



September 5, 2023

Via Electronic Mail (Board.Secretary@bpu.nj.gov)

Ms. Sherri L. Golden  
Board Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 1st Floor  
P.O. Box 350  
Trenton, New Jersey 08625

Re: In the Matter of the Provision of Basic Generation Service (“BGS”) for the Period  
Beginning June 1, 2024, Initial Comments of Electrify America, LLC  
BPU Docket No. ER23030124

Dear Secretary Golden:

Pursuant to the Board Order dated April 12, 2023 of the New Jersey Board of Public Utilities (“Board” or “BPU”), in the above-captioned proceeding, Electrify America, LLC (“Electrify America”) submits the following initial comments regarding the proposals made by the electric distributions companies (“EDCs”) concerning Electric Vehicle (“EV”) Direct Current Fast Charging (“DCFC”) rate design for the provision of Basic Generation Service (“BGS”) for the period beginning June 1, 2024.<sup>1</sup> Electrify America appreciates the opportunity to make these comments and thanks the Board and parties to this proceeding for their consideration thereto.

The proposals by the EDCs are a positive *first* step, but they are no substitute to permanent DCFC rate design to overcome the barrier of demand charges and capacity costs currently facing public charging companies operating in the State of New Jersey. A supportive utility environment for the private market of charging companies will enable further investment in new public charging stations in New Jersey and will assist the State of New Jersey in achieving its transportation electrification goals to combat climate change.

Capacity demand charges for generation and transmission in the PJM wholesale electric market are particularly difficult for public DCFC loads since the peak intervals are only known in hindsight and public stations must maintain high levels of uptime. Earlier in 2023, the New York Public Service Commission (PSC) made the following statement in an Order regarding EV charging rate designs:

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<sup>1</sup> See generally Public Service Electric and Gas Company (“PSE&G”) Company Specific Addendum at pp. 26-29 (July 3, 2023); Atlantic City Electric Company (“ACE”) Company Specific Addendum at pp. 18-21 (June 30, 2023); Jersey Central Power & Light Company (“JCP&L”) Company Specific Addendum at pp. 26-27 (June 30, 2023); Rockland Electric Company (“RECO”) Company Specific Addendum at pp. 28-29 (June 30, 2023). These proposals were all filed in the above-captioned docket pending before the Board.



*“In short, commenters suggest that managing charging demand is antithetical to public DCFC stations’ core business model. The Commission agrees.*

*Because public DCFC charging is not predictable, cannot be scheduled, and often cannot be managed without impacting the EV driving experience, public DCFC stations simply cannot be expected to manage their charging at this phase in the EV adoption cycle.”<sup>2</sup>*

In New Jersey, one kilowatt of summer peak demand can result in up to \$288 in annual capacity demand charge exposure.<sup>3</sup> This represents a fixed capacity cost obligation over the next year that EV charging stations will need to recover from EV charging sales volumes, which are uncertain. One simultaneous charging event during a system peak hour can severely impact an EV charging station’s economics for the next year. As a result, the need for alternative rate designs for PJM capacity demand charges is urgent.

Electrify America has reviewed the DCFC rate proposals made by the EDCs which generally reflect the consensus developed during the working group sessions that occurred during the winter and spring of 2023. Electrify America does offer some comments and requested changes to selected items in each EDC proposal.

The first requested change is that each program allow for opt-in of new entrant EV charging stations for Program Year 2. The purpose of this optional BGS rate offering is twofold: to moderate PJM capacity demand charge exposure for existing sites; and to de-risk the operating costs for new sites to allow EVSPs to continue capital investment in New Jersey. Provisions to allow for new entrants in Year 2 of the program will also facilitate amortization of implementation costs over a larger customer base, therefore improving the programs’ cost effectiveness and likelihood of success. New EV charging stations that are in development may not be ready to take service by the proposed enrollment cutoffs.

Electrify America also submits that JCP&L’s proposal should be extended to two years instead of one, consistent with the offerings by PSE&G, ACE, and RECO. At the conclusion of the initial program, these programs should be extended beyond two years if they are successful. If they are unsuccessful, alternative approaches to mitigate the cost impacts of PJM capacity demand charges should be considered. Electrify America continues to advocate for DCFC rate design as necessary for the success of the private market of charging companies. The EDCs’ proposals are a step in the right direction to address the burden and high volatility of demand-based billing practices for public charging stations.

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<sup>2</sup> Case 22-E-0236, Proceeding to Establish Alternatives to Traditional Demand-Based Rate Structures for Commercial Electric Vehicle Charging, Order Establishing Framework for Alternatives to Traditional Demand-Based Rate Structures, 1/19/2023, p. 20.

