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June 18, 2012

VIA E-MAIL
(CHARLES.HORNER@NJPINES.STATE.NJ.US)

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Charles Horner
Director of Regulatory Programs
New Jersey Pinelands Commission
P.O. Box 359
New Lisbon, New Jersey 08064

Re: Application #2012-0056.001
Upper Township

Dear Mr. Horner:

In follow-up to our pre-application meeting on April 17, 2012, concerning the above-referenced proposed natural gas pipeline project (the "Project"), we write on behalf of South Jersey Gas Company ("SJG") to provide you with a copy of a Route Analysis Report (attached hereto as Enclosure 1) showing the preferred Project alignment, and a detailed explanation of how the Project meets the Minimum Standards Governing the Distribution and Intensity of Development and Land Use in Forest Areas as set forth in the Comprehensive Management Plan ("CMP"). We look forward to discussing the Project with you at our next pre-application meeting at 2:00 p.m. on June 26, 2012, when we hope to be able to answer any questions arising from your review of this information.

1.0 Project Background

The Project involves construction of a new 24" natural gas pipeline largely beneath existing state, county and local roads leading to the B.L. England electrical generation plant at Beesleys Point, Upper Township, Cape May County (the "Facility"). The Project, which is estimated to cost \$65MM, is necessary to convert the Facility from a coal- and oil-burning electrical generation plant to one that burns natural gas.

Because the only feasible method to supply natural gas to the Facility is via a pipeline, construction of a new pipeline is a necessary and essential component of the Facility repowering project.

1.1 B.L. England Repowering Project

The Facility currently operates three primary combustion units and four secondary units to produce electricity from coal and oil. Unit 1 is a 129 megawatt (“MW”) coal-fired unit. Unit 2 is a 156 MW coal-fired unit. Unit 3 is a 155 MW oil-fired peaking unit that burns No. 6 bunker oil. Four 2 MW diesel generators supply backup electricity to the Facility. The conversion of the Facility to natural gas is known as “repowering.” The repowering project will convert the Facility to the most efficient, modern power generation design—natural gas combined cycle technology—while maximizing use of existing infrastructure and systems. The Facility owner, RC Cape May Holdings, LLC, will invest approximately \$400M to install a new 270 MW combustion turbine generator and associated heat recovery steam generator to be used with existing steam turbine Unit 2 to generate a total of about 425 MW in combined cycle. The existing oil fired boiler will be converted to natural gas and used with the steam turbine Unit 3 to generate 155 MW in conventional (peaker) Rankine cycle.

The repowering project is required by a New Jersey Department of Environmental Protection (“NJDEP”) enforcement order requiring RC Cape May to replace the existing coal-fired boiler with the latest natural gas technology. Natural gas produces less than 10% of the criteria air pollutants and hazardous air pollutants produced by coal. The Facility “repowering” project will eliminate the storage and use of coal at the Facility. By converting to natural gas, the project will reduce dramatically the Facility’s air and pollution impacts on the Pinelands.

1.2 Rail Spur

Rail transport of coal and oil through the Pinelands also would cease. Coal and oil are both delivered to the Facility via Conrail’s Beesleys Point Secondary rail spur. The rail line runs between south Camden and Winslow Junction (26 miles), then between Winslow Junction and Tuckahoe via NJ TRANSIT trackage rights, and then to Palermo, and then north to Beesleys Point. Several portions of the 37 mile rail line from Winslow Junction to the Facility traverse Pinelands Forest Area. The Facility is the only commercial customer along the rail line, which handles three 90-car coal trains per week. Coal is stored at the Facility in an unlined coal pile. Oil is stored in two fuel oil storage tanks each 5.2 million gallons.

1.3 Schedule

The schedule for the repowering project calls for completion of conceptual design and engineering in July 2012, air and CAFRA permitting between July 2012 and March 2013, and construction between March 2013 and August 2015. To meet this schedule, SJG anticipates submission of an application to the Pinelands Commission in December 2012, with requested approval of the Project by May 2013, or sooner. This would enable construction of the Project from May - December 2013.

