

# Committee Meeting

of

## JOINT LEGISLATIVE COMMITTEE ON ECONOMIC RECOVERY

"Testimony on the role of New Jersey's  
electric and gas public utilities in  
jobs creation, jobs retention, business  
expansion, and the attraction of new  
business to the State"

**LOCATION:** Millie B. Veal Center  
Edison, New Jersey

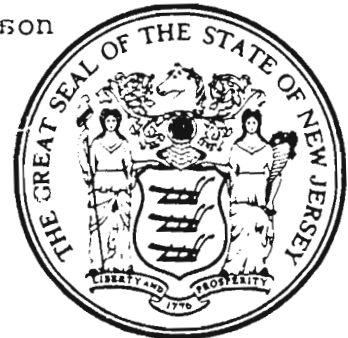
**DATE:** August 23, 1993  
10:00 a.m.

### MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Jack Sinagra, Chairperson  
Assemblywoman Harriet Derman, Vice-Chairperson

### ALSO PRESENT:

Edward Westreich  
Office of Legislative Services  
Aide, Joint Legislative Committee  
on Economic Recovery



***Hearing Recorded and Transcribed by***  
The Office of Legislative Services, Public Information Office,  
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JACK SINAGRA  
*Chairperson*

ASSEMBLYWOMAN  
HARRIET DERMAN  
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## New Jersey State Legislature

JOINT LEGISLATIVE COMMITTEE ON ECONOMIC RECOVERY

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### COMMITTEE NOTICE

TO: MEMBERS OF THE JOINT LEGISLATIVE COMMITTEE ON  
ECONOMIC RECOVERY

FROM: SENATOR JACK SINAGRA, CHAIRPERSON  
ASSEMBLYWOMAN HARRIET DERMAN, VICE-CHAIRPERSON

SUBJECT: COMMITTEE MEETING - August 23, 1993

*The public may address comments and questions to Edward Westreich,  
Committee Aide, or make bill status and scheduling inquiries to Sharon  
Constantini, secretary, at (609) 984-7381.*

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The Joint Legislative Committee on Economic Recovery will meet on Monday, August 23, 1993 at 10:00 AM in the Meeting Room, Minnie B. Veal Center, 1070 Grove Avenue, Edison, New Jersey. The committee will receive testimony on the role of New Jersey's electric and gas public utilities in jobs creation, jobs retention, business expansion, and the attraction of new business to the State. This discussion will focus upon existing utility economic development programs and upon the ways that utilities can help businesses reduce their energy costs through energy management, conservation and other innovative programs.

Issued 08/16/93

Directions: See attached

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**SENATOR JACK SINAGRA, (Chairperson):** Good morning, everyone. Thank you for coming. I know it wasn't exactly the easiest place to find, but obviously you all get awards. I was late because I couldn't find it, and it's in my district, so-- Unfortunately, there is no television camera here because I really always wanted to say this: Immediately after this meeting, I am going to Disney World. So I want to look at the camera and say, "I am going to Disney World." (laughter) Thank you.

Just a brief comment before we start on today's subject matter, the Economic Recovery Committee has no intention of taking any time off. We have another meeting, I think, in two weeks -- I think it's September 8 -- and continue to have meetings. We are not taking time off for elections. We are not taking time off.

The economy is still the number one issue. It is the number one priority of the Senate and the Assembly. So we intend to continue to have meetings and come up with legislation, even in this period of time, that will further enhance the creation of jobs.

I have not had an opportunity-- I want to thank the Governor and the Director, I guess-- What do we call the "Job Czar"?

**UNIDENTIFIED COMMITTEE STAFF MEMBER:** Hughey.

**SENATOR SINAGRA:** Other than Hughey, what's his title? Director of-- As you know, Hughey has resigned effective, I think, next week. I don't know what the Governor's intentions are, but I haven't had an opportunity to say what a fine job I think Hughey has done. I think it was necessary for his position to exist, and actually, I believe it's further necessary that it be continued. And I want to just for the public record say what a fine job Hughey did in that position in helping us, and helping the Legislature come up with creations of jobs.

With that, this morning I want to do something different in the matter of time, although it's not because I have to leave because my flight is not until five o'clock. But I would like to do-- I'd like to have this more of an open panel discussion, so everyone who has signed up to speak-- If there is someone who hasn't signed up, speak now or just sit there and observe, because I am going to have everybody come up at the same time. I am going to give everybody a five- or ten-minute opening statement, and then hopefully we will get into some discussion of what we are doing and where we need to go.

So I have six people who signed up. Is there anyone else who has not, that wishes to speak or not speak? Speak now or-- With that, then-- Is there anyone else? (no response)

With that, will everybody who signed up please come and grab a seat. There are only four microphones, but we'll manage. If there is more than one person as per sign-up, you know, if you want to switch back and forth, this works out fine because actually I was going to call on Flaherty to start it off.

So what I'd ask you to do-- The microphones are for recording purposes. I would hope that we can project our voices so people in the back can hear. We will start from my right, going to the left. Identify yourself if you have a statement to read or--

**W I L L I A M F. F L A H E R T Y, J R.:** I have with me William Healey, who is Assistant Vice President in charge of Governmental Affairs for the New Jersey State Chamber of Commerce.

Senator Sinagra, Assemblywomen Derman, and members of the Joint Legislative Committee on Economic Recovery, I thank you for the opportunity to speak this morning on the various development programs and incentives offered by the public utilities of our State.

My name is William F. Flaherty, Jr. Most people call

me Bill Flaherty. I am the President of the New Jersey Chamber of Commerce. Our organization, combined with 110 local affiliated chambers of commerce and regional chambers, represents approximately 45,000 businesses, mostly small businesses in the State.

I daresay that we have spent a great deal of time with this Committee since its formation, at hearings in Trenton, in places like Marlboro Township, and today, in the great Edison Township, one of the fastest growing municipalities in the State and now, I might say, fastest growing municipalities in the nation.

Edison Township is also unique not only for the dramatic residential growth that has occurred, but for its even more impressive job growth during the '80s. The 1980s were a time of dramatic job expansion in our great State of New Jersey. Edison Township ranked number one in terms of the number of actual jobs created within its borders. That was an impressive track record. Now, how do we help regain that momentum?

As I mentioned a few moments ago, this Committee of the Legislature has been most active. I commend you on your leadership in gaining legislative approval of a comprehensive package of business incentives. I believe those bills which favorably impacted on manufacturing and job investment, more favorable treatment of subchapter S corporations, and elimination of the business personal property tax, among others, will go a long way toward improving the business climate of New Jersey.

We've also made positive progress for business development in a number of other areas. The recent passage of the Industrial Site Recovery Act, which made reforms to New Jersey's old Environmental Cleanup Responsibility Act -- ECRA -- is an effort that must continue. Even the new name for this law is indicative of the emphasis on attracting industry, primarily manufacturing, back to New Jersey.

Other important steps taken during this two-year session of the Legislature include the establishment of the New Jersey Economic Recovery Fund and the actions taken to give the Legislature oversight powers relating to administrative rules and regulations. The latter effort especially should force the bureaucracy to realize that its actions must properly and accurately reflect the policy direction offered by the Legislature and our Governor.

We still have a large job ahead of us, however, and that's why I am pleased that the Committee has decided to address today's particular subject. The business and economic incentive programs offered by the State's electric and gas utilities have contributed mightily to our overall business attraction efforts. Given additional flexibility in these programs, we believe that they could be even more advantageous for our State. They are a proper focal point, for energy availability and costs are a primary consideration of choosing where to do business.

Two weeks ago, I traveled to Pennsville, New Jersey, in Salem County to speak about permits impacting on the Salem Nuclear Generation Station. The continued availability of that energy is important not just for that southern region of New Jersey, but for our entire State

I would like to quote from our immediate past board Chairman, Clyde H. Folley, of Ingersoll-Rand Corporation of Woodcliff Lake. Mr. Folley said, "An enthusiastic business community is our State's best advertisement. State government should be a facilitator helping to create the conditions that will allow the private sector to create opportunities, expand operations, and ultimately, to create jobs. Business, not government, must be the engine that continues to drive our economy."

That passage that I just said, "Business, not government, must be the engine that continues to drive our

economy," is taken from our 1993 State Chamber of Commerce Legislative Agenda for Business, with which I know many of this Committee's members are already familiar. Our State government needs as many economic development allies as possible to form partnerships, public and private; to coordinate programs; and to provide leverage to create new jobs and retain those existing jobs.

The services offered under these utility programs are innumerable. Some of the most important roles assumed under these efforts are energy conservation assistance, site location assistance -- I know because they helped find the State Chamber office space when we moved from Newark, New Jersey three years ago to Trenton -- trade programs, alternative fuel vehicle programs -- something, I might add, that could affect just about every facet of your business.

These programs are evidence of the benefit of public/private partnerships. I use as an example the Business Enhancement Program of the New Jersey Department of Commerce, which is performed in cooperation with our State's electric utilities. I know that the representatives of our utilities have already gone into detail about these programs, so I will not belabor that point. Suffice it to say, though, that we ought to give such programs enhanced capabilities and freedom to operate, for they perform a service that is most cost-effective for our State.

Like it or not, though, in many arenas we are a high-cost State in terms of labor, housing, raw materials, environmental regulations, etc. On the flip side, we're strong on our system of higher education; our transportation network, including airports, waterborne commerce and roads; our geography; and our skilled workforce. These utility programs help to alleviate some of our disadvantages while promoting the natural advantages we enjoy.

Yet we need more innovation and problem solving. Utilities are willing to lend a hand. Other states are already doing this, as you know. Our neighbors from the north, New York State, have already formed a new utility/state government marketing alliance that is mammoth in proportion to what is happening in the Garden State.

The electric and gas utilities of our State are important members of the New Jersey State Chamber of Commerce. I'm pleased that the Committee, through the holding of today's public hearing and other hearings, has sought to recognize those efforts, for legislative recognition of these important contributions is somewhat, I think, overdue. We think they have an important role, one which our Legislature ought to investigate and see to what extent they can provide a framework for its enhancement.

Much of the current regulatory framework is eight decades old, ironically almost as old as our organization. We were formed in 1911. We have evolved. Now it's probably time to let that regulatory apparatus evolve too. Our State Chamber would be pleased, Mr. Chairman, and members of the Committee, to be part of such an effort.

