
Committee Meeting

of

SENATE SELECT COMMITTEE

ASSEMBLY TELECOMMUNICATIONS AND UTILITIES COMMITTEE

“The Committees will receive testimony from invited guests on the affordability of energy in New Jersey”

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: April 25, 2025
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Paul A. Sarlo, Chair
Senator Linda R. Greenstein, Vice Chair
Senator John J. Burzichelli
Senator Nilsa I. Cruz-Perez
Senator M. Teresa Ruiz
Senator Bob Smith
Senator Andrew Zwicker
Senator Carmen F. Amato, Jr.
Senator Michael L. Testa, Jr.

Assemblyman Wayne P. DeAngelo, Chair
Assemblyman David Bailey, Jr.
Assemblywoman Andrea Katz
Assemblyman Julio Marengo
Assemblywoman Tennille R. McCoy
Assemblyman Christian E. Barranco
Assemblyman Alex Sauickie
Assemblyman Brian E. Rumpf



ALSO PRESENT:

Miranda Crowley
Andrew Edmonson
Kelly E. Monahan
Steve Z. Weng
*Office of Legislative Services
Committee Aides*

Michael Horgan
*Senate Majority
Committee Aide*

John Gorman
*Senate Republican
Committee Aide*

Erin K. Reagan
*Assembly Majority
Committee Aide*

Kevin Logan
*Assembly Republican
Committee Aide*

***Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey***

Paul A. Sarlo
Chair

Linda R. Greenstein
Vice-Chair

John J. Burzichelli
Nilsa I. Cruz-Perez
M. Teresa Ruiz
Bob Smith
Andrew Zwicker
Anthony M. Bucco
Michael L. Testa, Jr.



Andrew Edmonson
Kelly E. Monahan
Office of Legislative Services
Committee Aides
609-847-3840

NEW JERSEY LEGISLATURE
SENATE SELECT COMMITTEE

STATE HOUSE ANNEX · P.O. BOX 068 · TRENTON, NJ 08625-0068
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COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE SELECT COMMITTEE
FROM: SENATOR PAUL A. SARLO, CHAIRMAN
SUBJECT: COMMITTEE MEETING - APRIL 25, 2025

The public may address comments and questions to Andrew Edmonson, Kelly E. Monahan, Committee Aides, or make bill status and scheduling inquiries to Sherri Hanlon, Secretary, at (609) 847-3840 or email OLSAideSSC@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate Select Committee and the Assembly Telecommunications and Utilities Committee will meet jointly on Friday, April 25, 2025 at 10:00 AM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The committees will receive testimony from invited guests on the affordability of energy in New Jersey.

Those individuals presenting written testimony are asked to provide 30 copies to the committee aide at the committee meeting.

Issued 4/17/25

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Julio Marengo
Tennille R. McCoy
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NEW JERSEY LEGISLATURE
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AND UTILITIES COMMITTEE

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COMMITTEE NOTICE

TO: MEMBERS OF THE ASSEMBLY TELECOMMUNICATIONS AND UTILITIES COMMITTEE

FROM: ASSEMBLYMAN WAYNE P. DEANGELO, CHAIRMAN

SUBJECT: COMMITTEE MEETING - APRIL 25, 2025

The public may address comments and questions to Miranda Crowley, Steve Z. Weng, Committee Aides, or make bill status and scheduling inquiries to Frances Hample, Secretary, at (609)847-3840 or e-mail: OLSAideATU@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

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SENATOR PAUL A. SARLO (Chair): Good morning, everybody.

Welcome to the combined Joint Senate/Assembly Select Committee with regards to energy policy. There is a lot of folks in this room today. And, I know everybody here has a lot of interest. Please, please, use the outer lobby if you need to have a conversation or you need to have a phone call. Please be respectful of the members; we have a large group up here, and we're managing a lot of different folks up here. So, please, be respectful of one another today; make your calls; put everything on silent; take it to the outer lobby. And, that also goes for staff on both sides. We have a lot of staff; please take your calls and your conversations to the outer lobbies; it will be extremely helpful.

I guess we should begin with a roll call.

MS. CROWLEY: This is a roll call for the Senate Select Committee.

Chairman Sarlo.

SENATOR SARLO: Present.

MS. CROWLEY: Is present.

Vice Chair Greenstein.

SENATOR LINDA R. GREENSTEIN (Vice Chair): Here.

MS. CROWLEY: Is present.

Senator Ruiz.

SENATOR RUIZ: Here.

MS. CROWLEY: Is present.

Senator Cruz-Perez.

SENATOR CRUZ-PEREZ: Present.

MS. CROWLEY: Is present.

Senator Burzichelli.

SENATOR BURZICHELLI: Present.

MS. CROWLEY: Is present.

Senator Smith.

SENATOR SMITH: Present.

MS. CROWLEY: Is present.

Senator Zwicker.

SENATOR ZWICKER: Here

MS. CROWLEY: Is present.

Senator Amato.

SENATOR AMATO: Present.

MS. CROWLEY: Is present.

Senator Testa.

SENATOR TESTA: Here.

MS. CROWLEY: Is present.

Chairman Sarlo, you have a quorum.

This is a roll call for the Assembly Telecommunications and
Utilities Committee.

Assemblyman Rumpf.

ASSEMBLYMAN RUMPF: Present.

MS. CROWLEY: Is present.

Assemblyman Sauickie.

ASSEMBLYMAN SAUICKIE: Here.

MS. CROWLEY: Is present.

Assemblyman Barranco.

ASSEMBLYMAN BARRANCO: Here.

MS. CROWLEY: Is present.

Assemblyman Marenco.

ASSEMBLYMAN MARENCO: Here.

MS. CROWLEY: Is present.

Assemblyman Bailey.

ASSEMBLYMAN BAILEY: Present.

MS. CROWLEY: Is present.

Assemblywoman McCoy.

ASSEMBLYWOMAN McCOY: Present.

MS. CROWLEY: Is present.

Assemblywoman Katz.

ASSEMBLYWOMAN KATZ: Here.

MS. CROWLEY: Is present.

Chairman DeAngelo.

ASSEMBLYMAN WAYNE P. DeANGELO (Chair): Here.

MS. CROWLEY: Is present.

Chairman DeAngelo, you have a quorum.

ASSEMBLYMAN DeANGELO: Thank you.

SENATOR SARLO: OK, thank you.

To the members, we're going to try to conduct this the way we did at the last hearing. We will go back and forth, try to make sure we're getting equal representation, both from the Senate and the Assembly, and from folks on both sides of the aisle; majority and the minority. So, we will do our best to manage that. We're going to do our best, please-- Maximum five minutes on your Q&A, and we will come back to you. We will come

back to you. We only have two panels here today. So, there's plenty of time here this morning into early afternoon; try to get everybody out of here very early this afternoon, that is our goal, to get to the point. Please try -- do not -- try to repeat the same questions that they've answered already. I know how we all like to sometimes ask the same questions. Please, let's all try to be respectful. I'm going to turn it over to my co-chair, Assemblyman DeAngelo for a few words. And, to invite the first panel up.

ASSEMBLYMAN DeANGELO: Thank you.

If we can all just start with the Pledge of Allegiance.

(Pledge of Allegiance recited)

Thank you. Before we start, I don't know if the Assembly Republicans would consider substituting Assemblyman Sauickie for his son; he's standing here and joining us today. I just want to welcome him to our chambers and see the process, as yesterday was bring your child to work day. So, he's a day late, but we'll forgive him on that.

ASSEMBLYMAN SAUICKIE: I appreciate that, I might tag him in later.

(laughter)

ASSEMBLYMAN DeANGELO: I'd like to call up our first panel, Public Service Electric & Gas.

And then, if we could have JCP&L, and Atlantic City Electric.

SENATOR SARLO: And, Rockland.

ASSEMBLYMAN DeANGELO: And, then, followed by Orange and Rockland.

SENATOR SARLO: So, if we could just have across the front -- in front of the microphones -- PS, JCP&L, and Atlantic, in front of the microphones.

OK? And, then, Orange and Rockland in the second row.

ASSEMBLYMAN DeANGELO: And, then, if I could just ask you all for the Committee, if you could just introduce yourself; make sure you put your hand up so we can see who's speaking.

Make sure you got a red light when you're speaking.

SENATOR SARLO: And, to the utility companies.

During the question-and-answer period, if you need to refer to some folks -- you brought a lot of folks with you -- so, if you need to refer to them at any point in time, just feel free to bring them up. But, all the questions will be first aimed to the four principal speakers, so, if you could identify yourselves, as the Assemblyman said.

RICHARD T. THIGPEN, J.D.: Good morning.

Chairman DeAngelo, Chairman Sarlo, members of the Senate Select Committee, and members of the Assembly Telecommunications Committee. Good morning; my name is Rick Thigpen, I am the Senior Vice President for Corporate Citizenship for Public Service Enterprise Group. I'm joined today with a couple of people. To my left is Joe Checkley, the President of IBEW Local 94, and Gregg Murray, the Business Agent for our Plumbers and Pipefitters UA, Local 855. And, I have some others here to answer questions with me, as well.

So--

SENATOR SARLO: Rick, before you go, let's just get the other folks to introduce themselves up here, I think it's only appropriate.

PHILLIP VAVALA: Yes, good morning.

I'm Phillip Vavala, I'm the Regional President for Atlantic City Electric; thank you for having us this morning.

TERESA REED, J.D.: Good morning, Committees.

My name is Teresa Reed, I'm the Vice President of Finance and Regulatory for Jersey Central Power & Light.

JOSEPH W. CHECKLEY: Good morning, Committees.

Joe Checkley, Business Manager for IBEW Local 94.

ALEXANDER C. STERN, Esq.: I don't know if you want the back row, but--

SENATOR SARLO: Please.

MR. STERN: Alex Stern, Director of RTO Relations and Strategy for Exelon.

ANDREW HENDRY: Andrew Hendry-- Oh, go ahead, sorry, Mr. Chairman, I see you raised your hand.

SENATOR SARLO: Go ahead.

MR. HENDRY: Andrew Hendry, Senior Advisor for Regulatory Affairs for Jersey Central Power & Light.

SENATOR SARLO: I apologize to the members, maybe I'm still thinking I'm the Mayor-- Well, I am the Mayor of my town.

Can we get the three-- Can we get Public Service, Orange and Rockland, and Atlantic into three main seats here behind the microphones. Mr. Checkley, if you could just slide over, and stay up, you're bound to stay up. But, I would like to get the three major utilities across the front, and then Orange and Rockland in the back. Mr. Checkley, if you could just slide over next to-- You could stay up at the front panel, that's fine.

There we go.

For the members, I want to be able to direct you to the three utility companies. Go ahead.

Thank you.

MR. THIGPEN: All right.

I guess Public Service will go first?

SENATOR SARLO: Public Service followed by--

MR. THIGPEN: And, I will--

SENATOR SARLO: --Jersey Central, and then Atlantic.

MR. THIGPEN: And, with your permission, I'll start with some prepared remarks, and then, obviously we have a lot to talk about today, which we're actually looking forward to, believe it or not.

So, it's no secret why we're here today. Utility price spikes are something of substantial significance. The most recent PJM capacity auction results are the direct cause of this significant price increase coming for utility bills this year. And, that cost is being driven by one main factor: a lack of generation supply to meet the growing demand for electricity, and you're going to hear more about that today.

So, how did we get here? In 1999, we enacted EDECA, which deregulated the generation market. Also, 25 years ago, integrated resource planning ceased when New Jersey eliminated vertically integrated utilities and deregulated generation, giving the responsibility for procuring generation and planning transmission to PJM. Governance rules--

SENATOR SARLO: Listen, if you could move that microphone closer; the members are having a hard time hearing you, and you are-- They want to hear from you.

MR. THIGPEN: I'm just a very quiet spoken guy.

(laughter)

All right. So, governance rules have certainly made PJM sometimes unwieldy. The mechanism designed to incent to build the new generation is the capacity market auction. This auction is run by PJM, and they are designed to maintain reliability at the lowest possible cost. And, for a variety of reasons that will be discussed today, it's simply not working to incentivize to build the new generation. Now, for the last four years, the total amount of supply bid into PJM's capacity market auctions has declined, including a startling 34th over 34,000 megawatts for a nearly 19% decline in supply offering to the auction last year. At the same time, PJM currently forecasts demand for electricity to grow by 4.8% per year over the next decade, after years of flat growth. The results of this drop in supply combined with projected increase in demand is a price for capacity nearly 10 times higher than the past auction. This formerly small percentage of utility bills will now grow significantly and will cause a between 17%-20% increase -- about \$25 a month for an average residential customer, is our estimate -- and, the bills our customers will pay. Estimates are that this increase will cost the customers -- will cost over \$14 billion across PJM, and well over a billion dollars for New Jersey alone.

Now, we are acutely aware of the difficulties that these price spikes are causing. And, if we didn't know, this hearing is certainly a pretty stark reminder. I just want to talk a little bit about some of the steps we took to avoid this unfortunate circumstance from happening. Since 2023, we have coordinated closely with the State and with PJM to provide PJM with detailed information reflecting the increasing demand that PSE&G has been

seeing, and New Jersey public policies and requirements. In the summer of 2023, PSE&G submitted comments to both FERC and to PJM, warning about the internal and external challenges facing PJM on the resource adequacy front, and our concern--

UNIDENTIFIED SPEAKER: --Pardon.

MR. THIGPEN: --and our concerns regarding PJM's failure to enforce its rules for generator performance in the aftermath of winter storm Elliot.

Since late 2024, we have made numerous finds with FERC regarding the PJM capacity market emphasizing the gravity of the situation in our firmly-held view that meaningful, long-term solutions -- not Band-Aid fixes -- are needed, and that repeated rule changes and auction plays compound the challenge of achieving predictable auction results.

We recognize that this unfortunate increase will be delivered to our customers through bills with our name on it. This means that whatever the facts are -- and, the facts are we are not responsible for this increase -- we are involved. We recognize it, and we intend to be part of the solution. To me, involvement means helping policymakers identify and implement effective policy solutions that can enable New Jersey to take more control of its energy destiny, and avoid facing these circumstances in the future. This involvement also means helping our customers, the nearly 2.4 million households in this state that PSE&G has the privilege to provide electric service to every single day. And, we have to help them deal with the impacts despite this price spike will have on their budgets. And, let us not forget, we have about 10,000 employees in the State of New Jersey, just a little short, and many of them are PSE&G customers, as well.

One of our goals is to work to be hard to be trusted energy advisors for our customers; to help prepare them for what is coming; to help them identify ways to reduce their usage; help them connect to payment-assistance resources; or help them with payment plans. For example, PSE&G currently has about 180,000 participants in the Universal Service Fund program, which helps eligible customers -- those up to 60% of median household income in New Jersey -- pay their bills. Working with the BPU, we are committed to increasing participation by over 10%. Already, we've identified over 100,000 customers who are eligible for payment assistance, who are not yet participating in the program, and we have targeted special outreach towards them. We are also expanding our outreach to increase program awareness of payment assistance, and energy efficiency resources, and the value of equal payment plans -- which, I think will come up again to help remove the ups and downs of seasonality from bills, providing a more predictable bill for customers each month. We are actively engaging with non-profit communities, with non-profits who serve the community to identify opportunities for them to connect residents with the programs that offer utility payment assistance, as well as inviting them into our customer service centers to help customers fill out applications, which is sometimes one of the barriers to their participation. The PSEG Foundation's Neighborhood Partners Program is launching in mid-May; a program to focus on supporting non-profits that provide various, comprehensive, socio-economic support services focused on alleviating financial strain. Examples include, but are not limited to, support for programs that assist with food insecurity, housing, family support services, job training, financial literacy, and workforce development programs. All to help at the affordability crisis. We have and

we will continue to host multiple stakeholder sessions with local elected officials, and, hopefully some people on this panel today, as well as community and faith leaders to share information on additional assistance programs designed to help communities better understand and access resources available to support them with financial challenges.

We have also developed an affordability guide to provide streamlined access to a variety of resources through integrated links to energy-saving tips and assessments, as well as various resources for bill payment assistance programs for low- and income-qualified customers. These guides will be widely distributed throughout the year. As a very important addition, we'll be working with the BPU and policymakers to also find ways to help address the needs of those middle-income households who earn above those income eligibility criteria; to make available to them as well, programs to help them make ends meet when these utility bills cause problems in their household budgets. And, we are now working with the BPU on the Board's direction that the state's electric distribution companies take steps to mitigate near-term impacts of the PJM capacity auction price increases on New Jersey bills this summer.

So, we're very proud of those steps. And, I just want to remind you, PSE&G is built on operational excellence. We provide over 2.4 million households electric service, and on 1.9 million New Jersey households are our gas customers, and we provide them with safe, reliable, and affordable electric and gas service every day, and it is the foundation of everything we do. We are proud to be-- We are proud to be an excellent value partner for the state, and we are proud of earning such awards as the reliability award won for superior electric system reliability in the mid-Atlantic region, for 23

consecutive years. And, we are top-decile customer satisfaction, and we are achieving top-decile customer satisfaction results according to J.D. Power.

I also want to mention that PSE&G bills are significantly more affordable today than they were 15 years ago, when measuring affordability as a utility bill share of household income. This is because of rigorous control of our O&M expenses below 2% increases every year. And, the unlocking of huge shale gas reserves, just about a four-hour car drive west of here. Together, these two factors help make PSE&G among the most affordable utilities nationally, when measured by share-of-household income. And, PSE&G has the least expensive gas rates for every customer in this region. We are quite proud of the value proposition we provide to the State of New Jersey, and to our customers, and to the 300 municipalities, and about 14 counties they live in, and to the State of New Jersey itself. We are industry leaders at providing top-tier levels of reliability and customer satisfaction, while delivering service at an affordable price. To do this, we employ nearly 10,000 New Jersey residents, and spend over \$2.6 billion every year, with about 4,000 New Jersey businesses. We are a leading employer of the building trades, and we keep the state's contractor community and engineering firms working with us all the time.

Our employees live, work, and volunteer in communities across the state, and more than 60% of them are also shareholders, along with thousands of other New Jersey households. I would not be surprised if many of you have children who have been coached by a PSE&G employee on their Little League, soccer, softball, or football teams. PSE&G stock has been a safe investment for -- with a 117-year history of paying dividends. And, I just mention those things because we're proud of the value proposition we offer.

I have a lot more to say, and I look forward to the opportunity to say it, but I would like to ask the opportunity for Joe Checkley to continue the remarks made on behalf of Public Service.

SENATOR SARLO: Can we-- Is it possible to hear from the CEOs first, and then we can go to Mr. Checkley?

I think the members would like to hear from the CEOs; is that OK?

MR. THIGPEN: Absolutely OK.

I just want to make clear we're here together, and we want to communicate together.

SENATOR SARLO: Understood.

So, if we can, we'll hear from the CEOs -- or, not the CEOs -- the utilities. We have a bunch of executives from the utility companies, and then we're going to go to Mr. Checkley. And, then, we'll ask questions collectively at the end.

MR. THIGPEN: Thank you, Mr. Chairman.

SENATOR SARLO: And, I like Mr. Checkley a lot. I don't know, maybe he's the guy responsible for-- He knows how to solve this problem, then I want to hear from him first.

(laughter)

I'm not sure if he has the--

MR. THIGPEN: Chairman--

SENATOR SARLO: -- the magic wand.

MR. THIGPEN: -- I was afraid of him overshadowing me by going first, so I went first today.

(laughter)

SENATOR SARLO: If he has the magic wand, you guys go all step aside, and we put him up first.

MR. THIGPEN: It would be a better day if we did.

SENATOR SARLO: OK.

Let's go to Phil Vavala, Regional President of Atlantic City Electric Company. He'll be followed by Teresa Reed, Vice President of State Finance and Regulatory for New Jersey from JCP&L. And, then, followed by Janette Espino, Rockland Electric. And, then, followed by Mr. Joe Checkley, President/Business Manager IBEW Local 94 who is going to solve the problems.

MR. VAVALA: Thank you very much; can you hear me OK?

OK. Thank you. Good morning, Chairman DeAngelo, Chairman Sarlo, members of the Joint Legislative Committee. As mentioned already, my name's Phil Vavala; I'm the Regional President for Atlantic City Electric; appreciate the opportunity to speak to you today about our strategy related to affordability, and initiatives to address rising energy costs.

It's no surprise, New Jersey has serious resource adequacy issues. Recent and anticipated PJM capacity auction results; local generation retirements; and the urgent need for new transmission projects; and the prospects of additional new large load customers have highlighted these concerns. Ensuring affordable and reliable energy service should not be controversial. We all agree that rising costs, such as those announced in February, are not sustainable. We owe it to our customers to work towards a solution, and we need an all-in, all-aboard approach to safely and efficiently generate and deliver energy to New Jersey's customers.

Atlantic City Electric is committed to working with our fellow utility companies, as well as the elected and regulatory officials, energy generators, and our customers to determine the best way to address energy needs and supply. Informed and transparent conversations like today are a must, with the mutual understanding that we are all working for the best interest of New Jersey and its residents, and that's absolutely critical for us to move forward. As you're all aware, the recent results announced for the basic generation service auction resulted in increases for New Jersey electric utilities, including a 17% impact to the average customer bill for Atlantic City Electric customers, beginning June 1. That average residential customer will see a total bill impact of approximately \$23 per month as a result of supply-cost increases. And, supply rate -- which we've discussed already -- determined through this auction and the base residual auction, is the cost of electricity a customer uses. And, that rate changes based on the purchase cost of electricity. Supply and demand strongly influences this, and the auction prices. And, the supply portion of a customer's bill is passed directly to the customer from the generators of electricity.

Atlantic City Electric agrees that new supply is not keeping pace with both supply leaving the system and the forecasted increase in demand. Compounding the State's challenge and contributing to rising energy costs is the fact that New Jersey is already a 43% net importer from its power from its neighbors, and, has seen its own fair share of gas plants retiring off of the system, consistent with both State regulation, and does not have the supply in or through the interconnection queue to make up for this imbalance. To be clear, Atlantic City Electric does not generate; set the price for electricity; nor determine the supply portion of a customer's bill. We do, however,

deliver electricity that our customer's both safely and reliably. And, that's our primary mission through our distribution system, noting that New Jersey customers can choose an alternate supplier than ACE, as is part of the retail choice already discussed, in New Jersey.

It's noteworthy that the company is permitted to earn a return on its distribution charges. And, that rate allows the company to continue investing in the reliability and modernization upgrades to the system to better serve our customers. Some significant projects we highlight are the Atlantic City and Brigantine Community Reliability Projects; battery storage projects; Cape May Substation Reliability Project; and the Greater Gloucester and Camden Counties Reliability Projects. These all are designed to increase the reliability and the economic vibrancy of our state.

Distribution rates also address severe storm damage, and help us invest in the grid in a way so that we can make it more resilient for future storms. And, the appropriate investment and transmission infrastructure that we make, as well, is also regulated by FERC. We believe our customers are receiving value in the quality of their energy service through these ongoing investments, and enhance the local and regional energy grid, resulting in a 31% decrease in outages over the past 10 years. We understand that shifts in customer bills can have a significant impact on our customers, and that's why we work with customers to empower them to better manage the energy use; have programs to support those who may be struggling to meet their energy needs or are facing financial hardship. Some examples include budget billing, that can help empower customers for their annual energy cost to create a balance and more predictable monthly bill, and help customers know what to expect each month to avoid seasonal peaks while getting a view of

their actual energy usage. We are exploring periodic budget billing true ups and recalculations throughout the budget year, and increasing budget billing campaigns to increase customer participation. Additionally, our recently deployed smart meters enable tools to help customers save money and energy. And, let me emphasize that we have found that there is no correlation to the higher energy bills and the installation of a new smart meter. They enable tools such as high energy-usage alerts when a customer uses beyond a preset level, allowing customers to better predict their bills; adjust energy usage with customized energy alerts; and tips to help keep costs down. They also can use the smart meter to look at their energy use by the hour, and make their adjustments at higher usage times by adjusting the thermostat a few degrees; turning off unnecessary lights or devices; or closing the blinds during direct sunlight in the summer.

As already discussed, Atlantic City Electric also works very closely with our community partners to connect customers with State and Federal energy-assistance grants. Of note, 29,000 customers are enrolled in New Jersey's Universal Service Fund; are receiving a monthly benefit that helps make the bill more affordable. And, accordingly, nearly 10,000 customers are enrolled in the Fresh Start Program, an arrearage forgiveness program that eliminates the customer's arrearage if they pay their bill in and on time.

It's no surprise that energy assistance enrollments have increased 6% over the last four years, and last year we helped more than 35,000 customers secure more than \$60 million in energy assistance grants to help them with this much-needed resource. However, there still are opportunities for improving enrollment and categorical eligibility that would help alleviate

inefficiencies in the process for customers to gain access to available funding, and where we are working collaboratively with other utilities and the BPU in this regard. We've launched an assistance finder tool, which helps customers find personalized program recommendations for financial assistance; bill management; and energy efficiency. And, we're working tightly with our community partners to better support customers who may not have access to the internet and get connected to energy assistance when needed. We also provide low-cost energy efficiency programs, including the quick home energy check up; appliance recycling; HVAC and Energy Star rebate programs; available discounts; and, the Atlantic City Electric marketplace that delivers discounted energy products such as programmable thermostats. We fully dedicated a portion of our website to educate our customers to help address concerns and we ask our customers to visit atlanticcityelectric.com/billsupport, where they can find more information and can on their energy bill rates and more. And, of course, customers can contact us through our customer care team at 800-642-3780.

In conclusion, Atlantic City Electric listens to our customers and fully understands their concerns. We continue to enhance and increase our proactive communication to customers to help them better understand the bill; the dynamics that are occurring; and the tools available so they can help take control of energy usage; save energy; save money; and get connected to assistance if needed. Thank you again for the opportunity to be here today.

SENATOR SARLO: Thank you.

We will now go to Teresa Reed, Vice President of State Finance and Regulatory for New Jersey, Jersey Central Power & Light, known as JCP&L.

