



Public Stakeholder Meeting #2

Docket No. EO26040117 – Utility
Business Model Reform Study

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New Jersey BPU Utility Business Model Reform Study

Stakeholder Meetings #1 & #2

Stakeholder Meeting #1 – May 7, 2026

Presenter /
Facilitator



1 Share information on E0 #1 study

President Guhl-Sadovy and Elizabeth Noll provided insights into Executive Order #1 and Executive Director Bob Brabston provided high-level information on the study

2 Discuss reforms in other states

RAP presented a suite of reforms known as Performance-Based Regulation (PBR) and moderated a panel of former Commissioners to discuss reforms they explored

3 Solicit input to shape E0 #1 study

RAP moderated a stakeholder discussion on the regulatory goals and priority outcomes that stakeholders would like to guide the BPU's study and subsequent work

Objectives

Deeper Dive

Stakeholder Meeting #2 – June 15, 2026

Presenter /
Facilitator



1 Share E0 #1 study approach

E3 will share the approach they will use to analyze business model reforms. E3 will also provide an overview of utility bill cost drivers and the existing utility business model.

2 Socialize initial list of possible reforms

A suite of possible regulatory reforms will be evaluated for the EO #1 study. E3 will share the initial list to be evaluated and solicit stakeholder feedback on the list.

3 Solicit stakeholder questions and feedback

Stakeholders will be encouraged to ask questions about the slides and study and to provide any feedback

Objectives



Energy+Environmental Economics

New Jersey BPU Utility Business Models Study

Stakeholder Meeting

June 15, 2026

Kush Patel

Liz Mettetal

Tara Hamilton

Vivan Malkani

Paul Picciano

Morgan Santoni-Colvin

Les Armstrong

Agenda

- + Introductions
- + Study Motivation, Objectives & Approach
- + Electricity Rates and the Current Utility Business Model in New Jersey
- + Potential Utility Business Model Reform Options
- + Open Question and Answer
- + Open Comments
 - Written feedback is also encouraged and can be submitted via docket EO26040117 https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case_id=2114273
 - Comment deadline: June 30th

Purpose of Today's Session: E3 will introduce the study, provide an overview of potential utility business model reform options currently under review, and gather feedback on key stakeholder priorities and considerations for the Phase 1 assessment.

Overview of E3

Technical and Strategic Consulting Specializing in the Energy Transition

~150 full-time consultants

30+ years of deep expertise

Engineering, Economics,
Mathematics, Public Policy.....



San Francisco



New York



Boston



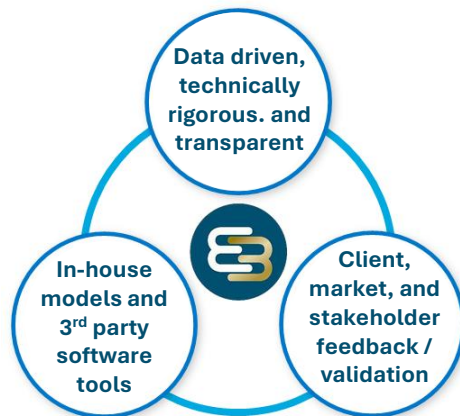
Calgary



Denver

E3 is Project and Expertise Driven with a Diverse Client Base

400+
projects
per year
for over
150+clients



Public & Non-Profit
Sector



Utilities & System
Operators



Investors & Project
Developers / Owners

- Planning agencies and non-profits
- Regulators and commissions
- Investor and publicly owned utilities
- ISOs/RTOs and other system operators
- Asset owners and project developers
- Investors and financiers

Study Motivation, Objectives & Approach



Electric bills in NJ have increased, including significant increases in distribution rates

+ Energy prices have increased across North America, including in New Jersey

- Drivers include inflation, generation, aging infrastructure, policies, and other factors
- New Jersey trends are consistent with regional dynamics

+ Gov. Sherrill signed EO-1 in January 2026, declaring a state of emergency over electricity affordability in New Jersey