Senator Sinagra, Assemblywoman Derman, and other members of the Committee, we thank you for the opportunity to present our thoughts on the issue of public utility economic enhancement programs.

**A R T H U R R. C O U G H L I N:** Good morning. My name is Arthur R. Coughlin. I am President of Public Service Conservation Resource Corporation, PSCRC. PSCRC is a wholly owned subsidiary of Public Service Electric & Gas Company, the regulated utility. PSCRC was incorporated 13 months ago to foster performance demand-side management in PSE&G's service territory.

Demand-side management activities -- DSM activities -- represent the sophisticated customer side of the meter services

to electric and gas consumers. These are services to improve customers' utilization of energy, as opposed to activities that increase the efficiency of PSE&G's generation and distribution system. To achieve stated public policy objectives of increasing consumer operational efficiencies, reducing needs for additional generation investment, and conserving fossil fuels, DSM must occur in a manner which is sensitive not only to the social objectives to deliver energy or its equivalent cost-effectively, but to the private policy objectives of the participating customer.

In a globally competitive world, one-size-fits-all approaches to product delivery no longer work. Utilities, if they are going to be effective at serving public interests, must become as sensitive to the pressures of the global economy as the best of the private corporation policymakers. Effective regulations of the '90s will seek to -- as did N.J.A.C. 14:12 -- higher standards of performance quality through regulation, while stimulating innovation and managed customer-driven flexibility.

N.J.A.C. 14:12, the Incentive Conservation Rulemaking, established performance regulation and with it, the concept of rate cap pricing for services provided by utilities and others. PSE&G's standard offer approach has resulted in a market price signal for DSM that has been set by regulation at a discount from the utility's avoided cost. This stipulated discount pricing approach assures that all ratepayers will reap the financial benefits of performance-based DSM. The regulation established both the quality and quantity of resources to be acquired consistent with the integrated resource planning process. Rate caps were established as the avoided direct and indirect costs of alternate generation resources.

Ratepayers were shielded from risks of acquisition cost, as well as the performance risk of the conservation project. The seller of the energy savings is not paid if the project does not continue to produce energy savings. Profits or losses by the suppliers are, therefore, solely a function of business operational efficiency. As such, profits will become a societal measure of the success of the regulation's effectiveness. Production of sufficient profits by the DSM industry will insure the growth and sustenance of the industry, generating more resources for society.

The formulation of the PSCRC's business plan, crafted in response to the public proceedings of N.J.A.C. 14:12, shows contrast to a business plan which would have been developed had rate base/rate of return and franchised activities been the form of regulation promulgated by the Board of Regulatory Commissioners.

The Company has organized itself primarily to focus on leveraging the asset which has value to the customer base of PSE&G. The asset of goodwill and trust transferred from the parent to PSCRC carries with it not only access to customers, but the obligation to deliver professional and highest quality services through third-party providers.

Goodwill alone doesn't create a strong business, however, and delivery on promises is required. In the interest of assuring that high-quality skills are delivered to customers economically, PSCRC has turned to the DSM industry, which has those skills. Through project teaming and collaborative efforts, PSCRC assembles performance modules for its customers, composed of technical, financial, and process specialists, to solve a customer's energy problems and service the long-term project needs. This approach leverages the industry's skills and manpower, and promotes growth in this business sector.



pendant resultant Standard Offer funds available to develop the conservation resource at that site. Typically, a customer would be able to have lighting, some heating, and possibly production equipment upgraded to more efficient equipment with no up-front capital contribution by the customer.

This results in a better working environment and lower operating cost for the customers' businesses, making them more competitive in the world market. This activity can also retain customers who contemplate leaving the State because of operating cost pressures and can, in the case of new construction or major renovation, produce a more energy efficient, lower operating cost location in which a new business can be located.

The development of demand site resources is very labor intensive. As an example, a fluorescent lighting fixture like one of these up here -- two-by-four fixture, with four lamps -- has two ballasts in it. If that fixture is retrofitted, where the existing ballast are replaced with one high-efficiency electronic ballast, and the lamps are replaced one for one with more efficient lamps, it will produce an impact of 78 watts of load reduction for that fixture. If that same retrofit uses something called a reflector -- a retrofit that would allow the elimination of two of the lamps -- it could drop that impact -- or increase that impact and drop the load by 103 watts per fixture.

At a blended impact of 50 percent nonreflector and 50 percent reflectorized fixtures, it would take 11,000 fixtures to make one megawatt of DSM impact. If half the DMS impact under Standard Offer were from fluorescent lighting, 414,000 fixtures per year would have to be retrofitted. Studies indicate that DMS creates in excess of 30 jobs per megawatts of electric load reduction.

I would now like to describe a few brief examples of projects we've tried to work on, and some of the problems in developing those individual sites.

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Public school systems have traditionally been underserved by performance-based DSM. Low operating hours, coupled with an often diffused decision-making process, makes economic projects difficult to locate and even more difficult to bring to contractual closure. PSCRC has recently embarked on a process of exploring solutions to problems with two municipal bodies. A county improvement authority and a city school system have been very helpful in assisting the company, first to understand the issues as they are perceived by the public body, and then to identify procurement process procedures and contractual relations which could be used to solve the problems.

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As a result of this consultation, PSCRC expects to play a pivotal role in the performance DSM arena in municipal projects within the PSE&G service territory. This process has been frustrated to a great degree by the current municipal bidding requirements, and the difficulty of developing a bid that can accurately compare multiple responses to something as complicated as bearing engineering solutions, to problems -- to energy problems linked to dissimilar contract terms. There is a need at the State level to permit municipalities the flexibility to address cost-saving measures in a timely fashion. K through 12 schools currently have the flexibility under Title 18A to enter into contracts for energy conservation projects without bidding where the payment for energy services is based solely on the performance of the energy project.

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Where public schools wish to pursue DSM opportunities, PSCRC will negotiate a sole-source contract to sponsor the projects on behalf of the school system. In doing so, PSCRC will purchase for resale to PSE&G energy savings resulting from performance-based DSM projects. We will capitalize the project on behalf of the school unless the school has access to tax-exempt financing, such as from the State, the new State fund, or from an improvement authority.

PSCRC, regardless of the source of long-term funding, can provide the development and construction financing in order to reduce pressure on local cash flows. Sponsorship services in the case of municipal projects include provisions for PSCRC as the entity contracting with PSE&G to accept and be compensated for termination penalties, regulatory risk, and long-term technology performance risk. Removal of these risks from the municipality allows for reasonable bond terms to be acquired from the financial marketplace.

The first of the school projects, which will be announced shortly, involves 43 buildings totaling in excess of 3 million square feet, an estimated 3 megawatts of load reduction, at a cost of \$3.3 million, and tax savings for the tax payers of approximately \$617,000 a year.

We've also worked on a multitenant office complex that includes about 200,000 square feet. That'll produce 215 kilowatts of load reduction, with an estimated savings of \$67,000 a year, which provides 33¢ per square foot reduction occupancy costs. We are looking at in excess of 60 million square feet of the same type of space for DSM opportunities. If implemented, this will net New Jersey tenants \$19.8 million per year in occupancy cost reductions.

SENATOR SINAGRA: Can I just--

MR. COUGHLIN: Sure.

SENATOR SINAGRA: Just so I can follow this correctly, the school system -- let's say Edison, where we are today -- if the schools wanted to come to public service or find someone, they can do that without competitive bidding, based on Title 18A.

MR. COUGHLIN: Title 14A, 18A, correct.

SENATOR SINAGRA: Okay, but the Township or this building or the building -- they have, couldn't do the same?

MR. COUGHLIN: Cannot do the same. Now, there's a specific exemption in Title 18A for projects that are financed

through energy savings for schools -- K thru 12 schools. High schools can't do it either.

SENATOR SINAGRA: Do I hear that that type of exemption for towns would be something that you would be looking for, or something that would be positive in our municipality to save taxpayers money?

MR. COUGHLIN: Yes, I think that could enhance the process, streamline it, and make a process that could evaluate multiple opportunities on a constant plane.

SENATOR SINAGRA: What's the argument against them? Have you heard, or is that something that you've explored?

MR. COUGHLIN: I think just a question of not giving the best price or potential fraud, I guess. If something is not put out to bid, what I would try to do is have the process be nonbid, but have the labor materials for a particular project be bidded. So you control underlying cost, but the technical engineering and contractual relationship could be done sole source. You then put the pressure on labor materials that actually went into the project.

We are also working with a State authority. PSCRC is involved with a DSM industry member in the finance of a major relighting project which is nearing construction completion. The project is designed to correct light quality and quantity problems, and save energy at the Sports Authority. A 2.4 megawatts of load reduction will occur due to the project, and will save the Authority \$0.5 million a year.

SENATOR SINAGRA: Is that before the dome goes on or after? (laughter)

MR. COUGHLIN: Before the dome. We are also doing a 5000-ton chiller project at another State Authority which will reduce operating cost by \$0.5 million a year also, and mitigate the Authority's CFC problems.

That is the end of my comments. If you have any other questions, I'd be glad to answer them.

SENATOR SINAGRA: I couldn't help that remark. But when you said chiller project, wouldn't-- I don't know, this is sort of fantasy at this point, but if there was a dome on the stadium, I assume they would have to air conditioner the whole thing.

MR. COUGHLIN: They would have to space condition it, yes.

Thank you.

SENATOR SINAGRA: Thank you.

J O S E P H A. I S A B E L L A: Good morning, Mr. Chairman, members of the Committee. My name is Joe Isabella, Manager of Bulk Power Planning and Marketing for Atlantic Electric Company. Thank you for this opportunity to give Atlantic Electric's perspective of the New Jersey economy.

To Atlantic Electric, generating new business within the State is as important as generating electricity. Unlike other major corporations, a utility cannot pick up and move to another area when the economy goes bad. For a region to grow and prosper, a utility needs to actively participate in attracting new industry to its territory, to nurture existing businesses, to ensure a sound infrastructure, and to help the area it serves in as many ways as possible.

To help address these needs, Atlantic Electric created a new Economic Development Department two years ago. The Department works closely with government, business, and others to promote economic development. The tone of our economic development has been cooperation. We work very hard to form coalitions within the community. We value our relationships with business and with government alike. We believe that promotion of economic incentives and energy efficiency programs prove beneficial to utility customers and taxpayers. The expansion of energy efficiency and environmentally safe economic activity creates jobs, expands the tax base, and makes the efficient production of electricity possible.

