



Agenda Date: 4/25/18
Agenda Item: 2F

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF GERDAU)	DECISION AND ORDER
AMERISTEEL SAYREVILLE, INC. FOR WAIVER OF)	
REQUIREMENTS CONCERNING THE SOCIETAL)	
BENEFITS CHARGE)	BPU DOCKET NO. EW17030256

Parties of Record:

Kenneth R. Stark, Esq., McNees, Wallace & Nurick, LLC on behalf of Gerdau Ameristeel Sayreville, Inc.

Stefanie A. Brand, Esq., Director, Division of Rate Counsel

Gregory Eisenstark, Esq., Windels Marx Lane and Mittendorf, LLP on behalf of Jersey Central Power and Light Company

Justin Incardone, Esq., on behalf of Public Service Electric and Gas Company

BY THE BOARD:¹

On February 9, 1999, the Electric Discount and Energy Competition Act ("EDECA"), N.J.S.A. 48:3-1 to 3-46, N.J.S.A. 48:3-49, 48:3-98 and N.J.S.A. 48:3-51, -57, -59, -60, -63, 65 and -66, was enacted. L. 1999, c. 23, § 66. Among other provisions, EDECA established the societal benefits charge ("SBC") at N.J.S.A. 48:3-60. The SBC constitutes a per unit charge billed to ratepayers by an electric or gas public utility at a level determined by the Board in accordance with N.J.S.A. 48:3-60. The total amount of the SBC paid by each commercial or industrial ratepayer constitutes its SBC liability, and a portion of those remittances funds clean energy programs.

On January 17, 2012, the Legislature enacted N.J.S.A. 48:3-60.3, providing for a credit against the SBC and supplementing L. 1999, c. 23. and L. 2007, c. 340 (the "Act"). Under the Act, on and after January 1 next following the date of enactment, commercial and industrial ratepayers are entitled to a credit against their annual SBC payment. The credit amount is based on investments in qualifying energy efficiency measures. N.J.S.A. 48:3-60.3(b). The amount of the credit to be allowed against the SBC in any calendar year for each ratepayer is determinable by the Board. N.J.S.A. 48:3-60.3(c). While the credit may be used to offset the SBC liability of the ratepayer, the maximum amount of credit that may be applied in any year cannot exceed 100

¹ Commissioner Robert M. Gordon recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

percent of the ratepayer's SBC liability that would otherwise be due in each calendar year. N.J.S.A. 48:3-60.3(d).

2010 Discount Contract Proceeding

In 2010, the New Jersey Board of Public Utilities ("Board") conducted and completed a proceeding in which it examined the standards applicable to gas distribution rate discounts and associated terms and conditions.² In the Discount Contract Order, the Board noted that nothing in N.J.S.A. 48:3-60(a) shows a legislative intent that the SBC be applied to all customers at the same level, and in practice the SBC charge varies between the utilities.

BACKGROUND

On March 13, 2017, Gerdau Ameristeel Sayreville, Inc. ("Gerdau"), a corporation with its principal office in the State of New Jersey, filed a petition pursuant to relevant statutes and regulations with the Board. By its petition, Gerdau sought determinations that: (i) it qualifies for a limited waiver of certain SBC credit program requirements; and that (ii) Gerdau's past SBC credit program-related energy efficiency and conservation investments qualify for a fifty percent (50%) reduction in its SBC obligations for electric and natural gas service going forward. Gerdau additionally requested expedited treatment of the petition.

On May 31, 2017, the Board issued an order, retaining this matter with the Board and designating Commissioner Dianne Solomon as the presiding officer authorized to rule on all motions that arise during the pendency of the proceeding and to modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues. The order also granted the motion for admission *pro hac vice* filed by Gerdau and the motions to intervene filed by Public Service Electric and Gas Company ("PSE&G") and Jersey Central Power and Light Company ("JCP&L") (collectively, the "Intervenors"). Additionally, the order established June 23, 2017 as the deadline for the filing of motions to intervene or participate in this matter. No other motions to intervene were filed.

On November 13, 2017, Gerdau filed a Motion for Leave to Amend with an Amended Petition ("Amended Petition") in further support of a lower SBC rate. In its Amended Petition, Gerdau requested that the Board, pursuant to N.J.S.A. 48:3-60(a), make the following determinations and grant the following requested relief: (i) that Gerdau has demonstrated good cause for a modification of the amount of the SBC paid for electric and natural gas service to its Sayreville, New Jersey Mill; (ii) that good cause supports a modification of Gerdau's SBC charges starting in 2018, amounting to a fifty percent (50%) reduction at approximately \$0.0033315 per kilowatt hour for electric service provided by JCP&L and \$0.0209975 per therm for gas service provided by PSE&G; and (iii) that the Board act on the Amended Petition on an expedited basis. The motion was unopposed.