1.4 Summary of Benefits to the Pinelands

As detailed in Section 3.0, below, there are several benefits to the Pinelands of converting the Facility to natural gas. First, the repowering project will dramatically reduce the Facility’s air pollution impacts on the Pinelands ecosystem—a need first identified by the Commission in its

1980 *Air Quality Assessment of the New Jersey Pinelands*. Second, the repowering project will achieve a dramatic reduction in the Facility's water quality impacts on the Pinelands ecosystem. Third, because the Facility itself is located within the Pinelands National Reserve, the repowering project will enable the survival of a significant Pinelands employer. Fourth, the repowering project will enable Upper Township, a Pinelands municipality, to continue receiving millions of dollars in property tax and host fee revenue, which the Township depends upon to fund essential services. Fifth, the repowering project will enable the Facility to continue supplying reliable electricity to Pinelands residents and businesses, with the repowered Facility providing over its useful life a majority of its electrical output to load within the Pinelands.

2.0 Project Preferred Alternative

The pipeline Route Analysis Report prepared by Woodard & Curran concludes that "Route A3" is the preferred alternative because it avoids significant ecological and community impacts associated with the two other alternatives, Routes B and C, discussed below.

2.1 Route A3

Based on Woodard & Curran's overall analysis of environmental, community, cultural and constructability factors, Route A3 was deemed to be the best route. This alternative would involve construction of a 24" pipeline within the right-of-way ("ROW") beneath New Jersey Route 49 (East Main Street), starting at the intersection of NJ Route 49 and CR 671 (Union County Road) in Maurice River Township, Cumberland County, following NJ Route 49 east about 12 miles to the intersection with Cedar Avenue. To avoid the downtown area of the Village of Tuckahoe, Route A was modified to follow Cedar Avenue south about 0.4 miles to the intersection of CR 557, where it would turn east for about 0.65 miles to the intersection of CR 664 (Mt Pleasant - Tuckahoe Road). From there, the route would travel south on CR 664 for about 0.42 miles to the intersection with New York Ave., then east for about 0.20 miles to NJ Route 50. The route would then follow NJ Route 50 south for about 1.71 miles to the intersection with CR 662 (Tuckahoe Road), then east about 4.1 miles to Hudson Avenue. To avoid impacts to US Route 9 (Shore Road), the route would divert from Tuckahoe Road at the intersection with Hudson Avenue. From there, the route would travel north for about 0.3 miles to the Atlantic City Electric ("ACE") electric transmission ROW leading to the Facility. From there, the pipeline would follow beneath the dirt access road for the ACE transmission lines for about 1.7 miles before jogging east about 300 feet to connect with Conrail's Beesleys Point Secondary rail line. The remaining 0.8 miles of the pipeline would travel parallel to the rail line into the Facility.

Almost all of Route A3 would follow existing road or power ROWs, or cleared rail line. Because the proposed construction would be primarily within previously filled and/or maintained ROWs, impacts to wetland areas are expected to be minimal. Also, Route A3 would require only minor clearing of forest edges along existing ROWs.

Approximately 10 miles of the Project—the NJ Route 49 segment between Maurice River and CR 557—would traverse the Pinelands Forest Area. The remaining segments would traverse the Rural Development Area in Tuckahoe Village and the federal Pinelands National Reserve.

