

APPENDIX



STATE OF NEW JERSEY

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October 2, 2024

Testimony respectfully submitted by:

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Representing the 9th Legislative District

Protecting Ratepayers from Unconscionable Utility Rate Increases

This testimony represents our Delegation's formal and continued work to help find solutions for constituents who have raised serious concerns about excessively high electricity costs.

Our Delegation is already on the record opposing excessive electricity- and natural gas rate increases, as outlined in several letters to the New Jersey Board of Public Utilities (BPU), most notably on February 5 and June 25 of this year.

We've heard from numerous constituents who are struggling with higher electricity bills from Atlantic City Electric and JCP&L. It is imperative that these summer rate increases be analyzed to prevent similar financial hardships from occurring in the future.

In a state where the cost of living is already prohibitively high, these rate increases are pushing many residents into deeper financial distress, and it is unsustainable. This is especially true for senior citizens and individuals living on fixed incomes who comprise a considerable segment of our constituency and are the most vulnerable to these hikes.

To be clear, utility companies are passing costs onto ratepayers, and it is unconscionable. As utility companies take more of our hard-earned income, we should not lose sight of the fact that the BPU has abandoned its mission and is derelict in its duty to protect taxpayers. The Murphy administration's misguided energy policies have exacerbated this affordability problem for our constituents and are equally responsible for creating this mess.

We believe it is the core responsibility of this Legislature to reexamine its energy priorities to ensure affordable utility rates for all New Jerseyans.

To that end, our Delegation wholeheartedly believes that it is in the best interest of *all* our constituents to address these rate increases and consider the serious financial hardship that many New Jerseyans are experiencing.

Thank you for your time and consideration. We remain committed to advocating for solutions that protect both the financial stability of New Jerseyans and the reliability of the services they depend on.

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Testimony
Christine Guhl-Sadovy
President, New Jersey Board of Public Utilities
Assembly Telecommunications and Utilities Committee
October 2, 2024

Good morning, Chairman DeAngelo, Vice-Chair Kennedy, and Committee members, and thank you for the opportunity to address your committee on behalf of the New Jersey Board of Public Utilities. The focus of my testimony today will be twofold.

First, I will begin by clarifying the various factors that contributed to increased utility bills this summer. Second, I will outline what actions the Board is taking to address higher energy bills.

I'd first like to emphasize in no uncertain terms that the BPU takes very seriously every concern brought before it by New Jersey utility customers. We recognize and appreciate that safe and reliable utility service is critical for both residents and businesses. Most importantly, we understand that deciding between staying cool during excessive heat or saving money for other essentials is not a choice anyone should be forced to make.

The BPU is committed to ensuring that utility service is provided to customers at the least cost practical. The BPU is also committed to providing assistance to customers who struggle to pay their utility bills and to providing all customers with opportunities to meaningfully lower their bills through energy efficiency and conservation measures, as well as the adoption of cost-saving clean energy technologies.

We understand that many customers, including those in Atlantic City Electric's (ACE's) service area, are concerned by increases in their utility bills, and we recognize that there has been confusion regarding how bills are calculated.

Indeed, rates are just one part of the overall equation reflected by customers' utility bills. Rather, there are several key factors that affect New Jerseyans' utility bills. In fact, the most significant driver of higher utility bills in New Jersey this summer was increased energy usage. Electricity usage generally trends upward during the summer months, when households' HVAC systems and window unit air conditioners run more frequently and expend more energy to lower

and maintain indoor temperatures. And we are now closing out what was an exceptionally hot summer, one that broke extreme heat records not just in New Jersey, but across the country – and the world. In fact, according to the State Climatologist, New Jersey just experienced its third-hottest summer on record. July 2024 was the seventh-hottest July on record, and June 2024 was the second-hottest June our state has ever experienced.

As temperatures rose this summer, so too did New Jersey customers' energy usage. For example, compared to summer 2023, this summer ACE residential customers consumed 13% more energy. Those numbers are consistent with residential customers in other service areas. On average, customers served by the remaining 3 utilities consumed between 12% and 16% more energy. Customers used up to 10% less energy in the summer of 2023 compared to the summer of 2022, making the year-over-year comparison with 2024 even more significant. The science is clear that climate change is causing increasingly hot summers in New Jersey and we will likely see more of that in the years to come.