Following a period of discovery and conferences between and among Gerdau, Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the Intervenors, Board Staff and Gerdau (collectively, ("Signatory Parties")) executed a Joint Position ("Joint Position"),

² In re a Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions, Docket Nos. GR10100761 and ER10100762 (August 18, 2011) ("Discount Contract Order").

which Gerdau filed with the Board on March 15, 2018. The Joint Position³ provides for the following:

1. Gerdau will pay only a portion of the SBC rate that is assessed by JCP&L for electric service. Currently, JCP&L's Rider SBC reflects several elements, including nuclear plant decommissioning costs ("Rider NDC"), demand side management costs ("Rider DSF"), manufactured gas plant remediation costs ("Rider RAC"), uncollectible costs ("Rider UNC"), and universal service fund costs ("Rider USF"). By and through the Joint Position, the Signatory Parties agree that Gerdau will only pay the portion of the SBC that is attributable to the New Jersey Clean Energy Program ("NJCEP") at the level set each year by the Board and collected through JCP&L's Rider DSF. Gerdau will not be responsible for paying for any other elements that comprise JCP&L's Rider SBC.
2. Gerdau's revised SBC rate for electric service will become effective on May 1, 2018 or on a date specified by the Board and will continue in effect for an initial term of ten (10) years. To effectuate the reduced SBC contributions described in the Joint Position, JCP&L's tariff for electric service will need to be modified. The Signatory Parties have included a proposed modified tariff as Attachment A of the Joint Position. Gerdau will file a letter with the Board withdrawing the portion of its Amended Petition that requests a reduction in the amount of the SBC charge Gerdau pays as part of its PSE&G gas service rate. Gerdau has the option of applying for a discounted Rate Schedule Contract Service Gas ("CSG") contract with PSE&G. That application may include a request for a reduced SBC rate for Gerdau's natural gas distribution service. Accordingly, the Signatory Parties agree that this withdrawal is without prejudice to Gerdau re-filing, at a later date, a request for CSG service and a reduced SBC rate for its natural gas distribution service.

On March 20, 2018, Commissioner Solomon issued an Order establishing a comment period so that parties could submit comments on the Joint Position. The comment period commenced on March 23, 2018. The order directed all initial comments to be submitted by March 30, 2018 and all reply comments to be submitted by April 6, 2018.

On March 28, 2018, Gerdau filed a letter with the Board withdrawing the portion of the Amended Petition that requested a reduction in the amount of the SBC that Gerdau pays as a part of its PSE&G gas service rate consistent with para. 4 of the Joint Position.

Rate Counsel Comments

By letter dated March 29, 2018, Rate Counsel submitted comments on the Joint Position. Rate Counsel states that it did not oppose Gerdau's Motion to Amend. However, with respect to the relief sought in the Amended Petition and the Joint Position, Rate Counsel objects on several grounds.

Rate Counsel argues the proposed SBC rate discounts are contrary to the statute governing the SBC, N.J.S.A. 48:3-60(a), because the SBC is a non-bypassable charge imposed on all ratepayers and Gerdau would be subject to only one component of the SBC, the Rider DSF component, which is charged for cost recovery of New Jersey Clean Energy Program funds,

³ Although summarized in this Order, the detailed terms of the Joint Position are controlling, subject to the findings and conclusions of this Order.

and JCP&L's tariff rider is comprised of several elements funded by the SBC. Rate Counsel adds that avoiding the SBC by categorically funding only a certain SBC component for an activity under N.J.S.A. 48:3-60(a) is contrary to statutory language making the SBC "non-bypassable" and sets a precedent that could threaten adequate funding levels for all SBC funded programs.

Rate Counsel also argues that the Joint Position is not consistent with the statutory mechanism by which certain industrial customers can qualify for a SBC reduction because the submitted investments in plant made by Gerdau were not eligible as qualifying investments for SBC funded program incentives. As N.J.S.A. 48:3-60.3(b) provides for an offset to the SBC charges based on the amount expended for qualifying investments, a reduction in the SBC charge without any dollar limit or ties to any specific energy efficiency ("EE") investment measures does not meet SBC rate credit criteria. Where any reduction in the applicable SBC charge would saddle other ratepayers with an increase in the SBC charge to compensate for the loss of SBC revenues, Rate Counsel opposes the proposed SBC rate discounts and requests the relief be denied.

Intervenor Comments

By letters dated March 28, 2018, both JCP&L and PSE&G took no position with respect to the Joint Position.

