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VIA ELECTRONIC MAIL ONLY

Carmen D. Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 South Clinton Ave.
Trenton, NJ 08625
Board.secretary@bpu.nj.gov

Re: ***In the Matter of Medium and Heavy Duty Electric Vehicle Charging Ecosystem***
Docket No. QO21060946
Comments of Jersey Central Power & Light Company

Dear Acting Secretary Diaz:

On behalf Jersey Central Power & Light Company ("JCP&L" or the "Company"), please accept these comments for filing in the above-referenced matter related to the updated Straw Proposal on the electrification of Medium and Heavy-Duty Vehicles ("MHDV") issued by the Staff of the New Jersey Board of Public Utilities ("Board" or "BPU") on December 22, 2022.

JCP&L thanks Board Staff for its efforts in developing the updated proposal for the promotion of MHDV electrification in New Jersey. As the Board is demonstrating through these proceedings, electrification of New Jersey's transportation sector is vital for the State's ability to meet its clean energy goals as set forth in the Energy Master Plan. New Jersey's electric distribution companies ("EDCs"), like JCP&L, will play a crucial role in the electrification of the State's transportation sector. As the Board is well aware, large-scale electrification will require significant planning by the EDCs as well as a significant amount of make-ready work to prepare the grid for charging installations. In undertaking this effort, JCP&L believes that the EDCs can play a valuable role in many areas, including, but not limited to, as advisors to private and public entities looking to electrify their fleets, as engineers and contractors for the designing and building of necessary EDC infrastructure to support charging, and potentially as owners of large-scale MHDV charging stations made generally available to the public.

A. Using the threat of penalties to drive unrealistic EDC construction timelines will have adverse consequences, including limiting MHDV program participation and the de-prioritization of other important clean energy projects.

The Board should not adopt the proposal's recommendation requiring EDCs to complete make-ready work for MHDV projects within twelve (12) months or risk being penalized. In an effort to promote the EDCs' timely completion of this make-ready work, Board Staff has proposed that EDCs will have twelve months to install make-ready infrastructure after receiving a request

for same from a customer participating in the MHDV program. The proposal anticipates that any delay greater than twelve months would result in reduced earnings for the EDC on that portion of the make-ready infrastructure, unless an appeal is granted by the Board.[1]

As an initial matter, the "presumption of unreasonableness" created by this arbitrary deadline does not adequately account for the variety and intricacy of projects that will participate in the EDCs' programs. Many of these projects will likely require significant make-ready work that will put them in jeopardy of meeting this deadline, potentially causing unnecessary administrative burden on the EDCs and the Board to litigate and review the contemplated "appeals." While JCP&L recognizes the need for customer transportation fleets to make this transition in a timely manner, it is important that the EDCs have sufficient time to plan for and complete all work in a thorough and safe manner in order to ensure the continued reliable operation of their systems. The proposal also does not allow sufficient flexibility in program timelines to account for factors outside of EDC control such as supply chain issues and ongoing impacts from the COVID-19 pandemic. There may also be cost efficiencies for the EDCs, and ultimately their customers, found by clustering construction projects, including make-ready work for electric vehicle ("EV") infrastructure. Such efficiencies may be lost if EDCs are forced to focus on individual projects in order to meet the proposed twelve-month deadline or potentially face penalties. At most, the twelve-month deadline contemplated by the proposal should be a generic target which may trigger discussions with Board Staff or additional reporting to keep the Board apprised of the project's progress.

Moreover, the penalties contemplated by the proposal will create disincentives for the EDCs when it comes to accepting certain projects into their MHDV programs. Because of the twelve-month deadline, the EDCs will be hesitant to accept into their programs large-scale projects that could jeopardize their ability to earn a full return on their investment. Additionally, this arbitrary deadline will likely necessitate the EDCs' de-prioritization of not only other MHDV make-ready projects that choose not to participate in an EDC program but also other clean energy projects that are necessary to meet the State's clean energy goals. JCP&L strongly recommends that the Board reject this component of the proposal and, as is done with other EDC investments, review the reasonableness and prudence of the EDCs' make-ready work without any "presumption of unreasonableness" based on an arbitrary deadline.

B. The Board can remove impediments to the rapid and efficient build-out of MHD EV infrastructure by permitting the EDCs to recover their make-ready costs on a full and current basis through a surcharge.

Full and timely recovery through a surcharge of the EDCs' costs for make-ready work is necessary to promote the rapid and efficient build-out of MHDV EV infrastructure through EDC programs. As explained in JCP&L's comments on the initial MHDV straw proposal, under the Board's line extension rules, which are based on cost-causation and equitable risk-sharing principles, the EDCs would normally fund the make-ready work necessary to accommodate MHDV charging infrastructure through a contribution in aid of construction ("CIAC") from the specific customer making the request. Here, however, the proposal contemplates that the cost of

[1] *See* Straw Proposal at 21.

this make-ready work will initially be incurred by the EDCs and then shared across the EDCs' entire customer base as part of their MHDV programs. While such cost sharing may be appropriate based on the conservation and health benefits of MHDV electrification, the Board should not ignore that there is a cost (ultimately borne by the EDCs' customers) to this non-traditional approach to funding line extensions.

