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Via Electronic Mail and Public Search Document
Sherri Lewis, Board Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
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Trenton, NJ 08625-0350
Board.secretary@bpu.nj.gov

Re: In the Matter of the 2024 New Jersey Energy Master Plan
Docket No. QO24020126

Dear Secretary Lewis:

Public Service Electric and Gas Company ("PSE&G") appreciates the opportunity to submit these written comments to the New Jersey Board of Public Utilities ("Board" or "BPU") as it finalizes the draft of the 2024 Energy Master Plan ("EMP"). We incorporate by reference previous comments submitted under this docket.[1]

PSE&G is the State's largest public utility, and only dual service provider, serving 2.4 million electric customers and 1.9 million gas customers in New Jersey. PSE&G is a national and regional leader in reliability, affordability and customer satisfaction.

Overview of Current Energy Landscape

As a threshold matter, it is important to put the current energy landscape into context.

New Jersey —and the surrounding region — are facing significant issues with both reliability, where there is an increasing concern that there will not be enough power to supply the needs of our customers, and affordability, with electric bills set to rise significantly this summer. This rise in prices is due to the cost of the electricity itself, which PSE&G does not control. The cost is being driven by one main factor: a lack of generation supply to meet expected demand for electricity.

Current market rules, set by the regional grid operator PJM, simply are not sending a signal to the market to build urgently needed new generation. And because electrification, electric vehicle penetration, onshoring of manufacturing and data centers are pushing electric demand higher without electric supply increasing, prices are rising. Thus, the challenge of the moment is to meet the state's policy goals while doing so reliably and affordably and supporting economic development in New Jersey.

[1] In the Matter of the 2024 New Jersey Energy Master Plan, BPU Docket No. QO24020126, PSE&G Comments & Responses to RFI – 2024 EMP, dated June 12, 2024, available via BPU's online document portal www. https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case_id=2112714

As the Board continues the process of updating the EMP, it is vital that reliability and affordability remain at the forefront. A variety of solutions are possible; all will require thoughtful evaluation, along with a transparent assessment of costs and the feasibility of implementation.

Although PSE&G is not responsible for the rise in energy prices, PSE&G wants to be part of the solution by assisting its customers today and working with the State to identify the most attainable and affordable options over the short and longer terms. The EMP should also consider more holistically how the energy needs of New Jersey will be met. Considering all the challenges ahead, the state's EMP is an opportunity that should err toward optionality, rather than exclusivity, in considering solutions.

PSE&G stands ready to partner with the state and various stakeholders to develop a constructive, innovative and proactive plan to identify opportunities for maintaining reliability and affordability for our customers while meeting the state's environmental goals.[2]

New Jersey is at a critical decision point to assess ways to alleviate constraints and ensure adequate power supply in our State. The Board may wish to consider the following components towards forming a more comprehensive strategy, some of which could require regulatory or legislative changes, that will preserve the reliability of electric and gas systems and enable a just and responsible transition to a lower carbon future. Components for consideration include:

- A more comprehensive approach to an energy master plan that considers resource planning to address the supply/demand imbalance
- Continued prioritization of investment in energy efficiency
- Optionality for low and carbon-neutral fuels and continued focus on replacing leak-prone gas distribution facilities
- Encouraging utility investment in battery storage

PSE&G stands ready to partner with the State to develop a comprehensive plan that considers state goals as well as energy resource distribution and transmission needs to address reliability and affordability.

Addressing the state's energy needs requires focusing on the supply/demand imbalance in the state holistically and considering a range of solutions to address it, while at the same time continuing to work with PJM and NJ utilities to (i) reform the PJM's capacity market to support regional reliability and affordability and (ii) ensure sufficient robust transmission solutions are planned and implemented to move generation to meet customer demands for electricity. The plan should balance environmental and economic goals with grid reliability, without disfavoring reliable thermal generation.

