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VIA BPU E-FILING SYSTEM & ELECTRONIC MAIL

Sherri L. Golden
Secretary of the Board
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
Board.Secretary@bpu.nj.gov

Re: In the Matter of the Implementation of Executive Order 317 requiring the Development of Natural Gas Utility Emission Reduction Plans - BPU Docket No. GO23020099

Dear Secretary Golden:

Public Service Enterprise Group, Inc. ("PSEG"), on behalf of its subsidiaries Public Service Electric and Gas Company ("PSE&G") and PSEG Energy Resources and Trade LLC ("ER&T"), PSE&G's supplier of natural gas pipeline and storage services, appreciates the opportunity to provide comments on the issues addressed in the above-referenced Board of Public Utilities ("Board") proceeding. As the State's only dual provider of gas and electric service, PSE&G offers a unique perspective on the important challenges and opportunities associated with Executive Order 317 and this proceeding, and emphasizes the following:

- **Integrated Planning:** Designing and implementing decarbonization plans will take time and require comprehensive planning that assesses the benefits, costs, and risks for all affected. Utilities should continue current decarbonization initiatives, and accelerate them if possible. Further, utilities should be given the flexibility to pursue new and innovative approaches to reducing emissions, including but not limited to replacement of older, leak-prone pipes, deployment of hybrid heating approaches, installation of ground source heat pumps networks for district heating and cooling, use of renewable natural gas and hydrogen, and deployment of utility-scale energy storage.
- **Affordability/Equity:** PSEG is committed to a just and clean energy evolution that reliably and affordably meets customers' needs and ensures no community is left behind.
- **Utilizing the Existing Gas System:** The foundation for a responsible evolution is preserving the reliability of electric and existing gas systems while pursuing a mix of solutions that provide opportunities for stakeholders, including utilities, to invest.

PSE&G serves over 1.9 million natural gas customers and approximately 2.3 million electric customers throughout its service territory within the state of New Jersey. The large majority of the gas customers are residential and other high priority customers that receive firm service from PSE&G and rely on PSE&G to meet their natural gas needs on an hourly and daily basis throughout the year. In fact, approximately 75% of New Jersey's residential households are served by natural gas and rely on natural gas to meet their heating needs, particularly on peak winter days. PSE&G, like the other New Jersey gas distribution companies ("GDCs"), has a statutory obligation to ensure the adequacy of gas supplies and associated pipeline capacity to serve all its customers in a safe, reliable, and cost-effective manner. PSE&G serves as the provider of last resort for customers who are not served by a Third Party Supplier ("TPS"), and who currently receive default commodity service, referred to as Basic Gas Supply Service, or "BGSS."

PSE&G is Committed To Decarbonization Efforts that Align with New Jersey's Clean Energy Objectives.

PSE&G is committed to responding to the climate change challenge and is ready to partner with New Jersey on the evolution toward a cleaner, low-carbon energy future. Since its founding in 1903, PSE&G has sought to make our communities better places to live and work. Our vision is to power a future where people use less energy that is cleaner, safer, and delivered more reliably than ever. PSE&G has charted its own evolution as a clean energy infrastructure-focused company and advanced a path toward a future that continues the fight against climate change. PSE&G is committed to supporting state and federal clean energy goals and is proud of its leadership in building a cleaner, more low-carbon energy future. What this leadership role has shown us is designing and implementing utility decarbonization plans takes time, and requires comprehensive, integrated planning that assesses the benefits, costs and risks for all affected. Continued collaboration with the utilities is the best path to significantly reducing emissions to the benefit of all communities. This collaboration should allow utilities the flexibility to test innovative solutions that may provide pathways to significant emission reductions.

PSE&G has an aggressive carbon reduction strategy for a large distribution utility and power generator. In 2022, PSEG closed on the sale of its fossil generating portfolio – becoming a primarily regulated utility with carbon-free generation. We continue to operate our nuclear plants, which produce over 85% of New Jersey's carbon-free energy. We are investing in our current infrastructure that is critical to continued safe and reliable operation and significantly reduced greenhouse gas emissions. For example, our Gas System Modernization Program ("GSMP") has already contributed to reducing our methane emissions by nearly 300,000 tons of CO₂e from PSE&G's system compared to 2011 and cut methane emissions by 22% compared to 2018 levels, equal to removing 65,000 passenger vehicles from the road.