We have taken steps to seek rates and services that would accelerate the pace of economic development. Atlantic Electric currently has in place time of use rates for its residential, commercial, and industrial customers. These rates shift the use of electricity from off-peak hours in order to reduce peak load growth and to promote more efficient use of energy. The customer saves money by a reduction in the price of electricity, and the utility is able to shift consumption patterns to the cheaper, off-peak periods.

Furthermore, starting May 1, 1993, Atlantic Electric began offering special economic incentives -- discounts on demand charges for four years. The discounts translate into lower electric rates for new start-up businesses or business expansions in our service territory. This concept benefits all our ratepayers because stimulating economic expansion will allow us to more efficiently use our existing facilities and keep rates down.

Atlantic Electric recognizes the fact that the retention and expansion of existing businesses are vital for successful economic development. In an effort to help southern New Jersey firms maximize their competitive advantages, Atlantic Electric has joined other electric utilities in coordinating the statewide Business Enhancement Program -- BEP, it's called. The program is designed to be an ongoing process that ensures timely and professional resolutions to a business firm's concerns.

The BEP utilizes Atlantic Electric's Economic Development and major account representatives in cooperation with local, county, and State agencies to solve business problems. Atlantic Electric will coordinate business communications with the proper agency or office when financial, technical, energy, or general assistance is needed. To assure a timely response, Atlantic Electric will track business inquiries and assist, if necessary, in speeding their resolution when the BEP is used.

Community development needs to be approached differently in the future. The old logic that more jobs make a community better is giving way to the realization that making a community better attracts more jobs. Unfortunately, many smaller communities, which have a great deal to offer business, are just not prepared to make presentations and successfully sell themselves to prospective investors. The challenge for Atlantic Electric is to provide the framework that enables communities to achieve self-sustaining economic growth over the long term. We believe that we have met that challenge by making available to interested municipalities our Community Development Action Kit. This kit is a road map for developing the ability to attract business to their community, and thereby build the local economy.

The electric utility industry is changing. Last year Congress passed the Energy Policy Act. Part of this Act requires electric utilities to become more competitive with nonutility generation. We agree that nonutility generation can provide important benefits to the customer and the environment, but we have questions about some of the restraints placed on utilities in this new era of competition. We believe that a fair and consistent standard should be used for utility and nonutility generation alike. The certificate of need requirement should be superseded by a comprehensive integrated resource planning process that would apply equally to all concerned parties. The Board of Public Regulatory Commissioners Advisory Council on Electricity Planning is appropriately reviewing these issues.

In the 1980's, nonutility generators received numerous tax incentives. It is time to reconsider some of these incentives as well. With the changes brought by the Energy Policy Act, the State must review how utilities can provide competitive pricing for our customers. Our customers have asked for competition from their energy suppliers, and



benefit our customers and shareholders alike. We look forward to the competitive challenge and the opportunity to be the energy supplier of choice for southern New Jersey.

Thank you.

R I C H A R D M. S T O K E S, E S Q .: Mr. Chairman, Assemblywoman Derman, my name is Richard Stokes. I am, for the record, here to assist in answering any of the questions that you may have later on with this.

SENATOR SINAGRA: Okay, good. Thank you.

E D W A R D J. S T O M I N S K Y: Senator Sinagra, Assemblywoman Derman, my name is Ed Stominsky. I am the Corporate Manager of Economic Development for Jersey Central Power and Light Company. I've got my testimony prepared; it's here. I hope you'll permit me to deviate just a little bit. You can read it later on, but I just want to touch on a few of the points. I think we'd all prefer to get back into the pool game inside there instead of sitting here.

Let me give you just a little bit of history about our Department. Jersey Central for many, many years had an economic development effort dating back to the '70s, when I was involved. Around '71, '72 we disbanded the Department. In 1989, there was a need, we felt, to resurrect the Department, which we did. We resurrected it with just a couple--

SENATOR SINAGRA: I agree with that--

MR. STOMINSKY: We resurrected it with just two people -- and I have to point out, too, with the assistance of PS, who has been in the game for about 60-some-odd years. They did lend a helping hand to put our Department back together. We're six people strong right now; hopefully by next year we'll be about eight people strong.

We provide all the services that are necessary for any prospect that is looking to locate in the State of New Jersey. We have a listing service that is kept up-to-date. We know of

all the facilities in our franchise area that are available. Property that's zoned appropriately for industrial development, we know about.

We provide this service to all the brokers, and to the developers that would like to locate within Jersey Central's territory. We pride ourselves in trying to put this service together. We have the most up-to-date demographics that we can put together on each one of the counties that we serve. This is just one example of what we do. We update these books every single year so that when we go out with a prospect and show them a site, we can give them the demographics that are necessary. We don't stop at that point. We don't stop after they say, "We want that particular site. We want to build a 100,000 square foot building." What we do then is try to take them through the permit trail. We take them to the local people; we'll take them to the county people; even more importantly, we'll take them to the State people and work very closely with them.

Obviously, the smaller the firm, the more help they might need. The larger the firm, they have their own expertise. But we'll do the entire gamut with any kind of prospect to make sure that they settle in our State of New Jersey. Not just in our territory, but what we are looking for is expansion of jobs, obviously, and greater viability with regard to the economy in the State of New Jersey.

We are also involved in a number of different programs. Atlantic Electric just mentioned the Business Enhancement Program. We are involved with Atlantic Electric and PSE&G in trying to promote that particular program. We use the services of our marketing representatives to do that. We have people that go out and market our programs with our major customers. And not only do they try to sell them new electrical efficiencies, but also what they try to do is say, "Do you have any other problems?" whether they be financial,

whether they be with permits -- it could be as simple as a road opening. They don't realize that we've got the accessibility to State government, and we use that advantage to try to help them in other areas as well. I'm sure Steve Kukan will go into greater detail about the BEP program.

The Municipal Business Retention and Expansion Program is another program that we've gotten involved in. We're involved with the Department of Commerce and Economic Development through Rocco Guerrieri. Rocco is here in the room today. He is the Director of Economic Development. But it is a program that has been in existence for quite some time, sponsored by New Jersey Bell -- now sponsored by New Jersey Bell and Jersey Central, as well as getting support from Rutgers University.

It's what I call a grassroots program. You go into a community that has some industrial and commercial growth. A lot of times, your local communities don't pay attention to: How vibrant are these particular companies? Are they looking to grow? If they are, will they expand in your town, or will they look elsewhere because they are not getting favorable treatment in your town? So what we do-- We get involved in a survey that goes out strictly from the offices of the mayor and the council asking these particular industries: What problems do you have with local government, county government, and State government? We've found this to be very, very useful in trying to change the ways a lot of communities service their own businesses.

I think what we've got to do is, we've got to start at that grassroots level to make sure that the communities, their planning board, their board adjustments -- they get the word that we've got to produce more jobs. Now, we cannot produce more jobs by harassing the businesses. This education will change -- comes about through this particular program, so we are very enthused about the MBREP program.

We work closely with New Jersey Institute of Technology in a project to promote manufacturing. We are involved with the International Business Forum partnership. We've joined with the Department of Commerce, the Division of International Trade, NJIT, and New Jersey Business and Industry Association in sponsoring trade programs to manufacturers.

We're also looking to do some targeted marketing for our region of the State. It's nice to know precisely what companies are best suited for different regions within the State of New Jersey. We'll be spending some moneys to try to determine precisely what areas we should really go after. Let's not wait for people to come to us and say, "We want to come into New Jersey." Let's go after some certain industries and try to bring them into the State of New Jersey. So we are going to be on the trail trying to do that -- being more aggressive.

We are helping communities put together targeted marketing studies. An example is the Town of South Amboy. They are very eager to bring in new manufacturing. The State of New Jersey needs more manufacturing jobs. We are going to help them try to promote their industrial areas by trying to get the right industries to settle within that particular region. Also we're working closely with the DEPE. A fellow by the name of Frank Peluso -- he's been very cooperative in putting us very much in tune with the solid waste situation. That is a big industry that I think we can learn from other parts of the world. We're working presently with an Australian company to try to change the way we handle our solid waste here in New Jersey. That is something I'll talk about after it becomes a little more public.

We also have economic development incentive rates, and I won't bore you with all the details. I've got brochures here that you can look at, but it's a business expansion incentive rate. We have a building utilization incentive rate to try to

promote the use of existing vacant facilities and a few other programs that we hope will be approved by the BRC on September 1. They're before them right now, and the indication that we have is that these programs will be approved. It's very similar to the other programs that exist now at PSE&G and Atlantic Electric.

I thank you.

SENATOR SINAGRA: The only comment I want to make at this point, because of talking about Jersey Central -- and I probably never got an opportunity to probably comment with New Jersey Structural Steel. I don't know where the impetus came from, whether you were an eager participant or a reluctant participant. I want to compliment the BRC, especially Commissioners McConnell and Bramucci, and the Governor's Office for doing what they needed to do to keep New Jersey Structural Steel in the State of New Jersey and maintain those jobs.

I know that the basic heart of their impetus to stay in New Jersey was their electric utility rate. I think that was New Jersey Central; was through the BRC; and was through Commissioner McConnell's office, Ray Bramucci's office, and the Governor's Office. I don't think we've gotten enough credit statewide or even national.

Put to the test, we are a State that can react. So I just wanted to mention that, because I never had the opportunity to do so. But I was very proud as a businessman and someone who watches the economy to see that a deal came through. I've been disappointed because of some of the construction. There are not particularly New Jerseyans doing the work, but we are working on that presently.

MR. STOMINSKY: I appreciate those comments, Senator.

ASSEMBLYWOMAN DERMAN: I have a comment that is sort of a flip side of that. You're talking about a high-profile company. What about the small, little company that may be in a more abundant state? What do you do? None of you have

mentioned that. What do you do about the company that is struggling to meet payroll and the energy costs are high?

MR. STOMINSKY: That's precisely where this Business Enhancement Program comes in. We recognize that. We see it very obviously in a lot of the Chapter 11s that come about. It's a lot of the small companies that do get involved in times such as this, struggling financially. That's where we try to help put contact together between that company and possibly some small financial institution, banks, and what have you. More importantly, the Economic Development Authority in the State of New Jersey -- they've done a very, very fine job, and they should get more credit for a lot of the things that they have been getting involved in.