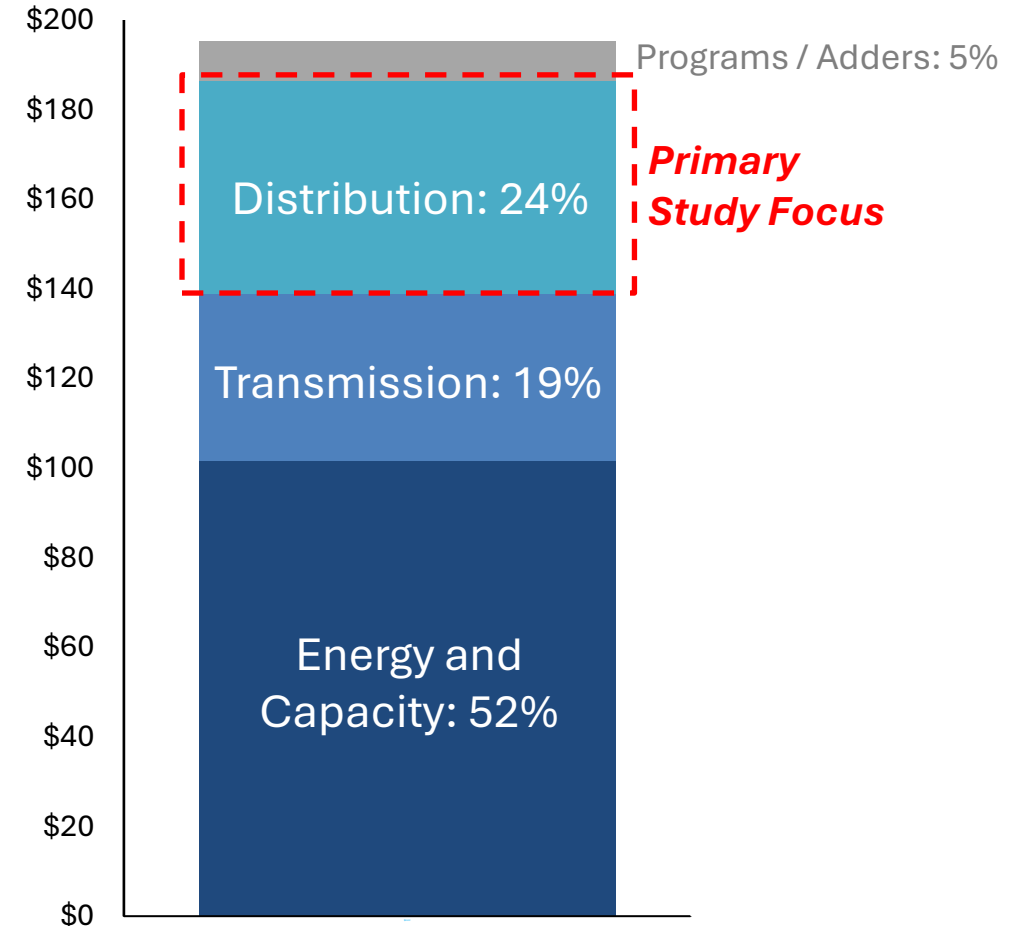
Executive Order 1

Develop long-term utility business model study to:

- Evaluate the link between the traditional EDC model and recent electricity affordability trends
- Identify policy pathways to reduce and stabilize long-term electricity bills
- Assess potential reform levers, including:
 - Revenue models less dependent on capital spending
 - Expansion of performance-based ratemaking (PBR)
 - Multi-year rate plans and potential ROE reductions
 - State review of supplemental transmission projects

Example: Illustrative NJ Residential Electricity Bill (2026)

~\$195/month assuming 750 kWh/month



Study Research Questions and Planned Outcomes

Key Questions

Study Outcomes

Phase 1

- + What is the relationship between the traditional EDC business model and recent trends affecting electricity affordability?
- + What policy pathways and opportunities can be implemented for long-term reduction and stabilization of electric bills?
- + What are the barriers and risks to implementing reforms in NJ?

- **Report** synthesizing qualitative analysis of potential reform options, including jurisdictional scan of experience

Release: July 20, 2026

Phase 2

- + How does current business model quantitatively affect utility rates?
- + How do alternative utility business model reform options compare quantitatively in terms of ratepayer costs and bill impact by customer segment?

- **Quantitative analysis & synthesis of results** of baseline and alternatives analysis to reduce and stabilize electric bills

The outcome of the study will identify potential policy pathways and opportunities to achieve long-term reductions to electric bills with consideration of practical limitations, barriers and risks.

Phase 1: Qualitative Analysis of Reform Options

Which utility business model reforms should be considered in the near- and medium-term?

Four Key Elements of Phase 1 Report



1. Current New Jersey Business Model & Affordability Challenge

Key Question: How is the existing EDC business model affecting electricity affordability?



2. Jurisdictional Scan & Experience with Utility Business Model Reforms

Key Question: What have other jurisdictions tried, and what has worked vs. not worked?



3. Policy Pathways and Alternative Options for New Jersey

Key Question: What reforms or portfolio of strategies could reduce or stabilize bills?



