve. Thank you for inviting me here.

ASSEMBLYMAN CORODEMUS: Welcome to our Committee.

Arline, would you like to start? Do you have a statement?

ASSEMBLYWOMAN FRISCIA: Yes, I do.

ASSEMBLYMAN CORODEMUS: Go right ahead.

ASSEMBLYWOMAN FRISCIA: I realize that today's agenda is to discuss air quality in the State of New Jersey. We have a particular issue we are concerned about right here in Sayreville.

From 1922 through 1986, sediment from New York Harbor was shipped by barge to Sayreville and deposited, a spill along our shores, by, among others, the U.S. Army Corps of Engineers. Throughout this time, the greater part of this sediment was disposed of at the Mud Dump site six miles off the coast of Sandy Hook.

In the early 1990s, it was determined that a great part of the harbor sediment fails U.S. EPA tests for ocean disposal due to high concentrations of several toxic substances, including heavy metals, PCBs, and dioxins. Better management practices, like burying the sediment in clean sand, would allow the continued dumping of contaminated sediment in the ocean, but at much greater cost. Capping is estimated to increase the overall cost of disposal at the Mud Dump site from approximately \$5 per cubic yard to \$25 per cubic yard.

When Governor Whitman blocked even this practice, declared safe by the U.S. EPA, the Army Corps of Engineers, the U.S. District Court of New York City, and the Port Authority shipped over 50 million cubic yards of sediment to a landfill in Utah at a price of over \$110 per cubic yard. In this market, disposal at the Sayreville site, which has been active since 1986, is, again, cost competitive.

While the full site consists of 150 acres, it is proposed that between 50 and 65 acres lying within two diverse areas be used for the disposal of dredging spoils. One estimate suggests that 3 million cubic yards will be disposed of at this site over a 10-year period.

ASSEMBLYMAN CORODEMUS: Assemblywoman?

ASSEMBLYWOMAN FRISCIA: Yes?

ASSEMBLYMAN CORODEMUS: Could you keep your comments short and back on the--

ASSEMBLYWOMAN FRISCIA: Sure.

ASSEMBLYMAN CORODEMUS: This is not a voting session, but keep your comments on the bill, as we speak in the Legislature.

ASSEMBLYWOMAN FRISCIA: Sure.

We have been concerned about the results to the air and the ground in this area, because it is within 50 yards of a residential area here in Sayreville. We do not believe that the people in this area are going to be unaffected by the dumping of these materials.

I also feel that this is another case of the left hand not knowing what the right hand is doing. How can DEP grant permits for dumping contaminated materials that are going to contaminate our air and soil, when we, the State, are spending a fortune developing the waterfront in the surrounding areas of Sayreville and on upstream through South Amboy, Perth Amboy, Woodbridge, and Carteret? It is insane. It just doesn't make any sense.

I encourage DEP and the Governor to take a second look at this proposal so that the people in Sayreville can be assured that their air and their land and their water will be clean.

Thank you.

ASSEMBLYMAN CORODEMUS: Assemblyman Wisniewski also mentioned that he has a concern about dredging. I think there are some local residents here in the room who are here about dredging.

Today's topic is clean air. I enjoy speaking about dredging. We have been working very intensely with dredging for the last few years. There are appropriate forums for dredging issues. I chair another committee called the Dredge Material Management Team. Certainly, we can take up this issue, if there is support on the Committee to do this, at a future date, because we are trying to organize our legislative schedule based on subject matter. It is a great strain on resources within the State to deal with an alphabet of issues at any one hearing. That is why we try to do fishing issues on one day, dredging issues on another day, clean air today.

For those of you who are interested in pursuing the dredging issue, please contact me after the hearing. There will be ample opportunity to discuss this Sayreville issue. There are other issues around the State of New Jersey. There are bills in by the Assemblyman and other legislators concerning this issue. All of these issues will be dealt with at the appropriate time.

Thank you.

Assemblyman Rooney?

ASSEMBLYMAN ROONEY: Yes.

Mr. Chairman, you do not disappoint me at all. I have sat on this Committee as Vice-Chairman under your chairmanship for this year. I figured that today I was coming down to an air pollution hearing, and that this would probably be a first, the first time we didn't discuss dredging.

ASSEMBLYMAN CORODEMUS: Right.

ASSEMBLYMAN ROONEY: You do not disappoint me, because we are discussing dredging.

As you said, this is a hearing on air pollution, which is a very serious concern. I will just say that I will do as you have requested and be brief, because the public should be heard. I am here to listen.

Thank you very much.

ASSEMBLYMAN CORODEMUS: Thank you.

Assemblyman Smith?

ASSEMBLYMAN SMITH: If I may, Mr. Chairman, let me first congratulate you for calling this hearing on air pollution in the State of New Jersey. However, I understand that the hearing is going to be limited, to some extent, to a greater discussion of stationary sources, as opposed to the entire topic.

I would urge you to follow up on this good, initial gesture with further hearings on the air quality of our State, because, quite frankly, this is one of the real sleeping issues in this State that has the potential to have a terrible negative impact on the business community in this State and on the health of our citizens. We in New Jersey are not in compliance with the Clean Air Act or the amendments to the Clean Air Act.

The U.S. Environmental Protection Agency, under existing law, has the right and the responsibility to take action -- punitive action against the State of New Jersey which can have a dramatic impact on the business climate. Our rates of asthma and emphysema are tragic in this State. We must do more about air pollution than we are currently doing. The status of our air programs is terrible. Our air is getting worse, and we are getting some very difficult air quality coming from the western part of the United States which doesn't seem to be addressed at all either nationally or regionally.

We have to do more on it. Unfortunately, we are limited today to the topic of stationary source. I do hope you will continue your efforts, and that we can have a better discussion of the clean air problem in this State, which is enormous.

Thank you, Mr. Chairman.

ASSEMBLYMAN CORODEMUS: Thank you, Assemblyman.

As you well know, there will be a joint hearing next week at Middlesex County College between the Assembly Environment Committee and the Assembly Health Committee dealing with just airborne issues -- clean air issues -- as they affect health, focusing particularly on diesel engine emissions.

ASSEMBLYMAN SMITH: Truck emissions, right.

ASSEMBLYMAN CORODEMUS: I encourage interested members to attend that hearing as well.

ASSEMBLYMAN SMITH: Mr. Chairman, if I may, what we need is a big picture meeting. What is the State going to do to meet the Clean Air Act? We are not doing what we should be doing, and we are about to get ourselves into really serious trouble.

ASSEMBLYMAN CORODEMUS: I take that recommendation to heart. Certainly, we can schedule several hearings, which I think will probably be necessary to do justice to that issue.

Assemblyman Wisniewski?

ASSEMBLYMAN WISNIEWSKI: Thank you, Mr. Chairman.

First, let me welcome you and the Committee to my hometown of Sayreville.

ASSEMBLYMAN CORODEMUS: Thank you.

ASSEMBLYMAN WISNIEWSKI: I appreciate your picking Sayreville as the location. As Assemblywoman Friscia stated in her opening, we have a lot of issues in Sayreville. We also have some clean air issues right here in Sayreville.

As we have learned in the years since Congress reauthorized the Clean Air Act, that New Jersey faces many challenges in meeting the goals and mandates provided by that Act. While we are all painfully aware of the difficulties in achieving air quality goals from mobile sources such as cars, there remain significant challenges in reducing emissions from stationary sources.

In New Jersey, we have to try to find a realistic approach to these sources. We have to balance our needs for a strong economy with our demand for a clean environment. We have to make sure that our environment is clean, while we do not disadvantage our industry, and we have to do it in a cost-effective method. But we also have to look at the fact that our geographic location makes us subject to a lot of problems that are not of our making and are not within our control. We need Federal help on that level, and we need to have a comprehensive Federal plan to regulate unclean air.

In addressing these air quality issues from stationary sources, we cannot ignore one significant source, Mr. Chairman, and that is power plants. Emissions from utilities are even more critical now that the Federal government has created a system to deregulate the electricity market. With New Jersey looking to create a retail electricity market purchasing system, we cannot ignore the environmental implications of that open market, the system for purchasing electricity, and its impact on clean air in New Jersey.

While we are aware of the ozone transport phenomenon's impact on New Jersey's air quality, I am, quite frankly, Mr. Chairman, troubled by the fact that neither the BPU nor the administration is seeking to ensure that an open electricity market in New Jersey does not worsen our air pollution problems, which it may. The notion of the State allowing out-of-state electricity to be sold in New Jersey from what are known as dirty sources is even more troubling to me.

While I am all for energy competition that reduces cost, it is not regardless of the consequences. We should not promote energy policies that contradict our own environmental policies. That is why I have introduced legislation, Mr. Chairman -- as you have mentioned and other people have mentioned -- that prohibits the selling of electricity in New Jersey that is produced at dirty power plants. I think that needs to be considered at some future time by this Committee.

The notion must be enforced, especially since New Jersey utilities such as the GPU are looking to shut down power plants in towns right here, in Sayreville and South Amboy. We have to look at what that impact will be in terms of air quality, because the replacement source for that power is going to be dirty power. This cannot be allowed, Mr. Chairman, first of all, because it is not fair, it is not right, and it is certainly not logical in terms of our environment.

I want it to be clear that I am not against encouraging competition in the electricity market. I am all for that. I have legislation also introduced that would start a retail wheeling program. We need to explore that further. But I believe that we should be in the forefront of all the states, offering the

most competitive power rates for all our customers, from the biggest industrial plants to the average home owner. However, in doing that, we must insist that the BPU and the DEP only allow wheeled electricity sold in New Jersey that comes from sources that do not worsen our job in cleaning up the environment; do not worsen our health; do not worsen the safety of our citizens. To do otherwise, Mr. Chairman, is self defeating, because any savings our taxpayers would see in lower electricity bills would only be used to pay to clean up New Jersey's environment. We do not want that.

I believe that cheaper electricity and cleaner air are not mutually exclusive, and we will not solve the Northeast ozone problem if we do not insist that an open market for electricity does not worsen that problem. We can have cheaper electricity rates and less pollution from stationary sources. We only need to be vigilant in making sure that it happens.

Just on one more note, Mr. Chairman, I appreciate your recognizing the fact that there are people here who are concerned about a dredging issue. You should know that they came because they feel they do not have very many opportunities to see the Chairman of this Committee face to face, and they wanted to see you. If you can take any comments from them, that's fine. But if you could at least speak to them and acknowledge that at some point maybe the Committee will consider their concerns about the dredge disposal proposal in Sayreville, that would be appreciated.

Thank you, Mr. Chairman. I look forward to today's testimony.

ASSEMBLYMAN CORODEMUS: Thank you, Assemblyman.

I know you are concerned about your constituents. Should there not be an opportunity today in the hour-and-a-half remaining of the hearing

to discuss the dredging issues, I look forward to coming back to Sayreville. Perhaps you can assist me in organizing the appropriate forum for meeting those constituents and we can take on those issues.

ASSEMBLYMAN SMITH: I would like to, sure.

ASSEMBLYMAN CORODEMUS: Thank you.

Our first witness today will be Catherine Cowan, who is the Assistant Commissioner, Environmental Regulation, New Jersey Department of Environmental Protection.

Catherine, would you please come up here?

For you and the other witnesses who testify today, should you leave the table, since this hearing is being recorded, for the purpose of using the easel for illustration, please take the recording microphone, at the very least, with you so we can get an accurate transcript.

ASST. COMMISSIONER CATHERINE W. COWAN:

This is the recording microphone?

ASSEMBLYMAN CORODEMUS: That is the amplifier, I think.

ASSISTANT COMMISSIONER COWAN: If I speak into this microphone--

ASSEMBLYMAN CORODEMUS: Speak into all of them.

ASSISTANT COMMISSIONER COWAN: All right, fine.

Good morning, members of the Committee. Mr. Chairman, thank you for the invitation. It is a pleasure to represent the Department of Environmental Protection here, because I know by your membership on the Committee that you have an interest in the work that we pursue daily.

I have provided you with a handout which I intend to use as a guide for my remarks. As a former teacher, I choose not to read to people what I have put down on paper, so I will offer it to you as an opportunity to follow my comments, and I will just highlight some of the points we have made and provide you with some background in these remarks.

As has already been identified, there are multiple issues inherent in any discussion of the Clean Air Act. As we have pointed out here, I am going to touch on air pollution health effects, which are the reasons that the Clean Air Act amendments were passed in the first place, and highlight the amendments from just a year ago. Tomorrow is the date that Governor Whitman signed the amendments to the Air Pollution Control Act in New Jersey, so it is quite an appropriate time for us to be reviewing our progress in the last year, and, as you have already noted, an appropriate location, because Sayreville, as we identify-- I have a list here of the major sources in Sayreville -- and in Middlesex County, I'm sorry -- and there are 90 of them. They are approximately one-fifth of all the major sources in the State of New Jersey. So it is an appropriate location for a discussion of these issues.