<sup>3</sup> The current PSE&G CIEP Generation and Transmission Capacity demand rates are \$10.7332/kW and \$13.2845/kW, respectively per BPU NJ Tariff No. 16 Sheets 79 and 82, effective 6/1/2023. These values total to \$24.02/kW. (24.02/kW x 12 months = \$288.24).



## **Background on Electrify America and its Record of Advocacy in New Jersey**

Electrify America is the largest open DCFC network in the United States and is committed to investing over \$2 billion over ten years on zero emission vehicle infrastructure. This investment will enable millions of Americans to discover the benefits of electric driving and support the build-out of a nationwide network of ultra-fast community and highway chargers that are convenient and reliable. To date, Electrify America has built a coast to-coast network of DCFC stations across over 825 locations and with over 3,600 individual DC fast chargers in total, including 23 locations with 106 individual DC fast chargers in New Jersey. The chargers range from 150 kW to 350 kW of power based on anticipated needs and use cases, as well as available real estate and power. The ultra-fast 350 kW chargers are the most powerful public chargers on the market today, capable of recharging speeds close to gasoline fueling.

Electrify America has built a record of advocacy in New Jersey and particularly before the BPU over the past few years to advance a supportive utility environment for public charging stations. Specifically, Electrify America intervened in the individual proceedings initiated by PSE&G and ACE pursuant to the Board’s light-duty Minimum Filing Requirements, and Electrify America has submitted comments in the BGS proceedings for the past two years.<sup>4</sup> In response to Electrify America’s comments in last year’s BGS proceeding, the Board stated in its Order that “the Board is concerned with the pace of the progress in proposing a vetted rate design” and the Board ordered the EDCs in their next BGS filing (the present BGS proceeding) “to make a proposal regarding rate design for DCFC stations.”<sup>5</sup> Board Staff then initiated working group sessions for interested stakeholders to develop DCFC rate designs in the present BGS proceeding. Electrify America fostered and spearheaded conversations with Board Staff, the New Jersey Division of Rate Counsel (“Rate Counsel”), other charging companies operating in the State of New Jersey, and each of the four EDCs to develop these proposals. The proposals offered by the EDCs in their respective company specific addenda reflect these discussions.

Electrify America has committed significant resources in advocating for DCFC rate design for the BGS product in New Jersey because of the high cost of current capacity demand charges and their year over year volatility currently affecting New Jersey public charging stations. Electrify America’s investment in New Jersey depends in part on sustainable and predictable economics for

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<sup>4</sup> Electrify America filed comments or intervened in the following proceedings, in addition to other opportunities for participation in New Jersey and before the Board: Request for Comments Concerning Eligibility for Areas of Last Resort in the Electric Distribution Companies’ Electric Vehicle Programs (Docket Nos. EO18101111 and EO18020190); In the Matter of Medium and Heavy Duty Electric Vehicle Charging Ecosystem (Docket No. QO21060946); In the Matter of the Provision of Basic Generation Service (“BGS”) for the Period Beginning June 1, 2023 (Docket No. ER22030127); In the Matter of the Provision of Basic Generation Service (“BGS”) for the Period Beginning June 1, 2022 (Docket No. ER21030631); In the Matter of the Electric Vehicle Infrastructure Minimum Filing Requirements for Electric Distribution Companies Rulemaking (Docket No. QO20100671); In the Matter of the Petition of Atlantic City Electric Company for Approval of a Voluntary Program for Plug-In Vehicle Charging (Docket No. EO18020190); In the Matter of the Petition of Public Service Electric and Gas Company for Approval of its Clean Energy Future – Electric Vehicle and Energy Storage (“CEF-EVES”) Program on a Regulated Basis (Docket No. EO18101111); In the Matter of Minimum Filing Requirements for Light-Duty Publicly-Accessible Electric Vehicle Charging (Docket No. QO20050357).

