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December 6, 2018

Via Hand Delivery
Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Ave., 10th Floor
P.O. Box 350
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Re: I/M/O Petition of Public Service Electric & Gas Co. For Approval of Its Clean Energy Future-Energy Cloud ("CEF-EC") Program on a Regulated Basis
BPU Docket No. EO18101115

Dear Secretary Camacho-Welch:

Please accept for filing this original and ten (10) copies of the reply of the New Jersey Division of Rate Counsel ("Rate Counsel") to Petitioner Public Service Electric & Gas Company's ("PSE&G") letter dated November 29, 2018 opposing Rate Counsel's Motion to Dismiss the above-referenced petition ("Petition"). Please date stamp the additional copy as "filed" and return it in the enclosed, self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

Preliminary Statement

PSE&G's Petition requests pre-approval of a proposed program to deploy Advanced Metering Infrastructure ("AMI") throughout its entire electric service territory at a cost of approximately $800 million over a period of five years. Petition, p. 6. The relief sought by PSE&G's Petition is specifically precluded by the current moratorium on AMI pre-approval and rate recovery imposed by the Board on all the State's utilities, including PSE&G. Therefore, on November 19, 2018, Rate Counsel filed a Motion to Dismiss ("Motion") PSE&G's Petition pursuant to the Board's authority under N.J.A.C. 14:1-5.4(b), N.J.S.A. 48:2-13 and N.J.S.A. 48:2-16. PSE&G filed a letter ("Opposition Letter") opposing Rate Counsel's Motion on November 29, 2018. Because neither PSE&G's Petition nor its Opposition Letter offer a compelling reason why the Board should overturn its moratorium on pre-approval of AMI, PSE&G's Petition should be dismissed without prejudice, pending the outcome of the current AMI pilot program for Rockland Electric Company ("RECO").

Argument

Despite PSE&G's Claims, There Has Been No "Shift in Policy" in New Jersey Warranting Reversal of the Board's Moratorium.

PSE&G acknowledges that it is subject to the Board's Moratorium on pre-approval of AMI petitions set forth in I/M/O Petition of Rockland Electric Co. for Approval of an Advanced Metering Program: And For Other Relief, BPU Docket No. ER16060524, Order dated 8/23/17 ("RECO AMI Order"), but argues that the moratorium should be reversed due to "[r]ecent State and Board action taken since the moratorium was initiated." Opposition Letter at 2. In support of its claim, PSE&G points to the Board's Infrastructure Investment Plan ("IIP") regulations,

N.J.A.C. 14:3-2A et seq., the 2018 Clean Energy Act and 2019 Energy Master Plan, and a July 2018 Board Order on major storm events.[1] As described below, despite PSE&G's claims, none of these State actions represent a shift in policy away from the prudent, deliberate approach to evaluating AMI that the Board adopted in the RECO AMI Order. Significantly, PSE&G's Opposition Letter fails to identify any alleged benefit of AMI that was not presented and identified during the RECO proceeding.

Preliminarily, it is important to recognize that this case is not about policy. This case is simply about money. PSE&G could implement its AMI program today. If it did, however, it would not recover its prudently-incurred costs until its next base rate case after the meters are in service. PSE&G does not want to wait for its return. Rather, the Company seeks an accelerated return, and a finding in advance that its spending is prudent. In its petition and Opposition Letter, PSE&G asserts implementation of AMI will provide substantial benefits to its customers and further significant government initiatives all while being extremely cost-effective. If the Company was comfortable with those assertions, it would not be reluctant to install the meters and demonstrate prudency later. Yet, PSE&G refuses to implement its AMI program without pre-approval. The moratorium does not bar implementation of an AMI program if the Company believes the program is prudent and reasonable—it only bars pre-approval of such a program with an accelerated return. If PSE&G's assertions about the benefits of AMI are all in fact true, it should simply implement its AMI program. Indeed, failure to do so at this point, based upon the Company's assertions may in fact be imprudent.