Third, I want to just touch on air program reengineering, because my colleagues and our partners from industry are going to elaborate on those issues. Finally, I am going to talk about the progress we have made and some of the lessons we have learned in the course of the last year.

I will open by saying that it is important for us to remember that the health effects of air pollution are the major reasons that the amendments were passed, and that we have a job to do in New Jersey. The entire State is in nonattainment for the ozone standard. EPA is considering lowering the

ozone standard, which would increase our responsibility for reducing ozone in this State. New Jersey is among the four worst states in the country for ozone pollution. Last year, we had 14 days in which we exceeded the health standard.

Interestingly, in this rather cool and damp summer, we have had only one day of exceedence thus far, but we cannot count on that. August is coming with some, probably, much hotter days in which the precursors and the sunshine, which cause ozone, will occur.

ASSEMBLYMAN CORODEMUS: Catherine, for the lay public here, could you please explain what nonattainment means?

ASSISTANT COMMISSIONER COWAN: Certainly. When the Clean Air amendments were passed in 1990, nonattainment was established as meaning that there were certain health standards which had to be attained. It is a term in the law that we use in our discussions. It means that in order to attain the standards that are appropriate for good health for the citizens, we must reduce the emissions that cause ozone. In the law, the State is required to develop a plan which lays out how we intend to attain those standards and the direction we will go in both stationary sources -- which we are discussing today -- as well as in mobile sources and area sources.

So we have deadlines which are very specific in the law. If New Jersey fails to attain those standards by the deadline, we will be held subject to sanctions which include loss of economic growth and loss of ability to expand our economic base and increase our jobs; and, secondly, loss of Federal highway funds, which are key to maintaining and expanding our highway network.

Going on through, then, I will touch on the fact that among the 50 U.S. metropolitan statistical areas, from 1990 to 1994, four of them are in New Jersey. They include: Paterson-Clifton-Passaic, the Philadelphia/New Jersey MSA, Atlantic City, and Newark. You can read for yourselves the remainder of the health effects that we have provided for you in the first three pages of the handout.

Turning to key components of the 1995 amendments to the Clean Air Act -- I mean to the Air Pollution Control Act in New Jersey, I would just like to note that there are several key components. I am going to focus on only two of them: First, the Operating Permit Program for major emitting facilities was required to be developed, and I will elaborate later on what that means to us and how that has emerged. Secondly, it created emission fees for major emitting facilities, because the Clean Air Act recognized the necessity to fund this new Program and provided for industry emitters to fund it through fees. Third, the reengineering work groups which have worked to evaluate the quality of the Program, the way we have gone about achieving our mission, and looking for both ways to streamline and improve the efficiency of the Program.

Next we are talking about streamlining the preconstruction permit process, and we have a small-business Technical Assistance Program, which is key in the implementation of the Clean Air Act, because for the first time, many small businesses are affected by DEP regulation. Previously, in the last 20 years, we have focused on major larger sources. In the future, we are looking to decrease the amount of emission, which we target and have to reduce, and to expand the base of emissions into the area sources.

The work group reengineering efforts I will just touch on briefly, because this has been so important in the last year to the Department. The legislation required that we set up these work groups. We have 10 of them now. We are in the second year of a major effort, which is including hundreds of people, hundreds of DEP staff, as well as hundreds of persons in industry throughout the State. We have numerous subcommittees which are looking at specific categories of activity. I have listed for you several of the products we expect, which include: streamlining the application forms, clarifying the information which the Department requires from applicants, and making it easier for folks to identify the needs we have in order to develop and issue the permits they require.

We are also moving toward the development of general permits for small sources: dry cleaners, service stations, small boilers, an area where we moved in other permit programs in the Department earlier, which will make it easier for these small sources to identify their requirement under the Act, fill out a form, submit it to the Department, and, basically, have our blessing as they move ahead, as long as they meet the requirements of the permit.

Key to carrying out our mission of cleaning up the air, while at the same time maintaining a climate that is appropriate for business growth and development in the State, is an integrated computer system. The Department has a commitment from the administration for development of an integrated computer system, a data system, for the first time. The Aims Program -- that's A-I-M-S, for those who are not techies with us -- is the lead program under development, which will serve as the model for this integrated computer system, which ultimately will include all of the programs in the Department

and will access to all of the data in the Department. It will be on-line and completed within the next year.

On the next page, I have provided for you a list of the reengineering work groups, as well as the cochairs. I would like to take the opportunity here, because you are going to hear from the industry side of the cochairs, to commend them and their work with our staff cochairs in the last year in terms of reaching a level of cooperation and partnership that has never been exceeded in any other experience of mine in government. We have people who, on a day-to-day basis, communicate with each other, working through issues and resolving problems that have been long standing between the Department and industry. We are very hopeful that as a result of this effort, we are going to have a much stronger Program, when we thought we had a very strong Program to begin with.

Now, the next page is just a list of the major dates in the Clean Air Act and the Operating Permit Program. We all know that November 15, 1990 was the date of the adoption of the Clean Air Act amendments, but you may not know that it took two years for Federal rules, which serve as our basis for adoption of rules, to be adopted, and in the course of the 1990 to 1995 period, we spent time in New Jersey developing the Program.

We proposed partial adoption of the rules in 1994 -- in October of 1994. In August of 1995, we signed the legislation which authorized it. Then final adoption of the Operating Permit, the Program, in August of 1995, as well. We received interim approval from EPA of our Program just last month, and we are in the-- I'm sorry, today is August. It was in June of 1996, and we expect to and have a deadline of submitting our full Program to EPA

in December. Most of the deadlines are the 15th of the month, because of the November 15 signing of the Clean Air Act. So December 15, 1997, we anticipate that we will submit to EPA our full Program for approval. They have six months to act. That includes the workload analysis, about which you will hear in a few moments, as well as a demonstration that the fees which we are proposing are adequate to cover the workload necessary to meet, as Assemblyman Smith indicated -- to meet the mandates of the Clean Air Act.

It is fully our responsibility and our obligation to do so, and we believe that we can within the next year and a half.

Under the title "What Is An Operating Permit," then, I want to just take a few minutes to explain to you the difference between an operating permit and the type of permit that we used in the past in New Jersey, and in other states which had permit programs. First, it focuses on the worst problem. The operating permit is for the major emitting facilities, which are roughly 10 percent of all of the facilities in this State which come under our aegis, which emit roughly 90 percent of the emissions. So we are targeting resources to restrict and control the emissions from the largest emitters.

In the past, our permits were by source. You might have a facility with 10, 20, 50, 100, or more sources. Every source had to have a permit. They were only issued as they were installed, or perhaps if a particular source was modified. But the fact of the matter is, many times we failed to identify the sources or we lost track of them. They were all different times. The new operating permit provides for all emissions from a single facility, and it is like having for each source a chapter in the permit book. So in the future, we will have not only the emissions which come out of the stacks -- which we have

already identified, for the most part -- but the operating permit will have to include the fugitive emissions like leaky pipes, road dust, and others that were not previously counted as part of the protection.

Now, one of the values of the operating permit for us -- and we will address that again in a few moments -- is that it requires new monitoring and record keeping and reporting on the part of the facility. What does that mean? That means that we are going to know what they are doing on a day-to-day basis in ways that we have not known in the past. It means that when we issued permits source by source, we were unable to identify the actual emissions frequently in order to require maintenance. But under the operating permit, we will have a much clearer picture of the emissions from the entire facility, and we will be able, with the periodic certification of the compliance required under the Clean Air Act, to take that certification, compare the certification of emissions from the industry, and hold them accountable for the emissions from the entire facility.

There are a number of other points of value as to the operating permit. I will just touch on them.

Public comment: It greatly expands the opportunity for members of the public, your constituents, to be involved in the permitting process. In the past, only some very few specific facilities, like incinerators, required public comment. In the future, every five years, the facilities which require an operating permit will come up for renewal and there will be an opportunity for public comment on the five-year renewal and major modifications of those permits.

It also provides operating flexibility. In New Jersey, with the batch type industry -- the chemical and the pharmaceutical industries -- it is very important for industry to be able to change their product based on changes in the marketplace. In the past, they had to come to us for prior approval for any kind of change. In the future, under this operating flexibility of the operating permit, they will be able to notify us of a change, and they will be able to proceed unless we react very quickly, within seven days, in fact, and that seven-day notice is on the next page. This provides an opportunity for industry in New Jersey to maintain the competitiveness that they have demonstrated by being a major part of the industry in the country.

I want to move on to environmental benefits. I don't want to take all of your time, and I know there is a lot to follow. I want to move on to environmental benefits of operating permits. First, compliance enhancement. I touched on this, but I want to emphasize again that the citizens of this State depend on DEP to enforce the permits which we issue. The compliance plans, which include monitoring, record keeping, and new reporting requirements, will provide us with tools to be much more specific in our maintaining that compliance and enforcing when there are violations.

We believe that it will also enable the facilities which wish to be good business partners and good neighbors to retain compliance, to stay in compliance. So the operating permit is going to have a real advantage in terms of improving compliance with permits in the future.

Secondly, it will allow us public accounting for the emissions allowed in this State. We have now 500 major emitting facilities. The permits are only required for significant equipment, so there will be some minor

sources exempted. We are focusing, again, our resources on the major emitters, on the worst pollutants, on the equipment and the fugitive emissions that we identify and which are part of the operating permit, which we can then come back to the facility -- for which we can hold them accountable.

Third, there is a requirement for audits in order for them to prepare their application. One of the results we have seen-- We set up the operating permit so that they wouldn't all come in to us at one time, not all 500 of them in one day, because we would just have to stack them up. We received two waves. In the first two waves, we found that industries themselves have uncovered noncompliance. This has given them the opportunity to identify the sources which are noncomplying, and choose whether to eliminate them, replace them, change the process in which those sources are used. In other words, one of the results of developing operating permits is and will be reduction in emissions in a state. Already it has an environmental benefit.

Point number four, opt-outs. There is an incentive for moderate-size facilities to reduce their emissions in order to avoid being classified as major facilities. Now, some people might say, "That is letting them off the hook." Let's look at it in the positive, that what it has done is reduce the workload of the agency. It has enabled us to target, again, the major emitters. So we have reduced the numbers in this State that we estimated earlier that we would have to provide with operating permits from 900 to 500. This has allowed many reductions in allowable emissions. In other words, the industry has come to us and said, "We want to avoid being a major facility. We are going to request a reduction in our allowable emissions" -- and, in some cases,

in their actual emissions. We revise their permits so that they qualify to opt out of this Program.

There is a risk assessment option. Only a few states have this. We will be looking, in the future, more closely at air toxics, as we kick into regulating them under the Clean Air Act later.

Then, finally, a pollution prevention incentive. The law requires, and we are in the process of developing a program which will authorize companies which already are in compliance to move into commitment with the Department that they will decrease their emissions on a voluntary basis in exchange for, perhaps, more flexibility. We have not agreed yet, or even explored fully the opportunities, but we are going to develop a program which will allow even more flexibility to those who are good actors already.

I would like to go on, then, to the page entitled "Lessons Learned." Just to summarize, in noncompliance issues, 45 percent of the facilities that have permit applications pending here have revealed noncompliance. Their audits have worked. The Operating Permit Program has worked already. Half, almost half, of the facilities which have submitted applications to us have found that 1300 of their sources were noncomplying, and this is after we had an amnesty program of the previous year which revealed 1100 sources in noncompliance. I mean, that was voluntary, and they came forward and revealed them to us and corrected them.

So we are convinced that the operating permit will provide us with a much clearer picture of compliance and noncompliance in the future.

The second point, new facilities. We are finding facilities which exist which have not been permitted in the past. They are submitting

applications to us because under the Clean Air Act they are recognizing their obligation. Thereby, they are going to be regulated and permitted as they have not been in the past.

Finally, we are focusing on the 10 percent of the facilities which have 90 percent of the emissions in the State. In doing so, we found that even though we permitted them in the past, source by source, there is more unpermitted equipment than we expected. There are unpermitted emissions. There are fugitive emissions of which we were unaware. And there is equipment that we did not have accounted for. So by moving into the Operating Permit Program, we are unveiling not only the sources, but also new facilities, and we are expanding the opportunity for New Jersey to address our own air pollution problems, along with the efforts -- to which some of you have already referred -- of addressing them on a regional basis, the fact that there is transport into New Jersey of air pollution. Commissioner Shinn, and others of us there, have been extremely active in OTC -- the Ozone Transport Commission -- OTAG, and other organizations attempting to the influential -- not attempting, influencing decisions regionally across the country.