Beyond higher energy usage, we are also facing a confluence of economic and industry factors that are driving up energy costs for every state in the region.

First, we are seeing the demand for energy grow meaningfully for the first time in 20 years, which is leading to a need for new energy resources to generate power – including reliable capacity to meet peak demand – as well as upgrades to our electric grid.

Second, we are seeing decreased supply of electricity. Across our 13-state grid, older coal power generation in places like Pennsylvania and Ohio are retiring, and replacement resources have been slow to come online for various reasons not wholly in control of the State. This increase in demand, coupled with the decrease in supply, is putting upward pressure on rates. In addition to costs related to supply and demand factors, utilities must also incur costs to make critical infrastructure improvements, ensuring our state maintains a grid that's safe, reliable, and resilient in the face of extreme weather events.

Higher summer temperatures and climate change are also fueling more severe and frequent extreme weather events in New Jersey, resulting in impacts on the grid, which requires significant investments to restore after major storms and harden in preparation for future storms. The factors that impact energy costs—both here in New Jersey and in our broader electricity market, PJM – are precisely the factors that the BPU – under the leadership of Governor Murphy – continues to work tirelessly to mitigate.

I'd now like to take a moment to speak to the Committee about the actions we are taking at the BPU. Over the past several years, we have significantly expanded our energy efficiency and customer assistance programs to help customers keep bills down.

For example, through the free Comfort Partners Program – and in partnership with electric and natural gas utilities – the BPU helps income-eligible customers reduce their utility bills by implementing cost-effective measures that save money and energy while improving the comfort and safety of their homes.

Additionally, this year the Board approved a revised energy efficiency program for new construction that provides financial incentives for new buildings that go above and beyond what they're required to do to achieve high levels of energy performance and savings. The customers who ultimately live in these buildings will be able to reap the benefits of this program in the form of lower energy usage and, as a result, lower energy bills.

The Board is also helping customers more closely monitor their energy usage through smart meters being rolled out by utilities. Smart meters, which demonstrate how much energy a household is consuming throughout the day, empower individuals to understand their usage in real time and can support customers' energy-saving efforts and prevent customers from being taken by surprise by higher energy bills. Just as critically, smart meters provide data about power and usage to our utilities to help them deliver reliable, uninterrupted service and respond more quickly in the event of an outage.

In addition to running programs that help customers reduce their energy usage, the BPU also helps administer a robust array of utility assistance programs that provide critical ratepayer relief to New Jersey families, including low- and moderate-income households. Last year, these programs provided over \$224.7 million in utility bill relief to approximately 477,000 households.

The Winter Termination Program, for example, protects specific categories of customers from having their water, wastewater, gas, or electric shut off between November 15 and March 15 of each year. Additionally, through the Universal Service Fund, New Jersey residents can receive monthly credits of up to \$180 on their electric and gas bills.

And, just last month, the BPU announced historic ratepayer relief in the form of a one-time \$175 bill credit for more than 278,000 eligible New Jerseyans. That credit, known as the Residential Energy Assistance Payment or REAP, will be reflected on customers' September bills after this extremely hot summer.

In addition to these programs administered by the BPU, the State of New Jersey, through the Department of Community Affairs, offers the federally-funded Low Income Home Energy Assistance Program (or LIHEAP), which helps low-income New Jersey residents pay their heating and cooling bills.

As always, we strongly encourage customers to reach out to the BPU to take advantage of this extensive suite of programs before they are faced with service disruptions.

Beyond helping to lower energy bills through reducing demand and providing bill assistance, the BPU is laser-focused on increasing the supply of clean energy resources right here in New Jersey, addressing the growing demand for electricity in our region while bringing good-paying jobs to our state. We are also committed to building our clean energy economy in a cost-effective manner, ensuring that the benefits reach New Jersey's overburdened communities and others who face barriers to accessing new clean energy technology.

For example, the \$156 million Solar for All award we received from the U.S. Environmental Protection Agency this year will help achieve over \$250 million in total energy bill savings for

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residents in newly connected households. New Jersey's Solar for All proposal focuses on low-income communities and requires a minimum bill credit of 20%, steering considerable savings to communities that have in the past been unable to reap the full benefits of the clean energy economy.