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[1] I/M/O Board's Review of Major Storm Events of March 2018, BPU Docket No. EO18030255, Order dated 7/25/18 ("2018 Storm Order").

Claiming "[t]his policy change officially began in January 2018," PSE&G's Opposition Letter first points to the Board's adoption of the IIP regulations at that time. Opposition Letter at 4. However, a review of the timeline of the IIP rulemaking shows that it hardly represents a "policy change" from the Board's moratorium on AMI. The IIP rulemaking process actually began in early 2017, resulting in the Board's approval for publication of the draft IIP rules at its June 30, 2017 Agenda meeting, which was two months ***before*** the Board issued the RECO AMI Order in August 2017. The IIP rules were published in the New Jersey Register on August 7, 2017, which again, occurred before the Board's August 23, 2017 Agenda meeting where the Board deliberated on RECO's AMI petition and adopted the moratorium on pre-approval of AMI. In claiming that the IIP regulations somehow represent a "policy shift" by the Board, PSE&G is simply wrong. The Board contemplated the IIP regulations well before it chose to adopt a policy of cautious, prudent evaluation of AMI, of which the moratorium is one component.

PSE&G next argues that the newly-enacted Clean Energy Act ("Act") illustrates this alleged "policy shift." Opposition Letter at 5. PSE&G notes that the Act "recognized that reducing energy consumption is pivotal for the State to meet its energy goals" and that it requires utilities to reduce consumption "below what would have otherwise been used." Id. Still, PSE&G fails to show how this represents a policy change for the State. Increased energy efficiency has been a goal of the State for decades. Twenty years ago, these goals were codified through the enactment of the Electric Discount & Energy Competition Act ("EDECA") in 1999. The EDECA mandated funding of demand side management programs through the Societal Benefits Charge, including energy efficiency measures that help reduce energy consumption

throughout the State. N.J.S.A. 48:3-60(a)(3). A 2008 amendment to EDECA expanded on the utilities' role in encouraging energy efficiency. N.J.S.A. 48:3-98.1. This law allowed electric and gas utilities to invest "in energy efficiency and conservation programs in its respective service territory on a regulated basis" and to file petitions with the board seeking cost recovery. N.J.S.A. 48:3-98.1(a)(1). There is nothing new about energy efficiency being one of the State's policy goals. While the Act may note energy efficiency as a goal, it represents a continuation of existing State policy, not the "policy shift" PSE&G characterizes it to be. While energy efficiency has long been part of the State's and the Board's energy policy, the Board has simultaneously chosen to take a cautious approach in evaluating AMI, including imposing the moratorium currently in place until the Board has time to evaluate the RECO AMI pilot program. These Board policies exist in parallel, without contradiction, and without representing an alleged "policy change."

PSE&G next points to an Executive Order directing the drafting of a new Energy Master Plan by June 2019, the goals of which will include a reduction of the state's carbon footprint and "advancing new technologies" for residents. Opposition Letter at 6. While these goals are laudable, there are other means to achieve them that are more prudent than reversing Board policy with respect to the moratorium, and more cost-effective than ripping out over two million existing meters in the State's largest service territory, raising rates significantly and creating millions of dollars in stranded costs in the process. Indeed, the Board has existing programs to help fund energy efficiency measures for individual homeowners, such as insulation and appliance replacement, that represent existing State policy on energy efficiency. Once again, the Executive Order represents a continuation of long-existing State policy.

Finally, PSE&G points to the 2018 Storm Order, characterizing it as the "last relevant policy development." Opposition Letter at 7. In that Order, the Board adopted fifteen recommendations from Board Staff made in response to five public hearings on the 2018 winter storms. One of the fifteen recommendations required the State's electric distribution companies to submit a plan and cost/benefit analysis for the implementation of AMI. 2018 Storm Order at 13. It is unclear why PSE&G believes that this order justifies a reversal of the moratorium. If anything, the 2018 Storm Order is an additional component in the Board's ongoing evaluation of AMI that began since approving the RECO AMI Order, and is representative of the Board's deliberate, cautious ongoing review.[2] The 2018 Storm Order simply seeks additional data for the Board to analyze the possible benefits of AMI, as well as the extensive costs such a program will impose. Indeed, the 2018 Storm Order neither endorsed AMI nor invited the utilities to submit petitions for pre-approval of AMI, as PSE&G has done in defiance of the Board-ordered moratorium.