I want to make it clear that I am talking about 90 percent of the emissions from major sources, that 10 percent of the facilities. I may have exceeded my emphasis there.

I am going to stop here.

ASSEMBLYMAN CORODEMUS: Assistant Commissioner, for the sake of fairness to you and the other speakers here today, we are going to hold questions until we get through the whole speakers' list. Will you be able to stay with us so you can field questions from the Committee and others?

ASSISTANT COMMISSIONER COWAN: I will be glad to.

ASSEMBLYMAN CORODEMUS: Thank you.

ASSISTANT COMMISSIONER COWAN: You're welcome.

ASSEMBLYMAN CORODEMUS: Next we will have a panel of speakers -- as you saw in the handout -- Russ Cerchiaro, who is from Schering-Plough Corporation. As you also saw from the handout, Russ seems to be the cochair of almost every committee there. Russ is no stranger to the Committee. He has appeared on numerous occasions, particularly in 1995, when we went through the whole Clean Air amendment process.

Russ, good morning. Perhaps you can introduce your panel of guests for us.

RUSSELL CERCHIARO: Of course.

Good morning.

ASSEMBLYMAN CORODEMUS: You might have to pass the microphones around so we can hear all of you as you make your presentations.

MR. CERCHIARO: I'll give everyone a chance to sit down.

To my left is Bill Hamilton. Bill is representing the New Jersey Business and Industry Association. To my right is Angelo Morresi. He is representing the New Jersey Health Products Council. To his right is Christine Neely, who is representing the State Chamber of Commerce. To her right is Pat Parsons. He is representing the CIC. Beyond Chris is Brad Martin, representing the CIC as well. To his left is Hank Van Handle. Hank is representing the New Jersey Petroleum Council. Then, to my far right, is Hal Bozarth, representing the Chemical Industry Council.

ASSEMBLYMAN CORODEMUS: Angelo, would you please spell your name for our transcribers here today?

ANGELO C. MORRESI, ESQ.: M-O-R-R-E-S-I.

ASSEMBLYMAN CORODEMUS: And, Christine, could you spell your name, please?

CHRISTINE NEELY: Christine, C-H-R-I-S-T-I-N-E. Neely, N-E-E-L-Y.

ASSEMBLYMAN CORODEMUS: Hank Van Handle. Could you please spell that?

HANK VAN HANDLE, P.E.: Van like a car, handle like on a door.

ASSEMBLYMAN CORODEMUS: Okay, that's easy.

Pat?

PATRICK J. PARSONS: P-A-R-S-O-N-S.

ASSEMBLYMAN CORODEMUS: Bozarth, B-O-Z-A-R-T-H, we know that name.

ASSEMBLYMAN CORODEMUS: Russ, the floor is yours.

MR. CERCHIARO: Great. Thank you.

Good morning, Chairman Corodemus and members of the Assembly Environment, Science and Technology Committee. My name is Russ Cerchiaro, and I chair the Industrial Operating Permit Work Group.

We are composed of six major associations. You just heard them, the: BIA, CIC, State Chamber, R&D Council, New Jersey Health Products Council, New Jersey Petroleum Council. We marshaled our efforts just about three years ago over a common concern regarding the direction in which the Department was heading with the implementation of the Operating Permit

Program. We had concerns with this direction, that it could severely impact our industries, and we felt that we could coordinate our efforts without the Department and be able to come up with a streamlined, efficient Operating Permit Program.

But before I go any further, I would like to thank you, Chairman, for your efforts in this ongoing process to evaluate where we will stand a year from today. It is our intention to provide accountability in this process, and we are very happy to see that you are carrying through in this process.

What I would like to be able to provide to the Committee is a real brief historical overview of our efforts. Then my colleagues will speak specifically to some of the work groups in which they are involved.

Our goal from the beginning of these efforts has been to make the Operating Permit Program as streamlined and efficient as possible without compromising any of our environmental standards. I cannot emphasize that enough. We are the hands-on environmental managers. We are the ones who have to put up with the permitting process. We are the ones who see and can improvise and provide suggestions on how to streamline that process.

We are concerned about the impacts of this permitting Program on the R&D operations in this State, on the fees that we would be paying, on the competitiveness of our industry, as well as publishing state-of-the-art criteria and separating the permitting process majors from minors to make it less confusing.

Then, naturally, the last thing we saw that was of paramount importance was computerizing the air program. As you may be aware, we have been working with the Department for two years, and we have accomplished

many things. Many of the accomplishments are of a technical nature. Unless you are really part of the process, it is kind of difficult to explain, but the accomplishments have been made through the cooperation of both the Department and industry working jointly on these air work groups. These work groups were developed specifically to evaluate various aspects of the programs, to provide suggestions of where areas might be streamlined and where efficiencies could be made.

The handouts that we have provided to you kind of give you a rundown of those work groups. In essence, on the first page, detailed for you, are the work groups that were required by this legislation, and then the other work groups that we have identified as being of value to help in this development.

What I have also done is take the liberty of providing you with, I guess, the guiding principles to the legislation which provide a more detailed overview of the legislation and what I am going to provide you this morning.

I think the Committee must understand that the industry supports the Clean Air Act amendments and recognizes that we are going to pay our fair share. We recognize it as a Federal requirement, one of those unpopular Federal mandates. In addition to that, industry has committed to going beyond its fair share and has agreed to two years of supplemental surcharge, amounting to \$3 million, to expedite our streamlining efforts in this Program for things like: enhancements to the Program for air computerization; publishing state-of-the-art criteria; developing general permits, general standard permit conditions; and electronic reporting.

The Committee should also recognize that industry is only one part of the total air pollution picture. There are other sources. Since we began this effort with the Department, the number of major facilities has dropped from 908 -- as you just heard earlier -- to 500 facilities. The emissions baseline and tonnage also decreased, roughly from 350,000 tons to the current 132,000 tons of pollutants.

We are concerned that there might be other impacts as a result of questionable emission estimates, such as SIP development or other model and estimations. What those impacts are, we are not sure.

Utilizing the latest EPA information, New Jersey ranks 43rd in criteria pollutant emissions and 23rd in toxic air emissions out of the 50 states. However, the fees for this Program have not been going down as emissions have been reduced. As a matter of fact, this Program, based on current estimates, is running at a deficit of \$1.2 million for Fiscal Year 1995, and \$1.9 million for Fiscal Year 1996. Clearly, there is a challenge before us to develop an Operating Permit Program that is efficient, streamlined, does not compromise environmental standards, and allows New Jersey business to be competitive on a global basis.

Industry in New Jersey has been installing the latest control technology for over 30 years and will continue to do so. This legislation, or the efforts in the air work groups will not change that.

Lastly, this consensus legislation was forged with the recognition that much evaluational work is needed to identify these opportunities for streamlining the air permit program. The time frame for this evaluation is two years, and at the end of next year we will be getting back together again to

discuss progress and those other things that need to be addressed to develop this new program. Disevaluation will also include the review of the cost of this new Program. Based on this ongoing process, we will be coming back to this Committee in the near future to discuss the funding formulation in the statute for future fiscal years beyond 1997, and other issues which are identified in this evaluation.

At this point, in the interest of time, what I want to do is just have a couple of the representatives on the work groups provide you with just a quick overview of what is going on in these work groups. What we are attempting to try to do is provide you with a picture of some of the work group activities where we are highlighting and streamlining and what the benefits of those are. Then we want to give you a picture of where we sit with emissions in this State, and we want to round it out by giving you fees and how they are important with reference to emissions. And then, lastly, those legislative issues that we will be coming back to you on in the near future.

With that, I would like to introduce Hank Van Handle, from the New Jersey Petroleum Council. Hank is going to be providing you with an update on the Standard Permit Conditions Work Group. I think if you turn to Page 5 in the handout, you will be able to follow Hank.

MR. VAN HANDLE: Good morning, Chairman Corodemus and members of the Committee. I am a Cochair of the Standard Permit Conditions Work Group.

UNIDENTIFIED MEMBER OF COMMITTEE: I can't hear you.

MR. VAN HANDLE: (adjusting microphone) Is this better?

ASSEMBLYMAN CORODEMUS: That's real good. Jim Sinclair can't hear well, so--

MR. VAN HANDLE: I am Cochair of the Standard Permit Conditions Work Group along with Dr. Iclal Atay from the New Jersey DEP. The purpose of this work group is to negotiate once and gain consensus where numerous permits are issued on the same source or control device, so that instead of reinventing the wheel every time we have a new permit, what we are doing is taking a comprehensive look at Federal and State requirements and gaining consensus.

The way we are gaining consensus is, we worked hard and we took a lot of care to develop a mission and objectives. If you turn to the second page -- I am not going to read them -- we got a consensus on what the mission and objectives of the Standard Permit Conditions Work Group are. We have worked hard to keep focused on that. Dr. Iclal Atay and I keep referring back to those mission and specific objectives when the task group leaders come to us and look for some direction.

There are some contentious issues. They tend to be more global, which have to be decided as policy levels. What we find is that at a working level, we are able to work out and compromise and gain consensus on the vast majority of issues.

What we did -- if you turn to the second following page of the handout -- was form task groups by industry sectors so that DEP and the industry people who actually write these permits and negotiate these permits on a day-to-day basis can take a step back and kind of generalize and look at the issues and get it right once. Where we are right now is, we have developed

what the State and Federal requirements are for the sources that are most prevalently permitted and the control devices that are most prevalently permitted, and they are currently undergoing interested party reviews. We are looking for people who have the interest. There is a lot of detail in this, obviously, but anybody who is interested can contact me and I can get them involved in that review process.

We are also working with the computerization group so that these standard permit conditions, which will be menu driven and have a number of layers, sort of -- very much like you fill out a tax form, you know, with the 1040 your basic one and then Schedule A, Schedule B, etc.-- Either the applicant or the Department is going to fill out the same forms and come to the same conclusions. We feel this will be a very key part in the reengineering effort to reduce workload in the future.

We are using contractors to augment some of the staff work for this effort. Those contractors, again, a little unique, are being jointly given work direction by industry and DEP. I think there are some learnings on both sides in some of the differences on how the scope of work direction is given in different industrial sectors and in government.

So, overall, I think we are being very successful. I think it will contribute to us being able to accomplish environmental protection at a reduced workload.

Thank you.

MR. CERCHIARO: The next speaker I would like to introduce will be Angelo Morresi. Angelo is going to be talking about the State-of-the-

Art Work Group and the General Permits Work Group. That will be Pages 3 and 4 of the handout.

MR. MORRESI: Thank you, Russ.

ASSEMBLYMAN CORODEMUS: Good morning, Angelo.

MR. MORRESI: Good morning, Mr. Chairman, and thank you for having me here.

I would just like to start out with a criticism, if you will, of DEP and my brethren here, just from my point of view. I don't think they are willing to be as complimentary about themselves as they should be. The point is, there has been a hell of a job done here in New Jersey in terms of reducing emissions.

Russ has alluded to the reduction in emissions, and also the level of emissions we are compared to the rest of the country. I think you have to look at it, in addition to that, that New Jersey is still second in chemical and pharmaceutical production. So if you look at it per pound and per product -- the emissions per pound and per product -- we are probably the most efficient operation in the country and, in addition to that, probably in the world. So when we don't look at that, and obviously a good amount of that credit is due to the Department, we have to take a look at what we have done as we go forward into the future.

Before I also talk about my two work groups, I think you should also think in terms of the major issues that will be coming up over the next few years in terms of mobile sources, energy, and stationary sources. I think what we don't really have right now, because of the changes in how it was -- in how it had been taking place, and also some other factors, we do not have a real

good handle on what our emissions are from our State. I have attempted to get that data in the past. It is just not compiled in one place where you can then look at our State implementation plan, look at how we predict what is going to happen in the future, and also what we talk to the EPA about. So if I were going to make a recommendation to this Committee, it would be to get that number before you start making all major decisions about other issues that impact our air quality.

I think the other issues I am talking about here today are the State-of-the-Art Program and the General Permit Program. Both are, in some sense, very revolutionary. They are 21st century type stuff. The Department and industry have been working closely together. Things are moving slowly. It is complicated. It is somewhat difficult, because it is a new type of stuff. You know, state of the art has been around since 1967, but it has always been done on a case-by-case basis. State of the art is the-- Basically, it is a technology; it is an emission limit that meets the latest control technologies that are available in the world today. As a result of the previous air pollution control law, which was enhanced in this law, these requirements have been in place for 30 years. That is what we are talking about.

Now, the difficult part of it was that it was always done on a case-by-case basis, so therefore, you never knew-- As an industry, it was very hard to predict what the costs of a particular project would be, and in the competitive world we were in, and we are in, unless you can predict the cost of a project, you can't build it in New Jersey.

