

ASSEMBLY TRANSPORTATION & COMMUNICATIONS COMMITTEE
PUBLIC HEARINGS ON:
A-608 ("ENERGY FACILITIES PLANNING ACT") and
A-2156 ("NEW JERSEY POWER AUTHORITY ACT")

HUDSON COUNTY ADMINISTRATION BUILDING
FREEHOLDERS MEETING ROOM
JERSEY CITY, NEW JERSEY
NOVEMBER 8, 1974
10:00 A.M.

COMMITTEE MEMBERS PRESENT:

MICHAEL P. ESPOSITO, Chairman
MORTON SALKIND, Vice-Chairman
HERBERT M. GLADSTONE
JOHN J. McCARTHY
ROCCO NERI
GUS G. RYS

ALSO PRESENT:

Steven B. Frakt, Research Associate, Law Revision and
Legislative Services
Lawrence Gurman, Research Assistant, Law Revision and
Legislative Services

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1 MR. ESPOSITO: Good morning, ladies and gentlemen.
2 This public hearing will now come to order. I am Michael
3 P. Esposito, Chairman of the Assembly Transportation &
4 Communications Committee. At this time, I would like
5 to introduce my colleagues.

6 On my extreme left, Herb Gladstone, representing
7 Bergen County. Next to Herb is Rocco Neri representing
8 Essex County and on my left, John McCarthy representing
9 Union County. He has two hats, incidentally. He happens
10 to be the Mayor of Garwood, New Jersey.

11 On my extreme right is Gus Rys from Bergen County,
12 Assemblyman Gus Rys, and on my right, Assemblyman Morton
13 Salkind representing Monmouth County and Vice-Chairman
14 of the Committee. He happens to be the Mayor of Marlboro,
15 New Jersey.

16 The Assembly Transportation and Communications
17 Committee is conducting this hearing on two issues of
18 vital importance to the future well-being of the citizens
19 of this State. The siting of electric power plants and
20 the financing of the construction of electric power plants.

21 Assemblyman Salkind's bill, A-2156, would establish
22 a State Power Authority to finance the construction of
23 electric generating facilities.

24 Assemblyman Kean's bill, A-608, would set up a Power
25 Plant Siting Commission to review and select sites.

1 This is the first hearing on these important subjects
2 to be held by this Committee. We view these proceedings
3 as a first step in what will undoubtedly be lengthy con-
4 sideration of some very complicated areas. The purpose
5 of this hearing is to explore in general terms the
6 particular problems which have led to the introduction
7 of these measures, whether the State should play a role
8 in solving these problems, and, if so, what type of role
9 should that be.

10 We will then attempt to assess whether these two
11 bills are suitable vehicles for achieving the purpose of
12 insuring an adequate and essential electric power supply
13 with due regard for the social, economic and environmental
14 consequences of providing this energy.

15 We will follow the usual procedure for a legislative
16 hearing and the conduct of this hearing. If a witness
17 has a prepared statement, please make copies available
18 for all members of the Committee. Prepared statements
19 need not be read in full. Witnesses may request that
20 they be made part of the record for consideration by
21 this Committee.

22 After each witness has made his statement, the
23 Committee members may ask questions. We trust that each
24 question will be answered in full to the best ability
25 of the witness. No questions from the audience will be

1 permitted.

2 The parties who are interested in testifying this
3 morning are: The first witness will be Assemblyman
4 Morton Salkind, who is the sponsor of A-2156--

5 MR. FRAIN: A point of order, Mr. Chairman-- a point
6 of order, Mr. Chairman. This isn't very much of a
7 representation here for a public hearing for 600,000 people
8 and I question the arrangements that the State legislature
9 makes for these public hearings.

10 I think you ought to put this in the newspaper and
11 have another hearing here and have the public here.

12 MR. ESPOSITO: The hearings have been advertised
13 in the newspaper and I think you're out of order, Mr.
14 Frain.

15 MR. FRAIN: Well, I'm out of order but this looks
16 like a political set-up. You people want to come in here
17 and get your pictures taken. It's about time you did
18 something for the State.

19 (At this time there is a telephone call for
20 Chairman Esposito.)

21 MR. SALKIND: I'll just take--

22 MR. ESPOSITO: Take over, Morton.

23 MR. SALKIND: Right. The Chairman was listing the
24 call of the witness. Following myself, Assemblyman
25 Thomas Kean of Essex County will be testifying concerning

1 his bill. The third witness will be representatives of
2 Public Service Electric & Gas Company. I understand Mr.
3 Smith, the president, will speak.

4 The fourth will be Atlantic City Electric Company.
5 I understand Mr. Wilson is president. The fifth will be
6 the New Jersey Conservation Foundation. The sixth will
7 be a Mr. L. E. Zeni, the Director of the Maryland Power
8 Plant. I understand Mr. Perkins is here.

9 The seventh will be representatives of Jersey
10 Central Power & Light Company. I see Mr. Amber here.
11 The eighth will be Mr. Bill Beren of the League for
12 Conservation Legislation. The ninth will be Mr. Ed
13 Lloyd of the New Jersey Public Interest Research Group,
14 and the tenth on the Chairman's list is listed as Mr.
15 Charles Frain.

16 Are there any other witnesses who wish to be--

17 MRS. ZAPP: Yes. Shall I sign up or shall I just
18 give it to you verbally?

19 MR. SALKIND: May I have the witness' name, please.

20 The eleventh and final listed witness will be Mrs.
21 Warren Zapp, representing the Hudson County Citizens for
22 Clean Air.

23 MRS. ZAPP: Do you have any extra copies of both of
24 these bills?

25 MR. ESPOSITO: The first witness is Assemblyman

1 Morton Salkind.

2 MR. SALKIND: Thank you, Mr. Chairman.

3 First of all, let me state on the record, Mr.
4 Chairman, that I support the concept of both bills which
5 are before the Committee in this public hearing.

6 With reference to Assembly Bill No. 2156, Mr.
7 Chairman, I think it's very, very much time for New
8 Jersey to get involved in the business of providing an
9 adequate and reliable electric power supply to the
10 citizens of our State. I think it is insufficient just
11 to provide for the regulation of electric power rates
12 to the Commissioners.

13 I think in today's economic situation in New Jersey
14 and in the United States we must do more.

15 The rudiments of Assembly Bill 2156 provided for the
16 establishment of a New Jersey Power Authority. As is
17 indicated in the bill, the Authority shall consist of
18 five members of the Cabinet, including the president of
19 the P.U.C., the commissioner of the Department of Labor
20 and Industry, the commissioner of Community Affairs,
21 commissioner of Environmental Protection, the state
22 treasurer and four public members, four citizens of our
23 State, to be appointed by the Governor with the voice
24 and consent of the Senate.

25 I won't detail all of the specifics regarding the

1 members of the Authority. That's well spelled out in the
2 bill and there's no point in going through it point by
3 point.

4 The important things to cite are that the provisions
5 of the New Jersey Power Authority proposed act are that
6 the State, first of all, would be involved in the
7 financing of power generating facilities. The advantage
8 to this should be obvious because by the use of State
9 funding ability through the issuance of tax-free obliga-
10 tions of the State, a substantially lower interest rate
11 would be charged.

12 Estimates of the savings involved range as high as
13 four hundred to five hundred million dollars in interest
14 on a modern generating facility which is the type built
15 in Lacy Township.

16 In other words, the people, the customers of the
17 State, would be able to save as much as four to five
18 hundred million dollars in interest costs over the life
19 of bonds by providing for the issuance of this type of
20 financial security in the State.

21 There are other provisions of the Act as well
22 because this particular Act includes the possibility for
23 the Authority to decide that it would actually own and
24 operate generating facilities and if this is done in the
25 event that the Authority shall operate any electric power

1 supply facility, all electric power so generated shall
2 be sold to one or more electric companies at its produc-
3 tion and distribution cost.

4 What this means is that in future years, if it were
5 in the economic as well as the environmental interests
6 of our State, that the Authority might actually follow
7 the lead in our area that New York State has established
8 to be able to provide for the generation of electric
9 power facilities and distribute it to one or more of the
10 companies at a cost basis without profit.

11 In Paragraph 6, Line 4 of the Bill, I wish to read
12 the following into the record, Mr. Chairman:

13 "In establishing rates for electric power which an
14 electric company may charge its customers, the Board of
15 Public Utility Commissioners shall consider the amount
16 of power and the price an electric company paid for power
17 purchased from the Authority."

18 What this basically means is that in establishing
19 electric rates the savings to the power companies shall
20 be passed along to the consumers of our State.

21 The estimate that has been received from the
22 research people on this particular Bill is that should a
23 power authority have been in operation at the present
24 time according to the provisions of this Bill, electric
25 power rates to home consumers would be reduced by

1 15 percent. To me, Mr. Chairman, that's enough reason
2 for wanting to go ahead in this particular regard.

3 Mr. Chairman, the State of New York for more than
4 30 years has operated a power authority. It started
5 with power generation in Upper New York State in the
6 Niagara region. As we know, through the years, and most
7 recently in 1974, the New York Act has been amended to
8 include additional facilities throughout New York State,
9 most recently of course, with the steps that were taken
10 in the matter of the Consolidated Edison Company in the
11 southern portion of New York State.

12 Unhappily, the New York experience was based upon
13 need, indeed an effort to save the financial stability
14 of the industry.

15 In New Jersey, fortunately, we have not had that
16 kind of problem but we do have a problem that we all
17 recognize in both the inability of the electric utility
18 companies to be able to adequately generate sufficient
19 capital at the kind of economic considerations which are
20 in the best long-range interests of the general public and,
21 secondly, the inability of the private sector of our
22 economy to be able to fully hold down the costs of electric
23 power so generated because of the various conditions that
24 have been placed upon them by energy sources, among other
25 things.

1 It's high time that the State government took a
2 formal and active role in making sure that the consumers
3 of New Jersey have electric power at the lowest possible
4 rates and this bill provides the methodology for doing
5 it. As I indicated earlier, it's not limited just to
6 financial considerations of raising money at the lowest
7 possible cost although, I would emphasize, Mr. Chairman,
8 that the first step in any authority of this type in my
9 opinion should be the financing through the private
10 sector.

11 In other words, the first step of the introduction
12 of this Authority would be the providing of the monies
13 necessary to the private sector at lower interest rates,
14 but I emphasize to you, Mr. Chairman, and to the members
15 of the Committee that the bill is broader in its concept
16 than that and ultimately it does provide potential for
17 full operations by the State and this applies from State
18 facilities to the private sector of electric power.

19 Mr. Chairman, as a member of this Committee, I have
20 listened through recent months to the crying demand of
21 people all over our state for something to be done in
22 the area of providing for protection from increasing
23 electric power costs. Electricity in 1974 is not a luxury;
24 it is a necessity. It's as much a necessity as eating,
25 and I'm a good example of someone who lives with this

1 necessity all the time.

2 Mr. Chairman, since it's a necessity, it's part of
3 our everyday way of life. It's something that government
4 has to be cognizant of and I respectfully submit that
5 mere regulation of the industry as far as the setting
6 of and establishment of rates to insure proper financial
7 return and stability is an inefficient role for govern-
8 ment to play in 1974.

9 I have limited my remarks to the testimony about
10 A-2156 and have not addressed A-608, since I believe that's
11 Mr. Kean's role.

12 Thank you, Mr. Chairman.

13 MR. ESPOSITO: Morty, I have one hangup at this time.

14 Do you think that the State should be financing
15 plans at this time before it has developed a full-scale
16 land use of a conservation program?

17 MR. SALKIND: Mr. Chairman, I think that, too, while
18 there is some interrelation, nevertheless, one should
19 separate the financial considerations from considerations
20 concerning land use. I think that if we can save the
21 people of this State money, we ought to do it. If we
22 can save the people of New Jersey, the homeowners, the
23 tenants, the industrial operators, money, to provide a
24 better economy for our State without hurting anybody,
25 without hurting the power companies, without hurting any

1 sector of our general economy, we ought to do it and
2 therefore I would respectfully submit the answer to your
3 question would be in the negative, Mr. Chairman. I
4 think we can do it.

5 MR. ESPOSITO: Do it now?

6 MR. SALKIND: I think we can do it now, yes.

7 MR. ESPOSITO: You talk about the New York Power
8 Authority being in existence for some number of years.

9 MR. SALKIND: Thirty.

10 MR. ESPOSITO: Thirty years. Could you elaborate
11 on the progress made by New York Power Authority?

12 MR. SALKIND: Yes, Mr. Chairman.

13 I think that the New York Power Authority has success-
14 fully held rates down in the upper regions of New York
15 State. Their most successful endeavor would be with the
16 power that's been generated in the Niagara area of this
17 State where they have been in operation and where the
18 original bill was set up for the purpose of the Niagara
19 region.

20 The best example is that in the opinion of many
21 financial experts, the recent history with the Consolidated
22 Edison situation where there was talk at least on Wall
23 Street that Con Ed would be unable to raise the necessary
24 monies to continue to operate in the private sector and
25 therefore what the State did was incorporate the southern

1 portion of the State into the New York Power Authority
2 and, in effect, take over through the use of public
3 financing the whole new two Con Ed generating plants.

4 There are many people who believe, and I shouldn't
5 speak about a sister state even though I have a few
6 relatives there, but there are many people who believe
7 that we will never again see a private plant built in
8 New York State; that all future plants will be built through
9 the New York Authority and indeed I recommend that for
10 New Jersey.

11 MR. ESPOSITO: Thank you.

12 Any questions from the Committee here?

13 MR. RYS: I have one, Mr. Chairman.

14 MR. ESPOSITO: Yes, Gus-- Assemblyman Rys?

15 MR. RYS: Item number one, is this money available
16 at the present time, \$200 million or more as the bill
17 specifies in a general fund?

18 MR. SALKIND: Mr. Chairman, in response to Mr. Rys,
19 the two hundred-- the figure is \$200,000. That's just
20 an interim working. Obviously, the funding for this
21 program would be through the issuance of tax-free bonds.

22 MR. ESPOSITO: Any further questions?

23 (No response from the Committee.)

24 MR. ESPOSITO: Thank you, Mr. Salkind.

25 Is Assemblyman Kean here?

1 The next witness will be Robert L. Smith, president
2 of the Public Service Electric & Gas Company. Robert
3 L. Smith--

4 MR. MC DONALD: Robert I. Smith, Mr. Chairman.

5 MR. ESPOSITO: Robert?

6 MR. MC DONALD: Robert I. Smith.

7 MR. ESPOSITO: Do you have a prepared statement?

8 MR. MC DONALD: We do, yes.

9 MR. ESPOSITO: You may proceed, Mr. Smith.

10 MR. SMITH: Good morning Mr. Chairman and members of
11 the Committee. I am Robert I. Smith, president of
12 Public Service Electric & Gas Company and I appreciate
13 the opportunity to appear here to present our Company's
14 position on Assembly Bill 2156, an Act to Create the New
15 Jersey Power Authority, and Assembly Bill 608 which
16 would establish an Energy Facilities Planning Act.

17 Our Company endorses the statements in the Preamble
18 of both bills regarding the necessity of "providing an
19 adequate and dependable electric power supply" for the
20 health, safety, welfare and economy of our State. We
21 also appreciate the recognition of the present difficul-
22 ties that utilities are currently experiencing in financ-
23 ing their construction programs.

24 These difficulties are severe and cannot be under-
25 estimated. Our problems are, as are many of the problems

1 of our customers and the people of our State, rooted in
2 a long period of increasing high rates of inflation. This
3 has resulted in extremely high construction costs, high
4 labor costs, and high capital costs compounded especially
5 here in the northeast by extremely high fuel costs. The
6 high fuel cost situation in New Jersey is aggravated by
7 the necessity to rely on oil imported from the Mideast
8 to meet the environmental standards established by State
9 and Federal governmental agencies.

10 The two bills involve different concepts: A-2156
11 would attempt to create a New Jersey Power Authority and
12 A-608 would create an Energy Facilities Planning Commis-
13 sion which would attempt to establish a facility siting
14 procedure.

15 With respect to Assembly 2156, after reading this
16 Bill in its entirety, there seems to be a question as to
17 whether or not the establishment of such an authority
18 will actually result in any improvement in the adequacy
19 and dependability of electric service in the State.
20 There is also a question of the cost impact on the
21 customers and/or taxpayers.

22 In brief, it is our position that the concept
23 incorporated in this Bill requires considerable study
24 to determine whether or not it will accomplish the
25 intended goal and at what cost and our Company is

1 prepared to work with or assist this Committee in the
2 conduct of such a study.

3 I would like to take a few moments to review some
4 of the problem areas as we see them because we believe
5 that passage of such legislation could have far-reaching
6 consequences that may not be immediately foreseeable.

7 First, how will the Authority be financed?

8 Current estimates place the installed cost of base
9 load nuclear facilities for in-service dates in the 1980
10 to 1990 period in the neighborhood of \$1,000 a kilowatt,
11 which includes a modest amount of associated transmission
12 facilities.

13 There is no reason to believe that a public authority
14 could reduce construction costs. A public authority
15 would have to pay the same for equipment and labor as
16 the electric utilities. If it is contemplated that the
17 authority is to have the financial capacity to construct
18 all of the electric system facilities required by consumers
19 in New Jersey commencing in 1975 through the year 1995,
20 it would have to be prepared to finance over \$8 billion
21 of construction during that period. This is an astronom-
22 ical figure when compared with the outstanding debt of
23 the State of New Jersey which is approximately 1.1 billion
24 or the indebtedness of the New Jersey Turnpike Authority
25 of 1 billion or the indebtedness of the State Highway

1 Authority of 341 million. Indeed, the amount of indebt-
2 edness that would have to be incurred is staggering.

3 Will the securities of the Authority be tax exempt?

4 There seems to be a serious question as to whether
5 or not the interest paid by the Authority on the out-
6 standing securities would be tax exempt.

7 To be exempt requires a ruling of the Internal
8 Revenue Service which would not be assured by the passage
9 of this legislation. If these securities are not tax
10 exempt there would probably be little or no cost
11 differential between the bonds of the authority and the
12 long-term securities of the utilities.

13 Will there be any savings to consumers?

14 If the Authority is to lease completed facilities
15 to the electric utilities in the State, the cost of the
16 debt money plus the cost of administration of the
17 Authority would have to be included in the lease charges.
18 These lease charges, in turn, would have to be part of
19 the rates charged to consumers of the utilities.

20 A question arises as to whether or not any economies
21 could be realized by this route since the consumers of
22 energy would now have to pay the additional overhead
23 costs of the Authority.

24 How will interest be paid during the initial
25 construction period?

1 During the initial years of the operation of the
2 Authority there would have to be some over-financing
3 in order to pay the interest on the outstanding debt
4 during this period. This could be a requirement for
5 ~~contributions~~ to the Authority by the State and/or
6 electric utilities which only places an additional
7 burden on the consumers and/or taxpayers.

8 Will expenses be any lower?

9 The bill provides for the operation and maintenance
10 of constructed projects by the Authority. The associated
11 costs can be assumed to be approximately the same as
12 those of an existing utility. As a matter of fact, there
13 could be a cost penalty since the Authority would be
14 responsible for the acquisition of the required labor and
15 its training. The same type of labor agreements that
16 exist between utilities and their bargaining units would
17 probably exist between the Authority and its bargaining
18 units.

19 I am fully aware of the temptation to compare the
20 need for such an Authority with existing Federal and State
21 authorities elsewhere such as; TVA, Bonneville Power
22 Administration and Power Administration of the State of
23 New York.

24 There is one essential difference. All of these
25 authorities were created to develop hydro power and to

1 market that power to private industrial customers, to
2 state, local and Federal agencies and to privately-
3 owned electric utilities. Other than the Tocks Island
4 Dam pumped storage concept, there is no significant
5 Potential hydro power in New Jersey.

6 The need for creating the New Jersey Power Authority
7 would have to be based on the assumption that it, the
8 Authority, could finance, insure, operate and maintain
9 electric facilities at a lower cost than can the existing
10 companies in the State.

11 We believe these areas should be investigated and
12 that this Committee should have the benefit of the study
13 results before it formulates a recommendation to the
14 General Assembly. We are ready and willing to participate
15 in such a study, either independently or in cooperation
16 with any or all other interested parties.

17 With respect to Assembly Bill 608, this measure
18 would set up an Energy Facilities Planning Commission
19 which would have the power to determine the location of
20 all bulk power supply facilities which are defined as
21 (1) electric generating equipment and associated
22 facilities designed for or capable of operation at
23 capacity of 200 megawatts or more and (2) electric trans-
24 mission lines and associated facilities designed for
25 operation at a nominal voltage of 200 KV or more. It

1 would also have the authority to reserve and determine
2 sites for future use of electric energy facilities.

3 The provisions of this Act would authorize the
4 Energy Facilities Planning Commission of the Department
5 of Environmental Protection to acquire lands and to "bank"
6 lands for future use by bulk power supply facilities
7 and to issue certificates of approval for their use by
8 the utility only if certain environmental considerations,
9 as specified by the Commission, were complied with. No
10 other sites could be utilized for the construction of
11 such facilities once the Commission has sites available.

12 The program is to be financed by a surcharge of
13 3 cents a hundred kilowatt hours on the electric bills,
14 which would establish a trust fund to be known as the
15 Energy Facilities Trust Fund which is to be used to
16 promote research and development of bulk power supply
17 facilities by the State and to purchase sites for future
18 electric supply facilities.

19 While Public Service Electric and Gas Company favors
20 the concept of a one-step, one-hearing siting bill, we
21 do not believe that this legislation will accomplish
22 that purpose. With shortages of oil, coal and gas,
23 nuclear power plants are likely to be used for the
24 future base load capacities in supplying electric energy
25 to the State and Public Service is committed to the

1 concept that future generation of electricity will be
2 through the use of nuclear energy.

3 The surcharge of 3 cents a hundred kilowatt hours
4 on all electric bills would add approximately 10 million
5 dollars annually to the electric bills of our customers.
6 This, at a time when the customers are objecting strenu-
7 ously to additional increases in cost of electricity.

8 The environmental, health and biological factors
9 that the legislation would require to be investigated
10 at public expense in an application for site approval
11 are already exhaustively investigated under existing
12 Procedures at the Federal level under the Atomic Energy
13 Commission rules and regulations in the case of a nuclear
14 station and in the case of a non-nuclear fossil generating
15 station under the NEPA standards.

16 The proposals contained in this bill deserve
17 very careful consideration as to whether it is desirable
18 to establish a commission in a department of the
19 Executive Branch of the government which might be in
20 conflict with the Department of Public Utilities as
21 established in the State of New Jersey.

22 Our Supreme Court in the case of Public Service
23 Electric and Gas Company v. the Borough of Roselle
24 35 N.J. 358, stated at page 371, "this State has delegated
25 in most sweeping terms general supervision and regulation

1 of and jurisdiction and control over all public utilities
2 and their property, property rights, equipment, facilities
3 and franchises to the Board. More specifically, the
4 Board is empowered to direct utilities to furnish safe,
5 adequate and proper service and that a centralized
6 control must be entrusted to an agency whose continually
7 developing expertise will assure uniformly safe, proper
8 and adequate service by utilities throughout the State.
9 Our courts have always construed these legislative grants
10 to the fullest and broadest extent."

11 That grant has been placed with the Board of
12 Public Utility Commissioners of the State of New Jersey.
13 Therefore, prior to undertaking so basic a change as the
14 establishment of a commission that would supersede in
15 some respects the authority of the Board of Public Utility
16 Commissioners, it would appear desirable to study the
17 economic and political benefits or detriments of such a
18 measure and to this extent, we at Public Service would
19 appreciate the opportunity to discuss with interested
20 State agencies and legislators the concept of a one-step
21 hearing tribunal which would consider all aspects of
22 State licensing of bulk power supply facilities.