More specifically, the EDCs' initial funding for these projects must come from somewhere (if not from a CIAC). This funding can take the form of debt or equity—each of which has a cost associated with its use. This cost will ultimately be borne by customers; however, the overall financial impact of these additional costs can be mitigated through the use of an annually reconcilable surcharge to fund the EDCs' MHDV programs. Such approach to cost recovery will prevent the accumulation of the EDCs' return on the deferred amounts associated with this make-ready work and reduce the overall cost to the EDCs' customers.

C. Demand charge discounts should not be used in such a way as to disincentivize managing station utilization.

As with the light duty EV charging programs, the MHDV proposal contemplates that EDCs will offer demand charge discounts in order to "[e]nsur[e] that demand charges applicable to MHD charging are not an obstacle to investment in MHD EV adoption."[2] The proposal anticipates that demand charges may be an obstacle to MHD EV adoption because of the "large instantaneous draw" of DC Fast Chargers and a belief that "some stations may have relatively few monthly charging sessions over which to recoup a high demand charge." The proposal further contemplates two specific options for demand charge discounts for MHD charging: 1) an EV charging rate or rebate methodology that ensures that the effective $/kWh rate remains below a specified "set point" based on the equivalent cost of diesel or gasoline on a per-mile traveled basis; or 2) a waiver of demand charges for a set period based on a station's utilization rate.[3]

As many stakeholders have acknowledged already in this proceeding, demand charges are a vital part of EDC ratemaking to ensure that customers are appropriately charged for system costs on a cost causation basis. Still, in the case of EV charging that is made generally available to the public, JCP&L understands and appreciates the potential need to mitigate demand charges based on the lack of control the station owner has over the station's usage profile. However, many of the use cases for MHDV charging do not lack control over charger usage. Many of these use cases involve "behind the gate" charging where the electric vehicle service equipment ("EVSE") owner will have full control over the time and number of EVs utilizing the chargers. These scenarios should not be eligible for demand charge credits, as they would discourage EVSE owners from actively planning and managing their charging. In such scenarios, the EVSE owners *are essentially the cost causer* and should be fully responsible for their demand charges. EDC customers should not be required to subsidize the costs of EVSE owners' unwillingness to appropriately plan and manage charging that is entirely within their control.

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[2] Straw Proposal at 23.
[3] *Id.*

Finally, with respect to EVSE owners that make their vehicle chargers available to the public generally, JCP&L supports the use of time-limited utilization-based demand charge credits. Accordingly, JCP&L anticipates proposing declining demand charge discounts be available to these EVSE owners based on banded percentages (i.e., 0-10%, 10-25%, etc.) of charging station utilization rates and that those discounts expire after a set period of time.

D. The Board should play an active oversight role with respect to project compliance with non-electric-system-related program restrictions.

The proposal contemplates detailed requirements being placed on private EVSE owners who wish to participate in the program designed to reduce emissions from MHDVs in Overburdened Municipalities ("OBMs"). More specifically, the proposal would require that participating projects commit to reducing the vehicle miles traveled within OBMs associated with emitting vehicles by at least 25% within two years.[4] As a practical matter, this is an impossible requirement for EDCs to track for participants in their programs. The Company has no access to this data, no processes to collect this data, and no mechanism to enforce compliance. Rather than requiring that the EDCs create complex monitoring and enforcement mechanisms as part of their programs (at the cost to other EDC customers), the Company encourages the Board to provide this oversight with respect to project compliance with such non-electric-system-related requirements.

E. The Board should clarify that EDC ownership and operation of energy storage as a distribution asset is appropriate, including in situations where energy storage is being utilized to support efficient EV charging.

As detailed in JCP&L's comments on the BPU's Energy Storage Proposal released in September 2022, EDCs are in the best position to own and operate electric storage devices to help promote effective and efficient electrification of transportation on their electrical systems. As it did in those comments, JCP&L encourages the BPU to clarify that EDC ownership and operation of energy storage devices is permissible when such device is being used as a distribution asset. This includes instances where storage is being used to support efficient EV charging.

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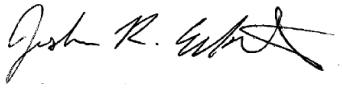
JCP&L thanks the Board again for the opportunity to provide these comments and express its concerns about certain aspects of the proposal that will have a negative impact on MHD EV (and other clean energy project) adoption as well as system usage and integrity. Should you have any questions, please do not hesitate to contact me.

Very truly yours,



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[4] Straw Proposal at 17.