Well, the law changed that and said, "We are going to publish what state of the art is, revise it as appropriate, improve it as necessary." That

is what this work group I have been on, also cochaired by Dr. Atay, has been doing.

If you want to understand it from what we hope to accomplish, it is to sort of establish a BOCA code, if you will. How many times do you have to redesign this building and reinterpret that 16 inches on center studs have to be installed? We know that, so let's go on from there. If there is reason for a change, then we will change it. That is the purpose of the State-of-the-Art Work Group. Hopefully, my group, as Hank discussed, will publish those manuals over the next year. We have our fingers crossed.

Under the General Permits Work Group, a very interesting item, you know, it will cut back paperwork by a significant amount. Also, what it will do is basically allow for preapproval, meeting all environmental standards of a permit. As you can imagine, there are a lot of permits, such as gasoline stations, where there are no changes. Why does a guy have to go in and review it? This type of permit will be granted, provided the criteria is all laid out in advance. Those kinds of permits could be granted as soon as they have a signature.

With that, that is all there is.

MR. CERCHIARO: The next speaker I would like to introduce is Bill Hamilton. Bill is going to be talking about the Air Computerization Program. You will find that on Page 2 of the handout.

BILL HAMILTON: Thank you, Russ.

Thank you, Mr. Chairman and members of the Committee, for allowing me to speak today.

What I am going to discuss briefly is the Air Program Computerization Task Force. The intent of this Program is really to try to bring DEP's air information management system into the computer age. The purpose of the Task Force is to establish a computerized air data management system which will allow for the electronic preparation, submittal, and review of an operating permit -- the Title 5 operating permit.

It significantly simplifies the permit approval process by allowing DEP -- or allowing the applicant to perform compliance checks prior to the submittal of the initial permit and to initially draft the permit themselves. In plain words, the system really allows the applicant to sit at a computer screen, prepare the permit application, and perform the initial aspects of a review prior to ever submitting this application to DEP, giving them a better application and better control over what goes into the permit application itself. Then electronically submitting that on a disk or over a telephone wire ultimately to the agency, which now has a better permit application and has the information on the computer, allowing simplified access and the availability of that information to the people who need to go through the review process, ultimately streamlining and simplifying the review and approval process.

There are a number of aspects to developing a system like this that are very complex. DEP has retained a consultant, American Management Systems, to coordinate the overall preparation of the electronic system. AMS, as they are known, has done a similar program for the State of Minnesota and the State of Ohio, so the basis for this Program is something that has been tried, although the Program for New Jersey is far beyond the basic system that is in those two states currently.

The status of the effort is: The conceptual design document was prepared by a group of both DEP and industry people. That document was completed on March 31, 1996. From that, a very detailed design document was prepared that was completed as of yesterday.

The next step in this Program is the detailed programming of the system, which is beginning today and is expected to go through the rest of this year and ultimately be completed for delivery to DEP and to the users of the system by the end of April 1997.

My comments here were brief, but I certainly don't want that to be reflective of the amount of effort that has gone into this by either DEP, which has dedicated significant resources to this overall effort, or to the industry people who have participated in the overall Program as well. We see this as really one of the keys to making the reengineering effort work. The dedication to this has been, you know, very good on all sides.

Thank you.

MR. CERCHIARO: Thanks, Bill.

The next speaker I would like to introduce is Christine Neely, from the State Chamber. She will be talking about the Emissions Trading Program.

ASSEMBLYMAN CORODEMUS: Good morning, Christine.

MS. NEELY: Good morning, and thank you.

There is a write-up on Page 11. I am here this morning to speak about Emissions Trading. The work group is chaired by John Elston and Steve Tarnowski. I am not Steve Tarnowski. He apologizes that he couldn't make it here this morning. I am the alternate cochair.

The task of the group was to develop and implement rules for emissions trading in New Jersey, emissions trading which provides industry with a flexible compliance alternative in meeting its continuing, shrinking emission reduction requirements, and, on the same hand, offering an environmental benefit, in that it encourages early emission reduction and guarantees a 10 percent retirement of emissions upon use.

I am pleased to talk about our progress. We are on track. A rule was proposed this spring. It will be finalized-- It was finalized in July. It will take effect tomorrow. The thing that is most interesting about this rule, or one of the most interesting aspects, is the way it is being implemented. I particularly want to thank DEP and praise them for the implementation process. What they are doing is developing this rule in a two-phase approach.

The first phase we now have complete, which is the framework for emissions trading. The second phase involves a group of stakeholders, DEP, other representatives from the State, looking at the existing rules, coming up with ways to improve them, and planning on making recommendations to DEP. The design team plans on making recommendations through the fall, and they are going to be implemented, hopefully, for trading next summer.

Our challenge as we go forward is to make sure that the rule is implemented in the best possible way to assure flexibility and to assure the intentions of emissions trading. We want to make sure that there is a robust market, so there are as many opportunities as possible for people to take advantage of trading and for the environment to be improved. We think that one of the ways to do this is to make sure that there is continued and improved understanding of the benefits of emissions trading, both the benefits to

industry and to the environment. We look forward, hopefully, to a continuing successful project here.

Thank you.

MR. CERCHIARO: Thanks, Chris.

Our next speaker will be Pat Parsons. Pat is going to provide us with an overview of the air emissions data for New Jersey. The charts you have gotten at the end of the handout. We think they are dramatic. They tell a good story about our State and about some of the efforts we have been making.

With that, I will turn it over to Pat.

MR. PARSONS: (speaking off mike) Thank you, Russ.

For all the many, many years of the recent past, the public has heard of the--

ASSEMBLYMAN CORODEMUS: Pat, I think we are going to have to get you one of the smaller microphones, too, so our folks can hear you.

MR. PARSONS: The public has been aware of the poor quality of New Jersey's air for many years, probably because of the very visible presence of New Jersey's industry most frequently being identified as the source of New Jersey's air quality problems. Well, it is obvious to everyone that the air quality of New Jersey does need to be improved. There is no question about that. But I would like to explore with you a bit this apparent article of faith that New Jersey industry is the source of the air quality problems in New Jersey. (easel being set up at this point for charts and maps)

ASSEMBLYMAN CORODEMUS: Hal, we have the handouts. Maybe you want to cock the easel the other way, so that the folks can see it.

HAL C. BOZARTH: Okay.

ASSEMBLYMAN CORODEMUS: Thank you.

MR. PARSONS: This is a chart showing the emissions from point sources of the criteria pollutant emissions by state for the entire country. By the way, the source of this data is the EPA AIRS Database, which the EPA claims is the best source for this kind of data in the country.

I would like to point out that at the top end of the scale-- The criteria pollutants, if you are not familiar with that, are-- You heard the discussion of NOX and VOCs before. Well, they are two of the criteria pollutants. The other ones are SOX, lead particulates and -- did I leave something out? -- carbon monoxide. At the high end of the scale, we have--

ASSEMBLYMAN CORODEMUS: Again, just for the sake of the lay people who are here -- the NOX, the VOCs-- Could you explain all that, and very briefly define it for them?

MR. PARSONS: Okay. NOX is nitrogen oxides. SOX is sulphur oxides. CO is carbon monoxide. They are products of combustion primarily. Particulates, both the normal size particulates and the very small ones, end up in the atmosphere. VOCs are organic type materials, chemical organics, that are in the atmosphere.

At the high end of the scale we have Texas, and way down at the very end, the state with the very lowest criteria pollutant emissions from point sources is Vermont. In the seriatim, New Jersey is out at number 43, as Russ has mentioned before. The fact that New Jersey's emissions are so low is a credit to DEP's success in applying state-of-the-art pollution controls over the last 30 years and the efforts of many industries to reduce their emissions since then.

Well, if you wanted to guess which one of these states actually met all of the EPA's air quality standards, the health standards that Assistant Commissioner Cowan mentioned previously, you would guess normally, then, that that would be the states at the lower end of the scale, you know, from Vermont on up to some intermediate cutoff point. So let's take a look at that.

Actually, there are only nine states in the country that meet all of EPA's air quality standards. If you notice on the chart, all but one of them actually have higher criteria pollutant emissions than the State of New Jersey. In fact, some of them actually have 10 times the emissions levels that New Jersey does. So if it is not the point source emissions themselves being at low levels that might guarantee compliance with these air quality standards, you know, what else might it be that would explain that?

To answer that, we need to look at a map. This is a wind map that was taken from the Internet a couple of months ago. It shows typical wind patterns in the northeastern United States. You can see various wind currents blowing across the country and eventually getting to New Jersey. If you saw this on the evening news, you would be seeing little cutesy rain clouds and snowflakes falling down. But for our environmental forecast here we might be showing black clouds drifting on the horizon with the wind patterns, because every pound of air pollutants that is released in the states upwind of New Jersey eventually cross our border, every single one of them.

ASSEMBLYMAN CORODEMUS: While you have that map up on the easel, isn't there a certain troughing effect between the ocean and the Appalachian Mountains?

MR. PARSONS: Yes. The predominant wind patterns for this part of the country are normally from west to east and perhaps some southwest to northeast, those kinds of directions. That would be the natural flow. So New Jersey tends to be the natural recipient of winds blowing over the states upwind of us. That is a fairly constant pattern.

So we go back to the other map, holding this one aside for a second, and we identify just the states that are upwind of New Jersey. We see some rather startling information, that five out of the six highest emitting states in the nation are upwind of New Jersey. On top of that, some of the emissions from those states that are upwind of New Jersey are 150 times higher than the point source emissions that originate in this State.

Well, we have all been familiar with the Pollution Prevention Program that has been going on in this State for the last several years. One of the prime points of the Pollution Prevention Program is that source reduction is the proper way to reduce emissions. Well, if you look at source reduction on a much larger scale than New Jersey itself, it is clear that we really need to start reducing emissions in the states upwind of us, because the air that crosses New Jersey's border to the west, as it is crossing the border into our State, already fails to meet EPA's ambient air quality standards.

To paraphrase Commissioner Shinn, even if every manufacturing facility in this State shut down, even if every car pulled over to the side of the road, New Jersey would still not meet EPA's ambient air quality standards. I am not suggesting by saying this that we need to back off on the air quality controls we have in the State of New Jersey. I am just saying that we will never

reach EPA's air quality standards unless we do something dramatic to reduce the emissions upwind of us.

MR. CERCHIARO: Thanks, Pat.

Pat is also providing a quick overview of the-- (remainder of sentence indiscernible; Mr. Cerchiaro speaking off mike)

The next speaker I would like to introduce is Brad Martin. Brad is going to provide you an update on the Fee Work Group and the Workload Analysis Work Group. The products of all of these other efforts are what Brad is evaluating to determine the workload analysis that the Department is going to have to develop.

With that, I will pass it on to Brad.

BRAD MARTIN: I am going to focus my comments on the workload analysis. The Workload Analysis Work Group and the Fee Work Group are related. The Workload Analysis Work Group, which I cochair along with Tom Micai, is working to identify the resources required to run the air program in New Jersey, whereas the Fee Work Group is then taking a look at what can be done in terms of fees and revenue generation based on the workload analysis that is generated. My comments on the workload analysis are on Page 8 in your handout.

The primary task we are working on, as you have heard from five or six of the other reengineering work groups-- We are working to reengineer and streamline the air program at DEP. The Workload Analysis Work Group is incorporating its efforts, what it is going to mean in terms of resources required at the Department, as well as we have taken a look at other parts of

the Department and other ideas we can work on to develop additional streamlining and efficiencies.

This workload analysis is going to be used in the March 1997 Fee and Funding Report that is due to the Legislature, required as part of the legislation that was enacted a year ago. It is also going to be used to report to EPA that New Jersey has sufficient funding for the Operating Permit Program.

Through all of this, we are making sure that we meet the legislatively described goals. You know, we are all striving to continue to improve New Jersey's air quality and, at the same time, doing that within some of the fee and funding language that is in the legislation.

A key point is that we have to maintain the fee structure to be competitive with other states. As you saw from Pat's chart, with the emissions in New Jersey being significantly less than most other states in the nation, our choices to maintain a competitive fee structure are: Either we have to have fewer resources to run the New Jersey air program than other states, or there has to be additional funding, more so than what other states experience, from the General Fund into DEP.

Thank you very much for the opportunity to comment.

MR. CERCHIARO: Last, but not least, is Hal Bozarth, who will provide us with a quick update on the legislative issues.

MR. BOZARTH: (speaking off mike) Mr. Chairman, I will be even more brief than Brad was. We will come back to you with suggestions that we find through our continuing discussions with the Department on ways for the streamlining (indiscernible; no microphone here) to keep the fees in

line with the competitive nature of the states that are taking our jobs, while at the same time protecting the environmental quality.

Thank you very much.