2.2 Route B

Route B, which would approach the Facility from the North, would require a horizontal directional drill (“HDD”) of nearly 7,000 feet beneath the Great Egg Harbor estuary, including two vertical curves and one horizontal curve. While the use of HDD beneath the Great Egg Harbor estuary is not technically impossible, it would present significant constructability challenges and risks to the estuary, which contains several Priority Sites for Biodiversity according to the New Jersey Natural Heritage Program. The Great Egg Harbor estuary is both seasonal and year-round habitat for anadromous, estuarine, marine, and freshwater fish and shellfish, nesting and migratory waterbirds and raptors, migratory and wintering waterfowl, and rare brackish and freshwater tidal communities and plants. The use of HDD beneath the Great Egg Harbor estuary poses a risk of “fluid frac-out” in the estuary during the drilling process. Fluid frac-out—the inadvertent return of drilling mud to the surface—is a potential concern whenever the HDD technique is used under sensitive habitats and waterways. The HDD procedure uses bentonite slurry as a drilling mud. A fluid frac-out occurring in the Great Egg Harbor estuary would have the potential to suffocate benthic invertebrates, aquatic plants and fish and their eggs. The length of the HDD and the limited staging area also presents a significant risk of impacting the wetlands. Seven thousand feet of steel pipe would have to be staged in the area of the HDD within the community of Jefferson Landing on the banks of the Great Egg Harbor estuary.

Route B also would have significant community impacts. The route suffers from limited clearances adjacent to several homes on School House Road (less than 15 feet). Also, more than a dozen residents at Jefferson Landing on the Great Egg Harbor Bay would have to be relocated for an extended period during construction because the pipeline would be installed beneath the extremely narrow access road to their community, which would have to be closed. Finally, Route B would require installation of the pipeline in several areas of contaminated soil and groundwater, presenting risks of worker exposure and inadvertent discharges. For these reasons, Route B was deemed not to be feasible.

2.3 Route C

Route C would originate at the same starting point as Route A3 but would traverse the Forest Area along an abandoned railroad corridor that is now heavily forested. Route C would require extensive clearing of Pinelands coniferous scrub forest that is habitat for the endangered northern pine snake, swamp pink, barred owl, Cope’s gray tree frog, and frosted elfin. Route C also would require installation of the pipeline in several areas of contaminated soil and groundwater, presenting risks of worker exposure and inadvertent discharges. For these reasons, Route C was deemed not to be feasible.

3.0 Compliance with the Minimum Standards for Forest Areas

Natural gas pipelines are considered “public service infrastructure” under the terms of the CMP, N.J.A.C. 7:50-2.11 (Definitions). The CMP permits the construction of public service infrastructure in Forest Areas if it is “intended to primarily serve the needs of the Pinelands.” N.J.A.C. 7:50-5.23(b)(12) (Minimum Standards Governing the Distribution and Intensity of

Development and Land Use in Forest Areas). The "Pinelands" are defined under the CMP to include both the state-designated Pinelands Area *and the federally-designated Pinelands National Reserve*. N.J.A.C. 7:50-2.11 (Definitions). The Facility is located within the Pinelands National Reserve and thus is within the "Pinelands." Therefore, the public service infrastructure needed for the repowering project is intended to primarily serve the needs of a Pinelands facility.

As set forth below, the Project is intended to primarily serve the needs of the Pinelands because it will result in a dramatic reduction in air and water impacts to the Pinelands environment, is intended to serve an existing Pinelands employer that will supply the majority of its output to residents and businesses within the Pinelands, and will generate direct economic benefits to the Pinelands municipality of Upper Township.