MS. REED: Chairman Sarlo and Chairman DeAngelo, and members of the Committee, good morning and thank you for the opportunity to testify today on the critical issue of energy affordability in New Jersey.

I have provided more detailed written testimony, of which you should have received or will receive. And, I am going to keep my remarks rather brief.

I want to start by talking a little bit about our state model. We have had significant changes at JCP&L when it refers to energy, and these changes will benefit our customers. Under the leadership of Brian Tierney, who was hired as our CEO of our parent company on June 1, 2023, we have shifted to a state-driven model, a model designed to bring decision-making and accountability back to the local level; closer to customers, employees, and regulators. The company hired new presidents last year to lead each state, including Doug Mokoid, who is born and raised here in New Jersey and has been at the helm at JCP&L since June 17, 2024. Doug and his team, of which I am a member, are responsible for operational excellence and financial performance for JCP&L. Our customers will benefit from more targeted local investments; more efficient operations; and a strategic-driven direction by the people in communities we serve.

So, I want to talk next about our energy cost and rate changes. So, we recognize that our customers have faced and are facing rising energy costs due to multiple factors. They include wholesale energy supply prices; higher cost driven by the PJM capacity auction; and extreme weather conditions that have driven up electricity demands. These pressures have resulted in higher bills, affecting our residential, commercial, and industrial customers alike. One of the primary drivers of these cost increases has been

the rise in the BGS supply charge, which includes cost of purchasing electricity from generation suppliers. Supply charges represent, for the typical JCPL customer, every dollar that we get, 57% of that dollar goes to support the supply side. So, it's a passthrough. And, 8%, or, 8 cents that we collect on every dollar goes to recover other passthroughs that we make no money on; we just bill and collect. In February of 2025, the BPU certified the results of the auction for BGS rates, with new rates starting on June 1, 2025. Due to the increase in rates coming out of this auction, the bill for a typical JCP&L residential customer with BGS supply will increase about 20%. So, currently, bills are approximately \$112.25 a month; they will go up to \$134.92. That's a \$22.67 increase for the average, typical customer for JCP&L. The increased supply costs in the BGS auction were driven by the PJM capacity auction for 2025 and 2026, held in July of last year, which saw roughly a ninefold increase in the auction clearing price for generation capacity. While the auction resulted in supply rates that are higher than our largest peers -- because we're at 20% -- our lower delivery rates result in total bills for a typical residential customer, that are 34% lower than Atlantic City Electric, and 30% lower than PSE&G.

So, I want to talk about resource adequacy, because that's pretty much why we're here. It's important-- It's an important context in any discussion of electricity rates. Basically, resource adequacy is focused on the concern that the available supply of electricity will not be enough to meet the demand in coming years. We believe that growing resource adequacy challenges within the PJM footprint pose significant risk to affordability and reliability, and, in fact, they've already reflected as such in the increases that we're seeing and that we're discussing today. My colleague, Abigail Phillips, our

Chief Risk Officer, an expert on resource adequacy matters, spoke recently to the Senate Legislative Oversight Committee on resource adequacy. We can provide a copy of her testimony if that's helpful, but she did lay out a number of solutions that we support, an all-of-the-above approach to address this problem at the State level.

I want to talk next about grid modernization. So, roughly 32 cents on the dollar that we collect from customers is managed by JCP&L to run our business. And, what we do with that 32 cents is important. So, JCP&L, we recognize that affordability is a key consideration. Customers' rates directly fund investments that enhance reliability, efficiency, and long-term cost stability. These kinds of investments help to reduce service disruptions; strengthen grid reliance; and improve overall safety and performance. We are very pleased at JCP&L that the Infrastructure Improvement Plan, or IIP -- or, what we call Energize New Jersey -- has just recently been approved. This will fund technology and system upgrades; enhance remote control capabilities for our distribution control center; and enable additional automatic restoration during outages. Additionally, per an agreement with the BPU under our last base rate case, JCP&L is prioritizing improvements to our circuits that have experienced reliability challenges. This is called our Reliability Improvement Plan, and we have begun the first phase of this program, which includes about \$95 million in upgrades over three years. These targeted investments are designed to maximize the benefit customers receive from their rates, while building a smarter, more resilient grid. We look forward to these investments providing benefits to our customers in years to come.

Finally, I wanted to discuss measures that help reduce the cost of electricity for customers. First is energy efficiency. We always say the cleanest and lowest cost megawatt is the one that you don't use in the first place. So, JCP&L, in partnership with the BPU, offers a range of energy efficiency programs that help customers reduce their energy usage; lower costs. These programs provide incentives; rebates for HVAC systems; weatherization; energy efficient appliances; and, other home improvements. Since the launch of JCP&L's energy efficiency programs in July of 2021, there have been nearly 2 million times we have provided energy assistance measures to our customers. We also make it easy for customers to find resources through our Save Energy website; with tools like Home Energy Analyzer, which helps track energy usage and identify opportunities for savings. And, JCP&L provides regular energy conservation tips through press releases, social media, and public service announcements.

Customer assistance programs are also a second measure by which we help customers. Rising energy costs place particular financial strain on low- and moderate-income families, and we remain committed to supporting our customers through energy assistance programs; flexible payment options; and energy efficiency initiatives designed to mitigate those costs. We have had a great partnership with the BPU and DCA, helping customers to access financial assistance programs, including LIHEAP, Lifeline, the Universal Service Fund; PAGE; and New Jersey SHARES. JCP&L has already helped more than 48,000 customers secure over \$8 million in financial assistance this year alone. And, this builds on the support of more than 78,000 customers, with over \$38 million in aid that we provided or helped provide in 2024. And, that same year, New Jersey, we -- JCP&L

donated more than -- through our foundation -- \$740,000 through over 110 grants.

In conclusion, we would like to thank you for your interest in addressing affordability for our customers. We want to remain a resource to you as you work towards the mutual goal of access to affordable, reliable electricity for our constituents and customers. I'm happy to address any questions you have when it's that time.

SENATOR SARLO: Thank you.

MS. REED: Thank you.

SENATOR SARLO: We're going to hear from our last utility company that is present today, is Janette Espino, Vice President of Customer Service, Rockland Electric.

And, I know, members, just bear with us, we want to give them their day to have their opening prepared remarks; there'll be plenty of time for questions.

JANETTE ESPINO: Good morning, Mr. Chairman, and members of the Senate Select Committee and Assembly Telecommunications and Utilities Committee.

Thank you for the opportunity to testify today to continue the discussion around the importance of energy affordability, and the steps that we are taking to assist our customers. RECO provides electric service for approximately 75,000 customers in parts of Bergen, Passaic, and Sussex counties. Access to clean, reliable, and affordable energy is a guiding principle of RECO. Our most vulnerable customers should not have to choose between paying their electric bills and paying for food, rent, medical bills, and other necessities. As RECO continues to actively invest in our electric grid to

enhance its reliability for our customers, we take tremendous pride in our ability to work with our customers to keep their bills affordable. This includes connecting eligible customers to State- and Federally-funded assistance programs, as well as RECO's extensive energy efficiency programs that include free home energy assessments and substantial rebates for efficient appliance upgrades. In addition to these existing programs, we are also in the midst of executing 10 new New Jersey BPU-approved clean energy programs designed to achieve substantial energy savings; reduce a significant amount of greenhouse gas emissions; and invest \$55 million in these programs between 2025 and 2027. These programs are strategically designed to benefit all of our customers, particularly the low- to moderate-income customers. We also encourage our customers to manage their energy usage as the most effective means of controlling costs. With the help of smart meters, customers have access to detailed, daily usage information, high bill alerts, and tips on how to avoid high bills. Additionally, the company provides customers with weekly reports summarizing their usage.

Over all, we believe we have the right approach to customer affordability: focusing on customer engagement; connecting customers with assistance programs; and energy efficiency. Shoulder to shoulder, with our commitment to affordability, is our dedication to improving system reliability, storm resiliency, and reduction of outages. Over the last four years alone, RECO has invested over \$134 million in undergrounding electric lines; enhancing overhead lines; and installing smart switches to improve greater reliability. Over the next five years, we will invest \$75 million in additional projects throughout the communities in RECO service territory. In order that our customers are up to speed on all our projects and progress, we deploy

customer emails and bill inserts; highlight projects through social media channels; and supplement those efforts with a robust outreach effort to elected and municipal leaders through our Regional and Community Affairs team. RECO maintains steadfast in our commitment to our customers so that we provide reliable electricity while managing the challenges posed by a dynamic energy environment. We understand that our customers are facing financial pressures, and we are dedicated to implementing programs and strategies that will help alleviate these burdens, particularly for those most vulnerable populations. RECO is also committed to working with the State and relevant partners as we continue exploring new opportunities to improve energy affordability for customers throughout the RECO service territory.

Thank you again for the opportunity to talk about this important issue.

SENATOR SARLO: Thank you.

OK. And, then, our last speaker will be -- to finish up Public Service's testimony -- will be Joe Checkley, President/Business Manager, IBEW Local 94.

Thank you, sir.

MR. CHECKLEY: Thank you, Senator.

I feel like I'm already going to let you down, because I'm supposed to be the one with the fix.

(laughter)

But, good morning, Chairman, and members of the Joint Committee. I'm Joe Checkley, President and Business Manager of IBEW Local 94 here in New Jersey. IBEW Local 94 is one of the largest unions in the state. We represent approximately 3,900 members. Thirty-two hundred

of them are a PSE&G generation and utility business, as well as 600 line-clearance tree trimmers throughout the State of New Jersey. We also represent another 100 men and women working in the generation plants around the state. All of my members work safely day and night to keep the lights on, air conditioners running, and heat on for the customers. This morning, I am speaking for all five unions at PSE&G with a collective 7,200 union voices. I am joined by my colleague representing some of PSE&G's gas workforce, Business Manager and Financial Secretary for the Public Utility Construction and Gas Appliance Workers union, Local 855, Gregg Murray. He represents 1,700 members who work diligently to keep New Jersey communities safe and warm. Thank you for the opportunity to comment on the important topic before us today, as New Jersey is bracing for higher electric bills because of the most recent capacity auction. It is important to know our members are here, ready to work, day and night, winter or summer to make sure this state has the infrastructure and energy needed to operate first class.

As Rick pointed out, a lack of sufficient, planned generation, met with rising anticipated demand for electric has delivered record-high capacity auction prices. This is not something the utility companies oversee or handle. PSE&G is responsible for delivering the electric to its customers via the poles and wires that it owns. Like the highways and byways that our trucks and cars delivering goods to homes and businesses; understanding that is of the utmost importance. Give us the tools, and we can build what this state needs. Ensuring New Jersey customers have access to safe, reliable, reasonably priced electric is paramount concern to the trade unions and PSE&G. The men and women I represent are dedicated to this function. We recognize many people

are struggling with higher utility bills, myself and my members feel that, too. Energy is an essential necessity in our daily lives. Let's continue to cooperate on solutions, not looking to villainize anyone, because if the frontline workers are the faces of the utility, and my Number 1 concern is their safety, no matter the cost.

I would ask you to reflect on the many benefits of PSE&G's investments in the energy system, and think about the positive economic impacts created by these investments that union men and women in the trades participate in. These investments include award-winning reliability; safety in our communities; economic productivity; and engaged, effective workforce.

Lastly, remember, when a job is created in the energy sector, it is typically a career, not a job. We need to be focused on those aspects. Ensuring the careers and energy stay here in this state is just as important as the infrastructure itself. Neighboring states have already taken strides to bringing generation on the grid. Collectively, we need to figure out how to generate more power in this state.

Thank you for your time and your attention.

SENATOR SARLO: Thank you, Mr. Checkley.

And, thank you on behalf of all the members here on both sides, to the men and women of your union; we know you're out there during some very difficult times, the weather conditions and the like. And, we see you out there, plus all the union members of all the other utility companies. So, please thank them on our behalf for their service to our state.

I'm going to turn this over to my co-chair to begin with the Q&A period, and we'll go back and forth. I'll ask some questions in between as

some follow-ups. But, the first round of questions will come from Co-Chair DeAngelo.

ASSEMBLYMAN DeANGELO: Good morning everyone, and Committee members, thank you for coming out on this Friday, I do have some more statements followed by some questions.

So, I recognize that all four electric companies in the state are not generators, besides the three reactors down in southern New Jersey. I recognize that. I know that back, prior to '99, in New Jersey we were regulated, and we were exporting approximately 20% of the power that we were generating. We deregulated, in (indiscernible) to, I guess, back then not being there, lowered the cost of generation, competition opened up the market. Maybe that went well for a while, but it's not working well now. So, unfortunately, the normal customer does not know what PJM is. They do not know what the BPU is, what their roles are. All they know, is that when they get their utility bill, they're looking at one of the four of you. Plain and simple. The normal customer does not realize for the workers that are out there doing storm management; making sure that the distribution and transmission lines are good; making sure it's safe so that when they're taken down-- They're not aware that there's men and women who are in our locals, are working out there on live electric in horrible weather. That's the yeoman's task, that they don't realize this much is 120 volts; they're dealing with 10,000-plus volts at some time, depending on where you're at, in a storm. We've made yeoman's strides, I get that, over the past 15, 20 years on the integrity of our distribution lines that are out there; the upgrades in our switch and substations. I've seen that financial investment. And, as I try to tell people, 10 years ago, we were out -- that same outage you were out of

power for two weeks, now it's down to two days or less. But, people still want to see that being better.

Problem that we're having now, is the big question, *why* are the utility rates going up? Why have we gotten -- why have *you* gotten -- out of generation? Listen, I used to work at Mercer Generating Station, the old Duck Island, and I was working with what back then they were calling "black hats," and not long after, "wired up welders," and we're doing an outage. That's not there no more. Why did we get out of generation? We know, and our Committees know, simple information supply and demand; who's at fault? And, they're just looking back and they're saying, "Wayne, my utility rates are going up; they're going to go through the roof. What are we going to do about it?" They don't know what percentage of the bill is generation. It's not spelled out. Even if it is, they're not paying attention to it. They just know that last year-- And, again, on an average, I don't know anybody who has a utility bill of \$120. Everybody who is calling me, whether they're in a senior, gated community that's all electric, and you've got an elderly person sitting there, and they can't pay the \$500 electric bill, and they're trying to figure out programs-- What do we have to do?

And, this just isn't a problem for our grid, the 13-state grid, which, most legislators don't know that our grid is 13 states. They don't recognize that, they don't know that. And, I'm saying this all to the four of you because the questions are going to come at you because they don't know who's at -- we're trying to find out who is at fault; who should've notified us; what things we could've done; things that we were doing. All I hear is from the last time, the Ratepayer Advocate said, "They always say no, no, no, no, no." Whether we're subsidizing, they said "no" to me, when

we were subsidizing the three reactors down south. If we would have lost them three reactors, where would we be now? They say “no” on subsidizing with our renewable energy that we’re continuing to figure out ways to generate electricity. They always just say “no;” I get it. The big question we’re trying to find out from you guys-- This is where we need your help. We need you to tell us; the questions are going to come hard; and they’re going to want to know why’d this happen; and, why did we not know about it; and, why is it 20%? Again, Board of Public Utilities dumped out a little statement; OK, I don’t know if they’re trying to kick the can down the road two days before this hearing or what we’re trying to do. I don’t know. We’re shaking our heads on a lot of things up here, but the constituents are the ones who are calling our offices and saying, “What the heck are you doing at the State House? Why didn’t you know about this?”

My question to you is-- My first question that I have -- and, it doesn’t matter who answers it first -- is, why we weren’t notified more stringently on our generation needs, because the Committee knows that PJM has a maximum generation capacity of 185,000 gigawatts. On a bad day in the summer, we’re using 165,000 gigawatts. And, there’s a concern just on their capacity of generation, let alone the potential of the auction. And, I can tell everybody here now that in the next decade, just seeing the bills that are being discussed, and the bills that are written-- For those who think the ideas are coming for it, “Hey Wayne, we want to be -- get rid of natural gas heating in your homes, and we want to put in heat pumps.” Well, there’s 3.5 million households in New Jersey, and 75% of them have natural gas as their form of heat. So, we’re going to add-- And, listen, OK, sounds nice -- they’re going to a 50-, 60-amp, 240-volt circuit to that grid.

And then, they want to do appliances, which is get rid of a gas stove; you're going to have an electric stove; that's another 50-amp, 240-volt circuit. And, get rid of the water heaters from natural gas, and put them into electric, and that's a 30-amp, 240-volt circuit. Small residential house with a 100-amp, 240; medium-sized house is a 150-amp, 240-volt; and then, a four-bedroom colonial is a 200-amp circuit. Some of the homes down the shore have bigger services than that. We're scratching our heads, and we haven't even talked about the EV charging stations and the data centers, and the AI data centers, as technology is growing leaps and bounds. So, that's more on my statement.

What do we have to do to get generation back into New Jersey? Do we have to look at a potential hybrid of a regulated/deregulated, if that's even possible to do that? Because, our concern is that we don't do something, we're going to be sitting here they're going to be -- we want to try to generate as much environmentally carbon neutral that we can. But, if we don't take some sort of action in New Jersey, they're going to start the coal burners up in Pennsylvania and continue that growth. And, as I optically look around New Jersey, I see areas of plants that were shut down, and try to pick on multiple providers, whether it's Sewaren, whether it's Oyster Creek; there's no pointing fingers. I'm not saying who's at fault. But these are entities-- Can we put them back online? Can we take that old, decommissioned reactor? And, I know there's a 16-inch gas line that's close by that we can pump in and do some generation down at Oyster Creek; put a 200-megawatt generator in there of some sort. But, what do we have to do? What can we do to get generation back in New Jersey? And, I look for a statement from each of you.

SENATOR SARLO: Mr. Thigpen, first.

Go ahead, Mr. Thigpen.

MR. THIGPEN: Thank you, Mr. Chairman.

SENATOR SARLO: Thank you, sir.

MR. THIGPEN: So, Chairman DeAngelo, you asked a very complicated question.

I mentioned in my opening remarks that New Jersey has given the responsibility for procuring generation to the capacity markets run by PJM. So, that's Number 1. The State has made a decision; we're now dealing with the consequence of that decision today, that doesn't seem to be working the way it was intended; there is no doubt.

The second part of your question is -- and, I think I've discussed this with some of you in the past -- that there are-- And, I think the representative of PJM was here, and he said the same thing, that there is an opportunity for New Jersey to take more responsibility to procure generation in the State, by a variety of methods. It could be by direct procurement; it could be in the rate base; it could be by the same system; we tried to procure offshore wind; it could be done a different fashion.

So, the State Legislature does have the power to take more responsibility to procure generation. The type of generation is a public policy decision. There are lots of opinions about what types of generation there could be and should be in the state. There are priorities like affordability for some, and priorities like environmental considerations for others. So, I feel very confident that Public Service does have the expertise to help you make the decisions; what type of generation; where it should go; and, how you should get it, when the time comes. But, it seems very clear

that if New Jersey is not satisfied with the results of what's happening at PJM, that the opportunity for it to take greater control of its own destiny is always available to the State Legislature.

ASSEMBLYMAN DeANGELO: Thank you.

SENATOR SARLO: Any other utility companies want to respond?

MR. VAVALA: Yes, I'd like to build on the comments, as well.

I 100% agree with the opinion that my colleague has shared here, is that results of the auction are what they are. Based on the decision that we have made quite a number of years ago for the procurement of energy for the state, I do believe, though, that, as a state, we should be thinking about things and being -- I think I heard the term used at one point -- "megawatt agnostic," where every megawatt that we can bring to bear within the state helps, ultimately, the energy needs for the state. Whether that's what we consider to be traditional forms of generation combined cycle, that type of thing from gas parts, (indiscernible). Or, sourced from what we've seen as -- whether that's clean energy resources that we've been looking at under different initiative. All of those combined together will ultimately be a compendium of information that can ultimately be -- I'm sorry -- compendium of resources that ultimately can benefit the state, as well, that we should be looking at. Firmly believe that ACE, Exelon, is well positioned, as well, to help advise on how we can accomplish that goal.

MS. REED: And, on behalf of JCP&L, I agree with my colleagues.

We want to support the State in identifying the best solutions, and the most affordable solutions, for New Jerseyans. We believe in the all-of-the-above approach; there's many ways to get to where we need to be. And, the one caveat to that is, it shouldn't be one size fits all. Because, every utility has different strengths and different capability, so we want flexibility; we want a seat at the table; and we want to work with you all; and customers; and our peer utilities to find the solutions that we need for New Jerseyans.

Thank you.

SENATOR SARLO: OK.

Let's begin. We're going to go back and forth, we're going to give everybody a chance, five minutes. Senator Testa, are you ready? Usually, I do you at the end, but I'm going to let you go early today.

(laughter)

SENATOR TESTA: I appreciate that, Mr. Chair, thank you.

Thank you all for being here, obviously this is really important, because our constituents who we serve, all of us sitting around this table, are getting a lot of calls. And, one of the most recent calls that I've been receiving is the delivery charge. And, what I have to say about Assemblyman DeAngelo, he's absolutely right. Our constituents don't understand the PJM; they don't understand RGGI; they just understand that their bill comes, and all of a sudden their April 2025 bill has a delivery charge that's significantly increased from April 2024.

Can you explain what the delivery charge is, to each and every one of us? Anyone.

MR. VAVALA: So, if I may, Senator, and thank you for the question.

So, the delivery charge on a customer's bill is directly related the cost of providing energy service to the customer. From the time that we buy the power to the time that it's delivered to the customer's premise, there is a charge associated with bringing that electricity to the customer itself. It's a result of the investment that we make in the system as well, in terms of reliability upgrades, also in terms of any emergent work that we repair in the intermediate time between our rate cases. That charge itself is directly proportional to those investments in the system. And, also the operations and maintenance of the utility itself. It's also directly proportional to usage, as well. So, that rate multiplication is directly attributed to the amount of electricity that a customer uses at their premise.

One thing that you reflected on, year-over-year changes. And, this is something that we've seen as we've seen weather patterns and things -- year over year -- materialize within the state. A customer's delivery charge may look different based on the amount of electricity that they've used based on the weather, as well.

MR. THIGPEN: Senator, the only thing I would add is, that delivery charge is about 28% to 29% of the bill.

SENATOR TESTA: So, I heard from each and every one of you that you're prepared to help advise the State as to appropriate solutions.

Why haven't you done that already? Why are we sort of keeping these solutions secret? And, that's the first part of my question. The second part is, what are the solutions? I mean, I know that the general

answer is going to be, we need more in-state generation. I don't mean to sound juvenile, but that's kind of like a "no-duh." We know that. What do we do?

MR. THIGPEN: So, I'll start with part of that.

First off, we have had some discussions with some people about solutions. It's no secret to us that solutions do come with a fair amount of political debate that the companies are somewhat reluctant to get directly involved in, and we prefer to be professionals giving advice, not being partisans giving advice, to the best of our ability. The-- It's not exactly a "no-duh" about in-state generation. There's an argument that some made in the past, especially with deregulation, that it's more affordable, perhaps, to import cheaper power from other states who pay their workers less, who have less concern about environmental consideration. So, that has been something in the past.

How we go forward does depend upon where policymakers want to go; we do not get to choose. There is obviously fossil generation; it has an issue. There is renewable generation that has issues, depending on who you are. There's nuclear generation that has issues. There is the possibility of building new transmission to bring into the state. Public Service has done some of that. That comes with its own agita at the local level when people feel their lives are being disturbed by it.

So, I think the candid answer is, we are trying to have conversations in private. We are very wary of becoming political players at a policy-solution debate. We would like to be the experts who help you implement the policies that the State Government makes. And, in some one last bit of fairness to us, there is a political environment where

depending on which party is in control, sometimes they want to go in completely opposite directions, or renounce the direction of the party that previously made an opinion. And, we would like to avoid having our capital caught in those kinds of situations, and we'd like to avoid losing the confidence of you, or losing the confidence of a Senator in the same house on the other side of the aisle.

So, I hear you. We are here to help; we have a lot of expertise to help; and we just want to do it in a way that's constructive and not viewed as partisan. Because, New Jersey's economic future is in the best interest of Public Service Enterprise Group. Have no doubt that all the employees and people who we work with and live with, so we want our state to succeed. We want to help; we just don't want to be viewed as trying to pick winners. And then, there are people who would like to see themselves be in this chair, not Public Service, when it comes to providing energy solutions. So, we are, perhaps, overly cautious, but I am honest with you, we are somewhat cautious because we'd like to maintain our dignity and our respect on both sides of the aisle and as many people as possible.

SENATOR TESTA: Anyone else want to field that?

MS. REED: I would just like to add that we are cautious as well, we want to be a resource to everyone.

And, just a bit of background for me, I arrived at JCP&L on December 30, 2024, and before that, I worked for Duke Energy, a fully integrated utility, for a number of years, and from North Carolina. And, I'll say that those same challenges are universal and have evolved quickly over the past couple of years. So, resource adequacy is even a problem in a state

where there are generators. And, so, I don't fully understand all the politics in New Jersey because I'm new, but--

SENATOR TESTA: Neither do we.

MS. REED: -- yeah I think that's--

(laughter)

But, I think it's very fluid. But, I will say that from my outside-looking-in lens, things have evolved quickly with these data centers and AI. I think more so than any utility could have even suspected five years ago.

SENATOR TESTA: So, I sort of take umbrage that where we are today is a surprise, because many of us have been sounding the alarm that we were -- through the Green New Deal, trickling down into Governor Murphy's Energy Masterplan -- that we were sort of going all in on alternative forms of energy that do not use fossil fuel.

We went, in New Jersey, as Assemblyman DeAngelo said -- to a state that generated all of its own power, exporting 20%; now we're importing 35%, we heard in our last hearing. So, seeing that trend, I think many of us -- if we're being intellectually honest -- could say, "Hey look, we told you so." And, it's not on the utility companies, I understand that you're sort of dancing on the razor's edge because you don't want to upset an administration; I get that, and I want to be clear. Most of my ire, honestly, is with the BPU, and they know that. And, I want to state this for the record -- because I'm a lawyer by trade; I like to make the record clear -- their mission is to ensure safe, adequate, and proper utility services, and that they're provided at reasonable, nondiscriminatory rates to all residents of New Jersey who do desire them. Their duty was to the ratepayer, and I can tell you that the ratepayers, who are our constituents, are not happy,

and our phones are buzzing. And, I don't mean to speak for Senator Amato, but he's telling me that's pretty much almost all what his constituent services are doing; are fielding calls from people saying, "What is being done about this?" That's why we're here today on a Friday.