MR. CERCHIARO: That wraps up our presentation. I recognize that it was a lot of information in a short time. We are trying to provide the Committee an update recognizing, you know, the change in personnel since the last time we began this effort. Hopefully, we didn't put you to sleep.

ASSEMBLYMAN CORODEMUS: Thank you, Russ. Those charts are very telling.

If you gentlemen and ladies can stay for a few minutes, we are going to try to get through all the speakers and, if time permits, get to some questions.

Steve Gabel. Steve, welcome. Would you please introduce yourself?

STEVEN GABEL: Good morning. My name is Steven Gabel, G-A-B-E-L. I am here on behalf of the Independent Energy Producers of New Jersey.

The Independent Energy Producers of New Jersey is a trade association which represents the nonutility producers of power in New Jersey. I am sure you are all used to thinking of your electric power being delivered and produced by your local electric utility. In point of fact, a growing amount of the capacity in New Jersey over the last 15 years has been produced by independent power producers who are competitive producers of power, as opposed to utilities, which are traditionally monopoly producers of power and, as a result, have a strong incentive to maintain the overall efficiency of their plants at the highest possible levels.

What I want to do today is touch upon some very significant issues that I have not heard much about yet this morning. Mr. Chairman, you touched on them, and I believe Assemblyman Wisniewski touched on them, but none of the other speakers really dove into these issues, some of which, potentially, could swamp all of the work that you heard all the last speakers talk about with respect to the way in which they are ratcheting down their industrial processes, their emissions levels, within the State of New Jersey. All of those efforts would be swamped, potentially, by some of the impacts that could be caused by the opening up of the electric transmission grid on a national basis, thereby having a large environmental impact on this State.

I have a number of posters -- Russ, you may put them up, if you want -- which I am going to try to work through with you to try to tell the story that I would like to tell this morning.

As I said, the Independent Energy Producers of New Jersey is a trade association representing nonutility producers of power.

ASSEMBLYMAN CORODEMUS: You can just back that easel right up to the wall so everybody can see it.

Thank you.

MR. GABEL: Most of the nonutility producers of power in New Jersey utilize a technology known as cogeneration. Cogeneration is, very simply, the creation of two energy supplies, electricity and steam, from one input fuel. Since you are getting the two for one value and not sending the waste seed up the stack, there is an intrinsic efficiency to that which normal utility generation simply cannot reach.

The effect of that is not only that low-cost energy -- electric energy is provided to utilities, but that steam is used in industrial processes to try to keep that industrial process competitive. Most of the time, that steam goes to the industrial process, but at anywhere from 30 percent to 75 percent less cost than the steam that would be delivered by an industrial boiler. As a result of that, you are really anchoring industry and business in New Jersey when a cogeneration plant is installed. In point of fact, over \$3 billion has been invested in cogeneration facilities in the State of New Jersey, and over 55,000 jobs have been anchored by these plants within the State of New Jersey. So it has really been a significant method of economic development totally funded on a private-sector basis.

With respect to environmental performance, as you know, electric generation, whether utility or nonutility, is a significant area of stationary source NOX emissions and has been a significant focus area for DEP in order to meet its clean air compliance. The independent power producers in New Jersey, in fact, have been a very active participant in DEP's process and they have been very forthcoming and helpful in that process. But what I wanted to point out today is that the IPPs of New Jersey, by virtue of these intrinsic efficiencies and some other issues that I have talked about, are really a lead point -- are really leading the point in solving New Jersey's air emissions problems, either when you compare it with other New Jersey electric utility generation or with out-of-state generation.

The first chart we have put up simply shows, for 1995, the level of NOX emissions that are produced by utilities versus independent power producers and really gives you a real sense of scope of the relative efficiency

between IPPs and utilities. In fact, part of what drives that, and you have to realize some of the financial and contractual aspects of cogeneration, is that these cogenerators provide their power in accord with long-term contracts. If you have a long-term contract with someone, and no ability to go back to your regulator and pass through any additional costs that you may incur down the road, you have an incentive to build the best at the front end, because you have to realize that 5, 10, 15 years from now there may be stronger standards in place, and you will have no ability to collect those costs by a rate increase, as utilities get. You have to build the best at the front end.

The result of that are the emission impacts that we now see. In 1995, IPPs produced 46 percent of the fossil generation in New Jersey. They were only responsible for 14.6 percent of the NOX emissions in the State. The utilities were the other 54 percent of the generation, but produced 85 percent of the NOX emissions.

ASSEMBLYMAN CORODEMUS: Is that an apples to apples chart where you are talking about the same units of energy being produced?

MR. GABEL: Yes, I am trying to compare the amount of generation produced against the amount of NOX produced. They produce 46 percent of the generation, but produce only 14 percent of the NOX. I think that does give a good apples to apples comparison. I have only built steam -- fossil generation into this, since that is really the focus of the NOX emission issue.

In fact, as you can see, the result of these long-term contracts has been the implementation of state-of-the-art or sometimes leading-edge

technologies to keep emission levels down. This is really the result of those activities by independent power producers.

In point of fact -- if you want to put up the next chart -- I have a chart that really tells a story from a more local perspective with respect to utilities and independent power producers. Two of the facilities-- This chart shows the amount of NOX per input of fuel so, again, it is an apples to apples comparison. The first four facilities -- Lakewood, Cogen Technologies up the Turnpike in Linden, and the next two which are right here in Sayreville, NRG Parland and Intercontinental -- are independent power producers. I have also put on the chart two major utility generating stations, which are PSE&G's Mercer Station and Atlantic Electric's BL England Station. Again, you see just a huge scope of difference between the pollutants -- the NOX pollutants by those two utility generating stations next to the independent power producers.

In point of fact, the NRG plant and the Intercontinental plant, as well as the other independent power producers in the region, are part of the process of cleaning up the air in the State of New Jersey, specifically in Middlesex County. So it is something that the IEPNJ and these developers are proud of.

Where does all of this play into when it comes to what DEP is up to now on its Clean Air Act responsibilities? The place where the rubber hits the road on this right now is on the process that DEP is going through now in terms of allocating NOX emissions requirements among the major sources in New Jersey. The Ozone Transport Commission, which is the regional authority, has allocated to each state a responsibility to ratchet down its emissions. For example, in 1990, the large sources in New Jersey emitted

44,000 tons of emissions, and that has to be reduced to a little more than 15,000 by 1999, and a little more than 12,000 in 2003. DEP has the responsibility to tell each major source how much to emit.

There are two important points I would like to make on this subject: First, with respect to the numbers I just went through, the 15,000 and 12,000, are based on data which the DEP itself submitted to the Ozone Transport Commission last year. In fact, we and the other companies that are involved in the DEP process have looked at those numbers and there are significant miscalculations done in that data. There are just simply generation sources that are left out of the data sort, and miscalculations made in that data sort. If you were to make the corrections to it, we would have roughly a 15 percent higher level of NOX emissions capped to allocate among the sources. This is not a case of trying to get an opportunity to pollute more. This is simply trying to calculate the numbers the right way.

We have urged DEP to go back to the Ozone Transport Commission for what we view as simply a mechanical fix. One of the questions I would respectfully ask that DEP address today is whether they will, in fact, go back to the Ozone Transport Commission for this, what I view as strictly a technical correction. The net effect of that is that the State will have 15 percent more of an allocation to divvy not only among the current sources, but to accommodate its economic growth that hopefully will occur over the next 5 or 10 years. So it is a significant correction that I think should be made.

The second area that is important is that as the DEP allocates and tries to ratchet all sources down to this 15,000 tons, it has to decide how it is going to do that. Is it going to grandfather old sources such as the last two that

are up there, the Mercer and the BL England stations, or is it going to adopt a methodology which I think is more appropriate, and that is to recognize the efforts and the cleanliness of certain sources and not go after them to ratchet down further. For example, the first four sources there are already among the cleanest in the State of New Jersey, or are the cleanest in the State of New Jersey. They should not be the ones that are squeezed down still further. It is a higher cost per unit of reduction to go after them. The way to most efficiently reduce our emissions in New Jersey is to place the requirement on the dirtiest sources in the State. They are the largest source of pollutants. They can also reduce those pollutants on the most cost-effective basis.

So we have encouraged DEP to recognize the environmental efficiency of each source and not penalize those which are already the most clean in the State.

As I said when I started out my comments, there was another important issue which, if it goes unaddressed by the State of New Jersey, could swamp all of the other efforts you have heard about today of individual industries, businesses, and citizens in New Jersey reducing their emissions, whether it is by reducing the output from industrial stacks or going to ride-sharing or all points in between. That possibility exists because of actions taken by the Federal government, the Federal Energy Regulatory Commission, as well as other actions being taken in individual states. That goes to a recent action by the FERC -- the Federal Energy Regulatory Commission -- to adopt something known as Order No. 888. Order No. 888 is a far-reaching order that FERC put out that really takes the transmissions system of the United States of America, which up to now has been controlled by the individual

utility that owned those lines, and opened it up as a highway where producers in the midwest can get power to the east, or producers from the south can get power to the east, or the other way around. So it really becomes much more of a commodity business -- the electric industry -- as opposed to a monopoly business, as we have all been used to thinking of it.

What that means is that power suppliers in the midwest will now have greater access to markets. Anything that they anticipated selling to their local utility, their local customers, will now be enhanced by the ability to go to greater markets. Unfortunately, most of the midwest suppliers utilize coal fire capacity with air pollution controls which come nowhere near to those utilized in the State of New Jersey. The requirements are nowhere what a New Jersey electric generator, utility or nonutility, faces, so the prospect exists that the enhanced sales of power from midwest sources could ultimately land a punch on the chin of New Jersey, and that is, even though New Jersey may think it is buying lower cost power from the midwest, in point of fact, it is buying power which, in the end, is going to rain down on New Jersey and ultimately ratchet down our economic development.

This chart is really designed to give you a sense of comparison, a scope of the problem I am talking about. I put up on the chart what New Jersey has to achieve from its in-state major sources in 1995, 1999, and 2003 on NOX. You can see that it has to ratchet down, as I talked about, to lower than 10,000 tons of emissions.

The last bar is the emissions that could result from one utility in the midwest, American Electric Power, the largest cogenerator in the midwest, if they were able to increase their cogeneration to meet the demands that may

exist -- increase their utilization of those plants. Their level of emissions of NOX will be around 40,000 tons. So, again, it just gives you a sense of scope. Everything that we are doing to ratchet down to less than 10,000 could be swamped by the results of -- I am just looking at one utility, not the whole midwest -- could swamp the effect, and all the millions of dollars of effort in the State of New Jersey.

As a result, as we ratchet down in New Jersey, this could swamp that effect and cause us to then, reacting to Federal government mandates, to have to ratchet down and spend more in New Jersey to meet requirements because of emissions from the midwest. So all of our efforts, really, are turning on this type of issue, from our perspective, and we really urge this group to get involved in that issue.

This issue has already hit home, in point of fact. Jersey Central Power & Light, now known as GPU Energy, as of, I guess, two days ago, has been not only actively shutting down power plants in the State of New Jersey, but it seems that their preferred forum of new capacity is exactly this, cold fire power from the midwest. They recently got two power purchases approved by the Board of Public Utilities for power from Cleveland Electric Illuminating and Pennsylvania Power and Light, two cold fire utilities. They are now out in the marketplace asking for another 1500 megawatts of power. We have asked the BPU to review that request for proposals that JCP&L is now conducting to try to determine and try to make sure that that company is properly considering the environmental impact of its actions when it goes out to buy power. Look at it. When you try to buy power from an AEP, it is an emissions rate of about a scale of 10 times to 20 times higher than the

emissions from in-state IPPs. Unless the State, particularly the BPU, gives proper recognition to the environmental quality issues, we will be shooting ourselves in the foot if we believe we are going to buy low-cost power at no cost -- at no environmental cost to New Jersey.

I conclude by really urging this Committee to work very closely with the administration, and with us -- we are available to help in any way we can -- to try to push not only at the State level, but at the regional level, where there are various commissions working on this issue, as well as at the EPA and FERC, to make sure there is proper recognition given to this issue. Additionally, there are two bills that have been introduced, one by you, Assemblyman Corodemus, which is Assembly Resolution No. 110, which would call on the administration to carefully analyze this interstate issue and come up with appropriate solutions to make sure that we do not reach this problem result; and second, Assembly Bill No. 1857, which has been introduced by Assemblyman Wisniewski, which calls on the State of New Jersey and the BPU to assure that power purchases from elsewhere meet New Jersey's environmental strategies and environmental compliance.

That concludes my comments. I appreciate the opportunity to present these points.

ASSEMBLYMAN CORODEMUS: You, too, can stay for a few minutes?

MR. GABEL: Absolutely.

