



STATE OF NEW JERSEY
Board of Public Utilities
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**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF PUBLIC UTILITIES**

A Regular Board meeting of the Board of Public Utilities was held on August 24, 2020, via Teleconference: 1 312 626 6799 Webinar ID: 917 8844 4668 or watch online @ <https://youtu.be/wJ2M62h2xl4>

Public notice was given pursuant to N.J.S.A. 10:4-18 by posting notice of the meeting at the Board's Trenton Office, on the Board's website, filing notice of the meeting with the New Jersey Department of State and the following newspapers circulated in the State of New Jersey:

Asbury Park Press
Atlantic City Press
Burlington County Times
Courier Post (Camden)
Home News Tribune (New Brunswick)
North Jersey Herald and News (Passaic)
The Record (Hackensack)
The Star Ledger (Newark)
The Trenton Times

The following members of the Board of Public Utilities were present:

Joseph L. Fiordaliso, President
Mary-Anna Holden, Commissioner
Dianne Solomon, Commissioner
Upendra J. Chivukula, Commissioner
Robert M. Gordon, Commissioner

President Fiordaliso presided at the meeting and Aida Camacho-Welch, Secretary of the Board, carried out the duties of the Secretary.

It was announced that the next regular Board Meeting would be held on September 9, 2020 at 10:00 a.m. via teleconference.

CONSENT AGENDA

I. AUDITS

There were no items in this category.

II. ENERGY

A. Docket No. ER20010003 – In the Matter of Federal Energy Items for 2020 – FERC Docket No. EL20-58 American Electric Power Service Corporation re: Petition for Declaratory Order.

BACKGROUND: This matter involved Staff, on behalf of the Board, intervening in the above captioned docket at the Federal Energy Regulatory Commission (FERC) on August 6, 2020. American Electric Power Service Corporation (AEP) filed a petition for a declaratory order from the FERC on July 22, 2020, stating that AEP's Middle Creek energy storage facility is eligible for cost-of-service recovery. Intervention establishes party status in a proceeding. Staff recommended ratification of the intervention. Staff will return to the Board if substantive comments are to be filed.

DECISION: The Board adopted the recommendation of Staff as set forth above.

B. Docket No. ER20010003 – In the Matter of Federal Energy Items for 2020 – FERC Docket No. EL20-59 Duquesne Light Company v. PJM Interconnection, LLC

BACKGROUND: This matter involved Staff, on behalf of the Board, intervening in the above captioned docket at the Federal Energy Regulatory Commission (FERC) on August 6, 2020. On July 30, 2020, Duquesne Light Company filed a Complaint with FERC, alleging that a filing by PJM violated PJM's Operating Agreement and the Consolidated Transmission Owners Agreement. If granted, Duquesne Light's requested relief will limit the parameters of what PJM can file under the Federal Power Act and PJM's governing documents. Intervention establishes party status in a proceeding. Staff recommended ratification of the intervention.

DECISION: The Board adopted the recommendation of Staff as set forth above.

C. Docket No. ER20010003 – In the Matter of Federal Energy Items for 2020 – FERC Docket No. AD20-19 Cybersecurity Incentives Policy White Paper.

BACKGROUND: Staff, on behalf of the Board, intervened in the above captioned docket at the Federal Energy Regulatory Commission (FERC) on August 6, 2020. This case involved a White Paper written by FERC Staff on how to enhance cybersecurity reliability standards. FERC Staff proposed augmenting existing cybersecurity reliability standards with monetary incentives to utilities that go above and beyond those standards. Intervention establishes party status in a proceeding. Staff recommended ratification of the intervention.

DECISION: The Board adopted the recommendation of Staff as set forth above.

III. CABLE TELEVISION

There were no items in this category.

IV. TELECOMMUNICATIONS

A. Docket No. TF20070480 – In the Matter of the Verified Petition of PEG Bandwidth NJ, LLC for Approval to Participate in Certain Additional Financing Arrangements.

BACKGROUND: This matter involved PEG Bandwidth, LLC (Petitioner or PEG NJ) seeking approval from the Board to act as guarantor or co-guarantor, with its corporate parent and other affiliates, for an aggregate financing package of \$3.18 billion for general corporate purposes including: repayment of existing debt, acquisitions and expansion of its existing network, and working capital.