23 In summary, we fail to see how either of these
24 proposed pieces of legislation will assure an adequate
25 and dependable electric power supply for the State of

1 New Jersey. If the object of these proposed bills is
2 to reduce the cost of electricity to the consumer, we
3 believe their effect may be just the opposite. Certainly
4 the Energy Facilities Planning Act will impose an
5 additional direct cost on the consumer and other pro-
6 visions of the bill will require costly investigative
7 effort to provide information which duplicates that
8 presently being obtained through the requirements of
9 other state and federal legislation.

10 In the case of the proposed New Jersey Power
11 Authority, the establishment of such an authority will
12 require a staff of experts similar to those presently
13 being maintained by the electric utilities in the State.
14 Again, this duplication of personnel and facilities can
15 do nothing but increase the costs of the consumer.
16 There can be no guarantee that a state power authority
17 will reduce costs.

18 In our opinion, the maintenance of the existing
19 electric utility companies in a strong financial con-
20 dition through the authorization of adequate rates will
21 do more to assure an adequate and dependable electric
22 supply than could conceivably be done through the
23 establishment of a state power authority.

24 Thank you.

25 MR. ESPOSITO: Any questions, Assemblyman Salkind?

1 MR. SALKIND: Mr. Chairman, Mr. Smith, I was
2 very interested in what you said--

3 MR. FRAIN: Before you go any further, Mr. Chairman--

4 MR. ESPOSITO: Mr. Frain--

5 MR. FRAIN: --I want to ask you if you brought any
6 of these carpetbaggers with you today. In the news this
7 morning it says you got people in Trenton at thirty and
8 forty thousand dollars a year that don't live in the
9 State of New Jersey. Did you bring any of them with you
10 this morning?

11 MR. ESPOSITO: Mr. Frain, you're out of order.

12 MR. FRAIN: Carbetpaggers.

13 MR. ESPOSITO: He is-- he's not a friend of mine,
14 but he's here at every Freeholders' meeting and he has
15 to say his two words and then he leaves.

16 MR. SALKIND: Mr. Chairman?

17 MR. ESPOSITO: Yes, Mr. Salkind.

18 MR. SALKIND: You know, I've been called a lot of
19 things. I've been called a country boy but I've never
20 been called a carpetbagger before.

21 Mr. Chairman, just to continue, if I may.

22 On the questioning, I tried to understand your last
23 sentence first of all of your testimony where you said
24 that maintenance of the existing electric power-- electric
25 utilities is in a strong financial condition through the

1 authorization of adequate rates, et cetera.

2 What you mean by that is that whatever rates you
3 need to get they should give you the rate increase at
4 the P.U.C. level. Isn't that what you're saying in plain
5 and simple language?

6 MR. SMITH: I think the first part of the sentence,
7 to maintain the utilities in a sound financial condition
8 and this is-- the utilities problem at the moment is, as
9 you know, with financing and unless the utilities are
10 maintained in a sound financial condition they're not
11 going to be able to borrow the money required to build
12 these plants.

13 The state of the financial condition of the utility
14 determines what rates the utility has to pay for the
15 money it borrows. It is as simple as that.

16 MR. SALKIND: Wasn't there some recent borrowing by
17 one of the utilities in New Jersey?

18 MR. SMITH: We recently borrowed a hundred million
19 dollars.

20 MR. SALKIND: You recently borrowed a large term debt?

21 MR. SMITH: Yes.

22 MR. SALKIND: What did you pay for that?

23 MR. SMITH: 12 percent.

24 MR. SALKIND: 12 percent.

25 Now, Mr. Smith you're familiar with the current rate

1 which is for tax-free obligations in our state?

2 MR. SMITH: Yes.

3 MR. SALKIND: Approximately 8 percent right now. I
4 want to give you a figure, if I may. Just for a moment,
5 using your eight billion dollar figure which I accept as
6 reasonable and correct from the industry as one of our
7 leaders, if one straight lined it, which is the best I
8 can do sitting at the table right now, straight lined it
9 over a four year lot, on the differential that you just
10 cited, the difference between 12 and 8 percent would
11 reflect in a savings to the people of New Jersey through
12 electric rates of 6.4 billion dollars in interest rate
13 over a straight line life.

14 In other words, I cut it in half by straight lining it.

15 Now, I agree that it is essential to the considera-
16 tion of A-2156 that these be tax-free bonds. Let's start
17 with this as a premise for--

18 MR. SMITH: But that's an assumption which we do not--

19 MR. SALKIND: We'll get to that in just a second,
20 but you certainly recognize that in that premise, your
21 word "assumption," is correct; that it is in the interests
22 of everybody to do the financing that way. You see that,
23 don't you, sir?

24 MR. SMYTH: If there is a tax-free-- tax-free financ-
25 ing can be managed. I think the other thing you have to

1 recognize is the State has never tried to borrow eight
2 billion dollars.

3 MR. SALKIND: Oh, I certainly do but you understand
4 that should the State be able to borrow eight billion
5 dollars for the generated--

6 MR. SMITH: Tax free, then it could be a savings.

7 MR. SALKIND: There would be a major saving.

8 MR. SMITH: Right.

9 MR. SALKIND: Okay. Now, I wondered about your
10 raising the question of the financing, for just a moment
11 if you will, the tax-free portion of it. Do you have any
12 reason to believe that the I.R.S. would not allow a tax-
13 free status for this type of bond?

14 MR. SMITH: Yes.

15 MR. SALKIND: May I ask what that is?

16 MR. SMITH: Yes. The I.R.S., to my knowledge, has
17 not allowed tax-free status for State power authority
18 where more than 25 percent of the output of that authority
19 has gone to a private utility.

20 MR. SALKIND: In other words, what you're saying,
21 and I'm only trying to understand you, is that based upon
22 your experience factor that in order for this to become
23 tax-free, 75 percent would have to be so direct?

24 MR. SMITH: This is the present indication.

25 MR. SALKIND: Is this the case in New York State?

1 MR. SMITH: Yes.

2 MR. SALKIND: I see. Now--

3 MR. SMITH: It is my understanding that this is
4 the case.

5 MR. SALKIND: Well, I think this is an important
6 point. Is it based on practice-- in other words, that's
7 what they're doing or is it based on a ruling?

8 MR. SMITH: It's based upon-- New York State Power
9 Authority sells less than 25 percent for private distri-
10 bution.

11 MR. SALKIND: Has the I.R.S. ever told them that if
12 they sold more they would be prohibited?

13 MR. SMITH: This is the understanding.

14 MR. SALKIND: That the I.R.S. has told the New York
15 State Authority this? Is that what you're saying?

16 MR. SMITH: This is a basic, as I understand it,
17 a basic I.R.S. ruling.

18 MR. SALKIND: A formal ruling? This is a major
19 point. That's why I'm zeroing in on it.

20 MR. SMITH: That's why we say it has to be studied--

21 MR. SALKIND: No question about it.

22 MR. SMITH: The major point you're making is that
23 it's going to be a tax-free bond.

24 MR. SALKIND: If we can't save it--

25 MR. SMITH: --and I say there's no assurance that
there is^{and} until you get a ruling from the I.R.S., you're

1 not going to know.

2 MR. SALKIND: Are you familiar with the Economic
3 Development Authority of New Jersey?

4 MR. SMITH: Yes.

5 MR. SALKIND: You're familiar that they have tax-free
6 bonds as part of the legislation that set it up?

7 MR. SMITH: Yes.

8 MR. SALKIND: Do you recognize from the language
9 standpoint that this particular bill, A-2156, has been
10 structured exactly the same way?

11 MR. SMITH: Yes.

12 MR. SALKIND: Okay.

13 MR. SMITH: But you still have to reckon with the
14 I.R.S.

15 MR. SALKIND: Of course, but you recognize that what
16 we have done is establish it in directly the same way for
17 the purpose of making it analagous for the purpose of
18 insuring that these would be tax-free.

19 Now, if you're saying to me officially that--
20 excuse me-- to the Committee officially that what is
21 involved here is that the Federal government has made
22 the ruling that if more than 25 percent is sold to the
23 private sector that they wouldn't allow it to be tax-
24 free, I'd like to know that.

25 MR. SMITH: We say there's a question and we suggest

1 that the problem be studied.

2 MR. SALKIND: I understand, though, that if the
3 question is satisfactorily answered, then you completely
4 agree that this type of financing is in the public
5 interest and indeed even in the utilities' interest?

6 MR. SMITH: No question.

7 MR. SALKIND: Okay. That's important to understand.

8 One thing that I'd like to pick up, Mr. Chairman,
9 on A-608, since Mr. Kean is not here, you recited a case.
10 I was confused as to why you did that, a case involving
11 Public Service versus a municipality. I believe it was
12 Roselle. Let me find it-- yes, it is.

13 A municipal case certainly, I would think, would
14 have no pertinence to this type of consideration because
15 You certainly recognize, Mr. Smith, that that which the
16 legislature gives, the legislature can take away and that
17 the kind of proposed law as has been filed by Assembly-
18 man Kean in A-608 would be perfectly proper in the courts.

19 What is delegated to the P.U.C. or not delegated
20 is for future legislatures to decide. You recognize that?

21 MR. SMITH: It is in conflict with the present
22 legislature.

23 MR. SALKIND: That's what amendments always do.
24 Your point really is not on target, is it?

25 MR. SMITH: I think there's going to be a problem of

1 what agency has jurisdiction. I think this is all we are
2 pointing out.

3 MR. SALKIND: But you do support the concept of the
4 agency?

5 MR. SMITH: We support the concept of a one-step
6 siting bill which is--

7 MR. SALKIND: But you'd like to see it in the P.U.C.
8 is that your point?

9 MR. SMITH: Definitely.

10 MR. SALKIND: Because that's really the point you're
11 making. You're happy if it's in the P.U.C. and you're
12 not happy if it's outside of the P.U.C.?

13 MR. SMITH: I think that P.U.C. is knowledgeable in
14 the utility area. I think it makes sense to have the
15 one-step siting bill under the control of the P.U.C.,
16 that's all.

17 MR. SALKIND: One last question: You've emphasized
18 in the use of your cost figure and everything else, you
19 said somewhere in here that all future construction
20 should be nuclear.

21 MR. SMITH: Yes.

22 MR. SALKIND: I'm familiar with the general public
23 utilities' cost figures on nuclear power. I assume
24 Public Service is the same. Would you recite what the
25 economic impact of a nuclear power generation is for us

1 on a relative cost basis and justify what you've said
2 in terms of nuclear energy and contrast that with the
3 references that you made to hydro electric power as
4 being the basis for a public authority.

5 By that I mean, aren't we today at the threshold of
6 nuclear and other type of expensive-- whether it is solar
7 or underground storage or anything else-- expensive
8 utilities facilities in the same way that we were in the
9 30's, with hydro electric in this country when TVA came
10 out-- when Bonneville, when New York State started because
11 of Niagara? Aren't we in the same kind of economic
12 situation vis a vis fossil fuels today, on nuclear, so
13 on as they were then?

14 MR. SMITH: Well, I think the situation today is
15 radically different from the day in which the hydro base
16 public authority was established, TVA, Bonneville. At
17 that time fuels were a basic method of generation. That
18 day is coming to an end in New Jersey, as you're well
19 aware, because of the increased cost of fossil fuels.

20 We have no potential for hydro power which
21 would be nice but it's not possible.

22 I think the utility companies, for instance, today,
23 in New Jersey are much larger and much more capable,
24 for instance, than if people down in Tennessee were to
25 come up with-- there were no utilities in Tennessee. This

1 is the reason TVA was established with hydro power so
2 it's an entirely different situation.

3 MR. SALKIND: I'm trying to point to the economic
4 implications.

5 A nuclear plant today would cost what X-capacity--

6 MR. SMITH: A billion dollars for a couple of
7 hundred thousand--

8 MR. SALKIND: Give me the next plant you're going to
9 have, would cost you what?

10 MR. SMITH: A billion dollars for 2,000 megawatt units.

11 MR. SALKIND: A billion dollars. What would a 2,000
12 megawatt unit, fossil fuel plant cost?

13 MR. SMITH: We wouldn't build one.

14 MR. SALKIND: What would it cost?

15 MR. SMITH: Anywhere from half that to a third of
16 that.

17 MR. SALKIND: So it is somewhere between a third
18 and a half of that figure?

19 MR. SMITH: Half of that, say, at this time.

20 MR. SALKIND: All right. Now, the point that I'm
21 making is that in terms of the production facility, that
22 the capital cost of the nuclear plant or these other types
23 of advanced technology plants, is far greater whether
24 it is twice or more than the conventional kind of plant,
25 okay? I also understand, and correct me if your figures

1 are different from G.P.U., that the ratio of produced power
2 cost is approximately five to one, namely it cost--

3 MR. SMITH: Fuel cost.

4 MR. SALKIND: Right. It cost a fifth of the cost
5 to produce one unit of electricity from nuclear as does
6 it from conventional.

7 MR. SMITH: That doesn't recognize all the cost
8 factors. This is fuel only.

9 MR. SALKIND: That's fuel only. What would the total
10 cost factor be?

11 MR. SMITH: If you figure in the cost of the plant--
12 and you've got a much closer figure. I don't have any
13 figures at hand at the moment.

14 MR. SALKIND: In any event, it's strongly economically
15 advantageous to go to the new technologies?

16 MR. SMITH: It's economically advantageous.

17 MR. SALKIND: And therefore one has to spend a
18 higher capital cost and that makes this whole financing
19 question more of an essential question than anything else.

20 Thank you, Mr. Chairman.

21 MR. ESPOSITO: Any further questions from the
22 Committee?

23 (No response from the Committee.)

24 MR. ESPOSITO: Thank you, Mr. Smith, for your
25 testimony. It will be made part of the record and it

1 will be given full consideration by this Committee.

2 MR. SMITH: Thank you, Mr. Chairman.

3 MR. ESPOSITO: The next witness, Richard M. Wilson,
4 Atlantic City Electric Company.

5 MR. WILSON: My name is Richard M. Wilson. I am
6 Senior Vice President of the Atlantic City Electric
7 Company and my responsibilities include engineering,
8 construction, operations, generation, transmission and
9 distribution and general services. I have been employed
10 by the Company for 35 years and during that period, I
11 have served in various positions in engineering, opera-
12 tions and construction.

13 The Atlantic City Electric Company's service area
14 contains 2,700 square miles in southern New Jersey,
15 approximately one-third of the State, where we provide
16 electric service to approximately 324,000 customers in
17 377 communities.

18 We appreciate the opportunity to bring the Atlantic
19 City Electric Company's comments to this Committee today
20 and we particularly appreciate the interest and concern
21 of the sponsors of Bills A2156 and A608 in their efforts
22 towards assuring a continued adequate and reliable
23 electric power and energy supply for the people of New
24 Jersey.

25 We are hopeful that our comments here today will be

1 helpful to you in arriving at decisions that will result
2 in the best possible solutions to power and energy
3 supply problems.

4 Now, I will comment first on A-2156 which proposes
5 the establishment of a New Jersey Electric Power Authority.

6 It is the Atlantic City Electric Company's position
7 that A-2156 should not be enacted at this time for the
8 following basic reasons: (1) We are not faced with an
9 emergency situation, and (2) We have an adequate and
10 dependable electric power supply for the immediate future,
11 and (3) We have definite plans and commitments for an
12 adequate and dependable power supply for the more distant
13 future and we have no indication that these plans and
14 commitments are in jeopardy, and (4) Recent changes in
15 our construction schedules are not an indication of
16 inadequate power supply for the future and (5) The
17 Atlantic City Electric Company is not in financial
18 distress and the company's financial health can be main-
19 tained with appropriate and timely regulatory action.

20 (6) We have serious reservations that the proposed
21 legislation would produce the intended results because
22 of certain Internal Revenue Service questions and (7)
23 With respect to reducing consumers' cost, there are other
24 areas where a more immediate relief can be provided and
25 (8) If it is believed there may be a serious problem

1 which requires legislative action, there is time for more
2 comprehensive study and analysis. A careful study
3 should be made of all economic, social and political
4 aspects involved before attempting the enactment of any
5 such legislation.

6 Now, we certainly agree with the statement made in
7 A-2156, and I quote: "Continued provision of an adequate
8 and dependable electric power supply is essential for
9 the protection of the public health, safety, welfare and
10 economy."

11 We do indeed agree with this statement and we do
12 appreciate the concern of the sponsors of this bill with
13 respect to the continued provision of that very essential
14 electric power supply, however, we do not believe we
15 have a situation that requires enactment of the proposed
16 legislation until and unless it can be definitely estab-
17 lished that it is necessary and is definitely beneficial
18 to the citizens of New Jersey.

19 With respect to the electric supply situation in the
20 Atlantic City Electric Company, we must disagree with
21 the statement in A-2156, and I quote: "A shortage of
22 the dependable electric power supply in the State requires
23 that the State Government assist in alleviating such
24 shortage."

25 This statement claims or at the very least implies

1 that we currently have a shortage of the electric generat-
2 ing capacity and we are facing an emergency situation.

3 In the Atlantic City Electric Company system this
4 is not so. We have no current shortage nor is any short-
5 age indicated for the future. The Atlantic City Electric
6 Company will meet the 1975 summer peak load with a
7 reserve generating capacity of 24 percent. For the ten-
8 year period, 1975 through 1984, we are committed to an
9 additional 624 megawatts of base-load capacity. Our
10 generating plans for this period, 1975 through 1984, result
11 in an average generation reserve of 18 percent. We
12 consider this level of reserve to be quite adequate for
13 our system and I think it's interesting to note that this
14 is a significantly higher level of reserve than we have
15 ever had in the past.

16 Now, there may be some concern about postponement
17 of certain electric facility projects. It is true that
18 certain Atlantic City Electric Company generating units
19 have been rescheduled but this rescheduling is consistent
20 with a change in requirements.

21 As a result of our own efforts and the national
22 effort towards energy conservation, we have experienced a
23 rather dramatic reduction in our system load growth. In
24 fact, in 1974 our load growth was negative, less than
25 the previous year.

1 We have carefully studied this change in load growth
2 pattern and have concluded that future load growth will
3 be at a lower rate than we had previously forecast. We
4 have therefore revised our load growth forecasts to 7
5 percent per year which amounts to a doubling in ten years
6 instead of eight years as we had previously forecast. The
7 revised construction schedule, with the revised load
8 growth estimate of 7 percent per year, results in a rather
9 ample generation reserve that I mentioned earlier.

10 We are not facing a situation which calls for a
11 hasty passage of emergency legislation. We should not
12 rush to establish legislation that may not be required,
13 but could impose a heavy burden on the State and its
14 taxpayers. I would like to emphasize that we have time.
15 We are not at the edge of a crisis and we should take
16 this available time to carefully study and understand
17 the entire situation before attempting any legislative
18 action.

19 Now, the combined effects of inflation, soaring
20 oil prices, high interest rates, investor resistance on the
21 stock market have made it more difficult for electric
22 Power companies to raise sufficient funds for capital
23 construction necessary to meet future demand.

24 There is no question that electric utilities have
25 problems in this area. The real question before us: Does

1 the proposed legislation solve these problems and if so,
2 does it produce the best solution?

3 We are not convinced that a State Power Authority
4 can construct power supply facilities at lower construc-
5 tion and equipment costs than can be done by the investor-
6 owned utilities in the State. A State Power Authority
7 cannot offer any additional benefits from advanced
8 technology and economies of scale for the State's larger
9 utilities are already optimizing these benefits and the
10 Atlantic City Electric Company, although a smaller company,
11 is also realizing and will continue to realize these same
12 benefits through joint participation with other utilities
13 in large and economical generating units.

14 The greatest impact on the cost of electric service
15 to the consumer is the result of the excessively high
16 price we are forced to pay for fuel. For example, fuel
17 charges in September amounted to 30% of the average
18 residential customers' bill. We have no reason to believe
19 that the State through a power authority could purchase
20 fuel at any lower price than the utilities are now paying.

21 I would like to take this opportunity to offer for
22 your consideration something you can do to relieve the
23 ratepayer of some of the impact of high fuel costs.

24 You may or may not be aware of the fact that the
25 additional revenue that we receive through our fuel

1 adjustment is subject to a gross receipts and franchise
2 tax of 12-1/2 percent. Exempting fuel clause revenue
3 from this tax would result in a significant reduction
4 in the cost of electric service.

5 Our analysis of the proposed legislation indicates
6 that the only benefits which might be realized would be
7 reduced financing costs resulting from the use of tax-free
8 bonds. To whatever extent such savings are realized it
9 must be recognized that this simply transfers and imposes
10 the tax burden on some other area. Unless there is a
11 corresponding reduction in the cost of government, the
12 public will pay the true cost of such financing one way
13 or another; either through electric rates, taxes or both,
14 but more importantly our research of Federal Tax Laws
15 indicates that the type of financing proposed in the Bill
16 before you may not be exempt from Federal income tax.
17 Obviously this point needs additional, careful research
18 and study.

19 State financing is not the only solution to utility
20 financing problems. Proper and timely rate relief per-
21 mitting an adequate return on investment will restore
22 investor confidence and attract the necessary capital
23 funds from the private sector. I say this with full
24 cognizance of the current public attitude toward rate
25 increases. But it also must be recognized that utility
rate increases have been rather modest as compared to

1 increases of other goods and services during this difficult
2 period of double digit inflation. The greatest impact on
3 the cost of electric service to the ratepayer is in the
4 cost of fuel and I have already suggested a way that
5 relief might be provided in that area.

6 In our judgment the establishment of a State Power
7 Authority is no panacea for the situation we have today.
8 A State Power Authority will not eliminate the need for
9 rate increases. The high and inflated cost of the
10 required power facilities will require future rate
11 increases no matter who constructs or finances the project.

12 Financing costs are only ^{one} element of costs. At best
13 the establishment of a State Power Authority can only
14 result in some reduction in the amount of rate relief
15 required, and this is accomplished only through the
16 transfer of the tax burden to some other area.

17 The establishment of a State Power Authority would
18 burden the State with a long term commitment in the
19 financing of several billions of dollars with all of the
20 attendant risks involved. In addition, a competent and
21 adequate management and administrative staff will be
22 required with all the necessary accommodations and
23 facilities. The operation of a State Power Authority
24 will further complicate the administration and functioning
25 of State Government.

1 In our judgment we seriously question if the risks
2 and costs of a State Power Authority, which will ultimately
3 be borne by the citizens and taxpayers, will justify
4 whatever benefits that might be derived.

5 In summary, we question the need of a power authority
6 and we question if it would achieve the desired results.
7 We do agree that this or other alternate solutions are
8 worthy of further study and investigation and we would
9 be pleased to offer any information or data that would be
10 helpful in such a study and as I have stated several times,
11 we are not in an emergency situation. We do have time.

12 I would now like to make some comments on Assembly
13 Bill A-608.

14 One of the purposes of this Bill is to establish an
15 Energy Facilities Planning Commission to create a single
16 agency to resolve all issues including environmental,
17 safety and power and energy requirements with respect to
18 siting major power facilities. It intends to resolve these
19 issues through a one stop procedure. We heartily endorse
20 the concept of the one stop procedure, however, we are
21 most skeptical that the proposed legislation could create
22 an agency with sufficient authority to accomplish this.

23 There has to be considered the possible conflict
24 with such Federal agencies as the Nuclear Regulatory
25 Commission, the Environmental Protection Agency, the Federal

1 Energy Administration, the Corps of Engineers and others.
2 There is also the possibility of conflict with agencies
3 in other states such as the Delaware River Basin Commis-
4 sion. The authority proposed in this Commission would
5 also appear to be in conflict with the authority and
6 responsibility of the New Jersey Board of Public Utility
7 Commissioners. We believe that considerably more study
8 and research is required to determine if such conflict
9 with other agencies can be resolved and the Commission
10 can function as intended.

