State of New Jersey
Board of Public Utilities

In the Matter of the Act Concerning the Imposition of Standby Charges Upon Distributed Generation Customers Pursuant to N.J.S.A. 48:2-21 et seq.

Docket No. GO12070600

Comments of Bloom Energy Corporation Regarding Standby Rate Design and Tariff Issues

INTRODUCTION

Bloom Energy Corporation ("Bloom Energy") respectfully submits these comments ("Comments") in response to the request of Board of Public Utilities ("Board") Staff for information regarding: (1) whether the current Standby Tariffs and Rate Designs of the New Jersey Electric Distribution Companies ("EDCs") appropriately address the provisions set forth in N.J.S.A. 48:2-21 *et seq.* and the criteria set forth in the Board's Order dated July 18, 2012 ("Standby Order") in the above-referenced proceeding; and (2) whether the four EDCs' responsive filings address concerns raised by N.J.S.A. 48:2-21 *et seq.* and the criteria set forth in the Standby Order.

Bloom Energy is a provider of breakthrough all-electric solid oxide fuel cell technology that generates clean, reliable, and highly efficient onsite power using an environmentally superior non-combustion process. Bloom Energy currently has over 75 megawatts ("MW") of operating systems at over 100 locations across the United States. In New Jersey, Bloom Energy is seeing growing demand from customers, including telecommunications providers, data centers, office buildings, nursing homes, supermarkets, and others who desire a highly reliable distributed power generation solution, but may not have the thermal requirements necessary to support a traditional Combined Heat & Power ("CHP") solution.

As discussed in more detail below, Bloom Energy has significant concerns with the EDCs' current patchwork of Standby Tariffs and Rate Designs, as well as the proposals contained in the EDCs' responsive filings, which provide no improvement to the status quo.

I. In Order to Foster Regulatory Certainty, the Board Should Define which Types of On-Site Generation Technologies Are Subject to Demand Charges, Including Standby Charges.

First, as a threshold matter, Bloom Energy urges the Board to use this proceeding as an opportunity to provide regulatory certainty regarding which types of on-site generation technologies are subject to, or exempt from, any type of demand charges, including standby charges. Currently, the EDCs have no uniform standard regarding which customers must pay full demand charges or standby demand charges. For example, as described in the Standby Order, Atlantic City Electric Company ("ACE"), Jersey Central Power and Light Company ("JCP&L") and Rockland Electric Company ("RECO") only apply standby rates to qualifying facilities ("QFs") as defined under Section 201 and Section 210 of the Public Utilities, and then those standby rates are only applicable "when the customer's self-generation is either at least or exceeds 50% of the generation availability."[1] Under the JCP&L, ACE and RECO tariffs, a customer's generator that operates at less than 50% of the generation availability does not qualify for the discounted standby rate and must pay the full demand charges they would otherwise pay under their regularly applicable rate schedules.[2]

Public Service Electric & Gas ("PSE&G"), on the other hand, applies standby rates to "all types of generation, including CHPs, turbine generation, solar arrays, and Exempt Wholesale Generators as defined by PURPA" and its Standby Provision is applicable for customers whose self generation units: 1) have a net kW output rating equal to or greater than 50% of their annual peak demand or 2) was served on former Standby Service on 7/31/2003, or 3) were granted air permits for a QF by August 1, 2004.[3] Under the PSE&G tariff, these standby customers can avoid incurring a summer demand charge on top of their annual demand charges if they effectively reduce their load in the peak summer season and can shift their hourly load away from PSE&G's monthly system peak.[4]

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[1] *See* Standby Order, p. 3.

[2] *Id.*

[3] *Id.*

[4] *Id.* at 4.

The statute requiring this Board proceeding does little to clarify which types of on-site generation technologies should be subject to, or exempt from, demand charges, including standby charges. Instead, it states that the Board should consider revising standby charges on "distributed generation," which is vaguely defined as:

> energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L. 1999, c. 23 (C-48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, and other forms of clean energy efficient electric generation systems.