Reply Comments

By letter dated April 5, 2018, Gerdau filed its reply comments. Gerdau clarifies it is requesting a modified SBC rate pursuant to N.J.S.A. 48:3-60(a), not a going-forward credit to the SBC rate as provided by N.J.S.A. 48:3-60.3. Gerdau argues that the reduced SBC rate does not contravene N.J.S.A. 48:3-60(a) because the Board has discretion to determine some or all specific costs that are recoverable under the SBC for electric or gas service as appropriate pursuant to the Discount Contract Order. Gerdau contends that approval of the reduced SBC rate would not threaten adequate funding for SBC-related programs because, if such modified SBC rate were not approved, the mill may reach a point where it can make no contribution to the SBC, further reducing the benefit to the other ratepayers. Gerdau cites to Board orders previously permitting rate reductions.⁴ Gerdau thus contends the modified SBC charge would benefit other ratepayers by preventing further erosion of the load denominator over which SBC program costs are recovered. Gerdau therefore replies that the modified SBC rate is consistent with N.J.S.A. 48:3-60(a) and Board precedent allows for SBC rate reductions thus the JCP&L tariff should be approved.

DISCUSSION AND FINDINGS

On the motion to amend, N.J.A.C. 14:1-4.7(a) requires a party need only promptly file an amendment showing or explaining the changed facts or circumstances when there is a significant change subsequent to the initial filing of a pleading. It is unnecessary to render a

⁴ In re the Rate Schedule CSG Transp. Serv. Agreement Between Pub. Serv. Elec. & Gas Co. and Holcim (U.S.) Inc. a/k/a St. Lawrence Cement and the Related Request for a Disc. in the Applicable Societal Benefits Charge ("SBC"), Docket No. GR14040344 at 3 (September 30, 2014) and In re Petition of Soundview Paper Co. LLC for Approval of a Rate Schedule CSG Transp. Serv. Agreement Between Pub. Serv. Elec. & Gas Co. and Soundview Paper Co., LLC, Docket Nos. GR14111287 and GR15060659 at 3 (September 11, 2015).

disposition with regard to the motion to amend as Gerdau had the ability to file the Amended Petition without leave. Accordingly, the Board will consider the new filing as part of the record.

In addressing the merits of the requested relief, the Board has carefully reviewed the record in these proceedings, including the Petition, Amended Petition, the Joint Position, and the comments filed on the Joint Position. As mentioned in the Discount Contract Order, the Board notes that nothing in N.J.S.A. 48:3-60(a) shows a legislative intent that the SBC be applied to all customers at the same level, and in practice the SBC charge varies between the utilities. In addition, the Board affirms that it has the necessary authority to approve discounted SBC discount rates in appropriate circumstances.

The Board has considered all comments filed. Rate Counsel argues that discounted SBC rates are contrary to statutory requirements, first as N.J.S.A. 48:3-60(a) is a non-bypassable SBC charge which does not allow for SBC components to be selectively funded through credits and second as N.J.S.A. 48:3-60.3(b) provides for specific energy efficiency investments to obtain a SBC rate credit offset and Gerdau does not qualify.

The Board is authorized to provide discounted SBC rates, including to avoid a loss of load. In 2014, the Board determined a combined heat and power facility qualified for a discounted gas service rate on the basis of other considerations under the PSE&G gas tariff, effectively discounting the SBC applicable to gas distribution service to avoid the customer leaving the system and not contributing to the SBC. In the Matter of Rate Schedule CSG Transportation Service Agreement Between Public Service Electric and Gas Company and Homasote Company and the Potential Discount of Societal Benefits Charges, Order (Apr. 15, 2015) and Decision and Order Approving Gas Service Agreement, BPU Docket No. GR14030266 (Dec. 17, 2014). The Board is further satisfied that the discounted SBC rate will benefit the State of New Jersey and ultimately its ratepayers by avoiding the loss of load that contributes to the maintenance of JCP&L's distribution system.

Based on the information submitted in the filing, the Board **FINDS** that a discounted electric SBC rate is appropriate pursuant to N.J.S.A. 48:3-60(a). Should the customer leave the system for economic reasons, there would be no contribution to the SBC, further reducing the benefit to other ratepayers. The Board further **FINDS**, that for a term of ten (10) years, Gerdau must continue to pay the portion of the electric SBC that is attributable to the NJCEP at the level set each year by the Board collected through JCP&L's Rider DSF.

Accordingly, the Board **HEREBY ADOPTS** the Joint Position and **HEREBY INCORPORATES** its terms and conditions as if fully set forth herein.


Therefore, the Board **HEREBY APPROVES** the discounted electric SBC rate applicable to Gerdau effective for services rendered on or after May 1, 2018 for a period of ten (10) years.