So that is one avenue that we try to train our people to at least have some knowledge about, you know, where they can direct some of these smaller firms, because that is where our employee growth is going to be, in the smaller firms. It's a given that 80 percent of the growth that will occur in jobs will occur from the small firms.

ASSEMBLYWOMAN DERMAN: But is that the opportunity for some of these companies to come in and say what your energy costs are and see if you can reduce them?

MR STOMINSKY: Oh, yes. That's what Mr. Roddy is going to be talking about, so--

**M I C H A E L G. R O D D Y:** Good morning, Mr. Chairperson, and members of the Joint Legislative Committee on Economic Recovery. My name is Mike Roddy, and I am the Manager of Market Planning for Jersey Central Power and Light. My responsibilities include load and economic forecasting, market research, customer program development and evaluation. It is a pleasure for me, and indeed it's a pleasure for my company to have the opportunity to address this Committee on how we, to some extent, have been able as an electric utility to work with our customers and retain and increase their ability to be competitive within New Jersey.

During 1992, 22 new industrial companies either constructed new facilities in our service territory or occupied existing facilities which had previously been dormant. These 22 companies resulted in the addition of approximately 82 jobs. Also during 1992, 38 existing customers expanded their operations in our territory either through new construction or, again, through the occupancy of other empty facilities. This expansion is expected to produce 35 additional jobs. However, 40 industrial customers stopped electric service during 1992, and our industrial sales declined 2.5 percent in our service area.

One cannot overlook the fact that this is a critical period for industry in New Jersey. Rising labor, utility, and environmental costs are making our relationships with these customers increasingly important. Working together with our Economic Development Department, we have been able to coordinate our activities, enhance our opportunities, and develop customer programs that can be directed towards solving our mutual problems. As an example, I'd like to point to one of our best programs that demonstrates our ability to affect business decisions and our major accounts program. It is designed to meet the unique needs of our customers -- of our company's largest customers. Key to the program's success is the development of a collaborative business plan to meet mutual long-term energy needs, end-use technologies, competitive challenges, and production requirements.

Jersey Central Power and Light has written and implemented 31 major -- 31 of these plans, with major customers that include chemical plants, food processors, research organizations, glass container manufacturers, and a steel producer. Since each plan is jointly written with the customer, they are sure to meet customer needs. This marketing tool has allowed Jersey Central to participate in our customers' decisions involving conservation strategies,

technical innovations, research environmental compliance, new technologies, market expansion, and even employee training. Program participants have been recognized by government agencies, regional development authorities, industrial organizations, and their own corporations for the successes directly attributable to business plans with Jersey Central.

By building strong, highly coordinated supplier/customer relationships, this program has also helped save many hundreds of jobs by strengthening the participants' competitive position in global markets. Conceived as an alternative to rate breaks-subsidized facilities and other giveaway programs, Jersey Central's Major Accounts Program is a collaborative business plan that has provided measurable long-term economic and environmental benefits to customers and the company alike.

As an example, I'd like to point to what was our first collaborative business plan, which became reality during its construction this year. It was the installation of a \$20 million state-of-the-art ammonia refrigeration system at Nestle's Taster's Choice Plant in Freehold through technical assistance and negotiated rebate incentives under our demand-side management programs for the electric efficiency improvements. Nestle was persuaded to redesign and upgrade the Freehold plant, install a state-of-the-art ammonia refrigeration system, and expand operations at that site. This resulted in retention of approximately 600 jobs to New Jersey, and a 46 percent improvement in the refrigeration portion of the plant's production efficiency.

Jersey Central feels strongly that it can and has influenced business decisions affecting employment through its programs. Working collaboratively and building partnerships with our customers can and does serve the business community, the State, and indeed, Jersey Central. We recognize that our success is strongly related to the success of the customers we serve.

I thank you.

**S T E P H E N J. K U K A N:** Okay. I'm a little concerned. The last time I spoke -- especially after being in the men's room here for a minute and seeing that electronic hand dryer-- I'm a little worried because last time I spoke, someone had scribbled over the top of one of them just like that, "For a free introduction to the Speaker's comments, just press that button," and I hope that has nothing to do with what I'm going to say this morning.

Senator Sinagra, Assemblywoman Derman, and the members of the Joint Legislative Committee on Economic Recovery, thank you for the opportunity to address you on PSE&G's business development and retention initiatives.

I am Steve Kukan, General Manager of Area Development, and I have responsibility for all phases of PSE&G's economic development programs.

PSE&G's Area Development Department has been active in efforts to benefit New Jersey's economy by increasing site location/relocation activity for over 60 years. We maintain a state-of-the-art computerized proprietary database of over 3500 industrial and commercial listings, together with accompanying demographics and a computerized imaging capability. In addition to maintaining close relationships with brokers, developers, and owners to track available properties, we have working affiliations with just about every State and regional economic development trade and business organization. This certainly affords us the opportunity to play an efficient business advocacy role on behalf of balanced economic development policy.

As the only utility in the State, and probably one of the few in the region to provide this service uninterrupted for such a long period of time, we are uniquely positioned to identify trends in both opportunities and threats affecting the State's continued economic health.

SENATOR SINAGRA: Excuse me. Was that a dig? Was that a dig concerning me? I mean, I noticed that subtle comment. (laughter)

MR. KUKAN: It says, "Not look at Ed as you say this."

We've used that experience and street sense to implement practical public relation initiatives to benefit the State. As an example, approximately a decade ago we launched our Brainpower Program, which recognized and publicized the amazing concentration of research development -- high-tech activity in New Jersey. I focused intense public attention on this extremely successful component of the New Jersey economy in the hope that it would generate even more corporate investment in that area. The theory, I suppose, is that success breeds success, and in this case it certainly did.

During the mid-1980s, the economy was doing extraordinarily well. However, it was apparent to us that for New Jersey to truly benefit from this unprecedented expansion, all sectors of the economy truly must be equal participants. New Jersey cities were not participating in that expansion, with some exceptions. The philosophy of building on success in the hope that it can be broadened was again implemented. Also, even those cities that were enjoying some degree of economic expansion were not nearly realizing their full potential.

We began our "New Jersey Cities: Primed for Growth" campaign. It focused on four of the State's cities experiencing a renaissance of sorts, indicated their plan, started projects, and fully identified complete incentives those communities offered to prospective builders. The Jersey City brochure, which we brought along for everyone to take a peek at, and a video which we also have brought, typify that success for the Urban Initiative Campaign.

With that, Senator, we can show you a portion of that if you'd like, just hoping the American Hospital doesn't show up on there. (witness shows videotape)

SENATOR SINAGRA: Can we skip the other eight cities?

ASSEMBLYWOMAN DERMAN: Jersey City is the home and birthplace of Assemblywoman Derman.

MR. KUKAN: Mine as well, as a matter of fact.

ASSEMBLYWOMAN DERMAN: Snyder High School.

MR. KUKAN: Absolutely. I think that in the last part of the film it obviously shows how much Jersey City has changed. Everybody in the room noticed, but a-- You know, basically we kind of made an about-face at that point, because we found ourselves right at the beginning of a recession as we went public with those videotapes.

By the way, they were done of several other cities as well: Jersey City, Camden, Elizabeth and others. We provided over 1000 copies of the brochure and the video to the mayors. They used them in their own economic development efforts. I do have to indicate they did a great job, I think, in terms of resurrecting interest in all of those communities, essentially. We had hoped that it also would have been transferable to other smaller and mid-size cities in New Jersey as well.

But it was obvious at that point that we were beginning to experience somewhat of a recession. It became apparent that much more was needed to be done to convince the business community that New Jersey was a State uniquely positioned to deserve the investment of increasingly limited corporate resources, which the "New Jersey In The '90s" campaign was generating and using some of the materials we have in a press kit.

I believe everyone has copies of "New Jersey In The '90s" booklet. We chose as a site for this press conference to announce a new campaign, 101 Hudson Street, Jersey City, which was actually a building that was constructed in that Colgate Complex and became the largest, tallest building in New Jersey,

over 35 stories. Actually, we have worked closely with Merrill Lynch in occupying almost a third of that building. As I said, it is the tallest building in New Jersey, and it is located in the City.

Earlier, we focused in on our Urban Initiative Campaign, hopefully building on an increasingly positive perception. Even in slow economic times which we found ourselves in the late '80s, I am proud to report to you that the effort to publicize the State's attributes generated well over 10,000 requests. New Jersey, even at that time, was obviously still marketable.

However, as these campaigns progressed, it became apparent that traditional public relations programs were no longer sufficient. While we were striving to generate new investment in the State, the very lifeblood of New Jersey was being drained as firms left New Jersey for perceived greener corporations pastures. About two years ago, faced with this growing exodus, we created and implemented our first formalized business retention program, labeled BEP -- Business Enhancement Program. I say formal only because for years, through our traditional business advocacy efforts utilizing our networks and contacts in the private and public sector, we have been attempting to resolve many types of problems our customers were facing. Now it appeared more was needed.

BEP became a unique partnering of public and private resources to tackle the problem. First, our own marketing force of 120-or-so engineers became our eyes and ears to sense operating problems their clients might be experiencing. After these problems were uncovered, the Area Development Department, together with the departments of State, county, and local government, focused the efforts of experts in a coordinated problem-solving effort. The Governor and State Department Commissioners were committed to BEP and conveyed that message to staff. Our own marketing people similarly were instructed in the importance of BEP.

I'll never forget, as an aside, the first BEP program in Bergen County, when we announced at the Gordon State Plaza. Here I am sitting on a podium, coordinating the announcement of the BEP Program. I look around the podium, there was Ray Bramucci, Barbara McConnell, Jim Florio, Scott Weiner, and a number of others State-level Commissioners and people who obviously were in very authoritative positions with State government. They were there with me because of a level of commitment I think that the State of New Jersey had to the BEP.

We similarly established industrial specialists within public service who could share state-of-the-art technical improvements with BEP clients who needed the cost advantages associated with higher-efficiency production processes. They also worked very closely with NJIT incorporating that effort. Area Development continues to administer, monitor, and improve the program.

You've heard before about the Municipal Business Retention and Expansion Program, which at this point is being woven into BEP. It's now also, I should indicate, become a national model for other states. We've been asked by the Council for Urban Economic Development to make a presentation later this year in San Diego to an organization of utilities nationwide who want to find out more about the BEP program and how it's operating in New Jersey.

