



State of New Jersey  
DIVISION OF RATE COUNSEL  
140 EAST FRONT STREET, 4<sup>TH</sup> FL.  
P.O. BOX 003  
TRENTON, NEW JERSEY 08625

PHIL MURPHY  
Governor

SHEILA OLIVER  
Lt. Governor

BRIAN O. LIPMAN  
Director

May 20, 2022

**Via Electronic Mail** [board.secretary@bpu.nj.gov](mailto:board.secretary@bpu.nj.gov)

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

**Re: Request for Additional Information  
In the Matter of Declaring Transmission to Support  
Offshore Wind A Public Policy of the State of New Jersey  
BPU 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 May 9, 2022. In accordance with the Notice, these comments are being filed electronically with the Board’s Secretary at [board.secretary@bpu.nj.gov](mailto: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/ Maura Caroselli*  
Maura Caroselli, Esq.  
Deputy Rate Counsel

MC  
Enclosure

cc: Service List (w/encl.)

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

**Docket No. QO20100630**

Carmen Diaz, Acting Secretary  
Board of Public Utilities  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Robert Brabston, Esq.  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Abraham Silverman, Esq.  
Board of Public Utilities  
44 South. Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Stacy Peterson  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Heather Weisband, Esq.  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Mike Kammer  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Paul Lupo  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Kelly Mooij, Esq.  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Jim Ferris  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Pamela Owen, DAG  
Department of Law & Public Safety  
Division of Law  
R.J. Hughes Justice Complex  
25 Market Street P.O. Box 112  
Trenton, N.J. 08625

Brandon Simmons, DAG  
Department of Law & Public Safety  
Division of Law  
R.J. Hughes Justice Complex  
25 Market Street P.O. Box 112  
Trenton, N.J. 08625

Steven Chaplar, DAG  
Department of Law & Public Safety  
Division of Law  
R.J. Hughes Justice Complex  
25 Market Street P.O. Box 112  
Trenton, N.J. 08625

Michael Beck, DAG  
Department of Law & Public Safety  
Division of Law  
R.J. Hughes Justice Complex  
25 Market Street P.O. Box 112  
Trenton, N.J. 08625

Brian O. Lipman, Director  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 0862

T. David Wand, Esq.  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Maura Caroselli, Esq.  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Robert Glover, Esq.  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Megan Lupo, Esq.  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Debora Layugan  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Tylise Hyman  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

David Dismukes, Ph.D.  
Acadian Consulting Group  
5800 One Perkins Drive  
Bldg. 5, Suite F  
Baton Rouge, LA 70808

Karen Forbes  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Carlena Morrison  
Division of Rate Counsel  
140 E. Front Street 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Andrea Hart, Esq.  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Paul Youchak, DAG  
Department of Law & Public Safety  
Division of Law  
R.J. Hughes Justice Complex  
25 Market Street P.O. Box 112  
Trenton, NJ 08625

Kira Lawrence  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

Veronique Oomen  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625

**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**

**May 20, 2022**

**New Jersey Division of Rate Counsel's Responses to the BPU's Request for Additional Information dated April 27, 2022 and Updated May 9, 2022**

- 1. If an SAA solution is selected by the Board, should those costs be assigned and allocated among New Jersey ratepayers on a load-ratio share? Is there an existing load-ratio share methodology that the Board could adopt? If you recommend a methodology other than load-ratio share, please describe that methodology and its comparative advantages/disadvantages.**

**Rate Counsel Response:** Rate Counsel recommends that costs be allocated on a load-share ratio as they have been with other Board decisions for renewable energy development costs. Rate Counsel recommends that the Board attempt to be consistent in how it allocates costs among New Jersey market participants for OSW transmission and OSW generation.

Rate Counsel reiterates its earlier position, offered in both written and oral comments that, to the extent external benefits arise from any SAA investment, those costs be allocated/recovered from those beneficiaries that may be outside New Jersey. The allocation of these shared costs should be proportional to the relative benefits of the SAA investment.

- 2. How should the Board evaluate Option 2 transmission solutions that have less impact on the public (i.e., avoid beach crossings), but inherently entail greater costs?**

**Rate Counsel Response:** Rate Counsel cannot offer specific recommendations on this question since we have not seen the specifics of the various bids/offers. In order to answer this question in specific detail, Rate Counsel would need to evaluate offers to ascertain the nature and specifics of the bids and how they compare with one another.

Notwithstanding this limitation, Rate Counsel is not opposed to the valuation of these environmental benefits but would argue that developers should be required to demonstrate, and quantify, these benefits, much like OSW developers are required to do (or offered the opportunity to do) when they provide responses to OSW/OREC solicitations issued by the Board.

If these benefits have not been quantified by developers over the course of the SAA process, and the Board utilizes its own valuations of these benefits, Rate Counsel recommends that (a) these benefits be clearly identified in a transparent, documentable, and replicable fashion, (b)

be used consistently across projects where these benefits are present, (c) they are based upon reasonable levels that do not over-weight these types of benefits relative to other considerations such as cost.

