

David W. Weaver  
Vice President



david.weaver@peco-energy.com

atlanticcityelectric.com  
exeloncorp.com

April 29, 2022

**VIA ELECTRONIC MAIL**

[osw.stakeholder@bpu.nj.gov](mailto:osw.stakeholder@bpu.nj.gov)

[board.secretary@bpu.nj.gov](mailto:board.secretary@bpu.nj.gov)

Carmen D. Diaz  
Acting Secretary of the Board  
State of New Jersey  
Board of Public Utilities  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625-0350

**RE:** Comments of Exelon and Atlantic City Electric Company Regarding the New Jersey Board of Public Utilities evaluation of the PJM State Agreement Approach Proposals for New Jersey Offshore Wind Transmission  
BPU Docket No. QO20100630

Dear Acting Secretary Diaz:

On behalf of Exelon and Atlantic City Electric ("ACE"), please accept these comments in connection with the New Jersey Board of Public Utilities' ("BPU" or the "Board") request for additional information to inform the Board's evaluation of the PJM State Agreement Approach ("SAA") offshore wind ("OSW") transmission proposals. Exelon and ACE appreciates the opportunity to participate in this initiative and values the open public input process the Board has pursued. As the Board evaluates the record before it, inclusive of the written comments and oral comments at the four public stakeholder meetings held between March 22, 2022, and April 12, 2022, Exelon and ACE respectfully requests that the Board consider the following comments.

# Table of Contents

**Introduction** ..... 1

**ACE Offshore Wind Proposals** ..... 2

**Conclusion**..... 7

## **Introduction**

ACE currently serves approximately 556,000 customers in its 2,800 square mile service territory, which includes the casinos and hospitality industry of the City of Atlantic City, as well as rural and shore communities, industrial parks, Delaware River ports, and more. ACE has approximately 560 employees, and about 400 of those are members of IBEW Local 210 and IBEW Local 210-5. First incorporated in 1924, ACE has been serving customers in southern New Jersey for almost a century; the Company is a part of the fabric of southern New Jersey. Over the past century, ACE has been side by side with its communities and customers as they persevered through many challenging periods, including emergency response restorations and the ongoing COVID-19 pandemic. The Company's ties to the local communities go beyond being an essential service provider of electricity. Southern New Jersey is our home, our employees live in these communities, raise their children here, volunteer their time and resources, and deeply care about the clean energy future of New Jersey. ACE believes there is a benefit to having a member of the community build, maintain and operate the project to serve that community; there is a commitment to project success and a commitment to New Jersey.

ACE commends the Board for its ambitious vision, which would address transmission for offshore wind through the PJM SAA. The Board's decision that makes the most sense from a cost-effective, environmental and customer point of view. It also demonstrates New Jersey's leadership in the PJM region as New Jersey is the first state to explore and pursue a coordinated network approach to transmission for OSW. New Jersey's action will serve as an example to other states for how to interconnect thousands of megawatts of offshore wind in the most cost-effective and successful manner. ACE is pleased to offer its support for the Board's pursuit of transmission for OSW through the PJM SAA.

ACE recognizes the important role that OSW can play in New Jersey's carbon free future. OSW is a transformative opportunity that will create new high paying jobs<sup>1</sup> through the development of zero-emission energy. As New Jersey reduces its carbon emissions, OSW can be a clean energy economy enabler. New Jersey's goal of 7,500 megawatts of OSW by 2035, which represents a significant portion of New Jersey's projected 2035 peak load, can play a significant role in achieving New Jersey's overall clean energy objectives, while providing an avenue of economic growth. At the same time, OSW is a

---

<sup>1</sup> See Figure 4-2 in the New Jersey Offshore Wind Strategic Plan, "offshore wind will create between 6,000 and 8,000 jobs per year from 2028 to 2034. Cumulatively 68,340 job years will be created from 2020 to 2035", [https://www.nj.gov/bpu/pdf/Final\\_NJ\\_OWSP\\_9-9-20.pdf](https://www.nj.gov/bpu/pdf/Final_NJ_OWSP_9-9-20.pdf)

cost sensitive issue and ACE's five proposals in the PJM SAA solicitation provide New Jersey a solid foundation for the most cost-effective interconnection of offshore wind.

