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VIA EMAIL AND FEDERAL EXPRESS

Alice Bator, Bureau Chief
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**Re: 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.*
Standby Working Group Process – Request for Comments etc.
BPU Docket No. GO12070600**

Dear Ms. Bator:

This office represents Jersey Central Power & Light Company (“JCP&L” and “Company”) with respect to the above-referenced matter. Following the meeting of the Standby Working Group held on May 17, 2013, a proposed definition of Distributed Generation (“DG”) and Rate Modeling criteria was later circulated on August 13, 2013 for review and a request for comments by August 26, 2013 on the proposed definition of DG. In addition, the utilities were requested to provide excel spreadsheets on the calculation of rate impacts using the suggested rate modeling criteria that was included with the proposed definition. This letter provides JCP&L’s comments and suggestions regarding these matters.

Background:

On July 18, 2012, the New Jersey Board of Public Utilities (the “Board”) issued an order

in the above-captioned matter (the “Order”). Pursuant to the Order, on November 1, 2012, JCP&L submitted a proposed form of standby service tariff that would be available for certain customers with qualifying DG facilities. In addition, the Company responded to a series of issues identified in the Order, including the following, which bears restating here:

- *Standby service for Distributed Generators shall consider cost savings to EDCs resulting from distributed generation, and any other benefits associated with distributed generation, including, but not limited to, any increase in energy efficiency and any associated decrease in demand for electric power from the electric grid. (Order, p. 5)*

As JCP&L has explained in its prior submissions to the Board in this matter, the Company does not anticipate that DG will contribute to any cost savings for JCP&L. As an electric distribution company, JCP&L must invest in and maintain the requisite electricity delivery infrastructure to serve its peak load under circumstances where no DG is operating. Any contribution to cost savings that might result from DG with respect to the supply of the electric energy commodity would not impact JCP&L’s costs as an electric distribution company. Moreover, certain types of DG facilities can increase costs because of the additional infrastructure that may be needed to support the facilities (*e.g.*, to address the potential for the bi-directional flow of electricity from DG facilities back onto the utility’s distribution system). However, such a determination is fact sensitive and therefore can only be made on a case-by-case basis.

In its November 1, 2012 letter, JCP&L also noted that certain aspects of the definition of “distributed generator” in N.J.S.A. 48:2-21.37 are vague and subject to different interpretations and would benefit from a stakeholder process to discuss and clarify the intended scope of the electric utilities’ DG standby service tariffs.

On May 17, 2013, Board Staff conducted a Standby Working Group meeting at which time representatives of the electric public utilities provided an explanation regarding how the currently applicable standby tariffs work in practice and application.

Comments on Proposed DG Definition

The Company appreciates the effort that went into the drafting of the proposed definition and believes that the most efficient manner to provide comments is by marking up the proposed definition to show changes that JCP&L would propose. The Company believes that its proposed changes are self-explanatory, but will be happy to discuss and explain them further at the next

meeting of the Standby Working Group. Please note, however, that, among other questions that arose at the May 17 Standby Working Group meeting was whether, for purposes of utility standby rates, DG should include solar facilities. As indicated in JCP&L's proposed revised definition, after review of the statute and information pertaining to the legislative intent, the Company concludes that any net-metered generating facilities (including solar) are not intended to be covered by standby rates under a revised tariff.¹ Some additional points may be worth clarifying at this time.

First, JCP&L believes that it is premature to include references to CHP Micro-grid until IEEE issues final standards on interconnection of micro grids with an electric utility's facilities. Accordingly, CHP Micro-grid should be excluded from consideration in this proceeding at this time. Second, JCP&L has concerns about referring to Reciprocating engines ("RICE Units") even if their eligibility is qualified by a requirement that they must be capable of maintaining a 50% capacity factor based on the continuous duty rating of the equipment. The inclusion of a reference to RICE Units in the standby rate treatment context could be a source of confusion and contention as New Jersey has seen an increasing number of RICE Units being deployed in for peaking or demand response (non emergency situations) and as backup or emergency generators (for emergency situations) that also are attempting to participate in, or to be used for, peak shaving or demand response programs, including those that compensate participants. The Company believes that RICE Units should not be considered to be clean and energy efficient generating systems as contemplated by the Standby Law and, therefore, RICE Units should not be included within the proposed definition of DG for purposes of this proceeding. There continues to be debate about how RICE Units may displace cleaner generating units, causing potential harm to the environment and introducing an increased subsidy that may further distort the energy market. To include such generation in the context of DG eligible for standby rate treatment at this time would only create further confusion and contention inconsistent with arriving at studied conclusions as to the matters encompassed by the Standby Law.

¹ On the other hand, a non-net-metered, grid-connected solar QF, presumably, would be eligible if it could otherwise meet the capacity factor requirements of the definition. As a general principle, JCP&L believes that net-metered generation should not realize rate discounts in the form of standby rate treatment when they already receive cost advantages under the net-metering rules.

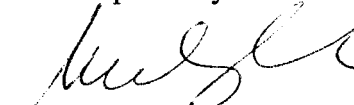
Rate Modeling Criteria:

At the Standby Working Group meeting on May 17, 2013, it was determined that for purposes of creating comparative calculations of rate impacts, that utilities would model the rate impacts based on two DG systems with capacities of 100KW AC and 5MW AC. Accordingly, simultaneous herewith, JCP&L has submitted its Excel worksheets by email providing the calculation of rate impacts for these two DG systems, based on JCP&L's current tariff rates effective 6/1/2013. In order to demonstrate the rate impact calculations in an understandable fashion, certain assumptions were made about the two DG systems relative to the service classification, generation availability, and other relevant factors under JCP&L's current tariff. These assumptions are noted on the respective Excel worksheet for each of the two DG systems.

Conclusion

In closing, JCP&L looks forward to continuing to work with the Standby Working Group in this process and looks forward to discussing the proposals for defining DG and the calculated rate impacts under rate modeling criteria proposed at the May 17 Standby Working Group meeting. Finally, the Company reserves the right to supplement these comments during the Working Group Process.

Respectfully submitted,



Michael J. Connolly

Encl.

c: Mark A. Mader, Director of Rates and Regulatory Affairs – NJ
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Email Service List