However, Rate Counsel believes that overall ratepayer costs and rate impacts be the pre-eminent issue of concern and quantification in the SAA evaluation process.

- 3. How should the Board weigh Option 1b transmission solutions against each other that have less impact on the environment (i.e., wetlands), but may inherently entail greater costs?**

**Rate Counsel Response:** Please see our response to question (2).

- 4. How should the Board evaluate the cost differences of HVAC versus HVDC transmission solutions?**

**Rate Counsel Response:** Rate Counsel recommends that the Board compare the total and standardized cost of each type of project (HVAC, HVDC) on nominal and net present value basis. As we noted in question 2, it is important that the Board evaluate these differences on transparent and consistent basis that is well documented, consistent with industry experience, and replicable. Rate Counsel recommends that any risks associated with the use of either technology be considered in its evaluation and that any operating/reliability risk be included in the analysis.

However, as noted above, ultimately, it is the developers' responsibility to identify, quantify, and prove the relative benefits of their proposed projects. Rate Counsel does not believe it is Board Staff's responsibility to prove the developers' case. If Board Staff needs additional information to discover these benefits, it should solicit this information directly from developers, Rate Counsel will not have this information. One possibility Board Staff could consider is asking developers themselves to provide separate HVAC and HVDC estimates so the two different transmission approaches can be compared. However, ultimately, it is up to developers to show that their proposals are preferable. Developers need ultimately bear the burden of proof. Proving these relative benefits should not be the responsibility of those protecting ratepayer interests such as the Board and Rate Counsel.

**5. How should the Board evaluate the risk of failure and associated economic implications of HVAC versus HVDC transmission solutions?**

**Rate Counsel Response:** These risks clearly have to be included in the analysis. However, Rate Counsel cannot offer specifics on methodologies for evaluating these options without seeing the specifics of the SAA offers. Further, Rate Counsel believes that ultimately, the burden of proof for these benefits rests with bidders, and it is Board Staff’s responsibility to independently verify the accuracy of these estimated benefits. If developers cannot make this case directly to Board Staff, then that could be interpreted as a shortcoming of the proposal.

If Board Staff needs additional data and information to evaluate the relative merits of these two different approaches to OSW electricity transmission, then Staff should develop a process for soliciting this information from developers. Doing otherwise places ratepayers in the position of assuming a significant portion of the performance risk of any selected the proposed SAA project. It should not be Board Staff’s responsibility to identify, quantify, and verify the presence, likelihood, and sensitivity of such benefits. Developers need to make this case much like utilities are required to do when such large capital/infrastructure investments are being made and recovered from New Jersey ratepayers.

Lastly, to the extent that there are uncertainties on these issues, Board Staff and its consultants need to explore opportunities (if specific offers have not been made) for performance-based contracting, potentially through any final negotiation process, such as a best and final offer (“BAFO”) process.

**6. How should the Board evaluate the costs of the SAA versus the baseline scenario (radial export cables) and how should the Board consider non-price benefits?**

**Rate Counsel Response:** Rate Counsel suggests that the Board should have developed, through the use of consultants or its own internal staff, a reference case on the cost of a radial build out from the future OSW installed capacities mandated by the Governor. If this has not been done as part of the SAA process, Rate Counsel suggests that Board Staff make such estimates now or solicit this information from developers. This information on estimates is not available to Rate Counsel and Rate Counsel does not the resources available to formulate such an estimate at this time.

Rate Counsel does not support the extensive use of non-price benefits given the highly subjective nature of these estimates. The use of subjective non-price benefits could result in an inflated level of SAA project costs that will have to be recovered by New Jersey ratepayers. Rate Counsel recommends that Board Staff focus on minimizing overall ratepayer costs and rate impacts that will arise from the selection of SAA offered resources.

**7. How should the Board weigh intangible or other economic benefits (parks, recreation opportunities, and economic development) against proposal costs?**

**Rate Counsel Response:** See our response to question (6).

**8. How should the Board consider the varying cost-cap proposals?**

**Rate Counsel Response:** Rate Counsel recommends that Board Staff focus first on overall costs and standardize costs for each project and compare those to any caps that have been offered on SAA projects. Overall cost and capped costs need to be examined on an integrated basis to determine (a) expected costs, (b) the potential for future costs, and (c) extreme costs and ratepayer exposure per offered project.

**9. If the Board selects one or more Option 2 or 3 solutions, where should the measurement of energy delivered to the distribution system, for calculation of ORECs, take place?**

**Rate Counsel Response:** Rate Counsel recommends that the Board utilize the contracted energy committed by OSW developers for the calculation of ORECs that have been approved by past solicitations. Rate Counsel does not understand how existing Board-approved OSW projects can be legally changed at this point in time. However, if an SAA project is selected for future utilization, then future OSW/OREC solicitation instructions issued by Board Staff will need to direct bidders to utilize energy delivery estimates that recognize the presence and benefits of the SAA investment.