4. Implementation Relevance & Considerations for New Jersey

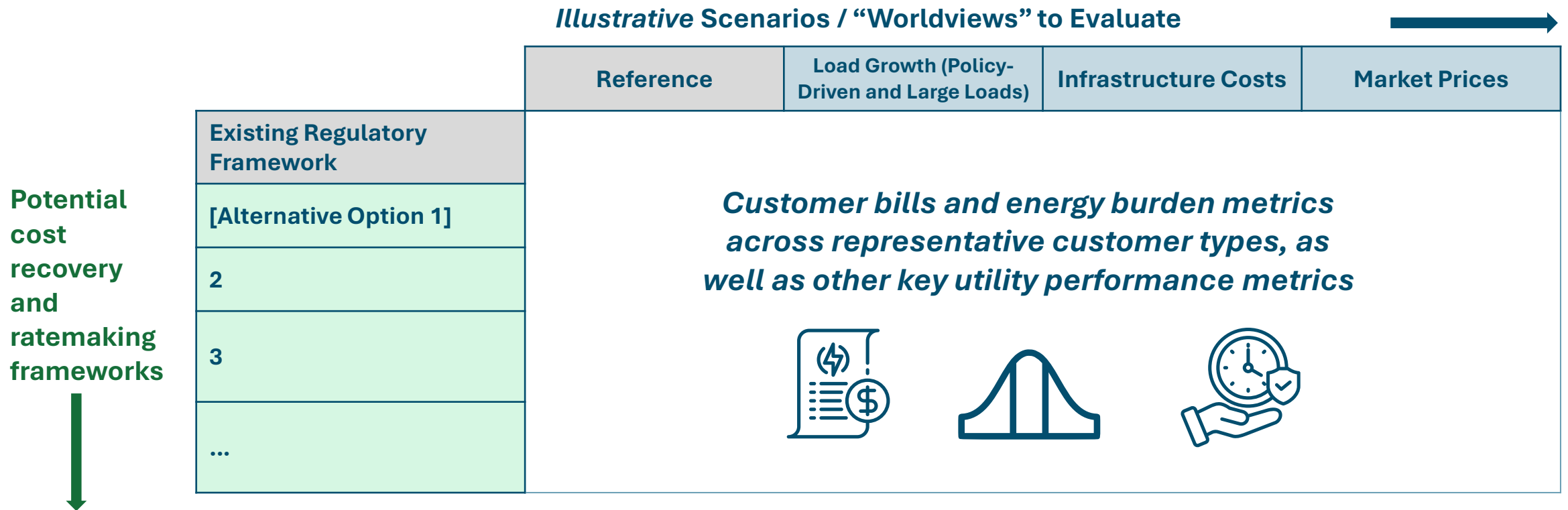
Key Question: What would it take to implement promising options in New Jersey?

Phase 2 Outcome: Quantitative Analysis of Reforms

How do different business model reforms impact policy goals including affordability, reliability, and decarbonization?

+ In Phase 2, the E3 team will undertake quantitative analysis to evaluate different business model reforms and their impacts on key metrics, including rates and bills

- Different options and combinations of options will be considered



Utility Business Model & Reform Options

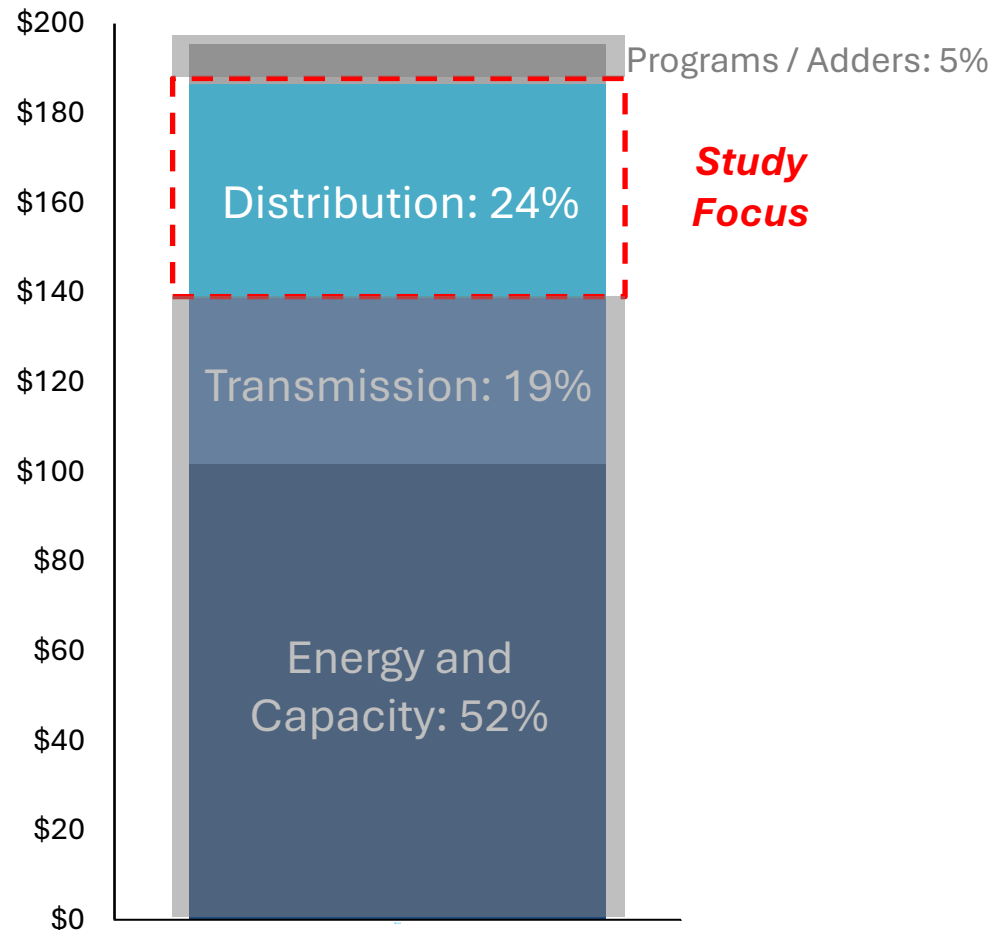


Energy+Environmental Economics

This study focuses on utility business model reforms, which primarily affect the distribution system costs

Example: Average NJ Residential Electricity Bill (2026)