<sup>5</sup> Order, In the Matter of the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2023, BPU Docket No. ER22030127 (November 9, 2023), at p. 15.



the private market for EV infrastructure. Utility rates and incentives should be structured to support infrastructure development in order to align with State public policy and ensure the financial sustainability of continued EV infrastructure operation. Electrify America has recently determined that it cannot make the economic case to open new stations in the PSE&G service territory given its rate design which includes high exposure to volatile capacity demand charges for its stations. New Jersey is at risk of falling behind other peer states and jurisdictions if it does not provide meaningful and permanent rate design reform to address demand charges. Such an outcome would be contrary to the State's goals for transportation electrification and specifically the development of increased charging infrastructure to address range anxiety and foster greater EV adoption by consumers.<sup>6</sup>

The urgency for permanent alternative rate designs is increased by the National Electric Vehicle Infrastructure (“NEVI”) program which provides funding for DCFC along Alternative Fuel Corridors. New Jersey is eligible for up to \$104M in NEVI funding<sup>7</sup> which has the potential to rapidly scale EV charging infrastructure along New Jersey highways. Private sector EV charging companies are most attracted to NEVI funding opportunities in markets where DCFC stations are likely to have sustainable operating costs. A successful and competitive NEVI site selection process would be greatly aided by permanent rate design solutions to ensure that EV charging station developer bids do not include excess risk premiums or suboptimal site designs in response to rate design constraints. NEVI sites require a minimum of 600 kW of simultaneous charging capacity across 4 chargers, which would equate to over \$172,800 in BGS demand charge risk based on the \$288/kW stated earlier. This demand charge exposure cannot be readily passed onto customers who are charged on a per-kWh basis, nor can load be managed during times when capacity tags are set based on NEVI requirements. The status quo is untenable.

Electrify America has consistently advocated for a volumetric alternative for capacity charges for several years now. A volumetric charge for capacity costs would eliminate the extreme volatility in capacity charges and allow DCFC station operators to have better visibility into station operating costs. The BPU has also recognized that DCFC rate reform is necessary. Almost three years ago, the BPU noted that “*Staff agrees that demand charges are an obstacle to EV adoption, and this Board Order requires that EDC filings include a proposal to address how to minimize the barriers to EV adoption created by demand charges.*”<sup>8</sup> However, any reform that excludes the BGS product is piecemeal and insufficient. The EDCs’ proposals finally present DCFC rate reform

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<sup>6</sup> In addition to statutory goals set forth in the Electric Vehicle Act of 2020 (“PIV Act”), P.L. 2019, c. 362, N.J.S.A. 48:25-1 *et seq.*, which target 400 DC fast chargers at no fewer than 200 charging locations in New Jersey by 2025, Governor Phil Murphy set ambitious clean energy goals this year, including that 100% of new cars sold by 2035 are zero-emission vehicles. *Press Release*, Governor Murphy Announces Comprehensive Set of Initiatives to Combat Climate Change and Power the “Next New Jersey” (Feb. 15, 2023), *available at* <https://www.nj.gov/governor/news/news/562023/approved/20230215b.shtml>.

PSE&G Chair, President and CEO Ralph LaRossa is quoted in the press release praising Governor Murphy’s “vision for a clean energy future” and recognizing the importance of “electrification of transportation.” *Id.*

<sup>7</sup> New Jersey Department of Environmental Protection, Drive Green webpage, *available at* <https://dep.nj.gov/drivegreen/infrastructure-investment-and-jobs-act/#1661437404277-81a6fbd0-4160>.

<sup>8</sup> Order, In the Matter of Minimum Filing Requirements for Light-Duty Publicly-Accessible Electric Vehicle Charging, BPU Docket No. QO20050357 (Sept. 23, 2020) at p. 10.



to the BGS supply product, but this is only the beginning to developing a supportive utility environment that will stimulate the private market of charging companies.

### **The EDCs' DCFC Rate Design Proposals**

Electrify America supports the proposals made by the EDCs to address DCFC rate design. PSE&G's proposal is based on a two-year pilot program that implements a cents per kWh charge for both Capacity and Transmission costs (referred to as the "Average DCFC kWh Charge") for DCFC stations that are served on BGS-RSCP or BGS-CIEP tariff rates and that elect to participate in the program.<sup>9</sup> ACE's proposal is based on a two-year pilot program to offer transmission and supply charges for Monthly General Service Secondary Electric Vehicle Charging (MGS-SEVC) customers billed on a kWh basis, replacing existing demand (kW)-based customer charge used for the billing of transmission and capacity costs.<sup>10</sup> JCP&L's proposal is based on an alternative BGS CIEP Capacity Charge in which BGS CIEP DCFC customers could pay the BGS Capacity Charge at a \$ per kWh rate for BGS Capacity Cost for the 2024/2025 BGS Supply period.<sup>11</sup>

Electrify America strongly urges the Board to extend JCP&L's program to two years, consistent with the proposals offered by PSE&G, ACE, and RECO. A two-year program, at a minimum, is necessary to better gauge participation, to acquire data, and to evaluate the success and efficacy of such programs. Moreover, station construction and development can be a lengthy process, which a two-year program could better take into account for new charging stations. Finally, RECO's proposal is based on providing an incentive of up to 75% of the BGS-CIEP capacity charge of the customer bill, with an annual cap of \$12,600 per DCFC Plug, administered annually for DCFC stations taking service under the BGS-CIEP tariff. RECO proposes operating this program for two years.<sup>12</sup>

The programs must also be able to accommodate new entrants in Program Year 2 as explained in the first section of our comments.