3.1. The Project Is "Intended to Primarily Serve the Needs of the Pinelands"

The CMP does not define the meaning of the phrase "intended to primarily serve the needs of the Pinelands." Perhaps this is because the various "needs of the Pinelands" are expressed throughout the CMP, including both ecological and economic needs. The overriding purpose of the CMP is "to promote orderly development of the Pinelands so as to preserve and protect the significant and unique natural, ecological, agricultural, archaeological, historical, scenic, cultural and recreational resources of the Pinelands." N.J.A.C. 7:50-1.3 (General Purpose and Intent). Thus, the CMP represents a blueprint for protecting a multitude of Pinelands needs, both ecological and economic. The CMP's balancing of ecological and economic needs arises from the statute creating the Pinelands Reserve, the Pinelands Protection Act. N.J.S.A. 13:18A-1., et. seq. (the "Act"), which expresses the Legislature's intent to balance the competing ecological and economic needs of the Pinelands. For example, the Commission is required to determine "the amount and type of human development and activity which the ecosystem of the pinelands area can sustain while still maintaining the overall ecological values thereof..." N.J.S.A. 13:18A-8a. Likewise, while the Act requires the CMP to apply a variety of land and water protection and management techniques, it also requires the CMP to recognize existing economic activities within the Pinelands and to provide for the protection and enhancement of such activities. N.J.S.A. 13:18A-8d.(1) & (3) (Comprehensive Management Plan). The Act mandates that members of the Commission must include residents of the Pinelands Area who represent economic activities in the area as well as residents who represent conservation interests. N.J.S.A. 13:18A-5b. (Members). Thus, the Legislature made clear that the protection and enhancement of the ecological resources and existing economic activities were both "needs" of the Pinelands.

The Project clearly is intended to primarily serve several environmental and economic needs of the Pinelands. In summary, the Project is intended to primarily serve the:

- environmental needs of the Pinelands, which long has been impacted by both air and water pollution associated with the Facility;
- economic and community needs of a substantial Pinelands employer and its host municipality, which derives significant property tax and host fee revenue from the

continued operation of the Facility which pays for essential services to the community;
and

- economic needs of Pinelands residents and businesses, which will consume the majority of the electricity from the Facility over its useful life.

For these reasons, the Project is "intended to primarily serve the needs of the Pinelands," as required by N.J.A.C. 7:50-5.23(b)(12).

3.1.1. The Project Will Serve a Longstanding Need to Reduce the Facility's Air Quality Impacts on the Pinelands

The Facility repowering project, of which the new natural gas pipeline is an essential component, is intended to reduce air quality impacts on the Pinelands. Enhancement of air quality is a clear need of the Pinelands, as set forth in Part IX of the CMP, which is dedicated to "Air Quality." Part IX of the CMP begins with the affirmation that "[a]ir quality in the Pinelands is important to the character and ecology of the Pinelands. It is the purpose of this Part to ensure that the quality of the air in the Pinelands region is protected and enhanced." N.J.A.C. 7:50-6.91.

The air quality benefits of repowering Facility Unit 2 and converting Unit 3 to natural gas are substantial. AECOM, an air quality consultant to RC Cape May, conservatively estimated emission reductions associated with the repowering project. AECOM compared *actual* emissions from the Facility from 2008–2009 to *potential* emissions (assuming unrestricted operation 8760 hours/year) to arrive at the following air emission reductions:

Pollutant	Reduction (tpy) or (%)
SO ₂	621 tpy
NO _x	163 tpy
PM ₁₀	51 tpy
PM _{2.5}	45 tpy
CO ₂	62% (based on lb/MWh)
Arsenic	96%
Mercury	55%
Nickel	35%

The reduction of air quality impacts specifically associated with the Facility long has been a need of the Pinelands, which first was identified in NJDEP's 1980 assessment of existing air quality in the Pinelands area. *See NJDEP, Air Quality Assessment of the New Jersey Pinelands*, (January 1980) ("AQ Assessment") (attached hereto as Enclosure 2). The AQ Assessment was conducted with the purpose of gaining an understanding of the possible degradation of air quality and of aiding the Commission in the preparation of the CMP. Importantly, the AQ Study specifically identified the Facility as a source of air pollution within the Pinelands:

The B.L. England Power Plant at Beesley's Point in Upper Township, Cape May County is located right on the Pinelands nation Reserve boundary. This large plant is responsible for most of the TSP [total suspended particulates] and SO₂

[sulfur dioxide] point source emissions in Cape May County. In Table 6.1 the B.L. England Plant is included among the point sources located in the Pinelands. If it were not included in the Pineland totals, point sources in the Pinelands would only be responsible for about 11% of the TSP emissions and less than one percent of the SO₂ emissions in southern New Jersey.

