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May 13, 2021

Via Electronic Mail
Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, NJ 08625-0350

Re: In the Matter of Natural Gas Commodity and Delivery Capacities in the State of New Jersey – Investigation of the Current and Mid-Term Future Supply and Demand
BPU Docket No. GO20010033

Dear Secretary Camacho-Welch:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in response to the Board's April 20, 2021 Notice of Stakeholder Meeting ("Notice") in connection with the above-referenced matter. In accordance with the Notice, these comments are being filed electronically with the Secretary of the Board at board.secretary@bpu.nj.gov. No paper copies will follow. **Please acknowledge receipt of these comments.** Thank you for your consideration and attention to this matter.

INTRODUCTION

This proceeding arose out of two earlier proceedings before the Board. In the Board's Docket No. GO17211241, the New Jersey Retail Energy Supply Association ("RESA") sought to re-examine the existing structure of the Basic Gas Supply Service ("BGSS") provided by the State's four gas distribution companies ("GDCs"), and to establish a mechanism for the GDCs to release capacity to the State's third party suppliers ("TPSs").[1] Although the Board determined that RESA had not demonstrated grounds for the requested relief, the Board found that the proceedings had raised concerns about whether there is sufficient gas capacity to meet the needs of New Jersey customers. The Board accordingly directed its Staff to initiate a stakeholder proceeding to explore issues including "whether sufficient capacity has been secured to serve all of New Jersey's firm natural gas customers ….:" Id. at 5.

On September 10, 2019, the Board initiated a stakeholder process in Docket No. GO19070846 by issuing a Notice convening a meeting of the State's GDCs, TPSs, Rate Counsel, and other interested parties, and seeking comments on issues related to the sufficiency of the capacity available to serve the customers served by both the GDCs and the TPSs. I/M/O the Exploration of Gas Capacity and Related Issues, Notice (Sept. 10, 2019).[2] During this proceeding, Rate Counsel and many other stakeholders participated in a meeting on October 1, 2019 and submitted detailed comments on the issues raised in the Notice.[3]

On May 20, 2020, the Board issued an Order in Docket No. GO19070846 in which it noted that the written comments included two reports, one prepared by Levitan and Associates ("LAI") on behalf of New Jersey Natural Gas Company ("NJNG") and other prepared by Greg Lander, President of Skipping Stone, LLC on behalf of the Environmental Defense Fund ("EDF") and the New Jersey Conservation Foundation ("NJCF"), which reached differing conclusions on the availability of capacity to meet the needs of New Jersey customers in the

[1] I/M/O the Verified Petition of the Retail Energy Supply Association to Reopen the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq, and Establish Gas Capacity Procurement Programs, Decision and Order at 1 (Feb. 27, 2019).
[2] The Notice is available at:
https://www.nj.gov/bpu/pdf/publicnotice/Notice%20-%20Gas%20Capacity%20Stakeholder%20Proceeding.pdf
[3] The written comments are available through the Board's Public Document Search tool, at:
https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case_id=2108126.

medium and long term.[4] In that Order, the Board authorized its Staff to issue a Request for Quotation ("RFQ") to solicit a consultant to assist Staff in its analysis of the capacity available to New Jersey customers, including a review of the LAI and Lander reports. The investigation was to include an analysis of physical natural gas infrastructure and market conditions through 2030, and consider the use of energy conservation and demand response programs to manage peak period requirements. Id. at 3-4.

The Board's Notice in this docket followed. Stakeholders were invited to a virtual meeting on April 29, 2021 and were asked to provide feedback on two main issues. The first concerns the weather standard that New Jersey GDCs use for design day planning. Notice at 2-3. The second issue concerns "non-pipe alternatives" for meeting GDC's peak day demands. These include demand reduction programs, such as controllable thermostats and other "time-of- use" ("TOU") rates. The Notice requested information on the design and costs of these programs, and whether peak demand programs can avoid the need for direct government intervention in the event of an emergency.

At the April 29, 2021 stakeholder meeting, Staff advised that it had retained a consultant, London Economics International ("LEI"), and that the analysis contemplated by the Board was in progress. The meeting included a brief presentation by LEI concerning the scope of its engagement, and oral comments from several stakeholders. Based on information provided by Staff at the meeting, Rate Counsel understands that LEI's investigation includes all of the issues identified in the Board's May 20, 2020 Order in Docket No. GO19070846. Further, Rate Counsel understands that LEI has been provided with all of the materials submitted by Rate

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[4] I/M/O the Exploration of Gas Capacity and Related Issues, BPU Dkt. No. GO19070846 Order Soliciting an Independent Consultant at 2 (May 20, 2020).

Counsel and other stakeholders in Docket No. 19070846, and that the purpose of the Notice was to solicit input only on issues that were not adequately addressed in the previously submitted materials. Accordingly, Rate Counsel is limiting these comments to the issues specified in the Notice, while relying on its previously filed comments as to other issues within the scope of the Board's investigation.

RATE COUNSEL COMMENTS

Rate Counsel provides the following comments in response to the questions in the Board's April 20, 2021 Notice.

1. Design Day Issues

a. Should New Jersey be moving towards common design day reliability criteria?

Response:

No. For the reasons explained below, Rate Counsel believes that the reliability standard used for design day demand forecasting should continue to be determined by each GDC. It is not necessary to establish a single state-wide standard.

b. Are there reasons for allowing different GDCs to utilize different design day reliability criteria?

