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April 29, 2022

Via Electronic Mail board.secretary@bpu.nj.gov

Secretary of the Board
44 South Clinton Avenue, 1th Floor
P.O. Box 350
Trenton, NJ 08625-0350

**Re: Stakeholder Meetings and Additional Information
In the Matter of Offshore Wind Transmission
Docket No. QO20100630**

Dear Secretary:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel in accordance with the revised Notice issued by the Board of Public Utilities ("Board") in this matter on March 7, 2022. In accordance with the Notice, these comments are being filed electronically with the Board's Secretary at board.secretary@bpu.nj.gov.

Please acknowledge receipt of these comments.

Thank you for your consideration and attention to this matter.

Respectfully submitted,

Brian O. Lipman, Esq.
Director, Division of Rate Counsel

By: */s/ David Wand*
T. David Wand, Esq.
Deputy Rate Counsel

TDW
Enclosure

cc: Service List (w/encl.)

**In the Matter of Offshore Wind
Transmission – Stakeholder
Proceedings for the PJM State
Agreement Approach**

Docket No. QO20100630

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STATE OF NEW JERSEY
BEFORE THE BOARD OF PUBLIC UTILITIES

**In the Matter of Offshore Wind
Transmission**

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Docket No. QO20100630

**COMMENTS OF THE
NEW JERSEY DIVISION OF RATE COUNSEL**

April 29, 2022

INTRODUCTION

On March 7, 2022, the New Jersey Board of Public Utilities (“BPU” or “the Board”) issued a notice (“March 7 Notice”) for a series of four workshops to be held to collect stakeholder input on issues associated with the development of offshore wind (“OSW”) transmission. These workshops were held over a four-week period on March 22, March 30, April 4, and April 12, 2022. Each workshop covered a variety of topics related to the potential development of OSW transmission that is currently being explored through a competitive bidding process held pursuant to the State Agreement Approach (“SAA”) between the BPU and PJM Interconnection, LLC (“PJM”). Rate Counsel attended each workshop and participated in the fourth workshop which addressed ratepayer protections and cost controls. The close attention to ratepayer interests and impacts is much appreciated and will be critical if any OSW transmission projects offered as part of the SAA solicitation process are selected by the Board. The Board’s March 7 Notice also included a request for parties to provide written comments to be filed by April 29, 2022. Rate Counsel, as the statutorily designated representative for New Jersey ratepayers for matters before the Board, welcomes this opportunity to provide these written comments on OSW transmission development issues.¹

Rate Counsel is generally supportive of Board Staff’s inquiry into whether the SAA can yield efficiencies in the delivery of offshore wind generation to New Jersey’s electric ratepayers. As noted in our oral comments, the progress made to date regarding New Jersey’s SAA is commendable. The robust response to the SAA solicitation includes a diversity of participants and program options. Most importantly, a large number of bids have risk mitigation provisions that have the potential to insulate ratepayers from a variety of financial, regulatory, and

¹ On April 27, 2022, Board Staff issued a Request for Additional Information directed to specific parties, including Rate Counsel. Those responses are due May 11, 2022. While some topics may be touched upon in these comments, Rate Counsel will endeavor to provide more fulsome responses in the additional comments to be filed May 11th.

performance risks. The strong response during PJM's competitive proposal window, coupled with a variety of bid types and offers, supports our long-held position that competitive processes can be successful in leading to the most economical, efficient, and environmentally sound energy solutions.

Rate Counsel supports the goals of the SAA which attempt to seek potential OSW transmission solutions that have the ability to reduce future OSW development and operational costs as well as future OSW development and operational risks. A reduction in both costs and risks, in turn, should result in a lower cost of developing New Jersey OSW resources that can result in lower overall costs to ratepayers.

While Rate Counsel encourages Board Staff to not lose sight on the importance of using the SAA process to focus on meeting New Jersey's OSW development goals at least-cost to the State's ratepayers, the remainder of our written comments focus on the following key areas: (1) the scope of the OSW transmission selection process, (2) the importance of finding cost-effective OSW transmission solutions, (3) the importance of minimizing ratepayer risks, and (4) the importance of clearly identifying future ratepayer costs.