~\$195/month assuming 750 kWh/month

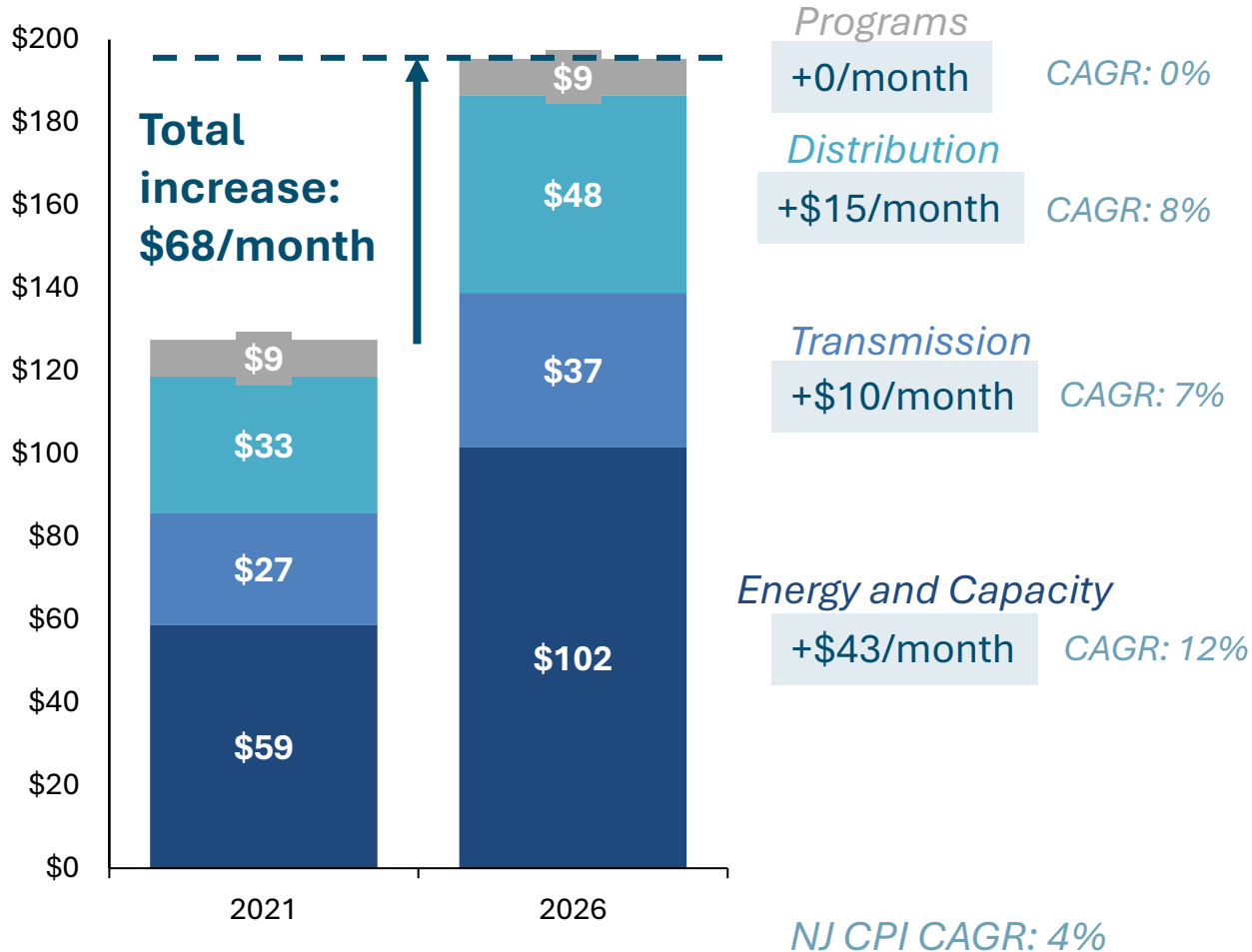


- + This study assesses potential electric distribution company (EDC) business model reforms, which primarily influence distribution system costs
- + Under the traditional cost-of-service model, EDCs recover approved distribution costs through regulated rates, including costs for local grid infrastructure and operations
- + Study examines how the current utility business model affects affordability and whether reforms could support longer-term bill stability
- + Other cost categories (transmission, energy, and capacity) are also significant, but are regulated by other entities (FERC, PJM)
 - NJ is engaged in regional conversations to support managing energy costs in these categories; some utility business model reforms may also influence these cost categories

Key drivers of distribution system cost increases include inflation, aging asset replacement, supply-chain challenges, and load growth

Example: NJ Residential Electricity Bill (2021 vs. 2026)

Nominal \$. Assumed energy usage: 750 kWh/month.