So, again, my ire isn't with the utility companies.

SENATOR SARLO: Senator Testa, just-- If you begin to wrap up, you're eight -- you're almost 10 minutes in; I'll come back to you.

SENATOR TESTA: I appreciate that.

SENATOR SARLO: I'll stay til midnight with you if you need me.

(laughter)

ASSEMBLYMAN DeANGELO: I wouldn't.

(laughter)

SENATOR SARLO: I won't either, but somebody else could chair.

SENATOR TESTA: Even more false promises; that's not fair.

(laughter)

SENATOR SARLO: I'll get you back later on that one.

(laughter)

SENATOR TESTA: So, you have the proposed solutions, obviously, but like, when going back and looking at the Murphy administration, I even was hearing how renewable natural gas was not an accepted solution.

To me, that seems really shortsighted, because we need new generation. I think everybody kind of knew that, probably four years ago, and here we are, and our ratepayers, constituents, New Jerseyans are really

upset. Do you think there's any blame at all? And, I think that we need to identify -- have a root cause analysis here. Do you think that there's any blame on poor policy?

MR. THIGPEN: Thank you for that question, Senator.

(laughter)

I think that in hindsight, we should not be where we are today. Nobody wants to see this price spike. We are here today on a Friday, like you said, being questioned by members who are very concerned about what's going on. This is not good news for Public Service; we're not happy about it at all. We don't want this price spike. We were-- We did to the best of our ability to fulfill our reliability responsibilities in our interaction with PJM, to make sure the lights stay on, and that we had -- able to deliver reliable service.

The specific answers, I will respectfully say, are above my pay grade. And, that PJM and public policy can all look at themselves about the role they played in this. But, what we want to do is to make sure we never return to this position in the future, by working with New Jersey to make sure that we make smart decisions on how to go forward. And, I'm sure you appreciate what I've just done.

SENATOR TESTA: OK, that's it.

SENATOR SARLO: Thank you--

SENATOR TESTA: One question.

SENATOR SARLO: Go ahead, last one.

SENATOR TESTA: I promise.

So, this is my last question on the issues. Because, obviously, look, New Jersey has done a great job of saying, and indicating to the public

and everyone else who's listening, that we want to have green energy; we want to go to electrification. And, those are goals for some in public policy. Whether they're realistic or unrealistic is another issue entirely. But, isn't that sort of virtue signaling at some point, if we're purchasing energy from PJM, when honestly, that energy is generated by coal plants outside of the State of New Jersey?

MR. THIGPEN: I will respond to that by saying you're not the first person to point that discrepancy out to me. I'm not sure how I'd characterize it.

Our experience is, some of our customers have voluntarily wanted to electrify their heating and their cars, and some people I report here benefits from it, so that's a choice they're entitled to make, and our job is to service them if they make that choice. Some want to electrify office buildings and things like that. And, some of that, after a generation of flat load growth, is why load growth is improving. So, as one who is aware of the challenges of our workers to deal with more extreme weather, I would say virtue signaling is not the words I would use. I would say that perhaps some good intentions have not achieved the results that they intended to achieve. But, we are saddled with the challenge of preparing for a future, for instance, this summer. The last two summers were the hottest summers on record; one might suspect this one will be hot, too. And, price increases along with a hot summer will put burdens on the average person that we don't want to do. It makes our business more difficult, as well, and people will view us as irresponsible.

So, we are trying to avoid second guessing those who have been elected by the public to make decisions. And, try to help them go forward

with learning from experience with greater wisdom. And, some of the things you've said are some of the things we're going to give advice about. Because, depending if your priority is affordable energy, it limits the choices of generation that you want to pursue. And, so, those are facts we're going to have to deal with. We would just like to deal with those facts outside the political arena to the greatest extent possible to help you all make smart decisions.

SENATOR SARLO: Thank you, Senator Testa, and I'm just going to make a quick statement, and then I'm going to Assemblyman Marengo, followed by Majority Leader Ruiz, who has to get to another meeting, and then we'll go to an Assembly Republican, and then Senator Smith.

I will just say this. You said it in your testimony; we spoke offline before this meeting regarding-- Even though you're 32%, or whatever the percentage is in the bill, it's a 30%-35%. The utility companies are still the face of this. Correct?

MR. THIGPEN: Absolutely.

SENATOR SARLO: And, we are the face of this, unfortunately; we are all the face of this.

MR. THIGPEN: We're in it together.

SENATOR SARLO: So, a lot of questions are going to come your way; I'm going to really implore all of you today to provide us with as many solutions.

Now is your time, put it on the record. Different solutions that you may have that could help move us forward. And, don't-- I don't want to use the word punt, but, I understand there's decisions by BPU, and it's

policy decisions; Republican versus Democrat policy decisions; and, BPU decisions; and, PJM policy decisions; but you are the face of this, and we need you to be part of the solution. We're imploring you to be part of the solution with us, and we're going to support you. But, don't be afraid today to provide some really good solutions on the record, if you can.

Was that helpful?

MR. THIGPEN: Yes.

SENATOR SARLO: Thank you.

Assemblyman Marengo, followed by Majority Leader Ruiz.

UNIDENTIFIED SPEAKERS: Barranco.

SENATOR SARLO: All right.

Barranco.

ASSEMBLYMAN MARENCO: (indiscernible)

(laughter)

SENATOR SARLO: I was going to go with a Democrat first, so Assemblyman Marengo.

ASSEMBLYMAN MARENCO: I appreciate that, man.

ASSEMBLYMAN BARRANCO: You want to pick another one, Paul?

(laughter)

ASSEMBLYMAN BARRANCO: You good?

UNIDENTIFIED SPEAKER: I'm good.

SENATOR SARLO: Then Senator Ruiz, then followed by Senator Smith.

ASSEMBLYMAN BARRANCO: OK, you had one, Senator, now it's an Assemblyman's turn.

ASSEMBLYMAN DeANGELO: Turn your mic on.

ASSEMBLYMAN BARRANCO: Oh, yes.

Thank you for being here, ladies and gentlemen. We are dealing with something that, as both chairs have said, is crucial. And, I would like to really sort of amplify Chairman Sarlo's statement about, if there is something that you see as a solution to this, we need to know what you guys feel; we need to know what you guys think; we need it on the record. As you said, Mr. Thigpen, these events can be quite politically charged, and we need to be wise about what we say here.

I have two questions, one for Mr. Vavala, and one for Mr. Thigpen. So, this was the second time, Mr. Vavala, that I heard the religious term "agnostic" used to describe energy. Can you sort of amplify what that means to you?

MR. VAVALA: Certainly.

And, so, for full disclosure, I'm an electrical engineer by trade.

ASSEMBLYMAN BARRANCO: OK.

MR. VAVALA: OK.

So, when I think about the power grid, and I think about megawatts, and when you were talking about breakers a minute ago, I was getting kind of excited over here, so I appreciate that. When I think about solutions that can ultimately-- If our cause is to lowest cost possible for customers, then we need to be thinking about solutions that will achieve that. And, when I say megawatt agnostic, it means, if I'm getting a megawatt of electricity from a traditional combined cycle combustion turbine, ultimately the cost of that megawatt is -- there's value to the customer to achieve that. But, the same thing for wind; the same thing for

solar; the same thing for battery energy storage; same thing for other nuclear -- we haven't even mentioned that word here today. So, when I think of about in this purest sense as an electrical engineer who's been in the power industry for quite a bit of time, I'm megawatt agnostic, because as a distribution provider for customers, I want to make sure that I'm providing lowest cost possible; as pointed out, we are the face of this when customers open their bill.

ASSEMBLYMAN BARRANCO: Very good.

First of all-- And, thank you, as well. Mr. Thigpen, thank you so much for your very professional, very diplomatic, and very wise response to Mr. Testa's question--

MR. THIGPEN: Uh-oh.

(laughter)

ASSEMBLYMAN BARRANCO: I can tell you've been doing this for a long time.

So, as you know, I don't know if you saw my remarks in our last Select Committee meeting; I am involved in the electrical infrastructure construction industry.

MR. THIGPEN: As I recall, you're the better dressed one involved in the electrical infrastructure construction industry.

(laughter)

ASSEMBLYMAN BARRANCO: Well, I don't know, I think Mr. Testa does pretty good.

But, to be very blunt-- And, you used the word cautiousness, Mr. Thigpen, in your statements, relative to energy sources and this sort of thing; it's become obviously-- It's become something that requires the term

“agnostic” to describe it, which I don’t understand. But, it is what it is. We’re using new words here.

In your cautiousness-- I don’t know if you saw my remarks about what we’re dealing with relative to the Ørsted deals, and the Atlantic Shores, and all this. And, I made a statement, because I was at Marion Switch when Hudson Gen started the process of getting rid of its coal, and shuttering all of the turbines. So, I made the statement that, in 2021, in the late summer of 2021-- I’m sorry, in 2023. In 2023, early 2023, PSE&G sold their 25% equity share with Ørsted for the wind farm in Salem County. And, I made the statement in this meeting that nobody knew the reason for that. Is there any way, that in your cautiousness, you can share the reason why PSE&G backed out of the Ørsted deal?

MR. THIGPEN: I found caution to be a virtue. Especially in the line of work I’m in.

Yes. And, I will try to reflect the thoughts of my CEO. We found the behaviors and the attitude of Ørsted to be unacceptable as a company that’s been headquartered in New Jersey for 120 years. That our success of being here today, and the forbearance that the members here are giving us today is because of the role we play in the State of New Jersey, and the level of respect we give to the communities that we serve. We found that Ørsted did not have that same attitude, and we found that to be an unreliable partner. And, we found that to do just what we would expect it to do; to light a match of opposition unnecessarily, about how to implement an ambitious and very different agenda of trying to use offshore wind power to generate electricity for the State of New Jersey.

They had-- They had their own ideas. And, those ideas were not shared by Public Service Enterprise Group. The reputation they seemed happy to project was one that we are not happy to project. And, we believe that -- and, hopefully I'll make it through this committee hearing alive -- that the partnership we do at the local communities in New Jersey is one of the most important assets that we have. And, they did not seem willing to do that. And, I hope my cautiousness is not to be mistaken for deception, because I also think that they, perhaps, were guilty of hiding a little bit more of the facts than might be healthy so that policymakers like yourselves can make intelligent decisions.

ASSEMBLYMAN BARRANCO: OK.

And, I prefaced my statements in the last committee meeting with the fact that I have been on JCP&L property. I have been on Atlantic City Electric property, Higbee substation. I have been *all* over PSE&G's properties. And, I made the statement in this room, and I'll say it again, as far as electrical infrastructures go -- and this is to all the people of the State of New Jersey-- And, I'm sorry I have to make this statement, but I got to pick here, guys. PSE&G's electrical infrastructure is *second to none*. And, every utility in the State of New Jersey knows that. So, I am very comfortable, Mr. Thigpen, that PSE&G's intentions are for the people of New Jersey. You have been a partner to our communities for a long time; and I hope that that time continues, and I'm sure that it will. Because, you have made investments in your electrical infrastructure; in your reliability matrix; that very few utilities in the United States have had the opportunity and the money to do. And, I am very proud to call PSE&G a New Jersey institution. So, there's no concern for anything that you have to say about

what has occurred over the past three or four years relative to energy decisions and energy policy here in New Jersey. I think-- And, I said it in our last meeting, Chairmans, we're here because, unfortunately for us, we are charged with being the individuals who make the decision to bring us out of the mess we're in. So, I didn't want this to be contentious in any way, to any of you; what you guys do is huge, for all of us. I am an electrician by trade. If we were to do what this administration in New Jersey has proposed to do, they would turn people that do what I do into the doctors and lawyers of the future. That doesn't mean it's the right thing to do. We need to be smart about this, and that's why we brought this together; and I thank you both, Chairman Sarlo and Chairman DeAngelo for the opportunity.

And, I'm done, thank you.

SENATOR SARLO: Majority Leader Ruiz.

MR. THIGPEN: Thank you.

SENATOR RUIZ: Thank you, Chairman. Let's not forget that some of the -- all of that work was done through a resiliency fee that New Jersey *consumers* contributed to, so, while the corporation might have had the mission, we were the ones funding those projects.

And, I'm assuming that resiliency fee is currently off of the bills.

MR. THIGPEN: I'm not sure why you assume it, but I believe the answer is yes.

SENATOR RUIZ: Well, because, we're way past post-Sandy, and I would think that whatever projects you had to mitigate are either done, or that we would wean off of that.

I only ask this because I want to lead up to-- So, basically, we're here, and we keep hearing the same thing. What is it that we can do? And, I haven't heard one response. The first committee hearing that we had, the horse is out of the barn; everything is done. But, you are the only link for us to some degree, to PJM, right?

MR. THIGPEN: To some degree.

SENATOR RUIZ: To some degree.

But, you are voting members, correct?

MR. THIGPEN: Correct.

SENATOR RUIZ: So, I want to talk a little bit about that.

Because, perhaps some of my colleagues here on the Committee were aware of this impending increase that was coming, but quite frankly, I don't think we heard about it until all the kind of public noise started happening at BPU. When were you all, as voting members, aware that there was an increase coming, based on the last actions of PJM?

MR. THIGPEN: I have experts here. But, I believe the auction results were made *public* last July.

SENATOR RUIZ: And, then, only because this is all very -- as you know -- very not transparent to all the 13 states involved, except for the voting members on there; what did you actually vote on?

All of you.

MR. THIGPEN: I am not prepared to answer that question, but--

SENATOR RUIZ: Well, can you provide that, then--

MR. THIGPEN: Absolutely.

SENATOR RUIZ: --if there is someone in here, can you provide that through the Chair for all the Committee members?

MR. THIGPEN: Absolutely.

SENATOR RUIZ: Because, if, in fact, you were all made a presentation where there was increase in last July; I would like to know how you all voted in protecting the consumers of the State of New Jersey.

MR. THIGPEN: I'll be more than happy to provide that information.

I said it before and I mean it again: Public Service takes no back seat on its reliability mission and protecting the interest of the customers in New Jersey and its activities at PJM. And, we will absolutely provide that to you.

SENATOR RUIZ: Anyone else?

Thank you, Rick.

MS. REED: I-- Representing JCP&L, I want to make sure that we clarify the record.

I'm not sure that we are voting members for the PJM auction process. I think we are a voting member of a committee. So, we need to clarify the record there, and we will respond back to what we -- what committee we vote on and what our knowledge was or is at that time.

SENATOR RUIZ: Appreciate it.

MS. REED: Thank you.

MR. VAVALA: Yes, some of my colleagues will provide that information to your office, as well.

SENATOR RUIZ: Also, in addition, as members of this agency, I would just make my own request that you all should be asking

them to be more transparent and public, the way you all are here today, as well.

Because, there really isn't anything else, but as voting and contributing members to this entity, you should be standing up to say, "This should be a more inclusive process; this should be more open to the public what is happening here." Because, I'm not an expert in this space whatsoever, except for the fact that I know bills are going to go up. Both as a consumer, as an advocate, as a mother, and someone who-- We're not even thinking about-- We keep talking about homeowners in these spaces, or the renter who's going to get impacted. School districts across the state are also going to get *packed down* when they start seeing these bills go up, when you have to leave the lights on. Public parks; everyone is going -- our public buildings -- *everyone* is going to get hit here.

MR. THIGPEN: Our municipalities are our customers.

SENATOR RUIZ: Exactly.

So, not really having kind of, like, this clean lens into what that process is, except for what was explained to us before -- and again, I'm not an expert in this space -- it just seems like a lot of the same people who benefit from each other's "yes" votes are part of the planning process. You don't have to respond to that. Can you walk me through what the bill -- what current bills look like; each of the charges; and where can we-- Because we keep hearing -- I did hear, "Look, the Legislature is now responsible." I'm sure there's long-term solutions that we have to get more aggressively engaged in, one that perhaps will have environmentalists on one side and others on the other. But, we know that we have a crisis at hand, so we have to be more global about the discussion as to how we're

going to provide electricity and gas here in the State of New Jersey.
Whether we agree with it or not, that's one thing.

But, the key here is, that I think all of us consistently asked, what can we do *right now*? So, I have heard from all of you how you're good corporate sponsors, and you look to connect people when they're in times of need, and you -- I think I heard something about a Little League; I don't know how that connected in this space -- you know--

MR. THIGPEN: Volunteerism in the community.

SENATOR RUIZ: Great, love it.

But, that's not going to drop down the cost to consumers this year.

SENATOR SARLO: Got to play day games only; no night games. It's going to cost too much.

(laughter)

SENATOR RUIZ: Yes, no lights.

The-- So, I only ask this to say, because, many of you are profit companies. So, you are subsidiaries of companies, and, so, I would understand that profit is always the bottom line; corporate sector, it is what it is. But, in all these different surcharges-- And, I know this is a lot to ask from all of you, but, you know the crisis that the state is facing right now -- is there *any* way-- What are you doing *internally* also to help with the cost increase?

MR. THIGPEN: Ah, so I'll start--

SENATOR RUIZ: So, is it maybe, cutting down or passing one year on a surcharge?

Because, there's a delivery charge; there's a service charge; there's-- So, if you could walk me through the breakdown first; I'm sure it's different for each one of you. And, is there any space in those areas-- Which may impact your bottom line, and I'm OK with it. Because, if you don't make a billion dollars, and you make \$800 million, you all should be OK with that, too, temporarily, so we protect the mothers and the fathers in the State of New Jersey.

MR. VAVALA: So, let me just address a few pieces related to the bill itself.

You mentioned what you wanted to see were each of the charges. We have, in broad context, three big areas. The customer charge; there's a distribution charge; and then there is a surcharge that's on the bill, it's a result of programs that we have as part of policy action. When you look at the customer charge itself, that's the charge that we have to cover fixed costs -- billing, customer care. It's not directly related to the consumption that the residential payer incurs. The distribution charge we already discussed. That's really directly related our investment in the system; the materials that we provide as part of that. And, again, that's directly tied to the amount of energy that a customer uses. Then, there's obviously the supply charge that we've been talking about and spending a fair bit of today's conversation talking about.

Senator, your question was about what are we doing internally to really try to help drive that cost down. And, where we look at our distribution charges; where we see the most opportunity for us to, as a business, to operate ourselves as efficiently as possible; and to drive cost down as much as possible, so that when we are seeking recovery for either

capital investment, or for our operating expenses, that we are charging as little as possible and providing the maximum amount of safety and reliability as associated with that charge. So, to my point is, when we think about running our business efficiently, whether it's either operating expense or capital expense, we are very, very, very laser-focused on what can we do to drive more efficiency in our workforce; how can we lower our controllable cost as a business. And, then, from a capital expenditure, it's not just, "Hey, let's go spend capital money because we can." It's, "How is it that that dollar tied directly to a reliability impact, or economic growth, or any of the key things that we're facing as a state here?" So, we are tightly looking at not only what our capital spend is, but what our OpEx is, as well.

Directly related to the sensitivity related to this.

MR. HENDRY: Through the Chairman-- I'm sorry, Rick.

MR. THIGPEN: No, go ahead.

MR. HENDRY: So, again, Andrew Hendry, Regulatory Affairs for JCP&L.

And, our bill structure, by and large, echoes what Atlantic City Electric spoke about. And, again, roughly 60% of that bill is the passthrough without a markup for the generation supply. And, roughly the portion that we control is that roughly 25% in terms of the funding that we use to maintain and to invest in our grid and to pay for our workforce. And, I would just echo the comments that one of the things that we try to do is to maximize our efficiency in those dollars. We are proud of the fact that we do have the lowest rates in the state, and we feel that that helps to contribute. But, we do feel very strongly and we are very proud of the fact that we've engaged in a lot of effort in trying to connect consumers who are

in need and who will face the most pain from this increase with the assistance programs that are out there, and I think we do need to do more. I think it's something like only about 20% of USF-eligible customers take advantage of the opportunity and the assistance available there. And, so, whether it's the information that we push out to customers -- some of which, by the way, Madam Majority Leader, through legislation that you worked on that we comply with to share information about those assistance programs with customers -- but, also getting out to customers in the field. We've done utility assistance day events. We had one up in -- one in Toms River, and one in Phillipsburg very recently. And, I spoke to a customer who didn't have internet access, and it wasn't available -- some of the programs available to them. And, we were able to connect them with USF and DCA, as a result of seeing them in person. So, just wanted to give that perspective from JCP&L.

SENATOR SARLO: Thank you.

MR. THIGPEN: And, I'm going to add to that, if I may.

So, a couple of things--

SENATOR SARLO: Yes, just, if you could shorten it, because we want to move on here.

So, give us the short version, please.

MR. THIGPEN: Oh man, come on.

(laughter)

OK, so--

SENATOR RUIZ: And, again, -- I'm sorry, no disrespect to the other companies here -- PSE&G is my provider; I wouldn't pick anybody else.

But, I do want real, tangible-- Not how great you all are corporate-community partners. Like, is there a space for you to cut your bottom line, to some degree--

MR. THIGPEN: Yes.

SENATOR RUIZ: --to help offset -- be a partner in the state, currently at a time where we know there's a crisis in the next couple of months.

MR. THIGPEN: So, let's talk about that directly then, Senator.

And, first off, Paul, not to take too much time, but at the Senator's representation of a challenging community is something I've admired for a long period of time. The answer to that is-- First off, I'll start with profit. I prefer to talk about value creation than profit. And, I know what you're talking about. We take ratepayers' money, and we do things like Energy Strong to make our system more resilient, so when storms come, people are no longer out of power and they're very appreciative of it. We do it by using Joe Checkley's and Gregg Murray's workers and other members of collective bargaining units to do it; and we do it by using New Jersey businesses to help supply us at the same time. We are trying to create value in the communities in which we operate at the same time we're trying to deliver responsible results for the ratepayers who you're asking for. And, if we didn't create value, this Committee would have a lot less tolerance for Public Service in times of crisis like this. And, I just want to remind everybody, we did not cause this rate -- this price spike, and, so, I hear your request, and I'm answering it in a sense that the answer is-- First

off, hurting Public Service is hurting the employees, the workers, and the communities in New Jersey--

SENATOR RUIZ: Not what I said, Mr. Thigpen.

MR. THIGPEN: I know-- No, no-- I'm not accusing of saying that--

SENATOR RUIZ: Not what I said, and please don't even put that into the record, because I appreciate all the work; when there's a tree down, you guys are out there; when you cut up the street, you don't pave as quickly as you should, but, you're there.

Not what I said. I'm sure that if I were smarter, to look at audit books, that when your parent companies are making a profit and I don't know how that impacts you-- My general question is, is there any opportunity without impacting the people who are helping us make sure when there's a storm, without laying off? It was just a simple question, is there any opportunity?

MR. THIGPEN: Public policymakers have the choice to-- There are consequences for the choices, and there's going to be consequences, and public policymakers have a choice to take those consequences; I'm certainly here to discourage you from doing cavalierly, and doing it without some careful study.

And, most of the bill is not ours; it does involve some public policy choices; it does involve some taxes; and it does involve the large cost of supply. So, the specific answer to your question, in the spirit of Senator Sarlo, is you should not think about it that way; you should not think about the-- Because, the impacts could clearly exceed the benefits. If you try to reduce the financial strength of Public Service, then the future

reliability needs, and perhaps paving the streets even quicker, and replacing trees will become more expensive for people as we go down the road. So, we'd ask you to think about it in a different fashion, and I will end by simply saying, I'm serious about this value creation statement, because if you look at us as just trying to make profits it's a very different way than looking at Public Services trying to create value for the people of New Jersey. And, having others -- and I brought people with me to demonstrate it concretely -- having others who are New Jerseyans benefit from the work we do. So, when you spend money with Public Service, you are generating the State's economy, and protecting the system against those of us who have children, and I know you happen to be one of those people who know the enormous damage that power outages do when you have kids at home who can't charge their devices, and they're looking at you, and they're asking for things. So, we take reliability very seriously, and we take the trying to convince you of the mission of valued creation very seriously. And, the ability to cut cost of something, better done in private, but we can have conversations about those things.

SENATOR RUIZ: Yes, appreciate that; that's a good answer; thank you very much.

SENATOR SARLO: Before we go to Senator Smith, Co-Chair DeAngelo and I were just talking to each other.

Senator Ruiz asked a very pointed question about PJM, the role that you have. And, you're all going to get back to us, on role--

MR. THIGPEN: Absolutely.

SENATOR SARLO: What committee you serve on, and what votes you have.

Does the BPU of all these states have a voting member there?

MR. THIGPEN: I believe the answer is yes.

Yes.

SENATOR SARLO: BPU does have a voting member there?

Every state-- The 13 states that--

MR. STERN: Sorry, we are members--

MR. THIGPEN: Oh.

MR. STERN: Sorry.

UNIDENTIFIED SPEAKER: We are members also--

MR. STERN: Alex Stern.

Rate-- The consumer advocates have--

SENATOR SARLO: We believe Rate Counsels has a vote for sure. Rate Counsel has a vote; BPU does not have a vote?

MR. STERN: Correct, the BPU does not have a vote, because the BPU is a quasi-judicial entity as well, and has to make its own decisions; it runs the BGS auction; it's at-- We've got State and Federal.

So, the BPU is not a member, but the consumer advocates are, and all of us are.

SENATOR SARLO: Thank you.

Senator Smith.

SENATOR SMITH: Thank you, Chairman.

I'm sure everybody who's here today is aware of the fact that the Ratepayer Advocate is suing--

SENATOR SARLO: What's that?

SENATOR SMITH: The Ratepayer Advocate is suing, I believe, FERC and maybe PJM together.

But, one of the two entities to say, "Time for a redo, because your auction was corrupt." Would any of the four EDCs that are here before us today have a problem with a redo? If you have a problem raise your hand.