We are also committed to supporting decarbonizing policies in the transportation sector and growing the State's electric vehicle infrastructure, which would reduce the number one source of greenhouse gas emissions nationally and in the state. PSE&G has been working collaboratively with the State's Buildings Working Group on developing recommendations related to emissions reduction strategies for buildings and potential modifications to the building codes for new construction. The State should explore increased deployment of clean and efficient hybrid heat pumps; they offer an environmentally and economically friendly solution which is easy to operate, ensures comfort to the end user, and provides both resiliency and reliability during peak load conditions. PSE&G has also made, and

will continue to make, significant investment in a robust portfolio of energy efficiency programs, including weatherization measures and rebates for high efficiency appliances and HVAC equipment, which have yielded significant emissions reductions.

Comprehensive, Integrated, and Coordinated Planning is Critical to Optimizing New Jersey's Ability to Achieve a Clean Energy Future.

Utilizing an integrated approach will be the most successful path to ensuring that the state achieves its decarbonization goals in a manner that is most affordable to customers. The Board should provide maximum flexibility to continue with current decarbonization programs and initiatives and encourage the utilities to make proposals to deploy new solutions and technologies, such as utility owned geothermal networks.

Coordinated Planning Among PJM, the Board, Utilities, and Stakeholders is Essential to Achieving the State's Clean Energy Future.

Approximately sixty percent (60%) of generation in the PJM region, and nearly half of the electricity consumed in the state, is produced by fossil fuels. Moving from gas to electric at this time will have an insignificant impact on reducing emissions. PJM's *Energy Transition in PJM: Resource Retirements, Replacements and Risks* report issued in February 2023 indicates that even more reliable generation is needed, and that is before the projected impacts of residential and commercial electrification are considered. At present, approximately 75% of New Jerseyans use natural gas as their primary heating source, a factor to take into account when considering the scope of electrification of heating.

PJM's analysis further indicated that retirements of energy sources are outpacing new additions and could leave the grid short of capacity by 2030. Coordination among PJM, the Board and the federal government will be needed to ensure that any shortfalls of capacity are met with clean generation. A sufficient supply of zero carbon generation is critical to efforts to reduce gas distribution system emissions, as greater electrification will not deliver the promised emissions reductions unless the replacement electricity is clean.

Integrated Resource and Distribution Planning is Critical.

Achieving a lower carbon future will require short and long term solutions, including more coordinated, forward-looking regulatory and planning frameworks such as integrated resource and integrated distribution planning to support coming demands across transmission and distribution networks.

A comprehensive road map needs to be developed for decarbonization and the shift towards greater electrification that considers the electric system's reliability, resiliency and capacity. An Integrated Resource Plan ("IRP") would outline potential paths for a utility to meet future energy and demand requirements while considering the associated risks and benefits to customers. It would identify both the supply and demand side resources needed to meet a utility's projected demand over time to ensure reliable service to customers under certain conditions as projected at the time the IRP was prepared. The IRPs could be prepared at regular intervals and amended as market conditions, technologies, and state and

federal regulations evolve. IRPs would address issues like generation retirements and incentives for more clean generation in the PJM portfolio.

Forward-looking Integrated Distribution Plans (“IDPs”), paired with multi-year rate planning and an updated regulatory structure, are also needed. IDPs would allow the State to weigh all possible solutions to distribution system needs, with the goal of improving efficiency, reducing costs and ensuring a safe, reliable and resilient distribution grid. Of note, a recommendation from the 2019 Energy Master Plan “required utilities to establish IDPs to expand and enhance the location and amount of distributed energy resources and electric vehicle charging on the electric distribution system.”

Assessment of Any Clean Heat Standard Should Include Consideration of Straightforward Models that are Tailored to the Needs of New Jersey Residents.