RATE COUNSEL COMMENTS

Preliminarily, Rate Counsel believes it is important to define the scope of the SAA solicitation process. The primary goal of this process should be to assure that any OSW transmission option selected through the SAA process is one that is the most advantageous economically and minimizes future ratepayer risks. Debate over the existence of global warming is not part of this proceeding, nor is the question of whether offshore wind should be developed in New Jersey an issue in this proceeding. While Rate Counsel agrees that addressing the global challenge of climate change is important, the Governor, the Board, and the Legislature have all

developed policies, and continue to develop policies addressing climate change, as well as coordinate New Jersey's role in regional and national efforts. One of those policies concerns the development of offshore wind. That policy is not before the Board now. Rather, the only issue before the Board currently is evaluation of specific bids to provide transmission of off shore wind generation to New Jersey's ratepayers.

I. Rate Counsel encourages Board Staff to be prudent in the OSW transmission selection process.

As explained above, for this proceeding, the main issue is whether and how New Jersey will evaluate or select transmission resources that are economically sustainable. In evaluating the numerous proposals, the primary issue is whether any of the proposed OSW transmission projects meet the public policy "need" of New Jersey through the SAA, and if so, which are – either individually or collectively – the best at "facilitating the efficient delivery of the power to New Jersey consumers over the expected life of the offshore wind projects." I/M/O Offshore Wind Transmission, BPU Docket No. QO20100630, at 4 (Nov. 18, 2020). Thus, our first recommendation is to encourage Board Staff, and ultimately the Board, in its evaluation process to focus on the important goal of minimizing ratepayer costs and risks. This starts with maintaining a high standard of review. If any single bid or combination of bids does not clearly exhibit a "compelling value to consumers," it should be rejected. See Ibid.

Secondly, and on a related topic, Rate Counsel also encourages Board Staff to recognize that the purpose of the SAA is to exclusively support New Jersey OSW development and the state's ambitious OSW generation capacity development goals. The purpose of the SAA is not to promote regional solutions to OSW development along the Atlantic seaboard that could benefit other states and regions in addition to New Jersey. Thus, Rate Counsel strongly encourages Board Staff, in evaluating OSW transmission proposals, to focus on and prioritize

those bids that offer the highest level of quantifiable benefits, at the most economic cost and least risk to *New Jersey's ratepayers*, and not necessarily those of the broader region.

New Jersey ratepayers should not be placed in the position of subsidizing OSW development benefits for other states and regions. To the extent that regional external benefits or users arise with any selected OSW transmission resource, Rate Counsel encourages Board Staff and PJM to define and pursue cost allocation methods that assure financial contributions are made by non-New Jersey beneficiaries in order to reduce the overall cost burden on state of the selected OSW transmission projects. Simply, there should be no free riders. The SAA was designed to facilitate individual state policy initiatives and we hope that a New Jersey-specific emphasis will be maintained throughout this SAA process. .

Rate Counsel also encourages the Board to be circumspect in size and scope of the OSW transmission resources it may select as part of the SAA process. The fact that 80 different OSW transmission options were bid into the SAA process should not facilitate “over-development” of OSW transmission resources. Overcommitting the ratepayers at this early stage in offshore development will likely place New Jersey ratepayers in the position of having to bear the risk of future project OSW transmission benefits that may never materialize. Such a result is contrary to the Board’s stated goals in its November 18, 2020 Order. Rather, the Board has stated it is exploring the SAA option in part because PJM’s Regional Transmission Plan (“RTEP”) rules “contain extensive protections for consumers, including cost containment options and the ability to incorporate phased implementation of any transmission upgrades.” *Id.* at 5. Rate Counsel encourages Board Staff to “weigh heavily proposals . . . that utilize the voluntary protections . . . [that] limit down-side risk to New Jersey customers” and to decline to select a SAA project, if the cost and risks of the various OSW transmission proposals prove to be too high at this time.

Rate Counsel also encourages Board Staff to not be afraid to “just say no,” if the cost and risks of the various OSW transmission proposals prove to be too high at this time. Nothing prohibits the Board from restarting this process at a future date if it deems that to be the best option.

II. Rate Counsel encourages Board Staff to recommend the most cost-effective OSW transmission solution.

Rate Counsel encourages Board Staff to recommend the most cost-effective option that has been offered into the SAA process. Past “backbone” type transmission investments developed to support onshore generation have proven to be very expensive as was noted by several developers in the Board’s Fourth OSW Transmission Workshop. Today’s inflationary environment, which has been shaken by supply chain issues that are negatively impacting energy development projects of all types on a daily basis, will make the development of any OSW transmission project challenging. Major transmission investments in the upper Midwest, in the Northeast, and in Texas, were all established as “backbones” to support onshore wind projects, and consequently totaled in the hundreds of millions—if not billions—of dollars.² It is likely that the more technically complicated and expansive transmission proposals offered in the SAA competitive solicitation window, designed to link harder to reach offshore areas, will be financially substantial. Rate Counsel wants to be clear—our position is not simply to proceed with the least cost option. In making this evaluation, the Board must look at the actual cost and rate impacts, but most also consider benefits, specifically lower overall costs and risks for ratepayers in future OSW projects.