To effectuate the discounted electric SBC rate, the Board **HEREBY DIRECTS** JCP&L to file tariffs consistent with the Board's Order by May 1, 2018.

The Board **HEREBY RATIFIES** all provisional rulings by Commissioner Solomon for the reasons stated in her Orders and decisions.

The effective date of this Order is April 25, 2018.

DATED: 4/25/18


JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:


AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

IN THE MATTER OF THE PETITION OF GERDAU AMERISTEEL SAYREVILLE, INC. FOR
WAIVER OF REQUIREMENTS CONCERNING THE SOCIETAL BENEFITS CHARGE
DOCKET NO. EW17030256

SERVICE LIST

Gerdau

Kenneth R. Stark, Esq.
McNees, Wallace & Nurick, LLC
100 Pine Street, Suite 550
Harrisburg, PA 17101
kstart@mcneeslaw.com

Robert A Weishaar, Jr., Esq.
McNees, Wallace & Nurick, LLC
777 N. Capital St., NE Suite 401
Washington, D.C. 20002-4292
rweishaar@mcneeslaw.com

Division of Rate Counsel

140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director
sbrand@rpa.nj.gov

Brian Lipman, Litigation Manager
blipman@rpa.nj.gov

Felicia Thomas-Friel, Esq.
ftthomas@rpa.nj.gov

Henry Ogden, Esq.
hogden@rpa.nj.gov

Shelly Massey
smassey@rpa.nj.gov

Robert Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870
rhenkes@optonline.net

Board of Public Utilities

44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350

Division of Energy

Thomas Walker, Director
thomas.walker@bpu.nj.gov

Stacy Peterson, Deputy Director
stacy.peterson@bpu.nj.gov

Division of Clean Energy

Sherri Jones, Assistant Director
sherri.jones@bpu.nj.gov

Benjamin Scott Hunter
benjamin.hunter@bpu.nj.gov

Anne Marie McShea
anne.mcshea@bpu.nj.gov

Executive Director

Paul Flanagan, Esq.
paul.flanagan@bpu.nj.gov

Office of Chief Counsel

Noreen Giblin, Chief Counsel
noreen.giblin@bpu.nj.gov

Megan Lupo, Esq.
megan.lupo@bpu.nj.gov

Bethany Rocque-Romaine, Esq.
bethany.romaine@bpu.nj.gov

Rachel Boylan, Esq.
rachel.boyland@bpu.nj.gov

JCP&L

Gregory Eisenstark, Esq.
Windels Marx Lane & Mittendorf, LLP
120 Albany Street Plaza
New Brunswick, NJ 08901
geisenstark@windelsmarx.com

Michael J. Connolly, Esq.
Windels Marx Lane & Mittendorf, LLP
One Giralda Farms
Madison, NJ 07940
mconnolly@windelsmarx.com

Mark Mader
Rates and Regulatory Affairs - NJ
Jersey Central Power & Light Company
300 Madison Avenue
P.O. Box 1911
Morristown, New Jersey 07962
mamader@alleghenypower.com

Lauren M. Lepkoski, Esq.
FirstEnergy Service Company
Legal Department
2800 Pottsville Pike
Reading, PA 19612-6001
llepkoski@firstenergycorp.com

Bradley A. Bingaman, Esq.
FirstEnergy Service Company
Legal Department
76 South Main Street
Akron, OH 44308
bbingaman@firstenergycorp.com

PSE&G

Justin Incardone, Esq.
PSEG Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark NJ 07102
justin.incardone@pseg.com

Bernard Smalls
PSEG Services Corporation
80 Park Plaza-T5
Newark NJ 07102-4194
bernard.smalls@pseg.com

Alexander Stern, Esq.
PSEG Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark NJ 07102
alexander.stern@pseg.com

Deputy Attorneys General

Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029

Alex Moreau, DAG
alex.moreau@law.njoag.gov

Geoffrey Gersten, DAG
geoffrey.gersten@law.njoag.gov

Veronica Beke, DAG
veronica.beke@law.njoag.gov

Renee Greenberg, DAG
renee.greenberg@law.njoag.gov



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Kenneth R. Stark
Direct Dial: 717.237.5378
Fax: 717.237.5300
kstark@mcneeslaw.com

March 15, 2018

Office of the Secretary
Board of Public Utilities
44 S. Clinton Ave., 9th Floor
Trenton, NJ 08625

VIA E-MAIL and FIRST-CLASS MAIL

**RE: In the Matter of the Petition of Gerdau Ameristeel Sayreville, Inc. for Waiver of Requirements Concerning the Societal Benefits Charge
BPU Docket No. EW17030256**

Dear Office of the Secretary:

Enclosed for filing, please find a Joint Position ("Joint Position"), which has been executed by Gerdau Ameristeel Sayreville, Inc. ("Gerdau") and the Staff of the Board of Public Utilities ("Board Staff") in the above-referenced proceeding. Consistent with its Amended Petition, Gerdau respectfully requests an expedited Order approving the Joint Position. Gerdau respectfully asks that the Board consider the Joint Position at the April 25, 2018 Public Meeting.