Since the start of the program just two years ago in Passaic County, the program now is in all of the State's counties, and both JCP&L and Atlantic Electric, as you've heard, are participating. Almost 500 companies have been assisted, according to our records, with well over 90 percent contacted within 10 working days by a responsible party. That's a program promise, and we have the computer software in place that actually precipitates an individual problem area within seven days if they haven't heard from an agent yet.

Within seven days, our people hear about it. We rattle cages and obviously get somebody to be in contact with those customers within the next few days. Also, over 84 percent -- this is, I think, the more critical aspect -- over 84 percent of those companies have had their problems satisfactorily addressed and will continue to do business in New Jersey.

Several observations could be made relative to why companies were leaving or not locating in New Jersey. From my perspective, costs seemed to be a common complaint, so about a year ago, Area Development, together with other senior-level PSE&G managers, developed the concept of economic incentive rates. They provided credits or inducements for companies to occupy vacant facilities, expand the work day, and add jobs.

The \$16 million program became a powerful inducement for companies to consider locating or expanding in the State, and I can give as an example -- we've all seen the Jersey City video. We worked very closely with Tony Coscia, the State Economic Development Authority on two firms: USA Network and First Chicago, both of whom occupied almost 300,000 square feet of space in that million square foot building you saw showcased in the video. They did it simply because of the EDA's involvement under their new Equity Participation Program, as well as our economic incentive rates. That is what essentially made that job, and created several thousand new jobs for New Jersey on the Hudson River waterfront.

I think in addition it created a sense of business responsiveness we've tried to convey with campaigns such as the "New Jersey in the '90s", by actually now passing along cash savings to companies. Due to the dramatic increase in the five-rate package, and because many companies could not take advantage of rates availability before it was due to expire last month, we've got at this point 35 companies who are prospects for locating in New Jersey. The economic incentive rate is a big part of their consideration about a New Jersey

location. We work closely with the New Jersey Board of Regulatory Commissioners. They have now extended the availability of our incentive rate pack for another two years. Coupled with a recently enacted business tax incentive, New Jersey should become more attractive to business.

By the way, this incentive electric and gas rate package follows on the heels of our very successful Area Development Rate Program. That program has been in effect for several years, and has offered a discounted electric rate for companies expanding into any one of fifteen urban areas in New Jersey.

The BRC similarly assisted us in creating additional economic development tools utilizing the very timely concept of conservation. As you've heard before, DSM now is actively being utilized as an effective tool by our early development specialist, both in retention and attraction efforts. I can suggest to you one company we worked with on the waterfront. It was considering a million dollar relocation -- a million square foot relocation, pardon me. This would have amounted to anywhere from \$750,000 to \$1 million savings for that company -- the DSM process. So it matters dramatically in terms of the evaluation corporations undergo under due diligence, and in looking at a location in New Jersey.

TradeLink-NJ is the latest economic retention/development initiative, and believe me, you are going to hear a lot more about TradeLink-NJ. Initially, it is envisioned to be an expansion of the BEP effort. Simply stated, it is directed at raising the awareness level, Assemblywoman, of small and mid-size businesses in New Jersey to export opportunities. It utilizes a highly efficient network, again, including our field marketing force who, by the way, make over 10,000 calls a year. They are now partnered with over 20 other agencies providing various types of export assistance.

I see the Port Authority is here, and representing the Port Authority is one of those agencies, together with the Department of International Trade. Basically, also the Federal Department of Commerce had several other -- actually 20 other agencies. Through this network, we will provide expert consultations to companies who have had their exporting awareness increased as a result of the public relation's TradeLink, a public relations phase of TradeLink-NJ.

The program will be showcased on September 8 at a press conference on Ellis Island, and it will involve the Governor and our Chairman, E. James Ferland. It will premier the television, radio, and print media components of the TradeLink-NJ effort. Incidentally, TradeLink-NJ was created as a result of our recognition of the intrinsic high cost, yet high market availability nature of our service territory.

Traditional manufacturing, given these high costs, lack of immediate sources of raw materials, and mature service area, appear to have limited growth potential. Export potential on the other is enormous given location of ports, fiscally sound economy, and a still strong small to mid-size manufacturing sector, especially high-tech.

The EC, or European Community, composed of the 12 countries of Western Europe -- in total, already New Jersey's largest trading partner -- became an appropriate target for TradeLink-NJ. This was especially true given the unification efforts represented in the EC '92 phenomenon, and confirmed by our consultants, DRI McGraw Hill. Six industry categories were identified as suitable exporters here in New Jersey, also by DRI McGraw Hill. In short, there appeared to be no reason why the East Coast in general, and New Jersey in particular, could not become to Europe what the West Coast has become to the Pacific Rim countries, given concentrated efforts hopefully now started as a result of TradeLink-NJ.

Future area development programs will include the evolution of TradeLink-NJ in terms of programs of reverse investment. Basically, we are going to try to identify major corporations, major industries outside the United States who are approaching a trigger point in terms of reverse investment, and try to reach out to them in terms of a New Jersey location.

In addition, we think once we are talking in terms of New Jersey location, in terms of business retention, and also reverse investment, business attraction obviously follows. We think a very, very strong case can be made for other companies outside of New Jersey to locate in the New Jersey area. Please keep in mind that TradeLink-NJ is a New Jersey phenomenon. We are working very closely with all of the counties within the State to get them to buy into the TradeLink process, and to enable them to also tap into that expert network that we are putting in place.

We have also established a consortium of business associations, together with NJIT and other academia, working to develop a practical response to improving the environment for manufacturing in New Jersey. In a related effort, we plan to move forward towards the development of a long-needed strategy for economic growth in New Jersey for both the long and short term. We must identify where the State's opportunities are -- for instance, market related manufacturing, international, etc. -- and formulate necessary public policy to develop concerted programs, including development incentives, taxing policy, and even perhaps utility pricing, to work towards implementation of that strategy.

Thanks very much for your attendance, and also your patience in looking at the video.

**F R E D E R I C K D . D e S A N T I:** Chairman Sinagra, Assemblywoman Derman, my name is Fred DeSanti. I am the General Manager for Public Affairs -- State Government Affairs for PSE&G.

First, we appreciate the opportunity to participate with you today. We are very pleased that you called this hearing in order for us to get some of these ideas out on the table. You know yesterday, I guess, the Asbury Park Press reported that the job crash in the State was the number one issue, and that it out polled crime and some of the other pressing issues by more than 20 points.

Clearly, the work-- I'd like to commend the work of this Committee over the past nine months in aggressively going after some of the issues important to both large and small business -- complimenting you on the subchapter S corporation, of removal of double taxation, seeking opportunities for international trade and export. These are issues right on target and clearly in the best interest of the State at this point in time. As an aside, I would also indicate we are very pleased that you decided to have this hearing in Edison, which is in a franchise territory. Thank you for the revenue. Truly on the microphones alone, we'll be able to pay for (indiscernible).

Obviously, we are very proud of the record of accomplishment of our Area Development Department and our Conservation Resources Company. If you heard the twofold situation that we have-- Steve brings them into the State and gets them, and then once they are here, Arty makes sure that they are paying the lowest possible rate and enhancing every possible conservation opportunity. Some of the questions that came to mind, and clearly some that were brought up, I think, really point to some of the work that maybe needs to be done administratively.

Number one, we've got to get bureaucracy out of the way. We've got to have the ability to create a conservation ethic through the business community and move as rapidly as possible to reducing municipal expenses. For example, it doesn't make any sense, as--

SENATOR SINAGRA: I wrote that down.

MR. DeSANTI: It doesn't make any sense, as you mentioned, for K through 12 schools to have the ability to go out and accept proposals, and county government, colleges, and even municipal buildings themselves not being able to take advantage of that opportunity. Clearly, that's a framework that needs to be put in place.

Secondly, and I think most importantly what has, I think, come across from all of the utilities in listening is that it is no long plain vanilla for public utilities.

The ability to attract companies to New Jersey and keep them here is clearly the most important objective of the public utility community in keeping jobs here in New Jersey. That's got to be done through our ability to be as flexible as possible and to be innovative as possible, and keeping in mind a little of the public interest issues which crop up from this. We need to be able to present these ideas in a form where the best ideas are going to come out and be approved so that we can get on with job creation and keeping New Jersey's economy alive.

So, again, we very much appreciate your invitation here today on behalf of, I'm sure, everyone here.

SENATOR SINAGRA: The reason why I asked for this meeting today is, truthfully, we've had -- if you follow what this Committee has done -- we go to one meeting and everybody comes there and complains about the banking industry, so then we have a hearing on banking. We ask the bankers what we can do to make it easier for you to land -- what we can do as far as State regulations. Then we have another meeting and someone else comes in looking at utilities in New Jersey. It's sort of a twofold -- the good and the bad at times.

On the good part, I've gathered that utilities probably do as much for economic development and recruitment as our Department of Commerce. You probably have resources that

exceed the budget they have. I guess the first questions I'll probably have before I get to the secondfold: As far as having a high-energy-cost State, what can we do about that? But personally, as far as economic development and job creation, how do you coordinate? How is this coordinated? I guess I'll ask the Chamber between what you do in your programs, what the Chamber does with their programs, and what the Department of Commerce does with their programs? Do we duplicate efforts? Do we have a concentrated effort? Does everybody work together? Does the Chamber work with utility? Does utility work with the Department of Commerce, because we have limited resources in toto, so I am kind of curious to see how we do that.

**W I L L I A M R. H E A L E Y:** Maybe, Mr. Chairman, to answer your question I'll give you a quick answer. I think we work together, but we can work together more efficiently. Each of the utilities that are up here on the dais this morning are members of ours. We work closely with all of them, as we do with the Department, and I know that they have representatives here today. But there are probably things that we are duplicating. As a business organization, we try to be a facilitator. One of the reasons we're here today is maybe to facilitate in a cooperative process between utilities, State government, and the business community.

**SENATOR SINAGRA:** The other part, just while you're answering this is, are we communicating what you are doing? I've heard probably 20 different programs for all kinds of businesses. I mean, are we really getting the message out there?

**MR. STOMINSKY:** Yes, I think we are. Maybe Rocco Guerrieri should speak to them, because he is the one that is putting the economic development network together. We do meet quarterly. All the people that participated in economic development activities took their notes, so that is ongoing at

this point. I think that is something for the Department of Commerce. Even though they have a small budget, they are trying to make sure that we do coordinate this whole effort. Now that we do have all of the electric utilities in the same business providing the same service, we pretty much have the entire State covered from the standpoint of dealing with the prospects, showing the sites, and giving them the demographics that are necessary.

