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April 15, 2019

The Honorable Phil Murphy
Governor, State of New Jersey
Office of the Governor
P.O. Box 001
Trenton, New Jersey 08625

Stefanie Brand, Director
NJ Division of Rate Counsel
140 East Front Street, 4th Floor
Trenton, New Jersey 08625

Joseph L. Fiordaliso, President
Mary-Anna Holden, Commissioner
Dianne Solomon, Commissioner
Upendra Chivukula, Commissioner
Robert Gordon, Commissioner
New Jersey Board of Public Utilities
44 South Clinton Avenue
Trenton, New Jersey 08625

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Re: Rate Impact of Nuclear Subsidies and Proposed PSEG Infrastructure Programs on the State's Large Businesses

Dear Governor Murphy, President Fiordaliso, Commissioners Holden, Solomon, Chivukula and Gordon and Rate Counsel Brand:

This letter is written on behalf of the New Jersey Large Energy Users Coalition ("NJLEUC"), a group comprised of the State's largest businesses and consumers of energy, as a follow-up to AARP's April 11, 2019 letter describing the impact of proposed utility rate increases on AARP members.

The impacts described in the AARP letter are very concerning, particularly because these large rate increases will impact the individuals among us who are least able to absorb them. The AARP presentation refutes the notion that these utility programs and rate cases have only marginal impact on so-called "average residential ratepayers". Clearly, the proposed increases are not small, and when viewed in combination with the many similar programs that have previously been authorized, their combined impact can be crippling to poor and retired persons, a fact reflected in the increasing rate of utility service shut-offs.

It is worth reiterating that the programs addressed by AARP and in this letter represent only a small fraction of similar programs, rate cases and transmission upgrades that have been approved for PSEG and other utilities in recent years. The cost impact of these programs on the State's business community has not generally been the subject of similar analysis but is relevant to your decisions regarding these programs. As set forth below, the proposed rate increases associated with the pending programs will have the effect of dramatically increasing the cost of doing business in New Jersey and will jeopardize the vitality of the State's large businesses and their ability to continue to conduct business here.

While attention has been focused as of late to the impact of the State's tax laws on New Jersey's citizens and business community, the truth is that businesses are at risk of paying considerably more additional "taxes" through their utility bills for nuclear subsidies and a multitude of utility programs than to the Division of Taxation.

To demonstrate the actual rate impact of the pending PSEG proposals for nuclear subsidies and the Energy Strong II and Clean Energy Future-Energy Efficiency filings, NJLEUC has developed a profile of the energy usage of its "average" member. It is necessary to establish an appropriate usage baseline for this analysis because the costs associated with the nuclear subsidies and proposed PSEG programs are recoverable on a per kilowatt hour (electric) or per therm (natural gas) basis.

We have determined, based upon the usage information supplied by NJLEUC's members, that the average member has electric usage of about 82,000,000 kWh per year and gas usage of about 789,000 dekatherms per year. Using these figures, the average member would incur the following annual costs (rounded) for these programs:

--Zero Emission Credits--$328,000

--Energy Strong II--$602,000 (electric portion) and $442,000 (gas portion)

--Clean Energy Future-Energy Efficiency-- $755,000 (electric) and $194,000 (gas)

Based upon these calculations, the average NJLEUC member will incur $1,685,000 in additional electric charges and $636,000 in additional gas charges, for a combined charge of $2,320,000 per year. *While these costs are obviously quite significant, it should be underscored that under the terms of the programs, these annual costs would be payable over a period of ten years or more, which would result in a wealth transfer of more than $23,000,000 from the average NJLEUC member to PSEG during the program periods.*

We have been advised that one member with higher usage than the "average" member has reported to the company's management the following projected annual rate impacts based upon the company's current usage profile:

--Zero Emission Credits--$900,000

--Energy Strong II--$1,000,000 (combined electric and gas)

--Clean Energy Future—Energy Efficiency $1,200,000 (combined electric and gas).

Thus, this company faces a combined annual cost exposure for the three programs of $3,100,000 ($31,000,000 over a ten year program period). This company described is not unique or alone in this high usage category. The State's colleges and universities and hospital systems, as well as the State itself--which is the largest energy user--will no doubt face similar or larger exposures.

These costs simply cannot be justified by the pending programs, which would provide only marginal benefits to large companies. The costs would represent an unwarranted and unjustified wealth transfer from the State's struggling business community to a single, successful company that consistently reports robust revenue growth and increasing dividends to its shareholders, due in large measure to its seemingly endless proposals for gold-plated multi-billion dollar investment programs like the ones currently at issue. Such a wealth transfer is not without precedent in this context. The historic payment of almost $3 billion in unjustified stranded costs to PSEG's highly profitable nuclear plants provides a lesson to be forgotten at our peril, and which should encourage us to proceed with caution to avoid making a similar mistake here.

NJLEUC urges you to reject the pending applications for Zero Emission Credits and to closely scrutinize the pending PSEG infrastructure programs and authorize only those aspects of the programs that are determined to be truly necessary, cost-effective and beneficial to the State and its ratepayers.

We appreciate the opportunity to share these comments with you.

Respectfully,

Steven S. Goldenberg

cc: George Helmy, Chief of Staff to NJ Governor Phil Murphy
Kathleen Frangione, Chief Policy Advisor to NJ Governor Phil Murphy
Matt Platkin Chief Counsel to NJ Governor Phil Murphy
Aida Comacho-Welch, Secretary of the NJ BPU
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