Consistent with the Board's May 31, 2017 Order in this proceeding and N.J.A.C. § 14:1-4.2, hard copies of this filing are being provided to the Board. Please date-stamp one of the copies of this filing and return it to us in the enclosed, postage-paid envelope for our records.

Other parties in this proceeding will receive electronic service of the enclosed document.

Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 

Kenneth R. Stark (NJ Bar I.D.: 003832012)

Counsel to Gerdau Ameristeel Sayreville, Inc.
Enclosures

c: Service List (via Email)

www.McNeesLaw.com

Harrisburg, PA • Lancaster, PA • Scranton, PA • State College, PA • Columbus, OH • Frederick, MD • Washington, DC

SERVICE LIST

In the Matter of the Petition of Gerdau Ameristeel Sayreville, Inc. for Waiver of Requirements
Concerning the Societal Benefits Charge

BPU Docket No. EW17030256
OAL Docket No. PUC _____ - _____

NJ BPU

Cynthia Covie, Esq.
Chief Counsel, Chief of Staff
Board of Public Utilities
PO Box 350
Trenton, NJ 08625-0350
cynthia.covie@bpu.state.nj.us

Paul Flanagan, Executive Director
44 South Clinton Avenue, 9th Fl
PO Box 350
Trenton, NJ 08625-0350
paul.flanagan@bpu.state.nj.us

Scott Hunter
Board of Public Utilities
Division of Clean Energy
44 South Clinton Avenue
PO Box 350
Trenton, NJ 08625-0350
marisa.slaten@bpu.state.nj.us

Bethany Rocque-Romaine, Legal Specialist
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
Trenton, NJ 08625-0350
Bethany.Romaine@bpu.nj.gov
bethany.rocque-romaine@bpu.state.nj.us

Anne McShea
Board of Public Utilities
Division of Clean Energy
44 South Clinton Avenue
PO Box 350
Trenton, NJ 08625-0350
Anne.McShea@bpu.nj.gov
a.mcshea@bpu.state.nj.us

Stacy Peterson
Board of Public Utilities
PO Box 350
Trenton, NJ 08625-0350
stacy.peterson@bpu.nj.gov

Thomas Walker, Director
Board of Public Utilities
44 South Clinton Avenue, 9th Fl
PO Box 350
Trenton, NJ 08625-0350
Thomas.walker@bpu.nj.gov

Megan Lupo, Esq.
Counsel's Office
Board of Public Utilities
PO Box 350
Trenton, NJ 08625-0350
Megan.lupo@bpu.state.nj.us

Rachel Boylan, Legal Specialist
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
Trenton, NJ 08625-0350
Rachel.Boylan@bpu.nj.gov

Sherri Jones
Board of Public Utilities
Division of Clean Energy
44 South Clinton Avenue
PO Box 350
Trenton, NJ 08625-0350
Sherri.Jones@bpu.nj.gov

Geoffrey Gersten, DAG
Department of Law and Public Safety
Division of Law
PO Box 45029
Newark, NJ 07101
Geoffrey.Gersten@dol.lps.state.nj.us

Alex Moreau, DAG
Department of Law and Public Safety
Division of Law
PO Box 45029
Newark, NJ 07101
alex.moreau@dol.lps.state.nj.us

Veronica Beke, DAG
Department of Law and Public Safety
Division of Law
PO Box 45029
Newark, NJ 07101
Veronica.Beke@dol.lps.state.nj.us

Caroline Vachier, DAG
Department of Law and Public Safety
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101
Caroline.vachier@dol.lps.state.nj.us

Renee Greenberg, DAG
Department of Law and Public Safety
Division of Law
PO Box 45029
Newark, NJ 07101
Renee.Greenberg@dol.lps.state.nj.us

Rate Counsel

Stefanie Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
fthomas@rpa.state.nj.us

Shelly Massey, Paralegal
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
smassey@rpa.state.nj.us

Brian Lipman, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
blipman@rpa.state.nj.us

Kurt Lewandowski, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
klewando@rpa.state.nj.us

James Glassen
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
jglassen@rpa.state.nj.us

Henry Ogden
Division of Rate Counsel
140 East Front Street, 4th Floor
PO Box 003
Trenton, NJ 08625-0003
hogden@rpa.state.nj.us