Kevin Lynott?

Yes, sir?

JULIAN CAPIK: (speaking from audience) Mr. Chairman?

ASSEMBLYMAN CORODEMUS: Yes. Sir?

MR. CAPIK: I am a Parlin resident. (remainder of comment indiscernible; no microphone)

ASSEMBLYMAN CORODEMUS: This is regarding the clean air, sir?

MR. CAPIK: Regarding-- (indiscernible)

ASSEMBLYMAN CORODEMUS: Regarding the clean air?

MR. CAPIK: Yes.

ASSEMBLYMAN CORODEMUS: Certainly. Have a seat.

Could you please repeat your name for the folks who are recording the hearing?

MR. CAPIK: Mr. Chairman, my name is Julian Capik. I reside at 76 Roosevelt Boulevard in Parlin. I am a member of the Middlesex County Environmental Coalition.

During November 1990, the *North Jersey Herald and News* printed an article with the headline "Garden State is Most Polluted." At the time, Federal listings cited New Jersey as the worst in the country for the amount of toxic air contaminates per square mile. Since that time, there has been a tremendous decrease in air pollution, because industry reduced its pollutants at the source. We in Sayreville want that trend to continue.

Now, I just heard DEP give a presentation, and I am a little bit concerned that they are not looking at the source anymore. This is important. The residents of Sayreville know about air pollution firsthand, because we are surrounded by industries which have contributed to the air pollution statistics. Not only are we plagued by industrial pollutants, but we have odor pollution

which we are affected by from the largest active landfill in the State, Edgeboro Landfill.

The residents of Sayreville now have a new fear because of recent decisions by State courts giving broad discretionary powers to a watered down, business-friendly DEP for siting odor-producing materials near residences. With the recent decision to stop dumping dredged spoils into the ocean, we fear that the New Jersey Department of Environmental Protection may grant a permit to business to dump dredged spoils literally in the backyards of homes and create odors and disrupt the domestic tranquility of the residents of Sayreville.

Although I have related the odors from the dredged spoils to this hearing because of its nature, there is much more to be said about the upland dumping of dredged spoils. For example, when the Governor's Task Force on Dredging -- which you are the Chairman of, Mr. Chairman -- visited the site of the refinery in Bayway, they learned that industry, which is responsible for polluting dredged spoils, wants no part in using their grounds as a long-lasting solution for the polluted muck for which they are responsible.

We believe there should be a balance between industry and the environment. We do not want an overfriendly DEP to encourage business to revert back to their methods of operating before 1990.

I would like to mention when we talk about source, that the EPA and the Hazardous Waste Siting Commission decided that there is no longer any need for hazardous waste incinerators in New Jersey. Now the Siting Commission, also in their minutes, wants the hazardous waste facility in Linden. Our concern is that if this facility is built, it will encourage industry

to revert back and, because they will have a place to put the pollutants, they will make more pollutants. We are very concerned about this.

I wish the Committee would take my comments into account.

Thank you, Mr. Chairman.

ASSEMBLYMAN CORODEMUS: We will. Thank you for coming, Julian.

Just one point I did not understand: You said something about our visit to the refinery in Elizabeth.

MR. CAPIK: Oh, yes.

ASSEMBLYMAN CORODEMUS: What was that?

MR. CAPIK: Perhaps this will refresh your memory.

ASSEMBLYMAN CORODEMUS: Right. Was this Bayway?

MR. CAPIK: Yes.

ASSEMBLYMAN CORODEMUS: Okay. Bayway actually stored the contaminants on its site.

MR. CAPIK: Right.

ASSEMBLYMAN CORODEMUS: Right.

MR. CAPIK: There is a good picture of what would be dumped 500 feet from residents' homes here in Sayreville -- old tires, plastic bottles, logs which are saturated with PCBs, and so forth.

ASSEMBLYMAN CORODEMUS: Okay. As I said, we will have an appropriate forum for dredging another day.

MR. CAPIK: I wish you would have it here in Sayreville.

ASSEMBLYMAN CORODEMUS: If they welcome us back, perhaps we will do that.

MR. CAPIK: You will be welcomed back, believe me.

ASSEMBLYMAN CORODEMUS: Thank you.

Okay, let's get back here on the schedule with Kevin Lynott, from -- is it GPU or JCP&L? Which one is it?

KEVIN LYNOTT: That foreign company.

ASSEMBLYMAN CORODEMUS: Good morning, Kevin.

MR. LYNOTT: Good morning. My name is Kevin Lynott. I am the Manager of Government Affairs for the GPU Energy Company. Jersey Central Power & Light Company, two days ago, changed its name because of the consolidation of GPU's three operating utilities -- Jersey Central Power & Light, Metropolitan Edison, and Pennsylvania Electric. We have now become a service and distribution company called GPU Energy Company. We will be providing electricity to 24,000 square miles in Pennsylvania and New Jersey. We represent 45 percent of the land mass of both of those states. We appreciate the opportunity to speak to you today.

Later I am going to offer some remarks about Mr. Gabel's comments. I know that Assemblyman Wisniewski has a concern about the direction that JCP&L is going and if we are, in fact, going on a path of buying dirty power.

First of all, I would like to say that GPU strongly advocates continued review and action so the Northeastern United States, including New Jersey, can meet the ambient air quality standards for ozone by the attainment dates. Decisions regarding many public policy issues will impact New Jersey's ability to achieve attainment with the ozone air standards. Taking appropriate incremental actions toward reducing emissions will put the Northeast on a

more assured path toward attainment, while also allowing the region to remain competitive with other regions and power markets. These incremental policy moves, including additional reductions in emissions from electric generating stations, both within the Northeast Ozone Transport Region and external to it, are also necessary for the protection of public health and the enhancement of environmental quality in the Northeast.

Ozone is formed when nitrogen dioxide mixes with volatile organic compounds in warm sunlight. NOX is emitted from cars, buses, fossil-fueled power plants, and factories. VOCs originate from cars, buses, refineries, consumer products, as well as natural sources. To control and reduce the creation of ozone, we must limit NOX and VOC emissions.

It is widely accepted that efforts within the Northeast Ozone Transport Region to meet ozone standards set for the protection of public health are hampered, and likely ineffectual, without reductions in nitrogen dioxide emissions from sources outside the NOTR whose emissions are carried into the eastern states by prevailing weather patterns. That part has been referenced, and we are in agreement with that.

GPU is convinced that in the long term, effective and efficient control strategies will have to be based upon an adequate scientific understanding of many issues now the subject of extensive research. Clearly, all sources contributing to nitrogen dioxide and volatile organic compounds that lead to the formation of ozone, whether such sources are local, regional, fixed, mobile, or other, will have to participate in achieving the reductions.

Interim measures that are reasonably expected to ultimately be necessary for ozone control should be pursued even while the research efforts

are still underway. Included in such steps are regional and interregional reductions from current levels of summertime nitrogen dioxide emissions and additional controls on emissions from volatile organic compounds.

In this regard, GPU plans on meeting its Clean Air Act requirements at our plants at a cost of \$410 million by the year 2000. Some of our compliance measures are: switching to lower sulfur fuels and the use of sulfur dioxide allowances; installing SO₂ scrubbers; low NO_x burner technology and selective noncatalytic reduction retrofit; improvements to boiler controls; improvements to coal-cleaning facilities and the addition of emission monitoring equipment; and continued emission modeling refinement studies.

GPU is an active participant in the North American Research Strategy for Tropospheric Ozone -- NARSTO -- to ensure that the best possible air quality information is available to the states and the Environmental Protection Agency for making future decisions concerning allowable NO_x emissions from our facilities. In addition, GPU is actively participating in the development, as recommended by the Ozone Transport Commission, of a NO_x trading system which would function similar to the SO₂ allowance trading system.

To achieve and maintain compliance with healthful air standards for the long term, GPU believes that all sources which contribute to ozone pollution, including industry, motor vehicles, consumer products, and businesses will, likewise, need to maintain and continue their contributions to the reductions. GPU advocates that emission caps be established for each source category, including mobile sources, using the best insights currently

available as to the eventual long-term requirements. This approach could include innovative programs to obtain economic efficiency in achieving the goals of the Clean Air Act, including market-based mechanisms such as emission credit trading.

Given all of the above, GPU believes that an objective, consistent, and broad-based effort to achieve incremental progress toward attainment is the most prudent strategy to pursue while the much needed refinements of the sciences are being developed. Such an approach will prevent overcommitment of capital resources while avoiding inaction. Also, it will help to ensure that public policy initiatives of importance to the region, such as the development of a competitive power market and healthful air standards are not delayed.

It is rather poignant that this Committee meeting is being held in Sayreville referencing the fact that we had to shut down -- we made the decision to shut down a generating facility next door in South Amboy, and we have one that possibly will be shut down in Sayreville. The great concern with that is that we are abandoning New Jersey to purchase dirty power. Steve Gabel referenced that, one, we went out for 400 megawatts of electricity. We bought some electricity from Cleveland Illuminating, and that is a pump storage facility which we bought the electricity from, which will emit no pollution. The issue then is, how is the wire going to get up the hill to generate the electricity in the first place? Cleveland Illuminating, I believe, is 50 percent produced -- electricity makes it 50 percent coal. It is not at all clear that dirty power will be used to generate the electricity to develop that hydropower.

We also went out for 1500 megawatts of electricity. Steve referenced the fact that we went out for 1500 megawatts of power. We went out for 1500 megawatts of capacity. We have a capacity problem; we do not have a power problem. The facilities that we shut down in South Amboy were capacity. Those were peaking facilities that were not run a lot. We made the decision in order to get them into compliance with the Clean Air Act in the year 1999. We had to put a substantial amount of money into them. We made the decision for our customers that we can more economically purchase the electricity from other sources. I don't know where those sources are going to come from. It clearly is not going to be dirty power.

We are looking at one bid that is going to use coal-generated electricity. It is way too early to make the assumption that we are in the market to buy dirty power. When those bids are finalized, we will be glad to come before this Committee and talk to you about where we are buying our sources of electricity. I think you will find out that we are very concerned about this air quality issue, we have not abandoned the air quality goals this State had, and the capacity that we are going to purchase is going to be certainly in compliance.

ASSEMBLYMAN CORODEMUS: Thank you, Kevin.

What we are going to do now is take about 10 minutes worth of questions. I know Assistant Commissioner Cowan has to leave shortly. We will then take a break for about 5 minutes, and when we come back there are additional speakers who have signed up to speak so we will hear them.

Yes, sir?

UNIDENTIFIED SPEAKER FROM AUDIENCE: Mr. Chairman, I believe I have relative facts that I would like to have addressed by the Commissioner also. While I appreciate the fact of the time and the convenience of everybody, I would like to address the Committee before the questions and answers go on. I was the first one in the building this morning. I may be the last one to speak, and I just think I would like to have an opportunity to address you certainly after JCP&L.

ASSEMBLYMAN CORODEMUS: Well, I will make sure that you have an opportunity to speak. It will be right after the break.

We will take questions now from the Committee to any of the witnesses. I will be last to ask questions.

Assemblyman Rooney?

ASSEMBLYMAN ROONEY: For the Commissioner: The original hearing on the Clean Air Act -- one of the hearings at Thomas Edison College -- at that particular time I believe the chemical industry had presented this for the first time that I had seen it, probably one of the first times. I was extremely impressed by Mr. Bozarth's testimony. He caught my attention immediately.

I am concerned. I voted against the passage of the Clean Air Act, the only Republican. Every Democrat voted against it because what it meant at that time was that the motorists of this State were being held hostage to the Clean Air Act. What would happen would be, with this new way of inspecting vehicles, after three or four years, there would be people who would be forced into giving up their vehicle whether they liked it or not, according to the

original Act. That is what convinced me, as well as this. This was the final piece of the puzzle.

Now, I cannot believe that when we have this much pollution-- One other that Hal said that impressed the hell out of me was the fact that -- and this is probably the only time I have ever said anything good about Hal Bozarth, the second time, okay? We have had our differences. This impressed the hell out of me. The other thing he said was that if we turned everything off in the State of New Jersey, everything, stopped every vehicle from operating, turned every plant off, every light switch off, that we still could not comply with the Federal Energy Act. Is that true or false?

ASSISTANT COMMISSIONER COWAN: Do you mind if I dodge the true or false? I would like to--

ASSEMBLYMAN ROONEY: It was a rhetorical question.

ASSISTANT COMMISSIONER COWAN: It is a rhetorical question, in that we probably can't--

ASSEMBLYMAN ROONEY: It is a rhetorical question probably, but it brings me to my next question.