This support that we get from the State, the Department of Commerce and Economic Development, counties, and local governments, I think, is very important. That is what the Department of Economic Development is doing for us through this network. I don't know if Rocco wants to add something to that, but I think that's very important.

SENATOR SINAGRA: I know we are not supposed to do this, but you may, because they are asking you a question. I want to try to keep this as a panel discussion. Come on up.

**R O C C O V. G U E R R I E R I, P h. D. :** Good morning. It's Dr. Rocco Guerrieri, the Director of Economic Development for the Department of Commerce. I work in Barbara McConnell's Department of Commerce and Economic Development.

Economic development would be far different in this State than it is today if it weren't for the kind of effort and expertise that the people here put forward. I know with what's happened with our programs in the last several years dollar-wise, we would not -- absolutely would not be able to serve the business community the way that -- with the kind of services that they are getting today, which are outstanding, if it wasn't for the expertise of the people here today and the partnerships.

To save-- Let me just talk about one program to let you -- give you some flavor for the way we interact with everyone here. It's really all of the utilities, as well as the Chamber that we work with routinely -- the Business

Enhancement Program. When that Program was started two years ago, it then became a model for the State. The way that works-- I mean, everyone has mentioned it, but let me touch upon it on a little different light because it is a good example.

The utility marketing people, who are experts in their areas, receive training on some of the things we in the State government can produce. A lot of the things that we produce are a direct consequence of legislation that you've put out. So whether it is a workforce development partnership; whether it's the innovative programs of the Economic Development Authority; whether it's the work of a couple of my offices: Business Advocacy Office, Urban Enterprise Zone Program, or anything else in State government, any of the service better available -- and I missed a lot of them -- we become the linkage for those services. So, whenever the utilities go out and find out that there is a need, the marketing people go out and find out there is some need that maybe a company is in trouble because they may need English as a second language; they may need training; they may need any of the things they talked about or more, we become the State contact person in the Commerce Department.

Then we reach out to our network, who we routinely meet with, to make sure that the kind of time frame that everyone has talked about here is met. In ten days not only do you get first contact, but an 80-some percentage of the time, a positive decision is made on giving information back.

So that's really one of the backbones of our Business Retention Program and Enhancement Program. Again, in terms of attraction, no better example than one of the things that we saw today -- and each of the utilities has them-- We can't possibly duplicate this kind of positive promotional effort towards demonstrating how vital New Jersey is to economic development and to people who want to come into the State. So

had both attraction, retention, and enhancement, all three of these areas-- We really couldn't survive without the people that are here today doing this work for us.

MR. FLAHERTY: Mr. Chairman, I also want to say the same thing as far as the New Jersey State Chamber of Commerce is concerned. I'm envious at what these people do. We just don't have the budget and the manpower to do this. We never did. We have to depend on the utilities to back us up.

I can relate one thing: I was Executive Director when I was with First Fidelity Bank in Newark, and when my -- the former Chairman, Bob Ferguson, led a group of business people to Europe, every one of the Chairmen of these fine companies was on that trip, and it was the utilities that especially convinced five German companies at that time -- this was years ago -- to relocate in New Jersey. If it wasn't for them-- It wasn't the Chamber. I wasn't with the Chamber at the time. But the BIA, the Chamber -- in all due respect, our resources are not that great. We have to depend on what they do. They do one hell of a job, unbelievable. That was the first time in my life -- and this was years ago, 20 years ago -- that I saw what utilities could do, and the programs they had at the time to attract business and industry. There was tremendous follow-up.

I was trying to think of the name, and just remembered that I should never forget his name. The late Bob Franklin was on that trip representing public service, along with your Chairman -- I think your Chairman at the time was Bob Smith, and I'm dealing now just with Public Service -- but every Chairman of every one of these utilities was on that trip. It was fantastic, but also the President of the State Chamber was on the trip. He depended on these people actually to do the legwork, the design, and all the reasons why they should relocate in New Jersey. The five German companies did relocate.

SENATOR SINAGRA: Okay

MR. KUKAN: If I may, I think Economic Development has become a much more complicated program than it's ever been in the past few years. It's evolved to become a joint partnering of a lot of people in the public and private sectors. It's not sort of a task, or sort of a goal that can be addressed individually any longer. It requires a lot of different resources building together toward that final outcome. And I think all of the organizations, the State Chamber, and certainly Rocco's organization represent part of that component group of people that work on behalf of the State's economic development.

I think there are two aspects of it. One is certainly public relations and raising the awareness of what New Jersey offers and can offer. It's a perception problem with New Jersey. No two ways about it, we're the product of the New York media and the Philadelphia media. The perception has always been a very negative one, so we've always reached the conclusion that we have to do something, even if it's perceived as being cosmetic. We have to represent some sort of proponent aspect for New Jersey economy.

In terms of what it really is and what it offers a corporation who may want to relocate or expand here, once you get that awareness raised -- and that is what we are doing with TradeLink -- there has to be a credible group of people and professionals who can respond to that perceived good business location. That's where a lot of these people around the table come together. For instance, we are working very closely with the State Chamber, as I mentioned before, with a group of other organizations on this manufacturing analysis for the State. They represent a powerful group of organizations who have a lot to say regarding the problems that they are experiencing, and staying in New Jersey or expanding here.

We want to be aware, then, so we can build public policy to address it. The same is true with Rocco's group, Business Advocacy, which is a group that Rocco heads up in the Department of Commerce and Economic Development. He has always been one of our most powerful allies in terms of responding to corporations' problems in staying in New Jersey. When I mentioned before about the informal network we used over the years in responding to our clients' problems, that informal network was Rocco and his Business Advocacy people, together with other individuals at the county and local level.

The formalized procedure, or BEP, has just been an outgrowth of that, and made it almost even more efficient, more predictable and able to be monitored a little bit more, to be made more efficient in the final outcome. But that program wouldn't be in place without that partnering. I think we are all aware, Senator, of what we all can do from a capability standpoint. I think it's just building on that and expanding it still further.

SENATOR SINAGRA: I just have this inherent concern there are many businesses out there that can avail themselves of service, both from the Department of Commerce, from the Chamber, or from utilities. They just wait too long. But they look at it as the point of, "Gee, I'm desperate now. Something is not right with my business," so then they run to the State. The State may not have a program that suits them, so then they run to the Chamber. Then they run to the utilities, where so many businesses could be helped. Rather than wait for that point where they are in a situation of crisis before they go to you in the Department of Commerce-- Because we provide all these services, and obviously you have a program that's in place that can help businesses.

Let me ask one other question while I am on this kick. I have to tell you, as a businessman, I've always been fascinated with the New Jersey Structural Steel thing that the Commerce-- I don't think Barbara McConnell and people have

gotten enough credit, or the Governor has gotten enough credit for doing that. I don't know who can answer this question. Anyone who wants to, jump up. Is that the exception, or is that kind of the rule today? Are we getting innovative, and are we doing things that are different than we did 10 years ago or 20 years ago as it pertains to utilities?

I mean, if you're not, or if anybody out there is not familiar with this, New Jersey Structural Steel was going to move to Pennsylvania. They had a contract on a piece of land. The biggest part of the reason why they were leaving was utility rates. There was a compromise structure that if they invested \$40 million in New Jersey in a new plant, in new equipment, whatever, they would get a reduced electric rate that would have partly had to do with the investment they made within our State. And I actually thought that was incredibly innovative. Is that the rule? Is that the exception? Are we leaning that way or is that an aberration?

MR. STOMINSKI: No, we're not allowed to give any secrets away. We can't talk about that.

Would anyone like to speak to some of those points?

SENATOR SINAGRA: You're going to have to come on up. Come on up. I really feel that this is an important issue.

**G L E N N S T Y G E R:** I'm Glenn Styger. I'm Director of Competitive Strategies of Jersey Central.

SENATOR SINAGRA: Write this down, "the other utilities."

MR. STYGER: And that is all I have to say. (laughter)

But to answer your questions the best we could, we believe that as we move forward, that will be less the exception and more of the type of thing that we are going to have to look at, particularly with our larger customers. I know there is a concern about the smaller customer, but certainly it's the larger ones that have a major impact on the

jobs and the overall economic health of the State. So we are looking very clearly at strategies -- whatever it is, whatever that means, and whatever the flexibility that it takes.

SENATOR SINAGRA: The only concern I would have with the statement is, Assemblywoman Derman and everybody recognizes the middle and small businesses are really going to be the generation of jobs in the State. I understand the concern about maintaining your current base. What are we doing for those people that are -- as far as-- Nothing, I guess, is the answer.

MR. STYGER: No, no, no, that's not the answer. The answer is that you have to start somewhere, okay. Obviously, New Jersey Steel, which is the one that you recognize, is -- that represents, by the way, Jersey Central's largest customer, so we started at that level to take a look at what it takes. We certainly will not forget all of our customer base, but I think you have to start at one level.

ASSEMBLYWOMAN DERMAN: What happens with the, you know, local dry cleaning store or the pizzeria that's having trouble paying its bills? You notice they are falling behind, they are paying slower and slower. What happens with a mom-and-pop operation like that? Is there any assistance? Do you have a payment plan, or do you turn the lights right out? What do you do?

MR. RODDY: No, our marketing reps are given that warning that the customer is having a problem. We go in and take a look at the facilities, such as doing an audit. We see if there is any energy efficiency opportunities that can be brought to bear at that account. We have other folks that work on how they can pay the account over time but, you know, we do proactively, when we know there is a problem, get in there and try and fix things up as best we can.

We do have our conservation programs that are open to all customers. There are rebates available to all customer

levels, and different programs depending on size. But what I think you're hearing is, there is more individualized attention to the top 100 or 200 accounts. It's almost impossible to give that individualized attention to all of your customers. Some of them can only be done through mailings, through bill inserts, and other contacts they may have with the company that can alert other departments to work on that account.

SENATOR SINAGRA: But Harriet asked a question about the grocer and the dry cleaner. What about the 50 to 100 employees manufacturing -- relatively high energy cost involved in manufacturing? What do we do for him? Anybody?

MR. DeSANTI: Yes, Senator, about a year ago we developed specialized marketing personnel that essentially would look at specific industries to find out exactly what was going on worldwide within those industries to make sure that we could bring our customer base up to the level of technology. What is going on? What is the cutting edge? What kind of equipment is available? What types of energy conservation ethics are available to that industry?

