



May 18, 2018

VIA ELECTRONIC DELIVERY & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Ave, Suite 314, CN 350
Trenton, New Jersey 08625

**COMMENTS OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY
IN THE MATTER OF OFFSHORE WIND RENEWABLE ENERGY CERTIFICATE
(OREC) FUNDING MECHANISM
BPU DOCKET NO. QX18040466**

Public Service Electric and Gas Company (“PSE&G”) supports the NJ Board Public Utility’s (“Board” or “BPU”) commitment to Governor Murphy’s clean energy agenda, including the support of the Administration’s offshore wind goals. Offshore wind plays an important role in the Governor’s plan to provide New Jersey customers with a clean, reliable and diverse energy mix. PSE&G respectfully submits these comments pursuant to the Notice issued by the Board on April 27, 2018 which established May 18, 2018 as the filing date for written comments on the Offshore Wind Renewable Energy Certificate (“OREC”) Funding Mechanism. PSE&G looks forward to continuing to work with the BPU to develop an OREC structure that facilitates the Administration’s offshore wind targets in New Jersey.

I. Structure of the OREC Charge

One of the options available to the BPU is to collect the OREC charge through a non-bypassable surcharge included on the electric distribution company’s (“EDC’s”) bill to its customers. The EDCs would assume the role of collection and payment agent of OREC charges. Under this approach, the Offshore Wind (“OSW”) developer contract would be between the developer and the State/BPU. There would be no independent contractual relationship between the developer and the utility. The EDCs would act as agents of the load-serving entities under this model. The rate paid to the developer must be approved by the BPU in advance. The EDCs would also receive full recovery of their administrative costs.

Another option the BPU should consider is the escrow agent model used in Maryland for the funding of ORECs. Under this model, OREC charges are paid to OSW developers through an independent, credit-worthy Escrow Agent that is hired by the BPU. The Escrow Agent would collect the OREC charge from all load-serving entities and pay the OSW developers. Under this structure, the Escrow Agent also would receive all of the PJM revenues from the OREC developers and credit them back to customers. This model has had success in incentivizing

offshore wind in states such as Maryland where the state established an escrow account to ensure the transparent transfer of ORECs between offshore wind generators and electric suppliers.

Regardless of the model chosen by the BPU, if it requires an EDC to transact funds between its customers and other entities, a true-up mechanism should be established in order to account for differences between revenues received and amounts paid.

II. An Independent OREC Program Administrator Should Be Appointed

PSE&G supports the appointment of an Independent OREC Program Administrator chosen by the BPU. The Administrator would enter into a joint contract with the EDCs and/or the Escrow Agent (depending on the final structure adopted by the BPU). The OREC Program Administrator would oversee the details of the program, including directing payment amounts, monitoring and verifying that OREC payments are correct. The Administrator also would provide annual true-ups and verify the production of ORECs, as well as the payments for same. All costs that are paid to the Administrator would be fully recoverable by the EDCs. In the event that Board chooses to utilize the Escrow Agent mechanism to direct OREC payments to OSW developers, the OREC Program Administrator could also oversee actions of the Escrow Agent. PSE&G is committed to working with the BPU regarding the details of how the OREC program would be administered.

III. The Cost of Offshore Wind to Customers Should Be Transparent

There are a number of issues that the BPU should consider in order to ensure that the State's offshore wind targets are achieved in a manner that is transparent and the most cost-effective for customers. It is important that the cost impact of offshore wind is visible to customers. To achieve transparency, the BPU should consider the following:

- In the Request for Proposals ("RFP") that will be issued, developers should be required to bid specific megawatt blocks that provide a price for each individual segment, such as 50 MW units, up to and including the State's goal. This would allow the State to right size the decision and minimize the overall costs of procurement. The developers' supply offers should reflect economies of scale which will allow the BPU to identify the other investments required to incentivize the offshore wind. The format of the bids should be requested in a consistent manner so that the BPU can more readily identify the best solution appropriately taking into consideration the State's goals.
- The developer should bear the risks of any cost overruns rather than NJ customers. The final rules should not permit developers to shift any risk to customers. This expectation should be clearly communicated in any solicitation.

- The BPU should be mindful that there are optimal locations on the transmission system to interconnect offshore wind projects in a manner that ensures a cost-effective result.
- The OREC surcharge should be a separate component in each EDC's tariff (ideally a subcomponent of each EDC's "Non-utility Generation Charge.")

IV. Conclusion

PSE&G respectfully requests that the BPU considers the comments and issues raised above. PSE&G looks forward to a continuing dialogue with the BPU to advance the Governor's clean energy agenda.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Joseph F. Accardo, Jr.", is centered on the page.

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