



State of New Jersey  
DIVISION OF RATE COUNSEL  
140 EAST FRONT STREET, 4<sup>TH</sup> FL  
P. O. BOX 003  
TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

STEFANIE A. BRAND  
*Director*

August 22, 2014

By Hand Delivery and Electronic Mail

Honorable Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
CN 350  
Trenton, NJ 08625-0350

Re: 2nd Straw Proposal – Fiscal Year 2015 Energy Storage Program –  
July 25, 2014

Dear Secretary Izzo:


Please accept this original and ten copies of Comments submitted on behalf of the New Jersey Division of Rate Counsel (“Rate Counsel”) in connection with the above-captioned matter. Copies of the comments are being provided to all parties on the e-service list by electronic mail and hard copies will be provided upon request to our office.

Kristi Izzo, Secretary  
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We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope. Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND  
Director, Division of Rate Counsel

By:   
Sarah H. Steindel, Esq.  
Assistant Deputy Rate Counsel

SHS/sm

c: [OCE@bpu.state.nj.us](mailto:OCE@bpu.state.nj.us)  
[publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com)  
Elizabeth Ackerman, BPU  
Marisa Slaten, BPU  
B. Scott Hunter, BPU  
Tricia Caliguire, Esq., BPU  
Rachel Boylan, Esq., BPU  
Caroline Vachier, DAG

**2nd Straw Proposal  
Fiscal Year 2015 Energy Program**

**Rate Counsel Comments**

**August 22, 2014**

The Division of Rate Counsel (“Rate Counsel”) would like to thank the Board of Public Utilities (“Board”) Office of Clean Energy (“OCE” or “Staff”) for the opportunity to present comments in response to the Second Straw Proposal (“2nd Straw Proposal”) for a Fiscal Year 2015 (“FY15”) Energy Storage Straw Proposal, issued July 25, 2014.

**Rate Counsel Comments**

The 2nd Straw Proposal is based on an earlier Straw Proposal (“1st Straw Proposal”) that was issued by the OCE on January 20, 2014, with several modifications in response to input from various stakeholders. In comments on the 1st Straw Proposal submitted on February 27, 2014, Rate Counsel expressed its support of the OCE’s efforts to move from fixed to competitively determined incentives, but noted the following concerns:

- The results of the initial solicitation were difficult to predict, necessitating a careful re-evaluation of this program based on the results of the initial solicitation. Rate Counsel noted that the results of the initial solicitation should allow OCE to evaluate whether energy storage technologies are sufficiently mature and cost-effective to be capable of being self-sustaining with a reasonable investment of ratepayer funds.<sup>1</sup>
- Rate Counsel expressed concerns about Staff’s proposal to require all projects to have the ability to provide the host facility’s full electric demand for a one- to four-hour period, for the purposes of load shifting and emergency backup. There may be only limited overlap between host sites where energy storage is cost effective and those that are the

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<sup>1</sup> Rate Counsel February 27, 2014 Comments, p. 3

most important for storm resiliency. Therefore, in lieu of an absolute “islanding” requirement, Rate Counsel recommended that “islanding” capability be included in among the criteria for ranking applications. Further, Rate Counsel recommended that recognition for “islanding” capability be given only for projects serving public and critical facilities.<sup>2</sup>

Rate Counsel appreciates Staff’s consideration of the input of Rate Counsel and other stakeholders in developing the 2nd Straw Proposal, but continues to have the two concerns noted above.

With regard to the first concern, OCE has proposed a longer solicitation time line and other modifications that may help to increase participation in this program. Nevertheless, this remains a new program, and the results of the initial solicitation remain unpredictable. Rate Counsel continues to recommend a careful evaluation of the results of the initial solicitation.

With regard to the second concern above, Staff has modified the proposed “islanding” requirement. Instead of requiring that the storage system have the capability to supply the host facility’s full electric load for a specified minimum and maximum duration, OCE is now proposing to require applicants to express their system’s storage time either in hours of meeting critical load, or in hours of full capacity for the renewable system to which the storage is connected.<sup>3</sup> Applicants would also provide other information related to “resiliency,” including whether the host site is a “public and critical” facility and the number of people that would benefit from the project.<sup>4</sup> “Resiliency” related factors would then be given a combined weight of

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<sup>2</sup> Id., p. 3-4

<sup>3</sup> 2nd Straw Proposal, p. 5.

<sup>4</sup> Id., p. 5, 9-10.

20% in the application review process.<sup>5</sup> Rate Counsel supports Staff’s proposal to include “islanding” capability and related “resiliency” factors as evaluation criteria rather than as requirements. However, consistent with our earlier comments, Rate Counsel recommends that consideration of such factors be strictly limited to “public and critical” facilities. In other words, no points for “islanding” capability should be awarded to projects that will not provide benefits to the general public.

### **Conclusion**

Rate Counsel does not object to the proposed Energy Storage solicitation. However, this program should be carefully re-evaluated based on the results of the solicitation, and only public and critical facilities should be allowed to receive points in the evaluation process for resiliency-related factors.

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<sup>5</sup> Id., p.10.