11 Furthermore, there is the matter of a surcharge. At
12 one time this might have had public acceptance; however,
13 with the recent increase in electric bills due to excess-
14 sively high fuel costs, we are very doubtful that the
15 public will now be willing to accept the additional cost.

16 It might be noted that some of the other purposes
17 of A-608 are already being accomplished. I do not think
18 it has been publicized but the New Jersey electric
19 utilities are preparing a New Jersey Master Siting Study
20 of power facilities at the request of Commissioner Bardin
21 of the New Jersey Department of Environmental Protection.
22 This will be statewide. Also a similar continuing study
23 has been required for some time by the Delaware River
24 Basin Commission, for the Delaware River Basin area only.

25 Gentlemen, that concludes my remarks. I thank you for

1 the opportunity to appear before you.

2 MR. ESPOSITO: Any questions from the Committee?
3 Assemblyman Neri?

4 MR. NERI: No questions.

5 MR. ESPOSITO: Assemblyman McCarthy?

6 MR. MC CARTHY: No questions.

7 MR. ESPOSITO: Assemblyman Rys?

8 MR. RYS: No questions.

9 MR. ESPOSITO: Assemblyman Mort Salkind?

10 MR. SALKIND: Mr. Chairman, two areas of quick ques-
11 tions.

12 I thank Mr. Wilson. I think that was very well stated.

13 I gather your philosophy, though, as expressed here
14 is that we ought to, the government ought to react to a
15 crisis situation rather than avoid a crisis situation.

16 MR. WILSON: Sir, I got the impression from the
17 opening statement of the Bill that that was one of the
18 intentions of the Act. I think the language said that if
19 we don't act, we are going to have a problem.

20 MR. SALKIND: Well, you do recognize that we have
21 had a history of brown-outs and other types of conditions
22 in recent years--

23 MR. WILSON: That's a point I tried to make. What I
24 mentioned, our reserves starting right now are much better
25 than we have had in the past. This is as a result of

1 past experience. We have made--

2 MR. SALKIND: Atlantic City Electric Company?

3 MR. WILSON: And other utilities in the State.

4 MR. SALKIND: You feel at the present time, and I
5 want to understand your feelings, statewide that there is
6 absolutely-- let's say for the next five years-- no
7 danger of an electrical power shortage at any time?

8 MR. WILSON: Not related to generating capacity.
9 I feel it's statewide.

10 MR. SALKIND: In other words, the next five years
11 we're not going to see any brown-outs other than because
12 there's a breakdown. That's what you're saying?

13 MR. WILSON: Yes.

14 MR. SALKIND: That's very important to understand
15 and I thank you for that.

16 MR. MC DONALD: May we also add that that goes for
17 Public Service, too.

18 MR. SMITH: Our reserve is 30 percent.

19 MR. SALKIND: In the question of the economic impact
20 and tax-free portion and so on, you see no reason to
21 disagree with it, and I wouldn't repeat all of the dis-
22 cussion that I held before with Mr. Smith--

23 MR. WILSON: I agree with Mr. Smith's comments.
24 I would like to add one other if I may.

25 That assuming that the bonds would be tax-free, this

1 simply places the tax burden somewhere else unless
2 there's a corresponding reduction in Federal government
3 costs.

4 MR. SALKIND: Let's address that for just a moment.
5 What that says, let's say we save the 6.4 billion dollars
6 as generated by the discussion earlier with Mr. Smith.
7 What that says is we're going to save the people of New
8 Jersey 6.4 billion dollars and it's going to be spread
9 all over the United States. That's basically what it says.
10 You recognize that?

11 MR. WILSON: Yes, but if this is accomplished in all
12 50 states, what has happened?

13 MR. SALKIND: We're talking about New Jersey right
14 now.

15 MR. WILSON: I think you would expect that to follow.

16 MR. SALKIND: But, then, you have no objection and
17 you advocate that we should forget 12-1/2 percent tax in
18 New Jersey?

19 MR. WILSON: That's a different situation.

20 MR. SALKIND: We should then, in effect, take that
21 away from the tax revenues of our State without financial
22 crisis?

23 MR. WILSON: Well, I believe we have a situation here
24 where this has resulted, in effect, in a windfall for the
25 State and that when that tax was first conceived, I don't

1 think it was intended that every time the cost of fuel
2 would go up that it would produce more income for the
3 State.

4 MR. SALKIND: Mr. Wilson, I'm glad to see something
5 is resulting from a windfall for the State. I would
6 like to see more and I would like the State of New Jersey
7 to get its fair share or more of a Federal windfall than
8 our sister state.

9 MR. ESPOSITO: I'd like to ask you a couple of
10 questions.

11 MR. WILSON: Yes.

12 MR. ESPOSITO: You say you have a high level of
13 reserve and you have no current shortage or no future
14 shortage?

15 MR. WILSON: That's correct, sir.

16 MR. ESPOSITO: How many people do you serve?

17 MR. WILSON: We have 324,000 customers.

18 MR. ESPOSITO: 324. Thank you. Thank you.

19 The next witness is Assemblyman Thomas Kean, a
20 Minority Leader of the Assembly and former Speaker of the
21 Assembly and sponsor of A-608.

22 Assemblyman Kean.

23 MR. KEAN: Mr. Chairman, I am very grateful for the
24 opportunity to appear before you and the Committee today
25 and actively solicit your support for a state power plant

1 siting program.

2 I have sponsored legislation since 1972 in an effort
3 to have the State become more deeply involved in the
4 process of selecting sites for future development as
5 power generating stations.

6 The legislation in its current session is designated
7 A-608, but is identical to that first introduced two
8 years ago.

9 Very briefly, A-608 creates a 10-member Energy
10 Facilities Planning Commission within the Department of
11 Environmental Protection and an Energy Facilities Trust
12 Fund to carry out the provisions of this legislation.

13 The Commission would be empowered to acquire land
14 throughout the State, either through agreement with the
15 owners of that land, or through condemnation. Land so
16 acquired would be held by the Commission for sale or lease
17 to a power entity.

18 The foregoing procedure, Mr. Chairman, is a sketchy
19 but basic outline in the manner in which the proposed
20 Commission would operate. It would be given fairly sub-
21 stantial power to conduct ongoing research programs and
22 studies with respect to the environmental, social,
23 economic and technical aspects of bulk power supply
24 facility development. These studies would, in turn, be
25 the basis of Commission action in acquiring property for

1 future development.

2 The Commission activities and the Trust Fund would
3 be financed through the imposition of a surcharge of three
4 one-hundredths of a cent per kilowatt hour on all
5 electric bills.

6 Based on an estimated 40 billion kilowatt hours of
7 electric power sold annually, and I think that figure
8 may have already been surpassed, the surcharge would yield
9 approximately 12 million dollars annually.

10 Based on average kilowatts used in the household,
11 a surcharge would amount to approximately \$2 per year,
12 which I don't think would lead to a great many complaints.

13 My depth of feeling with respect to this issue, Mr.
14 Chairman, is brought about by my equally strong desire
15 for government to prove that it can, indeed, anticipate
16 crisis situations and move quickly with authority to
17 solve them.

18 All too often, we, in the Legislature, find ourselves
19 in the position of reacting to a situation which borders
20 on the uncontrollable. When this occurs, programs are
21 frantically and hastily thrown together, oft-times failing
22 to solve the problem, and once again bringing into doubt
23 our capabilities as a responsive unit of government.

24 There is, I believe, a clear recognition by all of
25 us involved that the need for future power facilities is

1 urgent. There is or should be a recognition equally as
2 clear that generating stations must be located where the
3 destructive effects on the surrounding environment will
4 be minimized to the greatest extent possible and in an
5 area where the power needs have been judged to be most
6 acute.

7 New Jersey, the most urbanized state in the nation
8 would suffer more than most should the nation become
9 power-starved in the future.

10 Our state's demands for power are constantly on the
11 increase, while the land available for development as
12 power supply facilities is steadily shrinking or becoming
13 more and more expensive.

14 The memory of last winter's energy shortage is
15 still fresh in the minds of the State and nation, and,
16 while that shortage affected gasoline almost entirely,
17 we have only recently heard predictions from government
18 and power industry spokesmen alike that the winter which
19 will be upon us very soon if severe enough, could impose
20 real hardships to our people.

21 We have read newspaper accounts pointing out that
22 natural gas and home fuel oil shortages this winter could,
23 in the event of a protracted cold snap, lead to shutdowns
24 of industrial plants and reductions of fuels available
25 for home heating.

1 While this picture may well be a bleak one, all
2 agree that the prospect of an energy shortage is genuine.
3 The differences center only on the extent of the shortage
4 and the steps to deal with it.

5 It is my conviction, Mr. Chairman, that future power
6 facilities are essential if we are to successfully head
7 off deeper and deeper energy crises. I am equally con-
8 vinced that one valuable method to bring about sufficient
9 power supplies is through active State involvement and
10 energy policy development and land use planning.

11 I reject the notion that the problem of energy
12 shortages cannot be solved at the State level, but has
13 to be met by the Federal Government. Obviously, when one
14 addresses questions of the magnitude and global sensitiv-
15 ity of the Arab nations' oil embargo, for instance, one
16 must look to Washington for action but, I submit, Mr.
17 Chairman, that the legislation before us today represents
18 a course of action which our State can adopt.

19 I would refer, briefly, Mr. Chairman, to comments
20 made recently by the administrator of the State Energy
21 Office, decrying the absence of State planning or involve-
22 ment in formulating land use plans as they relate to
23 energy supplies. I expressed by pleasure at the Adminis-
24 tration statement at the time and I most certainly welcome
25 them as allies in our efforts to enact this legislation.

1 As I have pointed out in a number of occasions, and
2 as the State Energy Office noted, power supply facility
3 sites are selected without State coordination or involve-
4 ment. In many cases, the area selected may not be the
5 most beneficial one and in others citizens' groups
6 institute legal action in an attempt to block generating
7 station construction and in the latter instance, the
8 resulting litigation is not only costly, but lengthy. In
9 the meantime, a needed power facility cannot be constructed
10 and the potential for a critical shortage becomes greater.

11 The Legislature bears the responsibility and an
12 obligation to the citizens of this State to bring an end
13 to the patchwork, crazy-quilt pattern of energy facility
14 development. The Legislature bears the responsibility
15 and an obligation to the citizens of this State to use
16 every means at its command to effectively utilize exist-
17 ing land for this purpose. The Legislature bears the
18 responsibility and an obligation to the citizens of this
19 State to insure that the integrity of the environment is
20 preserved and protected in this process.

21 The Legislature can, in my judgment, accomplish all
22 these goals with the approval of the pending legislation.

23 Thank you, Mr. Chairman.

24 MR. ESPOSITO: Any questions?
25

1 Mr. Salkind.

2 MR. SALKIND: Mr. Chairman, thank you.

3 It's a pleasure to listen to the remarks of our
4 distinguished Minority Leader.

5 MR. KEAN: Thank you, sir.

6 MR. SALKIND: In his absence I had stated earlier
7 that I completely endorsed the concepts of the Bill. I'd
8 like to address one question area before you here,
9 Assemblyman Kean.

10 There was an interchange between the president of
11 Public Service and myself regarding this Bill to which I
12 questioned the meaning of the end of the particular
13 statement that he made and I said in conclusion it looked
14 like his objections to the bill was that it wasn't within
15 the P.U.C. It was outside of the P.U.C. I wondered if
16 you would address that subject for just a moment.

17 MR. KEAN: Yes, I'd be glad to.

18 The P.U.C.-- one, if we're going to get the P.U.C.
19 into the problem of energy siting planning I think we've
20 got to restructure the whole agency. I don't think it's
21 capable of getting into that area now. Also the P.U.C.
22 does not have involved within it the kind of groups that
23 I think we have to bring into the process. It does not
24 have, for instance, members of the public. It does not
25 have the resources of the Environmental Protection Department

1 involved or Labor and Industry.

2 I think by setting up a Commission such as this, we
3 can bring all the people who should be involved. It's a
4 big job. It's going to take a lot of money. I don't
5 underestimate it at all. If we want to do something like
6 this through the P.U.C., then I think we have to restruc-
7 ture the P.U.C., which might not be a bad idea either.

8 MR. SALKIND: Thank you very much, Mr. Kean.

9 MR. ESPOSITO: Any more questions-- Assemblyman
10 Gladstone.

11 MR. GLADSTONE: Yes, Mr. Chairman.

12 Mr. Kean, would you be responsive to an amendment
13 to perhaps make this a utilities facility planning commis-
14 sion to take into its scope water companies as well?

15 MR. KEAN: I'd be very happy. The problem-- this
16 Bill is only a starting place. It addresses itself to
17 what I saw as the most pressing needs, the mistakes the
18 power companies have made in energy siting planning in the
19 past and a way to overcome them, but I'd be happy not
20 only with that amendment but with any amendments. This
21 is only a starting place. I don't mean this is-- this
22 is not writ and cannot be changed.

23 I'd be happy with major changes in this legislation,
24 but I think it's a place for us to start as a legislature
25 to address ourselves to a problem that I think we've got

1 to address ourselves to now and not next year or the year
2 after.

3 MR. GLADSTONE: Thank you.

4 MR. ESPOSITO: Assemblyman Neri?

5 MR. NERI: No questions.

6 MR. ESPOSITO: Assemblyman McCarthy?

7 MR. MC CARTHY: No questions.

8 MR. ESPOSITO: Assemblyman Rys?

9 MR. RYS: No questions.

10 Thank you for being here, Tom.

11 MR. ESPOSITO: Thank you, Assemblyman Kean. Your
12 testimony will be made part of the record and our Committee
13 will give it full consideration.

14 MR. KEAN: Thank you, Mr. Chairman.

15 MR. ESPOSITO: The next witness is Ken Perkins,
16 Assistant Director of the Maryland Siting Program.

17 MR. PERKINS: Thank you, gentlemen.

18 I am here attending for Mr. L. E. Zeni, who is a
19 Director for our program. Unfortunately, Mr. Zeni was
20 out on the golf links, over the weekend and stepped in a
21 gopher hole and dislocated his ankle and is not able to
22 get about as well as he would like to.

23 MR. SALKIND: That's really a siting problem, isn't
24 it?

25 MR. PERKINS: Yes.

1 MR. RYS: Do you have any copies for the Committee?

2 MR. PERKINS: I have two statements that Mr. Zeni
3 would like to have entered in the record. I will read a
4 portion of one of those. I don't have copies for all of
5 the Committee. I do have copies of an article that Mr.
6 Zeni thought the Committee would like to have.

7 Inasmuch as the State of Maryland has an operating
8 power plant siting law and that law has some basic
9 similarities to the law which you are reviewing, I thought
10 it would be advantageous to discuss a portion of our
11 program's advances and activities to this point in our
12 progress.

13 Our law and our program is funded by what we call
14 an environmental surcharge and we have a scale that goes
15 up to .3 mil per kilowatt hour of energy generated in
16 the State of Maryland.

17 At present we are at .17513 mils per kilowatt hour
18 and that will give us a budget this year of 5.2 million
19 dollars. We lose a portion of the budget figure up to
20 July of this year because-- excuse me, up to January of
21 this year because our law previously read "energy gener-
22 ated and sold in the State of Maryland" and we are provid-
23 ing a great deal of energy to the Washington D.C. area
24 so up until this year we had been losing 25 percent of
25 our budget because of energy sold in the District of

1 Columbia which we weren't able to recover our surcharge on.

2 At any rate, the surcharge income goes into the
3 Environmental Trust Fund and it's held there separate
4 from the general funds of the State and it can be used
5 only for our power plant siting program.

6 The Power Plant Siting Program, the way we have
7 implemented it in the State of Maryland is made up of four
8 operational programs.

9 The first of these is our site evaluation program
10 which evaluates utility owned sites. We have a 10-year
11 plan that is comprised of inputs from all the utility
12 companies in the State of Maryland, some 22 I believe, and
13 this is updated annually.

14 Our Maryland Public Service Commission collates all
15 the inputs and provides us with a single ten-year plan
16 on or about January of each year.

17 Upon receipt of that we have 180 days to do our
18 preliminary environmental investigation. The preliminary
19 environmental investigation is a screening to determine
20 on the basis of literature survey, inhouse work-- it's
21 done inhouse. It's not done by contract-- by interview-
22 ing local interest groups and scientists that happen to
23 be working in a particular area where we might be looking
24 at a site to see whether there is any feature that would
25 cause this site to be categorically unsuitable in which

1 case it is and it is dropped from the ten-year plan or
2 whether the site warrants a detailed site investigation.
3 We don't at this stage classify a site suitable. We
4 just determine that it warrants a detailed site investi-
5 gation.

6 Once that determination is made, we slate it for a
7 detailed site investigation. These are performed by
8 contractor. We are using a team of contractors and they
9 take on the order of 12 to 18 months and for our most
10 recent nuclear site, the investigation is costing 1.3
11 million dollars.

12 Once the detailed site investigation is completed,
13 we prepare on the basis of the information that's presented
14 in the detailed site investigation a letter of recommen-
15 dation to the Public Service Commission, State of Maryland.
16 They are the decision making body on our certificate of
17 public convenience and necessity.

18 We participate in the hearings that take place on
19 the certificate and our recommendations can be that we
20 either recommend granting the certificate, denying it or
21 granting it with conditions. Since our program has been
22 in effect, we have gone through two complete hearing
23 processes and in each case we have recommended granting
24 with conditions and the Public Service Commission has
25 upheld those recommendations by a large majority. There

1 were either one or two that were not upheld.

2 That takes me fairly quickly through the utility
3 owned site part of our program. We have a State acquired
4 site. We call that our site acquisition program.

5 This is where we screen the State, identify,
6 investigate and acquire sites that are reasonably suit-
7 able for the generation of electricity. We recognize the
8 time schedule in construction and licensing the utilities
9 are faced with and in order to be able to meet the energy
10 demands of the State of Maryland, we have this site acqui-
11 sition program so that we can provide the utilities with
12 an alternate site in the event that one of their sites
13 is classified unsuitable.

14 We feel this is necessary to avoid throwing the
15 utility company back to ground zero.

16 We have an initial investigation of the site done
17 in conjunction with the utility representative from that
18 utility company that would most likely use the site. He
19 makes a site visit and if the utility opinion and ours
20 are both that we should proceed with this site, we
21 sponsor or we fund a study under contract to investigate
22 the engineering feasibility as well as the environmental
23 impact. We can't afford just to zero in on the environ-
24 mental impact if we're going to be the purchaser. We
25 don't want to get stuck with a white elephant.

1 Once that study is done, we then report to what we
2 call our Power Plant Siting Advisory Committee who over-
3 views all of us and tell them our findings and whether
4 or not we think we should proceed based upon our report
5 and their own inclinations. They then make recommenda-
6 tions to Secretary Caltern. Secretary Caltern is our
7 Secretary of Resources and we proceed through the Board
8 of Public Works in the State of Maryland to acquire this
9 site.

10 Once the site is acquired, it is held in a land bank
11 until such time as it's required by a utility company.
12 At that time we would sell the site at the fair market
13 appraised value to a utility company and they would put
14 in an application for a certificate of public convenience
15 and necessity for that site. At that time we would
16 perform a detailed site investigation similar to what
17 we did for a site that was utility-owned originally. We
18 would go through the same licensing process.

19 The other two operational program elements, I'll
20 touch on just very quickly, are our monitoring program
21 wherein we monitor or assess the impact at existing
22 power plants. This is to determine if the standards and
23 designs that have been imposed on those power plants are
24 achieving the desired objectives. We are not a policing
25 agency. There are regulatory agencies in the State of

1 Maryland that have responsibility for enforcing water
2 quality regulations and air quality regulations on down
3 the line, but we are looking to see if the types of design
4 and regulatory standards that have been imposed on power
5 plants are obtaining the goals that they are set for.

6 We are turning up some interesting things along
7 those lines but I wouldn't go into that at this time.

8 The fourth program element that we have is our
9 research program which research looks at the rest of us.
10 They have a committee that looks at the rest of us to see
11 where we are having trouble, where we are having
12 difficulty. If we lack a tool, a technique, a particular
13 methodology. They then find the talent to provide us
14 with this. They write a request for proposal and they
15 evaluate the proposals that are received and select the
16 best qualified parties to perform that particular bit of
17 research and get us the answers. That's our longer term
18 answer-getting organization within the Power Plant Siting
19 Program.

20 Now, I've gone through our over-all program very
21 quickly. We are a small staff. We consist of six pro-
22 fessionals and the majority of our work is performed
23 under contract.

24 I would like at this time to read a short excerpt
25 from the statement that Mr. Zeni had prepared to present

1 to you all.

2 "We conclude that the States should have the respon-
3 sibility for all aspects of environmental assessment of
4 specific sites and power plants, except for some aspects
5 related to radiological health and safety.

6 "Furthermore, in our opinion, the State, not the
7 Applicant, should decide on the significant issues to be
8 addressed at a given site, collect the necessary data,
9 define appropriate alternates and carry out the analyses.
10 On the other hand, it is necessary that the agency given
11 authority over siting have the responsibility for pro-
12 viding adequate energy at reasonable cost as well as for
13 protecting the environment.

14 "If the State is to carry out the studies, then, of
15 course, it must have adequate funding. We look to the
16 Federal government for research into new technology on
17 the basis of reasonable environmental standards, for the
18 regulation of various issues related to radiological health
19 and safety, and for guidance on matters of national energy
20 policy such as the choice of fuel mix between coal, oil,
21 and nuclear fuels.

22 "State agencies are better able than the Federal
23 government or individual utilities to know the accuracy,
24 completeness, and relevance of available data at a given
25 date. Due to their local experience and knowledge about

1 the environmental resources of various regions in the
2 State, the State can quickly establish requirements for
3 additional data that must be collected.

4 "It is familiar with the capabilities of local
5 scientists to collect and interpret the needed data.
6 The local scientists can utilize their knowledge of a
7 region's ecology, meteorology, hydrology, and economy to
8 derive accurate, relevant technical findings and recommen-
9 dations which the State can rely on in its decision-making.
10 Moreover, the close interaction which is possible between
11 local scientists and administrators facilitates respon-
12 sible decision-making. It helps the scientists become
13 conscious of the realities of decision making and of the
14 pressing need for timely and relevant technical input.
15 Conversely, it helps ensure that the actions taken by
16 officials are not based on bureaucratic expedience but
17 are founded in fact. State agencies have the additional
18 advantage that they are constantly in tune with local
19 issues and are better able to anticipate and respond to
20 the concerns of local citizens."

21 This next part I will include also in light of some
22 comments I heard earlier.

23 "Thus far, the Power Plant Siting Program, in its
24 two and a half year history, has been involved in two major
25 decisions involving construction of power plants, Brandon

1 Shores and Dickerson, where its scientific investigations
2 have reduced direct costs substantially. We estimate the
3 direct cost savings to electric customers of more than
4 12 million dollars. The calculations are as follows:

5 "At Brandon Shores, without investigations and
6 calculations of the Power Plant Siting Program, PPSP,
7 construction of the Brandon Shores power plant within the
8 Metropolitan Baltimore area probably would have not been
9 allowed."

10 The regulatory agencies that exist within the State
11 of Maryland, particularly ^{the} Bureau of Air Quality Control,
12 were very opposed-- I'll leave it at that-- very opposed
13 to a fossil fuel power plant being located in the Baltimore
14 Metropolitan area.

15 In this case, the cost of the new site, 375 acres
16 at \$2,000 per acre was \$750,000. The cost of additional
17 transmission lines from the nearest possible site-- this
18 is alternate-- 12-- at 12 miles at \$150,000 per mile was
19 \$1,800,000.