Those marketing personnel really specialize within certain industrial classification codes and become experts, so that when we have a dry cleaner, you know that they know more about dry cleaning and what kind of equipment is available, what conservation techniques are available within that industry, and those kinds of assistances. Again, it goes back to it's no longer a plain vanilla kind of a company where you look at a tariff sheet and you pick off, "This is where I must be." It's got to change in order for us to attract--

SENATOR SINAGRA: Now, all those programs, as far as energy efficient use, go to industry, also. In other words, someone in manufacturing who had motors that weren't efficient and replaced those on the assembly line would be entitled to-- Is that all part of the programs that everyone has?

MR. RODDY: In fact, it's not just motor change outs

anymore. We are willing to go in and look at a whole process change.

SENATOR SINAGRA: Oh, really?

MR. RODDY: Through some of the work that is brought on the State on conservation incentives, we can actually -- and the example I used for Nestle is one, and we have a few others that we've actually done a full process change at the plant location to help bring them up into the 1980s at least, if not the 1990s.

SENATOR SINAGRA: Just out of curiosity -- and I hate to bore anybody with that-- Nestle obviously has a major engineering department, and it's a worldwide company. What exactly-- What role did you play in redesigning your unit? Or what incentives did you-- What I just don't particularly understand when you say Nestle--

MR. RODDY: Well, we didn't have necessarily much to do on the design for the ammonia chilling that they brought in. It is something that they had been using in Europe for some time. But we penciled out if they were doing ammonia chilling what it would be worth to us? Then they brought us other technologies and we said, "Well, if you brought us this technology, we would be able to provide you "X" amount of dollars in rebate." We did work closely with their design team, with our engineers working with them to make that all happen.

MR. KUKAN: I think, Senator, these -- both of these issues, as both of these gentleman have addressed, respond to the problem after it's been uncovered. I think the key you've raised is, how do you uncover the problem early in the game?

You've heard BEP mentioned so much here it is ad nauseam. But I'll tell you one thing to please be mindful of from our perspective alone: There are 120 marketing engineers out here making 10,000 calls a year to the pizzeria and other major and small companies. They're uncovering problems based

upon eroding electrical demands, based upon employees being laid off. They are in and out of those shops on a regular basis. They have conversations and they find out what the difficulties are. That's one of the reasons why the program has become formalized. Because once those problems are uncovered, there have been an awful lot of them. We want to have a formalized and very efficient way of responding to them. BEP offers you that.

The TradeLink program that I mentioned a little bit earlier has been designed for small and mid-size companies; 50 to 250 employees is what we are talking about in 7 industry groups. The bottom line here is to try to positively affect the corporation's bottom line, so if they should be -- if they could be considering exporting, they should and how to get them the necessary help they need to do it. But it's aimed at the 50 to 250 companies. You're absolutely right. That represents the backbone of New Jersey's economy. It's a problem we have to uncover early, and we have to resolve it early. I think that's what BEP drives at. That's why all of us have bought into that program.

MR. FLAHERTY: I wanted-- I'm sorry?

ASSEMBLYWOMAN DERMAN: I was going to ask if fraud was a problem in this industry.

MR. KUKAN: I'm sorry?

ASSEMBLYWOMAN DERMAN: Fraud, is it a problem in this industry?

MR. FLAHERTY: In what industry?

ASSEMBLYWOMAN DERMAN: Utilities.

MR. DeSANTI: Do you mean energy theft issues?

ASSEMBLYWOMAN DERMAN: Yes.

MR. DeSANTI: I guess it's a growing concern. There have been isolated pockets where there have been businesses that have spawned -- where small businesses particularly have been coached on how to steal energy. We have now a department,

as the other utilities do, to keep an eye on that. Clearly, with computer technology today, it's very easy to see what is being conserved and what is being diverted.

MR. STOKES: Maybe I can add something to that also, Assemblywoman. From Atlantic Electric's perspective, energy theft has always been a very big concern. The court systems tend to look at energy theft as more of not a moral question, but rather an economic question. As long as you have paid the utility company the compensation for the electricity stolen, then usually you can walk away free and clear. So about four or five years ago, we saw an introduction of legislation to change that and make a mandatory minimum fine, which has been working very well. From our perspective, we think it's a good step in the right direction.

MR. FLAHERTY: I can go-- I'd like to go back to that Nestle situation and give credit to GPU and to their subsidiary, JCP&L. Mike Roddy probably remembers that they were ready to move out of the State, and our bank was very active in having them stay. If it wasn't partly for what they did and the banking situation, they would not be there. But forget about the bank, they were the real power behind the scene. They convinced Nestle that they should to stay here in New Jersey. That's very important.

ASSEMBLYWOMAN DERMAN: Mr. Flaherty, you mentioned with a little titillating reference here to the relationship of New York State's utility and state government, that they have a marketing alliance that's mammoth to what is happening in New Jersey. Exactly what do they have?

MR. HEALEY: I believe that was an article reference in the The Wall Street Journal probably about a month ago, something on the order of \$4.5 million. Money that is going to be chipped in jointly from Governor Cuomo and from, I think, there are 11 electric utilities or electric utility generating entities in New York. That's quite an effort and, as one can imagine, it's probably going to be directed at keeping

businesses that are in New York State now from coming over here. I want to credit to--

SENATOR SINAGRA: All right. How much? That's \$2 million blah, blah, blah-- (laughter)

MR. DeSANTI: It's not that much.

MR. HEALEY: So it's quite an effort.

But let me just-- Not to change the subject, but let me just go back to something which was referenced in Bill Flaherty's testimony.

SENATOR SINAGRA: Would you send us that article? Just before we begin, could you get us a copy of that article?

MR. FLAHERTY: Sure, I believe we have-- If I have a copy of it on me today, I will leave it with you. I mentioned about two weeks ago we went down to Salem County. There was a hearing held on a draft permit for the Salem Nuclear Station down there. It provides a lot of electricity, not only to the entire State, but all over the State.

Several years ago, under the Governor's first DEPE Commissioner, they said, "You have to build a huge technological albatross costing some \$2 billion cooling towers." Then to the credit of the recently -- Commissioner Weiner, who recently left that job to go over to the Governor's Counsel's office, everybody sat down and said, "Well, what else can we do? Do we need to do this?" There has been a plan devised now in the draft permit that is going to cost a fraction of that \$2 billion that everybody in this room would have had to pay.

So I think it's important for an organization such as ours not only to be a cheerleader for the business community, but to be extremely proactive rather than decrying the expenditure of \$2 billion after it happens, to get involved up front in the process to keep that from happening. Indeed, the plan that has been laid out -- creation of wetlands and everything that is in that permit -- is going to be so much

better for that region than the construction of the huge cooling tower project.

MR. KUKAN: I'd like to respond to what the Assemblywoman mentioned as well. We've been working on this manufacturing analysis and we've uncovered as a result of, I think, about six presidents of small metal-working companies here in New Jersey -- there are three or four major problems inhibiting their staying and expanding here in the State.

One of the most important issues that they recognized was the lack of an economic development strategy for New Jersey. What does New Jersey want for us -- from us in the next three to four years, in the next ten years, so I can build towards that compliance? I want to see policy identifying whether New Jersey really wants from me as an industry, whether you're going to make it easy for me to stay there -- stay here -- or whether I am going to have to look elsewhere.

That's why one of the issues we'd like to begin looking at next year in 1994 is an issue really that goes at that cooperative effort of a lot of utilities -- public and private sector all working together. I think it's imperative, based on what we are seeing in the street right now and working with industries, that there be some sort of a strategy formulated from New Jersey's perspective, in both the short-term and the long-term, to identify what industries will do well in New Jersey and stop chasing ghosts with the limited resources we have. Let's direct them at corporations and industries that really can expand and locate here. Let's focus on that, and let's identify public policy that can help that happen; that can help them expand once they are here as well.

I think without that strategy developed in both the short term and the long term, you are going to continue to see a lot of industry leaving the State simply because they are confused by the many messages they are getting from State government and local government in terms of whether or not they

really belong there. I think that issue has not been addressed with the State redevelopment plan. It certainly would be addressed with some sort of a comprehensive strategy that could only be developed with all of us here -- the public and the private sector working together maybe similar to what you just pointed out as happening in New York.

SENATOR SINAGRA: We also wrote that down.

That's it. As we end all our meetings -- the Economic Recovery Committee -- when we did it with the banking, and we did it with the environmental, and we did it with all the different trade, we had a meeting up at the Port Authority. What can this Committee do, or what can we do legislatively that could facilitate jobs and economic recovery as it pertains to your industry -- I guess it's the electric utility industry?

If anyone would like to make a last parting comment on the direction we need to take as a State government, we would be glad to hear it. If not, I'm off to Disney World.

Anyone other than who we've heard already? (no, response)

Thank you very much.

**(MEETING CONCLUDED)**

APPENDIX

# **JCP&L**

## **JOINT LEGISLATIVE COMMITTEE ON ECONOMIC RECOVERY**

**TESTIMONY OF:**

**EDWARD J. STOMINSKY**

**ECONOMIC DEVELOPMENT DEPARTMENT**

**Committee Meeting**

**August 23, 1993**

**Minnie B. Veal Center**

**Edison, New Jersey**

### ECONOMIC DEVELOPMENT ACTIVITIES

In our effort to increase opportunities for job growth and job retention and to promote the use of vacant industrial and commercial facilities in our service area, a department was organized in 1989. Regional Managers were placed in both the Northern and Southern Marketing areas and an Economic Development Analyst position was added to support our computerized data base of available sites and also to disseminate demographic information.

### ATTRACTING PROSPECTS

In 1992 the Department exceeded it's goal by making a total of eighty-six economic development informational presentations to brokers, developers, county and local economic development departments in various parts of the State, to such diverse groups as:

CB Commercial  
Associated Sales  
Galesi Realty  
Valentine Associates  
Weichert Commercial  
The West Company  
Atlantic Real Estate Services  
Joseph Hilton & Associates  
Sholom, Zuckerbrot, Wellins & Evans  
Andover Realty  
Lanard & Auxilbund Inc.  
Cushman & Wakefield

These presentations have brought about a total of 2,366 listings processed during the year which are then used to attract and aid prospects in their search for the right facility.