This year the BPU was also proud to award more than 1 gigawatt of solar generation, including over 310 megawatts in our Competitive Solar Incentive, or CSI, Program. Together, these CSI awards will produce enough electricity to serve approximately 42,000 homes annually. With the lowest-cost solar projects we've ever awarded, the successful CSI program demonstrates our commitment to bringing down the cost of clean energy in New Jersey.

Finally, recognizing that energy costs are significantly affected by planning and market factors at a regional level, the Murphy Administration is working closely with other states to advocate for reforms at a regional and national level to make processes and policies – including capacity market structures, planning processes, interconnection approvals processes, and transmission upgrade cost allocation – work better for New Jersey.

To conclude, increased energy bills this summer can be attributed to several economic and environmental factors, the most significant of which was increased energy usage in response to persistently high temperatures. The BPU continues to work diligently to provide customers with tools – including energy efficiency and utility assistance programs – to mitigate these impacts, while also working to address systemic factors by supporting the development of new clean energy resources and advocating for regional market reform.

Thank you for the opportunity to address the Committee today. We look forward to continuing this discussion with the members of this committee and all our New Jersey energy customers and stakeholders.

If you have any questions after the hearing, please contact:

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Understanding Electric Rates and Billing

The BPU is committed to providing safe, adequate, and proper utility services at reasonable, non-discriminatory rates to all members of the public who desire such services. The Board is tasked with developing and implementing competitive, economically cost-effective energy policies that promote responsible growth and clean renewable energy sources while maintaining a high quality of life in New Jersey.

What Goes into Your Electric Bill

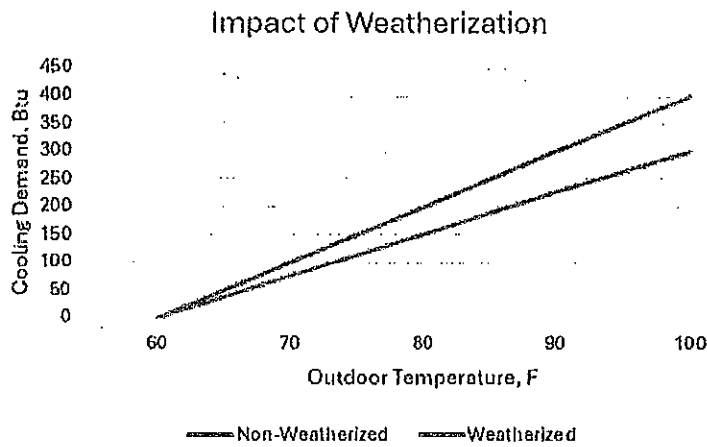
- Usage - This is the amount of kilowatt-hours (kWh) used during the billing period. This amount will vary due to the number of days in the billing period, family size, appliance use, weather, etc. For example, an older, single-speed AC unit will need to use more energy to cover the temperature difference of your thermostat setting and the outdoor air temperature opposed to a new Energy Star, variable speed AC that would use much less energy to cool a home.
 - This past summer, New Jersey residents have used up to 16% more energy than the previous summer. In the summer of 2023, usage was down compared to 2022.
 - ACE: 2023: -7%, 2024: +13%
 - JCP&L: 2023: -10%, 2024: +16%
 - PSE&G: 2023: -10%, 2024: +12%
 - RECO: 2023 -10.8%, 2024: +15.1%
- Delivery Charge - This charge is for delivering power from the power plant over high-voltage transmission lines and then over lower-voltage distribution lines to homes and businesses. Also included are charges for administering customer account services as well as other costs not related to electric supply costs that the BPU allows the utilities to charge customers. Remember, regardless of whom you choose to supply your power, your local distribution company will continue to provide the delivery of your electricity.
- Supply Charges - This is the cost of the actual electricity, including generation and transmission. Your electric supply may be purchased from the competitive market, if you choose. This section also provides your price to compare. In order to save money, you must buy your electricity from a supplier at a cost that is less than your price to compare. Your price to compare may vary each billing period depending on your usage.

Why Your Electric Bills Vary Monthly

- Billing Periods: Electric bills vary due to the length of the billing period, which can range from 28-31 days. Your bill provides the actual or estimated kilowatt-hours used. Be sure to look at these figures and not just the total dollar amount of the bill when comparing monthly bills.
- Monthly Fluctuations: Your use of electricity may be different each month and will cause your bills to vary. Weather conditions, a new appliance, a vacation, a change in lifestyle, a new baby, an additional family member, or a guest can all affect your monthly bill.
- Seasonal Use: On shorter, cooler winter days, more electricity is used due to increased lighting, heating, and hot water use. With longer, warmer summer days comes longer use of

air conditioners and fans. Extra trips to the refrigerator or freezer during summer months for cool drinks and ice also use more electricity.