+ Recent NJ bill increases reflect multiple pressures, including PJM supply and capacity costs, inflation, and rising infrastructure costs

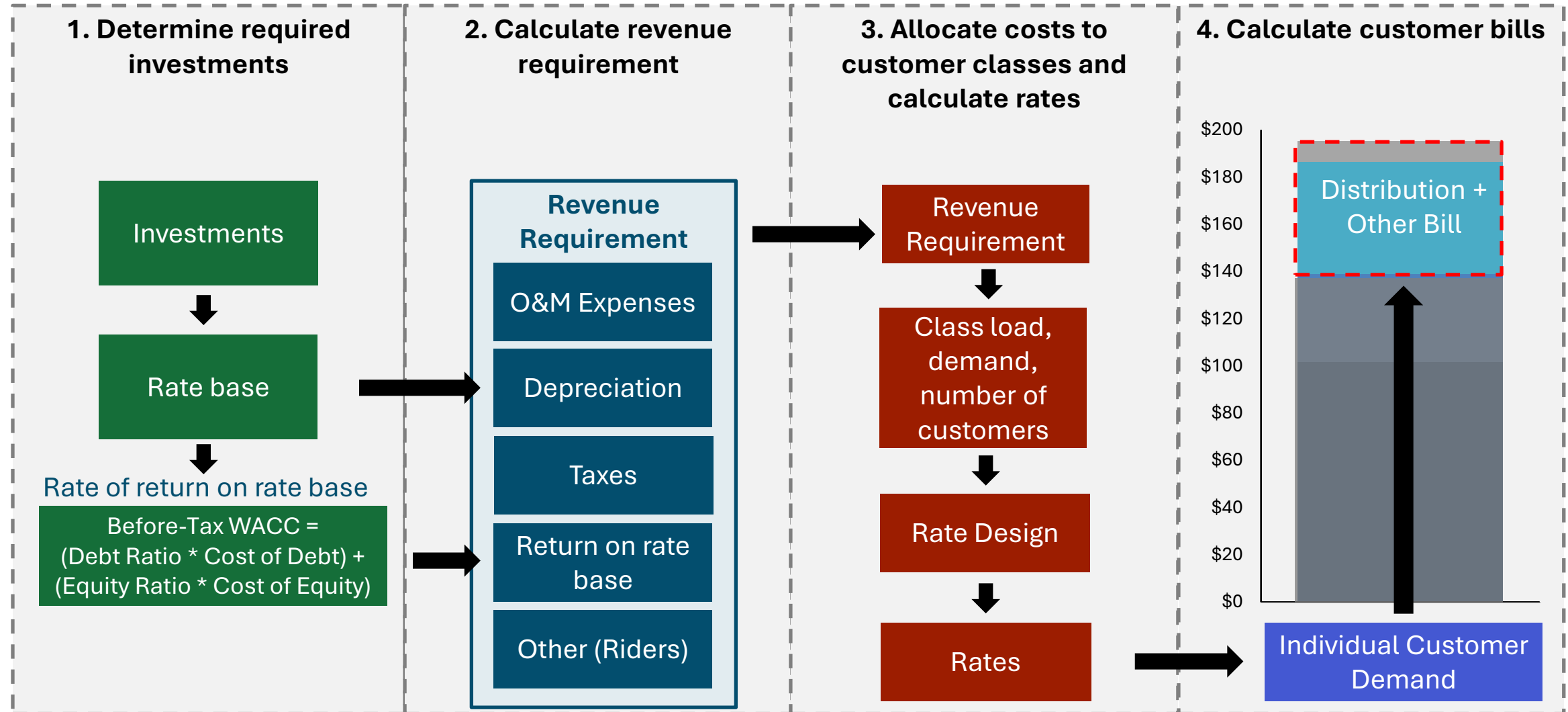
- Study focuses on BPU-regulated distribution costs, where EDCs recover approved costs for local grid infrastructure, operations, reliability, and resilience
- “Other” bill categories include public policy, program, and cost-recovery mechanisms, such as energy efficiency, solar, and societal benefit charges
- Energy and transmission costs have also increased due to regional market conditions, reliability needs, generator retirements, and new load growth

+ Because affordability pressures come from several bill components, the study will distinguish costs tied to the EDC business model from broader regional market drivers