As the State considers a clean heat standard and reviews the standards that other States have adopted, it should focus on models that are straightforward and consider New Jersey-specific circumstances such as its heat source mix and population density. Additionally, it will be important to discuss how a potential standard would treat the eligibility of specific technologies, products, and fuels, consumer protections related to affordability, interconnection standards, program review, and credit, tracking and audit procedures.

At present, while there are a range of approaches under consideration, no state has fully deployed a clean heat standard. A clean heat standard could be considered as part of a larger suite of potential solutions, including the continuation of existing decarbonization programs. Utilities should have flexibility to propose and invest in solutions and demonstrate that those solutions will reduce emissions. This approach would maximize the effectiveness of existing, available technology and encourage the exploration of emerging technologies such as hybrid heat pumps, utility owned ground source heat pumps for district heating and cooling, utility developed renewable natural gas/hydrogen, carbon capture and storage, utility scale energy storage and other non-pipe solutions. Extensive discussion and data collection is needed to determine whether, and what type of clean heat standard would be most beneficial for New Jersey.

Low and Carbon Neutral Fuels Can Help Reduce Emissions.

As New Jersey focuses on the most cost-effective means to reduce statewide greenhouse gases and deliver reasonably priced electricity while supporting energy efficiency, strategic electrification, and preservation of zero-emissions nuclear generation, the continued availability of reliable, reasonably priced natural gas supplies is a requirement, not an option, for the foreseeable future. Indeed, there are significant risks to assuming New Jersey can simply or quickly phase out the use of this plentiful, cost-effective resource, ignore near and mid-term supply constraints, and neglect the extensive natural gas transmission and distribution infrastructure in place. Low carbon and carbon neutral fuels can help reduce emissions in the interim.

PSEG supports a broad approach that includes green hydrogen produced from renewables, pink hydrogen produced via nuclear power as it is emissions free (although currently a limited resource), and blue hydrogen produced by natural gas. When considering the introduction of low and carbon neutral

fuels, safety and reliability will need to be assessed. Expanded deployment of Renewable Natural Gas (RNG), especially in hard-to-abate industrial and commercial sectors, must be evaluated. The ability of RNG to use the current gas infrastructure system offers an immediate, fiscally prudent solution as long-term decarbonization planning occurs. Use of RNG has other environmental benefits such as improved waste management practices. Repurposing the gas system will avoid unnecessary utility investments in electric generation, transmission and distribution.

Engaging the Skilled Workforce is Essential.

PSEG, along with the other utilities, will need to utilize the talent of its skilled workforce during this energy evolution to ensure the safety and reliability of the gas and electric networks.

We value our relationships with the State, unions, educational institutions and community organizations in creating jobs and economic opportunities for residents as we build a clean energy economy. The State and the utilities must continue to partner on training and educational opportunities to ensure workers have the proper skills for the jobs the evolution will create. During this evolution, some workers will be displaced or need to be retrained. It is imperative that green jobs be good jobs that pay the prevailing wage and provide benefits, and foster a pathway to the middle class. PSEG is well-equipped to help individuals develop the needed skills and understands that future success includes addressing challenges around equity and inclusion.

Conclusion

A responsible evolution will preserve the reliability of existing electric and gas systems, and ensure that existing gas customers who are unwilling or unable to electrify, particularly low-and moderate income customers, are not burdened with less reliable service at higher prices. Coordinated, comprehensive planning is essential to reach the State's decarbonization goals; proceeding in any other fashion will result in a patchwork of disconnected solutions and delays, and hinder New Jersey's efforts to meet its emission reduction goals.

PSEG thanks the Board for the ability to provide these written comments, and looks forward to continued engagement with the Board, stakeholders, and the State as New Jersey continues its decarbonization efforts and the implementation of Executive Order 317.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Joseph F. Accardo Jr.", is centered below the text "Respectfully submitted,".

Joseph F. Accardo Jr.

cc: Robert Brabston (email)
Stacy Peterson (email)