- **Summer and Winter Rates** - Rates vary between summer and winter due to differences in demand and supply dynamics. While the Board approves these rates, this market structure is necessary to account for the increased strain on the system.
- **Weatherization of a Residence:** leaky or poorly insulated homes or buildings cause increased consumption of electricity during hot weather relative to a well weatherized house. The below graph of temperature and cooling demand, demonstrates that cooling demand is generally linear with outdoor temp, and that weatherization can lower cooling demand on the order of 25% (it can range widely (10% to 50%) depending on how poorly a house is insulated or leaky). This difference in weatherization quality is particularly pronounced in the summer, which can serve as a main contributing factor to increased energy consumption.



Why Your Electric Bill May Not Be the Same As Your Neighbors'

Neighbors with similar electric bills are uncommon, even if their homes are identical in size, have the same type and number of family members, and have the same type and number of appliances. Each family has its own unique interests and lifestyles. Some families cook a lot, use more hot water and use appliances more often. Other families may practice energy conservation. These differences in lifestyles will be reflected in monthly bills. The use of electricity varies according to a family's needs, activities, numbers, age, type, and efficiency of appliances. Your bill will rarely, if ever, be the same as your neighbors'.

Did you know an old, inefficient, single-speed AC could cost you \$100's more in your electric bills in the summer than a new Energy Star, variable speed AC?

- Your utility offers incentives to install high-efficiency appliances, such as Energy Star ACs and heat pumps, as well as whole house weatherization programs. On top of that, the Comfort Partners program is a no-cost program for low-income residents to get HVAC and weatherization upgrades.

Commonly Used Terms:

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- **Basic Generation Service (BGS).** Cost of the electric commodity (generation, capacity, transmission) for any consumer who has not chosen an electric generation supplier.
- **Billed Load.** Recovers the bulk of distribution facility costs and a portion of power plant investment costs.
- **Customer Charge.** Monthly charge that offsets costs for billing, meter reading, equipment, and service line maintenance.
- **Delivery Service Charges.** Charges for the use of local wires, transformers, substations, metering, billing, other equipment, and other activities used to deliver electricity to consumers from high-voltage power lines.
- **Estimated Reading.** On the months where a utility does not read a meter, the bill is calculated based on past electrical usage.
- **KWH (Kilowatt Hour).** A unit of measure for electricity usage equal to 1,000 watts used for one hour.
- **Multiplier.** A number used in the calculation of kilowatt hours. The difference between meter readings is multiplied by this number to determine kilowatt hour usage or KW/KVA.
- **Price to Compare.** Price per kilowatt hour to be used when comparing to the price of a third-party supplier.
- **Payment Plan (Budget).** Customers enrolling in budget billing allows the distribution of costs more evenly over the year by billing an average amount each month.
- **Prorated Bill.** If this is on your bill, the current billing period is for less than (or more than) an average billing period.
- **Service Charge.** Charge for opening an account.
- **Societal Benefits Charge (SBC).** Charge to recover costs of low-income assistance and weatherization, energy conservation programs, manufactured gas plant remediation, and consumer education on competition.

Assistance Programs to Help Lower Your Energy Bills

The Division of Customer Assistance handles verbal and written disputes, and information inquiries. Customers may contact the Division with complaints regarding service delays, lack of service, discontinuance of service, payment arrangements, high bills, deposit requests, and incurred or high rates.

Assistance Programs:

Residential Energy Assistance Payment (REAP) – REAP- eligible households will receive a one-time \$175 bill credit automatically applied to their electric or gas utility bill during summer 2024 if they were enrolled in the Winter Termination Program during the 2023-2024 winter season. For more information call your utility company or go to: <https://www.nj.gov/bpu/assistance/reap/>.

Winter Termination Program (WTP) protects specific categories of customers from having their water, wastewater, gas or electric shut off between November 15 and March 15 of each year. For more information call your utility company. For more information about WTP or the other utility assistance programs listed below, go to: <https://nj.gov/bpu/assistance/programs/>.