What's your problem?

MR. STERN: My problem is, I think there would be a fear that that compounds the issue, because if you want to perpetuate market uncertainty, you would be telling market participants, who played by the rules; bid the way they were supposed to bid; got the results that they were supposed to get; we're doing a do-over on you because we don't like it.

SENATOR SMITH: Right.

MR. STERN: And, those same market participants get very upset, and got upset, when the prices are low, and they want a do-over.

SENATOR SMITH: We have 9.3 million people who are upset.

MR. STERN: Yes.

SENATOR SMITH: That's who *we* represent.

MR. STERN: I'm one of them.

SENATOR SMITH: The redo would be with the corrections -- the corruptions that are in the current process.

And, the corruptions are -- and, there are a lot of problems -- but, one of the bigger problems is that you really don't know whether the bidding participants really have the AI data centers coming. How many times have people bid in for rates, assuming that certain things were going to happen? I'd like that to be -- that knowledge to be certified in some way. If you remember last hearing, we had Abe Silverman here. And, his

testimony, if you get a chance to read it -- you really want to read it -- one of the big suggestions he says for the improvement, was make any AI data centers, any generator, certify who is the AI coming in; where they're going to be located; and, how much electricity is going to be needed. Because, at this point, at least what we heard from the PJM representative is, "Well, we don't check." I don't know if you remember that magic moment, but they really don't check. So, this could be nothing more than a preemptive rate increase.

The last one -- the last auction -- did not require any proofs that AI was really coming in specific places and required a specific amount of electricity. In addition to that, there is the prejudice associated with PJM, and I've seen it in all kinds of testimonies, and I recommend to the members of this Committee, you have a memo from Lyle Rawlings, dated April 24 from MSEIA; they have suggested reforms on Page 14. But, it's an eye-opening memo. If you get a chance to read it, you really want to read it. And, likewise, we have a memo from Allison McCleod from New Jersey League of Conservation Voters. Another mind-blower, showing how corrupt the system is. So, we are now facing 10-times higher -- not 10-times higher rates -- but, a rate increase, because there was a 10-times higher bid from all of these energy producers.

So, let me ask the four utilities here today. Did any of you, in the last two years, were you bidders into the auction? If you are or were, raise your hand.

MR. THIGPEN: Thigpen.

SENATOR SMITH: Rich-- Rick, tell me what bidding you did.

MR. THIGPEN: Our nuclear plants are generators, and they do bid into the auction.

SENATOR SMITH: Yes, but you guys bid in saying you're not interested, right?

MR. THIGPEN: Yes.

SENATOR SMITH: All right.

So, there wasn't a "bid" in the sense that you were saying, so many pennies per kilowatt hour.

MR. THIGPEN: Correct.

I was making sure I answered your question.

SENATOR SMITH: Right, and by the way that's the reason why, Chairs, you might want to think about getting a few energy generators in here.

I mean, I'd really like to know who sent the memo around, "Let's, everybody, bid 10-times higher than last year." If that doesn't smell of collusion, I don't know what does.

So, back to our guys here. So, so far, I only have one objector to a redo of the auction. What if we said, "You know what, PJM's just not doing it for us." Remember, they're the ones who are supposed to be helping us have reasonable rates and adequate supply, and obviously they blew it in the last two auctions.

Do any of the four utilities have a problem with us picking out a new ISO to belong to? And, I understand we're an importer of electricity. But, maybe we can find an exporter that we might like to cooperate with.

MR. THIGPEN: I would-- I would start by, in the spirit of what Senator Sarlo asked for the Legislature, to consider a second look at

EDECA, first off, and whether or not this is the arrangement that is working for the State of New Jersey to the best of interest.

Moving to another ISO -- I'm not an expert, but I've been told by people who are experts -- easier said than done--

SENATOR SMITH: Right, right.

MR. THIGPEN: -- and there's some great financial difficulties in making that happen quickly.

SENATOR SMITH: I agree that it's easier said than done--

MR. THIGPEN: But, looking at EDECA is something we can do.

SENATOR SMITH: -- on the theory that it can be done, would any-- Do you care what your power pool is?

Do you have an objection, theoretically, to us belonging to another ISO?

Yes, sir. Gentleman in the back, who didn't like the redo, would like to speak.

(laughter)

MR. STERN: Alex Stern, Senator Smith.

I think I would have a concern unless I was 100% sure that it would benefit the customers. And, Rick touched on it; I don't know how it gets done in a way that doesn't make it worse for the customer financially. But, if it could be --

SENATOR SMITH: So, let me ask a question.

Anybody-- Any of the four utilities really confident, that, as a result of this abomination, price increase, that we're going to see new generation in the next two years, in New Jersey?

MR. THIGPEN: I think, speaking for Public Service, we have almost zero confidence that it's going to result in the -- it's going to achieve the intended results.

SENATOR SMITH: Then why are we doing a preemptive rate increase?

The point of the pricing, as I understand it, is to get a balance of supply and demand. So, we're taking a \$20 a month hit on the theory that we might have data centers, rather than anybody saying they're actually going to have it. In fact, let me make that question. Any of the four utilities, can any of you certify today that you have a *huge* AI data center coming in your territory?

MR. STERN: I think you're -- Senator -- I think you're conflating the AI data center issue, which is the load forecast that just occurred that demonstrated that we have this large load growth; which is exciting, because load growth means we can spread costs across a bigger footprint.

But--

SENATOR SMITH: Nobody's showing me your load growth.

I'm asking the four of you, do you have a guaranteed AI--

MR. THIGPEN: So, Senator, we have data centers coming in our service territory at amounts that we haven't seen before; that's not exactly what you're asking--

SENATOR SMITH: That's not the question.

MR. THIGPEN: -- but, data centers, they're a little smaller--

SENATOR SMITH: Regular data centers are not so horrible.

MR. THIGPEN: -- but, they do cause load growth.

SENATOR SMITH: They do have low load growth, that's true.

But, the one that the generators answered the energy reporter's questions about this auction, they said it's the coming AI data centers that's causing this huge imbalance in demand for electricity. So, that specific question, do any of the four of you have a real AI data center that you know is going to start construction in the next two years?

MR. HENDRY: Senator, it's Andrew Hendry from JCP&L.

We certainly have interest from data centers in our territory in New Jersey, with respect to the amount of load that they would represent, and how many of them there are, we would have to get back to you. I don't have a list, or--

SENATOR SMITH: So, get back to the Chairs, they'll share the information--

UNIDENTIFIED SPEAKER: Yes, Senator, may I answer you very quickly?

SENATOR SMITH: -- but, the bottom line is, we're doing this huge rate increase-- We don't know what for!

MR. THIGPEN So, Senator, may I--

SENATOR SMITH: We're getting punished.

And, by the way, in those 13 states and the District of Columbia, which is PJM, two states are going to make out like banditos. And, that's Virginia and Ohio, because they do have actual big data centers coming, or ongoing, or in construction. So, the 11 other states and the District of Columbia, are subsidizing the data centers that the energy generators in those states. Why are we doing that?

MR. THIGPEN: So--

SENATOR SMITH: There should be new rules, you know Bill Maher and "New Rules" -- there should be new rules.

And, the new rules are, if you're a *huge* consumer of electricity, bring your own electricity with you. Meaning, you build it on your site, whatever it is; whatever kind of generator; whatever solar; whatever. But, you bring it so you don't put the cost on the 9.3 million other people who are just sitting there trying to make a living. That's what's wrong with this whole price increase. It's based on something. We don't know if it's real, and we're certainly not the beneficiaries. They should be made to bring -- and, I would suggest renewable -- electricity with them when they come in. So, that is a problem. And, by the way, you were brought in; I don't think you EDCs are the major problem, I think the major problem is PJM. But, you do get a little blame.

How long does it take you to review interconnection applications?

MR. THIGPEN: Ah--

SENATOR SMITH: How many times have you had solar facilities -- and, by the way, the statistics are, we had 79 projects from New Jersey waiting in the queue; stopped from going forward. One of the reasons that so few -- I mean, 79 is not a lot, all right -- but, one of the reasons they were held up is that they have to go through every one of the transmission outfits, and it can take a *year*.

MR. THIGPEN: If you'd allow us to answer that question specifically--

SENATOR SMITH: Yes, I'd like you to.

MR. THIGPEN: This gentleman behind me, Ed Gray, our Vice President for Asset Management, who deals with this regularly, can be -- can give you some good information.

ED GRAY: Yes, thanks.

So, I think-- Look, just to speak for ourselves, in terms of-- We have almost 2.4 -- 2,400 megawatts of solar on the system today. We have all of our PJM interconnections on solar are on time. So, there's more to this than just-- Our stuff's all on time. PJM provides us them; we do them; they're all on time. And, we've hooked up over, almost -- over 11,000 installations last year. So --

SENATOR SMITH: Yes, yes, houses are easy.

Housing is easy. So, the 11,000 are not major solar fields--

MR. GRAY: Some of them are, not all them but--

SENATOR SMITH: --just a couple, yes.

The complaint that I hear from the industry is that the utilities, the EDCs are--

MR. THIGPEN: Not Public Service.

SENATOR SMITH: --are not big fans; they take forever to review-- And, what the review is about is what your facility; what are you doing; how are you impacting our grid; and you may have to pay "X" thousands, or hundreds of thousands, or millions so that you can connect into our grid.

But, if you take a year to go through the process, the deal goes away.

MR. THIGPEN: I don't think you're talking about Public Service when you say that.

SENATOR SMITH: OK.

So, the other three, you're all stinkers and they're great. OK--

MR. THIGPEN: Well, I didn't say it, but it's OK that you would.

SENATOR SMITH: I don't know who I'm talking about either, except that I see energy generators all the time say, "New Jersey is killing us; we can't get the interconnection done."

And, by the way, BPU is going through a process now to try and improve the interconnection process, which is horrible.

SENATOR SARLO: If we-- If you could just wrap up here, because we're at the 10-minute mark--

SENATOR SMITH: OK.

SENATOR SARLO: We'll come back to you.

SENATOR SMITH: Well--

MR. THIGPEN: And, Senator, may I just say one brief comment--

SENATOR SMITH: I--

SENATOR SARLO: We're going to come back.

The problem with a Joint Committee is there's a lot of members, so we, you know--

MR. THIGPEN: Yes.

Senator, may I just say one brief comment, which is: I understand we have a serious affordability problem today, but it's quite possible that artificial intelligence and data centers coming to New Jersey are the economic engine of our future. And, let's be careful not to sacrifice the future to solve the problem today.

SENATOR SMITH: We would-- I personally would love to see them come to New Jersey.

But, I want them to bring their electric supply so that the 9.3 million citizens don't have to pay to have them here. I think it's outrageous.

MR. THIGPEN: We're aware that burdening -- burdening the ratepayers is almost a non-starter; we do get that message.

SENATOR SMITH: I do agree with that.

Thank you, Chairs.

SENATOR SARLO: Thank you, and good job, Senator Smith.

ASSEMBLYMAN DeANGELO: Assemblyman Bailey.

ASSEMBLYMAN BAILEY: Chairman Sarlo, Chairman DeAngelo, thank you so much for the opportunity. Thank you for being here today, we appreciate your insight and for being a part of this discussion.

I'm going to focus on my friends from Atlantic City Electric, in our district, although we appreciate these-- My initial comments go to all of you, because of the impact that you do have on our local communities. So, I do want to thank you, as it was mentioned, only 20% of the eligible households enrolled in the Universal Service Fund are active at the moment, and so, we appreciate the fact that you're working on that. And, that you are assigning some of your staff to be actively participating in that area, and getting people signed up and accessing those additional funds; I want to applaud you. No doubt about it, we do not deal here in New Jersey -- as some of our other folks in America, in the Midwest, and the west -- deal with the outages that they deal with, we don't deal with that here. I

just said a 31% decrease in outages, thank you for all the efforts on that front.

I was very excited to partner with Senator Burzichelli and with our Energy Watch bill, to partner with you in helping our constituents know when their bills were getting higher, and their usage is getting higher; and to be able to let them know mid-month what's happening there. So, thank you for all those. This is not a part of what I really want to get to, but we did-- At the last hearing when PJM was here, we did speak to -- and, Senator Smith was on target with that -- there is inequality, inequity, in the voting process at PJM. There is absolutely, at the different levels -- whether you're at the Committee level, or you're actually at the Board of Directors -- it's a different voting process. I'm not going to go down that rabbit hole today, but that's something that we have to know more about, along those lines.

To follow up on Senator Ruiz's comments-- Much of the discussion-- We keep pointing the finger today back at PJM. And, certainly, they have played a large role in what we're talking about today, and we've talked about it multiple times, about the auction. But, much of your profit, though, comes for the return on equity. The rates that you were granted for capital investments -- capital investments that are important, and that we've talked about today, and that help us with these outage issues and things, especially in the rural part of the state that we're from. Maintaining and upgrading grid infrastructure. And, your investors require that return on equity; that's reasonable; they should. When we, as individuals, we buy a stock, or we invest in something; we look for a return on that. The question is, whether that rate of return is too high. Utilities

in New Jersey have recently granted our ROE averaging around 9.6%. Other states throughout the country have begun to question whether that level of return is actually necessary. Again, Senator Burzichelli, Assemblywoman Pintor Marin, recently introduced a bill that would require the BPU -- and, I quote -- "to determine and consider lowest reasonable return on equity." Other states have proposed caps as low as 4%. And, so, we've got to decide when we talk about what's the answer; what is one the answers to this question; what's the answer to that question; what is fair and reasonable when we talk about that return? Many times investors are saying, "Well, what's my risk?" Well, your risk isn't that great in this case. Yes, we talk about weather, and we talk about all these different things that are going on, but, you're the only game in town, as far as risk. And, when it comes back to our ratepayers on that -- on where we are. And, as you -- and Phil, as you stated -- rightfully so. Overall customer usage is increasing.

So, I'll cut to the chase. Would lowering the ROE by say a percentage or two -- a percentage or two -- meaningfully decrease your ability to maintain and upgrade the grid?

MR. VAVALA: Thank you for that question, Assemblyman Bailey.

I think it's-- The answer to that question is, probably, a pretty complex calculation that we would need to go through. Now, I'm not hedging here--

ASSEMBLYMAN BAILEY: Yes.

MR. VAVALA: -- I'm just trying to tell you this is where I'm going with it.

As you pointed out, our investment in the system requires investors to take interest and provide -- an interest in being part of our company. And, in part of that arrangement, they seek a return on investment, and expect a dividend related to that. The infusion of cash into the system to be able to perform the investments that we need to enjoy the reliability and the expansion that we've talked about is largely dependent on investor interest. So, to your point, with the question that you asked, is that lowering a percentage, would that meaningfully change our ability to be able to provide reliable service to customers? I think is where you need to look and determine what would that then do to investor interest in our business. And, investors, if they're not seeing the return that they are looking for, as part of that investment in us, they may choose to go elsewhere and invest their money elsewhere. And, that then, could create the detrimental effects that ultimately would lead to investor disinterest; that ultimately would then affect our ability to be able to make the investments in the system. Now, that's very theoretical, but it does really kind of speak to investor behavior related to this.

ASSEMBLYMAN BAILEY: As our fellow Senator, who's not here with us today, said last time, it's basic economics.

And, I don't know that I-- I don't know that it's that complex. We want to say it is, but basically that's based on that number; what are they willing to get for their return on investment at a relatively low-risk return that those are going to have on that front? And, again, I fully understand; I get the supply side, you have nothing to do with that; passthrough; get it. But, I think when we ask the question, "What is something that we can immediately address;?" That's a number that can be

immediately addressed. I know I'm short on time, so I'm going to get to it. I also do want to follow up when we talk about the AI data centers. We've established a \$500 million incentive program in this state-- They're coming. There's no question that they're coming. Senator Smith beat me to the punch of asking that direct question; who are you directly working with already? Like, who is at the table, and you're having those discussions with? States across the country -- we talked about -- Virginia; Maryland; Ohio; scrambling for legislative and regulatory solutions. I've just proposed a bill that looks to deal with -- to make sure that they're buying in long-term; that they're signing deals that say that they're going to be here for an extended period of time. So, they don't come here; build out; and then they're out of town. And, we're left holding the bag with what's happening there along those lines.

So, I'll cut to the chase and ask another question. If it was already asked, I apologize. Do you have -- any of you -- do you have data center-related load growth forecast for your service area, for over the next five years?

MR. VAVALA: So, we have, active right now, about 4.5 gigawatts of interest in data center growth within Atlantic City Electric's territory.

The projection of that beyond that, I'll have to provide those to your office, I don't have those with me here, Assemblyman Bailey. But, I'd say of that 4.5 gigawatts that I'm quoting -- and, I think I mentioned this in a previous hearing -- there are some that are actually committed megawatts, up to about 300 megawatts, that are existing commitments that we would expect to see materialize in South Jersey. I cannot divulge the names of

those developers at this point, but, we are seeing some of that load actually materialize.

ASSEMBLYMAN BAILEY: Anybody else?

MS. REED: So, for JCP&L, we do have a five-year load forecast.

And, to my knowledge, and subject to check and we will verify, we do not anticipate industrial growth in our segment. We anticipate residential growth in our service territory. So, that, I think answers, your question, Senator Smith, as well as your question from earlier.

MR. THIGPEN: And, Public Service will answer from Ed Gray.

MR. GRAY: Yes.

So, in the current PJM forecast, we have about 823 megawatts in the next five years, related to data centers. And, that's a combination of existing data centers, expanding operations; we have a lot of them around the North Jersey part, serving New York. Plus, customers who are already moving ahead, and then some much lighter forecast for-- We have almost 8,000 megawatts of requests in. As we stand today, it's about 1/10 of that number in the next five years. Now, that number could change as we move forward, but that's-- As we deal with developers, we get more confident where they are; we deal with developers all the time.

But, 823 in the next five years -- specifically to your question -- in the current PJM load forecast.

ASSEMBLYMAN DeANGELO: Assemblyman Bailey, we're at almost the 10-minute mark, if you could just ask a question and close out.

ASSEMBLYMAN BAILEY: All right, I'll follow up.

I'm also concerned about circuit capacity, but we can get to that in another conversation. Again, as Senator-- I'll wrap it up with, *yes*, we have a tremendous concern; it started with us down in the south, last summer, as I said at the last hearing. Yes, individual households; businesses; schools; places of worship-- I actually recently asked a friend of mine, who goes to a church with a capacity of maybe 40 people, "Why do you go to that church?" "Because, my check every Sunday keeps the lights on." This is a major, major issue, we appreciate you being here to continue the discussion. Thank you.

ASSEMBLYMAN DeANGELO: Thank you, Assemblyman Bailey.

Assemblyman Rumpf, followed by Senator Zwicker.

ASSEMBLYMAN RUMPF: Thank you, Chair.

Just as a preliminary comment, we, as a State, relinquish control with deregulation and what have you. I believe that the Legislature was asleep when the present administration steered us off into the green wilderness. The question is, what do we do now? And, I have a couple of questions with regard to that. Would you suggest that we form our own capacity auction or partner with the neighboring state that is in a similar situation?

And, if I could get an answer to that, please?

MR. THIGPEN: Mr. Gray is going to answer for Public Service.

ASSEMBLYMAN RUMPF: Thank you.

MR. THIGPEN: From back here.

MR. GRAY: I think-- I think Alex mentioned -- Alex Stern -- mentioned this before, the answer is, it's complicated to do.

How do we set that up, and there's -- one of these items; we'd have to look at it; is the cure worse than the ailment? So, it is complex because we'd have to-- How do we set that up? So, we can talk that through, but it is definitely a complex thing to set up. PJM's been around for 80 years now, so to kind of separate it and then put it into a whole other market is a very complex decision to be made.

ASSEMBLYMAN RUMPF: Totally understand that.

But, we have the experts in the room. I don't expect an answer today, but, given the expertise that the three companies in the room possess, I'd respectfully ask that that be examined and supplied this Committee.

MR. THIGPEN: Assemblyman, if I may.

ASSEMBLYMAN RUMPF: Please.

MR. THIGPEN: I've said it before: Taking another look at EDECA and how New Jersey has allocated responsibilities that impact its own energy future, we certainly suggest the Legislature take a look at that, and that would trigger lots of questions and inquiries.

ASSEMBLYMAN RUMPF: Thank you.

How much electricity do you think we are going to need if we continue to follow the existing Energy Masterplan, within the next decade? Are we looking at a literal doubling or tripling of the load? Can that be projected?

MR. THIGPEN: That's definitely an engineer's question.

MR. GRAY: Well, our current load forecast shows about a 9% increase between 2025 and 2030.

But, that's our current forecast.

ASSEMBLYMAN RUMPF: And, are there projections in terms of whether future auctions are going to sustain that increase without similar exorbitant increases?

MR. GRAY: Well, I want to be clear, mine's on the load--

ASSEMBLYMAN RUMPF: Yes.

MR. GRAY: So, it's not the results.

Remember, there's two sides of the auction.

A load forecast -- which all of the utilities here are obligated to provide an accurate load forecast -- because, we need to make sure we're providing safe, reliable service. The results of the auction are really going to be about the second side of this, which is the supply. Which, I know we've talked about this already, but, we've got to get supply up in order to meet the demand that we have -- that customers want.

ASSEMBLYMAN RUMPF: To the issue of supply, through the Chair, are there any present regulatory delays which are presently blocking the integration of new energy generation?

MR. GRAY: I can only speak for-- If we're talking about PJM market; I can only speak for Public Service--

ASSEMBLYMAN RUMPF: Sure.

MR. GRAY: --all of our -- like I said, all of our interconnection requests are -- we are up to date on all of them.

So, if there's a delay, it has nothing to do with anything we're doing.

MR. VAVALA: If I can clarify your question--

ASSEMBLYMAN RUMPF: Sure.

MR. VAVALA: Are you seeking to understand if there is a regulatory construct, or other construct that's hindering our ability for interconnection?

ASSEMBLYMAN RUMPF: That's exactly what I'm getting at.

What need-- The ultimate question is, what needs to be done today to get us out of the current predicament of these escalating rates? Are there any regulatory delays that you're able to identify, that, if cleared, would allow us to bring on more generation to help that supply-and-demand issue?

MR. VAVALA: Certainly.

OK. I think one item that I would point to is that -- and, it's on a smaller scale -- but, community solar could be something that we could potentially open up a little more broadly for our utilities, as well, to participate more actively in that. Beyond that, I think it was said earlier in the call here today to talk about the State potentially seeking its own energy auction itself to say, "Hey, look, we're looking to seek additional generation resources for the State under an auction-type thing. Could we embark in that kind of a construct?" Very similar to what was done for the wind auction.

ASSEMBLYMAN RUMPF: Exactly.

And, what is the answer to that? Can we do that?

MR. VAVALA: I believe the Legislature has the ability to do that if they wanted to.

ASSEMBLYMAN RUMPF: And, in your view, that would be a helpful -- partial -- response to wherever you're at?

MR. VAVALA: Well, I think this goes back to what we've been talking about here today, which was how do we get more generation within the state?

Earlier, my comment was that I was "megawatt agnostic," and appreciate the context around what that sounds like, but, if we're looking to say what can we do to create additional generation resources within the state, taking action at the State level to incentivize the construction of new generation is, I think, definitely a tool in the bag for that.

ASSEMBLYMAN RUMPF: And, that requires a legislative remedy?

MR. VAVALA: I believe so, sir, yes.

ASSMEBLYMAN RUMPF: And, if I could just throw out one last question through the Chair to the assembled group here, would you suggest that elements of the Energy Masterplan be reconsidered, given where we're at today?

MR. THIGPEN: Yes.

MR. VAVALA: I think we need to look at all of it.

MS. REED: I agree; I think we need to look at every possible solution to this crisis.

I agree.

ASSEMBLYMAN RUMPF: All right.

So, unanimous support for attempting to reevaluate the Energy Masterplan and where we're headed.

Thank you.

ASSEMBLYMAN DeANGELO: Thank you, Assemblyman.
Senator Burzichelli.

SENATOR BURZICHELLI: Thank you, Chairmans, and good morning to everybody; well, we're afternoon now.

Going to change the tone of this discussion. We are here because of the outrage anticipated on coming electric bills, based on a single factor of focus, which is generation, in large part. Others have touched on -- my colleague, Assemblyman Bailey's touched on -- distribution, return on investment. There are discussions that have to be held; but, that's not what's driving the moment. And, that's not why we're here today. And, let me say: I'm disappointed that Mr. LaRossa's not here. I'm glad that the President from ACE is here; appreciate the other level and others being here. But, we face a statewide issue that warrants proper attention to this discussion, and I'm not suggesting people aren't smart who aren't here. But, this required some other participation that's not here. Now, none of you have said, "No one has spoken up, and no one has expressed outrage as to how the auction ended."

Now, let me ask this question for clarification, just so I'm sure. The parent company of Atlantic City Electric is in the generation business?

MR. VAVALA: No, Senator, they are not.

SENATOR BURZICHELLI: So, your parent company generates nowhere?

MR. VAVALA: No, we--

SENATOR BURZICHELLI: No divisions that are in generation?

MR. VAVALA: No, our companies separated in 2022.

SENATOR BURZICHELLI: Thank you.

PSEG; generation, not just--

MR. THIGPEN: Yes.

SENATOR BURZICHELLI: -- the nuclear side.

JCP&L, your parent company?

MS. REED: Just in West Virginia, we divested commercial generation.

SENATOR BURZICHELLI: That the operation in West Virginia feeds into the grid?

MS. REED: I don't know whether it feeds into PJM, but it feeds into serve the customers in West Virginia.

SENATOR BURZICHELLI: But, West Virginia's into PJM, correct?

MS. REED: Yes.

SENATOR BURZICHELLI: So, is it likely it does?

MS. REED: So, likely, yes.

SENATOR BURZICHELLI: OK.

How about the fourth, the smallest of the group?

MS. ESPINO: No, we do not.

SENATOR BURZICHELLI: OK.