In reviewing each proposal, the Board should also consider any interconnection/tie-in costs associated with each project and whether additional and future interconnection/tie-in costs

² In the Matter of Declaring Transmission to Support Offshore Wind a Public Policy of the State of New Jersey, BPU Docket No. QO20100630 and Offshore Wind Transmission Meeting #4, Presentation of LS Power Grid-Mid Atlantic (April 12, 2022) at 2-3.

could be required to support further expansion of the OSW projects. For example, if the Board selects a less-costly project with a point of interconnection (“POI”) that is incapable of receiving the electricity generated by OSW, further transmission upgrades and/or POIs may be necessary at an additional cost to ratepayers. Accordingly, more costly projects with less interconnection or tie-in costs could be a better solution in order to avoid future transmission upgrades that would be required relative to other, less expensive, alternatives.

Rate Counsel again reiterates its recommendation that projects that proceed to the final consideration include those that specifically maximize benefits “in the most efficient manner for New Jersey ratepayers”,³ and minimize costs - to New Jersey ratepayers - not free-riding mid-Atlantic electricity customers. To the extent that certain external, non-New Jersey benefits materialize, Rate Counsel requests that Board Staff and PJM develop and vigorously pursue solutions that allocate these costs to other market participants in ways that are fair as well as help defer the overall cost burden to New Jersey ratepayers.

III. Rate Counsel wants to assure that selected OSW transmission projects minimize ratepayer risks.

Rate Counsel recognizes that many of the proposed OSW transmission projects will have considerable risks that include development risks, financial risks, market risks, and regulatory risks, to name a few. Rate Counsel encourages Board Staff, in evaluating the SAA proposals, to carefully consider projects that offer to mitigate or assume some of these risks. It is likely that any offer to mitigate these risks will not come for free. Thus, balancing risks and costs to determine the most advantageous proposal or proposals will involve some trade-offs. Notwithstanding these trade-offs, the benefits should clearly and unambiguously outweigh any non-SAA option.

³ Id. at 8.

Rate Counsel is encouraged by some of the bids to date that have agreed to assume some, if not a large amount of the project risks. While we are not privy to all the details of these potentially risk-mitigating offers, Rate Counsel believes that they underscore the commercial attractiveness of serving the New Jersey market, the developers' confidence in the New Jersey OSW regulatory framework, and how competitive markets can be effective at driving down costs, stimulating creative offers, all while promoting large scale clean energy projects at the same time.

IV. Rate Counsel requests that any final Board Staff recommendation clearly identifies and enumerates ratepayer impacts, not just OSW benefits.

Rate Counsel encourages Board Staff to tie its recommended OSW transmission solution, if any, directly to specific ratepayer impacts and benefits that include cost and risk considerations. The Board recognizes that by agreeing to an SAA project it is affirmatively “bind[ing] the citizens of the State of New Jersey to paying for any transmission expansion pursuant to the SAA.” *Id.* at 8. For purposes of accountability, it is imperative that ratepayer costs be compared to ratepayer benefits of any selected OSW project and that each (costs and benefits) be clearly identified and entirely transparent, much like they have been in past OSW solicitations. Additionally, it is important that any ratepayer benefits are quantified into actual benefits on customers' utility bills, not just as general health benefits of cleaner energy production or vague job/economic benefits.

Rate Counsel strongly urges the Board to conduct a very transparent process that clearly identifies and quantifies what ratepayers will be receiving by their financial support of any selected OSW transmission project. Rate Counsel would like to work closely with Board Staff, as we have in past OSW solicitations, to provide input on the various proposals and their likely ratepayer impacts.

CONCLUSION

Rate Counsel thanks Board Staff for the opportunity to provide comments on the SAA process and more generally, the New Jersey specific opportunities for OSW transmission development. We also thank Board Staff for their diligence in conducting four separate workshops that have given developers and other stakeholders opportunities to both learn about the options that are on the table for New Jersey and their potential impacts. Rate Counsel looks forward to contributing to the evaluation process on the behalf of New Jersey ratepayers.