20 The delay in starting construction assuming one year
21 delay at 5 percent inflation on original cost of
22 \$280,000,000 is \$14,500,000. This gives us a total of
23 \$17,050,000.

24 When we subtract from that the cost of the Power
25 Plant Siting program site evaluation work which was

1 \$700,000, the savings was \$16,280,000.

2 Additional savings which might be-- excuse me. I'm
3 sorry.

4 There were additional savings though no dollar
5 estimates were put on these relating to new fuel handling
6 facilities.

7 This Brandon Shores plant was being built adjacent
8 to an existing power plant. They were calling it a new
9 plant for-- that buys them something-- instead of expan-
10 sion of an existing plant, but they would have had to build
11 new fuel handling facilities, would have to provide new
12 road access and general transportation facilities and a
13 new intake structure. They were able to use the existing
14 intake structure on the old ones through a cooling system
15 on the original plant to provide the cooling water for
16 the makeup water-- excuse me-- for the cooling towers on
17 the new plant so they save money by being able to build
18 there and double up on the single intake structure.

19 At Dickerson this is a Potomac Electric Power Site.
20 PEPCO originally planned to build up to 1,000 foot stacks.
21 PEPCO's consultant's reports indicated a likelihood that
22 1,000 foot stacks would be necessary for each new unit.
23 Power Plant Siting Program studies indicated that 850
24 foot stacks would be adequate and that it would be
25 environmentally advisable to use only one new stack for

1 the two new units. Two stacks at 1,000 feet each planned
2 by PEPCO would have cost \$7,200,000; one stack at 850
3 feet for both new units-- in other words, both units are
4 being hooked into a single stack-- would cost \$4,800,000.
5 The savings here is \$2,400,000.

6 Subtract the Power Plant Siting Program's evaluation
7 for the cost of \$750,000 and we have saved the Maryland
8 consumer of electricity, \$1,650,000 on Dickerson.

9 "I have indicated only the Site Evaluation costs
10 of our program. Monitoring and Research support the Site
11 Evaluation and ultimate decisions. Land acquisition
12 should provide opportunities for further savings to
13 electric consumers. Even so, total expenditures for the
14 two and a half years of the Power Plant Siting Program
15 have been \$6,364,745. The direct cost savings in the two
16 decisions to electric consumers are \$17,930,000. Net
17 savings to the electric customers are \$17,930,000. Net
18 savings to electric customers would be \$11,565,255.

19 "However, it must be kept in mind that the Power
20 Plant Siting Program costs of Site Evaluation above,
21 totalling 1.5 million dollars for both sites, would have
22 been expended even if the Power Plant Siting Program did
23 not exist.

24 "The National Environmental Protection Act, the Clean
25 Air Act of 1970, the Water Pollution Control Act

1 Amendments and other environmental legislation would have
2 required the companies to perform such studies, perhaps
3 much more costly since they would have probably used
4 multiple consultants while the Power Plant Siting Program
5 uses the same experienced, dedicated team at each site.
6 The problem of public creditability for company conducted
7 studies notwithstanding, history of recent decisions has
8 each regulatory agency demanding the company conduct
9 investigations oriented solely to its needs. This produces
10 inefficient and ineffective scientific evidence. In the
11 meantime, it would appear that the Power Plant Siting
12 Program's activities have obtained some measure of public
13 acceptance and support.

14 "In the past, linear extrapolation of historical
15 demand trends proved to be a reasonably accurate method
16 of projecting future electricity demand requirements.
17 However, recent changes in key factors which influence
18 electricity demand such as declining birth rates, energy
19 conservation measures, and rising electricity prices
20 could cause historical trends to taper off. Conversely,
21 fossil fuel shortages could increase the future demand
22 for electric power.

23 Three years after its passage, Maryland is still
24 the only state with a program that collects its own data,
25 analyzes its own data, and reaches its own conclusions.

1 Many states have enacted power plant siting legislation
2 but none have succeeded in providing comprehensive
3 responsibilities and resources. Consequently, many
4 states and federal agencies are still holding up the
5 Maryland Power Plant Siting Program as an ideal model."

6 I bring this out because I think the similarities
7 in your law to ours are-- reflect the strong points in
8 our law and I mean to say that as an endorsement of yours.

9 "The Power Plant Siting Program has received much
10 support from Maryland's citizens. In return, it is my
11 view that the Program helps the Maryland citizen to
12 separate factual research data from politics, opportunism
13 and philosophy and to obtain, at least in the area of
14 power plant siting, some restoration of confidence in
15 government.

16 "It may not be possible to know all the complex
17 biological and physical consequences of power plant
18 operations but many Maryland scientists are convinced
19 that the Power Plant Siting Program will come very close
20 to discerning the scientific truths and will help State
21 officials carry out the General Assembly's mandate to
22 safeguard the State's environment while ensuring an
23 adequate supply of electric energy at reasonable cost to
24 Maryland Citizens."

25 That's all that I have.

1 Do you have any questions?

2 MR. ESPOSITO: Before we go into any questions,
3 I'd like a few minutes-- all right. We will continue.

4 Mr. Perkins, what effect has the Power Plant Siting
5 Program had on the operational costs for the electric
6 utilities? You tell me that the program has been existing
7 for two and a half years.

8 MR. PERKINS: Yes.

9 MR. ESPOSITO: There has been-- at a good savings?

10 MR. PERKINS: Yes.

11 MR. ESPOSITO: What effect is there upon the cost of
12 the electricity to the consumers by the institution of
13 this power plant siting program?

14 MR. PERKINS: I'm afraid I can't answer that particu-
15 lar question.

16 MR. ESPOSITO: I think you did mention something
17 where there has been a savings.

18 MR. PERKINS: There has been a savings of 12 million
19 dollars over the situation that would have existed if
20 there was not a power plant siting program.

21 MR. ESPOSITO: I also would like to know what has
22 been the response of the electric companies towards this
23 program?

24 MR. PERKINS: I think we can say that we have a
25 spirit of cooperation with the electric utilities companies.

1 They certainly have been -- my particular area of
2 responsibility with the program now is in site acquisition
3 and the utility companies have been very interested and
4 very helpful in working with us in our site acquisition
5 program. They have also been very cooperative in working
6 with us in site evaluation and our monitoring and research
7 efforts.

8 At one power plant, the utility company has virtually
9 allowed us to turn the power plant into a laboratory for
10 some of our aquatic monitoring work to see the effective
11 temperature and chlorine and discharges. I think we have
12 a very good spirit of cooperation between the companies
13 and our program.

14 MR. ESPOSITO: What has been the response of the
15 consumers in Maryland to this program?

16 MR. PERKINS: I think the consumers are looking to
17 us to provide the objectivity data base. We have worked
18 at the Dickerson hearing. The-- there was a public interest
19 group who represented a local community and they came to
20 us to find out the objective data base upon which they
21 could make some statements that they felt necessary to
22 make.

23 The information that we gather is open to the public
24 and I believe the public recognizes this as a great value
25 of our program that all parties have access to it.

1 MR. ESPOSITO: Also, what has been the response of
2 the Federal government to this program?

3 MR. PERKINS: I think it has been impressive in that
4 they are-- they meaning the Atomic Energy Commission, the
5 Federal Energy Administration, EPA, have been looking
6 at our State for many prototype studies. We have several
7 Federally sponsored programs ongoing in the State of
8 Maryland where we really are more or less running the
9 show and they are providing the money because they are--
10 for lack of a better word-- impressed with the way the
11 program is being managed and the results it's achieving.

12 MR. ESPOSITO: Also, this program entails extensive
13 financing. What has been the response of the prospective
14 investors like the bondholders, the effect on the bond
15 market for electric company projects?

16 MR. PERKINS: I'm afraid I can't answer that question.

17 MR. ESPOSITO: You can't?

18 MR. PERKINS: No. I would like to add one thing to
19 a question I answered before.

20 In addition to all the Federal funding prototype
21 studies, the EPRI, which is Electric Power Research
22 Institute, is also spending a fair size sum of money on
23 one of our research projects at Chalk Point where we are
24 doing a study on use of brackish, non-fresh water in
25 natural draft cooling towers.

1 MR. ESPOSITO: Assemblyman Salkind.

2 MR. SALKIND: Thank you, Mr. Chairman.

3 I appreciate the very fine presentation in this
4 Program. I gather that in your opinion your program is
5 very similar to the Bill sponsored by Assemblyman Kean?

6 MR. PERKINS: I see a great deal of similarity.

7 MR. SALKIND: I wonder if you would provide us with
8 a copy of the Maryland law as it exists today from Maryland?

9 MR. PERKINS: I'd be very happy to do it.

10 MR. SALKIND: The cost that you have cited in here,
11 as I understood your testimony, is that you're authorized
12 to go up to a 3 mil cost, but you're actually at 1.7
13 right now?

14 MR. PERKINS: Right.

15 MR. SALKIND: Assemblyman Kean's figure is also
16 3 mil cost.

17 MR. PERKINS: That's correct.

18 MR. SALKIND: So you figure there would be no problem
19 in that regard based on your own direct experience?

20 MR. PERKINS: That's correct.

21 MR. SALKIND: Thank you very, very much. I have one
22 aside. I'm curious about it. If you-- this is not
23 really pertinent to it but just to understand something.

24 Let's say the Maryland program bought-- I see
25 there's a Bainbridge site referred to here. You buy the

1 Bainbridge site and for one reason or another the power
2 company doesn't want to go into the Bainbridge site and
3 20 years go by-- I'm deliberately making it a large time--
4 and Harve de Grace extends to the west and Belaire
5 extends to the north-- all the communities extend and
6 now the government gives up Bainbridge Naval Training
7 Center and now we have the site that was-- let's say
8 100 acres to be arbitrary, completely surrounded, different
9 kind of environment, the whole thing is changed.

10 And your agency decides, "We should get rid of the
11 site because it's no longer suitable and the conditions
12 have changed so completely that it's no longer"--
13 that's the way I'm structuring this. This is a hypothesis.

14 Do you have a flexibility to dispose of it in any
15 way you want or are you limited to dispose of it to
16 just a power company?

17 MR. PERKINS: It's not spelled out specifically in
18 the law one way or another.

19 I think in the extreme situation which you have
20 described, we would have the flexibility to dispose of
21 it in other means, however, I'm going to have to qualify
22 my answer because you built too strong a case.

23 We are buying all 1261 acres of Bainbridge and will
24 hold all of that property--

25 MR. SALKIND: Okay.

1 MR. PERKINS: The core or the site for the power
2 plant is 550 acres. We will have a fair amount of control
3 over uses to which the surrounding parcel will be put
4 and we have very strong expressions of interest in that
5 site by the utility companies.

6 MR. SALKIND: So you feel you don't need greater
7 flexibility. You have all you need?

8 MR. PERKINS: I believe so.

9 MR. SALKIND: Okay. Thank you very much again.

10 MR. ESPOSITO: Any further questions?

11 Assemblyman Gladstone?

12 MR. GLADSTONE: Thank you, Mr. Chairman. Mr. Perkins,
13 forgive me if I misunderstood you, but I got the impres-
14 sion that the first site you mentioned, something Shores--

15 MR. PERKINS: Brandon Shores.

16 MR. GLADSTONE: --Brandon Shores was a spot next to
17 an existing power plant which would seem to be the spot
18 that the power people themselves picked and you said
19 that you wouldn't have been able to put a fossil plant in
20 there because the environmentalists objected to it because
21 it was part of the Baltimore community.

22 It seems to me the impression I got was that your
23 authorization was merely providing the muscle to put a
24 plant where the people didn't want it.

25 MR. PERKINS: All right. I have misled you, then.

1 First off, when I was discussing Brandon Shores and
2 Dickerson, those are in our utility owned flow chart.
3 In other words, it was a utility identified site and on
4 down the line rather than a state acquired site. I just
5 wanted to clarify that.

6 Brandon Shores was next to Wagner. Wagner was a
7 Baltimore Gas & Electric Company site burning fossil
8 fuel. They decided that they wanted to add additional
9 units in close proximity and decided to call that Brandon
10 Shores Power Plant.

11 I think rather than saying that we provided the
12 utility company with muscle to overthrow regulatory
13 agencies, I'd prefer to say that we provided the objective
14 science and modeling of plume dispersion and that sort of
15 thing to convince the regulatory agency that the power
16 plant could be constructed there without violating air
17 quality standards.

18 We were fortunate in a sense in that there was the
19 Wagner plant next to Brandon Shores because we have a
20 technique for tracking plumes. It is called a Barenger
21 colorimetric photospectrometer and it can tell you what the
22 geometry of a plume coming out of a smokestack is, where
23 it touches down and then you can go and take your
24 maximum ground level measurements so in that way we were
25 able to verify some of the modeling that we had been

1 doing at Wagner and develop a great degree of confidence
2 in our plume predictions-- our plume dispersion capabilities.

3 MR. GLADSTON: Then what you're telling us is that
4 this Brandon Shores was an area that you already designated
5 for power plant-- possible power plant installation and
6 all you were doing is providing technical PR for them?

7 MR. PERKINS: Not PR. We provided a site evaluation
8 as required under our law of that site to make recommen-
9 dations. We have to perform a scientific investigation
10 of each site identified and proposed in the State of
11 Maryland and that's what we did.

12 MR. GLADSTONE: The land that you put in the land
13 bank, is it put to any use or is it just left shallow?

14 MR. PERKINS: The land that's held in the land bank
15 can be put to interim use. Any income that flows from
16 that use-- excuse me-- can be put to an interim use as
17 long as that interim use would not preclude the ultimate
18 and timely development of the site as a power plant and
19 any income that would flow from the interim use would be
20 split between the State and the County in a 75-25 percent
21 proportion.

22 MR. GLADSTONE: Oh, excuse me. You just reminded
23 me of another question.

24 Is there any recompense to the local municipality
25 for the loss of that land?

1 MR. PERKINS: That's a very interesting question
2 and we have had amendments proposed to our law for the
3 last two years where we would pay an amount in lieu of
4 taxes to the local municipalities. We have endorsed that
5 amendment because we thought that was only just. We have
6 had absolutely no local support. Wait until we buy our
7 first site. I think we'll have a lot of local support.

8 MR. ESPOSITO: Assemblyman McCarthy?

9 MR. MC CARTHY: Thank you, Mr. Chairman.

10 Most of my questions were answered and asked through
11 the Assemblyman at the end of the table, but, Mr. Perkins,
12 you stated that you-- you have a potential 3 mil per
13 kilowatt hour levy that you could move to and right now
14 you're at 1.73. This yields a 5.2 million dollar budget
15 for your particular power planning site to the people?

16 MR. PERKINS: That's correct.

17 MR. MC CARTHY: So at the end of a ten-year accumu-
18 lative period you would say you accumulated as much as
19 50 million dollars less the expenses that you would get
20 into?

21 MR. PERKINS: That's assuming we stay at a constant
22 level. Our surcharge can rise and fall and site
23 acquisition--

24 MR. MC CARTHY: According to the criteria?

25 MR. PERKINS: Pardon?

1 MR. MC CARTHY: What would be the criteria?

2 MR. PERKINS: We develop a budget and present our
3 budget to the legislature. Once the legislature whittles
4 at it and finally approves it, a surcharge is then set
5 to meet that budget.

6 Once we reach 1978 and we have built up to our
7 minimum inventory of four sites in the land bank, our
8 land-- excuse me, our site acquisition program becomes
9 self-sustaining.

10 In other words, the funds that flow from selling a
11 site will be reinvested in a replacement site to maintain
12 the minimum inventory of four sites so once we build up,
13 the whole program has been in a period of growth getting
14 up to speed and that sort of thing and once we get to,
15 say 1978, at least as far as site acquisition goes, we
16 will see a tapering off and then leveling out.

17 MR. MC CARTHY: You stated before you have six full-
18 time professional people?

19 MR. PERKINS: Yes, we do.

20 MR. MC CARTHY: Do you hire any other people, say
21 on a payroll basis, not on a consulting basis?

22 MR. PERKINS: Well--

23 MR. MC CARTHY: What would you say your annual
24 budget for maintaining without purchase would be for the--
25 maintaining the site planning act that you have in Maryland?

1 MR. PERKINS: You mean all parts of the power plant
2 siting law exclusive of the site acquisition program?

3 MR. MC CARTHY: That's correct

4 MR. PERKINS: I would say it would be 3.5 million
5 dollars in this fiscal year.

6 MR. MC CARTHY: And you're not purchasing any land?

7 MR. PERKINS: I've already subtracted-- our budget
8 was 5.2 and I subtracted out the site acquisition to give
9 you 3.5.

10 MR. MC CARTHY: You stated before you have a ten-
11 year updating plan which I imagine is analyzed year to
12 year?

13 MR. PERKINS: That's correct. It is updated annually.

14 MR. MC CARTHY: I think a question was asked by Mort
15 before if you held a piece of land for 20 years, wouldn't
16 you in time find from year to year the changing of these
17 areas; that this would be a signal more or less to either
18 activate or to remove this land from your jurisdiction?

19 MR. PERKINS: I'm not a hundred percent certain--
20 you mean if we saw a changing land use--

21 MR. MC CARTHY: I mean would there be any possibility
22 a of/piece of land stagnated for a 20 year period by using
23 the plan approach that you use? This would not be a
24 fairly reasonable situation, then?

25 MR. PERKINS: The possibility exists. The probability

1 is very, very remote because of the degree of contact and
2 rapport that we have with the utility companies in this
3 regard.

4 At Bainbridge, I think there would be a fairly
5 immediate use of the Bainbridge Naval Training Site.
6 The site which is down in Maryland, we have more or less
7 earmarked that for the Potomac Electric Power Company and
8 we have been in fairly good contact with them to keep
9 abreast of their energy demands.

10 MR. MC CARTHY: Let's use a hypothetical situation
11 of one of the areas that you purchased now. Let's say you
12 purchased the area for a million dollars and in 5 years'
13 time this would be used by the utility company and that
14 the aggregate increase of 12 percent per year for real
15 estate values, that value could just as well increase
16 close to 60 percent of what the purchase price that you
17 paid for it this year. Is that right?

18 MR. PERKINS: That's correct and that's our way in
19 site acquisition of staying abreast of inflation. We
20 have to replace that site when we sell it to maintain
21 our minimum inventory of four sites, so if that site is
22 more expensive, the replacement site is also going to be
23 more expensive.

24 MR. MC CARTHY: Yes, but couldn't you be more or
25 less considered in the landholding real estate business

1 in this particular instance?

2 MR. PERKINS: We do have a site bank and if that's--
3 I'm not certain of the connotation of the terms that
4 you're using, but if that is what is meant, yes.

5 MR. MC CARTHY: And you find that you've had no trouble
6 with the possibility of your agency-- well, what word
7 could I use-- by acquiring increased monies or making a
8 profit, so to speak, on the land that you purchased that
9 is now five years in your possession? Would this be
10 considered a natural real estate?

11 MR. PERKINS: We haven't had that-- we haven't faced
12 that as a problem. I think the people in Maryland
13 recognize that this money, if there is a gain in value
14 of the property, and we deal in fair market appraised
15 value. I mean, when we buy it, there are two appraisers
16 who determine the value and when we sell it there are
17 three, one selected by the utility, one selected by
18 ourselves, and one selected by the other two, and if there
19 is any increase in the value of the property, the Mary-
20 landers seem to recognize that that's going to be absorbed
21 when we replace the site.

22 MR. MC CARTHY: I would just like to compliment
23 you, Mr. Perkins. You came well-informed and I really
24 enjoyed your speech.

25 MR. ESPOSITO: Assemblyman Neri?

1 MR. NERI: No questions.

2 MR. ESPOSITO: Assemblyman Rys?

3 MR. RYS: No questions.

4 MR. ESPOSITO: Mr. Perkins, your presentation and
5 your remarks have been very, very impressive and I'd like
6 to add to what Assemblyman Salkind said.

7 We would like to have copies to enable legislation
8 for the ten members of the Committee.

9 MR. PERKINS: Fine, yes.

10 MR. ESPOSITO: Thank you.

11 MR. SALKIND: Mr. Chairman, before we recess, am I
12 correct in the stenographic notes-- Steven informs me
13 that instead of saying 3 mils, we should be saying
14 three-tenths of a mil. It's .0003. That's just a
15 correction.

16 MR. ESPOSITO: Is the representative for the New
17 Jersey Conservation Foundation here?

18 MR. MOORE: Yes.

19 (Brief recess is taken.)

20 (Hearing resumes at 12:00 P.M.)

21 MR. ESPOSITO: We will resume the hearing. After
22 the next witness, we will recess for lunch.

23 The next witness will be David Moore representing
24 the New Jersey Conservation Foundation. David Moore.

25 MR. MOORE: Thank you, Mr. Chairman.

1 I am Executive Director of the New Jersey Conserva-
2 tion Foundation, a non-profit--

3 MR. ESPOSITO: Excuse me, Mr. Moore. Do you have
4 any statements?

5 MR. MOORE: Yes, sir, they have been distributed,
6 Mr. Chairman.

7 MR. ESPOSITO: Yes. I have it here. Thank you.
8 You can proceed.

9 MR. MOORE: The foundation is a non-profit membership
10 organization with offices in Morristown, New Jersey. We
11 operate in three major areas acquiring open space for
12 public purposes, environmental education, and assisting
13 municipal environmental commissions and other conserva-
14 tion groups in a service capacity.

15 I could make one side comment that I, unlike one
16 other member of the audience who disagreed with the loca-
17 tion of this hearing, I might say it was convenient for
18 a good many of us and that we can reach it easily by
19 public transportation.

20 We are pleased to have been requested to provide the
21 statement that follows, in that New Jersey Conservation
22 Foundation has been and continues to be vitally concerned
23 with energy problems especially the interconnected land-
24 use implications of energy production.

25 Assembly Bill 2156 does not seem to offer any

1 improvement over the systems now in force. There are
2 some advantages: Siting, I think, would logically follow
3 planned procedures that would involve an open public
4 planning process; however, the Authority could be competi-
5 tive with existing electric utilities as well as pro-
6 viding assistance to them. It seems to us that we need
7 either an improvement in the systems we have now in terms
8 of establishing an energy policy and implementing research
9 and siting processes, or a complete energy system
10 planned, constructed and operated by the public sector.
11 Authorities, at least in the New Jersey experience, have
12 tended to stifle the open planning process.

13 Obviously, this is an area in which a great deal
14 more study is needed. Members of the utilities this
15 morning brought up some of the problems associated with
16 taxing and finance and I claim no expertise in that
17 economic area. It needs more study although it does seem
18 to be a Federal subsidy of New Jersey's process.

19 Where private and public systems, energy systems,
20 interact, a great deal of noncooperation presently exists
21 throughout the entire country with the difficulty we have
22 in establishing some sort of a power grid throughout the
23 nation.

24 Private power purveyors have done a fairly good job
25 in demanding in the past even though research and

1 advertising have been misdirected, rate schedules have
2 been inimical to the public interest and planning
3 unrealistic. There's no promise of achieving quick
4 relief from those problems by setting up a public
5 authority.

6 We would hope the existing system could be improved
7 through the mechanism offered in Assembly Bill 608. Funds
8 would be available for research and would be committed
9 to that purpose. Public battles over sites could be
10 minimized, and large utility investments in land unsuit-
11 able for sites could be avoided. Siting could not take
12 place unless the energy policy-making and planning took
13 place first.

14 It would appear that the utilities felt that this
15 would be a major decision in cost but it would seem to
16 me that if the public sector took over the front end
17 costs of site location, that that necessarily would be
18 subtracted from their operational costs and hopefully
19 all these savings would be passed on to consumers.

