

May 18, 2018

Via email to [Rule.comments@bpu.nj.gov](mailto:Rule.comments@bpu.nj.gov)

Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue  
3<sup>rd</sup> Floor, Suite 314, CN 350  
Trenton, New Jersey 08625

Re: Docket No. QX18040466 – In the Matter of Offshore Wind Renewable Energy Certificate (OREC) Funding Mechanism

Dear Secretary Camacho-Welch:

Please accept these comments on behalf of Jersey Central Power & Light Company (“JCP&L” or the “Company”) in regard to the Board of Public Utilities (“BPU” or “Board”) Staff’s (“Staff”) August 27, 2018 Straw Proposal concerning the Offshore Wind Renewable Energy Certificate (“OREC”) Funding Mechanism. JCP&L thanks the BPU for allowing the electric distribution companies (“EDC”s), as well as other interested parties, to have the opportunity to comment on important policy issues as Board Staff commences the OREC Funding Mechanism Rulemaking process. The Company provides these comments in an effort to help Board Staff develop a feasible proposal through the rulemaking process to govern the funding mechanism for offshore wind development.

The Company has reviewed the seventeen topics listed for comments in the Straw Proposal and in efforts to remain brief, offers comments in a general nature. Specifically, the Company offers several observations herein relative to the construct of the payment agent market mechanism and the unknown costs to ratepayers based on an “all-in” OREC price. Although all of the details have not yet been determined, the proffered construct appears to be a ratepayer-based charge to be assessed as a distribution-based charge - as opposed to a generation component similar to the existing mechanisms currently in place for generation supply and renewable energy funding.

JCP&L recommends that the BPU should look to other jurisdictions that promoted offshore wind development, to see how those other jurisdictions handled some of these similar issues that the BPU is tasked with. Particularly, JCP&L suggests that the BPU review the OREC funding mechanism model that has been approved by the Maryland Public Service Commission (“Maryland Commission”) where the responsibility for meeting the OREC requirements is maintained with the suppliers. Below is an outline of the construct approved by the Maryland Commission:

1. For each OREC MWh produced and certified in PJM GATS<sup>1</sup> in accordance with the contract volumes, each developer will receive the state price per OREC based on the approved contracts by the Maryland Commission. The revenue is paid to the developers through an escrow agent assigned by the Maryland Commission.
2. Annual OREC requirements for all Load Serving Entities (“LSE”) are determined three years ahead of the compliance year and are based on estimated retail sales at the customer’s meter. Based upon retail load served, each LSE will be required to purchase their percentage share of the OREC requirement (determined by the Maryland Commission) with payment being made to the Maryland Commission appointed escrow agent.
3. Retail LSE’s will incorporate the cost of the OREC requirement into their retail customer offers or for Provider of Last Resort (“POLR”) LSE’s through the bids into each EDC’s Request for Proposal for Standard Offer Service.<sup>2</sup>
4. OREC suppliers are required to:
  - a. use best efforts to apply for all eligible state and federal grants, rebates, tax credits, loan guarantees, or other similar benefits as those benefits become available and pass along to ratepayers through the escrow agent, without the need for any subsequent approval by the Maryland Commission, 80% of the value of such grants, rebates, tax credits, loan guarantees, or other similar benefits as those benefits become available; and
  - b. sell all energy, capacity, and ancillary services associated with the creation of ORECs into the PJM markets and distribute the proceeds received from such sales to EDCs, through the escrow agent.
5. The escrow agent will distribute revenues received from the OREC supplier to the EDC based on the prorated OREC obligation of each retail customer.
6. Monies returned to the EDCs will be refunded to customers through tariff adjustments.

The Company views the OREC funding mechanism that has been approved by the Maryland Commission as a model which is adaptable to New Jersey. By having the OREC developer work through an escrow agent, it eliminates significant administration between the developer and the LSEs and reduces other administrative requirements. In addition, while the OREC obligation and price will be known to the market three years ahead of the delivery year, having both retail suppliers and BGS suppliers responsible allows for some form of competition as to how the added expense and risk is priced into the suppliers’ offers for service.

JCP&L also has concerns that the proposed “All-in Cost” approach, which includes costs for construction, operation, maintenance, inter-connection, grid upgrades and future plant decommissioning, does little to moderate the cost of OREC for customers. This approach seemingly provides utility-like rate treatment without any test of reasonableness, prudence or efficiency. Staff must ensure that rate impacts are mitigated to the extent possible through regulation or a market-based mechanism. There should be a competitive process, regulatory safeguards or at a minimum, a cap on the annual costs to moderate OREC costs to customers. A cap on rate impacts would ensure that the cost of wind remains below a threshold percentage of a

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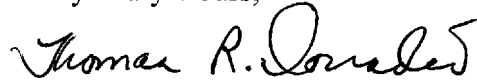
<sup>1</sup> PJM GATS refers to the PJM-EIS' Generation Attribute Tracking System platform established for the purchase and sale of renewable energy certificates. The GATS software application program (i) creates Certificates to uniquely define Generation Attributes, and (b) tracks said Certificates.

<sup>2</sup> Maryland uses a Request for Proposal for supply for default service customers as compared to an auction in New Jersey. Standard Offer Service in Maryland is comparable to Basic Generation Service in New Jersey.

customer's electric bill. It is of utmost importance that proper safeguards be established to protect the ratepayers from excessive rate impacts.

The Company appreciates the opportunity to provide these comments and hopes to continue to work with and be helpful to Staff as it works to implement the OREC Funding Mechanism Rules in New Jersey. If there are any questions, please contact me.

Very Truly Yours,

A handwritten signature in black ink that reads "Thomas R. Donadio". The signature is written in a cursive style with a large, prominent initial 'T'.

Thomas R. Donadio