PSE&G's arguments rely upon alleged changes in State policy. As explained above, there has been no actual change in the State's policy. Moreover, PSE&G misses a key point present in all these existing policies—that they be accomplished in a manner that affords reliability AND affordability for all customers. That is indeed the point of the moratorium. Not to delay implementation of AMI, but to ensure that before any utility obtains pre-approval, that

[2] Rate Counsel commends the Board's measured approach to evaluating AMI technology, which is consistent with recent trends among other state regulators. A recent article on AMI deployment (attached) notes that "the rate of AMI deployments may be slowing," stagnating at 40% to 50% nationwide. Mentioning the recent rejections of AMI in Kentucky and Massachusetts, the article cites a Congressional Research Service report characterizing the introduction of AMI as "problematic," and notes the "targeted or cautious approaches to advanced meter deployment" being taken by many state regulators and utilities.

implementation is in fact cost-effective. Of course, if PSE&G truly believes its assertions that AMI is beneficial and cost-effective, nothing precludes the Company from rolling out its AMI program without pre-approval right now. As it currently stands, there is a moratorium on pre-approval, imposed by the Board after careful deliberation in the RECO matter. In adopting the moratorium, surely the Board did not intend to delay implementation of AMI, but sought to ensure that implementation is prudent, cost-effective, and in the best interest of ratepayers. For all of the reasons stated above, the Board should enforce the moratorium and issue an order dismissing PSE&G's Petition.

Respectfully submitted,

Stefanie A. Brand
Director, Division of Rate Counsel

By: 
Christine M. Juarez
Asst. Deputy Rate Counsel

Dated: December 6, 2018

c: Honorable Joseph L. Fiordaliso, President (via hand delivery)
Honorable Mary-Anna Holden, Commissioner (via hand delivery)
Honorable Diane Solomon, Commissioner (via hand delivery)
Honorable Upendra Chivukula, Commissioner (via hand delivery)
Honorable Bob Gordon, Commissioner (via hand delivery)
Service List (via electronic and regular mail)

ATTACHMENT

UTILITY DIVE

DEEP DIVE

Smart meter deployments slow as questions emerge over cost effectiveness, saturation

There could be 90 million smart meters installed by 2020, but U.S. utilities may also be approaching market penetration limits.

By Robert Walton

Published Nov. 28, 2018

There are tens of millions of smart meters deployed across the United States. While a precise number is difficult to pin down, roughly half of electricity customers have advanced metering infrastructure (AMI) installed. And their prevalence has grown steadily in the last decade, despite debate over the technology's effectiveness.

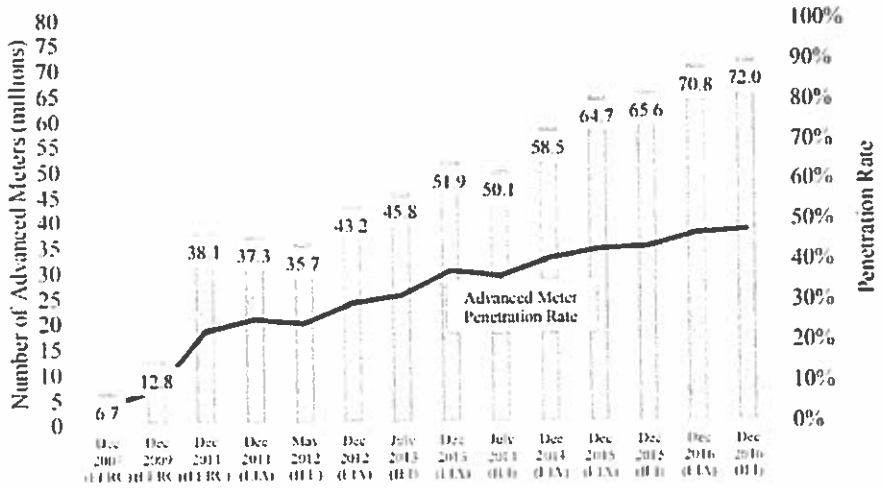
The devices are foundational to grid modernization efforts, allowing two-way flows of information between the utility and customer. New meters mean utilities can offer dynamic rates and a range of demand management programs, as well as integrate more distributed renewable resources.