20 We have heard from Mr. Perkins from Maryland on Public
21 siting which indeed served as a model for the New Jersey
22 legislation and I might deviate from the statement at
23 this point because I think the history would be of
24 interest to the Committee.

25 Several years ago the Edison Electric Institute and

1 the Environmental people throughout the country were
2 united at a series of conferences. During one of those
3 sessions Senator Goodman from Maryland proposed the
4 siting process as a solution to the kinds of problems
5 utilities were facing. It would also meet the public
6 demand.

7 At that session and one that followed the following
8 year in Hershey, Pennsylvania, where environmental types
9 and utility people were thrown together, I think we
10 reached a consensus that this system did, in fact, offer
11 advantages to both the open planning process and to the
12 utilities. I was, in fact, surprised to see both
13 utilities this morning objecting to the process.

14 New Jersey Conservation Foundation is not opposed to
15 either measure under consideration. Our position is that
16 changes must be made and made soon to merge state and
17 national energy policy, to assure that intelligent siting
18 policy be implemented which recognizes the land-use
19 implications of locating energy systems, and to insure
20 recognition that energy production systems of all kinds
21 are interrelated and are included in any measure intended
22 to improve what we have now. These systems include
23 organic fuels, both domestic and imported, oil, coal, gas
24 wood and solid waste, as well as nuclear fission, hydro-
25 electric power and solar energy.

1 Mr. Chairman, I agree with the concept that you
2 brought up earlier when Mr. Salkind was introducing his
3 measure. Land use considerations are paramount in the
4 energy production problem we have in the State of New
5 Jersey.

6 Perhaps neither bill offers less expensive energy.
7 I don't know, although economies in public siting
8 processes might well offset the levies for research.
9 Both should be amended to include energy production from
10 all kinds of systems.

11 In line with a question from the Assemblyman at the
12 end of the table, it's obvious that public siting should
13 be included for all major public facilities.

14 Both kinds of systems should recognize that energy
15 production facilities are "development leading" in nature.
16 In other words, construction of a facility means develop-
17 ments of other kinds will necessarily follow. In New
18 Jersey, the experience has been that those that follow
19 are primarily low labor-intensive industries. The land-
20 use implications are clear. Stringent state regulation
21 of development-leading public facilities is absolutely
22 essential.

23 Thank you very much, Mr. Chairman.

24 MR. ESPOSITO: Any questions?

25 Assemblyman Salkind.

1 MR. SALKIND: Mr. Chairman. Thank you very much,
2 Mr. Moore. I'd like to add a paragraph or have you add
3 a paragraph to that that I need to know as you were
4 going on.

5 You got to land use at the end. Are you advocating
6 an over-all land use program?

7 MR. MOORE: Absolutely. What is implied in Assembly-
8 man Kean's bill is that before a siting process could
9 take place one would necessarily have to do the homework
10 to determine what the over-all effects and long-term
11 effects of that siting policy would be. That would
12 necessarily involve some long-range land use planning on
13 the part of the siting agency and an interconnection with
14 other State and local agencies to insure that that process
15 was a complete one.

16 MR. SALKIND: In other words, what you are saying,
17 again to try to reduce it to simplistic terms, is let's
18 say a decision were made in an area of-- I'll use my
19 hundred acre figure again just for ease-- 100 acres should
20 be used as a proposed site. Energy considerations are
21 such and you have-- you're saying then an area should be
22 planned for industry and I don't understand the ability
23 of a municipality to control that decision.

24 I'm not being argumentative. I'm trying to under-
25 stand you.

1 MR. MOORE: Not necessarily for industry but planned
2 for something and if it's possible, of course, those
3 controls that can be placed by virtue of whatever powers
4 State government has on land use around the site should
5 be imposed so that the effects of development around a
6 site are controlled.

7 Mr. Perkins mentioned that they acquired a good deal
8 more land in one of their sites than necessary for the
9 plant itself. This is one means.

10 There is a large variety of techniques that can be
11 used by the public sector to control development around
12 the site. Perhaps less than fee arrangements, easements
13 of some sort, a cooperative agreement with the municipality
14 in terms of land use planning.

15 State control may already be possible, for example,
16 if the plant is located in the Coastal Zone, where
17 CAFRA, Coastal Facilities Planning Act, to help in land
18 use regulation surrounding the site.

19 I think we need more of this. We are really just
20 getting started in these terms.

21 MR. SALKIND: You think it belongs in the State
22 level perhaps as part of this commission or perhaps in an
23 allied field. That's your point?

24 MR. MOORE: Yes.

25 MR. SALKIND: Okay. Thank you very much.

1 MR. ESPOSITO: Mr. Moore, would you feel more con-
2 fident that ecological interests were being protected
3 if the State became involved in power plant selections?

4 MR. MOORE: Yes, because the process as it goes on
5 now is one in which the power company chooses a site that's
6 based for its own individual interests. Then follows a
7 series of reactions. This happens to use up a good deal
8 of time and energy both on the part of the power companies
9 and those members of the public that have not been part
10 of the process at this point.

11 I think the environmental interests can be served
12 as they are being served in Maryland where power needs
13 to be produced or an energy facility needs to be located.

14 If the planning process is an open one, there is a
15 heading off, if you will, of public objections because
16 the scientific expertise is available, the public has
17 been part of the process.

18 MR. ESPOSITO: Any further questions?

19 Gus?

20 MR. RYS: Nothing.

21 MR. ESPOSITO: I thank you, Mr. Moore.

22 MR. MOORE: Thank you, Mr. Chairman.

23 MR. ESPOSITO: We'll recess for lunch and we'll
24 reconvene at 1:00 o'clock.

25 (Luncheon Recess is taken.)

1 (Hearing resumes at 1:16 p.m.)

2 MR. ESPOSITO: We will resume the hearing on Assembly
3 Bills 608 and 2156.

4 Do we have a representative here from Jersey Central
5 Power and Light Company?

6 A VOICE: Mr. Ambler is out of the room at the present
7 time and so maybe you better go on to your next person.

8 MR. ESPOSITO: The next witness will be Bill Beren,
9 League for Conservation Legislation.

10 Bill Beren. Do you have a statement, Bill?

11 MR. BEREN: No. I apologize but I've had a very
12 heavy hearing schedule this week, three hearings in three
13 days, and I just didn't have the time to prepare a written
14 statement. I will try to write it up and distribute it to
15 the members of the Committee sometime next week so you
16 have it in writing.

17 MR. ESPOSITO: Okay. Make sure you give it to
18 Steve Frakt here.

19 MR. BEREN: Yes, I will.

20 MR. ESPOSITO: Thank you.

21 MR. BEREN: My name is Bill Beren, that's B-e-r-e-n.
22 I represent the League for Conservation Legislation.
23 We are a statewide organization. Our purpose is to
24 monitor legislation that goes through the State House
25 through the legislature dealing with environmental

1 legislation-- environmental matters.

2 We are also a co-intervenor with the New Jersey
3 Public Interest Research Group, the Sierra Club and
4 Amalgamated Clothing Workers in the current public Service
5 rate hearings before the Public Utility Commission.

6 Although the role environmentalists have played in
7 causing delays in power plant construction have been
8 grossly exaggerated, there have been a few specific
9 cases which have received a great deal of publicity and
10 and the problem is a very serious one where environmental-
11 ists have clashed with the utility companies over where
12 and how much to put a plant.

13 Two particular cases that come to mind are the
14 Calvert Cliffs case in Maryland which was delayed over
15 two years because the original hearings with the AEC failed
16 to take into account the environmental effects of the
17 bill-- of the plant and the Supreme Court eventually told
18 them to go back and redo the hearings to consider environ-
19 mental matters. This was clearly a case of regulatory
20 oversight and refusal to consider environmental concerns
21 in the original hearing.

22 The other major case that comes to mind is the Storm
23 King case in New York which has been going on for now ten
24 years. My opinion of this is that the fault is with the
25 utility for continuing a plan to build in a place which

1 is obviously-- which has obvious environmental objections.

2 Clearly the writing is on the wall and is clear
3 that citizens are demanding and getting the right to
4 participate in making the decisions that affect their
5 lives. Power plants siting in particular being one of
6 them that citizens are increasingly concerned about.

7 The need is to establish a process to allow the
8 State and the citizens to participate as equals with the
9 utility company to develop a rational and conscientious
10 plan to locate plants throughout the State.

11 We recognize that we all need power. We all use
12 electricity just as we all eat and certainly we are not
13 out to stop the construction or stop the continued pro-
14 duction of electricity, but it has to follow in ways
15 that are environmentally sound.

16 We have read Tom Kean's bill carefully. We agree
17 with its aims and we commend him for having effective
18 citizen participation in every step of the planning process
19 with the exception of one which I'll mention.

20 We feel the bill acknowledges a real problem and
21 effectively works to solve it and we lend our full support
22 to it. We do have a few specific suggestions to make to
23 improve it.

24 One is that the one State office which is not
25 represented on the Commission is the State Energy Office

1 and we feel the State Energy Office has a definite
2 interest in participating in these decisions. The fact
3 that there are ten people on the Commission leaves the
4 possibility of a tie there so, you know, the decision
5 of one more member could have a tie-breaking vote here
6 which, you know, may be important.

7 The one place where the public was excluded from
8 Tom's bill is that there is no provision for public
9 comment on the 15 year cumulative energy facilities
10 impact report. It's these questions of growth curves,
11 conservation ethics and policies, et cetera, that are
12 considered in this report that are not considered in
13 other aspects of the Bill where the citizens have the
14 most effective impact on policy decisions.

15 We hope that the Committee will make this small
16 change to allow public review of the cumulative impact
17 report.

18 One other area we would like to see improved upon
19 is section 17 which requires notice given to the residents
20 in the municipal government of the municipality in which
21 the plant is located.

22 Because the environmental impacts of such a facility
23 extend over a range much larger than the municipality,
24 we would like to see this requirement expanded. That
25 anybody living in any government operating within a

1 30 mile radius of the plant be given notice of the
2 hearings. The 30 mile radius is in line with the
3 Atlantic Energy Commission recommendations that no
4 nuclear power plant be located within 30 miles of a major
5 population center.

6 The question of local part-- of municipal participa-
7 tion in the siting procedures is extremely important
8 also. We urge that as part of the criteria for choosing
9 sites, the Commission look not only to natural environmen-
10 tal conditions, but pay an equal amount of attention to
11 the social environment, sites should be located in areas
12 of compatible use and we suggest that the local planning
13 board be given a more active role than that of just
14 another participant and intervenor in the proceedings.

15 Experience in New York with ~~Urban Development~~
16 Corporation indicates that a lot of unneeded controversy can be
17 generated by a State Energy Agency coming into an area
18 and deciding unilaterally that this is the place to put a
19 power plant or low income housing site or whatever.

20 More active participation with the municipal
21 planning board that's affected can, you know, lead to
22 some developments which make it easier--make the impact
23 on the municipality a bit easier to live with.

24 Also we might give the municipality a chance to
25 plan the immediate surroundings of the plant to make--

1 to make sure that future development does not conflict
2 with the need to put a power plant there.

3 I would like to turn my attention now to the 2150--
4 what's the number?

5 MR. SALKIND: 2156.

6 MR. EISEN: 2156 on the Power Authority Act.

7 We have some problems with it as stated previously
8 with-- by the utility companies. The State has adequate
9 generating facilities now. In fact, Public Service and
10 other utilities are cutting back on their construction
11 plans because they have over-estimated growth.

12 While there is a shortage of fuel, there is no
13 shortage of generating capacity. We questioned the need
14 for another authority particularly one which makes
15 absolutely no reference to public participation.

16 Authorities from the Port Authority to the Turnpike
17 Authority and others have shown total unresponsiveness
18 to the public need and before we allow another authority
19 to go in we can only do so with, you know-- that every
20 condition is met to guarantee adequate public participa-
21 tion, adequate responsiveness to public needs.

22 Authorities for the creation of the bond market owe
23 their allegiance to the bankers, not to the people of the
24 State. We have seen this happen with the Turnpike
25 Authority where the Turnpike Authority has resulted in

1 not a single cent being returned to the State out of their
2 profits.

3 We are particularly puzzled on Section 8C, which
4 authorizes the authority to use their own money to
5 guarantee loans that are made to the public utility
6 company. I'm not a banker, but something here sounds a
7 little fishy. Maybe a bit reminiscent of the Lockheed
8 loans made by the Federal government.

9 Section 7 in the Bill states that the authority
10 shall be the sole judge of need for new power plant
11 capacity in the State. No hearings are required. No
12 outside judgments from DEP, from the energy office, from
13 the P.U.C.; just the authority is the sole source.

14 There is no provision made for independent analysis.
15 Obviously, the authority is just taking figures thrown
16 at them from the utility companies. There is no justifi-
17 cation for putting this much power into the hands of the
18 unpaid members of the authority and we, you know, fully
19 disagree with it.

20 There are larger policy questions which also bother
21 us with the power authority Bill. One of which was
22 answered by Assemblyman Salkind's statements earlier
23 today that he does intend that the State will be the sole
24 builder of power plants within the borders of New Jersey
25 and will, in fact, become the producer of power.

1 Now the role of the State is now that of a regulator.
2 Mr. Salkind would like to put it not just as a regulator
3 but also as producer which means, in effect, that the
4 State is regulating itself. In this regard I think I
5 must, you know, go back to the old Capitalist theory of
6 checks and balances and competition, that it would be
7 wrong for the State to be both a regulator and a
8 regulatee.

9 We have seen with the Atlantic Energy Commission
10 problems that arise with this as they seek to both promote
11 the use of Atlantic Energy and regulate its use.

12 Our economic and policy systems both work very well
13 on the basis of checks and balances and we would like to
14 see this check and balance system between the regulator
15 of the State and the regulatee, the private utilities.

16 If the aim of the Bill is to provide cheap and
17 effective power, then there are better ways of accomplish-
18 ing that goal.

19 As I have indicated in written testimony presented
20 to this Committee on the number of bills on regulating
21 the price of electricity in the State, a more effective
22 source of helping the consumer is to push for a strong
23 system of energy conservation and development of alternate
24 sources of energies which will reduce the need for the
25 capital expenditures in the first place which we feel is

1 a much better way of attacking the problem.

2 We doubt, you know, that by giving a windfall to
3 Wall Street in the form of tax-free bonds that we will
4 see any real trickle-down of this money to the consumer,
5 and you know, there certainly is the tax problem which
6 the utility companies suggested.

7 There is one way which came to mind while the early
8 testimony was going on is when a power authority of this
9 sort can be effective in promoting the goals which we
10 seek. If the State were to establish a power authority
11 whose goal is not to build central, oversized, overcapital-
12 ized power plants but instead, would seek to develop
13 alternate sources of energy such as fuel cells, total
14 energy systems, solar energy, this would be comparable to
15 the rationale for setting up the TVA and the Bonneport
16 Authorities where they were charged with the job of
17 developing power sources which the utilities could not
18 develop for other reasons.

19 I think this is one area that the Committee and
20 Mr. Salkind particularly might like to look at.

21 There is a need to develop these other systems.
22 There is no indication that the utility company because
23 of their large investment in centralized power systems
24 is really pushing for these developments and perhaps
25 the State might like to get involved in this area.

1 That's just one other generalized point I'd like
2 to make with the problem of setting up, of reducing the
3 costs of power in the way that Mr. Salkind proposes and
4 that's the problem of externalizing the cost.

5 The whole problem with pollution control throughout
6 the years is that power companies, polluters in general,
7 have been able to externalize the costs of pollution by
8 letting the society at large pick up the costs of dirty
9 air, dirty water, et cetera.

10 By having the State pick up the costs of capital
11 construction for power plants, we are just repeating
12 this same process of not including in the price that we
13 charge for the products the cost of cleaning up after
14 ourselves and this is of prime concern to us in helping
15 combat pollution and for this reason we don't like the
16 concept of power authority.

17 Those are my statements. I'd be glad to respond to
18 any questions.

19 MR. ESPOSITO: Assemblyman McCarthy, any questions?

20 MR. MC CARTHY: No.

21 MR. ESPOSITO: Assemblyman Neri?

22 MR. NERI: No.

23 MR. ESPOSITO: Assemblyman Gladstone?

24 MR. GLADSTONE: No.

25 MR. ESPOSITO: Assemblyman Salkind?

1 MR. RYS: No.

2 MR. SALKIND: One thing, Mr. Chairman.

3 The last point sort of causes a bit of confusion.
4 You recognize that, for example, in any new plant that
5 was built whether it's electrostatic precipitating or
6 any other type of air correction device, that obviously
7 through other laws in our own internal requirements of the
8 State, that we do not want any air pollution and that
9 these are billed into the capital costs of the project.

10 I might say that the two points that you touched
11 on listed in the form of a question. One in the case of
12 alternate methods of energy generation. Just as it's
13 my intent that the State should be in the power business,
14 it is my philosophical intent that the date of the fossil
15 fuel generation is over and that in the future all plants--
16 this is said more as prediction rather than part of the
17 Bill, all plants will be other than fossil fuels.

18 I think we will see a new source of energy used
19 and the beginning-- it's something that government
20 performs better than private industry because it looks
21 as if it's not economical to perform through the private
22 sector either talking about solar energy or any other
23 type of the new sources.

24 I would point out the other point, I don't accept
25 that there's any question about these being tax-free bonds.

1 I think that the president of the Public Service would
2 have raised the question. It's only going on the basis--
3 that's why I tried to pin him down with the experience
4 with New York and the reason he said 25 percent was
5 because that's the New York experience.

6 Until there's an I.R.S. ruling to the contrary one has
7 to proceed on the basis that these will be tax free
8 just as the other authority bonds are tax-free or tax
9 exempt, I should say.

10 I point out in the case of the public members and
11 so forth the difference between this particular bill
12 in terms of its concept of authority and the others that
13 you cited is that a majority of the Board, five out of
14 nine consists of cabinet officers of the Governor's
15 staff including specifically the head of the P.U.C.
16 and the Commissioner of Environmental protection.

17 The point I'm making, I'm saying that that is, in
18 effect, the Power Authority in any given administration
19 will be responsive and reflect the views of the Governor
20 of the State of New Jersey. That's deliberate. That's
21 not an accident. The reason being that we feel that the
22 Governor of the State of New Jersey, whoever is governor
23 at any given time, best reflects the views of the people.
24 That's why he's the governor.

25 Now, I believe that in the long run we will see the

1 concepts of 608 included in, as I told you on the side
2 earlier, the contents of 2156. We have not structured
3 it that way because I don't want to interfere with the
4 608 at the present time but I think the best interests
5 in the long run of this state are served this way.

6 One question which is off target but I think it's
7 pertinent.

8 I noticed in the testimony of the two utility
9 speakers in the beginning of the day that each one of them
10 by implicit comment asked for a rate increase.

11 Thank you, Mr. Chairman.

12 MR. BEREN: Can I respond to some of the points
13 raised by the Assemblyman?

14 MR. ESPOSITO: What was that?

15 MR. BEREN: Can I respond to some of the points?

16 MR. ESPOSITO: Yes, sure.

17 MR. BEREN: As to the cost of the pollution control
18 devices that you say is included in the capital cost, our
19 interest is seeing that cost reflected in the rate
20 structure so that the users are paying for that cost.
21 Obviously by reducing the capital costs of the power
22 systems you reduce the ability of the cost to be reflected
23 in the rate structure.

24 As to the point of the fossil fuel being over, I
25 would like to bring your attention-- bring to your attention

1 the fact that every projection made by the Federal Power
2 Commission estimates that through the end of the century
3 fossil fuel plants will still be producing. This is new
4 and old plants will still be producing well over half
5 of the power in the country. This is particularly
6 important because both fossil fuel plants and nuclear
7 power plants are fairly inefficient.

8 Nuclear plants being even more inefficient than
9 fossil fuel whereas the other sources of energy that we
10 were talking about, total energy systems, fuel cells,
11 solar, et cetera, have much greater efficiency and the
12 reason why they're not being used right now is because
13 even though they reflect savings over the long run,
14 the capital costs are higher to begin with and it's hard
15 enough to get a mortgage to build right now without putting
16 on the added charges of putting in these advanced fuel
17 systems.

18 Perhaps one of the ways an authority could go is
19 to offer low rate mortgages to builders, to developers,
20 to homeowners that would allow them to install these
21 systems at a low cost, at an initial low cost in addition
22 to the low operating costs they will expect to get over
23 the lifetime of the building. This may be one concept you
24 would like to explore.

25 As to the point that the authorities reflect the

1 concerns of the Governor, I think we have seen that the
2 Port Authority is appointed by governors of two states
3 and does not reflect the needs of the people and the
4 Turnpike Authority is appointed by the Governor and does
5 not reflect the needs of the people and I don't think
6 you can make a case while we have-- we, of course, want
7 the Governor's staff on the Board, we see a very real
8 need for a citizen participation on the Board, too.

9 We see a real need for open hearings and open
10 forums which are not included within the context of this
11 Bill. Perhaps if the Bill were amended, you know, I
12 would be willing to take another look at it and see.

13 MR. SALKIND: Mr. Chairman?

14 MR. ESPOSITO: Yes?

15 MR. SALKIND: On the last point only, Red knows I
16 agree with the last part of his point. I think-- I agree
17 with the concept of openness and although it's not stated
18 implicitly in the Bill, I think our whole legislative
19 session has been directed in that direction and other
20 laws cover the situation as far as I am concerned. I
21 still have hopes of 1030 being voted on, for example.

22 The subject on the appointments, though, I think
23 should not be skimmed over. There is no analogy as far
24 as I'm concerned with the Turnpike Authority, the Highway
25 Authority which is the Garden State Authority that you

1 mentioned.

2 MR. BEREN: Port Authority.

3 MR. SALKIND: Which was the Port Authority in that
4 in each case these are direct appointments usually of
5 citizens for extended terms which hold over administration
6 to administration. You have four citizen appointments
7 here which would be held over, but you have five cabinet
8 members, each one removable at the will of the Governor,
9 each one assigned by the will of the Governor, therefore,
10 what I'm saying on record is that this authority in its
11 concept as the proposal is now written is deliberately
12 structured so that the Governor will have the responsi-
13 bility through his direct appointments and really and
14 truly the Governor of each administration will be the one
15 who will have to take responsibility for the actions of
16 such an authority and not in the fashion of the PA or
17 the two road authorities that you cite. I don't see it
18 as analogous at all.

19 MR. BEREN: Mr. Salkind, I would be happy if you were
20 to adopt the formula that Mr. Kean has adopted for his
21 Commission and your Commission. I think that's an
22 equitable one. It allows for concerned-- it states the
23 type of citizen that's going to be on the Board and that's
24 the type of thing we are looking for in terms of the
25 legislation.

1 Thank you.

2 MR. ESPOSITO: Thank you, Mr. Beren.

3 The representative for Jersey Central Power and
4 Light is the next witness.

5 You may proceed, Dr. Bartnoff.

6 DR. BARTNOFF: Thank you.

7 Thank you for the opportunity to comment on proposed
8 legislation dealing with utility operation in the State
9 of New Jersey.

10 My name is Shepard Bartnoff. I am president of
11 Jersey Central Power & Light Company which is a subsidiary
12 of General Public Utilities Corporation. GPU's other
13 operating subsidiaries are Pennsylvania Electric Company
14 and Metropolitan Edison Company both located in Pennsyl-
15 vania. With me this morning at my left is Mr. Ed Ambler,
16 who is manager of public affairs and consumer relations
17 in our company.

18 Jersey Central Power & Light Company serves over
19 600,000 customers and all or parts of 13 counties in the
20 territory that comprises 43 percent of the land area of
21 the State of New Jersey.

22 The reasons for high utility bills lie beyond the
23 borders of this State. The rates have risen sharply all
24 across the country in the past year and for the same
25 reasons.

