

PSEG Nuclear, LLC
ZEC 2 – Salem II
Docket No: ER20080558

Response to Discovery Request: SII-ZECJ-FIN-0016
Date: 10/1/2020

Question:

Provide a detailed list and description of any subsidies or grants received for the Unit from federal sources, state sources, or other governmental agency for the applicant Unit in the past ten (10) years. Include the monetary amount received, exemptions for capacity bidding, and/or tax incentives. Be prepared to provide documentation upon request.

Attachments Provided Herewith: NO

Response:

Other than the items described below and the NJ ZECs already awarded to the unit pursuant to the Board's April 18, 2019 Order, the Units have not received any subsidies or grants from federal sources, state sources, or any other governmental agency in the past ten (10) years. Specifically, the Units have not received exemptions for capacity bidding or any incentive from an RTO in the past ten (10) years. With respect to tax incentives, the Units receive the following two tax credits: NJ State Manufacturing Equipment Investment tax credit and Federal Research and Development tax credit, described below. These tax credits are not a payment or incentive related to fuel diversity, resilience, air quality, or other environmental attribute. Rather, the NJ State Manufacturing Equipment Investment tax credit is generally applicable to purchases of manufacturing equipment and the Federal Research and Development tax credit is primarily associated with the annual fee paid to Electric Power Research Institute (EPRI).¹

NJ State Manufacturing Equipment Investment Tax Credit:

For NJ corporate income tax purposes, the state allows a maximum \$1 million credit for purchases of manufacturing equipment made during the year. This credit reduces PSEG Power's NJ income tax. The below lists the annual actual historical amount of the credit, by nuclear facility and estimates for years 2019 and 2020.

¹ The previous ZEC application for the first eligibility period did not include these tax credits because they were not interpreted to be in the scope of the question. We are including them in this application for the sake of completeness.

Annual NJ Manufacturing Credit by NJ Nuclear Plant
 Amounts in thousands

| Year | Hope Creek | Salem Unit 1 | Salem Unit 2 |
|------|------------|--------------|--------------|
| 2010 | 42 | 8 | 7 |
| 2011 | 186 | 83 | 120 |
| 2012 | 40 | 29 | 29 |
| 2013 | 445 | 80 | 27 |
| 2014 | 149 | 210 | 88 |
| 2015 | 415 | 103 | 103 |
| 2016 | 207 | 371 | 150 |
| 2017 | 9 | 242 | 277 |
| 2018 | 698 | 31 | 83 |
| 2019 | 399 | 519 | 8 |
| 2020 | 157 | 377 | 377 |

- 1) The credit was allocated to the NJ nuclear plants based on the ratio of NJ nuclear plants assets placed in service to Power's NJ assets placed in service
- 2) In several instances monetization occurred in a future year
- 3) 2019 & 2020 are estimated amounts

The balance of the tax benefit is attributed to PSEG Fossil.

The credit is limited to 2% of the purchases of qualified equipment placed in service in the tax year. Thus to qualify for the maximum \$1M, a company must place in service \$50M (\$50M * 2% = \$1M).

Qualified equipment includes machinery, apparatus, or equipment acquired by purchase or lease for the use or consumption by the taxpayer directly and primarily in the production of tangible personal property by manufacturing, processing, assembling, or refining, as defined in N.J.S.A. 54:32B-8.13(a), having a useful life of four or more years, and placed in service in New Jersey. Specifically, machinery and equipment used in the generation of electricity as defined pursuant to subsection b. of section 25 of P.L. 1980, c.105 (C.54:32B-8.13) to the point of connection to the grid, or in the generation of thermal energy, having a useful life of four or more years, placed in service in this State qualifies.

Federal Research and Development Tax Credit:

Broadly, the federal tax rules allow taxpayers a tax credit for expenditures related to research and development activities that are intended to discover information that would eliminate uncertainty concerning the development or improvement of a product. These rules allow a portion of amounts paid to a research consortium to be treated as qualified research expenses. The amounts paid by PSEG to Electric Power Research Institute (EPRI) qualify for this credit. The below represents the allocated R&D credit, by year and by NJ Nuclear Plant.

Federal Research & Development Credit
Amounts in thousands

| | Hope Creek | Salem 1 | Salem 2 |
|------|---------------|---------|---------|
| 2010 | 132 | 132 | 132 |
| 2011 | 241 | 214 | 214 |
| 2012 | 147 | 147 | 147 |
| 2013 | 487 | 205 | 205 |
| 2014 | 159 | 159 | 159 |
| 2015 | 157 | 157 | 157 |
| 2016 | 159 | 159 | 159 |
| 2017 | 161 | 161 | 161 |
| 2018 | 141 | 141 | 141 |
| 2019 | 161 | 161 | 161 |
| 2020 | 152 | 152 | 152 |

Notes:

1) Amounts shown for 2011 and 2013 are higher than other years because they include expenses other than the EPRI fees

2) 2019 and 2020 are estimates