NJDEP, *Air Quality Assessment of the New Jersey Pinelands*. (January 1980) ("AQ Assessment") p. 28.

In its recent solar energy amendments to the CMP, the Commission acknowledged the need to promote less polluting forms of energy production within the Pinelands. In support of the rule, the Commission acknowledged the benefits of reducing carbon dioxide, sulfur dioxide, nitrogen oxides, mercury emissions, and particulate emissions from coal:

Societal benefits include a reduced need to site, construct and operate expensive fossil fuel fired power plants including large base load plants, load following plants and smaller peaking power plants. Eliminating or minimizing the need for new fossil fuel-dependant power plants benefits society through the reduction or elimination of carbon dioxide, a significant greenhouse gas, sulfur dioxide, responsible for acid rain formation, nitrogen oxides, a cause of smog and ground level ozone, mercury emissions from burning coal, and particulate emissions, a respiratory irritant associated with fossil fuel based electricity production.

New Jersey Pinelands Commission, *Proposed Amendments to Pinelands Comprehensive Management Plan, Local communications facilities; Solar energy facilities; Accessory uses on deed restricted parcels* (April 18, 2011).

Thus, reduction of air pollution loadings on the Pinelands ecosystem is a clear "need" of the Pinelands. Conversion to natural gas fuel will dramatically reduce a host of air pollutants, including sulfur dioxide which produces acid rain, nitrogen oxides which produce smog, carbon dioxide which contributes to climate change, and mercury which bioaccumulates in Pinelands fish.¹ The Facility repowering project, which is mandated by the NJDEP's ACO and necessarily includes the construction of a new pipeline, clearly is intended to serve the Pinelands need for air quality improvement.

¹ In 2009, the NJDEP proposed a state-wide TMDL (Total Maximum Daily Load) for mercury impairments in water bodies across the state caused by high concentration of mercury in fish tissue due mainly to air deposition from both in-state and out-of-state coal-burning and resource recovery electrical generation units, including the Facility. Data show that mercury concentrations in Pinelands fish are twice the statewide average. See, NJDEP, Division of Watershed Management, *Statewide TMDL for Mercury Impairments Based on Concentrations in Fish Tissue Caused Mainly by Air Deposition*, July 15, 2009, http://www.state.nj.us/dep/watershedmgmt/DOCS/TMDL/fish_mercury_071509.pdf; NJDEP Office of Science, *Mercury in New Jersey*, Presentation of Gary Buchanan, Ph.D. to NJ Water Monitoring Council, September 22, 2012, <http://www.state.nj.us/dep/wms/hginnjoverview.pdf>.

3.1.2. The Project Will Serve a Longstanding Need to Reduce the Facility's Water Quality Impacts on the Pinelands

The Facility repowering project is intended also to reduce water quality impacts on the Pinelands. Enhancement of water quality is a clear need of the Pinelands, as set forth in Part VIII of the CMP, which is dedicated to "Water Quality." Part VIII of the CMP begins with the affirmation that "[a]n essential element of the overall ecological value of the Pinelands environment is its extensive surface and ground water resources of exceptional quality." N.J.A.C. 7:50-6.81.

The Facility uses 276 million gallons per day ("MGD") of water from the Great Egg Harbor estuary for cooling Units 1, 2 and 3. The cooling water intake structure ("CWIS") extends 950 feet into the estuary, requires periodic maintenance dredging, and has a zone of influence within the estuary (i.e. a capture zone for aquatic plants and animals) extending 70 meters out from the intake, 150 meters upstream and 210 meters downstream. CWISs can cause adverse environmental impact by pulling large numbers of fish and shellfish or their eggs into a power plant's cooling system.

