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May 20, 2022

**VIA ELECTRONIC MAIL**

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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 Request for Additional Information in  
support of the evaluation of the PJM State Agreement Approach  
Proposals for New Jersey Offshore Wind Transmission

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. Specifically, the Board requests insight on several detailed questions targeting specific groups. Exelon and ACE appreciate 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 responses to the Transmission Developer questions.

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ACE appreciates the opportunity to respond to these additional questions and commends the Board for its exhaustive examination surrounding potential transmission solutions for offshore wind through the PJM SAA. The Board has a challenging decision ahead of it. Balancing the needs for New Jersey's clean energy and offshore wind goals with the desire to make it affordable and least impactful to customers is critical. ACE supports the Board's pursuit of transmission for offshore wind through the PJM SAA and the five ACE SAA proposals are designed to help New Jersey interconnect offshore wind in the most cost-effective and least impactful manner.

**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.**

The potential for delay is an inherent risk that every transmission project faces and eliminating the risk in its entirety is virtually impossible. However, mitigating individual components that impact timing can reduce the overall timing risk. The Board should carefully analyze each bid and identify the risk reduction benefits associated with each proposal.

Routing and land acquisition comprise a significant component that can derail the timing of a project. Permitting and environmental factors can also disrupt the timing of a project. The four ACE 1a bids 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, minimizes environmental impacts, mitigates cost overruns, avoids the challenge of constructing transmission lines through new corridors in environmentally sensitive areas, and ultimately mitigates routing risk. The ACE proposals avoid some of the biggest factors that contribute to timing delays and provide a bigger assurance that the projects will be completed on-time and on-budget.

Coordination between the transmission developer and offshore wind generation developer is critical to align the timing of both projects. It makes sense that the Board make its SAA solicitations award prior to the next NJ OREC solicitation so that the wind developers know where they need to interconnect. After the SAA award, and after any

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future OREC award, the wind developer and the transmission developer need to immediately coordinate.

Transmission is a long lead time process, and any OSW generation project schedule change can likely be incorporated in the transmission developer's schedule, but the earlier the schedule change is known the better. ACE has the flexibility to adjust project schedules to match the offshore wind generation schedule, but early coordination and a close working relationship between ACE and the offshore wind developer is required. ACE, as a PJM transmission owner, is accustomed to working with generation developers in the PJM interconnection queue to build the required network upgrades based on the timing requirements of the generator. It is also not uncommon for generators in the PJM interconnect queue to change their required in-service date and ACE has experience working with generation developers to adjust the development timeline for the needed transmission upgrades.

**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.**

We are aware of proposed federal legislation seeking to create a transmission Investment Tax Credit ("ITC") and are supportive of those efforts. If a federal ITC proposal for transmission is enacted, the requirements and qualifications will dictate if and how it may apply to the SAA projects. If ACE is selected by the Board to build any of the SAA projects, Exelon and ACE will actively consult with the BPU and seek to leverage any available federal tax incentives that could be used to reduce costs for New Jersey Ratepayers.

We are also aware of several options from the Department of Energy ("DOE") offering sources of funding for transmission projects. At the BPU SAA stakeholder meeting on April 12, 2022, the Acting Deputy Assistant Secretary of the DOE's Electricity Delivery Division identified what DOE has available, through the Transmission Facilitation Program, as well as the DOE's other options, including direct loans to projects. The Acting Deputy Assistant Secretary was clear that grants through the Transmission Facilitation Programs are only available to states, local governments, Indian Tribes and public utility commissions. Project developers are not eligible for these grants. However, DOE loans for projects are available to project developers. If ACE is selected by the

Board to build any of the SAA projects, ACE will evaluate if a DOE loan is more advantageous for customers versus acquiring debt through traditional means. ACE can draw on Exelon's experience with DOE loans

**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?**

ACE is open and flexible to working with the BPU and the offshore wind developers to seek a creative structure by which the transmission for offshore wind can qualify for the ITC. If ACE is selected by the Board to build any of the SAA projects, ACE can commit to jointly evaluate any means by which the transmission component qualifies for the ITC or other incentives with the Board and the offshore wind developers, in an effort to reduce the cost to New Jersey Ratepayers.