The JCP&L Economic Development department has also started on a new campaign of direct mailings to brokers, developers and sales personnel in the real estate business to continually update our data base. To assist our field people with demographic information, we have produced a fact book covering the major counties we serve (Morris, Sussex, Warren, Hunterdon, Middlesex, Monmouth, and Ocean). These books continue to be an important marketing tool for prospect inquiries, site tours and various economic development agencies on the State, County and local levels. With respect to the Economic Development Department's participation at conferences, we have tried new and innovative approaches to getting our Department's message across. At the New Jersey Association of Counties, all three of the State's electric companies (JCP&L, PSE&G, and AE) shared booth space to promote the Business Enhancement Program. Another first was the Department's participation at the East Medical Design and Manufacturing Trade Show held at the Jacob Javits Convention Center in New York City. The Economic Development Department was able to use Area Development Magazine's booth as a base, due to our Economic Development ad which we placed for distribution at the Trade Show. There were quite a number of New Jersey companies represented as exhibitors (total exhibitors were close to 450), and there were also many business development groups representing states, power companies, and local area development groups from Indiana, Florida, Georgia, Kansas, Memphis, Tennessee, Colorado, Maryland, West Virginia, and Louisiana.

## **BUSINESS ENHANCEMENT PROGRAM**

Recognizing the competitive atmosphere with other states, we are active participants in the Business Enhancement Program and the Municipal Business Retention and Expansion Program. It is cooperative programs with State, County and local government and increased public/private partnerships that enhance New Jersey's ability to attract new business and retain existing businesses.

Our participation in the program was officially launched during a education seminar in Randolph in November 1991, for our northern territory and in May 1992, for the Monmouth/Ocean area. The half-day seminar brought together commercial and industrial firms, our representatives and all state departments, as well as representatives from the economic development offices of Morris, Hunterdon, Sussex, Warren, Monmouth and Ocean. Its focus was to explain how the Business Enhancement Program works, what the potential benefits are, and some of the resources that are available. As part of the effort our marketing representatives have been trained to help customers identify problem areas. Under the program, the marketing representatives will be prepared to handle customer concerns that go beyond normal energy and marketing issues.

## **MUNICIPAL BUSINESS RETENTION & EXPANSION PROGRAM**

In March the Economic Development Department spearheaded a comprehensive business retention effort. Known as the Municipal Business Retention Program & Expansion (MBREP), it is a grass roots program dealing with local government officials and local industries. This is one way of changing the perception most businesses have about local government officials. The bottom line is, it helps businesses survive during

these bad economic times.

### **NJIT-JCP&L PARTNERSHIP**

The New Jersey Institute of Technology and JCP&L have entered into a joint partnership to promote and support manufacturing firms in New Jersey.

By sponsoring "Continuous Quality Improvement" (CQI) as well as other NJIT programs, manufacturers in our service area (starting in 1993) will have the opportunity to learn how to reduce costs, lead times and inventory levels while increasing flexibility, market share and profitability. This partnership will provide enhanced skills training for JCP&L marketing representatives in specific manufacturing sectors such as chemicals, plastics and metals, and give JCP&L a competitive edge in attracting and retaining firms.

### **INTERNATIONAL BUSINESS FORUM PARTNERSHIP**

JCP&L has joined the New Jersey Dept. of Commerce, Division of International Trade, NJIT and the New Jersey Business and Industry Association in sponsoring international trade programs for manufacturers in our service area. Companies will be able to receive technical assistance in learning how to export their product, develop cross licensing of products/technology, and encourage joint ventures.

Our first joint effort will help sponsor 25 manufacturing firms on a trade mission to Italy where they will meet with dozens of small high quality manufacturing companies to discuss international trade partnerships and alliances. This International Business Forum will take place in March 1993.

### **FOREIGN FIRMS IN NEW JERSEY**

Foreign-owned companies employ a percentage of private-sector workers in New

Jersey that is greater than National percentages, according to the U.S. Department of Labor.

Foreign-owned firms play an even greater and stronger role in the economy of the 26-county, Northeastern New Jersey-New York-Connecticut region, which covers 12 counties in the Garden State, the first-ever study on foreign ownership by the U.S. Bureau of Labor Statistics revealed.

Four counties in New Jersey - Middlesex, Morris, Essex and Bergen - were in the top ten in the United States in the percentages of private sector jobs provided by foreign-owned companies.

**COUNTIES WITH MOST JOBS IN FOREIGN-OWNED FIRMS**

County	Percentage of total employment associated with foreign-owned firms	Average monthly wages of foreign-owned firms	Average monthly wages of all firms
New Castle, Del	16.1%	\$3,708	\$2,309
Honolulu, Hawaii	11.4	2,233	2,121
Lake, Indiana	10.7	3,345	2,131
New York, NY	9.6	4,537	3,782
Mecklenburg, NC	9.4	2,566	2,248
Middlesex, NJ	9.3	3,186	2,754
Morris, NJ	9.2	3,824	2,941
Essex, NJ	9.1	3,267	2,674
Bergen, NJ	8.8	3,520	2,895
Fulton, GA	8.0	2,385	2,441

<u>NJ. AVERAGE</u>	<u>6.9%</u>	<u>\$2,672</u>	<u>\$3,244</u>
<u>U.S. AVERAGE</u>	<u>5.2%</u>	<u>\$2,543</u>	<u>\$2,085</u>

### TARGETING

JCP&L is embarking on a study that will identify businesses best suited to New Jersey. It will be used in the attraction of new firms to New Jersey, as well as enhancing those already here.

### ENVIRONMENTAL INITIATIVES

The Department of Economic Development at JCP&L is working with representatives of the DEPE, COMMERCE, and NJEDA regarding new regulations that would prohibit the way dry cleaners operate. Costs associated with upgrading the current processes run from \$8,000 to \$30,000, potentially putting these businesses at risk. We hope to make the compliance process simple and find ways to help finance new equipment purchases.

### TECHNICAL ASSISTANCE TO MUNICIPAL AND COUNTY E.D.

- Helping begin and maintain E.D. committees in municipalities
- Working on projects with currently existing committees
- Workshops, seminars, HOW TO

### ECONOMIC DEVELOPMENT INCENTIVE RATE

I would now like to turn my attention to economic development rates. We filed our economic development rate package on June 24. We have had discussions with the BRC staff and the Public Advocate on our economic development rates, and we also

visited the Department of Commerce and Economic Development of the State of New Jersey. Although we asked that the Economic Development Rates go into effect on August 1, the BRC staff postponed action pending receipt of comments by the Public Advocate's Division of Rate Counsel. Those comments were finally sent on August 11, seven weeks after the filing and two weeks after the requested effective date. Rate Counsel's comments included:

- ◆ "JCP&L's plan will simply expand the Company's sales of electricity at the expense of the Company's existing ratepayers."
- ◆ "JCP&L has not shown that its proposal will enhance economic development or create jobs within the State."
- ◆ "The proposed JCP&L program is contrary to the Company's Demand Side Management goals and the Board's DSM incentive regulations."
- ◆ "The High Energy Efficiency Assistance Program limits its applicability to buildings which use electric air conditioning while gas air conditioned buildings and buildings without air conditioning are not covered."

but,

- ◆ "Rate Counsel would be willing to meet with Board Staff and JCP&L to discuss the possibility of restructuring the proposed riders to help ensure that they will contribute to economic development."

This should help you understand how difficult it is to get something done, even when your intentions are good. One thing I have learned about regulation is that our good intentions represent another party's subterfuge. Somehow we have to cut through that veneer of suspicion, or at least make sure that the BRC Commissioners are not

infected by it. In any case, I expect BRC approval and I hope for that approval at the September 1 BRC meeting. Our economic development rate package is based on the belief that effectively designed economic development programs will not increase the cost of service to other customers and that regulatory oversight can assure that some customer classes will not wind up subsidizing others to any greater extent than now occurs. We believe that increasing sales can act as a deterrent to rate increases by attracting new customers which may generate more revenue for the Company, forcing rates down. We also believe that rates designed to maximize off-peak usage may lower rates overall and improve our load factor going forward. Since 1990, New Jersey has lost about 250,000 jobs. New Jersey's inability to realize its potential for new job creation and business growth opportunity is evidenced by the high level of vacancies among existing industrial and office buildings. These facilities are available and Jersey Central has already incurred the expense of providing electric supply to these facilities. As a result, Jersey Central can directly and immediately benefit from any new occupancy of vacant buildings. At year-end 1992, New Jersey had an estimated 62 million square feet of vacant industrial space and that is among the highest in the United States. About one-third of that vacant industrial space is in Jersey Central's service area. We estimate that filling this space would create jobs for more than 250,000 people. New Jersey has an office vacancy rate of about 22%, which is also among the highest in the nation. About one-half of that is within Jersey Central's service territory. Filling that space would create job opportunities for about 150,000 people. As a result, we see facilities going to waste in our service territory which could employ more than 400,000 people.

The economic development rates consist of five separate programs. These

include the Business Expansion Incentive Rider designed to provide a monthly credit to bills of commercial and industrial customers who are expanding their facilities or increasing their hours of operation. This credit only applies to off-peak energy usage.

The Building Utilization Incentive Rider will provide both demand charge and energy charge reductions for certain large commercial and industrial customers committed to purchasing or otherwise occupying vacant space of 15,000 square feet or more.

The Employment Development Rebate Program will provide rebates of \$20 per month per added permanent full time employee for up to 12 months for certain commercial and industrial customers increasing their permanent full-time employees by at least two.

The EDA Priority Location Rebate Program will provide one-time rebates of \$5 per thousand square feet of occupied space for non-governmental customers who occupy vacant space in an EDA priority location. These priority locations are designated by the EDA, or Economic Development Authority, based on a formula designed to aid communities that have high unemployment rates, low adjusted incomes per capita, low ratables per capita and/or 1,000 or more unemployed.

And finally, the High Energy Efficiency Assistance Program will provide energy efficiency improvement services to commercial and industrial customers who lease or purchase vacant space of at least 50,000 square feet for certain uses and hire at least two new permanent full-time employees.

These programs have been designed so that the growth they are intended to

encourage is what is generally considered positive growth. Positive in the sense that the programs encourage off-peak usage, second and third work shifts, higher or high-load customers, energy efficiency and the creation of additional full-time employment positions. The programs intend to ease energy costs as a barrier to market entry for business expansions and new business creation. The programs illustrate Jersey Central is working in a collaborative and active manner to improve the communities its serves.

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