Universal Service Fund (USF) provides monthly credits of up to \$180 on electric and gas bills to help make bills more affordable. Credits are based on the amount you spend on energy over a certain percentage of income. For more information call 2-1-1.

USF-Fresh Start - Eligible electric and gas customers with overdue balances of \$60 or more will be automatically enrolled by their utility company into the Fresh Start program when they enroll in the USF program. Fresh Start provides forgiveness on the overdue balance amount that existed at the time of USF enrollment. Fresh Start is available once every five years. For more information call 2-1-1 or your utility company.

Home Energy Assistance Program (HEAP) helps New Jersey households pay for heating costs and certain medically-necessary cooling expenses. Renters who have their heating costs included in their rent may also qualify. Applications for HEAP are accepted from October 1st through June 30th. The HEAP program shares its application with the USF program so customers can receive benefits from both programs at the same time. HEAP is administered by the New Jersey Department of Community Affairs. For more information call 2-1-1.

Lifeline provides an annual energy benefit of \$225 to qualified seniors and the disabled. The benefit can help eligible homeowners and renters with electric and/or natural gas costs. Lifeline is administered by the New Jersey Department of Human Services. For more information about Lifeline, call 1-800-792-9745.

Payment Assistance for Gas and Electric (PAGE) provides relief on gas and electric bills for low- to moderate-income New Jersey households. Those who are income-eligible for USF should apply for USF first before seeking supplemental assistance from PAGE. PAGE is administered by the non-profit organization New Jersey SHARES. For more information call 866-657-4273.

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NJ SHARES provides assistance to income-eligible New Jersey households for paying their energy, telephone, broadband (internet), water, tax and mortgage bills. Help is also available for municipal utility customers. For more information call: 866-657-4273 or go to www.njshares.org/programs/

Utility Customer Bill of Rights - Please familiarize yourself with your rights as a utility customer in New Jersey: [Utility Customer Bill of Rights](#).

Energy Efficiency - New Jersey's investor-owned electric and gas utilities offer energy efficiency programs directly to their customers, helping everyone reduce their carbon footprint. Programs available to residents:

- Existing Buildings: Equipment Upgrades, In-Store Discounts
- Existing Buildings: Appliance Rebates, Appliance Recycling
- FREE Income Eligible Upgrades

Comfort Partners - a free program that helps income-eligible customers reduce their utility bills through implementing cost-effective measures that save energy and money while improving their home's safety and comfort at no cost to them. Through Comfort Partners, the New Jersey Board of Public Utilities (BPU) and your electric and natural gas utilities partner with you to reduce your energy use and utility bills, improve your comfort, and increase the health and safety of your home.

Community Solar Energy Program - provides incentives to eligible community solar facilities to enable the continued efficient and orderly development of solar electric generating sources throughout New Jersey.

- With support from the Legislature, the Board is expanding the original 225 MW capacity under the Community Solar Energy Program to include an additional 275 MW (dc). This capacity will be allocated among the four EDCs: 33 MW for ACE, 79 MW for JCP&L, 158 MW for PSE&G, and 5 MW for RECO service territories. Any capacity remaining as of June 1, 2024, will be set as the initial CSEP capacity block for the associated EDC for EY 2025. The CSEP online portal opened to new CSEP registrations on May 15, 2024, at 12:01 AM EST.

Utility Assistance Events - Since COVID-19, BPU has held numerous Utility Assistance Day (UAD) events throughout the state. BPU has attended to over 8,000 low—to moderate-income New Jersey residents and counting. BPU is planning more events in the upcoming months to bring utility awareness to low—to moderate-income communities and to provide a one-stop shop to residents in need of utility assistance. These events aim to help New Jersey residents who are eligible for the State's utility assistance programs receive help on the spot, as well as local and faith-led community assistance opportunities.

- Our next UAD event is scheduled to be in Newark on October 21st, 9:30 –4:00 and will be at the Metropolitan Baptist Church 149 Springfield Ave, NJ 07103.
- The time and location for BPU's next UAD in Cumberland County will be announced soon!

Having an issue with your utility or cable provider?