A recent report from the Federal Energy Regulatory Commission concluded advanced meters are the most common type of meter deployed in the United States, "accounting for nearly half of all meters installed and operational" in the country.

According to FERC, there were 70.8 million advanced meters operating in 2016, out of 151.3 million meters in the U.S., giving them a penetration rate of 46.8%.

But a look at data from the last decade shows the rate of AMI deployments may be slowing. And two utility AMI proposals were rejected by state regulators this year, bolstering arguments that they are not cost effective.

Figure 2-1: Advanced Meter Growth (2007 – 2016)



Credit: Federal Energy Regulatory Commission

Shifting controversies

Smart meters have always been controversial, though not always for the same reasons. It's only been a decade since the Wall Street Journal ran the story, "Smart Meter, Dumb Idea?"

While debate over health impacts has quieted, in 2011, protestors took over a California Public Utilities Commission meeting and forced regulators to allow customers to opt out of Pacific Gas & Electric's rollout.

More recently, privacy concerns have grown as the amount and type of data the devices can collect has broadened. Smart meter issues wound up in front of the United States Court of Appeals for the Seventh Circuit this year, with a panel of judges concluding readings from smart meters constitute a "warrantless search."

There have long been arguments that the savings smart meters generate do not justify the cost. Regulators in Kentucky and Massachusetts were not so blunt, but they did reject proposals this year over concerns that utilities did not sufficiently make the business case. AMI deployments are expensive: Kentucky Utilities and Louisville Gas & Electric had proposed to install AMI for 1.3 million customers over the next five years, but the plan carried a $350 million price tag.

Despite the costs and controversy, the number of smart meters has grown ten-fold in a decade: from about 6.7 million in 2007, to north of 70 million today.

How many meters are out there?

The FERC staff report estimates 70.8 million smart meters installed across the country, a figure based on 2016 responses to the U.S. Energy Information Administration's Form EIA-861. But estimates vary: In the same report, the commission noted that the Institute for Electric Innovation (IEI) concluded 72 million AMI were installed in 2016.

EIA also maintains a smart meter count on its website, which says the total number of AMI installed as of 2017 was 78.9 million — of which almost 70 million are residential.

Number of AMI installations by sector, 2017

Residential	Commercial	Industrial	Transportation	Total
69,474,626	9,060,128	365,447	1,389	78,901,590

Credit: U.S. Energy Information Administration

The growth of AMI has been impressive, but it also may be slowing.

FERC staff told Utility Dive in a statement that the number of smart meters "grew quickly over the period from 2007-2011, partially due to American Recovery and Reinvestment Act funds." Since then, deployment has been "fairly steady," with the number of AMI meters increasing by about 13% per year on average.