JCP&L

Gregory Eisenstark
Windels Marx Lane & Mittendorf, LLP
120 Albany Street Plaza
New Brunswick, NJ 08901
geisenstark@windelsmarx.com

Bradley A. Bingaman, Esq.
FirstEnergy Service Company
Legal Department
76 South Main Street
Akron, OH 44308
bbingaman@firstenergycorp.com

Lauren M. Lepkoski, Esq.
FirstEnergy Company
Legal Department
2800 Pottsville Pike
Reading, PA 19612-6001
llepkoski@firstenergycorp.com

PSE&G

Matthew M. Weissman, Esq.
PSEG Services Corporation
80 Park Plaza, T5, P.O. Box 570
Newark, NJ 07102
matthew.weissman@pseg.com

Justin Incardone, Esq.
PSEG Services Corporation
80 Park Plaza, T5, P.O. Box 570
Newark, NJ 07102
Justin.incardone@pseg.com

Michael Connolly
Windels Marx Lane & Mittendorf, LLP
One Giralda Farms
Madison, NJ 07940
mconnolly@windelsmarx.com

Mark A. Mader
Rates & Regulatory Affairs – NJ
Jersey Central Power & Light Co.
300 Madison Avenue, PO Box 1911
Morristown, NJ 07962-1911
mamader@firstenergycorp.com

Michele Falcao, Regulatory Filings
Supervisor
PSEG Services Corporation
80 Park Plaza, T5, P.O. Box 570
Newark, NJ 07101
Michele.Falcao@pseg.com

Bernard Smalls
PSEG Services Corporation
80 Park Plaza, T5, P.O. Box 570
Newark, NJ 07102
Bernard.smalls@pseg.com

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

IN THE MATTER OF THE PETITION OF
GERDAU AMERISTEEL
SAYREVILLE, INC. FOR WAIVER
OF REQUIREMENTS CONCERNING
THE SOCIETAL BENEFITS CHARGE

**JOINT
POSITION**

DOCKET NO. EW17030256

Robert A. Weishaar, Jr. and Kenneth R. Stark, McNees Wallace and Nurick, LLC, for the Petitioner, Gerdau Ameristeel Sayreville, Inc.

Alex Moreau and Renee Greenberg, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of the State of New Jersey)

This Joint Position is hereby made and executed as of the dates indicated below, by and among the Petitioner, Gerdau Ameristeel Sayreville, Inc. ("Gerdau"), and the Staff of the New Jersey Board of Public Utilities ("Board Staff") (collectively, the "Signatory Parties").¹

The Signatory Parties hereby join in recommending that the Honorable New Jersey Board of Public Utilities ("Board") issue an Order approving the Joint Position without modification based upon the following terms:

BACKGROUND AND PROCEDURAL HISTORY

On March 13, 2017, pursuant to N.J.S.A. § 48:2-21.2(c) and N.J.S.A. § 48:3-60.3(a), Gerdau filed a petition and supporting exhibits (the "Initial Petition") with the Board, requesting that the Board make the following determinations and grant the following requested relief: (i)

¹ Jersey Central Power & Light ("JCP&L"), Public Service Electric & Gas ("PSE&G"), and the New Jersey Division of Rate Counsel ("Rate Counsel") are not signatories to this Joint Position. JCP&L and PSE&G take no position with respect to the Joint Position.

that Gerdau qualifies for a limited waiver of certain requirements for obtaining a credit against the Societal Benefits Charge ("SBC") that Gerdau pays for electric and natural gas service to its Sayreville, New Jersey Mill; (ii) that Gerdau's past energy efficiency investments qualify Gerdau for a fifty percent (50%) reduction in the SBC obligations associated with electric service to Gerdau; and (iii) that the Board act on the Initial Petition on an expedited basis. Absent the requested relief, Gerdau asserted that the Sayreville facility will face the risk of diminished production.

On May 31, 2017, the Board issued an Order retaining this matter and designating Commissioner Dianne Solomon as the presiding officer over this proceeding, and granting intervention status to Public Service Electric and Gas Company ("PSE&G") and Jersey Central Power and Light Company ("JCP&L"). On May 5, 2017, Rate Counsel issued eight (8) discovery requests (RCR-1 through RCR-8) upon Gerdau requesting further information as to the basis for Gerdau's Initial Petition. On May 19, 2017, Gerdau provided written responses to Rate Counsel's May 5, 2017 discovery requests.

On or about September 25, 2017, Gerdau and other parties in this proceeding informally discussed the Initial Petition via a teleconference. Following the teleconference, Gerdau filed a Motion for Leave to Amend its Petition ("Motion") and Amended Petition with Supporting Exhibits on November 13, 2017.