Always interested in following the money. Because, there's going to be -- there's going to be beneficiaries of this rate. No one here is outraged about it. And, that was a question we raised in a previous panel, with respect to what happened, and the gentleman in the back is the closest person, because leadership asked it, all of you produced someone who had a

relationship with PJM in your process, correct? And -- I'm sorry -- your name was, again?

MR. STERN: Alex Stern.

SENATOR BRUZICHELLI: Are you the person for Public Service Gas & Electric that's in the room with PJM?

MR. STERN: I used to play that role, but no, not today.

I'm with Atlantic City Electric.

SENATOR BURZICHELLI: Atlantic City Electric, OK.

Are you in the room with PJM?

MR. STERN: Frequently.

SENATOR BURZICHELLI: OK.

Then can you tell us what happened? Was there a-- Was there pre-bid meeting on the auction with respect to -- before the auction began?

MR. STERN: There are meetings all the time, sure.

SENATOR BURZICHELLI: All right.

And, was this number anticipated, the \$270 rounded number?

MR. STERN: I don't know that it was anticipated per se, but there was anticipation that prices were going to go up significantly, because we're seeing a diminishment of supply, and an increase in demand, and a lot of regulatory uncertainty, both at the State and the Federal level.

SENATOR BURZICHELLI: And, how many megawatts-- To Joe Checkley, it's time for you to have a question. Where you at, Joe? I can barely see you back there. And, one nuclear plant generates how many megawatts a day?

Ballpark.

MR. CHECKLEY: Ballpark, approximately 1,000 megawatts per unit.

Give or take.

SENATOR BURZICHELLI: Very good, OK.

Would it be of interest to anybody here, that in December of 2024, PJM allowed a small generation plant in Delaware, 411 megawatts a day, to close down two years earlier? And, in that comment said, "It is no longer needed for reliability of electric grid." So, they took 411 megawatts out -- they're taking it out early of the system, because it's not needed. So, if a small plant -- relatively small -- half the size of a nuclear plant -- not quite half the size -- can come offline in an acceptable way, where was the crisis that drove this price to the point that it is, if in fact you can remove this electricity from the grid? Just a small example of the -- of how PJM does not appear to be functioning well.

MR. STERN: I would just say, Senator, that there are different areas of PJM; it serves 67 million customers across 13 states and the District of Columbia.

So, the determination there was that it wasn't needed because it wasn't to the point that was made about West Virginia, it may not have been needed in that specific area at that particular time, but efforts to highlight the growing risk of tightening supply-demand bonds have been going on for some years.

SENATOR BURZICHELLI: Well, how-- And, excuse me, because of the way we operate, timewise, and through the Chair, so, but, how is it that the number is justified because -- not anticipated enough electricity to supply the need, but suddenly there's enough electricity to

supply the need if we can charge you 10 times more, without building a new source of generation in the system, in that window.

How's that possible? Not-- We want 10 times more -- \$27 to \$270.

MR. STERN: Well--

SENATOR BURZICHELLI: Can someone explain that?

MR. STERN: Sure.

SENATOR BURZICHELLI: And, by the way, so, suddenly now there's now suddenly enough power.

How's that possible?

MR. STERN: So--

SENATOR BURZICHELLI: Phil, do you want to answer; you're an engineer.

I mean, how's that possible?

MR. VAVALA: Well, I think to get a-- To get a very clear picture on the market change, we could probably ask Mr. Giovannini to approach the mic and provide some context on that.

But, I do want to say one item, Senator, related to the retirement of the power plant in Delaware. What came with that was an accompanying transmission infrastructure.

SENATOR BURZICHELLI: I saw that; I saw that.

MR. VAVALA: OK.

And, that does, in some ways, offset the cost of generation.

How--

SENATOR BURZICHELLI: But, you would think -- and, Phil please, if I may -- you would think that at a time when all the discussion is,

“The price is high; the price is higher; the price is going to be higher because there’s not enough electricity,” taking any electricity out of the system doesn’t seem wise.

Of course, I have no idea what I’m talking about, other than the fact you need electricity, and you’re removing electricity. And, you’re saying, “We’ve made up for efficiencies because we’re routing or rerouting, so that plant’s no longer needed.” So, that doesn’t seem to make a lot of sense. But, putting that aside, again, where is the outrage? Or, do companies benefit from increased price of generation? Does anybody here benefit? I realize PSEG benefits from nuclear plants.

MR. VAVALA: So, Senator, although it’s not apparent in me today, the company is deeply concerned about that the impact that this has on our customers; that’s why we’re here today; that’s why our testimony reflects that.

SENATOR BURZICHELLI: All right.

So-- So, is there a reason-- I shouldn’t say, “Is there a reason.” A number of us are calling for an action to set aside the auction; realize that it’s late in the game. But, another auction is coming up soon, isn’t it? Well, when’s the next auction? When’s the next capacity auction planned for?

MR. THIGPEN: My understanding is July.

SENATOR BURZICHELLI: This July.

MR. THIGPEN: This July.

SENATOR BURZICHELLI: And, that has a new ceiling of \$350, doesn’t it?

MR. THIGPEN: That’s correct.

SENATOR BURZICHELLI: Imagine that.

So, we're going from \$27, to potentially \$350, in two years.

MR. STERN: Well, Senator, remember the context to that.

We're here because we're concerned -- all of us -- about affordability and the customer. But, the market participants were asking all of us, "Where's the outrage?"

SENATOR BURZICHELLI: Well--

MR. STERN: I can fill my gas tank for 27 bucks, and you're giving me 27 bucks; where's the outrage?

SENATOR BURZICHELLI: Well--

MR. STERN: And, we were telling them, "The market bears what the market bears."

And, they said--

SENATOR BURZICHELLI: Well, that's where the question comes in.

Was it an arm's-length auction? How does that number-- How was it-- We don't have an answer, by the way. And, I'm not suggesting you have an answer today, and you're going to answer it. Frankly, I don't mean this in any disrespect. This is not a productive day. Because, the thing that affects this bill is not being addressed, and, that thing is the cost of generation. And, that was geared from an auction that we think had some irregularities, whether it was intentionally manipulated; it fell. I mean, look, \$27 is a low number, *apparently*. But, \$270 in one move? That was the auction; the auction was held off for two years; that's still required to go up 10 times? Maybe three times. Maybe you should've went three times. Was the number negotiated? We don't have any of those answers. You're

not helping us. And, look, we're friends with everyone here, and I mean that sincerely, and people understand that. But, we're getting no help here. The bill is being driven by a generation auction that seems to have gone sideways, whether it was intentionally manipulated; whether people got in a room; these kinds of things can happen.

Well, here's what we know; here's what we know. No one at PJM jumped up and down; no one suggested, "Let's get the bidders in a room and talk this through; do we have to kick these bids out?" But, by the way, maybe FERC doesn't allow that; maybe there are circumstances; your rules are very complicated, I would say, by design; we can't understand them. And, look, this state builds a lot of things; we spend a lot of money; we run a lot of public bids. Sometimes people go to jail; we have rules. I'm not suggesting that should happen here. But, we're not answering this question today.

MR. STERN: Let me try to help, and I'm sorry if I'm not.

But, I would say that the fastest way to add more supply is for generators that have announced retirements to reconsider that.

SENATOR BURZICHELLI: OK, so let's stop right there. It's a very important point.

Here we have-- I just gave you an example where PJM just said, the one generator, "We don't need you anymore." That was in December after this debacle of an auction happened. So, apparently, that didn't matter. Phil's suggesting it wasn't needed because it was repatched differently and it wasn't needed. So, this gets back to the point where we don't have answers, and no one here seems to want to help us. Who are the list of vendors who participated? We don't have that yet. And, what was

that number year over year? Did any vendors choose to sit out? Were any vendors suggested that they sit out? You're shaking your head "no," do you know that for a fact? Just *tell* us that; we want to know.

MR. STERN: Yes, no one chose to stay out, but we're already starting to see some go back in, because now they're getting the market signals to get back in.

For example--

SENATOR BURZICHELLI: Well, OK, I'll stop right there.

So, what do you mean they-- So, they're coming back in, but they weren't out? Now they're back in?

MR. STERN: There are generators that said, "I'm retiring. Public policies are making it too hard for me to generate--"

SENATOR BURZICHELLI: Understood, understood.

MR. STERN: --"and the costs of running these things--"

SENATOR BURZICHELLI: OK.

MR. STERN: --"for 30; 40; 50; 60 years--"

SENATOR BURZICHELLI: Understood.

MR. STERN: --"too much, so, I'm out."

SENATOR BURZICHELLI: Wait, wait, wait, please.

They all have returns on investment; it's not as if they're a non-profit organization.

MR. STERN: No, no--

SENATOR BURZICHELLI: They're not the Catholic Church.

MR. STERN: Right.

SENATOR BURZICHELLI: So, so-- I don't want to confuse that idea.

These people are in business to make money; they're allowed to make money.

MR. STERN: Yes.

SENATOR BURZICHELLI: The question is, should -- and, you're here and, Assemblyman Rumpf raised it -- is it time to go back and look to maybe having some regulation on generation, as we do on distribution, which appears not to be as successful as we would like.

But, the point is, these people who bid in and bid out, where was PJM in saying to them, "You've got to come in," and, did they say, "We'll stay in; we'll stay in if this number hits a certain point."

MR. STERN: So--

SENATOR BURZICHELLI: This is where we get to the point of how the auction works.

MR. STERN: So, let me help. They're-- When PJM determines that a generating plant is needed, and they say, "Yeah, but you're not paying me well enough, and I'm going to leave."

What gets entered into is something called the Reliability Must Run--

SENATOR BURZICHELLI: Understood.

MR. STERN: -- (indiscernible), RMR.

SENATOR BURZICHELLI: Understood.

MR. STERN: And, states and consumer advocates and everybody gets very hot and up and bothered about what you're hitting exactly at.

How much am I going to pay them to stick around? So, we don't want just anybody sticking around and getting this RMR

arrangement. And, that is one piece of the puzzle. I don't know about the plant you're referring to; they obviously-- It was determined that they could safely retire, and PJM didn't tell them to enter into an RMR.

SENATOR BURZICHELLI: And, Chairman, this'll be my last question.

SENATOR SARLO: Go ahead, yep, I have a follow-up for you.

SENATOR BURZICHELLI: So, in this scenario where PJM is determining if a person has to stick around, when that plan is directed you have to stick around, is that-- Is there a rate negotiated at that point?

MR. STERN: Yes, and there's typically a proceeding at FERC, and it's approved by the Federal Energy Regulatory Commission.

SENATOR BURZICHELLI: OK.

So, how much of that kind of procedure do you think occurred when PJM was evaluating, conducting this auction, of where this number was going to land?

MR. STERN: A lot of it.

Particularly in Maryland, there was two plants, Brandon Shores and Wagner--

SENATOR BURZICHELLI: OK.

MR. STERN: --Talen was going to retire, and PJM said, "We can't have you retire."

SENATOR BURZICHELLI: So-- In your opinion, do you think PJM knew what the bid number was going to be; the returning bid number was going to come back at \$270 based on those kinds of conversations?

Because, I don't suggest these vendors operate in a vacuum.

MR. STERN: So, I spent an earlier part of my career as a Deputy Attorney General in New Jersey, and in the Public Utilities Section, and the Counsel's Office in the BPU; I was involved in the creation of the BGS auction.

And, we don't know what the BGS auction results are going to be; we can have an idea. My best answer to you is, I bet PJM had an idea that the -- prices were -- and probably even hoped that the prices were going to be higher, so that they send the signal to generators out there, "Hey we need supply."

SENATOR BURZICHELLI: You made my point; Chairman, I appreciate the latitude here, but my point has been all along, that the affordability component that's often mentioned in PJM's documents is not in real time in a real world.

Because, that part of this equation was left out, and I think this auction was manipulated to get a number to attract private equity back into the marketplace to build generation, which we all understand is needed. But, if PJM had been more honest and transparent, then maybe some voices could have gotten involved from the various BPU's to negotiate what this next auction cap would be, and not have it run away, because it ran away. And, now people are thinking there's success because of the Pennsylvania/New Jersey/Illinois suit, that instead of being a \$500 cap, it's only going to be \$350. That's up from \$28! That's not success.

So, this-- We have a colossal failure here, and frankly, we need help that we're not getting, and the voices of these utilities, I think, are compromised. I think it's just simply compromised. Our friends PSEG -- New Jersey ratepayers paid for the ZECs-- We've had to push hard for that;

nuclear plants are functioning well because of Joe's people working the way they're working; they're safe; they're operating; they're designed -- they're producing electricity past their original design capacity; it's going to be a windfall of profit.

God bless you.

SENATOR SARLO: Thank you.

SENATOR BURZICHELLI: Thank you.

SENATOR SARLO: Thank you.

Before I give this my co-chair here to continue, I want to follow up on a pointed question from Assemblyman Burzichelli.

Senator Burzichelli.

(laughter)

Senator Burzichelli, I apologize.

Actually--

SENATOR BURZICHELLI: I was that bad?

SENATOR SARLO: It was the best thing that happened to you, you got a little reprieve for a year.

UNIDENTIFIED SPEAKER: (indiscernible) Assemblyman.

(laughter)

SENATOR SARLO: Little reprieve.

He had asked to each utility company up here about generation, and Public Service is the only one that's still in the generation business in New Jersey, in a small way. In nuclear, correct?

MR. THIGPEN: Yes.

SENATOR SARLO: If Paul Sarlo asked you all today -- don't give me a long winded answer -- if we asked you all today to get back into

the generation business, whether it's battery storage for solar, or natural gas plants; can you do it, and are you willing to do it?

MR. THIGPEN: Yes, and yes.

MR. VAVALA: I would say the same, yes and yes.

MS. REED: I can't get this to work.

I would say, we would need to evaluate what our core competencies are, and what we could do. So, yes, but, with a caveat. We would need to evaluate what our capabilities are for JCP&L.

SENATOR SARLO: And, Orange and Rockland?

MS. ESPINO: For RECO, we would say "yes" on both.

SENATOR SARLO: Thank you.

ASSEMBLYMAN DeANGELO: Assemblyman Sauickie.

SENATOR SARLO: Important.

ASSEMBLYMAN SAUICKIE: Thank you, Chair, I appreciate it.

And, first, I want to compliment your opening remarks, as usual, you were very honest in your opening remarks. In particular, I want to compliment you bringing up two things. One, was that there are a bunch of items that you rattled off in terms of policy that actually drive electricity needs. Those are policy things. And, I do want to change the questioning a little bit, towards policy, since that's what we're supposed to be doing. And, I believe that a lot of policy is what's gotten us into this position. The other thing I'd mention, Chair, you brought up about the point that at some point in our history, we produced more energy and we were exporters. As you may recall, I asked that question to the BPU President at our last hearing, and she said she never recalled a time when that existed, which is

concerning. So, I appreciate that you brought that up and clarified that, and I certainly would like to get back to that.

Along those lines, Mr. Thigpen, I also want to compliment you for your honesty. The fact that it sounded like you almost wanted to get it off your chest that policy, in a lot of ways, determines some of the decision-making that's going on here. I really do appreciate that. Question around that; you-- PSE&G has the plants in both Salem and Hope Creek, correct?

MR. THIGPEN: Yes.

ASSBLYMAN SAUICKIE: Is there a fourth pad that's been down there, that could've had a fourth plant?

MR. THIGPEN: Yes.

ASSEMBLYMAN SAUICKIE: What's prevented that fourth plant from being built?

MR. THIGPEN: The-- That's a long, complicated answer, but I would say, simply, today, it is the enormous expense and the political risk, and the long timeframe it would take to build the plant.

ASSEMBLYMAN SAUICKIE: OK, I'm going to come back to the expense.

What's the political risk?

MR. THIGPEN: For round numbers, it costs \$10 billion to build one, and it takes say, 10 years.

ASSEMBLYMAN SAUICKIE: OK.

MR. THIGPEN: So, if the Governor of New Jersey authorizes it; and the BPU authorizes it; and we start; and then the next Governor comes in of the opposite party and says, "That was a bad idea; they don't

know what they're doing;" and now we spent several billion dollars, and the State is no longer behind it.

That's what I would call political risk.

ASSEMBLYMAN SAUICKIE: All right.

So, we're making decisions that could bring in numerous amounts of supply. I mean, when we're talking about a nuclear power plant, we're talking big numbers here. I think the current three plants you have represent 40% of generation for the State, correct?

MR. THIGPEN: Just about that number.

ASSEMBLYMAN SAUICKIE: Alex is shaking his head, so, I trust that number.

MR. THIGPEN: Yes.

ASSEMBLYMAN SAUICKIE: So, 40% now, you add another one; you're talking real numbers here, right?

MR. THIGPEN: You know, we *trained* Alex at Public Service; I just want you to know that.

(laughter)

ASSEMBLYMAN SAUICKIE: OK.

And, I think, from the expense standpoint, as the Chair knows, I'm all for subsidizing for a return on investment. There have been things that have come up where I haven't been as supportive, because, frankly, it's not that I'm against doing it. Again, I'm all into this, get every supply, every gigawatt we can get. But, if we can get terawatts for a subsidized investment, let's go there. So, if we subsidized nuclear, and we didn't have to worry about policy, and your concern about political response, would that be something that PSE&G would entertain?

MR. THIGPEN: Entertain is a word that has a lot of meaning to it, but I think the answer to that is, yes, we would be willing to listen.

ASSEMBLYMAN SAUICKIE: OK, great.

So, you would agree, then, policy does drive a decision like that? Government policy?

MR. THIGPEN: Government policy drives most of the energy policy decisions we make, yes.

ASSEMBLYMAN SAUICKIE: Great, I appreciate that comment, as well.

I-- Through the Chair, just a couple questions to all of you. Are all of you familiar with inclining block rate? Could one of you explain it?

MS. REED: Yes.

So, an inclining block rate is where you have a higher rate for the kilowatt hour usage, or demand charges based on usage. So, above, let's say, 300 kilowatt hours, you may price the next units higher.

ASSEMBLYMAN SAUICKIE: All right.

So, the thought there -- or, the reality there -- is that if you use more energy, you're going to hit a certain threshold, or a certain break point, or tier, where the unit cost is higher, correct?

MS. REED: Correct.

ASSEMBLYMAN SAUICKIE: Why do you charge it that way?

MS. REED: It incentivizes energy efficiency; people to use a lower amount of energy, and also cost causation; people that use more should pay more.

ASSEMBLYMAN SAUICKIE: Use more, should pay more.

OK. Is that your policy, or is that law that drives up?

MS. REED: Pardon, could you repeat that?

ASSEMBLYMAN SAUICKIE: Do you, as a company, choose to implement that, or is that law that implements that?

MR. THIGPEN: For us, rates are set by the BPU.

ASSEMBLYMAN SAUICKIE: They're set by the BPU; that's what I thought.

OK, so it's a lot. So, first off, I understand that that was the thought behind it, was, "Hey, let's have this up there to incentivize people not to use that much energy." I would very much, like a lot of the other comments that were mentioned, about not knowing the different parts of the utility bill, for example. Not knowing the PJM; not knowing who the BPU is. I dare anybody to ask anybody in this room if they knew that there's a block rate out there that they would hit, and that they should be thinking about that as a way to save on energy so they don't hit that higher cost. I can guarantee you, no ratepayer knows about that.

So, again, Chair, when I think about things around policy, this seems like a policy change we can make to lower bills now. Because, it's not doing what I think you just described as the intent. Because, nobody knows about it; if you don't know about it, you're not going to use less energy to save on that higher rate. They're just getting hit on a higher rate, simple as that. So, that's a policy that drove that; I think that's a policy that can change it. And, again, just a couple more minutes, Chair. Energy Conservation Penalty, are you familiar with that? (no answer)

Anybody?

MR. THIGPEN: Penalty?

ASSEMBLYMAN SAUICKIE: Energy Conservation Penalty,
yes.

Or, maybe I'm using the wrong word. Energy conservation cost
on the bill. (no answer)

Nope, not familiar with that one. OK. My understanding is
that you all are allowed to charge when energy conservation actually reduces
energy usage. Are you familiar with that? Is it ringing a bell now?

MR. THIGPEN: Yeah--

MR. HENDRY: I can speak to that, Rick.

ASSEMBLYMAN SAUICKIE: Yes, thanks.

MR. HENDRY: I mean, it's -- in our case -- something called
the lost revenue adjustment mechanism, and essentially the -- there's a
calculation for the amount of revenue that is lost from consumers taking
advantage of energy efficiency programs, and therefore spending less on
electricity.

ASSEMBLYMAN SAUICKIE: I'm actually surprised you were
able to say that with a straight face, because, you said it well; you did, and
you described it well.

But, we're charging ratepayers, who actually embrace the
policies being pushed by this administration to go green, and reducing their
energy cost by doing something like solar, they're actually going to get hit
by the bill, or collectively, people are going to get hit on the bill because of
that-- Is what you just described. Now, again, that's policy, I think that's
policy we can look at to lower bills sooner than later. We shouldn't be
charging ratepayers who are trying to conserve energy by going alternative,
and they're getting hit on the bills anyway. That is in place *today*.

Last one I want to ask about is sales tax. So, we charge sales tax -- all of your firms -- by law, I believe -- charge sales tax on electric and gas. Is that correct?

MR. THIGPEN: Yes.

MS. REED: Yes.

ASSEMBLYMAN SAUICKIE: Everybody?

ALL: Yes.

ASSEMBLYMAN SAUICKIE: Correct, everybody agrees, right?

So, that's by law. So, first off, I'm not even sure ratepayers understand that, because, I'll be honest with you, as one member mentioned, Legislators don't even know all this. I was shell-shocked to find out about this, that we're charging sales tax on electric and gas. And, what makes it worse, is with these bills skyrocketing, proportionally, the sales tax portion of the bill is going up, dollar for dollar? Correct? Right?

MS. REED: Correct.

ASSEMBLYMAN SAUICKIE: So, my understanding is with this raise and cost expected this summer, the State will have an \$85 million additional windfall in sales tax, as a result of that.

Have any of you confirmed that? Or, know about that?

MR. THIGPEN: I have not confirmed it, but I do get the point you're making.

ASSEMBLYMAN SAUICKIE: You get the point, right?

So, again, Chair, that's a policy. The State put that in place, they're charging sales tax on electric and gas; the State's going to actually benefit from the fact that, in my opinion, policy, in a good part, has driven

this problem, and caused these prices in these electric bills and these gas bills now to go up. And, the State's benefiting from it with sales tax revenue. I think right now, it's something like \$230 million annually is projected in sales tax revenue. With this growth, it's another \$85 million. So, again, I appreciate all the conversations we've had about supply, and certainly think we need to address it. I think we're going to be years away from addressing it, because it took years to cause the problem. Doesn't mean we shouldn't address it; let's start now and have it fixed 5-10 years from now. But, in the short term, I think we have policy like the three I just mentioned that we could work on and hopefully lower utility bills sooner than later.

Thank you all. Appreciate it.

ASSEMBLYMAN DeANGELO: Thank you, Assemblyman.

Senator Zwicker. I know you got a certain glow about you, so hopefully we got a little Homer Simpson conversation coming into this.

SENATOR ZWICKER: You want a Homer Simpson?

(laughter)

I think we must, right?

I wasn't going to bring up fusion until the end of my comments, but I might as well now.

(laughter)

We're stuck with fission-- No. For the record; show of hands; who believes that fusion energy-- No, that's not my question.

(laughter)

I want to come back to some of the questions and things that my colleagues have brought up, because I've really been astounded by what

I'm hearing so far. I am of the opinion that this isn't that difficult. There's short-term things that we can do; there's some medium-term things that we can do; and there's some longer-term things we can do. So, I want to come back; Senator Burzichelli and Senator Smith brought up their deep concern about the current auction that just occurred. And, it was brought up that in Maryland, New Jersey, and Illinois, our ratepayers have filed a complaint with FERC to redo the auction. The estimate is in this complaint, it's \$5 billion in consumer refunds across the PJM grid, and you were asked, and everybody except for one person said that they would support this. It is many, many, many millions of dollars of rate relief for New Jersey ratepayers. I just want to get it on the record; there's no question here, I don't want to go back and rehash this. But, FERC has already ordered PJM to make changes that this complaint is asking for, now. So, future auctions will have these changes that will result in the same-- And, it has to do -- and, you brought it up -- it has to do with excluding capacity that is already on the grid. So, I just want to make it clear that this complaint, if upheld, will result in many, many millions of dollars of ratepayer relief right here in New Jersey, and billions across the entire PJM region. So, that's one.

Second, Senator Ruiz asked questions about who's part of PJM and votes. So, I want to come back to this, as well. We know that PJM's governed by a stakeholder process. Utilities, including many of you -- and you've said you'll go through the Chair to answer Senator Ruiz's questions - - but, you vote on market rules; reliability standards; infrastructure priorities. Obviously, these votes have a direct impact on how quickly new energy projects come along; how much ratepayers are charged; and whether or not clean fossil fuel resources are prioritized. But, when you were asked,

were you a part of it, some of you said, “I have to get back to you.” Or, “We’ll get these things through the Chair.” The reason is, that these votes are not public. They shape the cost of electricity for millions of families, businesses. There’s zero transparency at this point in time. So, I don’t want to have us go through all of this.

Show of hands-- Does anybody *not* support full transparency in these votes so that decisions that are being made at PJM are public soon after or immediately after those votes occur?

MR. THIGPEN: Does raising your hand mean you don’t support transparency?

SENATOR ZWICKER: You don’t support transparency.

I was trying to use Senator Smith’s way to--

(laughter)

Otherwise I’d have to look and see who didn’t raise their hand.

MR. STERN: I just want to clarify the record, for a minute, actually.

The votes are transparent to the extent you read, which is 100% right. We don’t participate in the auctions; we have no say over the auction results, but everything you read, we do have an opportunity, same with the consumer advocates. The votes are open and transparent, with all members of PJM allowed to participate--

SENATOR ZWICKER: Where are they available?

What website?

MR. STERN: If you go to pjm.com and look at the Members Committee, and the Markets and Reliability Committee, you can see all the votes.

SENATOR ZWICKER: Is that an easy thing to find if you're--

MR. STERN: Yes it is.