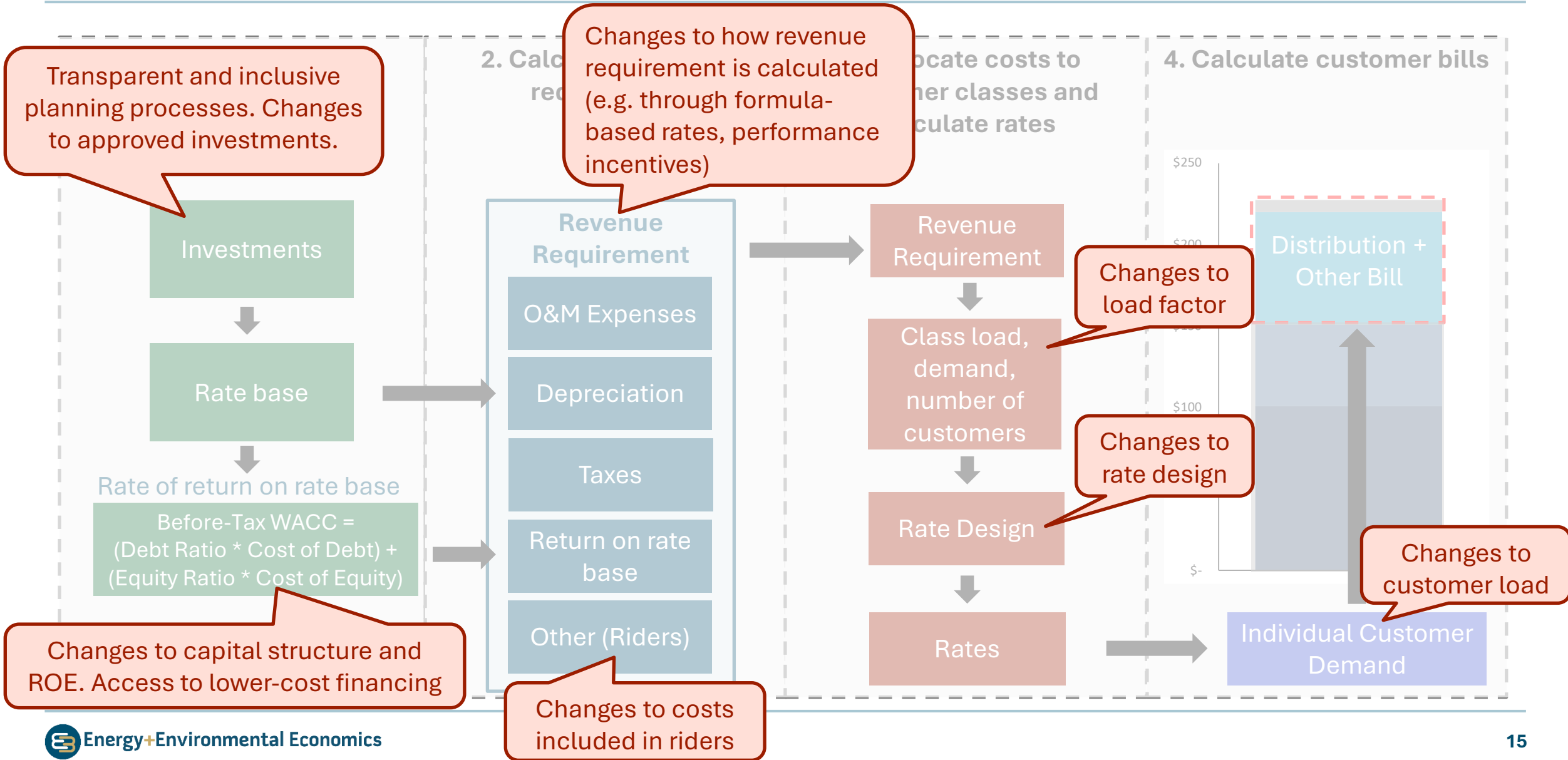
CAGR = Compound Annual Growth Rate

Weighted average bills across EDCs. “Other” category includes programs and other charges such as Societal Benefits Charge (SBC), RGGI Recovery Charge, Conservation Incentive Program (CIP), and Zero Emission Certificate Charge

EDC costs are translated into customer base rates through a traditional cost-of-service process



Mechanisms to reduce ratepayer costs target different parts of the utility business model



“Starting Point” List of Potential Utility Business Model Reform Options



1. Financing and cost-recovery options

- Return on Equity (ROE) and capital structure reforms
- Securitization
- Criteria-based lower-cost project pathways (alternative financing / partnership structures)
- Changing structure / reliance on accelerated recovery mechanisms
- Longer depreciation periods
- Modified Construction Work in Progress (CWIP) rules
- Strengthening accountability and transparency of capital spending outcomes



2. Ratemaking & revenue design options

- Multi-year rate plans (MYRP/MRP)
- Targeted performance incentives (PIMs/EAMs)
- Comprehensive PBR framework
- Revenue regulation and decoupling
- Formula rate and annual reconciliation models
- TotEx (OpEx+CapEx) -based regulation
- Shared savings mechanisms



