

Transmission Developer Question 1

- 1. How should the Board ensure that projects are completed on schedule given upcoming OSW generation projects' timelines? Please explain how changes in a future OSW generation project schedule may affect a selected SAA project, if at all.**

JCP&L suggests that, to reduce transmission project timeline risk, the Board should make an Option 1a award(s) early in the SAA process to establish a key, basic element of an interconnected on-shore/off-shore transmission grid – location and injection capacity of the Point of Interconnections (“POI”). This will eliminate early on an uncertainty for developers of the offshore transmission grid and Offshore Wind (“OSW”) generation going forward in a long-range process. The Board should also provide Option 1b, Option 2 and Option 3 proposers an opportunity to adapt their proposals consistent with the Board’s selection of the location and capacity of the POIs.

An early award will facilitate coordination of onshore and offshore projects consistent with the Board’s OSW master development plan. It will also jump start design, permitting and construction of onshore transmission system upgrades and expansions supporting attainment of the State’s OSW capacity goals and schedule. The ability to adapt and provide revised Option 1b, Option 2 and Option 3 proposals will facilitate the Board’s coordination of Options 1, 2 and 3 projects consistent with its long-range development master plan, including project phase-in to achieve the State’s OSW targets.

There is no question that the use of existing rights-of-way and substation footprints that are owned by the transmission developer for system upgrades and expansion mitigates project timeline risk. The ready availability of those rights-of-way and substation locations eliminates several variables that could affect projects without such advantages. In addition, the risk is reduced if the chosen developers have deep experience in New Jersey in designing, permitting, constructing, and

operating transmission systems. The Board should consider these risk reduction factors in its rating of projects and developers.

Transmission Developer Questions 2 Through 5

- 2. Please outline any anticipated changes in tax policy and any federal sources of money transmissions developers might seek for a selected SAA project—or that New Jersey could seek.**
- 3. Other than an act of Congress amending the current Federal Investment Tax Credit (“ITC”), might there be an innovative way (such as in collaboration with OSW generation developers) for Option 1b, Option 2, or Option 3 projects that support OSW to qualify for the ITC?**
- 4. How might transmission developers explore the availability of federal funding opportunities that may be available to support transmission projects? How would receipt of such funding be incorporated into bids or financing arrangements? How might the Board coordinate on applying for such opportunities?**
- 5. How might transmission developers explore the availability of federally-backed loans for loan guarantees that may be available to support transmission projects? How should developers and the Board coordinate on applying for such opportunities? How would receipt of such loans or loan guarantees be incorporated into bids or financing arrangements?**

Regarding government funding for or tax benefits accruing from a transmission project, the Board should expect a developer to exercise reasonable efforts to obtain the best possible tax treatment and to pursue and apply any available federal or state funding for the benefit of the ratepayers. The Board has a long history of requiring that ratepayers get the benefits of government funding or beneficial tax treatment. For example, the Board required utilities to use funds from the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) and other public funds to benefit ratepayers:

Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits through the ARRA, the Company agrees to utilize that money to offset the Qualifying Projects' costs. If funding or credits from the ARRA or any subsequent state or federal action become available to the Company through the State of New Jersey, a County or Municipality project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the Qualifying Projects will be used to benefit

customers by offsetting the costs for which recovery will be sought to the extent permitted by law.³

Similarly, the Board has frequently addressed providing ratepayers the benefits of the federal investment tax credits and accelerated tax depreciation.⁴

Government funding toward the proposals in the SAA could include, among other programs, funding from the Infrastructure Investment and Jobs Act, Public Law No. 117-58 (11-15-2021), which became law on Nov. 15, 2021. That law includes the following funding:

- Transmission Facilitation Program, which provides \$2.5 billion to facilitate the construction of electric power transmission lines and related facilities to enable greater clean energy growth;
- Preventing Outages and Enhancing the Resilience of the Electric Grid Grants, which involve \$5 billion to prevent outages and enhance the resilience of the electric grid; and
- Energy Improvement in Rural and Remote Areas, which provides \$1 billion to improve resilience and reliability of energy in rural/remote areas.

The administration of these funds is currently being implemented.

