

**TESTIMONY OF RALPH IZZO
PRESIDENT, CHAIRMAN AND CEO
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**

**HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND ENVIRONMENT**

FEBRUARY 26, 2009

Mr. Chairman, Congressman Upton and Members of the Subcommittee, my name is Ralph Izzo and I am President, Chairman and CEO of Public Service Enterprise Group. Our family of companies distributes electricity and natural gas to more than two million utility customers in New Jersey, and owns and operates approximately 17,000 megawatts of electric generating capacity concentrated in the Northeast, Mid-Atlantic and Texas.

I appear before you this morning to express my strong desire to see this Congress adopt a national Renewable Electricity Standard. I applaud Chairman Markey for his leadership on this issue, as well as New Jersey Congressman Frank Pallone, who has championed renewable energy for as long as I've known him.

I support a national RES as a citizen who is deeply concerned about climate change; as an investor who sees exciting opportunities in the renewable sector; and as the head of a company concerned about its customers and their ability to pay for green investments, particularly in this economic environment.

The reports of how our climate is already changing are increasingly alarming.

Temperatures are rising, and the Arctic ice sheet and glaciers around the world are melting even faster than anticipated.

Global warming is the most important environmental challenge of our time. To avoid catastrophic impacts from climate change, most scientists agree that we must achieve carbon emission reductions of 80% by 2050. To reach this target, we urgently need decisive federal action – not a patchwork of state and regional fixes, but a strong, progressive national energy policy.

PSEG has advocated a three-pronged approach to reduce carbon emissions.

- Conservation through energy efficiency improvements.
- Development of renewable energy resources.
- And an expansion of clean, zero- and low-carbon central station electric generation, such as nuclear power.

Putting a price on carbon with a cap-and-trade program will help make progress toward all of these goals. However, effectively combating global warming will require a comprehensive package of policy solutions.

Meeting our carbon reduction targets will require that we electrify our transportation sector and decarbonize our electric generation. This cannot be achieved if we only focus on short-term, least-cost carbon reduction measures. We need policies aimed directly at

driving these transformations, and a federal RES will create demand for technologies that will transform the way we generate electricity.

With America's skilled workforce and entrepreneurial spirit, we should be leading this charge. But today we are playing catch up with other nations in developing renewable energy industries.

With the right national policy, America can develop the world's leading clean energy industry. We will create jobs. And we will develop new technologies that we can export all over the world. Investment in renewable energy is a strategy for long-term growth.

As an investor and businessman, I believe the adoption of a federal RES would create tremendous opportunities. PSEG is already beginning to invest heavily in alternative energy. Two weeks ago, our utility filed a proposal with New Jersey regulators to invest almost \$800 million in solar generation over the next five years. Under this program, we will install solar generation on brownfields, low-income housing and government buildings. It also will include roughly 200,000 solar installations on our utility poles. This is in addition to the more than \$100 million our utility is already investing in solar generation.

Our merchant renewable generating company is also developing solar, offshore wind and other alternative energy projects. Most notable among these is a joint venture with Deepwater Wind to build a 350 megawatt wind generation facility roughly 17 miles off

the coast of South Jersey. This project will use a patented technology that allows us to locate wind farms in deep water, virtually out of sight from the shore. We also recently created a joint venture called Energy Storage and Power to develop compressed air storage facilities that can store energy. This technology can be paired with intermittent renewable generation resources to make them more reliable and competitive.

Projects such as these are just the starting point of what America must build if we are going to combat climate change and grow a robust renewable energy industry. A national RES will send clear market signals to companies like PSEG to increase their investment in renewable electric generation.

Finally, as the head of a company with over two million customers, including the majority of New Jersey's low- and moderate-income families, I worry about customers' ability to pay for green investments.

In the long term, these investments will be a net benefit to customers. In addition to reduced carbon emissions, benefits include job creation, economic development, cleaner air and greater energy security. Moreover, modeling by the Energy Information Administration has shown that the renewable generation spurred by a national RES will likely displace older and less efficient fossil fuel plants, placing downward pressure on fossil fuel prices and the wholesale price of electricity. And over time, renewable technologies will become competitive with traditional sources of generation.

In the short term, however, these investments generally increase customer costs because today electricity from renewable generation is more expensive than electricity from fossil fuel generation. We must be candid with our customers about these higher costs as we emphasize the important benefits.

Any increase in the cost of electricity is of particular concern for low- and moderate-income families who already struggle to pay their bills. I strongly support the federal Low Income Home Energy Assistance Program (LIHEAP) and other state-funded programs to help such households. Improving energy efficiency is a more lasting solution for reducing customer bills. Our utility is already implementing programs in our urban centers to improve efficiency in homes, small businesses and hospitals.

The most effective way to minimize the price impacts of renewable energy requirements is through a national approach. A federal program will create economies of scale, and it will reduce the cost of capital once developers can rely on a stable, national market for renewable energy credits, or RECs. I believe that by establishing a robust national RES program, we will begin to move toward a single REC market as state policymakers eventually elect not to maintain separate regional renewable energy “currencies.”

For example, New Jersey has an RES that must be met with renewable energy generated within PJM, our regional electric grid. Energy from a wind farm in Illinois may count, but energy from a wind farm in Nebraska does not count, even though it may be a more affordable compliance option. Once a strong federal program is in place, state

policymakers may decide that making that distinction no longer makes sense for their ratepayers.

Of course, states will always be able to go above and beyond the federal standard and set a higher RES target. And states will likely want to maintain targeted efforts to promote specific renewable industries in their state, as New Jersey is doing with solar and offshore wind. But with a strong national program, we will begin to see more stability and uniformity in the market place.

As for the specifics of an RES policy, I believe the target of 25% renewable energy by 2025 – as President Obama, Chairman Markey and others support – is an aggressive but achievable goal. Some would contend that it is too aggressive, but given what scientists are telling us about climate change we have little choice but to make this work. Electric generation accounts for roughly 35% of our carbon emissions, and therefore a 25% RES would address just a fraction of that 35%. Given that we need to reach 80% by 2050, it is clear we need an aggressive RES.

I do not believe investments in energy efficiency should be allowed as a compliance mechanism under an RES. The RES should be used exclusively to promote renewable energy. Investments in conservation and efficiency are crucial, as they are currently the most affordable way to reduce carbon emissions. But Congress should promote energy efficiency through separate initiatives rather than allowing investment in efficiency to displace investment in renewables. We need to pursue both at full speed.

I also believe we need additional federal support for certain emerging renewable technologies, particularly through the tax code. A market driven approach like the RES will appropriately drive investment toward what are currently the most cost-competitive forms of renewable generation. However, developing promising industries, like solar and offshore wind, is an important part of our long-term climate change solution.

Finally, as I said earlier, the development of clean, central station power is a critical element to a coherent climate change policy. PSEG is a nuclear company, with over half of our generation output coming from our three nuclear units in South Jersey and a unit we partially own in Pennsylvania. Investment in new nuclear generation needs federal support. This should include fixing the loan guarantee program and supporting the manufacturing of key nuclear components. But I do not believe a federal RES is the appropriate mechanism to provide incentives for new nuclear generation.

In closing, Mr. Chairman, as you know, America faces daunting challenges. We must transform our energy economy in order to dramatically reduce carbon emissions. And we face rising unemployment and an economic crisis. We can begin to address all of these challenges by implementing a strong, national RES program and sending a clear signal to investors that a true shift has occurred in our approach to national energy policy. Let us encourage sustainable investments to power our way out of this economic downturn. We need to get started now.

Thank you and I'd be pleased to answer any questions.