1 They are basically: The inflation of material and
2 labor costs, the rapid increases in cost of fuels,
3 primarily oil, required for the production of power, and
4 we can fact similar high increases in coal and tight money
5 which has resulted in a shortage of capital and exceed-
6 ingly high interest rates.

7 We in Jersey Central were successful in selling
8 some bonds last week at an interest rate of 12 and 3/8
9 percent.

10 We commend the sponsors of Assembly Bill No. 2156 for
11 introducing it about a month ago because we believe
12 that legislative consideration of the Bill provides an
13 excellent vehicle for a careful and objective analysis
14 of the problems of providing economic power supply for
15 the residents of New Jersey and a re-appraisal of the
16 best means of meeting those problems. We pledge our
17 cooperation in such an analysis and re-appraisal.

18 At this threshold stage, we suggest that the key
19 step to be taken is to delineate the scope and depth of
20 the analysis to be undertaken and to be sure that it is
21 truly objective and comprehensive.

22 In that context, we have several questions and comments
23 which we bring to your attention.

24 (1) Section 2B of the Bill assumes that there is a
25 present shortage of dependable power supply in the State.

1 That is not correct, as I believe representatives of other
2 major utilities in the State have told you earlier today
3 in these hearings. The present power supply is adequate
4 and it will be for the next several years.

5 What is troublesome is the power supply situation
6 in the 1980's and beyond. The electric utilities of the
7 State have developed the plans, largely completed and
8 detailed engineering studies and designs and, in some
9 cases, spent many millions of dollars on the environmental
10 impact studies, license and permit applications and pre-
11 liminary construction activities for a series of generat-
12 ing units to be completed by the early 1980's. However,
13 their posture is that they are not permitted to charge
14 rates for their present service that is equal to their
15 present total cost including the cost of equity capital
16 of providing such service.

17 (2) The result of the foregoing is that one should
18 not conceive of the creation of an Authority as a means
19 of meeting any present problem or of avoiding the necessity
20 for rate increases for electric utilities that will
21 bring the level of their charges up to that necessary
22 to meet their present costs. Such benefits, if any, that
23 an Authority will provide are benefits to be realized
24 many year hence and will not have any impact on present
25 utility service or rates.

1 (3) There are no engineering or similar benefits
2 even for the long distant future that can be achieved
3 by an Authority that are not already being achieved by
4 the electric utilities in the State. The electric
5 utilities are already building and installing facilities
6 that realize the available economies of scale and, indeed,
7 are doing so on a cooperative basis that includes
8 utilities in neighboring states as evidenced by the
9 jointly-owned base load coal-fired and nuclear generating
10 stations, some of which have been in operation for many
11 years.

12 Fourth point. Such benefits, if any, as can be
13 realized by an Authority are in terms of relief from
14 taxes or in financing costs but so far as State and
15 local taxes are concerned, the Bill reflects a realization
16 that the State and local budgets cannot withstand the
17 loss of the revenues being collected for them through
18 electric utility rates so that the Authority is to
19 provide in Section 16 payments to the State and local
20 political subdivisions equal to those which otherwise
21 would have been paid in the form of taxes.

22 (5) So far as Federal income taxes are concerned,
23 it is an unfortunate fact that the electric utilities
24 of the State, and indeed of the Nation, are today paying
25 very little in the way of Federal income taxes. It is

1 for that reason that the efforts of the Federal government
2 to provide assistance to the industry through additional
3 tax credits are of limited benefit. We hope that this
4 will not continue to be the situation indefinitely, but
5 an analysis of the advantages of an Authority should
6 not lightly assume that there are substantial Federal
7 income tax advantages to be granted. Moreover, one must
8 be concerned as to whether the Federal government can
9 and will permit that proliferation of income tax exemptions
10 for Authorities.

11 A few years ago the Congress restricted the use of
12 industrial revenue bonds and there is today a substantial
13 movement to restrict the use of Authorities even for
14 pollution-control facilities.

15 (6) Section 15 of the Bill provides that the
16 Authority will not use the credit of the State or any
17 political subdivision which means that the Authority
18 financing would be by way of revenue bonds. In turn,
19 this means that the Authority credit would be solely
20 dependent upon the credit of the electric utilities that
21 would purchase the output from the Authority generating
22 units. Logically, the credit of the Authority should,
23 therefore, be no better than that of the electric
24 utilities.

25 Some have assumed that the bonds would qualify as

1 municipal bonds so that that interest thereon would be
2 exempt from United States income taxes which would make
3 them sell on a more favorable basis; however, under
4 present Federal legislation, the Authority bonds would
5 not qualify for that treatment.

6 (7) A detailed study should also be made of the
7 experience of other Authorities. One way to make such a
8 detailed study most meaningful would be to study a
9 specific project. For that purpose, we should be happy
10 to make our data and personnel available.

11 Now a few remarks with respect to Assembly Bill No.
12 608.

13 With the present pressures on the consumer faced
14 with increased prices in almost everything he must buy,
15 we feel that we must continue diligently to provide the
16 consumer with the lowest cost of electric service con-
17 sistent with a reasonable return. Legislation that
18 imposes surcharges or other additional costs, we do not
19 believe, is in the consumer's interest.

20 Furthermore, the research and development programs
21 outlined in this Bill can be more effectively handled
22 at the federal level. If Siting Legislation is to be of
23 value it must provide as a minimum one agency with the
24 over-riding authority to issue and process the necessary
25 permits, some of which are now under the jurisdiction

1 of over-lapping agencies. Simply to add another non-
2 definitive step in the process of approving or acquiring
3 facilities for utilities is not in the best interests
4 of the State.

5 Since both bills being discussed today are far-
6 reaching in their content and consequences, we would
7 appreciate the opportunity to study and review them
8 further in detail with members of the Committee.

9 I appreciate the opportunity to appear today and
10 offer the assistance of myself and members of my staff
11 for such further study and review to mold this legis-
12 lation to provide for the best interests of the consumers
13 of electricity in New Jersey.

14 MR. ESPOSITO: Any questions, Mr. Gladstone?

15 MR. GLADSTONE: No.

16 MR. ESPOSITO: Assemblyman Neri?

17 MR. NERI: No.

18 MR. ESPOSITO: Assemblyman McCarthy?

19 MR. MC CARTHY: No.

20 MR. ESPOSITO: Assemblyman Salkind?

21 MR. SALKIND: Mr. Chairman, first of all I thank
22 Dr. Bartnoff for a very, very excellent presentation. I'm
23 pleased that Jersey Central Power & Light is the only
24 company that didn't ask for a rate increase today.
25 That's what we always like to see.

1 DR. BARTNOFF: Well, Mr. Salkind, indirectly I do
2 believe I mentioned it. It's the only way really.

3 MR. SALKIND: I have my bill-- not 2156 but for the
4 first time in several months, I don't have a complaint.
5 I don't know what happened. They must have made a
6 mistake. It was only \$35 this month, which is about time.

7 DR. BARTNOFF: Well, we hope to do better by you in
8 the future.

9 MR. SALKIND: Mr. Chairman, I would like to ask some
10 questions on the matter of the interest.

11 In your--

12 MR. ESPOSITO: Yes.

13 MR. SALKIND: Mr. Chairman, I wonder if the witness
14 could explain for me why in your paragraph numbered six
15 on Page 4 where it continues where you say you assume--
16 you say "the present Federal legislation would not allow
17 these to be tax-free bonds."

18 I want to know why and will you cite for me why you
19 say that.

20 DR. BARTNOFF: Well, that's the statement that
21 they might be in the same category as municipal bonds.

22 MR. SALKIND: Well, I'm questioning--

23 DR. BARTNOFF: Okay.

24 MR. SALKIND: --on what basis you feel they wouldn't
25 be tax-free.

1 DR. BARTNOFF: All right. The basis I have for that
2 feeling that is that this was reviewed very carefully
3 by our legal staff and they came back to me when I asked
4 them to review this legislation and said their reading
5 of all the pertinent federal legislation on this subject
6 convinces them that they would not be and they did have
7 some quotations of past precedents on this.

8 Not being a lawyer myself, I must rely on the legal
9 staff but if you wish to know what those are, I would
10 be happy to get these precedents, supply them to you or
11 to the Committee,--

12 MR. SALKIND: I'd appreciate that--

13 DR. BARTNOFF: -- and a more thorough description
14 of this opinion.

15 MR. SALKIND: I would appreciate that very much.

16 DR. BARTNOFF: I think it's a good opinion. As I say,
17 I'm not a lawyer so some of these words they use go over
18 my head, but we did have some conversation on this and
19 amongst various of our legal people including the Jersey
20 Central and the counsel for our parent company, General
21 Public Utilities, there seems to be no doubt in their
22 mind but that to make these qualified for tax-free
23 interest to the holder of the bonds would require a
24 change in the present Federal legislation.

25 MR. SALKIND: You are aware that the New York Power

1 Authority is tax-free?

2 DR. BARTNOFF: This was brought up and I believe
3 there are distinct differences between what is proposed
4 here and between that of the New York Power.

5 MR. SALKIND: Can you enumerate the specifics?

6 DR. BARTNOFF: I can't-- I can try to get them for
7 you.

8 MR. SALKIND: All right.

9 Well, our intent, although this particular bill is
10 structured more to the economic development authority for
11 purposes of this question that we are enumerating right
12 now, in terms of the way it is structured, we started
13 out conceptually patterned after the New York Power
14 Authority.

15 As you know, the New York Power Authority has
16 antecedence with the Niagara projects in the 30's and
17 more recently has been expanded into the southern part
18 of the State.

19 DR. BARTNOFF: Yes.

20 MR. SALKIND: But New York definitely qualifies and
21 if New York can qualify there's no reason why New Jersey
22 shouldn't be able to.

23 DR. BARTNOFF: Mr. Salkind, let me try to obtain
24 for you from our legal counsel a-- an expansion of this
25 brief opinion and the reasons for it and submit it to you.

1 I'm sure we may submit to you additional information
2 after the conclusion of this afternoon's hearing?

3 MR. SALKIND: I would appreciate that very much
4 on that.

5 DR. BARTNOFF: We will make sure to do so.

6 MR. SALKIND: Just to pick up the point, I'll go
7 to the next part of it, in the earlier testimony with Mr.
8 Smith of Public Service, he talked about 12 percent bonds.
9 You were talking about 12 and 3/8. He talked about an
10 over-all demand for 8 billion dollars in construction
11 costs. I straightlined it on the basis of 8 percent
12 versus the 12 percent, 8 percent tax-free bonds at the
13 present time. One comes up on a straightline basis with
14 a 6.4 billion dollar saving which would be passed along
15 hopefully to the utilities, to the ultimate customers,
16 which mean the citizens of our State.

17 Now, that's enough reason to try to do this if
18 we can.

19 Now, I wonder in terms of demand, first of all, do
20 you agree with the general 8 billion figure that he cited?

21 DR. BARTNOFF: Well, I am not privy to his books
22 for his company but over a period of some years-- was
23 he talking about a ten or twenty year period?

24 MR. SALKIND: Let me give it to you precisely.

25 DR. BARTNOFF: I have a copy of his testimony. He's

1 speaking about a period for 20 years and for 20--

2 MR. SALKIND: Twenty, yes.

3 DR. BARTNOFF: This seems to be in the right ball-
4 park. It would be consistent with what our plans would
5 call for and if I can comment on this, though, in a more
6 general way, Mr. Salkind.

7 It's obvious to anyone who stops and thinks about
8 it a little bit that a tax-free bond would have an
9 attractiveness for a purchaser that a non-tax-free bond
10 would not and would therefore make available to the seller
11 of that bond a market that otherwise would be untapped.

12 The trepidation we have of embarking on this is the
13 realization that in the final analysis there is no free
14 lunch and if the money that comes to various government
15 agencies from taxable bonds now disappears, that same
16 funding must come to these agencies through a taxation
17 of some other sort.

18 With this limited entirely to a closed portion of
19 the country, the State of New Jersey, then for the citizens
20 of New Jersey there would be no over-all benefit.

21 What we are apparently looking for here is some
22 mechanism to make the citizens of New Jersey profit
23 at the benefit of the rest of the nation.

24 Now, I would submit to you that this might work for
25 a year or two years or three years but as I pointed out

1 elsewhere in my prepared statement, we already have
2 indications that the Federal government, and we are
3 speaking here of the Federal government-- is no longer
4 holding still for this type of maldistribution of its
5 income taxation and if this would work in New Jersey,
6 I'm sure that we would find that very quickly every other
7 state in the union would put in the same type of operation
8 and we'd be right back where we started from.

9 MR. SALKIND: Dr. Bartnoff, I think what you said
10 is on target at least of the first part of what you said.

11 Now, I'm not a financier. I'm a country politician
12 from the western part of the State, but I know there
13 have been years when New Jersey has suffered where all we
14 did was send taxes to Washington. We weren't getting
15 out share in return.

16 I used to tell the story, Mr. Chairman, if you will
17 permit me, of how I drove cross the United States and as
18 I drove across New Jersey I just paid tolls every place
19 I went, toll, toll, toll. I was tolled to death. When
20 I crossed the Delaware River starting with Interstate 80
21 in Pennsylvania until I cut across Interstate 20 and
22 then Interstate 10 completely across the Mississippi
23 and across Texas, all 800 miles cross-section, I didn't
24 pay another toll.

25 Now whether we can argue whether highways are good

1 or bad, I'll leave to my environmental friends for a
2 moment, but I'm making a point about dollars and that is
3 I'm sick and tired seeing Federal dollars taken from
4 New Jersey and not being returned.

5 Now obviously this is a method by which we can get
6 some of the benefit, if you will, of those Federal dollars.
7 It's a windfall if you want to use that word. It's a
8 benefit to the taxpayers of New Jersey, if you will, at
9 the expense of the other States.

10 New York's been getting away with it for a long time.
11 Other States have similar kinds of approaches that have
12 been doing it.

13 What I'm saying is this: I look at Jersey Central
14 Power & Light. H&N's a company that recently unfortunately
15 has had to have some layoffs of people, has had to defer
16 some operating and construction plans which most of us
17 favored, has had to abandon plans for a facility at Union
18 Beach, has had to abandon plans in Morris and Ocean
19 Counties, has had to talk about deferral of various kinds
20 of activity in part because of capital requirements.

21 DR. BARTHOFF: In part.

22 MR. SALKIND: That's right. Now, on that kind of
23 basis it seems to me that the State has an obligation to
24 worry about the citizens served in that territory; indeed,
25 the citizens served by the various companies which make

1 up the total State.

2 Now, I would like to ask you a question on the
3 capacity which you testified on at the beginning.

4 You said that there is adequate supply, adequate
5 capacity I think is the word you used. I wonder what
6 reserve factor during the height of the summer period
7 right now on the basis of the estimates both for the past
8 year and the coming year Jersey Central thinks it has.
9 How much excess reserve do you have right now?

10 DR. BARTNOFF: Well, we are part of a utility
11 complex, P.J.M. Network. That's Pennsylvania, Jersey,
12 Maryland Network, which comprises for use of energy
13 purposes, of electric energy purposes all of the State
14 of New Jersey, about two-thirds of Pennsylvania, all of
15 Maryland, the District of Columbia, parts of Virginia,
16 I believe parts of Delaware; and when we speak of a
17 reserve capacity, what we really need speak of is the
18 reserve capacity of this system and this system, to my
19 recollection off the top of my head, the number is that
20 it's in the order of about 20 percent.

21 MR. SALKIND: Well, if you limit it to Jersey Central
22 Power & Light, I remember testimony received before my
23 local planning board about 18 months ago which indicated
24 entirely a different kind of data that you're referring
25 to and if we could just address just the Jersey Central

1 Power & Light system by itself for just one moment--

2 DR. BARTNOFF: Yes?

3 MR. SALKIND: -- and I don't mean to be putting
4 you on the spot-- I'm trying to make a point. I think you
5 need more capacity.

6 DR. BARTNOFF: Well, you know, right now we don't.
7 This past year, the year before and next year we are
8 confident we will be meeting our summer peak with ample
9 reserve.

10 If you look at Jersey Central alone, that reserve is
11 slimmer than perhaps it is in reality because as I pointed
12 out, we are part of the General Public Utilities System
13 and in this system we have an advantage of diversity.

14 We in New Jersey are a summer peaking company. We
15 have our maximum usage in the hot summer weather.
16 Our sister companies, in General Public Utilities, the
17 two companies in Pennsylvania with whom we are closely
18 intertied have their peaks in the winter. Their maximum
19 usage is in the cold winter season. Therefore, we have
20 the ability to rely upon their excess in the summer when
21 they are not meeting their full peak whereas in the
22 winter they rely to some extent on us, but even within
23 Jersey Central, if we look at the forecasts over the next
24 several years, we are not-- we are not very deficient
25 even under peaking conditions.

1 MR. SALKIND: One last question on that subject.

2 DR. BARTNOFF: Yes?

3 MR. SALKIND: During the summer of 1973 you served
4 all of Monmouth County. I recall in Monmouth we had
5 some brownouts in the area.

6 DR. BARTNOFF: We have some voltage reductions.

7 MR. SALKIND: Yes.

8 DR. BARTNOFF: But we didn't have any areas that
9 were deprived of power because of shortages at any time
10 and in 1973 these voltage reductions that were made in
11 all of Jersey Central Power & Light, not only in Monmouth
12 County, and all of New Jersey, not only Jersey Central,
13 were not because of a scarcity we had but being tied into
14 this bigger system, they called on us for assistance and
15 we look-- we don't look forward to it but it's comforting
16 to know that at times when we might need this assistance
17 because of an unusual lack of capacity in our system
18 that assistance would be forthcoming.

19 MR. SALKIND: You understand what I'm heading towards.
20 I want to know if you had the capital, wouldn't you like
21 to have some new construction? That's really what I'm
22 asking.

23 DR. BARTNOFF: Oh, let me say--

24 MR. SALKIND: From this standpoint. Could you
25 sell it?

1 DR. BARTNOFF: We are talking about the need.

2 MR. SALKIND: Short-range.

3 DR. BARTNOFF: If we had all the capital you gave
4 us we could not alter what is here right now at present
5 because plants take time to build and if we started on
6 major generating stations now it would be several years
7 before they were generating electricity and it's true
8 that if we had all this capital we would be planning on
9 a slightly larger addition to our generating capacity than
10 we are now doing.

11 We have been faced in the past year with the realiza-
12 tion that the rate of growth and the demand for electric
13 energy in our service territory, indeed throughout the
14 State and the nation, has not been as great as it had been
15 in the previous years. Historically up until a year ago,
16 the demand for electric energy in our territory was
17 increasing at the rate of about 10 percent per year.

18 We found in the last year that there was a real
19 increase of less than this, perhaps 3 percent, and we are
20 gearing our construction program to a growth rate of about
21 4 percent for the next many years.

22 MR. SALKIND: Four percent?

23 DR. BARTNOFF: Four percent. We believe that the
24 actual growth will be more but we have flexibility in
25 these plans. We believe that we could meet the requirements

1 of our service territory with this reduced planning
2 provided that we engage in a cooperative effort between
3 the utilities, the information media and the State, the
4 Public Utility Commission, Department of Environmental--
5 Environmental Departments. I'm not going to say not only
6 Commissioner Bardone's but others such as transportation
7 and other departments in the State to manage the load
8 growth in the State, to do two things.

9 Not only to work on conservation which is less
10 usage but to manage the load growth in such a way that
11 the growth that occurs occurs primarily during those
12 periods of the year and even more importantly, during
13 those periods of the day when our full capacity is not
14 now being utilized.

15 MR. SALKIND: In other words, we have to have the
16 people move in only at night at the wintertime.

17 DR. BARTNOFF: It's not that much of a question.
18 Let me give you an example. This is not a trivial thing.

19 Supposing that every one of our customers in Jersey
20 Central Power & Light had one kilowatt of usage that
21 was shifted from the peak hour to a non-peak hour. Let's
22 suppose. Now, what's one kilowatt? That's a housewife
23 doing her ironing. That flat iron takes 1100 watts.

24 Suppose we have every one of our 625,000 customers,
25 residential, commercial, industrial, on the average each

1 day, each and every day, shift this much usage, one flat
2 iron's worth of usage, from the peak period to a non-
3 peak period. That would mean that we could save in
4 capacity, additions, the equivalent of our nuclear power
5 plant at Oyster Creek had is over 600 megawatts.

6 MR. SALKIND: You're president of one of the major
7 companies in this field?

8 DR. BARTNOFF: Yes.

9 MR. SALKIND: Seriously, I'm not kidding around.
10 How are you going to accomplish this worthwhile objective?

11 DR. BARTNOFF: How?

12 MR. SALKIND: Yes.

13 DR. BARTNOFF: Well, there are various ways. One is to
14 to try to convince our consumers that it's in their best
15 interests to do a little bit of this because it is their
16 rates that are going to be affected. The reduction in
17 the requirement for adding new facilities wouldn't mean
18 that the rates decrease. Please don't get me wrong.
19 It will, over-all, but it will mean I think, that with
20 inflation and all of this, the increase will be consid-
21 erably less than it otherwise would.

22 There are also opportunities which we are beginning
23 to plan for investigating. We have talked about them
24 with the Public Utility Commission where we could
25 investigate the effect of some kind of financial inducement,

1 say, to a residential owner of a hot water electrically
2 heating system where we have that hot water heat used
3 at night instead of in the daytime. Only recently we
4 filed a new tariff with the Public Utility Commission which
5 would give that inducement to all of our customers instead
6 of a selected few.

7 There are all kinds of possibilities. Say, in the
8 electrically heated homes, if we could have some kind
9 of heat storage system, a huge underground tank that
10 involves a capital investment that could be returned to
11 the homeowner by a cheaper rate if he heated that water
12 at night instead of in the day to give him the house
13 heating and cooled it in the summertime at night instead
14 of during the day to give him a circulating cold water
15 for air conditioning.

16 There are possibilities, and we intend to, if we
17 could get the go-ahead with the Public Utilities Commission,
18 to take some select sample group of customers, see if
19 giving them some special rate does change their usage.

20 It's apparently not so that the consumer is blind
21 to these things. We saw this when the big demand and
22 request was made of the consumer to cut back on use of
23 energy about a year ago-- it is less than a year ago.
24 We saw that there was a cutback. We think that there
25 can be some response and it doesn't need a big response

1 to show some effect.

2 MR. SALKIND: Mr. Chairman, I thank the gentleman
3 very much for his testimony and I also want to say that
4 I appreciate the fact that Jersey Central in particular
5 has gone out of its way on some of the newer concepts
6 and moved in those technical directions. I'm going to
7 pay the bill and I thank you for the presentation.

8 DR. BARTNOFF: Thank you.

9 MR. ESPOSITO: Any further questions?

10 (No response from the Committee.)

11 MR. ESPOSITO: Thank you, Dr. Bartnoff.

12 Ed Lloyd, representing the New Jersey Public
13 Interest Research Group.

14 (Brief recess is taken.)

15 MR. ESPOSITO: You may proceed, Mr. Lloyd.

16 MR. LLOYD: Thank you, Mr. Chairman. My apologies
17 to the Chairman and Committee. I don't have a typed
18 statement prepared. I'll deliver it to the Committee on
19 Monday if that's all right.

20 My name is Edward Lloyd. I am Staff Attorney for
21 the New Jersey Public Interest Research Group. NJPIRG
22 is a student-funded and student-directed non-profit, non-
23 partisan organization representing 15,000 New Jersey
24 college students. NJPIRG's areas of concern include
25 consumer and environmental protection as well as corporate

1 and governmental accountability.