Utility Complaints (Toll Free): (800) 624-0241

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Cable TV Complaints (Toll Free): (800) 624-0331

File a Complaint Online

The Division of Customer Assistance reviews online complaints daily. Online complaints are only processed during normal business hours (9 a.m.–4 p.m.). If the matter involves a gas leak, discontinuance of service, or any other situation that requires immediate action, please call (800) 624-0241.

- To submit your utility or cable complaint electronically, please click [here](#).
- For slamming complaints, please click [here](#).
- For Third Party Supplier Complaints, please click [here](#).

Written Complaints

Please direct written complaints to:

New Jersey Board of Public Utilities
Division of Customer Assistance
44 South Clinton Ave, 1st Floor
PO Box 350
Trenton, NJ 08625-0350

Request a Formal Hearing

Under the Board's Rules of Practice, N.J.A.C. 14:1-1, et seq., you may file a petition, which is a request for a formal hearing. At this time, due to restrictions in place to protect health and safety during the COVID-19 statewide response, all filing with NJBPU should be conducted electronically. For details about requesting a hearing, please consult NJBPU's updated COVID-19 petition filing procedures and our e-Filing instructions.

How Can Customers Control Their Energy Consumption

Hot Weather: Tips to Save Energy

Smart Meters are a utility efficiency tool that helps utilities manage their energy needs more effectively and improve reliability in real time rather than a monthly overview. Smart meters are gathering more detailed readings of customers' usage. This allows customers to better understand their electricity usage on their own and empower individuals to be more thoughtful in their energy consumption by seeing how much energy is being consumed throughout the day and encourage energy saving habits.

Beat the heat and lower your bills. Keep your blinds and curtains closed during the day to block out heat, so your air conditioner works less and saves energy.

Recycle old appliances. Replace old, inefficient, energy-sapping appliances (refrigerator, freezer, air conditioner, oven, etc.) with high efficiency models.

Maintain the appliances you have. Get your appliances checked for energy efficiency annually and change your air filters regularly. Replace old appliances, including room air conditioners, with energy-efficient options. This will help your home run as efficiently and cost-effectively as possible. Efficient ENERGY STAR® appliances can also reduce overall energy use and costs by up to 30%.

Mind the temperature. Use less hot water and decrease the temperature of your hot water for showers, washing machine, and dishwasher. Also, adjust the home's thermostat to 76 to 78 degrees to keep cool while avoiding high electric bills.

Use a portable or ceiling fan to circulate the pre-cooled air in your air-conditioned home. A fan uses about 90% less energy than an air conditioner.

Adjust air conditioners and fans to a low setting. It'll take longer for the air conditioner to cool your home, but your unit will bring in steamy air at a slower rate and make you feel more comfortable.

Maintain a constant temperature in the refrigerator of 36 to 38 degrees for maximum effectiveness. The freezer should be kept at 15 degrees.

Organize the fridge wisely. Place the most frequently used items in one place so that the door will be open for a shorter period of time.

Electricity-Saving Tips

Reset your thermostat. Lower the heating system temperature in winter and increase the temperature in summer for your central air conditioning systems. During winter, try 60 degrees at night, and 68 while you are home.

Weatherize your home in preparation for winter, and install storm windows, which reduce heat loss through windows 25 to 50%.

Wash your laundry with cold water whenever possible. To save thousands of gallons of water per year, wash full loads in the washing machine, or if you must wash a partial load, reduce the level of water. Depending on the clothes and your water hardness, many homeowners can wash clothes with

How the BPU is Ensuring the Utilities Provide Reliable and Safe Service to Customers

The New Jersey Board of Public Utilities (NJBP) functions as a quasi-judicial body, similar to a court or judge, where anyone can file a petition requesting action within its jurisdiction, often by utilities, ratepayers, or interested parties, or initiated by the Board itself. The petition may be retained by the Board or sent to the Office of Administrative Law (OAL), where an administrative law judge makes an initial decision that the Board can accept, reject, or modify. The process involves public hearings, briefs, discovery, and testimony, with the petitioner, Board staff, and the New Jersey Division of Rate Counsel (representing ratepayers and consumers) as parties, and potential interveners or participants meeting certain standards. The public can voice opinions at public hearings, and the Board decides the case at a public agenda meeting, issuing an order explaining its decision, which can be appealed to the Appellate Division of the New Jersey Superior Court.

What Is The Rate Case Process?