SENATOR ZWICKER: OK.

All right. The other thing I want to get to is supply and demand. And, look, I am all for New Jersey starting to generate more energy. Now, no joke, I believe that advanced nuclear is a place we want to go; I also want to see solar and battery storage put back on the -- or, on the grid quickly. Couple weeks ago, there was a report by Evergreen Action and Synaptic (*sic*) Energy Economics that exposed how PJM is throttling the energy supply at slow walking connections for affordable energy projects. Ninety-eight percent of these are clean energy, and there are thousands of these across the PJM grid. Someone else, Senator Smith, mentioned there's about 80 here in New Jersey, just sitting there, ready to go. If those were put onto the grid, it's estimated that it would save every New Jersey family \$400 a year; save our small businesses 19%; create 23,000 good-paying jobs; fight climate change; lower pollution by 14%; and ensure access to clean air and clean water.

So, question-- I open this up to any of you. What are you doing to push PJM towards reform as opposed to protecting the status quo?

MR. STERN: I'm happy--

MR. THIGPEN: I'll just start for-- I'm going to ask Ed Gray to work with me to talk about that; I will-- OK, I'm sorry.

MR. STERN: I'm happy to try to--

MR. THIGPEN: (indiscernible) Mr. Stern.

MR. STERN: --to answer, Senator.

And, just-- You're hitting on interconnection and queue reform, correct?

SENATOR ZWICKER: Yes.

Interconnection and queue reform. There are the equivalent of nearly 300 power plants ready to go and get connected on the grid, which would result in immediate cost savings.

MR. STERN: And, what I would say is, there's lots of different statements and studies out there, so I'll throw one to-- No question, queue reform was a problem, but, I would say that the problem is being -- and has been -- relieved.

The bigger problem is starting to show itself, which is that approved generation isn't showing up for three primary reasons. One, siting challenges; two, financing challenges; and, three, supply chain challenges. And, I'll throw a study your way, also. Lawrence Berkeley National Labs did a study that showed that more than 300,000 megawatts of projects have been approved nationally, but have not proceeded to construction; that's nearly 25% of current generation.

SENATOR ZWICKER: Understood, but these are projects that are ready to connect, right?

MR. STERN: The--

SENATOR ZWICKER: So, it's not about supply chain; it's not about whether or not they are ready to construct; these are ready to go.

MR. STERN: If they're ready to go, then they've already gone through the interconnection queue.

SENATOR ZWICKER: But, there's years-- But, they're being held back, my understanding is, years before they're ready to go, no?

MR. STERN: Well, part of the reason they're being-- If they're being held back, and they were being held back, it's because, before new -- and, I think Senator Smith may have hit this before -- but, before new generators are plugged in, they need to be studied to make sure they can be interconnected in a way that doesn't harm the grid, and most importantly, the other 67 million customers.

So, we've got to make sure they're plugged in. And--

SENATOR ZWICKER: How long does it take for those studies to occur?

Because, people are saying they're taking way too long.

MR. STERN: Part of the reason they took way too long is that the queue got flooded with a lot of, mostly, intermittent generation, some of which were speculative.

And, the queue, and the interconnection rules around who you serve had to be changed. So, we went years where we had an interconnection queue that was first in, first served. So, if I got in line first before you, I should be served first. And, in this-- With what was happening, that made no sense. So, we moved to recently, or more recently, to a first ready, first served; who's really real? And, we also imported new rules around who's real and who's not; finance commitments; and the like. And, so, what that has done, is allowed us to process quicker - - allow PJM to process quicker -- so that a 250-gigwatt backlog has now been cut in half and the anticipation is by next year, there won't be a backlog at all. But, the problem is, that around 7% of those that get through are actually going on commercial operation, getting a COD.

SENATOR ZWICKER: OK, thank you.

I want to pivot; several of my colleagues have brought up the fact that -- question -- whether or not we should be part of PJM; whether we should go on our own; whether or not we should join another organization. So, I guess a couple of questions. Right now, all four of you are paid, incentivized, to be part of *a* RTO, whether it's PJM or someone else. But, shouldn't we assume that it is in our best interest to continue to be part of some regional organization? And, Number 1; Number 2, from that, doesn't that mean that since ratepayers are the ones subsidizing this, that it's no longer necessary for them to offer a subsidy to remain in an RTO?

MR. THIGPEN: I'll start.

So, the first question: I believe the wisdom of joining an RTO was to procure resources in the most cost-effective manner by regional coordination. If the State of New Jersey decides the facts no longer warrant that decision, that is one to be talked about. The second question you asked, I'm not sure what you meant by being subsidized to be in an RTO.

We're playing by the rules--

SENATOR ZWICKER: So, FERC provides electric utilities what's called a supplemental return on equity adder, as an incentive to join or remain in a regional transmission organization on a voluntary basis.

And, so, FERC currently gives an annual 50-point basis adder, and I'm asking whether or not ratepayers are subsidizing that -- or, were paying for it, rather, is the right word to use. Should we be-- Do we really need that anymore?

MR. THIGPEN: Anymore.

So, I will start -- Mr. Gray behind me has got far more expertise than I do -- but, I like to talk, so I'll start. You know, it was the blackout, I

believe it was in 2003, when we decided -- “we” being the government as a whole -- decided we needed more transmission as a way to move power and to make costs lower. And, as a public policy matter, it was decided to incent the building of transmission across state lines and inside states. And, Public Service has in fact responded to that incentive provided by the government. If you want to make a prediction about the future, it’s open for some peril; there’s reason to think that there’s going to be a continued need to have transmission available to keep our costs affordable, and to keep our options available depending on the circumstances in the future, whether or not New Jersey becomes an energy exporter or not. I think it was one of the senators who mentioned the PJM testimony before, we’re importing over a third of our energy right now. And, so, transmission is one of the things that’s making our utility bills more affordable today than they would be without it. So, the idea of getting rid of it; there is-- I’m quite aware of the attraction of trying to drop a cost so we can say we did something; but, I’m also aware that there’s some potentially significant, unintended consequence that will make that effort to do something quickly cost everybody a lot more money in the long run and put the State less in the position to handle circumstances in the future. Nobody at that time saw data centers coming, or etc., etc. And, so, I would just ask for a little caution; I understand the desire to try to drop some cost because it seems like we can lose them, but, the unintended consequences-- I would at least ask that you take a very close look at them before you move forward with that kind of thing.

SENATOR ZWICKER: And, I just want to say that at the first hearing, Brian Lipman, New Jersey’s Ratepayer Advocate, is the one who

suggested that we -- the Legislature -- adopt a law as other states have done-

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MR. THIGPEN: Yes, we heard.

SENATOR ZWICKER: --that require electric utilities to be members of an RTO, and that point, there would be no need for this rate -- for this adder basis.

MR. THIGPEN: "Need" is a very big word in that sentence.

SENATOR ZWICKER: I agree with you, that we should look at it carefully, at the unintended consequences, but I also think that is something we need to do.

Thank you.

MR. STERN: So--

ASSEMBLYMAN DeANGELO: Thank you, Senator.

Assemblyman Marengo.

ASSEMBLYMAN MARENCO: Thank you, Chairmans, for making this happen today.

I'll be speaking mostly to PSE&G because you are my backyard provider, and I'll be stealing some of Assemblyman Bailey's homework. Pretty much the same ROI questions he directed at Atlantic City Electric. And, first off, I'll make it clear, I believe -- just like we had in the last hearing -- PJM is a major part of this problem. The grid operators, as well as the utility companies have a lot of responsibilities, and governmentally, we do, too. There should've been more power online, and we know now from the last hearing, it takes more than five years to get that online. But, we're here today, so, and you're in the batter's box, Mr. Thigpen.

PSE&G has a great record -- and I compliment you this -- on your dividends return. I think this quarter is 63 cents per common share. For the year, it'll be \$252.

MR. THIGPEN: I'm scared; you're doing your homework.

ASSEMBLYMAN MARENCO: I-- It's my job, too.

And, you guys are one of the only companies in New Jersey to have given a dividend since your inception, without missing one. So, you're not doing bad there. And, along the same lines as Senator Ruiz asked -- because, it affects our people -- 13 cents-- It's 63; I'm saying, why not be 50 cents? Because, \$27 is a lot to my community; it keeps the lights on-- It is the entire electric bill. And, 13 cents a common share -- and, I'm just coming up with that number by the way -- and, for full disclosure, I have some of your dividend. So, I don't mind you taking 13 cents of my common share if it means spreading the paint around. And, I know your answer's going to probably be, it's voted on by your board, and this is part of your minimum--

MR. THIGPEN: No.

ASSEMBLYMAN MARENCO: OK.

MR. THIGPEN: You ready?

ASSEMBLYMAN MARENCO: I'll be very short; offshore winded.

I'm ready.

MR. THIGPEN: So, as I said to Senator Ruiz before, I'd like to talk to you about value creation, not this issue of just profits.

I hear what you're saying; we are very diligent; we are very proud to be managed very wisely by Public Service Enterprise Group. I

have the privilege of having Gregg Murray and Joe Checkley here today, because two out of three of the employees of Public Service Enterprise Group are members of collective bargaining units. You also know, as a country boy from Hudson County, that we work very diligently with the municipalities to make sure that we not only provide safe and reliable service, but that we try to work as an interactive body with these communities to make sure that we are their partner, to both deliver service and, hopefully, leave communities better than we found them.

The idea of, “We didn’t cause this problem,” but you’re coming to Public Service to maybe take a haircut to solve it is conceptually something-- So, first off, if gas prices rise, we have to come back and talk about our financial reduction because gas prices rose and now you want to call on Public Service-- And, that’s a little bit of a wisecrack, but you get my point. We didn’t cause this problem, so we asked you not to just-- Because, we believe we’re here; we’re your partner; we’re headquartered in Newark since 1903; that it’s easy to take money from Public Service because they’re right here. But, we are in the value creation business, and just like here, there are people who want to talk about having us take a haircut. We deal with 300 mayors who want us to pave streets; who want us to cut trees; who want us to provide service to the members of their community in an emergency. And, when the storms hit and the weather is severe, they want our people out there facing this challenge for them, quickly.

So, all that to say, I just -- it’s-- I understand how easy it is to say the big company can take a haircut, and maybe that’s a way to solve a problem that they didn’t create, in case I didn’t say that already. But, I’m

just trying to ask you to think a little bit more expansively, and understand that we are also 10,000 residents of New Jersey, and these households all depend on Public Service. Many of them are -- I'm wearing a blue collar today -- but, many of them are from collective bargaining units. And, don't forget, there are 4,000 business in New Jersey that do business with us every year because we have a Buy New Jersey program to make sure that when Public Service does business, we invest in the State of New Jersey; and I could keep going, in terms of the value we provide to the state. So, I just try to ask you to think about value creation.

In this crisis, we are going to continue to hear claims that, "Maybe you guys should just make less money." I also want to say that, if our credit profile is reduced, then the reliability cost for your community, this community, and other communities is going to increase in the future because we have to borrow money in order to execute. And, I know the ratepayers pay it back, as Senator Ruiz talked about, and we are watched very closely to make sure we spend money prudently. And, in fact, the people of New Jersey are getting their money spent wisely and producing a result; and I could talk about those results to you. So, I hear you, and I understand that that call is not going to go away. And, I've also noticed in my almost 18 years in this job, I'm still looking to meet the person who thinks their utility bill is just about right. So, I understand that we are available to be made the bad guy, and so I'm trying to do my best just to make you all think about it before you do it, and, in fact, Public Service is the kind of company you want to have in New Jersey, and not the one to be penalized for what somebody else did on customers' bills.

ASSEMBLYMAN MARENCO: I--

MR. THIGPEN: And, our Board votes on it, too.

ASSEMBLYMAN MARENCO: By the way--

MR. THIGPEN: That was a joke, though.

ASSEMBLYMAN MARENCO: --the haircut stuff, you've got to know your audience, Mr. Thigpen.

(laughter)

And--

MR. THIGPEN: My apologies.

ASSEMBLYMAN MARENCO: And, talking locally, I hope the mayor doesn't mind -- 61st and Grand Ave. -- you guys have got to fix that pothole you guys left there.

MR. THIGPEN: Exactly!

ASSEMBLYMAN MARENCO: Well, you haven't done it yet, but, please do.

I get all that, Mr. Thigpen, and I get the whole infrastructure and all that. And, I am not saying you guys are the only ones responsible. Like I said in my lead up, PJM, I believe, holds a great part, and we, as the governing branches, hold a major part by not having seen this coming. But, I do fear that the July auction-- This body will have to be here again, having the same conversation with you.

MR. THIGPEN: I'm not looking forward to it, but I agree.

ASSEMBLYMAN MARENCO: Well, I'd hope you'd make something happen that you don't have to -- and, with your partners.

MR. THIGPEN: Yes, I understand.

ASSEMBLYMAN MARENCO: Because, it's-- The rent is too damn high, and the electricity now is joining it.

MR. THIGPEN: PJM is the landlord; we're just the electrician fixing the building.

ASSEMBLYMAN MARENCO: And, I represent the tiny person paying that bill, to keep your lights on.

MR. THIGPEN: And, those are our customers, too--

ASSEMBLYMAN MARENCO: Yes.

MR. THIGPEN: --and, that's a very fair point, and I tried to talk about it at the beginning; we are trying to pay very close attention to the impacts; we have a customer service center right down the street--

ASSEMBLYMAN MARENCO: Yes.

MR. THIGPEN: --in the City of Trenton, and I was just looking at it this morning, and you see the people walking in, and the idea of being insensitive to their economic position would be absolutely unacceptable.

And, one of the reasons I'm proud of a company called "Public Service" is, it allows people like me to work for it, who do have that issue as a priority, and we do our best to try to demonstrate that we are concerned about our customers, and that we are trying to be responsive. But, I don't think I've said it, but we did not cause this price spike, and, so, that's the real situation we're in. So, we're trying to be a partner, and we know there's a temptation, and, so, I'm trying to elaborate to try to, obviously, give you cause to pause and something to think about before you exercise that enormous power that the voters have put in your hands.

ASSEMBLYMAN MARENCO: Thank you for that, and do better, and we should do better, too.

Thank you, Chairman.

ASSEMBLYMAN DeANGELO: Thank you.

Assemblywoman Katz.

ASSEMBLYWOMAN KATZ: There we go.

I want to hit on some points that my colleagues had brought up earlier and some comments that were made. You were talking, Mr. Thigpen, about that some conversations-- You're having some conversations with some people in private. But, my constituents can't afford for you to talk in whispers right now. We need answers; we're being vocal here, and we need you to do the same thing. So, I want to talk a little bit about some of the corporate profits that we've been seeing coming into your companies. So, as our constituents are having to decide between food and their electric bill, or their medical needs and their electric bill, can you tell me what the profits for all of your different companies are annually, and how have they increased over the past five years?

MR. THIGPEN: No, I didn't come prepared to share those numbers and be accurate about them, but that's something we can share, and they're a matter of public record; we are a publicly traded company and we report them all the time.

And, I understand the point you're trying to make.

ASSEMBLYWOMAN KATZ: That our constituents are having trouble affording their bills and your company is making lots and lots of money.

Do you know your CEO's-- How much do each of them make a year?

MR. THIGPEN: It is-- I did not come here prepared to give a number; it is--

ASSEMBLYWOMAN KATZ: Ballpark it.

MR. THIGPEN: --a publicly available piece of information,
it's--

ASSEMBLYWOMAN KATZ: Ballpark it.

Like, any idea. Like, how much does the CEO of your company make? Like, just give an idea of what-- If you were looking for that promotion, how much money would you expect to be paid?

MR. THIGPEN: More than I'm making now.

(laughter)

ASSEMBLYWOMAN KATZ: Which is?

Let's start now, where are we going?

MR. THIGPEN: So, let me be candid with you, I'm not going to give you a number; I understand what you're trying to accomplish.

Our CEO is generously compensated; it is public information; we can find it; we can give it to you. And, I'm prepared to have this dialogue that you're going to take us into, but I don't have a number to give you at the moment.

ASSEMBLYWOMAN KATZ: Well, because I think that's the point though, is that we've got these great guys who are doing a lot of work out in the field; dealing with electric lines in dangerous conditions; and they're keeping us up and running.

We're paying for all the infrastructure that you're building; we're paying your profits-- And, by "we" I mean ratepayers, the people who are paying our electric bills.

MR. THIGPEN: Rates set by the BPU, not to interrupt you.

ASSEMBLYWOMAN KATZ: OK, OK.

But, we're paying these bills, either way, whoever sets them, we're paying them. So, I want to know where that money is going. Where are your corporate profits? What are they at? How much are you paying your executives? Because, the guys--

MR. THIGPEN: OK.

ASSEMBLYWOMAN KATZ: --who are doing the work are not getting paid the way your executives are getting paid.

MR. THIGPEN: Well, I'll say they're not doing bad, either.

ASSEMBLYWOMAN KATZ: They're--

MR. THIGPEN: But, your point is well taken, and we can provide that information, but it is all publicly available; I'm just not--

ASSEMBLYWOMAN KATZ: I know--

MR. THIGPEN: --prepared to have that--

ASSEMBLYWOMAN KATZ: Well, but that's why we wanted you to be here today, so we can get a better understanding on that.

MR. THIGPEN: OK.

ASSEMBLYWOMAN KATZ: But, I want to dig in a little bit to one of your projects, PSE&G, that FERC had to launch into an investigation; took six years; and levied a \$6.6 million fine against you.

Could you elaborate a little bit on what happened there?

MR. THIGPEN: Ooh, I didn't exactly come prepared for that, but, yes ma'am.

It was a transmission project in the State of New Jersey, where there was a debate about whether or not some of the repairs should have been required, or whether or not-- I'm sorry, whether or not some of the line could have been repaired versus replaced. They never doubted the need

to upgrade the line; they have not complained about the expenses; there was some documentation problems as opposed to some problems--

ASSEMBLYWOMAN KATZ: Would that be inaccuracies in the documentation you provided?

MR. THIGPEN: That would be my understanding; some inaccuracies in the documentation versus a sense that it was a not prudent expense to make.

ASSEMBLYWOMAN KATZ: So, you provided inaccurate information to FERC and then had to pay a fine, which, really, comes off the backs of the ratepayers.

MR. THIGPEN: The fine comes off the backs of our shareholders, not the ratepayers.

ASSEMBLYWOMAN KATZ: Well, but, your shareholders are making record profits, and our ratepayers can't afford to pay their electric bills.

MR. THIGPEN: Well, I'm not sure where the record comes from in the profits, and I understand, and like I said today, we did not cause this rate increase.

Assemblywoman, I do understand your concern, and I am quite familiar with our lower-income communities and customers, they're mostly in Public Service's territory in New Jersey. And, we are doing a very diligent job to provide value and not to unduly burden the ratepayer with price spikes. But, this one we didn't cause, and we're deeply regretting that we're here today having to talk about it.

ASSEMBLYWOMAN KATZ: But, and, I think it's come up a couple times here, we're not the experts on how to generate energy.

We're here to listen to you. We need you to be vocal; we need you to speak up.

MR. THIGPEN: Yes.

ASSEMBLYWOMAN KATZ: And, if you're not doing that because you're afraid of engaging in the political process, then we-- Or, afraid of whatever we're going to fight about up here-- You have to be honest with us; we have to have conversations.

MR. THIGPEN: So, fair point.

So, "afraid" is not the word. I think, discretion is the better part of valor, or somebody said something like that a long time ago. Our job is to provide professional advice; our job is to work with you whether you're a Democrat or a Republican; whether you're a suburbanite or an urbanite; and to provide professional service. And, you would not be surprised to say that sometimes simply giving opinions can undermine your ability to work with certain people at certain times, and that's something we're very careful about because we have a very serious responsibility to protect the reliability of a very large electric and gas system in the State of New Jersey, and we do not want it -- we do not want politics to affect it. And, so, I would just-- It's not about being scared, it's about trying to define the proper forums, and we're not doing whispers, but we do try to meet with Legislators and talk with them. But, it's policymakers who have to tell us what they want, and then we are going to be here to tell you how to get it at the most cost-effective and affordable manner for the people in the state.

ASSEMBLYWOMAN KATZ: OK, so, here we're telling you we want to lower utility rates for our constituents, and we need ideas from

you. So, we're telling you that, now. But, we know that the status quo isn't working. We know it; and our constituents are the ones paying the price; and I think it's shameful that we don't have answers for them now. Like, you should've known this is coming; we've talked about this this entire hearing; you knew ahead of time that PJM was doing whatever it is that PJM does; and we're mucking with the rates and we knew this was coming. We need you to be able to come to us.

MR. THIGPEN: So--

ASSEMBLYWOMAN KATZ: Not demand that you come to us when there's a problem; come to us so that we can work on it together; be able to build those projects to give good jobs to people in New Jersey; being able to lower those rates.

But, having the conversations, we don't know unless you tell us.

MR. THIGPEN: So, this particular conversation doesn't have anything to do with Public Service, right?

It was not-- It was PJM's capacity auction that achieved this impact today.

ASSEMBLYWOMAN KATZ: And, you knew that, though, before, we've been talking about this--

MR. THIGPEN: It was public information before.

ASSEMBLYWOMAN KATZ: Yes, and so, we are asking for you, as the experts--

MR. THIGPEN: Yes.

ASSEMBLYWOMAN KATZ: Right, you're the experts, I'm not the--

MR. THIGPEN: Yes.

ASSEMBLYWOMAN KATZ: --expert on energy generation or
the--

MR. THIGPEN: We're the experts on operating an electric--

ASSEMBLYWOMAN KATZ: Yes.

MR. THIGPEN: --distribution system--

ASSEMBLYWOMAN KATZ: So, you are the ones that we
hope would come to us--

MR. THIGPEN: Right.

ASSEMBLYWOMAN KATZ: --and, give us the heads up so we
can all work collaboratively together, and not have to get into these--

MR. THIGPEN: Yes ma'am.

ASSEMBLYWOMAN KATZ: So, I hope we're not-- I'm not
hearing any answers, because when we're talking about the programs to
even out people's bills every month so that it's the same, we're not reducing
costs, and that's what we need to do.

People are stretched; you're saying-- I heard earlier that electric
rates -- utility rates -- are down compared to household income.

MR. THIGPEN: No, I'm sorry.

Just to clarify--

ASSEMBLYWOMAN KATZ: --Bills are more affordable.

Yes, it's just that's not true. Like, people's bills are going *up*.
Compared to inflation -- sorry, don't know where I had that note -- but, it
was compared to inflation, that the costs are down. And, I don't see that.
My constituents don't see that; we don't feel that. Nobody's bill is \$100;
you guys are talking about a \$100 bill; I haven't seen one of them in my

house, and neither have my constituents, but we need answers from you guys.

MR. THIGPEN: So, the point I made before is, we are very proud that from the -- we call it share of wallet -- the cost of utilities -- as a percentage of household income in New Jersey is-- We are more affordable than most places in the country.

I will say that very clearly; as a share of household income, Number 1. Number 2, there's something for you all, actually, to be proud of, is that New Jersey does have some excellent programs available for their lowest-income ratepayers. And, because of that, there is the opportunity if they can be connected to payment-assistance resources, that they can also have a somewhat more affordable utility bill.

ASSEMBLYWOMAN KATZ: Somewhat more affordable, but --

MR. THIGPEN: The idea of me arguing with you about it, affordability of utility bills, you understand every time I say a word, I'm losing, and I understand that perfectly.

But, I'm trying to give straight facts, because I don't want you to think-- I'm not trying to hide from it. We are affordable in New Jersey, and at Public Service, we're one of the most affordable utilities, and we've been paying very close attention to it, and our O&M costs are rising below 2%, which is below the cost of inflation; below the cost of living; but, we pay salaries for people, so there's some challenges. I know how excited I get when I've got to cut costs every year from my own little, miniscule, tiny budget; in case people were wondering about it. But, those are very important issues, and I understand what you're saying, and, I have great

sympathy for them. But, we do do a very dutiful job to make this as affordable as possible.

ASSEMBLYWOMAN KATZ: Well, I don't think my constituents--

ASSEMBLYMAN DeANGELO: Assemblywoman, if I could ask you to wrap up.

ASSEMBLYWOMAN KATZ: --would agree with you.

I just don't think my constituents would agree with anything you say. But, I would really like to have-- If you guys could get us the information--

MR. THIGPEN: Yes.

ASSEMBLYWOMAN KATZ: --on how much your CEOs are making and what your corporate profits are, just so we can have them all together. That'd be helpful.

MR. THIGPEN: And, we would look forward to further conversation with you.

ASSEMBLYWOMAN KATZ: Thank you.

MR. THIGPEN: I mean it, thank you very much.

ASSEMBLYMAN DeANGELO: Thank you, Assemblywoman.

Is there any other members for the first time? I know Assemblyman Barranco said he has one 30-second question, if not we're just going to get back to you.

SENATOR SARLO: Senator Amato.

ASSEMBLYMAN DeANGELO: Senator Amato.

I'm sorry, but, we'll put you back.

SENATOR AMATO: Thank you, Co-Chairs.

First, before I speak, I just want to thank the hardworking men and women of the unions who are here today for keeping the electric on; keeping the gas running. I was a mayor during Superstorm Sandy, and they did a phenomenal job getting those homes back up. One time we had, in our community, 12,000 homes out, that increased to 24,000, fluctuated, and they were there, 24 hours a day, seven days a week. So, I want to thank you and your membership for your hard work in doing that.

I'm just going-- I just want to read a letter. These are the letters that I've been receiving out of my district office, and I'm just going to briefly read portions of one. My colleague, Assemblyman Rumpf in our district, as well-- "I'm writing this email to let you know the incredible hardship that the utility price increases are putting me, and all the residents of our town who are being subjected to them. I live in an over-55 community, where a large portion of the residents are on fixed incomes. These increases are a major concern and are becoming prohibitive. I am still working, and the rate increases continue at their current trajectory, I will never be able to fully retire, and will have to work until the day I die to keep my utilities on."