2 NJPIRG opposes the concept of a power authority
3 embodied in A-2156 because we believe that there is no
4 current shortage of electrical energy in New Jersey and
5 that there are significant alternative opportunities for
6 meeting the reduced demand increases expected in the next
7 decade. These alternatives include the restructure of
8 rates, improved efficiencies in energy use, and a commit-
9 ment to the increased use of solar power.

10 NJPIRG supports A-608 with two proposed changes
11 because we believe that the State should undertake the
12 long-range energy and land use planning embodied in this
13 Bill.

14 The New Jersey Power Authority Act, A-2156, begins
15 in Section 2B with the premise that a shortage in depend-
16 able electric power supply in New Jersey requires assis-
17 tance from this State. This premise cannot be substan-
18 tiated and indeed ignores many factors indicating the
19 contrary.

20 In testimony before the Public Utilities Commission,
21 Public Service Electric and Gas Company, the largest
22 electric utility in New Jersey serving almost 80 percent
23 of the customers in New Jersey, has indicated that it
24 presently has a 30 percent reserve capacity available
25 for electric generation. This is a full 10 percent above

1 the 20 percent reserve capacity required by the PUC. In
2 other testimony before the Board of Public Utility
3 Commissioners, PSE&G has indicated that it has reduced
4 its five-year construction budget from 2.8 billion
5 dollars to 1.9 billion dollars. This reduction took
6 place over the short period of three months. Construction
7 projects have been deferred or cancelled because the
8 rate of growth in the demand for electricity has slowed
9 significantly over the last year causing PSE&G to reduce
10 its projected annual growth figures from 7 percent to
11 2 percent. All of these occurrences indicate a more than
12 adequate electrical energy capacity rather than a
13 shortage.

14 This decline in the rate of growth of electrical
15 demand is not limited to New Jersey but is a national
16 phenomenon. According to Robert S. Waill, Vice President
17 of a New York investment counselling firm, quote:

18 "...It is clear that the long-term uptrend in
19 electrical energy consumption has tilted downward from
20 the traditional seven percent. Growth of about three to
21 four percent is now much more likely."

22 Postponement of previously planned power supply
23 projects seems warranted in light of the moderation in the
24 increasing demand in electricity. Thus one cannot make
25 a case that a postponement of some power plant construction

1 in New Jersey will necessarily lead the State to a
2 shortage of electrical power. Even if new generation
3 facilities are needed for the moderate increases in demand
4 projected for the next ten years, this still does not
5 necessitate the creation of a power authority.

6 There is a substantial body of evidence showing that
7 the potential for conservation of energy in New Jersey
8 and nationwide is substantial; that is, in the range from
9 20 to 50 percent.

10 In late September of this year NJPIRG released a
11 study of commercial and industrial energy use in New
12 Jersey entitled "Abuse of Power", which found that in the
13 commercial sector of New Jersey's economy 95 percent of
14 the buildings surveyed had internal temperatures greater
15 than 68° during the heating season; 75 percent had light-
16 ing levels above government recommended standards and
17 75 percent of the buildings did not have proper ceiling
18 insulation and in the industrial sector, 66 percent of
19 the plants were not recovering heat energy from boiler
20 blowdown or hot engine jacket water, 81 percent of the
21 plants were using old inefficient process unit heaters
22 and 82 percent of the plants were not using highly
23 efficient combined cycle power generation.

24 Thus, the potential for meeting the increases in
25 demand projected in the near future in the State of New

1 Jersey could readily be met by the institution of more
2 efficient and less energy intensive commercial and
3 industrial operations.

4 The findings of the NJPIRG report are borne out on
5 a national scale by the recently released final report
6 of the Energy Policy Project of the Ford Foundation. The
7 report suggests that the growth in energy consumption can
8 be reduced by 50 percent without any harmful impact on
9 the national economy. It further concludes that a strong
10 government commitment to energy conservation could delay
11 new commitments to major energy sources, such as nuclear
12 power, off-shore drilling, development of Western coal
13 and shale, or oil imports for at least ten years.

14 The report concludes that we have ten years to care-
15 fully consider which directions our energy policy should
16 take, which massive energy program we should invest in.
17 New Jersey, too, would be foolish to rush into a program
18 of building power generating facilities when with a
19 program of energy conservation such a decision could be
20 put off until much more thorough research into the
21 alternatives available could be completed.

22 If additional generating facilities are needed in
23 the near future, the existing electric utilities should
24 be the ones to build them. Moreover, these utilities
25 should be able to finance needed power plant construction

1 in New Jersey if they receive adequate and expeditious
2 rate relief.

3 In this time of increasing construction costs, the
4 financial health of the State's utilities must be main-
5 tained so that they will be assured financial access to
6 the equity and bond markets.

7 It is instructive to note the words of Andrew Brimmer,
8 a member of the Federal Reserve Board, in a recent speech
9 entitled "Public Utility Pricing, Debt Financing, and
10 Consumer Welfare". And I quote:

11 "As I weigh the financial situation faced by public
12 utilities, I am personally convinced they are, in fact,
13 confronted by genuine difficulties. At the same time,
14 however, I do not believe these difficulties will lead
15 to a parade of utilities to their respective state legis-
16 latures to seek emergency assistance, as one large company
17 had to do in New York State. Instead, I am personally
18 convinced that a more sympathetic and timely response of
19 regulators to requests for rate adjustments will enable
20 the vast majority of firms to cope with their problems."

21 It should also be noted that President Ford has
22 proposed to change the investment tax credit for utilities
23 which would, if enacted, further bolster the ability of
24 utilities to expand their generating capacity. Ford's
25 proposal would raise from 4 percent to 10 percent the tax

1 credit electric utilities can claim for investment in
2 new facilities. This would leave the utilities with more
3 cash on hand and thereby reduce the need for capital from
4 the bond and equity markets. It would also reduce, if
5 not eliminate, any need for assistance from the State of
6 New Jersey.

7 I would like to note here that President Ford's
8 proposal also includes the payment of money from the
9 Federal Treasury to make up for these credits if they
10 cannot be used as a credit against income and this would
11 touch upon the point that Mr. Bartnoff said, that this
12 would not help if there were no income tax liability.
13 Mr. Ford's proposal says that if there is no liability after
14 three years, the Federal government would actually pay
15 the utilities for this credit so it would be used by the
16 utilities.

17 In addition to its powers of setting the level of
18 earnings to which each of the State's utilities is entitled,
19 the PUC can help manage the electrical capacity supply
20 problem by regulating the rate structures used by the
21 utilities. If the utilities were to adopt marginal cost
22 or peak-load pricing, the beneficial effects would
23 stabilize utility earnings, further moderate the need for
24 expanding generating capacity, and provide electric
25 consumers with a chance to save money by shifting their

1 consumption patterns.

2 This, too, is what Mr. Bartnoff was talking about
3 when he said shifting the use from day into night. NJPIRG
4 along with three other intervenors in the Public Service
5 case proposed a day and night differential as well as a
6 winter-summer differential. We were supported in that
7 proposal by Commissioner Bardine in the State Energy
8 Office and the Economy Policy Counsel in the State.
9 Should such shifting of use occur because of price incen-
10 tives granted to the customers, the utilities would be
11 saved from a need of creating new generating capacity.

12 Charles Sicchetti, a professor of economics from the
13 University of Wisconsin, presented the case for such a
14 structure on behalf of three state agencies who took part
15 in the PSE&G case. He testified as follows:

16 "Economists believe that tariffs should provide
17 signals to electricity users that permit each customer to
18 use his or her discretion concerning the use of electri-
19 city. In their ultimate form such tariffs should allow
20 each customer to be allowed price discounts when costs to
21 the system are lowest and price penalties when system
22 costs are highest. Such a system would balance firm revenues
23 and costs. Moreover, it would contribute to the financial
24 integrity of the utility, stabilize tariffes and increase
25 consumer satisfaction. Such a pricing system is sometimes

1 called marginal cost or incremental cost pricing since it
2 ties prices and therefore incremental revenues to the
3 additional or incremental costs of supply."

4 It should be noted here that the California PUC has
5 initiated a full-blown investigation of the rate
6 structure of electric utilities in that State after a
7 resolution suggesting the same passed the legislature.
8 The Wisconsin Public Service Commission has undertaken a
9 similar study. Peak load pricing will be studied in
10 each of these states.

11 In his previously mentioned speech, Andrew Brimmer
12 also advocated a shift away from current utility pricing
13 practices and towards peak-load pricing. He stated:

14 "I think it would be better to replace the existing
15 system of quantity discount pricing with a structure that
16 puts much more emphasis on peak load rate differentials
17 for both the time of day and the season of the year. In
18 the meantime, we as a society must give careful consider-
19 ation to the way in which we are to allocate our scarce
20 energy resources. Moreover, we should all accept the
21 fact that the growing scarcity will mean higher prices for
22 energy relative to most other items on which consumers
23 can spend their income. In the long run, it is better
24 to permit these increases in real cost to be passed on to
25 final users rather than pretend that we can somehow escape

1 the burden. Only in this way will consumer welfare be
2 truly served in the years ahead."

3 If consumer welfare is the concern to which the power
4 authority act is addressed, there are far better ways
5 to alleviate the pressure of rising electric rates on
6 the poor and especially the elderly. Direct payments to
7 those groups hardest hit by these increases should be
8 considered. The State may wish to pick up a percentage
9 of the electric bill for each of these categories of
10 consumers as it presently does for the bus fare of the
11 elderly. The State might also make low interest loans
12 available to homeowners and businesses in order to install
13 increased insulation to preserve heating and cooling energy
14 losses. Funds should also be made available for the
15 installation of solar collectors for the heating and
16 cooling of buildings as well as for hot water heaters.
17 The State of Indiana has recently given tax incentives
18 to builders and homeowners adopting solar heating and
19 cooling.

20 Right here in Jersey City a project is being carried
21 out under the Federal Department of Housing and Urban
22 Development to incorporate solar energy in a central
23 energy system for a 500 unit housing project. One
24 thousand similar projects are planned nationwide.

25 In Pomona, New Jersey, solar energy is being used

1 to heat a house from 30 to 40 degrees above the tempera-
2 ture outside. A house in Washington, D.C. has been
3 heated and cooled by solar energy for fifteen years.

4 A Massachusetts high school is currently heated by
5 solar power while the Massachusetts Audubon Society will
6 heat and cool their new headquarters with solar power.
7 Federal office buildings in Michigan and New Hampshire
8 will be heated and cooled with solar energy.

9 Solar power is, therefore, an available energy
10 source today and it should be considered as a viable
11 alternative for reducing electric demand in the near
12 future. This approach would loan money directly to home-
13 owners and businesses to help them cut their energy costs.
14 It would directly relieve their financial burden of sky-
15 rocketing energy bills while simultaneously reducing the
16 demand for centralized power generation.

17 I might note here that the money might be better
18 spent for capital investment of homeowners and small
19 businesses rather than central power generation, that
20 here as well as with Nuclear power there's an immense
21 expense in initial investment whereas there are very
22 low operating costs thereafter and the technology for solar
23 power is here. It is not cost competitive right now only
24 because it is not being mass produced and this is where
25 the government might play a very vital role.

1 Another advantage of loans to consumers rather than
2 to the utilities is that it puts the money where it is
3 most needed without sidetracking any of it to wealthy
4 bondholders who would reap substantial gains from the
5 low interest bonds. The Federal Treasury loses almost
6 twice what the State would gain under such a bonding
7 scheme which could only lead to increased federal taxes.
8 In addition, it is not clear that such a bonding scheme
9 would reduce the cost of power to the consumer while
10 direct payments most certainly would.

11 I also want to note here it is my understanding as
12 far as the tax exemption goes that sections 103C of the
13 Internal Revenue Code states that "No public utility can
14 sell tax-exempt bonds if it sells over 25 percent of its
15 yearly kilowatt hour production to investor-owned utilities."

16 New York's Power Authority sells less than 25 percent
17 to investor owned utilities. It sells the other 75
18 percent to publicly-owned utilities, municipalities and
19 directly to customers and that's how it gets around the
20 Federal regulation. So that if we are going to talk about
21 the Power Authority in Jersey we would have to do the same
22 thing.

23 In summation, because there is no current electric
24 energy shortage in New Jersey and because future demands
25 for electric power can be met by far cheaper and more

1 energy efficient means, NJPIRG must oppose the concept of
2 a power authority as presented in A-2156.

3 NJPIRG fully supports the concept embodied in A-608.
4 No matter how limited the future demand for electric
5 power is, there will be a continuing need for new genera-
6 tion sites to replace older facilities and to meet the
7 new demand.

8 A-608 would relieve the utilities from the current
9 delays in site selection and certification and would
10 create a healthy long-range program of land use planning
11 in the State. This legislation would place no fiscal
12 burden on the State for the procedures which it enacts.
13 The costs of these undertakings are properly charged to
14 the utilities and their customers whose electric energy
15 use make such planning necessary.

16 NJPIRG would recommend two changes in A-608 as
17 proposed.

18 The first is the inclusion of the Administrator of
19 the State Energy Office on the Planning Commission. The
20 State Energy Office is the only state agency which deals
21 entirely with energy matters. To leave its administrator
22 out of the planning process envisioned in this bill would
23 seem to be a grievous mistake.

24 Secondly, NJPIRG recommends that the 15-year Cumula-
25 tive Energy Impact Report to be issued by the Commission

1 under section 16 of the Bill be subject to the same public
2 hearing procedures as are proposed for site approval and
3 certification in Section 17 to 23 and 30 to 39, respectively.
4 The projected needs of the State which will be outlined
5 in the Impact Report should be open to public inspection
6 and public participation should be encouraged in the
7 planning of future energy needs. It is no less important
8 that the public take part in this long-range needs
9 planning than in the criteria and selection of sites.

10 Finally, I would like to thank this Committee for
11 giving me the opportunity to appear today and make these
12 comments. I am especially grateful for the very adequate
13 advance notice which was given for this hearing. Unfor-
14 tunately, advance notice for public hearings such as these
15 is too often less than one week, which is totally
16 inadequate for a proper preparation of testimony.

17 Thank you again for your consideration of these
18 views.

19 MR. ESPOSITO: Any questions by the Committee?
20 Assemblyman Gladstone?

21 MR. GLADSTONE: Mr. Lloyd, that first quotation
22 from Mr. Brimmer--

23 MR. LLOYD: Yes?

24 MR. GLADSTONE: The essence I got out of the last
25 sentence seemed to be that the utilities would have no

1 trouble if the P.U.C. would give them the rate increases
2 they asked for when they wanted it.

3 Does that seem--

4 MR. LLOYD: Okay. I think it's-- well-- okay. I
5 think that's what he's saying and we are intervening in
6 the Public Service case and I think a more important
7 consideration than what the amount of the rate increase
8 is, is how is it apportioned among the utility customers.

9 The rate structure that the utilities now use
10 charges less per unit the more electricity you use. It's
11 our contention that these are not cost justified and that--
12 whether you use a hundred kilowatts or 500 kilowatts,
13 the charge per kilowatt hour should be essentially the
14 same because the cost of generation for those kilowatts
15 are essentially the same.

16 MR. GLADSTONE: I would agree with that but it just
17 seems to me that that other statement was not appropriate
18 at this time.

19 MR. LLOYD: Okay.

20 MR. GLADSTONE: Not to our way of thinking.

21 MR. LLOYD: I think the utilities do have to have an
22 adequate return to be able to supply the electricity and
23 I think one of the reasons they haven't been getting an
24 adequate return from our current structure is because
25 as energy uses increase, customers get into these lower

1 brackets and aren't paying the full cost of generation
2 for the electricity they're using, so I think a
3 restructuring in this rate proceeding going on now would
4 solve both problems.

5 MR. GLADSTONE: That would be a little clearer.

6 MR. ESPOSITO: Any further questions?

7 Thank you, Mr. Lloyd.

8 MR. LLOYD: Thank you.

9 MR. SALKIND: Mr. Chairman, on record, for the
10 report on the meeting our staff has asked me to make the
11 point so that everyone knows it.

12 With reference to A-608, that when the Bill was
13 pre-filed for introduction based upon the earlier draft
14 at a previous session, that the State Energy Office did
15 not exist and that's why it's not in the Bill so if the
16 Bill will be moved for favorable consideration at a
17 subsequent meeting, it will be my desire to so amend.

18 MR. ESPOSITO: Mrs. Warren Zapp representing the
19 Hudson County Citizens for Clean Air, the next witness.

20 MRS. ZAPP: Yes, thank you for inviting me. I'm
21 Mrs. Warren Zapp. I'm president of Hudson County Citizens
22 for Clean Air and I live in Jersey City, 242 Stevens
23 Avenue.

24 I've been in touch with the Hudson Environmental
25 Coalition of which our group is a member and in touch

1 with Mrs. Barry Iseler of New Jersey Citizens for Clean
2 Air. Unfortunately I have not-- I don't know if there
3 was a mailing list to notify people of the hearing but
4 I was-- I would like to be added on to a mailing list to
5 be notified of all future hearings because we are vitally
6 interested in this and I accidentally just spoke to Dave
7 Moore last evening and he mentioned, "Are you coming to
8 the hearing?" and so I'm sorry if I don't have a prepared
9 statement that I can just distribute but I would be happy
10 to type it up and give it to you by Monday and I'm sure
11 that the Hudson Environmental Coalition would also like
12 to-- also, you know, send a statement in.

13 Will your records be open for a number of days
14 after this?

15 MR. ESPOSITO: Yes.

16 MRS. ZAPP: Okay.

17 Well, first of all, I would like to read something
18 which I think is quite important.

19 We in Hudson County, in Hudson County Citizens for
20 Clean Air, have a very, very fine reputation. We've
21 never had an industry move out of town because of our
22 intercession in asking the industry to shore up their air
23 pollution equipment. We work hand in hand with the
24 industries to encourage them to be a good neighbor and to
25 install air pollution equipment and to still maintain the

1 area of employing our local people so I think that-- I
2 want to state this at the very beginning to let you know
3 exactly what Hudson County Citizens for Clean Air stands
4 for.

5 There was one interesting side remark from the
6 Environmental Quality-- the fourth annual report of the
7 Council of Environmental Quality which was issued
8 September, 1973 and there was one little section that I
9 thought was very interesting.

10 After detailed studies it was sited "that the delays
11 in power plant construction particularly nuclear plants,
12 have also been caused by a wide variety of factors.
13 Contrary to many public statements, court actions by
14 environmentalists are not the major contributor. Informa-
15 tion available to the Council indicates that delays are
16 primarily caused by non-environmental factors, such as
17 strikes, defective equipment, late deliveries of equipment."

18 Now, the data I submitted to the Council of Environ-
19 mental Quality by the Atomic Energy Commission in March,
20 1973 confirmed that the National Environmental Policy
21 Act, environmental review process, is not the major
22 factor controlling the start of a nuclear plant's
23 operation.

24 So, this to me shows exactly what environmental
25 groups can do and what they do not do so I thought I

1 wanted to read this into the record.

2 As I mentioned before, we are very, very happy to
3 be here to be able to testify and if public interest
4 is the criterion, then time also is exactly the word
5 to use in describing this hearing on the safe and sound
6 environmental-- environmental issues on this, the siting
7 of our power plants in New Jersey and the need to estab-
8 lish a State Planning Commission to approve and acquire
9 the sites in an orderly manner.

10 One would have to be totally cut off from civiliza-
11 tion these days or both blind and deaf not to be fully
12 aware of the public's concern with the environment.
13 There's hardly a day in the week or an hour in the day
14 when one does not see a newspaper article or hear a radio
15 program or view a television show in which pollution of
16 some kind is not mentioned.

17 We believe strongly that legislation is necessary
18 to establish the proper framework for a coordinated
19 planning effort. A provision for participation by state
20 planning agencies such as this-- as proposed in 608, is
21 vital. A requirement that the utility give appropriate
22 consideration to all comments received on its proposed
23 plans and justify its rejections of any of them is a must,
24 a requirement that detailed plans for a facility be
25 appropriately published in the public media especially

1 in the local newspapers and all publications.

2 I would even go further than just to say a 30 mile
3 radius. I would say a hundred mile radius. I've gone
4 to the Trenton Library to have an environmental comment
5 on a siting of a refinery all the way down on the Jersey
6 shore because I believe that the environment is a regional
7 concern so I was going to be willing to add my comments
8 on something that I think will effect even Hudson County,
9 even though it's far away as the shore and that's why I
10 think that the publication of the siting of plants or the
11 projections of sites for any plants in the future must
12 be publically advertised and available in the local
13 libraries, any environmental impact studies that are made
14 on these plants.

15 There should be a reasonable time period before
16 approval by any state agencies to acquaint the public
17 and all interested parties. A period of two or three
18 years would be preferable before any construction to
19 allow the project to be viewed by the public and all
20 interested persons.

21 I know you're smiling but I think it really-- in
22 order to study these things, it certainly takes a long
23 time to evaluate any environmental effects and I think
24 this would be a safe period.

25 I know maybe everyone wouldn't agree with me, but

1 I would say this is a safe period.

2 The approach should prove a useful technique for
3 getting all interested parties together in identifying
4 problem areas in a timely fashion. This would weed out
5 bad environmental siting and would avoid delays during
6 future administrations and licensing processes.

7 Now, I wanted to cite something that I thought was
8 so important. I know when a company has to do an
9 environmental impact study, when they have to get
10 consultants, engineering, architectural studies, and
11 they're spending all of this money on a site when they
12 really began-- they know deep down in their heart that
13 they really cannot possible build it, for instance, in a
14 very, very congested area, then, of course, when they
15 find out later on it's dropped, this price, the cost of
16 all of these extensive, expensive studies have to be
17 absorbed by the public and that's why I feel the review
18 of any siting beforehand, before it gets to a local level
19 is so imperative in this case.

20 Now, I wanted to cite in that-- California has estab-
21 lished a State Power Plant Siting Committee with respon-
22 sibility to facilitate the various approvals needed to
23 construct a power plant.

24 Now, this Committee consists of representatives of
25 the Department of Conservation, Fish & Game, Harbors and

1 Watercraft, Parks & Recreation, Public Health and Water
2 Resources, The State Lands Division, the State Air
3 Resources and Water Resources Control Boards and the
4 Regional Water Quality Control Board in whose jurisdic-
5 tion the proposed site lies.

6 Now, the function of the Committee is to review plans
7 for new power plant sites and the addition of new units
8 to existing sites either nuclear or fossil fueled taking
9 into consideration such items as the marine environmental
10 survey, site recreation development, intake and discharge,
11 designs and the locations of switchyards and transmission
12 lines and I understand from our environmental contacts in
13 California that this siting committee has been working
14 very effectively out there and it might be good to
15 exactly find out how they are operating.

16 I was talking to the gentleman from Maryland who
17 brought an excellent report to the group this morning on
18 the Maryland Siting Committee, but I think that Assembly-
19 man Kean's Bill, the makeup of 608's Committee has much
20 improved upon the Maryland concept because I asked him
21 exactly who was on his siting committee and I believe
22 that the makeup of this committee as outlined in this
23 Bill is a much better one.

24 Now, I wanted to comment on 608. There are areas
25 that I believe should be emphasized.

1 Assemblyman Kean, as he outlined on the first page,
2 that in order to avoid unnecessary delays in the construc-
3 tion and operation of needed bulk power supply facilities,
4 that a full and timely analysis of environmental conse-
5 quences at the earliest possible opportunity should be
6 made.

7 Now, this is very important. When there are land use
8 decisions that have to be made, it's very, very important
9 to have an analysis of any environmental consequences
10 at that time before any land use decisions are being made.

11 Now, on Page 3 the establishment of the Board. I
12 also would like to add that we are hoping that the State
13 Energy Office will be represented on the Board and I
14 realize at the time the Bill was printed that there wasn't
15 any, but I hope that we can take this into consideration.