1. **Filing a Rate Case:** Investor-owned utilities file a rate case before the Board that describes the request with supportive data.
2. **Pre-Hearing Conference:** The utility, BPU Staff, Division of Rate Counsel and other interested parties establish a procedural schedule.
3. **Evidence:** Additional information or evidence on the utilities application for new rates is presented as part of the discovery process and allows testimony from witnesses in advance of the formal hearings.
4. **Public Input Hearings:** Held by the utility across their service territory to allow its customers to challenge or support the rate filing. Written and/or oral comments become part of the record reviewed by BPU in making a final decision.
5. **Evidentiary Hearing:** Overseen by an Administrative Law Judge (ALJ), only takes place when the parties do not agree.
6. **Final Rulings:** Once all evidence is in the record, the ALJ sets a briefing schedule, and will close the record after the submission of briefs and issue an Initial Decision.
7. **Order:** After exceptions and replies to exceptions are filed, the BPU will consider the Initial Decision and either approve, reject, or modify it. The BPU's final order will specify any approved rate changes and when the rates can become effective.

Infrastructure Improvement Program

Infrastructure Investment Programs – The purpose of an Infrastructure Investment Program is to provide a rate recovery mechanism that encourages and supports necessary accelerated construction, installation, and rehabilitation of certain utility plants and equipment. As set forth in the II&R Regulations, such investment would occur in a systematic and sustained way to advance construction, installation, and rehabilitation of utility infrastructure needed for continued system safety, reliability, and resiliency, and sustained economic growth in the State of New Jersey.

Societal Benefits Charge Credit Program

The SBC Credit Program allows commercial and industrial (C&I) ratepayers to establish a credit against their SBC contributions. The credit will be equal to one-half of the costs incurred for the

purchase and installation of CEP-supported energy efficiency products and services in the preceding calendar year, and up to 50% of the SBC contributions for a given year, per utility account. Credits will be issued upon project completion and verification that all program requirements are met. The credits will be issued based on the customer's prior year payment of the SBC.

- **What is the Societal Benefits Charge?**

New Jersey electric and gas utilities' rates include funding for programs that provide societal benefits such as low-income programs, gas plant remediation, nuclear plant decommissioning, social programs such as the Universal Service Fund and Lifeline, and the Clean Energy Program (CEP). New Jersey's 1999 Electric Discount and Energy Competition Act (EDECA) authorized the Board of Public Utilities to permit utilities to continue collecting funds for these types of programs in a restructured utility market through a "societal benefits charge" or SBC. SBC funding of the Clean Energy Fund has been at the same level for multiple years.

Customer Assistance Programs

The Division of Customer Assistance handles verbal and written disputes, and information inquiries. Customers may contact the Division with complaints regarding service delays, lack of service, discontinuance of service, payment arrangements, high bills, deposit requests, and incurred or high rates. For more about our Customer Assistance Programs, please visit [Board of Public Utilities | Customer Assistance \(nj.gov\)](http://Board of Public Utilities | Customer Assistance (nj.gov)).

For the current program year \$209,084,530 has been allocated toward the USF, Fresh Start and Lifeline programs. However, the Board's USF and Fresh Start programs are fully funded through the electric and gas rates, meaning customers receive whatever they qualify for and any over or under-recovery is trued up with the utilities in the following year's rates adjustment.

During the last full program year approximately \$245 million was disbursed in utility assistance grants for the USF, Fresh Start, PAGE and Lifeline programs.

Beginning October 1, 2024, USF customers will only be able to participate in the Fresh Start forgiveness program once every five years. The PAGE program has approximately \$4 million budgeted for calendar year 2024. PAGE is funded by the Unclaimed Utility Deposit Trust Fund; however, supplemental funding could potentially be allocated through the USF program's electric and gas rate adjustment.

Grid Modernization

As new technologies emerge from the energy sector, the electric grid must be modernized to ensure Distributed Energy Resource (DER) technologies such as energy storage, solar PV, electric vehicles, etc., can be integrated to the grid to meet our increasing energy needs. Modernizing the grid will allow for additional energy capacity, increase resiliency and reliability, and reduce environmental impacts at a lower cost on rate payers.

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Clean Energy

Our statewide programs offer incentives, programs, and services that benefit New Jersey residents, businesses, education and non-profit entities, and government entities to help them save energy, money, and the environment.