Gerdau's Amended Petition requested that the Board, pursuant to N.J.S.A. § 48:3-60(a), make the following determinations and grant the following requested relief: (i) that Gerdau has demonstrated good cause for a modification of the amount of the SBC paid for electric and natural gas service to its Sayreville, New Jersey Mill; (ii) that good cause supports a modification of Gerdau's SBC charges starting in 2018, amounting to a fifty percent (50%) reduction at

approximately \$0.0033315 per kilowatt hour for electric service provided by JCP&L and \$0.0209975 per therm for gas service provided by PSE&G; and (iii) that the Board act on the Amended Petition on an expedited basis.

According to the Amended Petition, Gerdau owns and operates a long steel plant in Sayreville, New Jersey. Gerdau employs more than 200 workers at the Sayreville facility, and supports several hundred related employment positions in New Jersey. Gerdau claims the Sayreville facility is the only remaining operational steel mill in New Jersey, is the only steel recycling facility in the State, and is the largest recycler of any products in the State.

Gerdau states in the Amended Petition that energy costs account for a significant portion of its operating expenses and the cost of goods sold. Gerdau represents that its energy-related utility costs at the Sayreville Mill are higher than those of most of its internal and external competitors in the long steel industry, putting the Sayreville Mill at a distinct competitive disadvantage. Although Gerdau has historically been one of New Jersey's largest industrial firms, it claims that its contribution to the State's economy has diminished in recent years. Gerdau also claims that it was forced to close its Perth Amboy, New Jersey steel facility in 2009 due to operational costs, including, in part, the high cost of energy. Gerdau alleges that New Jersey's SBC obligations have had a disproportionate impact on the Sayreville Mill relative to other Gerdau facilities. Since the State Legislature enacted the SBC in 1999, Gerdau represents that the Sayreville Mill has made SBC payments of approximately \$1.5 million per year without withdrawing any SBC funds. Consequently, Gerdau further represents it has made a net contribution to the SBC fund of more than \$20 million.

On January 19, 2018, Board Staff issued six (6) discovery requests (S-GERDAU-1 to S-GERDAU-6) to Gerdau regarding the Amended Petition. On February 5, 2018, Gerdau provided written responses and responsive documents to Board Staff's discovery requests.

On February 23, 2018, the parties engaged in settlement discussions and as a result, the Signatory Parties reached a Joint Position for resolving this matter.

The Signatory Parties stipulate and agree as follows:

1. Gerdau will pay only a portion of the SBC rate that is assessed by JCP&L for electric service. Currently, JCP&L's Rider SBC reflects several elements, including nuclear plant decommissioning costs ("Rider NDC"), demand side management costs ("Rider DSF"), manufactured gas plant remediation costs ("Rider RAC"), uncollectible costs ("Rider UNC"), and universal service fund costs ("Rider USF"). By and through this Joint Position, the Signatory Parties agree that Gerdau will only pay the portion of the SBC that is attributable to the New Jersey Clean Energy Program ("NJCEP") at the level set each year by the Board and collected through JCP&L's Rider DSF. Gerdau will not be responsible for paying for any other elements that comprise JCP&L's Rider SBC.

2. Gerdau's revised SBC rate for electric service will become effective on May 1, 2018 or on a date specified by the Board and will continue in effect for an initial term of ten (10) years. Prior to the conclusion of this initial 10-year term, Gerdau may petition the Board for an extension of the reduced SBC rate described in Paragraph 1 above.

3. To effectuate the reduced SBC contributions described above, JCP&L's tariff for electric service will need to be modified. The Signatory Parties have included a proposed modified tariff as Attachment A.

4. Gerdau will file a letter with the Board withdrawing the portion of its Amended Petition that requests a reduction in the amount of the SBC charge Gerdau pays as part of its PSE&G gas service rate. Gerdau has the option of applying for a discounted Rate Schedule Contract Service Gas ("CSG") contract with PSE&G. That application may include a request for a reduced SBC rate for Gerdau's natural gas distribution service. Accordingly, the Signatory Parties agree that this withdrawal is without prejudice to Gerdau re-filing, at a later date, a request for CSG service and a reduced SBC rate for its natural gas distribution service.

5. The Parties respectfully request that the Board approve this Joint Position without modification, with the rate modifications set forth herein effective for service rendered on May 1, 2018 or a date specified by the Board. Upon approval of this Joint Position without modification, the Parties recommend that the Board close this proceeding.