Response:

Yes. Because the appropriate design day weather standard will depend on multiple factors, it is very possible that New Jersey GDCs will use different reliability criteria. These factors include the range of gas supply and delivery options available to the GDC, the degree to which the GDC's distribution system is internally integrated, and the characteristics of the GDC's firm customers. For example, it may be reasonable for a GDC that has access to gas from multiple upstream pipeline delivery paths, and operates a distribution network that allows gas to flow to individual market areas from multiple sources of supply, to use a lower design day heating degree day (HDD) standard, while a GDC with a predominantly residential customer base and less supply diversity may decide to use a higher HDD standard.

c. **How does the selection of higher or lower design day reliability criteria affect the issue of whether, in your view, there are sufficient gas resources into New Jersey to maintain system reliability?**

Response:

The design day temperature standard affects the design day forecast, and will change the projected supply surplus or deficit reported for the design day. However, the design day forecast is just one element of a GDC's supply resource planning process. Each GDC maintains a portfolio of long-haul and short-haul gas transportation service, delivered gas supply and on-system peaking resources that is based on a projected profile of design day, seasonal, and annual requirements. Supply adequacy and system reliability must be considered within this broader context.

d. **Please discuss the costs and the benefits associated with using a 1-in-90 year design basis day versus a 1-in-30 year design basis day, with a focus on impacts to system reliability, customer affordability, and any other tradeoffs.**

Response:

Please see the responses to (b) and (c). Gas supply planning involves numerous tradeoffs, and the relative benefits and costs will be different for each GDC. Rate Counsel notes also that the reasonableness and cost-effectiveness of the GDCs' gas capacity and supply planning and procurement activities are subject to review each year as part of the GDCs' annual BGSS cost recover proceedings. If there are issues with any GDC's gas supply planning, that GDC's BGSS proceedings provide the appropriate forum to review such issues.

During the April 29, 2021 stakeholder meeting there was some discussion of the use of a 1-in-90 year design basis day by one of the State's GDCs, New Jersey Natural Gas Company ("NJNG"). With regard to this issue, a representative of NJNG suggested that the widespread electric outages that occurred after the February, 2021 winter storm in Texas electric was a justification for NJNG's "1-in-90 year" approach because the Texas storm was a once-in-one-hundred-years" event. Stakeholder meeting replay at 55:26 to 56:22. The Board should reject this suggestion. As was explained by Greg Lander of the NJCF at the stakeholder meeting, the outages in Texas were the result of failures to weatherize electric generation and gas distribution facilities. The Texas experience does not apply to the Northeast, where measures have been taken to assure that gas supply facilities, and natural gas and other electric generation facilities, remain operational during cold weather. See, Stakeholder meeting replay at 1:10:38 to 1:11:30.

2. Non-Pipes Alternatives

The Board's Notice states that the Board seeks to examine a "diverse array" of "non-pipes alternatives" to meeting the needs of the New Jersey's gas supply customers during varying conditions. Rate Counsel supports the GDCs' efforts to reduce their customers' usage of gas through their Board-approved energy efficiency and conservation initiatives. As part of these programs, Rate Counsel has generally supported incentives for customers to install technologies such as smart thermostats to help them manage their usage of natural gas.

The Board's Notice has posed questions about "non-pipes alternatives" that would go beyond these efforts, including installation of smart thermostats that are controllable by the GDC for all firm heating customers, and voluntary or mandatory TOU pricing. Rate Counsel urges caution on pursuing these options. All of them would involve installation of costly new infrastructure. Also, it is questionable whether such investments would be warranted for the

GDCs. Wholesale gas capacity and supply is generally priced on a daily basis, not hourly as is the case with electricity. For this reason, the benefits of a program that would shift gas usage within a single day are far from clear. See, Stakeholder meeting replay at 28:13 28:48. Rate Counsel does not have specific information on the costs and impacts of the types demand response programs referred to in the Notice. Before embarking on any new programs, the Board should take advantage of information gained from pilot programs in other jurisdictions, including New York.

Rate Counsel would oppose any mandatory demand response or TOU program for residential customers. While mandatory programs might be feasible in warmer climates, New Jersey's cold winters make such programs inappropriate here. In New Jersey, such programs would create too great a risk that customers would be subjected to extreme indoor temperatures, or that they would resort to dangerous heating alternatives such as portable electric or kerosene heaters.

The Board's Question 2.f asks for the "pros and cons" of demand response programs versus government emergency orders to cope with potential emergencies. With regard to this question, Rate Counsel notes that the GDCs are expected to provide a reliable supply of natural gas to firm sales customers, and should not rely on the use of emergency orders, such as mandatory shut downs, to operate their systems under design weather conditions. As noted during the stakeholder meeting, the GDCs already use interruptible service to manage usage during peak demand days. Stakeholder meeting replay at 27:00 to 27:45 & 1:01:25 to 1:02:03. Rate Counsel questions whether demand response programs of the types contemplated in the Notice would have any substantial impact on the need for emergency orders during a significant disruption to natural gas supply. As also noted above, the Board's Notice appears to focus on programs that would shift demand within a single day. Rate Counsel would not expect such programs to prevent the need for emergency measures during a significant force majeure event.

CONCLUSION

Rate Counsel appreciates the opportunity to provide further comments in this matter. For the reasons discussed above, the Board should continue to address design day criteria for each of the GDCs as part of their annual BGSS filings, and should not adopt statewide design-day criteria. Further, Rate Counsel supports the GDCs' efforts to reduce their design day needs through their Board-approved energy efficiency and conservation programs, but urges caution on pursuing the types of other "non-pipes alternatives" addressed in the Notice.

Respectfully submitted,

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