Recent federal legislative proposals that could benefit SAA projects include portions of H.R.5376 (the Build Back Better Act), which provides a new investment tax credit for certain qualifying electric transmission property. Whether this or similar tax credits or benefits will be

³ *In The Matter of The Petition Of New Jersey Natural Gas Company for Approval of an Extension of The Accelerated Energy Infrastructure Investment Program Pursuant to N.J.S.A. 48:2-23 and For Approval of Necessary Changes in The Company's Tariff For Gas Service Pursuant to N.J.S.A. 48:2-21 et seq.*, BPU Docket No. ER16060524 at 29-30 (March 30, 2011).

⁴ *See, Re Jersey Central Power & Light Company*, BPU Docket Nos. 719-627 and 719-628, at 18-20 (Aug. 30, 1973)(BPU addresses most advantageous methods to provide ratepayers benefits of accelerated depreciation within the requirements of federal law); *I/M/O Jersey Central Power And Light Company's -- Private Letter Ruling Request Seeking a Finding That the Continued Flow-Through To Ratepayers of Unamortized Investment Tax Credits Associated With Certain Divested Generating Assets Would Not Violate the IRS' Normalization Rules*, BPU Docket No. EO06040314 (April 28, 2006) (BPU addresses providing ratepayers benefits associated with the Investment Tax Credits within the requirements of federal law)

enacted is an open question. The ratepayers' receipt of investment tax credit benefits would be subject to federal tax law normalization requirements unless those requirements also are changed by future legislation.⁵

The SAA process allows the Board to inquire into and consider developers' plans to secure government funding and obtain favorable tax treatment for the benefit of ratepayers when evaluating and selecting projects. JCP&L, along with its affiliates, has a work group that monitors proposed, pending and existing government programs and tax incentives. Such activity benefits current and future ratepayers, including ratepayers for its proposed SAA projects. The Board should expect such efforts by any transmission developer.

Transmission Developer Question 6

6. How might a selected SAA project manage and mitigate material and equipment supply chain risks and any associated costs, particularly as they might related to HVDC?

JCP&L, with its affiliates, would manage any selected SAA project using its standard Project Lifecycle Management Process. Due to the complexity of this program, a dedicated project team would be assigned. A detailed project schedule would be developed with key milestones identified and tracked semi-monthly. Material and equipment would be ordered with established suppliers with proven track records. Construction start dates, in-service dates, and lead times

⁵ When a utility receives the tax benefit of accelerated depreciation on an asset, the effect is to defer taxes by producing lower tax payments in the early years of an asset, which are offset by increased tax payments in the remaining years of the asset's life. When the utility receives an investment tax credit, the utility receives permanently reduced taxes in the first year of an asset's operation. A ratemaking issue related to these tax benefits concerns whether the tax benefits received by the utility should be provided immediately to rate payers (the "flow through" method) or spread over the life of the asset (the "normalization" method). *See, The Regulation of Public Utilities*, Charles Phillips, at 270-77 (1988); cases cited in footnote 3. Federal Law restricts use of the flow through method in some circumstances. *Id.*

would drive the procurement schedule. Best-fit contracting strategies would be employed to mitigate project cost risks.

Transmission Developer Question 7

7. How might a selected SAA project manage financial risk, including, but not limited to, market and interest rate dynamics, labor costs, raw material and supply chain costs, land procurement costs, and insurance?

JCP&L works with its family of utilities to utilize its size and relationships with suppliers to strive to provide customers a product at a good value. This includes managing financial and insurance risks.

Sourcing strategies are devised for materials and services categories that best leverage the buying power of JCP&L. The Supply Chain Category Specialists that JCP&L will utilize have a mixture of tools and strategies at their disposal, which may include category spend Request for Proposals, total evaluated bid, commodity indexing, and negotiations based on market conditions. The Supply Chain Category Specialists will continuously monitor price trends and lead times and proactively react to changing trends. This process ensures that cost effective, efficient, safe, ethical, and diverse vendors are utilized.

JCP&L is also part of a robust corporate insurance program that is designed to protect it and its sibling companies from insurable liability and property losses. The insurance is provided by reputable insurers and brokered by industry leading insurance experts to ensure optimal protection. JCP&L will continue to maintain a prudent insurance program which provides efficient risk transfer and reduces volatility throughout the project. The Board should expect the same from any transmission developer.

Thank you for the opportunity to submit these comments.

Respectfully submitted,

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