ASSISTANT COMMISSIONER COWAN: We probably can't prove it one way or the other. The point I would like to make in response to your concern is that that chart which demonstrates that there are major emissions to the south and west of this State is the reason that Commissioner Shinn, Governor Whitman, John Elston -- who is to my right -- the Administrator for Air Quality Management, Bill Sullivan, who is also here, and I have been deeply involved for the last five years in the ozone transport region, which then led us to the development of the OTAG, or Ozone

Transport Assessment Group. That includes all of those states to which those arrows are pointing.

It is EPA's way of forcing the states to recognize -- or attempting to force the states, leading the states to recognize and accept that even though they may be in attainment, they have a responsibility to the rest of the country; that attainment of air quality standards in New Jersey, in New York, in Connecticut is part of the responsibilities of Illinois, Indiana, Ohio, Pennsylvania, etc. So the Ozone Transport Assessment Group has been meeting -- has an 18-month deadline, and is coming to the conclusion which will, most likely, advise EPA and the states in the midwest that, despite the fact that they are in attainment and are not required by the Clean Air Act to adopt new technology and controls, that because of their effects on New Jersey and the other states in the Northeast, they must adopt controls.

I heard Mary Nichols, who is the Assistant Administrator for Air in EPA, say on Monday to a group of legislators at the National Council of State Legislators, "Yes, we have the authority--" She was questioned by a legislator from Connecticut, and she said, "Yes, we have the authority, under Sections 110 and 126, to require that the states that are affecting you take action." We don't think everybody understands the problem yet and what has to be done. We believe that OTAG will lead us to that point. We hope we will see-- As people, industries, and governors begin to see the light, we hope we will see action in the midwest. If not, EPA has the ability to take the action to require it.

ASSEMBLYMAN ROONEY: All right. I was leading up to that question, which you answered. I do want to compliment the administration,

particularly Governor Whitman -- and that is probably a first, too, publicly anyway, even as a Republican-- I do have to say that she has worked long and hard on this issue, making sure that things like this are at least being recognized by other states, because this is what we are facing. As far as I am concerned, I really don't care what they are doing in their own states, but I do care when it affects us. I think it is pretty easy when you have a pipeline -- it almost looks like a pipeline coming through the Ozone Transport Region. If you measure it at our border, and measure it on the output of our border, you are going to find that there is very little contribution by New Jersey. What comes in, you know, is probably a little higher going out. If we eliminated what came in, we would be well, well within compliance.

I think we, as a whole, do a much better job on pollution control in this State than probably any other state. Again, it is due to DEP and it is due to our laws and what has happened here. After all, we are probably the most polluted state in the country, so we have had to deal with it.

ASSEMBLYMAN CORODEMUS: John, do you have any more questions?

ASSEMBLYMAN ROONEY: For Mr. Cerchiaro.

ASSEMBLYMAN CORODEMUS: Let's finish up with the Commissioner.

Assemblyman Wisniewski, do you have any questions for the Commissioner?

ASSEMBLYMAN WISNIEWSKI: Yes. Thank you, Mr. Chairman.

I just want to ask the Commissioner about the Stationary Source Report. Commissioner, there was a Stationary Source Report that was due, I think, on March 1, or in March, and it hasn't been issued yet. I am wondering if you could provide me with some detail as to when it will be issued.

ASSISTANT COMMISSIONER COWAN: Certainly. I expect it to be issued momentarily. We have been working on it. We had the deadline. We are well aware of the deadline of March 1. The interest of the Legislature has ordered us, by passing a law. As you have heard this morning, we are working on lots of fronts in the Clean Air Act implementation. So we thought that we would, each month, be able to meet the deadline. We know we are running late, but I believe I can say that within the next few weeks you will have that report, and we would be happy to discuss it with you further

ASSEMBLYMAN CORODEMUS: Thank you.

Are there any other questions for the Commissioner? (no response)

I have just one, even though you weren't able to -- didn't choose to answer Assemblyman Rooney's question -- rhetorical question.

Was there anything on those charts that were presented by the prior speakers -- the graph charts, the bar charts on New Jersey's position among the 50 states that you dispute?

ASSISTANT COMMISSIONER COWAN: Yes, there was.

John would like to respond, and I think maybe Bill would like to say something. We do want to respond. One at a time, boys.

JOHN C. ELSTON: This is information that is contained in the EPA computer. At the time, it was reported by the states to the EPA, which then

provided the figures. New Jersey's information was not as updated on that as were Maryland and a few other states. It is not going to make a lot of difference, I don't think. The profile will look somewhat similar, but, yes, there are going to be some differences. It will be more to the middle of the group than to the extreme other end.

I think it is important to note -- and that is why I asked for the mike-- The question is: If all the other states to the west of us were able to reduce their emissions to a per capita as New Jersey has now, would New Jersey then be able to meet the Clean Air standards. The answer is, "Probably not." New Jersey still has the highest density of people, the highest vehicle population of any state in the nation. I just want to say that New Jersey, by itself, is a polluter because of its small size and because of its high population density, its high industrial and high movement activity. Also, we have a responsibility for our upland neighbors in Connecticut and Massachusetts as well.

So I just wanted to frame that picture for you.

ASSISTANT COMMISSIONER COWAN: Is that enough, Bill?
(affirmative nod) Okay.

ASSEMBLYMAN CORODEMUS: Just two quick questions, and I will let you go.

This question concerns the interstate purchase of power that was brought up during Mr. Gabel's presentation. What existing laws are there that would empower the administration to approve or disapprove of the purchase or sale of "dirty power" if we were to denominate coal generating plants that are not efficient as dirty power?

ASSISTANT COMMISSIONER COWAN: To my knowledge, there are no existing State laws -- none. The Federal Energy Regulatory Commission, or FERC for short, has the responsibility of regulating interstate activity. FERC has taken this action which allows the purchase from outside the current areas that have been laid out in the past.

I want to be clear that this administration has taken the same position that has been represented here in terms of our concerns about the impact that may have on New Jersey.

ASSEMBLYMAN CORODEMUS: Would you do me a favor and ask your DEP attorneys to give us an opinion whether this is some type of matter that can be decided by the states, or if there is any Federal super session that prevents us from doing that?

ASSISTANT COMMISSIONER COWAN: I am sure we can provide that guidance. I would also be glad to provide you with some letters which we sent to the administration, to the EPA, and to FERC in terms of our position on this issue.

ASSEMBLYMAN CORODEMUS: Thank you.

ASSISTANT COMMISSIONER COWAN: John would like to add something.

MR. ELSTON: One comment concerning a state taking action by itself in a regional type of problem: If, for example, New Jersey were to build tariffs around its State against high polluters to our west, it is very likely that those high polluters would sell to others around us, and we would get the same pollution in to us, and we would be paying higher costs, because they are generally the least cost producers. So some other state would pick up these

costs of energy, and we would still be polluting ourselves because they would still be operating.

I want to make it clear that it may seem simple in design, but it needs a regional look and cooperative multistate and Federal efforts here, not just New Jersey's. However, I do applaud your efforts to move forward on a broad-based effort, because that is what is needed.

ASSEMBLYMAN CORODEMUS: Thank you, and thank you for staying with us.

ASSEMBLYMAN WISNIEWSKI: Mr. Chairman, if I may, just on that one topic.

ASSEMBLYMAN CORODEMUS: Sure, go ahead.

ASSEMBLYMAN WISNIEWSKI: I just want to add to the record that I understand the contention that if New Jersey does not buy the power, maybe it is purchased somewhere else and we still get the ill effects. But right now, New Jersey is the place where the demand for power is, and it is the place where there is a lack of capacity. We are the market, and if we change the dynamics of that market by legislation, we can have an impact on those out-of-state sources. That is the goal behind the legislation.

ASSEMBLYMAN CORODEMUS: Questions from the Committee to any other witnesses?

ASSEMBLYMAN ROONEY: For Mr. Cerchiaro.

ASSEMBLYMAN CORODEMUS: Go ahead, John.

ASSEMBLYMAN ROONEY: Mr. Cerchiaro (pronouncing name), if I am not mistaken-- (laughter) We were together at the Council of State Governments two weeks ago, I believe, and I brought up the question at that

time about the one-permit facility. You were a great proponent of that. I had said that in my own county that was being attacked in *The Bergen Record*. Basically, they were saying it was creating more air pollution, more problems for the State of New Jersey. Your answer to me was, basically, that you were still within your limits. I would suggest-- You know, I think this is an appropriate place, because it does come up in our discussions that the Governor and the DEP are being attacked for the facilitywide permits on the basis that it is causing more pollution. I think that should be addressed here. Frankly, I think, as I told you then, it should be addressed in a letter to the editor or in some sort of a response to *The Bergen Record* to dispute the facts of that particular article.

I am concerned because I am getting clobbered with it up in my district. So, again, I ask for your testimony on the record.

MR. CERCHIARO: I appreciate your comments. It is curious. We submitted a letter to the editor of *The Bergen Record* just about a month ago today, and it has not been printed.

ASSISTANT COMMISSIONER COWAN: Can you use the mike? It is hard to hear you.

ASSEMBLYMAN ROONEY: Yes, use that microphone.

MR. CERCHIARO: I am glad you brought that up, especially in reference to a response to the letter to the editor. Schering did put together a letter to the editor. It has been a month now, and it still has not been published. I guess the overview of the article as far as the facilitywide permit allowing us to double our emissions-- I smile, and I do not smile disrespectfully. I smile only because knowing the Department as well as I do,

it would probably be over Bill's dead body that it would authorize a permit to allow us to double our emissions.

I think, really, what happened was that there was a miscalculation. We were quite clear in providing that information to the reporter. We went to great pains to make sure that the reporter understood the numbers we had reported and the miscalculation we had uncovered. Again, we have no control over what is reported in the papers. Again, I would extend an invitation to you, if you are willing to come to our facility. It is all public record information, and we would be glad to show you through and provide you with the information.

ASSEMBLYMAN ROONEY: As a follow-up to that question, I would recommend to the Department that they review that particular information that was given in the article, and perhaps also send a letter disputing those facts. I do not like the fact that, you know, basically, my Governor is being attacked.

MR. CERCHIARO: It is our intention to get together with the Department. We have--

ASSEMBLYMAN ROONEY: Okay. I would like copies of whatever you send, because I do have some friends, surprisingly, at *The Bergen Record*, and I will definitely get on their backs and make sure that it gets printed.

ASSEMBLYMAN CORODEMUS: You are painting a black picture of yourself, John. You have a whole roomful of friends here.

ASSEMBLYMAN ROONEY: *The Record* is a little bit different, though. They don't like too many Republicans, believe me.

ASSEMBLYMAN CORODEMUS: Are there any other questions of the witnesses? (no response)

We are going to take a break. We will be back here at 12:30. We will then take a few more witnesses and conclude the hearing.

Thank you.

(RECESS)

AFTER RECESS:

ASSEMBLYMAN CORODEMUS: We are going to resume the hearing now. The first witness up will be Norman Adelman.

Ladies and gentlemen, perhaps you can conclude your conversations outside the hearing room. We are ready to resume the hearing.

Mr. Adelman, I apologize for not putting you on earlier. As I said, we did not know that you wanted to speak. It was not circled on the slip. You are welcome to testify. Please proceed.

N O R M A N A D E L M A N: Thank you, Mr. Chairman. Maybe you saved the best for last.

ASSEMBLYMAN CORODEMUS: Okay.

MR. ADELMAN: Let's think of it like that.

Mr. Chairman, my name is Norman Adelman. I am here representing the New Jersey Coalition for Fair Competition. The Coalition, despite its name, is made up of trade associations, of which some are the: Air-conditioning Contractors of America, the United Association of Unions,

the Fuel Merchants Association, the Wholesalers Association, the Manufacturers, Contractors, and Wholesalers, Licensed Plumbers of the State of New Jersey. Our representation covers over 14,000 companies which employ over 45,000 citizens here in New Jersey. Our constituency operates businesses in every county in the State of New Jersey. Our offices are located in Asbury Park, New Jersey, as a central part of the State. I am here to talk about-- I am probably the only one here to talk about some of the things that have not been discussed this morning.

As a matter of record, I sit and have sat on the Energy Master Plan Task Force for close to three administrations. I am currently sitting on the Energy Master Plan both Phase I and Phase II Committee. I was involved in the initial writing and structuring of the Demand Side Management or Energy Conservation Plans here in New Jersey. The Coalition is currently the only moving party in the State of New Jersey that is suing Jersey Central Power & Light for their actions in this State as they relate to energy conservation, misrepresentations of operations.

ASSEMBLYMAN CORODEMUS: Let me stop you for one second. In fairness, I would like to hear your issues that were not discussed today, but let's leave the litigation out since we are not going to make this a debate.

MR. ADELMAN: Well, my issues deal with clean air.

ASSEMBLYMAN CORODEMUS: Go right ahead with the issues.