[2] As the refresh of the Energy Master Plan process continues, PSE&G can be more helpful going forward if access is provided to additional details about what factors were considered when developing the modeling assumptions for the refreshed EMP.

Getting to a lower carbon future will require short- and long-term solutions, including more coordinated, forward-looking regulatory and planning frameworks to support coming demands across transmission and distribution networks. These coordinated solutions currently are not part of the energy strategy and planning landscape in New Jersey. The plan must also recognize that PJM cannot order that new generation be built; rather, it relies on developers to come forward with generation projects as part of its queue process and then pays them in both its energy and capacity markets. It cannot direct that "X" amount of generation in "X" state be built by "Y" date.

A comprehensive road map that considers the electric system's reliability, resiliency and capacity as well as the need for new generation, needs to be developed during the shift towards greater electrification. An updated energy plan should be multi-dimensional and outline potential paths the state and utilities could take to help satisfy future energy resource and capacity requirements while considering the associated risks and benefits to customers in the context of the state's policy goals. Utilities can help the state with planning depending on the preferred pathways for meeting resource needs as the state considers various options like PJM market reforms or state-driven generation solicitations or long-term contracting, among others.

Moreover, resource planning should consider existing thermal baseload resources such as natural gas and nuclear that can be leveraged to their full potential. While solar and other intermittent resources fill some gaps and should be part of a comprehensive strategy, they do not have the same operational features for firm supply essential for maintaining grid reliability. Without adequate and dependable generation from traditional baseload resources, available and dispatchable energy that can be quickly deployed to meet demand can be reduced and will put reliability at risk, especially during peak demand periods. Maintaining thermal generation sources such as natural gas and nuclear, along with renewable energy, ensures consistent baseload power and further reinforces grid stability.

Simultaneously, continued, prudent investment in utility transmission and distribution infrastructure and policies that promote responsible use are important. The state can work with its utilities and PJM to support regional transmission solutions that would move more out-of-state power into New Jersey, either as part of or in addition to a longer-term energy master plan. Additionally, more forward-looking integrated distribution plans (IDPs), possibly paired with updates to the existing regulatory structure, including multi-year rate planning, as recommended in the 2019 EMP, should be considered. IDPs would allow the State to weigh all workable solutions to distribution system needs, with the goal of modernizing, improving system efficiency, reducing costs, and ensuring a safe, reliable, and resilient distribution grid. Reliability should also include addressing power and voltage quality, which will become more challenging as renewable energy and DERs are integrated into the system.

Coordinated, holistic planning, coupled with detailed financial and rate modeling and careful consideration of customer adoption assumptions and risks and the cost impacts on all customer classes, especially low to moderate income customers, will aid in attaining the State's decarbonization goals. Failure to carefully consider these factors will result in a patchwork of disconnected solutions and delays, making the Administration's emission reduction goals difficult, if not impossible, to reach.

Continued investment in Energy Efficiency – one of the most effective decarbonization and system reliability strategies – is necessary.

Through its Clean Energy Future – Energy Efficiency programs ("CEF-EE I") approved in 2020[3] and ("CEF-EE-II"), approved in 2024[4], PSE&G has also made a significant investment in a robust portfolio of energy efficiency initiatives, which provide near- and long-term energy saving opportunities for customers. These offerings include single, prescriptive and custom measures, direct install and comprehensive whole building solutions, which have yielded significant emissions reductions. It is important that the EMP continue its focus on energy efficiency and the multiple benefits it has and will continue to provide for the State. Utilities have several unique advantages in delivering energy efficiency programs to customers, including established customer relationships and a trusted brand, expertise administering energy efficiency programs, ability to offer on-bill repayment, and access to customer usage data to identify energy savings opportunities and monitor the impact of energy efficiency projects. Authorizing utilities to take a leadership role in the implementation of energy efficiency is a proven, successful approach in our State and should continue.

Low and carbon neutral fuels, elimination of leak prone pipes, and improvements to existing gas infrastructure can help reduce emissions during the transition.