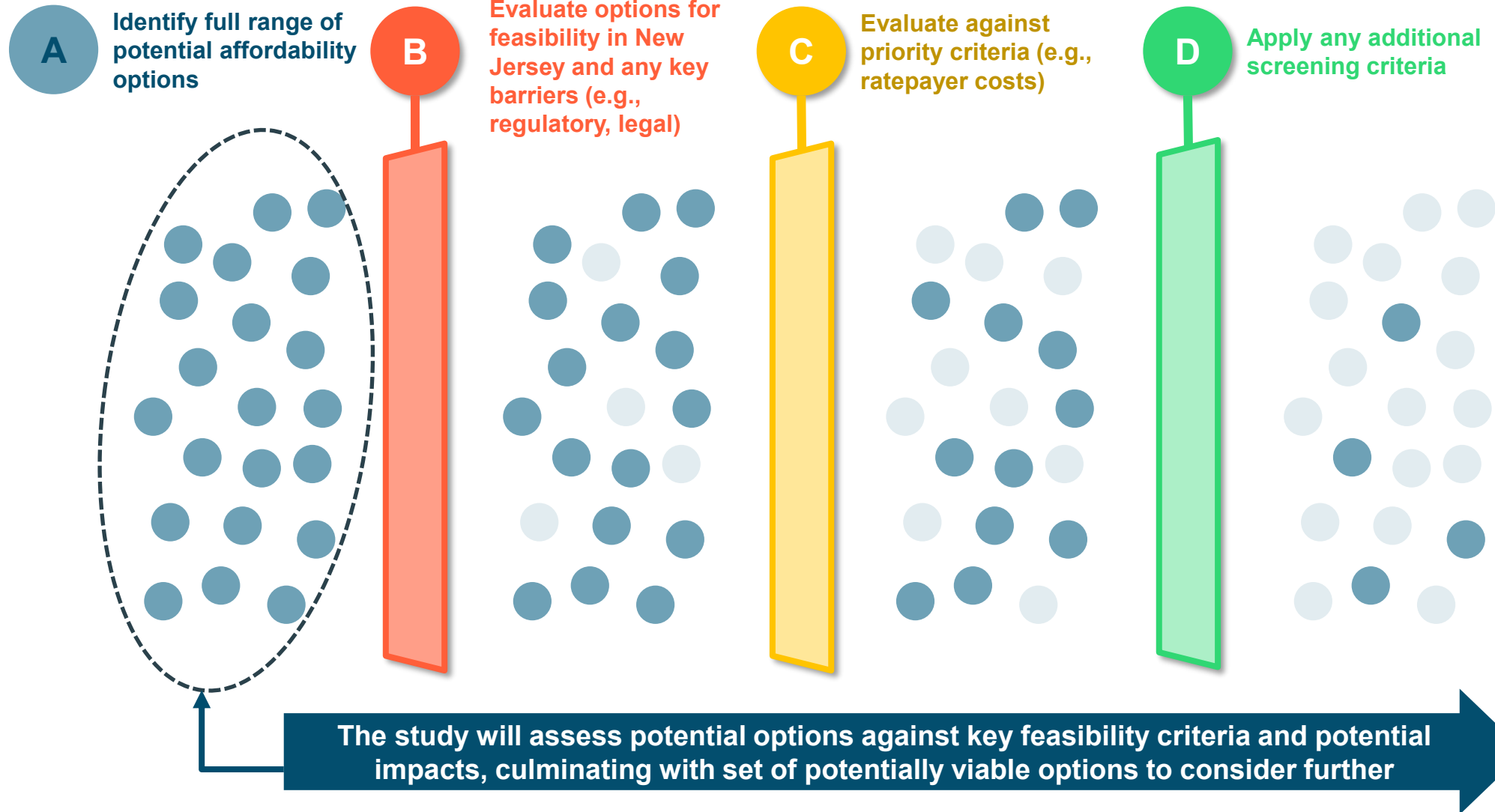
3. Changes to loads, cost allocation & rate design options*

- Improving utilization of existing and new resources
- Rate design options
- Customer programs for DERs

4. Emerging reform options*

- Direct state procurement / support
- “Regulatory sandbox” to encourage innovation
- Differentiated reliability service
- Direct EDC procurement in PJM
- Moving programs from rates to taxes
- Re-regulation of generation

Today we're focused on the full range of options, but the assessment and quantitative analysis will help to identify feasible options for New Jersey

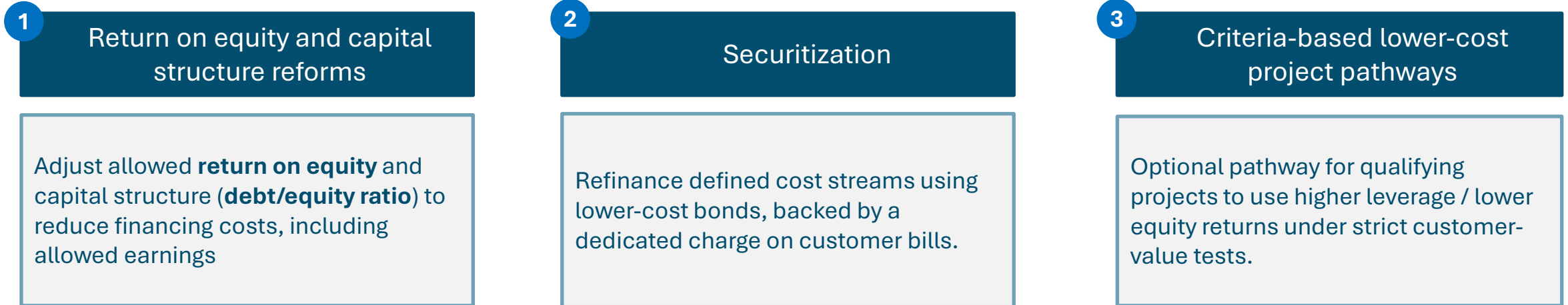


Financing and Cost Recovery Options



These options reduce utility financing costs, moderate return on equity, or increase scrutiny or accountability for capital spending

Key Interventions:



Key Case Studies:

Louisiana Storm Bonds (Entergy) – Securitization

- Following catastrophic hurricane damage, Entergy used securitization in 2008 to issue over \$1.6 billion in restoration bonds

California – Criteria-based lower-cost project pathways

- Public/private partnership between PG&E and Citizens Energy (non-profit) use of up to \$1 billion to fund transmission upgrades, with portion of after-tax profits (~\$450M) directed towards bill assistance programs.