These are every day; hundreds a week from residents concerned about their bills. Our district is predominantly of retired citizens living on fixed incomes that just can't continue to open up their utility bills and see these outrageous increases. And, I know you tried to explain it the best you can, but we need to do better. I know I agree with Majority Leader Ruiz, Assemblywoman Katz, as well, at the points that they're making, and we need to do better. We need to do better whether it's on the Legislative side, or whether it's on your side, as well.

Some of the testimony that was given today -- and, I tried to jot notes as quickly as possible -- is just a few short years ago, we were a 20% exporter. Is that an accurate-- Is that accurate?

MR. THIGPEN: My understanding was, a few years ago, we were *only importing* 20%; I'm not exactly sure when we were an exporter. I think that was further in the past.

SENATOR AMATO: (indiscernible)

MR. THIGPEN: We only imported 20% a few years ago, now we're up to 35%; that fact I'm clear about.

When New Jersey was an exporter, I'm not clear about.

SENATOR AMATO: Anybody-- I think the gentleman in the back?

MR. STERN: I was just going to confirm -- I don't know if it's 20% -- but, we were an exporter a long time ago.

SENATOR AMATO: Correct.

And, now, I believe that some testimony that was given up to now, we're 43% of an importer; importer of energy, now. I believe--

MR. STERN: We have--

MR. THIGPEN: Thirty-five is the number that I know, but it could be higher-- yes, sir.

SENATOR AMATO: Thirty-five?

OK. So, obviously, with the closure of the nuclear power plants, and power plants going offline, there's a need to start generating electricity here in New Jersey in order to get a handle on it. I know you don't want to be in the middle or--

MR. THIGPEN: No, absolutely; absolutely to that question, absolutely. Yes.

SENATOR AMATO: OK.

So, if we were to start approving nuclear power plants today -- I'm just using nuclear as an example -- we're still 10 years away from them going operational?

MR. THIGPEN: At least.

SENATOR AMATO: Yes.

Is that because of the regulatory compliance?

MR. THIGPEN: Regulatory; permitting; financing; government; construction-- Yes, the whole package.

SENATOR AMATO: If there's any input that you can give to help streamline those processes, because I think we really need to start becoming an energy producer, again, and the only way to do that, in my opinion, is an all-the-above approach.

An energy triad, so to speak, whether it's solar; nuclear; or using gas power to generate electricity, and I think we need to do that. And, we have a bill to -- as a small, modular, nuclear energy incentive act -- which I think will help. It's been proven in other states, and something that we as a governing body need to look at to move forward, because, it's not going to answer the questions that we have today, or assist, but we have to look at our long-term energy goals. And, Senator Testa brought up a lot of good points of RGGI, and the Green New Deal, so to speak, that there was such a push to go alternate energy-- And, I'm OK with alternate energy. In my community of Berkeley Township, we had a landfill, we closed it with a public/private partnership to put solar on it. And, now, 500 moderate- to

low-income residents in my community are now benefiting by that community solar, and the town is benefiting by getting a--

MR. THIGPEN: Yes.

SENATOR AMATO: --uncapped landfill capped and done.

So, we need to have an all-the-above energy approach.

MR. THIGPEN: Yes.

SENATOR AMATO: So, just--

MR. THIGPEN: And, we--

SENATOR AMATO: I'm finishing up as quickly as I can,

Chairs.

I think you would agree to that, an all-the-above energy approach?

MR. THIGPEN: Yes, in fact, I'll add to it; we would be ecstatic if there was a bipartisan consensus that New Jersey needs to be -- do more energy generation itself, and I believe you would find Public Service to be one of your most invaluable assets if that decision was made in terms of executing on it.

SENATOR AMATO: Good, good, I'm glad to hear that.

MR. THIGPEN: And, if I can add just one more thing--

SENATOR AMATO: Sure.

MR. THIGPEN: These gentleman that you pointed to back here, Joe and Gregg, don't have to be here; we're so proud of our management philosophy that they feel that they are a part of this company that they're willing to be here voluntarily and stand with the company.

I just want to make sure that I call that to your attention; that's not something to be taken for granted, and it's something we're very proud

of, and, one of the value creation items we try to do for the State of New Jersey.

SENATOR AMATO: Thank you for being here.

Recently, staff recommendations at the BPU had made recommendations to the four public utilities, petitioned the board with proposals to delay the implementing electric -- the impending electric rate increases until October. Will your utilities be submitting a proposal?

MR. THIGPEN: Yes.

And, the fact that we're facing a price spike in a very hot summer opens the door to some paying attention to the impact on the average customer out there. And, we would be remiss not to pay attention to that.

MR. VAVALA: Yes, Atlantic City Electric is looking closely at that as well, and we will be working with our partners here, as well, to determine what our total position will be related to that.

MS. REED: And, likewise, for JCP&L.

SENATOR AMATO: Well, I'm glad to hear that; that will obviously help ratepayers get through the summer.

Do you have any idea on how the deferral will work yet, or are you just still putting together plans to submit?

MR. THIGPEN: A man's got to know his limitations.

(laughter)

MS. REED: We're still working through the details.

We're still working through the details.

SENATOR AMATO: OK.

Like I said, that would be helpful, but I know ultimately, we're just kicking the can down the road a little bit to give a -- little rate relief through the summer months. But, like I mentioned, we need to have an all-the-above approach to try to get -- to keep those bills down. My colleague across the aisle, Assemblyman Sauickie, brought up something that I brought up during the Budget and Appropriations Committee, that if these increases were to go through with the State, the sales tax would generate another \$85 million. I think that's something that us, as Legislators, we need to look at; that if those increases were to go through, whether it's October, if we can even have a longer deferral would even be helpful to try to come up with some relief on the sales tax to our ratepayers. And, that's something that we have a bill currently being worked on to introduce--

SENATOR SARLO: Thank you, good point.

SENATOR AMATO: --that would be helpful.

I thank you very much. Thank you, Chairs, for your indulgence.

MR. THIGPEN: Thank you, Senator.

ASSEMBLYMAN DeANGELO: Thank you.

That's everyone for the first time. And, if I could just ask the Committee to be brief for your second time, because we went tripled on everybody from what we were initially going to do with the discussion. And, I know Assemblyman Barranco's going to follow up right on point.

ASSEMBLYMAN BARRANCO: Very brief, Mr. Chairman.

Very--

SENATOR SARLO: And, I'm going to just ask you, everybody--
- And, I'm going to ask the utilities.

If we're going to ask you a question, let's ask you a question; a pointed question. We don't need-- No more speeches from any of the members--

ASSEMBLYMAN BARRANCO: Yes, yes, yes.

SENATOR SARLO: Let's ask a pointed question and get a pointed response. And, if the utilities cannot answer it, just say, "We will get back to you." Let's keep it that way.

Does that work for everybody?

ASSEMBLYMAN BARRANCO: Yes.

Mine is simple, Chairman.

SENATOR SARLO: Simple questions, simple responses.

ASSEMBLYMAN BARRANCO: So, this is to any one of you who has the courage to say the truth.

I have long posited that an energy masterplan needs to be written by scientists and engineers, not politicians. Because, the dreams of a world that we all have is very different than what we are capable to do in 2025 as a human race. We have said many times here, what do we know about the supply-and-demand curve? Electricity is a commodity like any other, and when it becomes scarce, it becomes expensive. And, when we have a surplus it becomes cheap.

Did any of you, who were ever a part of policymaking in New Jersey-- Or, even not policymaking just an expert in the field, calling your friend saying, "Hey man." Did any of you make it clear to policymakers in the State of New Jersey that shuttering generation was going to spike prices?

MR. THIGPEN: Yes.

Oh, I'm sorry. Yes.

ASSEMBLYMAN BARRANCO: Thank you, for that.

MR. STERN: I'll say yes, too.

ASSEMBLYMAN BARRANCO: I knew you would.

Thank you. Thank you guys, I'm done.

ASSEMBLYMAN DeANGELO: Thank you.

Assemblywoman Katz, one question.

ASSEMBLYWOMAN KATZ: Just a quick comment.

I was able to get the information on what the CEO for PSE&G makes; it is \$12,367,960 a year, with \$3.8 million being paid out in cash and \$8.5 in equity; \$51,000 in pension benefits. Does anybody else-- When things are public, it doesn't mean that they're on the public record that we can read, and I think that's important for everyone in the room and all of our constituents watching. But, that's what your CEO is making, so I guess the question-- Does anybody else want to answer that, too, and put that on the record for us, so that our constituents can fully know what we've got going on here?

MR. THIGPEN: If I may answer first which is--

ASSEMBLYWOMAN KATZ: OK.

MR. THIGPEN: --I'm glad to confirm that I was telling the truth; it's public information, so I appreciate that--

ASSEMBLYWOMAN KATZ: Sure.

MR. THIGPEN: --that much of it.

I also add that our CEO's salary is benchmarked, and not in-- My understanding is, it's below the median for CEOs in comparable positions, so he's not being overpaid compared to the industry. And, I also

understand exactly what your situation you're putting us in when we talk about these numbers, because, except for a couple people here, they don't make that kind of money. And, so--

ASSEMBLYWOMAN KATZ: I didn't put you in a situation, just to be clear.

MR. THIGPEN: --it seems-- Yes.

I understand what you're doing. OK.

ASSEMBLYWOMAN KATZ: I didn't put anybody in a situation, just to be clear.

But, if anybody else--

MR. THIGPEN: Well, thank you--

ASSEMBLYWOMAN KATZ: --wants to answer just so that we have the record?

MR. THIGPEN: I didn't mean to be inappropriate about it.

ASSEMBLYWOMAN KATZ: OK.

ASSEMBLYMAN DeANGELO: Does anyone else want to respond?

Thank you very much. Next up, Senator Testa.

And, guys, just so everyone knows, it's been negotiated between both sides over here that we're going to have more people speaking, so if we could just make it very brief. We've been here four hours. One more, Senator Testa.

SENATOR TESTA: Thank you, Assemblyman; appreciate it, Mr. Chairman.

I sort of take umbrage with some of the statements being made today that this is a surprise; that we're surprised. Some of us have been sounding the alarm about the Energy Masterplan for a number of years.

My question is specific to energy production that has been taken offline in the State of New Jersey: B.L. England and Oyster Creek combined. How many megawatts is that, per year?

MR. THIGPEN: I don't know.

It's not insignificant; but, I don't know.

SENATOR TESTA: So, obviously, you folks actually do heavily influence policy, I want to be very clear about that, because--

MR. THIGPEN: Thank you?

SENATOR TESTA: Yes, you're welcome, and thank you, because you are the experts in the field, and I want to be clear.

But, any time that you have experts in a field, my experience has always been, there's what I would call an immediate plan, like a short- or mid-term plan, and a long-term plan. In your ideal world, in order to help our constituents out -- help out the State of New Jersey to actually have a different supply-and-demand curve, as Assemblyman Barranco referenced -- the supply/demand curve that we have. What would those plans look like?

MR. THIGPEN: Well, I'll start-- OK.

MR. VAVALA: I was just going to react to one comment.

You mentioned B.L. England coming offline a number of years ago. Part of our response to that was a significant amount of transmission, similar to the answer that I provided to Senator Burzichelli was, there was a transmission infrastructure upgrade as a result of those megawatts quote

unquote, going away, so to speak, in the state. So, from a reliability perspective, and from that standpoint, the company executed on a series of plans to be able to maintain transmission and grid reliability for South Jersey as part of that megawatt going away. I think what was missing maybe, in that conversation, is the commensurate change potentially it could create to the cost of supply coming into the state. And, I think that's kind of the a-ha moment that a lot of us are seeing here right now. So, I just wanted to say that the idea of generation going offline is not taken lightly at the companies. I was in operations at the time; we looked at it very carefully; and we also looked and said, "Hey, look, what do we need to do in terms of transmission upgrades to make that happen?" So, there is a series of upgrade projects that would be recommended as part of that work.

MR. THIGPEN: And, I'll add to that, and I hear you.

First off, retirements that are uneconomic, that cost too much, maybe makes sense; retirements that maybe have an environmental footprint that beyond public policy tolerance might make sense. But, if you don't replace them with adequate generation, you are now going to be faced with the situation that we're being faced with. So, it's not the retirements that are necessarily bad, but it's the whole plan. Do you have something to replace them with? There was a desire to replace them, I know where you're going -- I shouldn't say it -- I think I know where you're going, which is offshore wind, but that did not come about; we do not have that generation. And, whether or not that was the best plan, I'll leave that for others to judge, but there's no question at all that retirements--

SENATOR TESTA: I don't mean to jump in, Mr. Thigpen.

MR. THIGPEN: Of course.

SENATOR TESTA: But, it obviously wasn't a good plan because we don't have that proposed offshore wind energy production online.

I think -- and I'm certainly no energy expert -- but, I think that you shouldn't retire energy production unless you have something that's going to fill it in immediately once that energy production is retired. That would be my policy so we wouldn't hurt the State of New Jersey. I mean, that just seems to me that that's common sense, and it leads to my next question, because I think I know where you were going with this. Did that pursuit -- and, it's a simple question -- did that pursuit of offshore wind production hurt the State of New Jersey?

MR. THIGPEN: It certainly didn't help.

SENATOR TESTA: I'll take it.

ASSEMBLYMAN BARRANCO: That's a yes.

ASSEMBLYMAN DeANGELO: Thank you, Senator Testa.

Assemblyman Rumpf for the final question for this panel.

ASSEMBLYMAN RUMPF: Thank you, Chair.

Quick question to each of you. Will your respective companies make every effort to avoid any application for additional rate increases, until we get through the crisis the state is presently facing?

MR. THIGPEN: We are extremely sensitive to the cost impacts of anything, especially now when everything's more difficult.

We do have responsibility for reliability and responsibility to reduce methane emissions into the air that are on the table. So, the idea of doing them without sensitivity to the rate impacts is off the table, and especially during a crisis. But, I'm afraid to give a flat answer, that's a very

tricky question and there's nothing popular about suggesting rate increases in this environment; I do understand that.

I'm trying to be honest along the lines that I've been asked to be.

ASSEMBLYMAN RUMPF: Thank you.

MR. VAVALA: Yes, Assemblyman, I would proffer the same answer to that.

We have a significant amount of investment we weigh in the business (indiscernible) of reliability, improvements, and those types of things. It's a tricky, tricky question to answer, and I would not proffer an answer at this point related to that.

MS. REED: And, I would tend to agree with my peer utilities.

We have to get through this crisis; I don't know how long this crisis will last. We have yet another auction coming up. And, supply takes a long time to get to the grid. So, I agree with my colleague's answer, we just have to kind of weather this storm right now.

MS. ESPINO: So, for RECO, we have not filed in the last four years, for increases; however, it's something that we -- just like my colleagues -- we're considering, or just thinking about.

ASSEMBLYMAN RUMPF: Thank you, and just for the record, I tried to make the question a little bit less risky by characterizing it as make every effort, not would you guarantee, but, nonetheless, I appreciate the response. Chairman, thank you.

ASSEMBLYMAN DeANGELO: Thank you.

MR. THIGPEN: Thank you.

SENATOR SARLO: OK.

I did have one -- quick question, then one quick statement, then I'll let Wayne close it out. The BPU floated an idea about some type of smoothing over a period of time. Have you seen that proposal; you've all seen that proposal?

MR. THIGPEN: Yes.

SENATOR SARLO: I'm assuming there's some uncertainty in how you actually do that, is that correct?

MR. THIGPEN: Yes.

SENATOR SARLO: Or, how you actually-- Let me take that back -- how you actually implement that?

MR. THIGPEN: Yes.

MS. REED: Correct.

SENATOR SARLO: Correct.

Are all the utility companies willing to work on some financial model to smooth out this increase while we look at alternative -- you've all talked about alternative energy supplies -- we get to the bottom of what PJM is-- Are you all looking to do that, or are you willing to do that?

MR. THIGPEN: Speaking for Public Service, the answer is yes, but we would like to work with the Legislature as well as the BPU to come up with a solution that meets the public policy needs of the State.

SENATOR SARLO: Long term?

Short--

MR. THIGPEN: No, this is a short-term issue.

Short-term.

SENATOR SARLO: Short-term; OK.

We need to do short-term.

MR. THIGPEN: Yes.

SENATOR SARLO: There's a short-term and a long-term.

MR. THIGPEN: Yes.

SENATOR SARLO: Thank you.

I will just say this: You understand the frustration of all the members up here; you've heard it; you've witnessed it. This is not a personal knock on any employee of Orange and Rockland, or Public Service and Electric, or JCP&L, or Atlantic; there's no personal knock up, from the CEO, down to the last hardworking man on the pole turning wrenches. We don't do that here. But, there's frustration. And, we need the utility companies to be part of the solution. We can't have this. And, we're going to implore you to be part of the solution.

ASSEMBLYMAN DeANGELO: In closing, I just want to thank the four of you for coming; for enduring listening to four hours of heartfelt questions, concerns, issues, things that we don't necessarily know as Legislators, but we know that we're getting the phone calls of complaints and you are our first line of defense, although you're not the crux of the problem.

We understand that. We're learning. We're learning that PJM is strongly a part of this issue, and the concerns to us. We know that they are not under our control; we know that they're under the control of the Federal Government. I wish we can put the generators in the room. I wish we can put multiple Federal representatives in the room, and PJM, and say, "What did you guys do?" But, that's not the case. We need to figure out a way that we have a seat or at least in the room so we can hear these problems, not just wait on the ratepayer to come to us and tell us that this

is what the market is going to, because if you're not at every meeting, you don't know the direction that things are going to. And, that's a frustration on our part; you can hear everybody has-- Hundreds of ideas are going to come to formulate to fix this plan. But, we know that, currently, we're in a deregulated entity, and we can't force anybody to do generation. So, that's why we've got to figure a short-term; a mid-term; a long-term plan, maybe a hybrid plan so that we can fix that generation problem. Because, we can have all the best ideas up here, but, if no one wants to do it, it ain't happening. We get that; thank you for the past four hours, and enjoy the rest of your weekend, as we have more coming.

SENATOR SARLO: Why don't -- just a 30-second break or
(indiscernible)

ASSEMBLYMAN DeANGELO: Why don't we take--

MR. THIGPEN: Thank you very much.

ASSEMBLYMAN DeANGELO: --a 15-minute break.

MS. REED: Thank you.

ALL: Thank you.

(RECESS BEGINS 2:02 p.m.)

(RECESS ENDS 2:17 p.m.)

SENATOR SARLO: We're going to resume with a second panel. And, I want to first apologize and thank you for your patience, we've been-- Assembly has invited up Advanced Energy Untied, Jon Gordon, Director, and Jim Purekal, Director. We're going to turn it over to them to provide some remarks and their background, and then we'll open it up to questions, thank you.

JON GORDON: Thank you very much.

Good afternoon, Chairman Sarlo and Chairman DeAngelo, and members of the Committee. Advanced Energy United appreciates the invitation to testify today on increasing electric costs for ratepayers in New Jersey and potential solutions to mitigate those increases. I'm Jon Gordon, a Policy Director at Advanced Energy United, and I lead PJM's wholesale market engagement. Prior to United, I had a long career in energy and electric power markets policy working for a wide range of market participants, including utilities, independent power generators, and governmental entities in wholesale electric markets. And, I will say my very first job out of grad school was working for JCP&L, way back when. So, I started in New Jersey. And, just a little bit about Advanced Energy United, we educate, engage, and advocate nationally for policies that allow our member companies to compete to repower our economy with clean energy. We work with decision-makers at every level of government, as well as regulators of energy markets to achieve this goal. The businesses we represent are lowering consumer costs; creating millions of new jobs; and providing a full range of clean and reliable energy and transportation solutions.

So, I'm going to speak today of the factors leading to the higher prices, and my colleague, Jim Purekal, will speak to state-based issues and solutions to bring new supply resources online in a timely fashion and help keep prices down. So, I'm going to try and move through this quickly, given a lot of material was covered in the first four hours; I know it's been a long day. But, I think, how did we get to where we are now with these prices in New Jersey? And, I would say very broadly speaking, after many years of flat load growth and significant supply reserves that resulted in

relatively stable prices. Our aging generation and transmission infrastructure in PJM, coupled with increasing demand for electricity is leading to a supply/demand challenge that's resulting in increased prices. So, it's classic economics. And, I think during that long period of flat load growth, perhaps enough investment wasn't made in critical infrastructure; we have a very old infrastructure for both transmission and power generation. And, I think electric prices that New Jersey's seeing can be bucketed into two categories: There's the wholesale cost, the generation portion of the customers' bills; and the distribution costs. So, today I'm just going to be talking about the wholesale costs, which are made up of electric supply costs and transmission costs. And, as we all know, wholesale prices are still set to go up in June in New Jersey as a result of the last capacity auction, going up as much as 20%. And, it's worth mentioning that there's also upper pressure on New Jersey rates due to investments in transmission that PJM is making, and that's something that we don't pay as much attention to because it's ongoing and it doesn't spike. But, PJM has passed through to its customers in the 13 states \$40 billion of costs for upgrades to the transmission infrastructure; just \$5 billion in the last year. So, I know we're all focused on this price spike, but there's also the transmission component to be aware of from PJM that's getting passed on to consumers.

So, what is this PJM capacity market that we're all talking about here today? The capacity market provides advanced payment for resources to ensure they're available to generate electricity when needed. These are peaking plants that only run for those few hours of the year when the system is in greatest need, and they need capacity market revenues to

really justify their existence, unlike (indiscernible) plants that provide energy 24/7. So, there are a number of factors that resulted in the higher prices in the capacity auction. But, as I said, the fundamental cause was rapidly increasing demand for electricity coupled with this tightening supply due to retirements, largely of these older plants. The demand increases have been driven by economic activity; strong economy; electrification; and of course, this data center load that we're all talking about. That's a whole new category of load, and very hard to predict, very hard to forecast. These supply-and-demand trends are not unique to this last capacity auction and are expected to persist. As aging energy resources retire, new resources are simply not able to come online quickly enough to replace them, primarily due to PJM's backlogged interconnection queue. And, to some degree -- and this came up earlier -- the slow, kind of state-level siting and permitting process across the region for projects that have made it through the queue, and Jim's going to talk about that in a minute. So, these circumstances have led PJM to declare that we may see a reliability crisis as early as 2026, and that's obviously very concerning. Not only do we have these high prices that we're all concerned about today, but keeping the lights on, obviously, is paramount, too, and PJM has raised alarms over that, which is very concerning. So, PJM is North America's largest power market, with an installed generating capacity of 185 gigawatts. And, PJM's market monitor forecasted as much as 31%, or 57 gigawatts, will retire by 2030.

So, the good news is, PJM has nearly 290 gigawatts of generation in storage projects in that interconnection queue, actively seeking interconnection. The bad news is, many of these projects have been stuck in that queue for as long as five years. Ninety-eight percent of these

supply resources are clean energy and/or battery storage projects, and these are the fastest forms of energy to deploy; while in contrast, a gas generation plant can take years to come online. Current estimates are around six years given the current supply chain issues. One anecdote: If you wanted to order a turbine today for a natural gas plant, that turbine won't even be available until 2029. And, frequently we hear these number of natural gas plants being able to be built very quickly, but that's once maybe the shovel is in the ground and assuming your supply chain is intact. But, when you consider all the time to get to the shovel in the ground and then the supply chain delays, I mean, we're looking at 2031, 2032 for a natural gas project to be online which is well past that crisis period that PJM has identified. And, in contrast, a solar project could be built at as little as 18 months, and a storage project could be built in 15 months. But, again, the problem is, many of these projects are stuck in that interconnection queue.

And, this came up earlier, but I just want to reiterate this, because I think it's really important. The backlog first began in 2017. And, in 2022, because of this backlog, PJM closed the interconnection queue. And, the PJM interconnection queue has been closed since 2022, meaning no new plants could even consider coming to enter the market. So, we're talking over three years now, it's been completely closed, so developers can't even come to PJM to propose a new project; to enter the queue; to begin waiting in line. And, someone mentioned earlier how PJM was making a lot of headway clearing that clogged queue, and it's true they have made some improvements. They are making headway, but keep in mind that we've lost three years of new projects filling that pipeline during this closure period. So, I think it's hard to really declare that a success. And, there's a lot of lost

economic development opportunity for New Jersey; the fact that -- with this queue being completely closed, project developers, frankly, are just going elsewhere with their projects.

So, PJM's regulator, the FERC -- the Federal Energy Regulatory Commission -- in July 2023 required all grid operators, including PJM, to make additional interconnection process reforms with their order 2023. PJM put together a compliance plan which ignored several components of that order, and that's still pending at FERC. And, a recent analysis shows that consumers could've saved billions of dollars in that last auction if PJM had acted sooner and adopted more sweeping reforms. And, a recent study by the Grid Strategies group has shown that if the resources currently stuck in the queue were able to come online in a timely fashion, and were currently providing resources on the grid, the prices in the last capacity market auction could've been reduced by as much as \$7 billion. So, we know that last auction, we hear people talking about the \$14 billion increase; well, if we didn't have a closed interconnection queue with this massive backlog, and those resources were able to come online -- just a portion of them, obviously they all wouldn't be built, and that was assumed in the study -- that last auction would have been \$7 billion lower. So, when you're talking about why are prices so high, you really have to look at the interconnection queue. And, I can't emphasize that enough, because this is supply/demand problem, and if you can't get resources interconnected to the grid, you don't have supply.

So, we can't go back in time to fix the fact that PJM failed to proactively anticipate and prepare for this clean energy transition we all knew was coming, but given that the supply/demand dynamics that drove

up prices in the last auction are not going away, we can and must do everything possible to accelerate the interconnection process. And, this means following through on reforms underway at PJM, and ensuring full compliance with this FERC order 2023. We also need to increase transparency into the post-interconnection project delays; this came up earlier, the projects that have made it through the queue are slow to get built due to permitting and siting, financing and supply chain. And, a lot of the reason for that is, if you entered the queue five years ago, conditions have changed dramatically in terms of all your project economics, your financing; these supply chain problems didn't even exist when these folks proposed these projects, entered the queue. And, developers have invested a lot of money; it costs money to keep these projects alive, to keep your sight control, and to stay in the interconnection queue and hang in there for all these years in hopes of getting built. It puts a lot of stress on the developers that are in the queue. And, that's the reason when they finally come out, only then can they begin their financing; their siting and permitting; and trying to secure what they need in the supply chain. So, this is the reason, and PJM talks about this, "Boy, these projects aren't getting built." Well, they're-- I think most of them are going to get built, but it takes time. And, if we didn't have the interconnection queue delay, we'd be in a different place today.