Bloom Energy Servers are the cleanest and most efficient form of on-site electric generation systems commercially available and therefore clearly qualify as one of the "other forms of clean energy efficient electric generation systems." However, it is unclear from the above definition of "distributed generation," which other forms of generation also qualify. Bloom Energy consequently agrees with the assessment of JCP&L in its responsive filing that this definition is "vague and subject to different interpretations" and that the parties to this proceeding should "clarify the intended scope" of what technologies are covered by this definition. By developing uniform and concrete classes of customers who are subject to either demand charges or standby charges, Board Staff would enable companies, like Bloom Energy, and its customers to obtain a clearer picture of the cost of doing business in New Jersey.

In contrast to the vagaries regarding which technologies are subject to demand charges in New Jersey, several other states have clearly exempted fuel cells from all demand charges, including standby charges. In fact, Pennsylvania, New York, California and Connecticut prohibit electric utilities from imposing any demand or standby charges on fuel cell technologies.[5] The Board should eliminate any type of demand charges, including standby charges, for customers using fuel cell generation technologies so that New Jersey promotes more resilient forms of on-site clean energy, and is on a level playing field with the other major states in the region.

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[5] *See* 52 Pa. Code § 75.13(j); NY CLS Pub Ser § 66-j(3)(d); Cal Pub Util Code § 2827.10(d)(1); Conn. Gen. Stat. § 16-245cc.

II. The Board Should Reject the EDCs' Argument that Distributive Generation Does Not Contribute to Cost Savings on their Electric Systems and Reduce Standby Charges Accordingly.

Despite what the EDCs have represented in their filings, the availability of distributed generation provides well-documented cost savings and other benefits to ratepayers. For instance, the development of distributed generation allows EDCs to avoid making certain generation, transmission and distribution investments that they would otherwise pass through to ratepayers. In addition, distributed generation provides a more reliable and resilient source of power than traditional sources of power that can help keep certain critical facilities or even the grid functional during widespread power outages. Finally, non-combustion distributed generation emits significantly less CO_2 than a typical coal-fired power plant and virtually no SOx, NOx, or other harmful air forming particulate emissions. These benefits suggest that New Jersey's standby rates should be eliminated, particularly for clean and highly resilient non-intermittent technologies like all-electric fuel cells.

Although there is ample documentation extolling the economic and environmental benefits of distributed generation, Bloom Energy suggests that the Board consider the February, 2011 Final Report of the New York State Energy Research and Development Authority ("NYSERDA") entitled, "Deployment of Distributed Generation for Grid Support and Distribution System Infrastructure: A Summary Analysis of DG Benefits and Case Studies." The report, which is available on the NYSERDA website includes detailed analyses of, among others, the following categories of benefits:

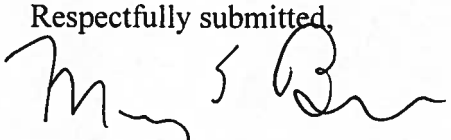
- Avoided transmission and distribution investments
- Avoided electricity generation
- Avoided and deferred generation capacity
- Wholesale price impact or Demand Reduction Induced Price Effect (DRIPE)
- Ancillary services
- Reliability value
- CO_2 and Criteria Pollutant Emissions

III. The Board Should Proceed Toward a Timely Decision or Rulemaking.

Rather than move the issues raised by the Standby Order into pending rate cases, Bloom believes that the Board should use this proceeding as an opportunity to establish uniform and meaningful changes to the demand charge and standby charge to bring New Jersey into general alignment with the other major states in the Region. The current patchwork of EDC standby tariffs and rate designs make it difficult for customers to predict the cost of installing on-site generation in New Jersey, and this unpredictability has the effect of chilling investment in the State.

There are many improvements to be made to the current standby charges and rate design and there are multiple examples of simple and effective approaches that are in place in other states. Thus, Board Staff should develop a record through evidentiary hearings, discovery and position papers which give stakeholders an adequate opportunity to contest the EDC proposals. After settlement meetings, Board Staff should decide whether to pursue a formal Board order or develop proposals through a rulemaking proceeding. To do any less than develop a full record would deprive distributed generation developers, their customers, and the ratepayers of New Jersey the opportunity to vet the issues and provide much needed changes to the status quo.

Respectfully submitted,



Murray E. Bevan

Bevan, Mosca, Giuditta & Zarillo, P.C.
Counsel for Bloom Energy Corporation.
222 Mount Airy Road
Suite 200
Basking Ridge, NJ 07920
(908) 753-8300
mbevan@bmgzlaw.com

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