Ratemaking and Revenue Design Options



These options break the link between how much a utility spends and how much it earns, and/or provide incentives or penalties based on utility performance

Key Interventions:

1

Multi-year rate plans (MYRP/MRP)

Defined period between rate cases with formula-based adjustments and guardrails (earnings sharing, off-ramps, reopeners).

2

Targeted performance incentives (PIMs / EAMs)

Financial rewards and penalties tied to specific outcomes (e.g., interconnection speed, reliability, verified peak reduction, system utilization).

3

Comprehensive PBR framework

Integrated package combining multi-year revenue mechanisms, PIMs/scorecards, earnings sharing, and reopeners.

Key Case Studies:

Alberta – PBR focusing on multi-year rate plan, few PIMs

- Formula-based revenue requirement tied to inflation minus a productivity offset factor.
- Asymmetric Earnings Sharing Mechanism (ESM) shares profits with customers but not losses (relative to approved ROE)

Hawaii – Comprehensive PBR framework

- 10 PIMs including RPS, AMI, interconnection approval, LMI, customer service

Changes to Loads, Cost Allocation & Rate Design Options



These options target customer behavior and how customers are charged for electricity

Key Interventions:

1

Improving utilization of existing and new resources

Increasing load factor while maintaining existing demand increases asset utilization and can decrease per-customer costs

2

Rate design for targeted affordability

Changes to rate design can target increases in affordability for particular customer types (e.g. low-income, customers with electrified appliance or EVs)

3

Customer programs to enable cost-effective DERs

DERs, including energy efficiency (EE), flexible loads, and distributed generation (DG), can enable reduced utility costs and customer bills

Key Case Studies:

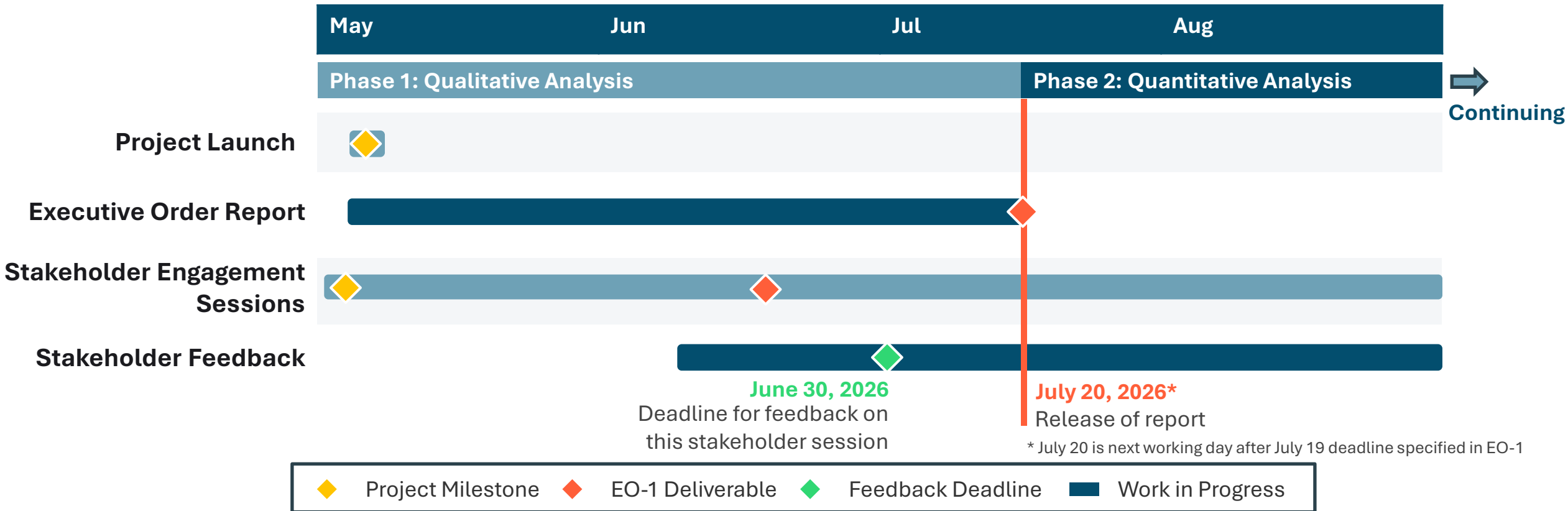
California – Income-graduated fixed charge in default rates

- Higher fixed charges, more in-line with fixed costs, are charged to higher-income customers while lower fixed charges provide rate relief for low-income customers

Hawaii – Smart RE tariff for rooftop solar

- Customers are compensated for solar exports at the avoided costs to the utility. Aims to provide fair compensation without burdening non-solar customers with higher costs.

Timeline & Next Steps



+ Next steps:

- Written feedback is also encouraged and can be submitted via [docket EO26040117](#) - June 30th deadline
- EO-1 report is in-progress and will be updated to incorporate stakeholder feedback over the next month

Key Areas for Feedback

- 1. Are there other specific reform options the study should consider?**
- 2. What information would you need to see in the Phase 1 report to feel confident the right options are being considered?**
- 3. What criteria should the BPU use or prioritize to evaluate whether a reform option is worth pursuing?**
- 4. Are there approaches to utility regulation in other states or other jurisdictions that you think New Jersey should study closely?**