The recent Bureau of Ocean Energy Management ("BOEM") offshore wind lease auction for the New York Bight area saw a record \$4.37B<sup>2</sup> for six different lease areas. Compared to the cost for the two offshore wind lease areas that the BPU selected in the first two NJ OREC solicitations: \$880K for OCS-A 0498<sup>3</sup> and \$1M for OCS-A 0499<sup>4</sup>. With these lease costs, the cost for future OSW generation will necessarily increase. The developers who were awarded lease areas will look to recover their full cost, plus appropriate earnings, through future OREC contracts. Transmission for OSW suddenly becomes even more important as it may be the only other lever that New Jersey has to lower the overall cost of OSW. ACE strongly believes that to responsibly develop the most cost-effective OSW transmission project to serve New Jersey customers, the winning proposal must optimize the use of existing onshore transmission infrastructure and rights-of-way ("ROW") with a right-sized design that does not pose potential reliability threats. This option benefits New Jersey the most.

## **ACE Offshore Wind Proposals**

ACE has submitted five proposals for the SAA. ACE submitted four 1a proposals and one 1b proposal designed to help New Jersey interconnect OSW in the most cost-effective and least impactful manner. The ACE bids offer New Jersey: ideal constructability, a cost-effective solution, minimal impact, reduced timing risk, smallest environmental and community impact, utilization of cost minimization techniques, operational flexibility, and avoids the creation of a significant single contingency. ACE has the requisite experience in planning and designing an open-access transmission grid. ACE also possesses the extensive permitting and siting experience necessary to facilitate the construction, and, ultimately, delivery of that wind energy to New Jersey customers. ACE is already prospectively planning for the future needs of the grid, both on a PJM and local basis. Accordingly, ACE is well-suited to realize cost savings associated with planning, developing, constructing and owning OSW transmission.

### **Ideal Constructability**

The ACE proposals avoid greenfield construction along with the barriers inherent to greenfield projects. The entire set of system improvements in all the ACE 1a proposals are comprehensive solutions designed to be contained within existing ACE (or affiliated company) property or easement. Utilizing existing utility property and easements ensures a less challenging permitting and construction process. It also minimizes environmental impacts, mitigates cost overruns, and avoids the challenge of constructing transmission

---

<sup>2</sup> See BOEM: [New York Bight | Bureau of Ocean Energy Management \(boem.gov\)](https://www.boem.gov/new-york-bight)

<sup>3</sup> See BOEM: [NJ-SIGNED-LEASE-OCS-A-0498.pdf \(boem.gov\)](https://www.boem.gov/nj-signed-lease-ocs-a-0498.pdf)

<sup>4</sup> See BOEM: [OCS-A 0499 Lease.pdf \(boem.gov\)](https://www.boem.gov/ocs-a-0499-lease.pdf)

lines through new corridors in environmentally sensitive areas. The biggest advantage that ACE brings to this project is the mitigation of routing risk. For any greenfield project, routing is typically the biggest risk, but ACE's ability to utilize existing rights-of-way largely eliminates this risk.

Another significant constructability risk for greenfield transmission is social dynamics. Local and regional impacted communities and stakeholders can oppose a project and significantly hinder its constructability. However, utilizing existing easements and building inside a corridor that already contains similar electrical facilities mitigates some of this risk. ACE can also effectively develop public awareness, seek public and political support, earn local community support, and provide methods of feedback for stakeholders and members of the community. ACE regularly does just that when it constructs transmission and distribution projects. As noted above, ACE has been a South Jersey presence for nearly 100 years and remains, to this day, very engaged in its local communities.

#### *Cost-Effective Solution*

ACE is confident that any of its proposals will result in a cost-efficient, reliable, safe, and environmentally optimal transmission solution that will serve New Jersey customers for many years to come. First, the use of existing property, easements and rights-of-way offers a more cost-effective solution. Purchasing new easement and rights-of-way is costly, especially in New Jersey, where land is at a premium.

Second, a shorter project, by definition, occupies a smaller footprint than a longer project; thereby, requiring less equipment and labor. As a result, a shorter project costs less than a longer project. The first two active offshore wind BOEM lease sites that were selected in New Jersey's OREC solicitations, along with most of the New York Bight lease areas, are geographically aligned with and in closest proximity to southern New Jersey. Injecting all the potential OSW energy and capacity from these lease sites into southern New Jersey is a better option than building costly, longer transmission lines further north and inland into New Jersey. Two of ACE's 1a proposals deviate from the PJM SAA base case by taking the location of the active BOEM lease sites into consideration, proposes to eliminate a northern New Jersey point of interconnection ("POI"), and shifts up to 1,200MW previously included in northern New Jersey into Southern New Jersey. Thus, ACE removes a more costly, further inland POI, which would otherwise require a lengthy underwater and underground route, with a more cost-effective, environmentally preferred, shorter route.