Pursuant to the terms of its National Pollutant Discharge Elimination System (NPDES) permit, the Facility also discharges pollutants to the Great Egg Harbor River estuary through several outfalls. These include the cooling tower blowdown, slag pond overflow, stormwater from yard drains, intake screen backwash, condenser cooling water discharges, wastewater treatment plant effluent and discharge from the flue gas desulfurization system. According to the U.S. Coast Guard spill response database, since 1980, the Facility has had six spills of hazardous materials, including oil and coal ash, some of which impacted the Great Egg Harbor River estuary.

The repowering project will reduce water withdrawals from the Great Egg Harbor estuary by about 44% and water pollution discharges to the estuary by roughly the same percentage. Elimination of coal use at the Facility will result in the elimination of the coal pile, its associated stormwater runoff, the slag pond overflow, intake screen backwash, and flue gas desulfurization system discharge. The repowering project also will eliminate the use of lime, gypsum, slag and sorbent, all of which can be harmful to aquatic life.

Thus, the Facility repowering project, which is mandated by the NJDEP's ACO and necessarily includes the construction of a new pipeline, clearly is intended to serve the Pinelands need for water quality improvement.

3.1.3 The Project Will Serve the Economic Needs of a Substantial Pinelands Employer and a Pinelands Municipality

The Facility repowering and the Project are intended also to serve the economic needs of a Pinelands employer and its host municipality. The Commission recently acknowledged the need to encourage cleaner energy generation within the Pinelands to advance the State's clean energy plan, benefit landowners whose property is currently constrained from further productive uses, benefit municipalities in need of additional tax ratables, and generate jobs. See, New Jersey Pinelands Commission, *Proposed Amendments to Pinelands Comprehensive Management Plan*,

Local communications facilities; Solar energy facilities; Accessory uses on deed restricted parcels (April 18, 2011).

The repowering project is estimated to create 300 construction jobs and 30 permanent jobs at the Facility. The pipeline project is estimated to create an additional 125 construction jobs.

Also, the repowering project will enable the Pinelands municipality of Upper Township to continue receiving substantial property tax and host fee revenue as compensation for the community impacts of hosting the Facility these past fifty years. In 2011, Upper Township received \$6.1M of energy receipt taxes from the Facility, an amount comprising nearly half of the Township's total revenue budget. Because of these host fee revenues, until last year, Township residents paid no local purpose tax. The Township uses the host fee revenue to pay for essential government services, including supplementing its school budget. The repowering project therefore is essential to the economic needs of the Pinelands municipality of Upper Township.

Thus, the Facility repowering project, which necessarily includes the construction of a new pipeline, clearly is intended to serve the Pinelands need for sustainable economic development, job creation, and municipal tax base.

3.1.4. The Project Will Serve the Economic Needs of the Pinelands by Supplying the Majority of its Electricity to Pinelands Homes and Businesses

Given its location within the Pinelands, the Facility provides a substantial amount of its electricity to Pinelands homes and businesses. RC Cape May Holdings retained Power Grid Engineering & Markets to estimate the percentage of electricity to be generated by the repowered Facility that will be consumed by load in the Pinelands. The report, attached hereto as Enclosure 3, estimates that the repowered Facility will supply about 62% of its electricity to the Pinelands over its 40-year operational life, based upon Exelon's irrevocable decision to retire the Oyster Creek Nuclear facility in 2019, as required by the terms of Exelon's ACO with NJDEP.²

Thus, the Facility repowering project, which necessarily includes the construction of a new pipeline, clearly is intended to serve the Pinelands need for dependable electric supply.

² The terms of NJDEP's ACO provide for specific activities and milestones that Exelon must meet to guarantee plant closure in 2019 and contain stipulated penalties of twice the amount of any profits gained from continued operation of the plant to remove any economic incentive to exceed the closure date.

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4.0 Conclusion

For the foregoing reasons, the Project complies with the CMP. We look forward to meeting with you on June 26, 2012.

Sincerely,

COZEN O'CONNOR, PC



By: Peter J. Fontaine

PJF
Enclosures

cc: Charles F. Dippo P.E.
Ruth W. Foster Ph. D.
GeorgeAnne Gray, NJDEP