**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?**

Current federal funding opportunity for transmission developers are largely limited to DOE loans. As discussed earlier, if ACE is selected by the Board to build any of the SAA projects, ACE will evaluate if a DOE loan is more advantageous for customers versus acquiring debt through traditional means. Any low interest DOE loan applied to the project will directly benefit customers and will be built into rates. ACE can lean on Exelon's experience regarding DOE loans.

**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?**

It is in the interest of New Jersey customers that transmission developers explore all available options that may lower the cost to customers, including federally-backed loans. After selection by the Board, the SAA transmission developers and the Board need to coordinate and jointly study if a federally-backed loan is more beneficial to customers than traditional options. The cost recovery for the debt component of any regulated project is passed on to customers and incorporated into the annual revenue requirement. A lower debt cost would lower the impact to customers, and therefore, it makes sense that the selected SAA transmission developers coordinate with the Board and jointly analyze which debt funding option is more beneficial for customers.

**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?**

The ACE proposals do not include HVDC components, but ACE is mindful of the global supply, labor, and rising cost challenges affecting many industries including the electric transmission sector. During these challenging times, size and experience is critical in minimizing these issues. Without the proper experience, projects may encounter delays and costs may increase significantly. 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. ACE will competitively bid not just the required equipment, but the engineering, construction, procurement and other aspects of the project to put downward pressure on cost.

**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?**

Managing cost and financial risk requires a robust internal process that can be repeated for every project. Managing costs leverages competitive supply and services contracts, employs contractor quality and safety oversight programs, and requires an integrated architecture that pulls from analysis, engagement, training, existing infrastructure, existing O&M program, and investment. This programmatic approach is exactly what ACE employs and acts to manage financial and cost risk.

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. We have a demonstrated interest in mitigating and managing cost and financial risk. Leveraging our existing infrastructure is one of our biggest advantages as it directly benefits our community by acting as a mitigating measure to cost overrun potential. Leveraging existing infrastructure means there are no land procurement costs, and it will also reduce the risk of permitting, environmental and public opposition.

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. The contracts with our Contractors of Choice also have pre-approved labor rates which are not affected by market fluctuations. We ensure against labor rate fluctuations by locking in labor costs ahead of time.

As discussed in our answer to question six above, ACE can leverage the Exelon supply organization which possesses the size and experience to deal with supply chain and material risks.

**8. If an Option 2 or Option 3 proposal is selected, please detail the potential reliability and economic benefits.**

The benefits of transmission cannot always be quantified. When building transmission for offshore wind, the driver can be societal health and public policy, not necessarily economics or reliability. Offshore wind is a critical component for New Jersey to reach its renewable and clean energy goals and the Option 2 and Option 3 proposals may play a role. Theoretically, the Option 2 and Option 3 proposals can create a network

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system through the ocean providing reliability benefits as offshore wind energy can reach New Jersey through a network, but they may also carry significant cost and risk.

The Board must consider whether Option 2 and Option 3 proposals offer enough benefits. The Board should analyze if the underwater export cables are best left to the offshore wind developers and the focus should be on the onshore transmission needs. Leveraging onshore transmission as much as possible to facilitate the delivery of offshore wind can have added benefits to mitigate facility obsolescence and other renewable resource deliverability. Addressing the onshore grid first could provide the biggest benefit to customers.

### **CONCLUSION**

ACE appreciates this opportunity to provide its comments to the Board. ACE is looking forward to partnering with the Board, PJM, and other interested parties to build out the most efficient least-cost transmission solution to integrate offshore wind, all while thoughtfully considering the economic realities facing our communities and our customers.