16 On Page 5 this is a very, very important section
17 where the Commissioner is authorized to direct either
18 directly or by way of contract, grant or other arrange-
19 ment a continuing research program concerning the environ-
20 mental, social, economic and technical aspects of bulk
21 power supply facilities. This is very, very important.

22 If all we are looking for is siting, then this
23 committee will be useless. We must put money into research.
24 We have to look into all of the new techniques, whether
25 it be the conversion of garbage into power or solar energy

1 and so on. We must think of the future. If we are only
2 content to be so shortsighted that we are only thinking
3 of today, then we are going to really miss the boat with
4 the new generation who are going to expect a cleaner way
5 of producing power.

6 So I think that on Page 5 that 14th item is a very,
7 very important one and I'm glad to see that was considered.

8 With the publication of any notices, on Page 7, I
9 mentioned about the publication of any hearing notices.
10 I think this is most important.

11 On Page 8, this is one of the things I wanted to
12 speak about, the disapproval of a site because the
13 construction of any bulk power supply facility on the site
14 would unduly impair the environmental values. The site
15 may not be resubmitted for approval as a site unless
16 there is clear evidence of changed conditions.

17 In other words, resubmitting a site just for the
18 sake of hoping that maybe in an interval that someone has
19 changed his mind when there aren't any new incentives or
20 any new material that will be submitted would be a waste
21 of the commission's time and I'm very happy that this
22 has been added.

23 As I mentioned again, the notification on Page 11.
24 Each application shall also be accompanied by proof
25 that public notice thereof was given to persons residing

1 in the municipalities entitled to receive such notice by
2 the publication of a summary of the application and the
3 data on or about which it's to be filed in such newspapers
4 as will serve substantially to inform such persons of the
5 application and I hope it's in big enough print so that
6 the-- someone doesn't have to take one of those magnifying
7 glasses to see it.

8 I would like to hope that the openness of any type
9 of public hearing notice will be large enough so that
10 someone who has impaired vision will not have difficulty
11 in finding the notice.

12 On Page 12, of course, it's very, very important,
13 the environmental impact of proposed facilities and all
14 of the other steps going down A, B, C, D, E, and F,
15 that have been cited and the-- on top of Page 13 up to
16 Paragraph 31, that's very important.

17 At the end of the statement Mr. Kean establishes
18 here that there is an inherent conflict between the
19 increasing demand for more electric power generating
20 facilities and the increasing concern or preservation of
21 environmental values in the State. We wholeheartedly
22 agree with this.

23 Now, as far as Assembly Bill No. 2156, we feel that
24 the Bill should be shored up to allow more citizen
25 participation and more emphasis on research into alternate

1 ways to produce the power and we are glad to hear that
2 the sponsor has this at heart. I was happy to hear that
3 you are interested in research and I think you should put
4 it in the Bill, too, so that we are all aware of this.

5 Now, as far as the makeup of the Board, I would like
6 to add that I would hope in order to have a healthy
7 balance in the makeup of this committee, that there would
8 be two members that would be from organized environmental
9 organizations within the State. I think this would be
10 an asset to any committee that was going to look into any
11 type of power plants, whether it is funding, siting or any-
12 thing. I think that you need the expertise of established
13 environmentalists and I would hope that this would be
14 added in-- when the final bill is drawn up for submittal
15 to the Assembly and Senate.

16 I think other than that, we are not opposed to 2156.
17 We are not opposed to Assembly Bill No. 608. We endorse
18 it with the mention of the facts that I've presented to
19 you today and that/^ahearing such as this followed by
20 significant and cooperative action on the part of your
21 Committee will go a long way toward dealing with the
22 future environmental concerns of the public and I know
23 this is whose heart we really have in mind today. They
24 can't be present here. Some of the people have to work.
25 Some of the people are home taking care of their children

1 and I know that we all are interested in their welfare
2 and I thank you very much for the time that you've given
3 me today.

4 MR. ESPOSITO: Thank you, Mrs. Zapp, for your
5 testimony.

6 Mr. Henry Müller, Citizen of Weehawken, New Jersey.

7 MR. MÜLLER: Folks, I listened to this here talk
8 on environment. I think I was the first Environmental
9 Commissioner in Hudson County in 1952 and then later on
10 Old Man Kenny called me up and he said, "Muller, how would
11 you like to be the Environmental Commissioner of the
12 County?"

13 I says, "Sure." I says, "What do you want me to
14 be there, Chief?" He says, "Well, you know your business--"

15 MR. ESPOSITO: Mr. Müller, would you please be
16 seated and be more comfortable?

17 MR. MULLER: I can stand up. It's all right.

18 I said, "What do you want to put me there for, Chief?"
19 He says, "Well, Muller, you know the business and you
20 don't get fresh to people," meaning you don't chase them
21 out of town.

22 When the smoke-- when a chimney was smoking I didn't
23 run and say "Hey, you're in violation of Section 444,
24 \$500 fine and we're going to shut you down." I used to go
25 and say "Mr. Smith, the neighborhood is hollering about

1 smoke coming out. Let's see what's the matter", and
2 about five or ten minutes I'd go in and make a few changes
3 and I made a friend for the people who appointed me.

4 MR. ESPOSITO: Mr. Muller--

5 MR. MULLER: Yes.

6 MR. ESPOSITO: Would you please stick to the bills
7 No. 2156--

8 MR. MULLER: You're talking about electricity and
9 so forth and it all runs into the same thing.

10 MR. ESPOSITO: We have a very, very busy Committee
11 here. We have other commitments and we don't want to
12 listen to stories.

13 MR. MULLER: Well, to listen to stories is about
14 the price of this here business. When the price of the
15 utilities went up, the cost-- they want more monies
16 because you forced them to use oil instead of coal.
17 That's what you did. You got much coal in here in this
18 country.

19 The Arabs have oil but because of the environmentalists
20 they said it hurts a little bit and now you got-- you've
21 got to use oil.

22 One of your Assemblemen here, Chris Jackman, says,
23 "What's the use of having clean air when you have a clean
24 belly and nothing to eat?", because this business-- that's
25 what he said. So I'm not reading from books-- and he was

1 right, too.

2 I think this little sulfur business, if I asked
3 you fellows, Mr. Salkind, what percentage of a gallon of
4 oil would be high sulfur oil, what percentage would--

5 MR. ESPOSITO: Mr. Muller, I think Mr. Salkind will
6 ask the questions.

7 MR. MULLER: All right.

8 Well, they all say 10, 15 or 20 percent. 2 percent.

9 Now, I've lived in this country since 1896. I'm
10 not a carpetbagger around here and I never was on any-
11 body's payroll, excepting during the First World War
12 when I got a job with the submarine boat company. I was
13 a full-fledged electrician when I was 18 years and I laid
14 out all their electric work for the three ships of the
15 submarine boat company so I know-- I must know something
16 about this electrical business.

17 Then I studied electrical engineering and I never
18 worked at it because I couldn't work that cheap. We were
19 making money on the other thing.

20 Now, I got a few items down here to make you laugh
21 or not.

22 Use oil instead of coal which costs the people of
23 this State maybe 150 million dollars a year for that
24 little caper. You're short of oil because you forced
25 the big utilities to use it all over the country. Go

1 back to coal and you'll have no shortage of oil.

2 I used to be president of the Oil Industry in this
3 State. I used to run the largest fuel company and I owned
4 an oil refinery one time. No matter how dopey you are,
5 you have to learn something in that time and I've lived
6 a long time and I had a very active life and I have a
7 half-way decent reputation with the oil companies.

8 Now, I can cut this oil business short and all I
9 can say is that putting up a-- that, a State controlled
10 and owned electric power plant is the same as saying that
11 no matter what the State engages in, you and I as individuals
12 can do it better, quicker and cheaper.

13 I do not believe in public ownership and I ask you
14 fellows who are in the State Legislature to mind your
15 own business. Don't monkey around with the businessman.
16 He's done a good job. Stick to making laws. We need a
17 whole lot of changes in New Jersey here. That's what you
18 should do; not to stick your nose in a man's business.

19 I'll wind up by saying that government is best
20 which governs least. Gentlemen, mind your own business.

21 MR. ESPOSITO: Thank you.

22 MR. MULLER: Fellows, I'm not mad at you.

23 MR. ESPOSITO: No, no. We enjoyed you.

24 MR. MULLER: Thank you. I'm going to go home now.

25 My wife will raise hell with me.

1 MR. ESPOSITO: The last witness is Miss Grace Edge,
2 180 Ege Avenue, Jersey City.

3 MISS EDGE: Thank you, gentlemen, for this oppor-
4 tunity to speak at the very end when I know you're tired
5 and this is extemporaneous and I'll be as brief as possible.

6 I-- most of what I wanted to say has been said so
7 I'll spare you the repetition.

8 I have a few comments that I hope you'll find
9 pertinent.

10 Just as a private citizen, anything I say is my own
11 opinion so far as Bill No. 2156 is concerned and with all
12 due respect to its sponsor who is here present, I dis-
13 agree and I disagree absolutely with having another
14 independent public agency set up. I have been distressed
15 by the proliferation of such agencies in recent years
16 and I do feel as a previous witness has stated in
17 perhaps slightly different words that the allocating of
18 power to agencies like that by legislators is depriving
19 the citizenry of the direct representation to which they
20 are entitled so-- now, this is-- has nothing to do with
21 this particular bill except insofar as this Bill fits
22 into my previously deduced opinion.

23 Beyond that, I am entirely in favor of the philosophy
24 as well as the mechanisms set forth in Bill 608. Again,
25 I am entirely on the side of the conservationists'

1 opinions expressed here previously so once more I'll try
2 to spare you a few comments of my own but I will go further.

3 Perhaps with a temerity that I know that, again as
4 a private citizen but with an increasing number of the
5 citizenry of the U.S. behind me, that there should be
6 an absolute moratorium on the construction of all nuclear
7 power plants until such time as the safety factors are
8 taken care of.

9 Again, trying to spare detail, I will say this:
10 That the way the waste of the nuclear plants is disposed
11 of is not solving the problem at all. It's passing the
12 problem to future generations. Those cases of lead or
13 whatever that are dropped into the ocean are just time
14 bombs for future generations to have to contend with and
15 I think that that is entirely immoral and I'm sorry that
16 the utilities have already put millions of dollars into
17 planning new plants, but they have also put millions
18 and millions of dollars into saturation advertising in a
19 public relation effort to sell this nuclear idea to the
20 public supposedly as something safe.

21 Now, I suggest by way of trying to be constructive
22 that with all this much vaunted American technology and
23 today's subject, the technology of the public utilities,
24 let them concentrate on research to make nuclear waste
25 harmless and unless and until they can achieve that goal,

1 I feel that there should be no more construction of
2 nuclear power plants and beyond that, of course, we know
3 that Congress has now finally and at long last given its
4 blessing to research into solar energy.

5 One of the previous witnesses has already said that
6 the technology is here. Perhaps it needs improvement but
7 now that Congress has authorized money for research in
8 solar energy, if the concentration were put upon develop-
9 ment of that as an alternate source within very few years
10 just as Atomic energy was developed during World War II
11 because it had a concentration of effort, solar energy
12 could be developed and in the long run quite possibly
13 prove much more economical as a source of energy.

14 And let us hope much more safe than any of the nuclear
15 power plants.

16 Thank you from a private citizen.

17 MR. ESPOSITO: Thank you.

18 MR. RYS: Thank you.

19 MR. ESPOSITO: Ladies and gentlemen, I want to thank
20 all those who participated in the conduct of this hearing
21 and I assure you that your testimony will be made part
22 of the record of the hearing. I also would like to announce
23 tonight that we might have another hearing in the near
24 future on Bills A-608 and A-2156.

25 Thank you.

(End of Hearing.)

C E R T I F I C A T E

I, PATRICIA RAGUSA-WHALEN, a Certified Shorthand Reporter and Notary Public of the State of New Jersey, hereby certify that the foregoing is a true and accurate transcript of the proceedings as taken stenographically by me at the time, place and date hereinbefore set forth.

Patricia Ragusa-Whalen
A Notary Public of New Jersey

FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

15 November 1974

Mr. Steven B. Frakt
Research Associate
Assembly Transportation and Communications
Committee
Legislative Services Agency
State House
Trenton, New Jersey 08625

Dear Mr. Frakt:

This is in response to your letter of October 21, 1974, and pursuant to our telephone conversation wherein you requested comments on New Jersey's proposed legislation regarding Energy Facilities Planning (A-608) and the New Jersey Power Act (A-2156). The Federal Energy Administration welcomes this opportunity to comment on legislation which has as its purpose providing adequate and reliable electric power and eliminating the problems of power plant siting. Energy facility siting is an area of great concern in our nation's efforts to meet its energy needs in an environmentally acceptable manner.

The FEA supports state legislation which aids in energy facility siting. The siting problem has proven a deterrent to expansion of U.S. energy industries. Difficulties in obtaining sites for not only electric facilities but also various other types of energy facilities are one reason for the industry's failure to keep pace with energy demand.

The proposed New Jersey legislation entitled "Energy Facilities Planning Act of 1974" addresses directly the problem of siting bulk power supply facilities to satisfy the State's need for a reliable electric power supply. The bill has many similarities to the Maryland law which establishes a Commission to evaluate and purchase sites for future construction of electric generating plants. The major stumbling block Maryland has encountered is the financing mechanism; funds are not being generated fast enough to purchase the necessary sites. New Jersey might avoid this problem if its Energy Commission received an initial appropriation suffi-

cient for site purchases prior to accumulation in the Trust Fund of enough capital to purchase the necessary sites.

The Maryland Commission contracts with independent firms for a detailed site evaluation; the use of independent consultants, which represent neither government nor private industry interests, avoids the possible charge of bias in site evaluation. The cost of each evaluation is about one million dollars. The New Jersey bill does not appear to contemplate such extensive site evaluation. If experience in administering the program should reveal the necessity for extensive site evaluation, no mechanism is available in the procedures outlined to implement or finance such a study.

It is suggested that the applicant for site certification be required to pay a fee for certification. The fee should not be so high as to create a financial disincentive but should be high enough to discourage spurious applications. Since site evaluation is costly, the application fee could certainly be applied toward such expense.

The public hearing provisions in proposed bill A-608 are very carefully planned and should satisfy even severe critics. The planning procedures are quite comprehensive and should result in adequate, long-term demand projections.

One area which might cause problems in the future is the eminent domain aspect. The bill provides that the power of eminent domain be delegated to the Commission but makes no provision for the timeliness of the taking. For example, after the first public hearing (Sec. 23, A-608) the Commission is required to issue a finding as to site suitability. If the finding is issued pursuant to Sec. 23 (a) or (b), i.e., preliminary approval or preliminary conditional approval, such finding might well amount to a "taking" within the meaning of eminent domain, for which compensation must be paid.

Section 24 may well be valid in New Jersey according to its laws, but careful consideration should be given to the effect of Sections 23 and 24 when implemented together. Sec. 24 provides that the Commission shall purchase sites contained in the site inventory, which means sites already approved by the procedures outlined in Sec. 23 and preceding sections. If the certification procedure which places sites in the inventory restricts the property owner from using his property in the normal course of business, he would in all likelihood be entitled to compensation. Few, if any, courts would require a property owner to maintain indefinitely property for use as a utility site. Also, it would be much easier to judiciously decide the "fair market value" within a short time after

site suitability is determined. If a site is to "sit" in an inventory for 10 years prior to compensation being made, the legal problems in determining "fair market value" could be extensive.

To avoid confusion, it is suggested that the word "person" be included in the definition section (Sec. 3). This becomes especially important in the penalty clause (Sec. 44) where confusion could result. It is also recommended that a "savings" clause be added. In the event that a portion of the bill is held invalid, the entire program will not fail.

Another possible consideration would be a provision to appoint an attorney to represent the public interest. It is noted that in the public hearings provision (Sec. 23), the right of cross-examination is afforded. Also, the Commission can establish the procedures for the hearings. In the event that such procedures and cross-examinations are beyond the scope of expertise of most ordinary citizens, it might prove politic to provide an attorney to represent the citizenry. Washington State, in its Thermal Power Plant Act, provides counsel from its Attorney General's office. His specific duty is to "represent the public and its interest in protecting the quality of the environment for the duration of the certification proceedings", (See the Revised Code of Washington Sec. 80.50.080).

Another suggestion relates to Sec. 23 wherein the Commission is required within sixty days of the public hearings to publish an environmental evaluation of the site and issue a finding as to the suitability of the site. Although it is recognized that strict adherence to time schedules in site certification is desirable and that the findings should be published within a reasonable period, sixty days would seem exceedingly brief for preparing an environmental statement and findings. If the information obtained in the public hearings is to be included in an extensive site evaluation and environmental statement, more time would be necessary to properly compile the information. Perhaps one hundred-twenty days would be a more appropriate time limitation.

Proposed bill A-2156, creating the New Jersey Power Authority, addresses a different aspect of the energy problem. It authorizes the issuance of bonds and other obligations for the purpose of acquisition, financing, construction, expansion, improvement, operation, sale and lease of electric power supply facility projects. The bill deals primarily with financing mechanisms; it could well provide a more sound capital base for meeting the financial requirements of the public utilities.

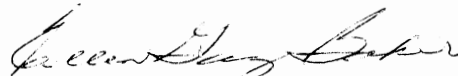
However, adequate consideration has not been given to the actual siting features. Section 7 states that prior to commitment, the authority shall... "duly... determine..., on the basis of all information reasonably available... that such facility is essential for the maintenance of a reliable and adequate electric power supply." In other words, the basic criteria for determination is need. Environmental considerations are not mentioned, nor are site evaluation, comprehensive land use planning, public hearings, and many other salient factors in the decision making process. Need should not be the dominant factor in determining the placement, operation, maintenance and expansion of a power facility. The wisdom of delegating such power to an authority without providing adequate public notice, hearings, ascertainable criteria for decision making, and other equally important factors is questionable.

Experience has shown industry that a major stumbling block in acquiring sites has been opposition at the local level. Proposed bill A-608 provides for "override" of local opposition where the site is otherwise suitable. Bill A-2156 makes no such provision.

It is the policy of the FEA to urge that state regulatory commissions establish electric rates that permit an adequate rate of return to utilities to enable them to attract investment capital in the financial markets. We do not recommend that general tax revenues be employed to in any way subsidize the true cost of electricity to the consumer. The actual consumer, be it industrial, commercial, or residential, should bear the costs of a reliable electrical generation system.

I hope our comments will be helpful to you in resolving the complex issues presented by energy facility siting. If any additional information can be provided to aid in the drafting of proposed siting legislation, please do not hesitate to contact us.

Sincerely,



Ellen Gay Baker
Office of Regulatory Activities



LEAGUE OF WOMEN VOTERS OF NEW JERSEY

460 BLOOMFIELD AVENUE, MONTCLAIR, NEW JERSEY 07042

TELEPHONE 746-1465

AREA CODE 201

STATEMENT BY THE LEAGUE OF WOMEN VOTERS OF NEW JERSEY

TO

THE ASSEMBLY COMMITTEE ON TRANSPORTATION AND COMMUNICATIONS

ON

A.2156 and A.608

December 2, 1974

The League of Women Voters of New Jersey regrets that none of our representatives was able to attend the hearing in Jersey City on bills A.2156 and A.608 setting forth methods for handling future power plant construction. We hope, however, that our comments will be made a part of the hearing record.

Members of the League have not studied the need for new power plants in New Jersey and surrounding states. However, we have been studying environmental problems since 1954 when the national League initiated its water study. Since that time, problems of air pollution and land use have been added to the scope of our investigations. In addition, we have begun to take a careful look at the use of energy in the United States. It is from this background that we are commenting on A.2156 and A.608.

We must state at the beginning that we feel a land use plan for the state of New Jersey, which will be a guide not only for the siting of power plants but for many other major developments, is essential if we are to retain any of the qualities that make the state a desirable place in which to live. New Jersey with its rivers, bays, underground water resources and excellent farmland has an obligation to make wise use of these resources, not only for its own residents, but for other inhabitants of the United States and for the future.

Related to the need for land use planning is the equally vital need to face up to the future use of energy in this country and to establish a carefully considered energy policy. At present, we consume an inordinate proportion of the world's energy and too often consume it wastefully. Energy is wasted in much of what we use in our daily living including the automobile, household appliances and modern buildings, most of which are designed for the least energy-efficient use. Indeed, until recently, we have been encouraged to use more, not less, energy. The League believes, however, that the United States is at the threshold of an essential reorientation of our way of life from one that wastefully consumes to one that husband its resources.

In this process of adjusting our living habits we must also adjust the policy of continual response to demand and, instead, begin estimating real needs and how to supply them with the least permanent damage to our resources -- in other words, to plan.

A.2156

It is for these reasons the League questions the advisability of A.2156 which would create the New Jersey Power Authority to provide for construction and expansion of power plants. Without a basic plan against which to assess the true needs for energy and land use, in what context will growth of power supply facilities be considered? Should New Jersey be encouraging expansion of the state's power supply at a time when we should be reducing our energy consumption? Would the siting of power plants have precedence over other essential needs for land?

In addition, because the League believes that government should be responsive to the will of the people we are concerned with the lack of provision for public hearings before decisions are made on siting of power supply facilities.

The League feels A.2156 does not provide the soundest method for handling development of power plants. However, in the event this Committee is giving it serious consideration, we have suggestions which we believe could make some improvements:

1. We feel that the Commissioner of Health should be included as an ex-officio member of the Authority. Air pollution problems connected with fossil fuel power plants and the more serious pollution connected with atomic leaks and storage of radioactive wastes from nuclear plants require an informed opinion to help determine locations where the least damage can be done to the fewest people.
2. Since we believe that research is essential to wise future use and development of power, we suggest that one of the duties of the Authority be to make and publicize studies such as those outlined in A.608.
3. We also feel that the Authority, or the municipalities in which the Authority or a power company wishes to site a plant, should be required to hold public hearings before permission to purchase land or to construct or enlarge a plant is granted.

A.608

The League believes that A.608 is also designed to address an immediate need rather than fitting into an overall plan. In fact, the same questions we raised with

A.2156 we would consider valid for A.608. However, we approve of some of the bill's provisions. We feel the studies outlined in the bill are essential and once they are completed should be the basis for decisions for the need and the location of power plants.

The League also approves of the requirement for advanced planning by the utilities and the incorporation in their plans of future projections, environmental effects and coordination of plans with other utilities. This should go a long way toward preventing the kind of bind in which we presently find ourselves. (In regard to specifics of the utility's planning, we do not understand Sec. 15.d, which appears to be incomplete.)

The League strongly favors local hearings on power plant sites, as we have said, but we are confused by some of the terms of the bill. The inventory of approved sites is an excellent idea, as is the idea of purchasing some of them in advance of need. However, we do not understand how the provision in Sec. 29, line 16 (page 10) ties in with the public hearing on the application. This provision states that "the issue of site suitability shall not be considered in the certification proceedings" when the site of the facility is on the approved list. It is our understanding that the hearing is part of the certification proceedings and would deal primarily with the site of the proposed plant. We wonder, too, if the second hearing is necessary. If we understand the procedure correctly, there will be continuous two-year reports on energy facilities plans by the power companies, including public hearings and updating of the site inventory. If this is correct, all the second hearing appears to accomplish is another chance for affected interests to have their say. This certainly has advantages for environmentalists and other concerned citizens, but it would seem to be time consuming from the point of view of both the Commission and the power company waiting to begin construction. There is, of course, provision for judicial review for aggrieved parties.

In summary, the League appreciates the need to assure an adequate power supply for New Jersey and to assist the power companies in providing electricity. We believe, however, that this need should not be addressed without consideration of total energy and land use needs and environmental concerns.

ALL INFORMATION CONTAINED
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