Third, part of the ACE solution not only addresses offshore wind but also resolves other issues on the grid. ACE proposes to rebuild a 32-year-old circuit that no longer meets ACE's current design requirements. In doing so, ACE proposes to resolve two needs with one project. Instead of building two separate projects, one to rebuild the line

to ACE's current design requirements and another to interconnect offshore wind, ACE offers a cost-effective solution to address both needs.

Finally, ACE's proposals offer New Jersey an opportunity to make an equitable, economic investment in southern New Jersey. Long recognized as an economically disadvantaged portion of the State, the emerging OSW industry could make a significant difference in southern New Jersey. Rather than continuing the pattern of investing in infrastructure in northern portions of the State, ACE's proposals offer New Jersey the opportunity to recognize the strategic geographic advantage of South Jersey and make a lasting economic investment in that part of the State.

#### *Minimal Impact*

The ACE 1a solutions utilize current ACE property and corridors already containing similar infrastructure. The ACE 1b solution utilizes existing public rights-of-way, is underground, and designed to avoid major urban and residential areas. Utilizing existing easement, building underground and routed away from major urban and residential areas minimizes environmental impacts, reduces community impact, mitigates cost overruns, and avoids the challenge of constructing transmission lines in new corridors. Visual impact is also minimized since new transmission facilities are either underground or added in an existing corridor that already contain similar transmission facilities.

#### *Reduced Timing Risk*

The ability to use existing corridors also lessens permitting challenges and mitigates timing risks associated with delays due to acquiring needed land or easement rights. The components of developing and constructing a transmission project are serial in nature. You cannot begin construction until all permits are received and permitting cannot be finalized until all land and easements are acquired. Starting a project with all rights-of-way in hand is the equivalent of getting a head start in a race. The ACE proposals are not anticipated to need new land or easements. Therefore, timing risks are reduced and the probability of completing the project on-time and on-budget increases substantially.

ACE is also mindful of the global supply and labor challenges affecting many industries. If the electric transmission space is also affected, then project timing will be impacted. As an affiliate member of the Exelon companies, ACE will take advantage of Exelon's robust procurement process and the experience capable of managing this risk. ACE can leverage the Exelon supply organization, which when aggregated with all subsidiaries and affiliates, typically procure well over \$1 billion in materials and services every year and can effectively manage supply chain constraints.

### *Smallest Environmental and Community Impact*

As mentioned earlier, a shorter project occupies a smaller footprint. Injecting more potential OSW energy and capacity into southern New Jersey is a better option than building costly longer transmission lines further north and inland into New Jersey. ACE's proposal removes a more costly further inland POI which would otherwise require a lengthy underwater and underground route with a more cost-effective and environmentally preferred shorter route. A shorter aquatic path and the shortest land route from the BOEM approved lease areas has a smaller environmental and community impact.

Additionally, the ACE solutions utilize ACE owned property and corridors already containing similar infrastructure, public rights-of-way, and underground construction. Utilizing existing easement and building underground minimizes environmental impacts and reduces community impact since new transmission facilities are added in an existing corridor that already contain similar transmission facilities or are below grade in public rights-of-way.

### *Utilizes Cost Minimization Techniques*

Long life-cycle projects, like the one proposed here, are vulnerable to cost overruns not only by way of construction, routing, and environmental costs, but also via public response and activism. Cost containment and cost certainty is a process that covers the entire life cycle of the project, starting with the development. Cost containment does not end with a cost cap at the front end of a solicitation. As mentioned by most of the speakers in the Board's stakeholder conference on April 12, 2022, a cost cap is only as good as the exemptions provided.

Cost containment is more than offering to cap a component or sets of components. Central to cost containment is the ability to eliminate or mitigate risks associated with land and rights-of-way acquisition, permitting and environmental, public opposition, and ongoing operations. Cost containment leverages competitive supply and services contracts. Cost containment employs contractor quality and safety oversight programs. Cost containment is based on an integrated architecture that pulls from analysis, engagement, training, existing infrastructure, existing O&M program, and investment. A robust public engagement program that is involved over the entire life cycle of the project is also critical. Cost containment is forged on being proactive and transparent while providing tangible benefit to the local communities. What results is a project that can meet its cost and time targets while forging relationships with the communities that are enduring. This is exactly what accompanies an ACE proposal.

ACE views transmission projects as an investment in the community it serves. Our goal is to provide a safe, reliable and cost-effective solution for decades. Leveraging our existing infrastructure is an advantage that benefits our community by acting as a

mitigating measure to cost overrun potential. Leveraging existing infrastructure will also reduce the risk of permitting, environmental and public opposition related cost overruns.