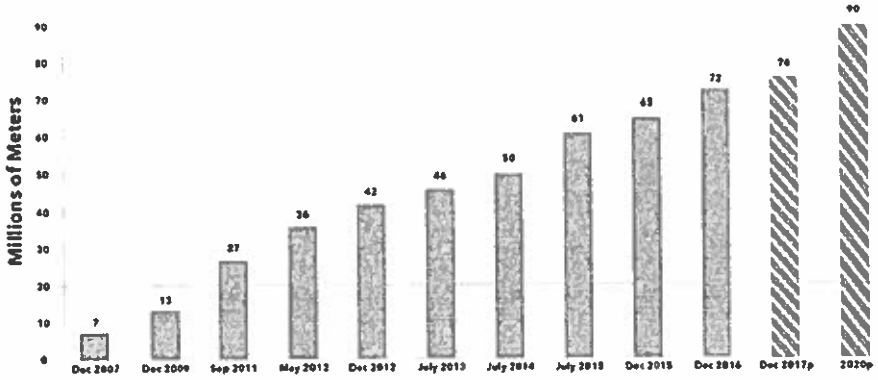
The Smart Grid Investment Grant (SGIG) program was authorized by the Energy Independence and Security Act (EISA) of 2007, which called for federal matching funding for smart grid investment costs. And The Recovery Act built on EISA to deliver $4.5 billion for grid upgrades, including about $3.4 billion for SGIG projects

AMI growth tapering?

A Congressional Research Service report in April described the introduction of AMI as "problematic."

"Smart meters have run into cost and performance issues and resistance to the technology (generally from concerns of some customers over potential health impacts of radio wave emissions)," the report said.

Figure 1: U.S. Smart Meter Installations Approach 76 Million; Projected to Reach 90 Million by 2020



Credit: Institute for Electric Innovation

Despite the issues, tens of millions more AMI meters are expected to be deployed in the coming years as utilities continue with grid modernization efforts. According to IEI, smart meter installations will hit 90 million by 2020.

But penetration rates have been mired between 40% and 50% over the last few years, according to FERC data.

"AMI penetration sits around 50%, and it seems that's just where it's at," Brenda Chew, an analyst at the Smart Electric Power Alliance, told Utility Dive. "Part of me wonders if those that have a lot of changing customer needs and a lot more demand response resources have already got AMI installed."

Despite the pair of state rejections this year, AMI proposals also notched wins. Regulators in Minnesota and Mississippi authorized rollouts; ConEdison plans to deploy 5 million smart meters by 2022 in New York; and Hawaiian Electric received authorization to launch its grid modernization strategy.

FERC concluded in its analysis that both regulators and utilities alike "appear to be past the early adoption stage of advanced meter deployment. ... Over the past year, electric utilities in a number of states received approval for, or proposed, large-

scale deployment of advanced meters, in some cases as part of grid modernization efforts."

But other regulators and utilities "are taking more targeted or cautious approaches to advanced meter deployment," FERC's report added, "while other states are seeking to get more benefits out of their existing advanced meters by leveraging those investments through, for example, data sharing mechanisms."

As the technology evolves, experts say the meters' capabilities will expand.

"Going forward, the computing power in each smart meter opens the door to applications beyond traditional metering services," IEI wrote in its report. That could include using smart meters as platforms for distributed analytics, decision making and communication across devices.

Looking ahead, the group said smart meter "applications are under development to predict the behavior of customer-sited energy resources so that these resources can be utilized more efficiently."

CERTIFICATION OF SERVICE

I, Christine M. Juarez, hereby certify that I have served the Division of Rate Counsel's Reply to Public Service Electric & Gas Company's ("PSE&G") Opposition to the Motion to Dismiss by hand delivery to Ms. Aida Camacho-Welch, New Jersey Board of Public Utilities ("Board of Public Utilities") Secretary and the Commissioners of the Board of Public Utilities and by electronic mail and UPS Overnight Mail to Matthew I. Weissman, Esq., PSE&G and by electronic and USPS Regular Mail to all parties on the attached service list.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Christine M. Juarez
Assistant Deputy Rate Counsel

Dated: December 6, 2018

IMO THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF ITS CLEAN ENERGY FUTURE ENERGY EFFICIENCY, CLEAN ENERGY FUTURE ELECTRIC VEHICLE AND ENERGY STORAGE, AND ITS CLEAN ENERGY FUTURE ENERGY CLOUD ("CEF-EC")
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