Electrify America appreciates that the EDCs have submitted proposals that primarily focus on billing on a kWh basis instead of existing demand (kW) frameworks. As Electrify America has explained throughout this process, the goal is to develop predictable billing practices that allow public charging stations to anticipate costs and to avoid the extreme volatility associated with traditional demand-based billing practices. Obtaining a stable and predictable price for electricity supply is critical for the ability of Electrify America and other charging companies to operate in an economically sustainable way. These proposals address the volatility among different stations within the same portfolio and among the different utilities operating in the State. This is a positive step towards more holistic rate reform.

However, each proposal is based on a *temporary* program. Two years is an interim step that will provide temporary relief to a complex problem. Importantly, these programs will provide

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<sup>9</sup> PSE&G Company Specific Addendum, at p. 26.

<sup>10</sup> ACE Company Specific Addendum, at p. 19.

<sup>11</sup> JCP&L Company Specific Addendum, at p. 26.

<sup>12</sup> RECO Company Specific Addendum, at p. 28.



data to assess how capacity costs are imposed on this unique customer class. Two years will not ensure the success of the private market of charging companies, and these proposals are not a substitute for permanent alternative DCFC rate designs. If these programs prove successful, then they should be extended. The problems with capacity costs and demand charges for DCFC stations that necessitated the BPU Order in last year's BGS proceeding and these proposals will not disappear despite the short-term relief. Permanent DCFC rate design is necessary to ensure a supportive utility environment for DCFC infrastructure that will enable charging companies to increase their investments and open new charging stations in the State.

Moreover, Electrify America remains concerned that some of the EDCs place costs of implementation for these programs on the charging companies themselves. The ability of a customer class to bear the implementation costs and capacity costs as a group will dictate whether the solution addresses the barrier. If participation in these programs does not adequately address these costs, these programs will be unsuccessful. This will result in a market failure for private charging companies that will make EDC-owned-and-operated charging stations in Areas of Last Resort more likely, with increased costs for ratepayers. The working group also operated under a constraint imposed by some participating parties that the DCFC program participants must bear all program costs from Day 1. This constraint to preclude even minimal cross subsidies in the start-up of this program may prove to be lacking in foresight and may be more costly for ratepayers in the long-term.<sup>13</sup> Electrify America cautions the Board and involved stakeholders that any potential lack of success for these programs should not be reason to abandon DCFC rate reform. Increased participation in permanent DCFC rate design solutions will ensure a robust private market for public charging companies, which will reduce ratepayer costs in the long-term, and which will ultimately allow the State to achieve its transportation electrification goals.

We appreciate the opportunity to provide these comments on the DCFC rate design proposals by the EDCs. We further appreciate the Board's willingness and commitment to addressing the State's EV and transportation electrification goals, as well as the efforts made by the EDCs and Board Staff to develop these proposals through collaborative working group discussions. We thank the Board and parties for considering Electrify America's comments and we look forward to further participation with other stakeholders in this process.

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<sup>13</sup> Electrify America recently filed comments in response to the Board's request for stakeholder input with respect to an update on timelines for eligibility of Areas of Last Resort in the EDCs' EV programs. *See* Electrify America Comments dated August 7, 2023 (Docket Nos. EO18101111 and EO18020190). Electrify America explained that the competitive advantage that EDCs have in owning and operating stations could encourage EV charging companies to allocate capital investments in other states where charging companies will not be compromised by a competitor with the ability to socialize loss-making operations and earn a BPU-supported rate of return. The demand charge risk currently facing private charging companies would be absorbed by ratepayers in utility owned and operated charging stations for Areas of Last Resort, as the EDCs would be in the same position to only charge EV drivers by the kWh delivered, thereby distorting the ability of private charging companies to compete when both the demand charge risk and capital expenses would be subsidized in an Areas of Last Resort scenario. Therefore, Electrify America urged the Board to delay any Areas of Last Resort designations and the accompanying permission for utility owned and operated charging stations until the State provides *permanent* rate reform that gives the private market of charging companies an opportunity to succeed.



Respectfully submitted,

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