

A Call To Modernize Regulation

Ralph LaRossa, president and COO of PSE&G, testified in Trenton last week to urge regulatory reform as a means of stimulating job creation and addressing climate change. These are excerpts from his oral and written testimony.

Almost all economists agree that job-creating infrastructure investment must be a central part of any plan to get our economy moving.

National and state leaders agree that the energy industry must be at the center of this effort...because there are investments that society desperately needs us to make – improving efficiency, developing renewable generation, maintaining reliability, and modernizing our grid.

If we can put people back to work while strengthening critical infrastructure, fighting global warming and moving toward energy independence, it will truly be a win-win.

New Jersey has recognized that utilities must play a leading role in making this vision a reality. But we have some challenges to meet before we can make this happen.

The short-term challenge is accessing affordable capital to invest in these turbulent economic times. The longer-term challenge is establishing a regulatory structure that works in a world with dynamic financial markets in which utilities are being asked to help fight global warming and make major infrastructure investments.

PSEG believes we need to modernize our regulatory system to meet these 21st-century challenges. We need a regulatory system that will encourage investments that create jobs and more effectively align the interests of utilities with the

goals of society. One way to accomplish this would be to adopt a system already in use at the federal level called formula rates.

Formula rates would adapt to changing circumstances and customer needs while maintaining customer protections and regulatory oversight. It would eliminate the disincentive to invest in energy efficiency and allow rates to be adjusted if efficiency investments dramatically decreased sales.

Any modernization of rates needs to include the timely and predictable reimbursement for investments. This would allow utilities to access affordable capital and create thousands of traditional and green jobs – ranging from engineers to design new infrastructure to skilled craftsmen to install solar panels.

Any change in our rate system could also include customer protections, such as performance standards and a reasonable cap on rate increases.

We have put forward one way to accomplish the above – formula rates. We're open to

alternative proposals for addressing these critical problems. But facing a faltering economy and a desperate need to transition to a cleaner, greener and more efficient energy industry, we cannot afford to do nothing. New Jersey needs to modernize its regulatory system.

What's your view? Please let us know at Opinion@PSEG.com



We need a regulatory system that will encourage investments that create jobs.



PSEG

We make things work for you.