WRITTEN TESTIMONY OF
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BEFORE THE UNITED STATES SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

HEARING ON CLEAN ENERGY JOBS AND AMERICAN POWER ACT

OCTOBER 28, 2009

Chairman Boxer, Ranking Member Inhofe and members of the Committee, I am pleased to be here today to testify on the Clean Energy Jobs and American Power Act.

My name is Ralph Izzo and I am Chairman, President and CEO of Public Service Enterprise Group, headquartered in Newark, New Jersey.

PSEG owns and operates a large fleet of power plants. Roughly half of our power comes from nuclear generation, while the remainder is fueled equally by coal and natural gas.

We are investing over one billion dollars in energy efficiency, solar generation, offshore wind and new nuclear power.

We serve more than two million electric and gas utility customers, many of whom struggle to pay their bills.

PSEG can't be defined strictly as a nuclear company, a coal company, a renewable company or a utility. We have all of these interests under one corporate umbrella.

With such a diverse mix of assets, we've had to carefully consider the challenges and trade-offs associated with climate change, and we arrive at the conclusion that our nation urgently needs this Congress to establish a national carbon cap-and-trade system to reduce greenhouse gas emissions.

I applaud you Chairman Boxer, along with Senator Kerry, for introducing the legislation that is now before this Committee.

There are many provisions in the bill that my company supports, and some we do not. But we choose not to let perfection be the enemy of the good. We must continue the drive toward final passage of climate legislation with a sense of urgency that matches the seriousness of the challenge in front of us.

Without action our industry is paralyzed

Some companies are now making low-carbon investment choices, particularly those like PSEG that are already subject to carbon regulation. But uncertainty about a national program slows our transition to a green economy, complicating investment decisions about whether to retrofit coal plants to reduce emissions, pursue development of new nuclear or invest in offshore wind.

And while we delay, America is losing ground to nations around the world.

Germany and England have robust offshore wind industries. Israel and Denmark are deploying electric vehicle infrastructure. China is becoming the world's primary source for solar panels. Of the more than 50 nuclear plants currently under construction around the world, only one is in the United States.

Putting a price on carbon is the single most important step toward making America a leader in this new energy economy.

It will open the floodgates for investments in energy efficiency, renewable energy, energy storage, nuclear power, electric vehicles, and other nascent low-carbon solutions.

And it will create jobs.

For example, fueled by strong state-level policies, PSEG is hiring unemployed Newark residents to conduct energy audits in their community. And a New Jersey based company is hiring 100 workers to make solar panels for PSEG to mount on our utility poles.

We need to drive this kind of job creation nationally.

Many before me have noted that the decision facing Congress is not whether to curb greenhouse gas emissions, but whether to ensure, by enacting a cap-and-trade program, that these reductions will occur at a lower cost to consumers and our economy. Make no mistake - those not yet subject to carbon regulation know that they soon will be.

The EPA has already announced its intention to regulate greenhouse gases under the Clean Air Act by March of 2010. The immediate implication for the electric industry is that fossil-fueled power plants will be subject to New Source Review and Best Available Control Technology determinations for new power plants and major modifications of existing power plants. What constitutes Best Available Control Technology is anyone's guess right now, but by March of next year, permit writers in states will be left to figure that out. Congress can avoid this costly and cumbersome path by enacting strong cap-and-trade legislation that obviates the need for EPA to regulate greenhouse gases under the Clean Air Act.

PSEG supported the House passage of the American Clean Energy and Security Act of 2009, and we are pleased to see that several elements of that legislation are contained in the measure before this Committee today.

In particular, PSEG commends the Chairman's Mark for its recognition that climate change is a national and global threat that must be addressed at the national level rather than through separate regional efforts. While we have been an active participant and supporter of the Regional Greenhouse Gas Initiative in the Northeast, PSEG supports the moratorium on these programs contained in the bill. Ultimately, the regulatory regime for carbon must reflect the fact that greenhouse gas emissions from power plants do not represent a local public health threat as do other pollutants regulated by states under the Clean Air Act.

PSEG also strongly supports the provision in the bill allocating allowances to electricity and natural gas consumers through their state-regulated local distribution companies or LDCs. Utilities are the contact point with almost every citizen and business that will be impacted by a cap-and-trade system. Therefore, providing allowances to utilities and mandating that allowances benefit their customers is the most direct way to minimize price increases and ensure that consumers, not companies and their shareholders, realize the value of the allowances. With the LDC allocation targeted specifically for rate relief, allocating allowance to customers is the best way to prevent intolerable price increases in the early years of the program before new technologies are widely available and deployed.

The Chairman's Mark provides that all local distribution companies – whether investor-owned utilities, rural electric cooperatives, or municipally owned utilities – are allocated these allowances, with 50 percent allocated based on emissions and the other 50 percent based on electricity deliveries. This allocation formula results in an equitable distribution for all consumers. The allowances allocated based on deliveries recognize that customers in certain regions have already made investments in lower-carbon energy resources and pay higher prices as a result. At the same time, the allowances based on emissions smooth the transition for customers served by higher carbon emitting resources. This, along with a much smaller fraction of allowances set aside for merchant coal plants, make up the key elements of the EEI compromise that I worked on with my industry colleagues for two years, and I am pleased that the bill preserves this framework.

Because the power we generate for our customers accounts for 40 percent of economy-wide greenhouse gas emissions today and will account for a larger share in the future as our customers turn to electric vehicles, PSEG believes that 40 percent of the total allowances should be provided to the electric sector for a transitional period.

Another important element of the bill is the price "collar". Sustained high allowance prices or extreme price volatility could erode public support for a cap-and-trade program. On the other hand, sustained low prices will undermine investment in low- and no-carbon technologies. Companies will only make the necessary investments if they are confident that the federal program is economically and politically sustainable. Therefore, we support a price collar design which minimizes price volatility while maintaining the integrity of the emissions cap.

Lastly, PSEG is pleased that the Chairman's Mark enables state public utility commissions to dedicate a portion of the LDC allocations to help fund energy efficiency programs, but we would not support a mandatory set aside for energy efficiency from the LDC allocations. As a utility that is investing heavily in energy efficiency programs in New Jersey, but also a utility facing the fact that one in every six dollars of customers' bills is more than six months in arrears, we believe that the central objective of rate relief through the LDC allowances must be preserved.

In closing, I would emphasize my strong support for a comprehensive approach like that contained in the Chairman's Mark. We must establish a framework and a strategy that will guide our economy in deploying the lowest-cost abatement opportunities. At the same time, we believe it is important to recognize that capping carbon emissions is a powerful act that in itself will do much to drive investment in low- and zero-emitting technologies. We would recommend careful consideration of any additional programs to ensure they will actually achieve a goal beyond what cap-and-trade is inherently designed to do. In other words, additional programs beyond a carbon price signal simply may not be needed.

Madame Chairman, I thank you for the opportunity to offer my views this afternoon on the Clean Energy Jobs and American Power Act, and on the urgent need to enact climate legislation. When all is said and done, we cannot delay action on climate change.

The latest scientific data send an unmistakable message – climate change is already occurring, and faster than previously predicted.

Other scientists more qualified than me will explain to this committee the dire implications of this latest data, but I can tell you as a CEO that I have never seen our industry face a more urgent problem. We need a path forward to a low-carbon future.

This issue will always be difficult. There will always be regional disputes and concerns about impacts on customers. But we must overcome those challenges if we are going to confront climate change, create clean energy jobs and make America a leader in the low-carbon economy.

The time for action is now. I am confident that this Committee, and ultimately this Congress, will rise to the challenge.