MR. ADELMAN: Mr. Chairman, in the last year and a half the Coalition has been pushing for the enforcement of the existing laws which deal with energy conservation here in New Jersey. We believe that energy

conservation and the previous administrations believe that energy conservation had a component which consisted of having the ability to save a kilowatt of electric power through generation by saving a kilowatt of electric power through energy conservation.

There was a component that dealt with clean air and environmental issues that made up the factor that was utilized as the number -- the numerical number of dollar savings. In the last year, these programs have been gutted. Seventy-five percent of the energy conservation programs in the Jersey Central Power & Light territory have been reduced. There was testimony that no capacity was needed in New Jersey and, therefore, energy conservation was a waste of time. We found out later that immediately after the closing of the evidentiary hearings there were requests to purchase 1500 megawatts of capacity from sources outside of New Jersey. Not surprisingly, those sources were owned by the stockholders of General Public Utilities.

Because of the policies at the Board of Public Utilities and the complete, even though talked about desire to save the energy and environment, every single policy that has been written and every rule, despite the evidentiary hearings that took place, have been ignored. Right now, in New Jersey, almost every single energy conservation program is voided.

I read recently about the situation in Sayreville which talked about the fact that they wanted to eliminate jobs. There was a concern about a municipal utility closing and that jobs would be eliminated. The utility said-- I heard a gentleman from the Department of Environmental Protection get up and say, "Well, if we don't use that energy from out of state, somebody else will buy it." My question to the Legislature is: "So what! Let them buy it."

We here have a problem. It's clean air. Just because somebody else is willing to buy dirty air-- I would equate that to saying, "Hey, we all do 75 down the Parkway. Let's all keep on doing it, because if we don't do it, some other guy will do it."

We believe that the fault and the contributors to unclean air are the utilities. I heard some comments about Mr. Gabel's testimony. I'll tell you, I have no affiliation with Mr. Gabel at all, but I will tell you that Mr. Gabel's statements were true. They can reduce energy pollution. They gave testimony, the facts rendered into. The court case will eventually decide whether perhaps somebody was telling the truth or somebody wasn't.

We have asked for, and we hope we will get-- We are requesting the Legislature to have oversight hearings on the BPU, because the source of pollution, the source of clean air, the source of dirty air, much of it stems from how the utilities operate. I tell you sitting here today being a member of the Electric Restructuring Task Force that those issues are not considered. Even though publicly it sounds good to talk about it, it is not happening.

ASSEMBLYMAN CORODEMUS: Let me ask you a question, Mr. Adelman. You talked about energy conservation programs being gutted. Are you saying that the utility companies ended them?

MR. ADELMAN: Yes, the utility companies.

ASSEMBLYMAN CORODEMUS: It wasn't a matter of government appropriations from a budget or anything. You are talking about private incentives.

MR. ADELMAN: I am talking about the fact that it makes more sense for the--

ASSEMBLYMAN CORODEMUS: I am not arguing with the issue. I am just talking about where the source of the incentives came from.

MR. ADELMAN: The source of the incentives came from the actual savings by the ratepayers which, in turn, saved energy, which lowered their need to buy electricity from the utilities.

ASSEMBLYMAN CORODEMUS: Okay. I'm sorry I interrupted you, but I needed that.

MR. ADELMAN: No problem.

ASSEMBLYMAN CORODEMUS: What other issues were there other than energy conservation that you think were not discussed today? Because that was not discussed, I agree with you.

MR. ADELMAN: I understand that.

There is currently under consideration in New Jersey Part 1 and Part 2 of the Energy Flex Rate Law 180, which was passed last year by the administration to spur economic development. Part of that law dealt with the fact of bringing business to New Jersey. The Coalition, our members, went before the committee and asked that as a requirement to bring a business into New Jersey, that that business subject itself to a very comprehensive audit as to how it would operate its business with reference to energy conservation and air pollution.

It was felt that it was not important to do that, because, after all, why make it so hard for somebody to come to New Jersey. In fact, what we really say is, "Well, come on to New Jersey. We will spend money at DEP to put in permitting processes. We will do a whole bunch of things. The end run

is, we will figure out a way to get you able to operate in New Jersey, irrespective of the harm you may cause.”

We say today that there is no oversight by the Legislature as to compliance with Chapter 180 of that Flex Rate Economic Development law. Therefore, industry may be coming into New Jersey and operating without any oversight, yet still getting subsidized funds to operate their business.

Part 2 of this law deals with alternate regulation. One of the major utilities in the State of New Jersey has filed a plan for an alternate form of regulation. Basically what it says is, “Give us seven years to operate as we wish to operate. We won’t come before the BPU. You don’t ask us. We will just send you a letter, and in three days you will allow us to do what we want. We are just going to notify you. If you don’t like what we did, see us in seven years, and we will adjust it.”

That particular program will permit, without any oversight, a utility to come in and further potentially provide air pollution, and there will be no one who will have the oversight to do that. The Legislature delegated it to the BPU to watch the utilities. The alternate regulation says that the BPU now has to keep their hands off for seven years and will not be able to watch the utilities. Who is going to watch the fox in the henhouse? The Legislature delegated it to the BPU.

Mr. Chairman, I ask this Committee, if they are to do anything to help clean air in New Jersey, to make sure that the cop on the beat enforces the law. There are no cops on the beat now. This has nothing to do with party. This has nothing to do with politics. This has to do with a mind-set that has been at the Board of Public Utilities for the last, probably, 25 or 30 years and

has not changed. How do you expect policy for clean air to go into effect if it is discussed and evidence is produced, and that evidence is put aside based on the fact that the BPU has a conflict of interest? Their interest is to protect to make sure that a utility is financially buyable in the State of New Jersey--

ASSEMBLYMAN CORODEMUS: Point well taken.

MR. ADELMAN: --and to keep the ratepayers' funds low.

ASSEMBLYMAN CORODEMUS: Mr. Adelman?

MR. ADELMAN: Yes?

ASSEMBLYMAN CORODEMUS: We have three more speakers and only 15 minutes. Could you wrap up your comments now? They are all good comments.

MR. ADELMAN: Certainly.

My constituency has had 4000 jobs eliminated in the last 18 months. I don't think in any other area of the economy in the State of New Jersey has there been such a decimation of industry. That is 4000 persons unemployed. The only thing they did wrong was that their jobs of providing systems that produce clean air have been eliminated.

I ask you to look into why 4000 citizens have been laid off, unemployed, with bankruptcies and closings of businesses. That would affect clean air more than anything, because it was their job to clean up the air.

Thank you.

ASSEMBLYMAN CORODEMUS: Thank you very much.

Mr. Michael Beson, from Congressman Pallone's office.

Mike, before you start, is Joanna Bambeck still here with us? Joanna? (affirmative response from audience) Are you here on the dredging or something else? (indiscernible response) Okay, thanks.

Is Caryn Muskus still with us? (no response)

Is there anyone else who signed up to speak who has not spoken? (no response)

Okay, Michael.

MICHAEL BESON: Thank you, Assemblyman.

My name is Mike Beson, B-E-S-O-N. I am the District Director for Congressman Pallone's office in New Jersey here in the 6th District. Congressman Pallone is the ranking member on the House Energy Commerce Committee, the subcommittee that deals with energy. He is particularly concerned about the effects deregulation will have on New Jersey, and on Sayreville and South Amboy in particular.

Congressman Pallone is against deregulation. He voted against it recently. His particular concern has been brought up today by Assemblyman Wisniewski and several other speakers, and that is the idea of dirty air, how dirty air will affect New Jersey and the lack of regulation of dirty air. He has been working very diligently to make sure that anything that goes on with deregulation keeps the environmental effects and the possibility of more nitric oxides in New Jersey -- keeps that in mind. We have worked with the administration and Administrator Browner of the EPA to make sure that this link between the energy and environment is taken into effect. Administrator Browner said she would act on a request that the Congressman made to protect

the air quality of the Northeastern states by referring the electric industry restructuring order to the President's Council on Environmental Quality.

That is an important step, but we do not want to see plants closed here in New Jersey, particularly, again, in South Amboy and Sayreville, because it is cheaper and easier for utilities to buy dirty -- what we consider dirty power from outside the State. So we are going to work-- Again, Congressman Pallone has been working very hard to make sure that this does not happen.

I applaud Assemblyman Wisniewski on his bill that would ask the BPU to look into this to make sure that New Jersey utilities do not buy dirty power. So we are going to continue to work on this.

I thank Assemblyman Corodemus for coming here to Sayreville to talk about this issue. It is a very important environmental issue, and one that we will continue to look at and keep abreast of to make sure that New Jersey's environment is not polluted by out-of-state utilities.

Thank you.

ASSEMBLYMAN CORODEMUS: Thank you, Mike.

Are there any questions? (no response)

Are there any other speakers to come before the Committee? (no response)

ASSEMBLYMAN ROONEY: I have some comments.

ASSEMBLYMAN CORODEMUS: Go ahead, John. Your comments will be the last ones.

ASSEMBLYMAN ROONEY: Just on Mr. Adelman's comments, I agree with him, basically, on the energy component. The State of New Jersey really has not done anything to promote energy efficiency. When there was

anyone from DEP here, I would have brought it up had it been brought up by Mr. Adelman. I really now think you should have been heard while the Commissioner was here.

At least three or four years ago, when we were doing the demand site management programs, there were efforts to increase efficiency of the industry and, basically, everyone in the State of New Jersey. Increasing efficiency actually lowers air pollution. The EPA has a program out called the Green Program -- the Green Buildings Program, the Green Lights Program, all the green areas, meaning, basically, that if you practice energy efficiency, you can actually, as a result, lower pollution. The lower pollution is the NOX, the SOX, the carbon monoxide. All of these pollutants will be lowered on the basis of energy efficiency.

I have gotten into the energy program, the rebate program with the utilities. Believe me, they are the worst offenders. I agree with you, Norm. Jersey Central had a better program than did Public Service. The Public Service program -- you can't even understand it, much less take advantage of it. These are some of the things that I think we have to consider. When DEP looks at this, they have to at least look at, or at least model it after the EPA and try to get the efficiency out there to reduce the pollution. It is a very big solution. In some cases, you can reduce energy consumption, in a large building, for example, by 40 percent to 50 percent.

Now, if you can reduce the energy by 40 percent to 50 percent, you also reduce the pollution by that much. So that is the kind of thing we have to stimulate. I think we are a long way from doing that.

Thank you for bringing that up again, Norm.

MR. ADELMAN: Well, thank you, Assemblyman.

I just want to add one more thing. I'm sorry, Mr. Chairman.

ASSEMBLYMAN CORODEMUS: That's all right.

MR. ADELMAN: This is the craziest thing that you ever heard of. The programs worked. The programs really worked. People started saving energy. The signals went out. New Jersey started to create jobs. The industry committed dollars.

Right now, there are warehouses loaded with high-efficiency central air-conditioning units. I was at a hearing last week in Trenton where senior citizens came in from many of the retirement villages and pleaded for lower electric rates. One of the statements was, "We can't afford to buy an air conditioner anymore, because a high-efficiency air conditioner-- We cannot get the rebate anymore so we cannot afford to purchase it. What happened?"

Those concepts of allowing a rebate to help to induce consumers to save energy which, in the long term, provides tremendous economic benefit to New Jersey, have been set aside for a term called "stranded costs." Nobody wants to sit out there. The utilities' position is, "Let's forget about what we all agreed to do four years ago. Even though the report says it all works, we don't care about that. Let's look at what we are going to be stuck with, with electric restructuring. Therefore, we don't want to invest money in energy conservation."

Something is wrong and needs to be investigated by the Legislature.

Thank you.

ASSEMBLYMAN ROONEY: A probable topic for another hearing.

ASSEMBLYMAN CORODEMUS: Thank you.

As Chair and on behalf of the Committee members, I would like to thank everybody for coming out today. It was important for us to take this one-year retrospective look at the progress and the Clean Air Act amendment implementation.

I think we have more questions now than we have answers. I am going to suggest to the Committee members that they review a copy of the transcript, which is being recorded as we speak now, and develop a list of follow-up procedures so we can stay on top of this program. We do not want to be in a crisis situation in 1999 that is going to dictate a drastic change in the lifestyles and business practices in the State of New Jersey that we are accustomed to now for the lack of good planning.

It was not the intent of this hearing to come to any conclusions. It was not the intent of this hearing to take any action, but merely to listen, to hear what is going on. Too often, we are in a crisis mode in the Legislature. Now we are trying to do a little preventive medicine.

I would like to thank our OLS staff, including Jeff Climpson. I want to thank my Committee Aide, Thea Sheridan, and others who made this hearing possible.

Thank you, and have a good afternoon.

The hearing stands adjourned.

(HEARING CONCLUDED)