On July 9, 2020, PEG NJ submitted a Petition to the Board requesting approval to enter into or participate in financing arrangements of its corporate parents and affiliates. The Petitioner sought approval to be a guarantor or co-guarantor, and to pledge its assets as security, for the following additional existing financing arrangements of its corporate parent and affiliates in an aggregate principal amount of \$3.18 billion (the Additional Financing Arrangements):

Borrower/Issuer: Uniti Group LP, Uniti Group Finance 2019 Inc. and CSL Capital, LLC
Principal Amount: Up to \$575 million
Debt Instruments: Revolving Credit Facilities
Maturity: April 24, 2022
Interest Rate: LIBOR + Applicable Rate (4.75% - 5.25%)

Borrower/Issuer: Uniti Group LP, Uniti Group Finance 2019 Inc. and CSL Capital, LLC
Principal Amount: \$550 million
Debt Instruments: Senior Secured Notes
Maturity: April 15, 2023
Interest Rate: 6.00%

Borrower/Issuer: Uniti Group LP, Uniti Group Finance 2019 Inc. and CSL Capital, LLC
Principal Amount: \$1,110 million
Debt Instruments: Senior Unsecured Notes
Maturity: October 15, 2023
Interest Rate: 8.25%

Borrower/Issuer: Uniti Group LP, Uniti Fiber Holdings Inc. and CSL Capital, LLC
Principal Amount: \$600 million
Debt Instruments: Senior Unsecured Notes
Maturity: October 15, 2023
Interest Rate: 7.125%

Borrower/Issuer: Uniti Fiber Holdings Inc.
Principal Amount: \$345 million
Debt Instruments: Senior Unsecured Notes
Maturity: June 15, 2024
Interest Rate: 4.0%

The Additional Financing Arrangements were, or may be, used to repay outstanding debt and for other purposes such as acquisitions, working capital requirements (including the development and expansion of distributed network systems), and general corporate purposes of the Petitioner and its affiliates and subsidiaries. The Petitioner stated that the Additional Financing Arrangements will serve the public interest. Among other things, the Additional Financing Arrangements were used, in part, to repay existing debt, and may otherwise be used to fund some, or all, of the purchase price from future acquisitions, to support strategic growth initiatives, to provide for ongoing working capital, and for other corporate purposes. The Additional Financing Arrangements provide access to financial resources that will allow Uniti Group Inc. and its current and future subsidiaries, including the Petitioner, to become more effective competitors in the communications industry. The Petitioner's participation in the Additional Financing Arrangements is necessary and appropriate, will not impair the Petitioner's ability to provide its services, and will promote its corporate purposes. The Petitioner's participation in the Additional Financing Arrangements will be transparent to the Petitioner's customers and will not disrupt service or cause customer confusion or inconvenience.

The New Jersey Division of Rate Counsel (Rate Counsel) reviewed this matter and by letter dated August 4, 2020, stated that it did not object to approval of the Petition.

The Office of the Economist, after review of the information submitted in this proceeding, found that the action requested is in accordance with the law and in the public interest and therefore recommended approval of this petition.

DECISION: The Board adopted the recommendation of Staff as set forth above.

V. WATER

There were no items in this category.

VI. RELIABILITY AND SECURITY

There were no items in this category.

VII. CUSTOMER ASSISTANCE

There were no items in this category.

VIII. CLEAN ENERGY

There were no items in this category.

IX. MISCELLANEOUS

There were no items in this category.

After appropriate motion, the consent agenda was approved.

Roll Call Vote:	President Fiordaliso	Aye
	Commissioner Holden	Aye
	Commissioner Solomon	Aye
	Commissioner Chivukula	Aye
	Commissioner Gordon	Aye

AGENDA

1. AUDITS

There were no items in this category.

2. ENERGY

There were no items in this category.

3. CABLE TELEVISION

There were no items in this category.

4. TELECOMMUNICATIONS

There were no items in this category.

5. WATER

There were no items in this category.

6. RELIABILITY AND SECURITY

There were no items in this category.

7. CUSTOMER ASSISTANCE

There were no items in this category.

8. CLEAN ENERGY

A. Docket No. QO19010040 – In the Matter of the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs; and

Docket No. QO20060389 – In the Matter of the Clean Energy Act of 2018 and Energy Efficiency Transition – New Jersey Cost Test.

Stacy Ho Richardson, Deputy Director, Clean Energy Division, presented this matter.

BACKGROUND AND DISCUSSION: This matter involved the Board considering adoption of an interim New Jersey Cost Test that will be used as the primary benefit-cost test the first three years of the energy efficiency and peak demand reduction programs established pursuant to the Clean Energy Act of 2018 (CEA).

On May 23, 2018, Governor Murphy signed into law the CEA, which plays a key role in achieving the State’s goal of 100% clean energy by 2050 by establishing aggressive energy reduction requirements, among other clean energy strategies.

The CEA emphasizes the importance of energy efficiency and calls upon New Jersey’s electric and gas public utilities to play an increased role in delivering energy efficiency and peak demand reduction programs to customers and to reduce the use of electricity and natural gas in their service territories. The CEA also includes specific requirements for the benefit-cost analyses (BCAs) that are used to evaluate the efficiency programs, including that each portfolio of programs must have a benefit-to-cost ratio greater than or equal to 1.0, meaning that each portfolio must yield positive net benefits.

Since passage of the CEA, Staff hosted an ongoing stakeholder process related to the development of the state’s next generation of Energy Efficiency (EE) and peak demand reduction (PDR) programs (EE transition). As part of this EE transition, Staff solicited input related to the evaluation, measurement, and verification of these programs at a public meeting on December 18, 2019 and accepted written comments through January 17, 2020.