So, there's a number of different solutions, ideas we have to improve the speed of the interconnection queue. Our written testimony, we go into detail and actions states can take to get more supply online more quickly. And, the broad categories are, deploy more clean energy generation and storage -- and Jim's going to address that in a moment -- increase

distribution and transmission as efficiently as possible; good transmission planning and understanding; and getting engaged in PJM's long-term transmission planning process; and, of course, manage large loads effectively. We really need to understand what's going on with data centers and learn how to forecast data center load effectively, which is very challenging right now.

So, with that, I will turn it over to my colleague, Jim.

J I M P U R E K A L: Thank you, Jon.

Good afternoon, Chairman Sarlo; Chairman DeAngelo, I think, just stepped out of the room here; to the members of the Committees, it's an honor to be testifying before you here today. My name is Jim Purekal, as my colleague, Jon, mentioned, and I am a Director for Advanced Energy United. My portfolio consists of analyzing issues with siting and permitting issues across the country. And, prior to this, I was a Director for a solar company called SunPower Corporation, which has recently gone bankrupt, actually, it's even been acquired in a capacity, too, as of last year. And, the-
- Prior to that, I was a U.S. Marine, and I got a chance to fly helicopter missions, and I flew some in Iraq, where I got to see the impact of energy markets in a very different capacity.

(laughter)

So, like my colleague, Jon Gordon, said here, too, I'm here to provide a little more clarity in how we think New Jersey can best meet growing energy demand, and achieve energy affordability, either through legislation, or by other means. And, in my lens, it ends with siting; getting these actual projects installed in the ground. And, you've already heard from my colleague and from those testifying before, discussing some of the

factors leading to the higher energy prices that we're encountering today, and especially specifically within the state, and particularly those through the wholesale market, and Jon also alluded to those through the transmission network. But, I'd like to spend a little bit more time talking about the challenges that our developers are actually facing on the ground to get these projects installed. And, mainly pertaining to large-scale solar and storage projects. And, then, I'll offer some suggestions on how we can alleviate some of these challenges, and in the interest of placing more affordable energy onto the grid; not just renewable, but also affordable.

This state is gifted with an abundance of flat, fertile land, ostensibly good for the installation of large, ground-mounted, solar, or storage projects. But, when you exclude the wetlands, the adequate amount of land significantly decreases. And, solar and storage projects require land areas with minimum slopes, in reasonable close proximity to transmission lines in order to be able to provide the best economic value for construction, and this can be challenging to find at times. A recent survey, conducted by Berkeley Laboratories, reflected that the main cause for these project cancellations over the last five years, as reported by developers across the country, are due to local ordinance or zoning; grid interconnection; and/or community opposition. Now, on average across the country, project cancellations result in some costs of more than \$2 million per solar project, and about \$7.5 million for wind projects. And, this presents a large risk for developers who need a basic level of certainty before they pull the trigger to invest in a project within the state. I'm sure that some of you are already familiar with a number of conservation easements in the state, so I won't use this time to push for installation of these projects on those easements.

But, it may be surprising to know that access to some of the permissible areas are blocked off for use because they are surrounded by easements that don't allow for construction material to pass. A somewhat easy solution would be to allow for the temporary use of these conservation easements for the construction of these energy projects under the condition that the easements would be restored back to their original state, once their purpose has been fulfilled.

Last year, Advanced Energy United developed a series of policy principles designed to identify some of the other challenges the developers face, and provide certain solutions that have worked in some other states. Our main takeaway highlighted the need to cut red tape and streamline permitting-policy processes by affirming the validity of authorities involved in existing local and state processes for project approval and review. It also helps to establish clearer timelines for permit-application processes. And, I think New Jersey can really benefit greatly in an effort that seeks to maintain the permitting process in a more streamlined and efficient effort. In my written testimony, I referred to the Commonwealth of Massachusetts and their Governor-directed charge to set up a commission of stakeholders to identify ways to streamline siting and permitting processes. And, the commission spent over a span of several months and came up with the use of a siting board, among other changes, to determine how and where these projects should be developed. I believe a similar model could work for New Jersey, as well, where an independent body, separate from the BPU, would make decisions on transmission and land-use issues, with respect to energy projects. But, I would, at the end, leave that up to the determination of an independent commission to come up with that conclusion, now. So, while

the Massachusetts model was only recently adopted, I have seen the use of separate board -- of a separate board -- responsible for the development of various forms of merchant energy generation work in other states. I think Kentucky is a good example, and I'll use this opportunity to tell a quick story when I was at the last NCSL policy summit in Louisville, Kentucky. Last year, I was sitting at the top of the stairs looking for somebody who was actually familiar in Kentucky with the siting board process. And, they shall remain nameless, but I ran into a couple: one from the Kentucky Association of Counties, and one from the Farm Bureau. I don't know how that relationship worked, but it did, and they provided some insight into how at first there was opposition to a siting board, but, at the end of the day, projects were getting approved, and people felt like they had a stake in the process and a voice in the process. So, given New Jersey's ongoing load growth, and quite frankly, the growth that we're witnessing across the country -- solving the issue of energy generation obviously -- it minimizes the impacts to ratepayers, presents a no-fail mission. And, Jon's already spoken to how energy generation can be addressed externally to the state, through engagements with PJM. And, you've heard that also in previous testimony, but the State needs to also focus internally on its own processes to minimize timelines and unnecessary cost delays. And, open up greater access for these projects to develop. Utility-scale solar is the least costly form of energy generation. When coupled with battery storage assets, we are able to negate the non-dispatchable qualities of solar, and provide real savings to ratepayers, particularly during those times of peak energy demand. Plus, as Jon mentioned, with these projects offer real solutions today, not five or 10 years from now. Solar and storage can be the bridge to

other emerging technologies. And, again, our developers are ready and willing to build these reliable projects; they only need the access and greater certainty of permit approvals.

So, in conclusion, we at Advanced Energy United believe that advanced forms of energy can be relied upon to meet the demand growth; to provide savings to ratepayers; and lower carbon emissions within the state and across the country. We need to address our internal processes and continue to speak to the benefits of these technologies, and promoting a much cleaner version of New Jersey's future.

Thank you for your time.

SENATOR SARLO: Thank you for your testimony -- very detailed testimony. There's a lot of technical, technical information in here, so we appreciate it.

I just want to follow up one thing. You had said in Page 2, "There's a steep cliff to come down, but" -- third paragraph -- "there's a hope; PJM currently has 290 gigawatts of generation in storage projects actively seeking grid interconnection. Of which 98% of clean energy battery storage projects." Why are they not going online; what's the problem? Why is PJM delaying them?

MR. GORDON: Well, this is--

SENATOR SARLO: I don't care if they're clean or what they are.

What is the delay?

MR. GORDON: Well, this is the whole dilemma.

It's the interconnection queue back; they're stuck in the interconnection queue. The purpose of the interconnection process is PJM,

in order to allow a generator to connect to their transmission system, they need to do a detailed engineering study to make sure the grid has the capability to handle the power from that proposed site and location. They call it interconnection study. These interconnection studies, they do them sort of serially, one at a time, and they can take years. And, that's how they got into this big backlog problem. Like, years ago, PJM would get a handful of interconnection requests a year from huge power plants, large, central generating stations. And, when the energy transition came along, suddenly they were getting inundated with hundreds and hundreds of requests for much smaller distributed energy, and they never were really able to adapt their interconnection study process for this new world, if you will. And, they got into this huge backlog.

So, to answer your question, until they get permission from PJM to interconnect, they have what they call an ISA, an Interconnection Service Agreement, and until you have permission from PJM to connect to the grid, they can't start their project. So, those 290 gigawatts are waiting; they're waiting for that permission.

SENATOR SARLO: They're waiting for PJM?

MR. GORDON: Yes.

SENATOR SARLO: So, I-- Then, I'm going to follow up on that.

Thirteen states. We've talked today about AIA; we've talked about data bases; we've talked about electric charging stations. Lakewood-- I know Lakewood has an abundance of overdevelopment; they're having problems with their energy. So, there's this constant demand on grid. Site-plan applications are being approved throughout the State of New Jersey by

municipalities and counties. They're not going to PJM to get their approval; we're approving them. The energy companies have to supply them. Is anybody talking-- Who talks to PJM to say, "Hey, New Jersey just approved six more data centers, where's the energy going to come from?" Like, is there-- Has that communication happened between the utility companies and PJM?

MR. GORDON: The data centers have introduced this whole new layer; I don't think that our whole system of forecasting and planning is really equipped yet to-- We're still grappling with that, and it's just--

SENATOR SARLO: Put them aside then, put them aside.

But, all the other increase in development and energy demands, why is PJM not expediting some of these 290-gigawatt generation plants?

MR. GORDON: I know you had PJM here last week, or some time ago; I didn't hear all of it, but I'm sure they indicated they're doing everything in their power to expedite that.

SENATOR SARLO: Yes.

MR. GORDON: And, they are working -- hard.

And, unfortunately, the hole's so deep, it's hard to get out.

SENATOR SARLO: He just kept talking, and talking, and talking, and talking.

(laughter)

He talked himself into trouble, out of trouble--

MR. GORDON: Yes.

SENATOR SARLO: --and back into trouble, and then out of trouble.

And, I still, I don't think anybody here really understood what the hell he was talking about, because he just kept talking. So--

MR. GORDON: I mean, we all knew that these-- We have very old generating fleet -- aging generating fleet that are not really environmentally friendly.

We knew for a whole host of reasons -- economic reasons, just because of age and obsolescence, and environmental reasons -- we knew they were going to retire. And, the whole idea was -- the reason all these clean energy resources came into the queue -- the idea was, there would be an orderly transition; they would replace the retiring generation. But, this clogged queue sort of just jammed that all up. So, now you have these plants that just can't run any longer, can't stay online any longer, asking to retire. And, PJM can't let them retire now, they have to give them these RMR contracts we talked about before because that clean energy is stuck in the queue. For us as clean-energy advocates, it's just super frustrating that we have all these resources there, and they just simply are unable to connect to the grid.

SENATOR SARLO: Thank you.

Follow-ups?

ASSEMBLYMAN BARRANCO: I would imagine I have something to say--

SENATOR SARLO: Assemblyman, come on, I know you have something to say.

ASSEMBLYMAN BARRANCO: I have something to say.

So--

SENATOR SARLO: You've gotten dressed nice today, you've got to ask one more question.

(laughter)

ASSEMBLYMAN BARRANCO: Anyway--

SENATOR SARLO: You've got the nice vest on; you've got to at least ask a question.

ASSEMBLYMAN BARRANCO: I was-- You guys weren't here last time, but I'm in the electrical infrastructure business.

And, we've built-- I was the foreman, actually, on the Flemington solar farm that we did for Con Edison. Many of the -- in my experience -- you're building generating assets here or there, and there's infrastructure locally that can transmit that energy to wherever it's going to be consumed. And, I would imagine this has something to do to answer your question, Chairman Sarlo. Not every piece of transmission, not every conduit or every conductor is capable of carrying the energy that we're proposing -- some of these solar farms or wind farms are actually producing. So we have-- We can build generating assets pretty quickly, and permit them pretty quickly, but what we can't do is we can't build transmission assets very quickly. Because, they require rights of way; they require enormous tracts of land. So, I think that may be one of the issues that we're running into. Listen, we've built quite a bit of solar in New Jersey over the last 15 years. And, solar can be a great way of putting electrons on the system, Chairman, because they've said it many times here; what we want is megawatts; what we want is electrons on the system wherever we can get them from. Because, the more we can get, the more we increase -- get closer to a surplus and bring down that whole supply-and-demand curve.

So, I think what PJM is dealing with is the fact that in many places, we don't have the infrastructure necessary to carry the energy that we're able to produce on this or that piece of land. Is that an accurate--

MR. GORDON: That's exactly the purpose of the interconnection study process; that's like the interconnection study--

ASSEMBLYMAN BARRANCO: Yes.

MR. GORDON: --that study can take years--

ASSEMBLYMAN BARRANCO: Yes.

MR. GORDON: --sometimes it's them studying the impact on the entire transmission network of this particular proposed site.

And, for them to be sure the infrastructure is there, and if it's not there, what infrastructure needs to be--

ASSEMBLYMAN BARRANCO: Sure.

MR. GORDON: --built to support the interconnection.

ASSEMBLYMAN BARRANCO: Yes.

MR. GORDON: And, at that point the proposed project basically gets a network upgrade charge--

ASSEMBLYMAN BARRANCO: Sure, sure, sure.

MR. GORDON: --to build their plant.

They--

ASSEMBLYMAN BARRANCO: Because, it's a power equation--

MR. GORDON: Right, right.

ASSEMBLYMAN BARRANCO: --it's voltage and amperage.

If you produce enough power, you'll spike current to the point where the infrastructure you have is insufficient to be able to carry the power that you're producing to be able to be consumed.

MR. GORDON: Right.

Correct. And, another problem with the system is, when these folks first entered the queue long ago, they had no idea what that charge was going to be. They knew they would likely face some kind of a network upgrade charge to connect to the grid; they had no idea what it was, they probably came up with an estimate.

ASSEMBLYMAN BARRANCO: Of course.

MR. GORDON: But, then, you wait in the queue for years, and until PJM finishes their study and gives you your ISA, they sort -- then they give you the bill. And, because of inflation, supply chain, all those upgrades now cost way more than they used to. So, that's causing friction in the system, too.

ASSEMBLYMAN BARRANCO: So, I have a question, Mr. Chairman.

Do you see -- because I don't see it, but maybe you guys -- you guys are energy experts, I'm an electrician. Do you see a solar farm and a storage project being complementary? In other words, do you see-- Because, like I said, I was on Flemington, Frenchtown I and II; they're huge solar farms, not far, Hunterdon County, not far from here. Are farms of that size -- solar farms of that size -- are battery storage projects complementary to them somehow, and if so, how?

MR. PUREKAL: Assembly Member, thank you for the question, yes.

And, I think that's the -- to me -- I think storage is a -- one of several silver bullets, too, that provides that level of flexibility. And, basically just, like I said in my opening comment, too, it takes that non-dispatchable quality of solar out of the equation. If you can hold onto that electron and use it for a rainy day--

ASSEMBLYMAN BARRANCO: Right, right.

MR. PUREKAL: And, that's what we want.

And, but your point, also, and to Jon's point also, this was just a revolutionary thinking, in a way, our grid is not necessarily designed for that--

ASSEMBLYMAN BARRANCO: It's old.

MR. PUREKAL: --it was always designed to go one way.

Now, this whole concept of, "Wait a minute, if I can use this electron and push it back to the grid, also, and I can store this electron and use it for another day," that's-- You're right. We suffer from an antiquated grid system. But, we also represent companies, too, that could find more affordable ways -- and effective and efficient ways -- of upgrading our transmission network. We refer to them as advanced conductor technologies, or grid-enhancing technology is more--

ASSEMBLYMAN BARRANCO: Right.

MR. PUREKAL: --is a more overall umbrella term.

ASSEMBLYMAN BARRANCO: Sure.

MR. PUREKAL: And, so, that's a way that we can at least, in the short term, bring our transmission network up to a reasonable standard without inducing heavy costs onto ratepayers.

ASSEMBLYMAN BARRANCO: Right.

And, it's really because we're not prepared for distributed generation, which is what we're talking about here. Am I right?

MR. PUREKAL: Yes, yes.

I-- The only-- Well, when you say we're not prepared for distributed generation, you're right, in a sense that using distributed generation; pushing electrons right back in the opposite direction. But, then, this is also where distributed generation can play a role in what we refer to also as "virtual powerplants," where now, if you have a battery and your neighbor has a battery, but your other neighbor doesn't have a battery, you can aggregate now those electrons and say, "Hey, we can give her some energy." I'm going to get some incentive back for being able to participate in a program that offers us to do that. But, now we're coming up with technology; remember companies are coming up with these types of technologies, too, that offer greater flexibility to the grid through distributed network.

ASSEMBLYMAN BARRANCO: Thank you.

MR. PUREKAL: Thank you.

ASSEMBLYMAN DeANGELO: Senator Zwicker.

SENATOR ZWICKER: Just a quick follow-up to that.

(indiscernible) wrote grid enhancing technologies; advanced conductors. Can you be more specific? What can a state like New Jersey-- What have other states done to incentivize and accelerate that? Because, you pointed out that is a lower-cost way to get more electrons flowing, regardless of direction.

MR. PUREKAL: Thank you, Senator, for the question.

I think the way that I've seen, is through legislation, really, to incentivize utility companies.

SENATOR ZWICKER: I know; I'm asking you, specifically, like what do you see in terms of legislation?

MR. PUREKAL: Yes.

So, the types of legislation that I've seen so far have indicated to that utility companies per se are required to use certain kinds of materials to bring their conductivity -- or, to increase their level of conductivity within their transmission lines. And, the-- Now, without speaking too poorly of them, it's not -- it doesn't really always enhance the utility company's profit model because they make profit off of building infrastructure. And, so, this is why it does take a little bit more of a push -- more of a legislative push -- I think, to be able to get them to look -- at least look -- at these types of technologies and incorporate them in their existing infrastructure and also any potential infrastructure -- any future infrastructure that they--

MR. GORDON: To put a finer point on it, these advanced technologies may mean they can make an existing line have a much higher capacity and not have to build a new line, which is a big lost opportunity for the utility.

SENATOR ZWICKER: Right, (indiscernible)

MR. GORDON: So, we need something in the Legislature to sort of overcome that disincentive, so that the utilities are directed to look at advanced technologies, or indicate why they are building a project that doesn't include advanced technologies, or what have they looked at.

SENATOR ZWICKER: I suspect you'll see a proposal out of New Jersey in the next week or so.

ASSEMBLYMAN DeANGELO: Senator Testa.

SENATOR ZWICKER: Thank you.

SENATOR TESTA: Thank you, Mr. Chairman.

I heard you mentioning this queue with the PJM, and I have some questions regarding that. My understanding was that the queue had been reformed somewhat. Has the queue been reformed?

MR. GORDON: Yes.

I mean, PJM has made improvements. They put a reform plan together before FERC issued this famous order in 2023; they're on reform. And, I think one of the utilities mentioned this earlier, they moved from a serial process looking at each proposal in isolation, first come, first serve; they look at them in clusters now, so projects that impact each other, they study them together. And, so, yes, they have improved the process, but not enough to completely eliminate this backlog, or not enough where they can open the queue again, to new projects, which is something that I don't think you hear enough about -- the fact that this queue is in fact closed. They're not taking any new projects.

But, yes, they are speeding up and starting to make headway getting rid of that backlog. But, still not enough where they feel comfortable reopening the queue. They're saying maybe in 2026 they'll consider reopening the queue.

SENATOR TESTA: Thank you for that.

Did your report that you submitted to us in this panel-- Did that take into account PJM's queue reform?

MR. GORDON: Yes, yes.

SENATOR TESTA: It did?

MR. GORDON: Yes.

SENATOR TESTA: It's my understanding -- correct me if I'm wrong -- that there are currently 50 gigawatts through the queue--

MR. GORDON: Correct.

SENATOR TESTA: --and they aren't constructing yet.

Who's fault is that?

MR. GORDON: I mean, some of them -- a small percentage have started; it's hard to say who's fault that is.

It's the nature of the process. Like--

SENATOR TESTA: Well, stop right there; just -- if you don't mind.

That's certainly-- The fact that construction isn't underway or completed; that's not PJM's fault, is it?

MR. GORDON: That is not PJM's fault.

SENATOR TESTA: OK.

MR. GORDON: But, I do think the fact that those projects were in the queue for five years waiting could cause higher -- a higher failure rate, all the time that has passed; the economics have changed; the supply chain has changed--

SENATOR TESTA: Supply chain issues.

MR. GORDON: All the assumptions that the developer had going into the queue changed; the longer they're there, they're wallowing in there.

But, that said, the reasons they're not getting built quickly is they're not going to-- You can't line up the financing for the project until you know what that interconnection cost is. Remember we were talking about those network upgrades; you don't know what that bill is to connect until you get through the queue.

SENATOR TESTA: And, then, how can you ensure it, as well?

MR. GORDON: Right.

So, sometimes that number is so big that some projects may collapse. But, regardless, then the financing process has to begin. And, then, securing all of the equipment for the project; the whole supply chain process has to happen. And, then, they have to do the siting and permitting. So, it happens serially; they can't do all of these things at once. Maybe Jim could speak to it more; it just doesn't make sense from a project development to do it that way.

MR. PUREKAL: Yes.

And, the only thing I'll add is, we do have developers who are waiting to enter into this market, too, but finding good projects that are in good areas where we could site them, too, is a looming concern right now.

SENATOR TESTA: And, I only have one or two more questions.

Thank you for the indulgence, Chairman.

SENATOR SARLO: Sure.

SENATOR TESTA: You spoke about solar fields-- You spoke about solar fields and how, ideally, that's like very flat land.

So, I'm from South Jersey, which is largely pretty flat. But, a lot of that flat, open land that you described is farmland. Like, the last

thing I think that in the State of New Jersey that we want to see, in the Garden State, is losing the nature of the Garden State, and instead having -- and instead of a farm that feeds us, going to a solar farm. Do you take that into account at all? Because, I don't think we can afford to lose too much more farmland in the State of New Jersey.

MR. PUREKAL: Yes, Senator, thank you for the question.

That's definitely something that we encounter, too, in our conversations and our negotiations. The only-- The best answer I can provide for that is that solar farms and solar fields are not designed to last forever. They have a lifespan of about 20 years, maybe a little bit more than that. In some states, we see that this is actually a way for farmers to actually preserve their farm because they're not making enough of a revenue off their initial cash crop. The solar fields are designed to come out of the ground and return the land back to its original state. So, it could be used for farming one day. That's not something you get, necessarily, if you're using that land, potentially, by building and developing on it, or something more permanent.

So, we do see solar as a peaceful way of using your land, of harvesting energy, that gives landowners a little bit more control over their land and how -- and a revenue source that's stable for the next 30 years.

SENATOR TESTA: And, this is pretty much my last question.

But, Assemblyman Barranco talked about having more electrons available, obviously, in our system. We like to have efficiency in our systems. And, I'm not knocking solar; I think where it makes sense, that's great. But, my understanding is, at best, solar -- fixed panel solar -- is about 13% efficiency. Is that incorrect? Is that correct? Because, to me, it

seems like it takes up a whole lot of space for very little return on investment and for the yield of it. What says you about that?

MR. PUREKAL: I'd have to look at the actual efficiency ratings. It depends on the solar panel, of course; it depends on where they're actually placed; how much actual direct sunlight they'd get.

But, this also goes back to the storage component, too. And, that's the game changer, at least in our eyes. Where now, efficiency even aside, now you can hold onto those electrons and use them for an opportunity, and it gives you more flexibility within the system.

SENATOR TESTA: Last follow-up question.

In my area, in my service area -- now, I live in Vineland, so I have Vineland Electric -- but, in ACE's service area, I don't believe that they're even accepting more solar projects right now because of the aging infrastructure; it cannot handle it. Are you seeing that elsewhere throughout the State of New Jersey? Because, that really concerns me, because I really like the battery storage idea of this, that you're able to store electrons; that seems to me to be a really smart solution. But, if we've allowed our infrastructure -- and, I would respectfully argue that that's been on the BPU not holding energy companies to their duties to the ratepayers -- that's an argument for a different panel, I think--

ASSEMBLYMAN DeANGELO: Senator, one of the things for us to consider is we're talking batteries versus solar.

They both-- Solar has a peak operating of about six hours a day, and then it goes away. Same thing with battery storage; it has that four-to-six hour dispensing window. The only thing with batteries is you got to do what with them? Charge them up.

SENATOR TESTA: Right.

ASSEMBLYMAN DeANGELO: So, there's a difference.

So-- I think what we need to discuss as we're going forward is having a diverse energy portfolio, inclusive of battery; inclusive of solar; inclusive of natural gas; inclusive of nuclear. Hydro.

SENATOR TESTA: I agree 100%.

ASSEMBLYMAN DeANGELO: It's got to be well dispensed.

So, there is a vast, diverse-- So, as we're talking, recognize that a gigawatt of battery or a gigawatt of solar is not the same as a gigawatt of natural gas or nuclear. They operate differently.

SENATOR TESTA: I appreciate that distinction, thank you.

MR. GORDON: The key thing you state there is the aging infrastructure. I mean, that's one of the big issues that we're sort of facing, underlying all of this, it's the plants are aging; the transmission grid is aging; the distribution system is aging.

And, in an effort to try and keep costs down, there's been a hesitancy to proactively invest and upgrade. And, now that we're seeing increases in demand, as I mentioned, that's stressing the system, now. And, these investments are having to be made at a time when things are costing more. And, that generally is putting pressure on prices, and it's a real concern.

SENATOR TESTA: Thank you, that's all; thank you, Chair.

ASSEMBLYMAN DeANGELO: Thank you.

Thank you, everyone. I see no further questions; any questions? No further questions, thank you very much--

SENATOR TESTA: Senator Amato had one.

ASSEMBLYMAN DeANGELO: I'm sorry.

SENATOR AMATO: Just a statement.

I agree with you, Co-Chair, that we need to have an energy triad; all-of-the-above approach, and I'm looking forward to working with everybody to make that come to fruition. Thank you.

ASSEMBLYMAN DeANGELO: Thank you.

MR. GORDON: Thank you very much.

MR. PUREKAL: Thank you.

ASSEMBLYMAN DeANGELO: Chairman, do you have any closing comments?

SENATOR SARLO: We are good, thank you, sir.

ASSEMBLYMAN DeANGELO: All right, adjourned.

(MEETING CONCLUDED)