As New Jersey focuses on the most cost-effective means to reduce statewide greenhouse gases and deliver reasonably priced electricity while supporting energy efficiency and strategic electrification, the continued availability of reliable, reasonably priced natural gas supplies is a requirement, not an option. At this time, natural gas accounts for about 40% of all energy types consumed in New Jersey (like petroleum), and 47% of New Jersey's total electricity generation.[5] Indeed, there are significant risks to assuming New Jersey can simply or quickly phase out the use of this cost-effective resource, ignore near and mid-term electric supply constraints, and neglect the valuable natural gas transmission and distribution infrastructure in place. Continued elimination of leak prone pipes and improvements to existing gas infrastructure is critical to help reduce emissions as we transition to a clean energy future. Carbon neutral fuels can help reduce emissions in the interim.

PSEG supports a broad approach that includes Renewable Natural Gas, green hydrogen produced from renewables and pink hydrogen produced via nuclear power as it is emissions free (although currently a limited resource). When considering the introduction of low and carbon neutral fuels, safety and reliability will need to be assessed. During the energy transition and move to electrification, repurposing the gas system will avoid unnecessary utility investments in electric generation, transmission and distribution. As an ancillary benefit, next-generation supply sources like RNG and hydrogen will create in-State jobs that do not otherwise exist.

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[3] In re the Petition of Public Service Electric and Gas Company for Approval of its Clean Energy Future – Energy Efficiency ("CEF-EE") Program on a Regulated Basis, BPU Docket Nos. GO18101112 & EO18101113, Order dated September 23, 2020.

[4] In the Matter of the Petition of Public Service Electric and Gas Company for Approval of its Clean Energy Future Energy Efficiency II ("CEF-EE-II") Program on a Regulated Basis, BPU Docket No. QO2310874, Order adopting Stipulation, dated October 30, 2024.

[5] In 2023, natural gas (49%) and nuclear power (42%) fueled 91% of New Jersey's total electric generation. Together, natural gas and nuclear power have fueled more than 90% of New Jersey's total energy generation in every year since 2011. www.eia.gov/state/analysis.pHp?sid+NJ

Utility Investment in Battery Storage

As the Board continues to pursue the State's mandate to have 2,000 MW of installed storage by 2030[6], it should utilize every available resource, specifically the electric distribution companies, to maximize the reliability benefits of storage.

PSE&G remains ready and able to assist the State, as it has been since filing its Clean Energy Future – Electric Vehicle and Energy Storage Program[7]. Energy storage is also an important component of maintaining system reliability in response to increasingly intermittent and variable loads associated with the continued integration of renewables resources onto the grid, coupled with the electrification of transportation and buildings. Properly deployed and administered energy storage can help balance these variable loads – along with the use of energy efficiency and peak demand reduction programs – by offering a method to manage load and store power for use when customers need it the most.

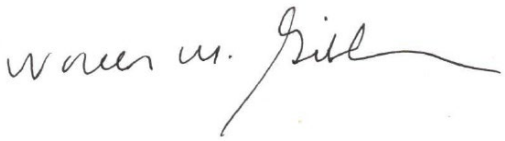
Conclusion

As New Jersey contemplates how best to meet its diverse and ever-changing energy needs, it must do so in a way that fosters security, sustainability and economic vitality. The grid must remain safe, reliable and affordable and able to meet the demands of residents and businesses alike.

A forward-thinking energy strategy that includes solutions for meeting the state's energy resource needs, transmission solutions, and energy efficiency programs will best help keep bills affordable for customers as the State continues to take steps to attract new businesses and move our state's economy forward.

PSE&G looks forward to working with the State and the BPU as a partner and resource as it strives toward these goals in the updated EMP.

Very truly yours.



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[6] N.J.S.A. 48:3-87.9(a)

[7] 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, Decision and Order approving Stipulation, Docket No. EO18101111 (January 27, 2021).