Staff released a full “Energy Efficiency Transition Straw Proposal” (Full Proposal) on March 20, 2020, accepted comments at a public stakeholder meeting on April 1, 2020, and accepted written comments through April 13, 2020. In the Full Proposal, Staff noted the CEA’s requirement for a primary BCA test and recommended that an Resource Value Test (RVT), or similar approach be considered for the benefit-cost testing of the state’s EE and PDR programs. Stakeholders commenting on the Full Proposal raised concerns that to develop an RVT by the fall of 2020, in time for the first filing of EE and PDR programs, would be complex, contentious, and unrealistic.

On June 10, 2020, the Board approved an EE transition framework for implementation of EE and PDR programs in New Jersey, including requirements for the utilities to establish programs that reduce the use of electricity and natural gas within their territories. As part of this framework, Staff recommended establishing a primary cost-effectiveness test to be called the New Jersey Cost Test (NJCT), delaying development of an RVT to be used as the NJCT, adopting a modified Total Resource Cost Test a for the first three-year program

cycle, requiring program planners and administrators to continue to report the results of the five California Standard Practice Manual tests, and charging the Evaluation, Measurement, and Verification Working Group with developing ongoing recommendations to evaluate and modify the NJCT.

Staff hosted a stakeholder meeting on July 30, 2020, and accepted written comments through August 5, 2020. Staff provided its final recommendations on the New Jersey Cost Test to the Board. This test shall be used by all program administrators of EE programs developed under the CEA for the first three-year program cycle and will be reviewed for potential future updates on an ongoing basis.

Staff also recommended that program administrators continue to report the results of the existing five cost-effectiveness tests for informational purposes for the first program cycle.

In presenting this first NJ Cost Test to the Board, Staff developed a test that will be consistently applied to all programs proposed and implemented by utilities and the State pursuant to the CEA, both as part of program filings and for retrospective evaluation of program performance using publicly available sources. Staff has to design a test that balances costs benefits and that include inputs and methodologies that are reasonable, common practice, and consistent with the CEA.

The summary of the major areas of the Cost Test includes measure costs and program administration costs. It also includes benefits to the utility system, that is, avoided energy costs.

These include costs avoided in electric energy, electric capacity, transmission and distribution, electric ancillary services, natural gas supply, delivered fuel, and reduced prices in electric energy and electric capacity, all avoided due to reductions in energy consumption or demand.

For non-energy impacts, Staff recommended inclusion of the social cost of carbon using a 3% discount rate. In place of specific values for other benefits that stakeholders acknowledged are difficult to quantify and require additional evaluation, including for avoided emissions other than carbon dioxide, such as public health, health and safety, water resources, economic development, and the other emissions, many stakeholders recommended a 10% adder.

Staff also recommended a 5% adder as a conservative proxy for these many benefits. In place of specific values for benefits to low-income individuals and communities, many stakeholders recommended a 20% adder. Staff further recommended a 10% adder as a conservative proxy for these benefits.

For global inputs, or inputs that apply to the whole test, there are two. The first is the discount rate, which is the interest rate that calculates the present value of expected yearly benefits and costs of these programs. Stakeholders provided many comments on this point, and Staff had many discussions about the appropriate discount rate to recommend to you.

In deciding on our final recommendation, Staff considered the importance of EE to New Jersey's energy future and meeting our climate change objectives. Staff recommended a discount rate of 3%, reflective of the desire to reasonably maximize EE, consistent with protecting ratepayers, and in alignment with public policy in the state. Staff believed that this discount rate accounts for how implementation of EE programs will significantly and directly affect private consumption, as well as result in costs and benefits that impact, not only utilities and program participants, but New Jersey ratepayers, residents, and society at large over many years.

The second global input is electric and natural gas losses, which include electric line losses and natural gas losses avoided by EE measures. Staff also recommended utility-specific loss factors for electricity and natural gas marginal losses, consistent with Board-approved tariffs.

Staff acknowledged that the first test may not include the full range of benefits and costs that could be included in a future primary test and notes that this test will evolve over time. At the same time, by including in this first test many of the multiple benefits of energy efficiency, including energy and non-energy impacts, Staff has worked to design New Jersey's first state-specific benefit cost test to reflect the State's public policies and to value the benefits and costs of energy efficiency through an approach that is symmetrical, transparent, and open to continual improvement and refinement.

Staff recommended that the Board approve the New Jersey Cost Test for the first three-year program cycle.

DECISION: After discussion, the Board adopted the recommendation of Staff as set forth above.

Roll Call Vote:	President Fiordaliso	Aye
	Commissioner Holden	Aye
	Commissioner Solomon	Aye
	Commissioner Chivukula	Aye
	Commissioner Gordon	Aye

9. MISCELLANEOUS

There were no items in this category.

There being no further business before the Board, the meeting was adjourned.



AIDA CAMACHO-WELCH
SECRETARY OF THE BOARD

Date: October 28, 2020