6. The undersigned parties hereby agree that this Joint Position has been made exclusively for the purpose of resolving the issues in this proceeding. The Signatory Parties also agree that this Joint Position was negotiated and agreed to in its entirety, with each section being mutually dependent on approval of all other sections. Therefore, if the Board modifies any of the terms of this Joint Position, each party is given the option, before implementation of any different rate or terms in this case, to accept the change or to resume the proceeding as if no agreement had been reached. If these proceedings are resumed, each party is given the right to return to the position it was in before this Joint Position was executed.

7. The Signatory Parties hereby agree that this Joint Position has been made exclusively for the purpose of this proceeding and that this settlement, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Joint Position.

8. The Signatory Parties further acknowledge that a Board Order approving this Joint Position will become effective upon the service of the Board Order, or upon such date after service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

9. It is specifically understood and agreed that this Joint Position represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, Board Staff and Gerdau shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.

IN WITNESS THEREOF, the undersigned Parties do HEREBY AGREE to the form and execution of this Joint Position:

GERDAU AMERISTEEL SAYREVILLE, INC.

By: Kenneth R. Stark
Kenneth R. Stark
McNees Wallace and Nurick LLC
Counsel to Gerdau Ameristeel Sayreville, Inc.

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW
JERSEY, Attorney for the Staff of the New
Jersey Board of Public Utilities

By: Alex Moreau
Alex Moreau
Deputy Attorney General

DATED: March 15, 2018

Attachment A

Service Classification GT General Service Transmission

RECONNECTIONS WITHIN 12-MONTH PERIOD: (Continued)

Customers who request more than one disconnection and reconnection of service at the same location within a 12-month period shall be subject to the conditions specified above for the first such period of disconnection. In addition, for subsequent periods of disconnection, the customer shall be required to pay an additional Reconnection Charge equivalent to the sum of the Minimum Demand Charges, determined in accordance with the conditions specified in the preceding paragraph, for each month of that subsequent period.

SPECIAL PROVISIONS:

- (a) **Commuter Rail Service:** Where service is supplied to traction power accounts for a commuter rail system, such accounts shall be conjunctively billed based upon coincident demands. This Special Provision also modifies the DEFINITION OF ON-PEAK AND OFF-PEAK HOURS for Demand Charge purposes only, such that the following Federal Holidays are considered off-peak the entire day: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. In addition, the periods from 8 AM to 10 AM and from 5 PM to 8 PM prevailing time Monday through Friday shall be considered as off-peak for Demand Charge purposes only. The Company reserves the right to change the on-peak hours from time to time as the on-peak periods of the supply system change.

Where traction power is supplied at high tension (230 KV) and such power is being provided during a limited period to supplant power normally supplied by another utility, that limited period shall be excluded for the purpose of determining billing demand.

- (b) **High Tension Service:** Where service is supplied at 230 KV, the determination of KW and KVAR demands shall be modified to refer to 60-minute demands, and the Distribution KW and KWH Charges, except for KW Minimum Charge, shall be reduced by the High Tension Service Credits provided above to reflect the reduced line losses associated with service at this voltage level. Any Customer taking this Special Provision shall not be qualified for Special Provisions (c) and (d) below.
- (c) **Department of Defense Service:** Where service is supplied to the major military installations of the United States Department of Defense at transmission voltages, the Distribution KW Charge, KW Minimum Charge and KWH Charge shall be reduced by the DOD Service Credits provided above.
- (d) **Closing of GTX Service:** Upon the closing of Service Classification GTX effective April 1, 2004, for any GTX customer as of August 1, 2003 where service is supplied at 230 KV, the monthly billing demand shall be the maximum 60-minute integrated kilowatt demand created during all on-peak and off-peak hours of the billing month and the Distribution KW Charge (Demand Charge) shall be \$0.38 per KW (\$0.41 per KW including SUT). The Distribution KW Minimum Charge, KVAR Charge and KWH Charge provided above shall not apply, and the Non-utility Generation Charge shall be the lesser of (1) \$0.000312 per KWH (\$0.000333 per KWH including SUT), or (2) the net of NGC – High Tension Service stated above and an NGC Credit of \$0.009844 per KWH (\$0.010496 per KWH including SUT), but not less than zero, for all KWH usage. Effective May 1, 2018 and for an initial term of 10 years, the Societal Benefits Charge (Rider SBC) shall include only the Demand Side Factor (Rider DSF) charge.

ADDITIONAL MODIFYING RIDERS: This Service Classification may also be modified for other Rider(s), subject to each Rider's applicability, as specified.

STANDARD TERMS AND CONDITIONS: This Service Classification is subject to the Standard Terms and Conditions of this Tariff for Service.

Issued:

Filed pursuant to Order of Board of Public Utilities
Docket No. dated

Effective:

Issued by James V. Fakult, President
300 Madison Avenue, Morristown, NJ 07962-1911

DRAFT