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August 7, 2019

Via Electronic Mail

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-0350

**Re: Integrated Energy Plan Modeling Scenarios for the
2019 New Jersey Energy Master Plan
BPU Docket No.: Undocketed Matter**

Dear Secretary Camacho-Welch:

Enclosed for filing please find the Division of Rate Counsel's Comments for the Integrated Energy Plan Modeling Scenarios for the 2019 New Jersey Energy Master Plan proceeding. These comments are being submitted pursuant to the email notice sent by the Rocky Mountain Institute on behalf of the Board of Public Utilities on July 30, 2019 requesting feedback. Pursuant to that notice, an electronic copy will be emailed to Hannah.Thonet@bpu.nj.gov. and those listed on the last page. Thank you for your attention to this matter.

Rate Counsel Comments – Integrated Energy Plan Modeling Scenarios

Introduction

The Division of Rate Counsel (“Rate Counsel”) would like to thank the Board of Public Utilities (“Board” or “BPU”) for the opportunity to provide comments on the New Jersey Integrated Energy Plan (“IEP”) Draft Modeling Scenarios prepared by Rocky Mountain Institute (“RMI”) and Evolved Energy Research (“EER”) (collectively, “Staff consultants”) and distributed on July 30, 2019. Rate Counsel participated in a webinar hosted by RMI and EER on August 6, 2019, during which a number of specific questions were answered. However, Rate Counsel does have a few remaining issues and concerns that it suggests should be addressed as part of the IEP Modeling.

1. Supporting Documentation and Assumptions

Rate Counsel requests that the Staff consultants provide the supporting documentation for the assumptions (e.g., capital costs of new fossil and renewable resources, load growth projections, EV and electrification adoption rates) used in the Integrated Energy Plan modeling scenarios before the next stakeholder meeting. For example, Rate Counsel would be interested in understanding the EV and electrification adoption trajectories assumed in the modeling process. Additionally, during the August 6, 2019 webinar, the Staff consultants suggested that additional transmission ties between New Jersey and the rest of PJM up to 14 gigawatts could be dynamically built in the model. Rate Counsel has concerns regarding that specific assumption with regard to siting constraints.

In addition, Rate Counsel would like to understand the modeling topology of the Evolve model that addresses zonal differences within New Jersey and within the modeling regions in

terms of both energy and capacity. The assumptions documentation could be provided as a webpage or as appendices to the final report. Rate Counsel believes such information would give stakeholders the opportunity to understand the modeling and enable more substantive dialogue that will aid in the transparency of this process.

2. Rate Impacts

Rate Counsel wishes to express its concern that the modeling does not include a rate impact analysis. The rate impacts of the various scenarios that are being modeled are of utmost importance. Over the course of the discussion during the webinar, Staff's consultants did suggest that they may examine some high-level average rate changes, but only on what appears to be a few scenarios. Later, the Staff consultants suggested that the rate impacts would likely be better left to the "policy phase" of the process and that it is not part of the modeling phase. Rate Counsel respectfully disagrees with this position.

Rate impacts are a key consideration in developing policy and thus must be a key output of the Staff consultant's modeling efforts. While the modeling analysis will emphasize "least cost," the impact of these costs on New Jersey households, businesses, and industries has to be examined in a comprehensive fashion. Rate Counsel understands the Staff consultant's concerns about potential future changes in billing methods and specific rate design components (i.e., changes in fixed versus volumetric rates, advanced metering, etc.). However, this concern should not serve as an artificial constraint on understanding the key impacts that the Energy Master Plan ("EMP") may have on the economic fortunes of the state. At minimum, the Staff consultants should examine rate impacts, on an average rate basis, across the three primary customer classes: residential; commercial; and industrial. These annual, cumulative and discounted (on a net present value basis) class-specific rate impacts need to be a key output of the modeling effort.

Further, rate impacts should be translated into bill impacts by examining, concurrently, the changes in the overall rate of energy costs and the changes in energy usage (and efficiencies) that may arise from various EMP scenarios. While rates are likely to increase from most of the EMP scenarios being examined, there could be reductions in energy use arising from efficiency or fuel switching activities that could lower overall energy bills. The Staff consultants need to provide this analysis.

3. Nuclear

At the initial workshop, Rate Counsel questioned the assumption that New Jersey's three nuclear units will continue to operate beyond their current permits. Rate Counsel understands that the consultants now intend to include increased capital and operations and maintenance costs for the extension of the three units (Hope Creek, Salem 1 and Salem 2) beyond their current sixty-year license. However, Rate Counsel is concerned that the modeling exercise currently treats the New Jersey Zero Emission Credits ("ZEC") as a transfer cost that is therefore not factored into the IEP analysis. This is simply not an accurate assessment of the actual costs of these plants. ZEC costs could be included as part of the reference cases, but they should not be left out entirely. Rate Counsel supports a comment raised during the August 6th webinar regarding the possibility of an additional scenario that retires the nuclear units before the end of their respective license expirations. During the ZEC proceeding (BPU Docket No.: EO 18121337), the nuclear unit owners indicated that all three units will retire in the absence of the ZEC subsidy. A scenario that models the impact of retiring the nuclear units early could help NJ policymakers explore other options to meet the state's climate emission goals.

4. Renewable Energy

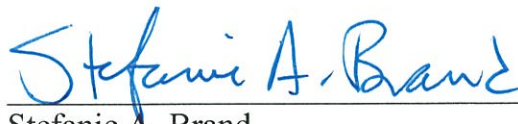
Rate Counsel is also concerned about the modeling approach being used by the Staff consultants to estimate renewable energy development (both imports and in-state resources). Rate Counsel encourages the Staff consultants to consider that a large amount of renewable energy comes from outside New Jersey, particularly onshore wind resources. These resources are not physically constructed or developed for New Jersey utilities, nor are a large number of these onshore wind resources tied to New Jersey load via purchased power agreements. The only exceptions to this are the “contracts” for offshore wind resources that are directly tied over a longer contract period. Instead, third party suppliers, and suppliers in the Basic Generation Service (“BGS”) auction, secure renewable energy certificates (“RECs”) generated from wind resources across the PJM footprint.

Rate Counsel also suggests that the Staff consultants be mindful that the future of solar in New Jersey is uncertain and will likely not see any form of clarity until the solar transition mandated by P.L. 2018, c. 17 (the “Clean Energy Act”) is completed by the Board. While the Staff consultants have indicated that they anticipated modeling solar development on a least-cost basis, and will examine a range of solar installation costs by: size (capacity), type (rooftop, commercial, grid-scale), and allocation; the actual installations will likely differ considerably from what is “least-cost.” For example, New Jersey has a statutory restriction on large scale solar installations, particularly on farmland (N.J.S.A. 48:3-87(s) (“Subsection (s)”) which may be the “least cost” alternatives.

While the Board may provide exceptions to these restrictions, the future capacity allowed will be determined as part of the solar transition process. It is important, therefore, that the modelling scenarios mirror actual policies and statutes that are in place or anticipated as part of ongoing proceedings.

Thank you very much for your consideration of our comments.

Respectfully submitted,



Stefanie A. Brand
Director, Division of Rate Counsel

Enclosure

cc: Grace Strom Power, Chief of Staff
Abe Silverman, General Counsel
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