A project should also meet expectations; if not, a cost cap in a solicitation becomes pointless. Paying less for less than expected is not a saving. Choosing the least expensive project does not necessarily mean that it is the best or most cost-effective project. For example, the PJM Artificial Island solicitation was awarded to LS Power, because that proposal looked like the cheapest option at the time. Unfortunately, the project is currently having issues delivering at its full capacity; ratepayers paid less and received less than expected. The project entered service in September 2020, but in June 2021, not even a year in, the line was de-rated. An issue has required an approximate 30% decrease in the line's emergency rating<sup>5</sup> through at least April 26, 2022. Additional work, presumably at additional expense, is now required to make sure the project operates and performs to the specifications that it was supposed to. The inclusion of a cost cap does not necessarily mean that the project proposed is the most cost-effective solution. The ACE proposed SAA projects will be designed to ACE standards and meet the needs of the grid; they are cost-effective proposals.

Exelon, through its supply and technical services organizations, maintain Contractor Quality Requirements and Contractor Quality Management System Audit Procedures to ensure that projects designed and built by ACE and the other Exelon affiliates will live up to the required specifications. Our internal quality requirements for our Contractors of Choice will ensure that projects are cost-effective throughout the entire life of the project, from development and design to retirement. Backed by our organizational wide supply power, ACE will competitively bid the engineering, construction, procurement and other aspects of the project to put downward pressure on cost. The ACE SAA projects will be designed to deliver the expected offshore wind capacity at the stated cost for the life of the asset.

Additionally, ACE has an important advantage regarding O&M. A non-incumbent entity that builds a new project in New Jersey will have to create an O&M program from scratch. This can impose significant annual cost to New Jersey ratepayers. ACE can incorporate new assets into its O&M program at an insignificant marginal cost, especially the ACE SAA proposals for OSW transmission that seeks to rebuild existing infrastructure. This significant advantage provides cost assurance and minimizes cost over the life of the asset. As to caps on O&M, ACE has a principled concern with any transmission asset that is built when the owner/operator chooses to ignore or defer O&M needs. The consequences of ignoring O&M can be severe and poses a cascading risk

---

<sup>5</sup> See PJM special notice: [20210618-silver-run-hope-creek-230-kv-line-reduced-ratings-since-6-18-2021.ashx \(pjm.com\)](https://www.pjm.com/2021/06/18/special-notices/20210618-silver-run-hope-creek-230-kv-line-reduced-ratings-since-6-18-2021.ashx); also see PJM special notice: [20210610-silver-run-hope-creek-230-kv-line-original-ratings-before-the-cable-failure-6-10-2021.ashx \(pjm.com\)](https://www.pjm.com/2021/06/10/special-notices/20210610-silver-run-hope-creek-230-kv-line-original-ratings-before-the-cable-failure-6-10-2021.ashx)



to reliability across the transmission system. Caps on O&M are concerning and should be carefully examined to make sure the intent is not to ignore or defer needed maintenance. As a regulated utility in the State of New Jersey, ACE has an obligation to ensure safety and reliability of the system, which includes providing needed maintenance. Further, ACE has local resources to respond to emergent issues like storm restoration or equipment failure. The resources include mechanics, engineers, analysts, spare parts inventory, operators and community outreach personnel and tools that are dedicated to ensuring continued reliability and service to our served community.

#### *Provides Operational Flexibility*

The ACE solutions are designed to provide operational flexibility with the redesign of the Cardiff substation and bus tie configurations. The substation design will provide PJM with added system flexibility and optionality. The ACE proposals provide more detail on the design, and we believe it offers benefits to PJM as it operates the grid compared to a common interconnection design.

#### *Avoids Creating a Significant Single Contingency*

ACE's proposals were also developed with the OSW developers in mind. In addition to providing operational flexibility at Cardiff, the proposals offer great diversity in where the offshore wind energy is flowing. The ACE solutions are sized appropriately to avoid the interconnection of a large amount of offshore wind (e.g., 3,000MW – 5,000MW) into one location, which could create a significant single contingency for PJM. We advise the Board to work closely with PJM on this issue to fully understand the impact of aggregating significant amounts of offshore wind into a singular location.

### **Conclusion**

ACE appreciates the opportunity to provide input to inform the Board's evaluation of the PJM SAA offshore wind transmission proposals. ACE is looking forward to partner with the Board, PJM, and other interested parties to build out the most efficient least-cost transmission solution to integrate 7,500MW or more of offshore wind, all while thoughtfully considering the economic realities facing our communities and our customers. The five ACE proposals in the PJM SAA solicitation offer New Jersey an efficient least-cost option that provide: ideal constructability, a cost-effective solution, minimal impact, reduced timing risk, smallest environmental and community impact, utilization of cost minimization techniques, operational flexibility, and avoids the creation of a significant single contingency.