

July 13, 2011

The Honorable Christopher Christie  
Governor of New Jersey  
125 West State Street  
P.O. Box 001  
Trenton, NJ 08625

Dear Governor Christie:

The electricity customers who have signed this letter support competitive wholesale and retail power markets because they are critical to our competitiveness in this tough economic climate. In New Jersey, we collectively represent 722 facilities, with 72,000 employees and \$106 million in annual electricity costs as consumers of electricity. We are concerned that energy policy in New Jersey is shifting away from the very successful competitive market embraced over the past decade to a government control model focused on subsidies for in-state supplies which will ultimately lead to higher prices. Robust competitive electricity markets keep prices as low as possible, drive innovation, and produce other consumer benefits while still ensuring a reliable electricity supply. Vibrant electricity markets are important to New Jersey's economic and job growth. Forcing business customers to subsidize in-state plants will drive jobs from New Jersey rather than help create jobs.

Electricity is one of our largest operating costs, and control of electricity costs enhances growth and profitability. Competitive electricity markets lower costs, but they also give us the flexibility to choose a supplier that best meets our individual business goals through service offerings providing choices on price, generation portfolio mix, risk management, and product and service innovation. Perhaps most importantly, in competitive markets investors, not consumers bear the risk of bad business decisions.

Proven cost savings from electricity markets mean lower costs for consumers. Between 1997 and 2010, retail rates in states within organized competitive markets operated by RTOs and ISOs, such as PJM, increased at a lesser rate than in states without them. Rates in states with organized markets increased 42.7%, which is less than the national average increase, while rates in the other states increased 46%. More recently, prices in the organized competitive markets decreased sharply. Between 2008 and 2009, average wholesale prices in the PJM, MISO and the ISO-New England markets declined more than 40%, and wholesale costs decreased 28% in the California market.

Competitive markets promote operational efficiencies which save businesses and families billions of dollars. These savings are the byproduct of the competitive pressures on operators, market participants and proactive customers to squeeze more value out of existing resources. Generating plants operate much more efficiently now than before the markets began. Within the PJM market, which includes New Jersey, these savings are estimated to total more than \$2.2 billion each year.

Another source of significant cost savings in markets is demand response resources, which are flourishing in competitive electricity markets. Almost 32,000 MW of demand resources are available in North American RTOs and ISOs. Demand response service providers offer products that allow consumers to reduce or modify their electricity consumption to gain

better control of their electricity use and costs. This helps to keep prices down and avoids the need to build expensive new generating plants. For example, in PJM, 9,282 MW of demand resources cleared its last capacity auction. More than 16 percent of those resources were located in New Jersey, though the state represents only 14 percent of PJM's footprint.

Finally, the increase in customers who actually shop for alternative suppliers provides additional proof of the consumer benefits competitive electricity markets provide. In the 17 states that allow retail competition, competitive providers supply nearly 45% of eligible electricity demand, up from 20% in 2003. A majority (57%) of all eligible non-residential demand is supplied by a competitive provider. In ten states, more than 68% of large commercial and industrial customers have switched to alternative suppliers, and in nine states more than half of medium commercial and industrial customers have switched suppliers. According to the Board of Public Utilities data, almost 60% of New Jersey business customers<sup>1</sup> have switched to an alternative supplier, and residential customers are now actively shopping for new suppliers.

In summary, competitive electricity markets have a proven track record of providing consumers substantial benefits over government mandates picking market winners and losers. By keeping costs down, driving innovation, and empowering customers to make customized procurement decisions for one of their largest operating costs, competitive electricity markets spur job creation and improve New Jersey's competitiveness. For all of these reasons, vibrant electricity markets are vitally important to the businesses that are signatories to this letter.

Accordingly, we respectfully request that you support competitive markets and that New Jersey's Energy Master Plan clearly reflect support of competitive markets rather than subsidy-driven policies. There are many ways in which the state can cultivate job growth, but state control of the energy market will only make New Jersey a less competitive state. We wish to grow and prosper here in New Jersey, but can do so only if we are confident that our energy costs will be as competitive as possible.

Sincerely,



Dr. Mark B. Morgan  
Manager Stores Engineering  
7-Eleven, Inc.



W. Dustin Myrick  
Senior Specialist, Environmental Sustainability  
Best Buy

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<sup>1</sup> Based on peak load



Kevin Moran  
Manager of Utility and Energy Services  
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Gerhard Bacharach  
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Tom McIntyre  
Director R&D, Energy and Environmental  
Supervalu, Inc.



Kim Saylor-Laster  
VP Energy  
Wal-Mart Stores, Inc.

cc: Lee A. Solomon, President, Board of Public Utilities  
Commissioner Nicholas Asselta  
Commissioner Joseph L Fiordaliso  
Commissioner Jeanne M. Fox  
Chief of Staff Rhea Brekke  
Richard Bagger, Chief of Staff, Office of the Governor  
Robert Marshall, Assistant Chief Counsel