As this sector continues to evolve and mature, clean energy technologies continue to prove to be more reliable and more cost effective than fossil fuels and result in savings due to lower operating expenses. Clean energy markets provides more predictable costs than fossil fuel products and protect consumers from fossil fuel price shocks, avoid physical supply shortages, and enhance energy security.

The goal of the Division of Clean Energy (DCE) is to promote responsible growth and clean renewable energy sources while maintaining a high quality of life in New Jersey. Through its programs, the DCE offers education, outreach and financial incentives to residential, commercial businesses and industry, schools, and governmental customers. Programs are comprehensive and complementary, and focus on providing technical and financial assistance and provide project development assistance from information on best practices to rebate payments and financing tools.



**New Jersey Assembly Telecommunications and Utilities
Committee**

Testimony of Jason M. Stanek, Executive Director, Governmental Services

October 2, 2024

For Public Use

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Who Is PJM?

PJM Interconnection ensures the reliable flow of power to 65 million people in 13 states and the District of Columbia. We are similar to an air traffic controller but for the electric grid. We don't own the high-voltage transmission lines that carry electricity, but we direct and balance the flow of that power throughout our region and to and from neighboring regions. In addition to reliable operations, PJM also plans necessary enhancements to the transmission grid to ensure reliability into the future and operates the electricity markets within its region to competitively procure capacity and to meet electricity demand in real time. The purpose of these electricity markets is to cost-effectively reinforce reliable grid operations. PJM is federally regulated by the Federal Energy Regulatory Commission (FERC). Our core business functions save consumers between \$3.2 billion and \$4 billion in energy costs annually.

The U.S. Grid Is in an Energy Transition

As with the entire U.S. electric grid, PJM is experiencing an accelerating transition toward renewable energy. Policies and consumer choices are shifting the grid away from dispatchable thermal (coal, gas, nuclear) generation resources toward resources with little-to-no carbon emissions. PJM has a generation interconnection queue that mostly comprises (~98%) intermittent generation, such as wind and solar, as well as battery technology. Thus, PJM has affirmatively stated that we are in an energy transition to a changed resource mix and a greener grid.

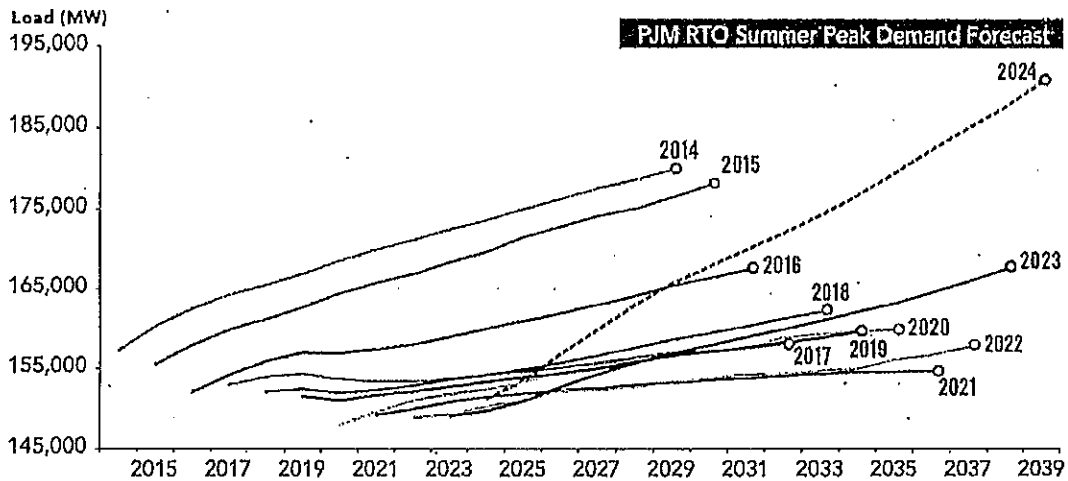
Market Fundamentals: A Tightening of Supply and Demand

As the energy transition accelerates, trends have developed that warrant additional attention. The grid is now experiencing what PJM forecasted in its 2023 [Resource Retirements, Replacements and Risks \(PDF\)](#) paper: The loss of generation resources is outpacing the addition of replacement resources amid accelerating growth in consumers' demand for electricity. This is an issue confronting grid operators throughout North America.

To illustrate this point, this past summer, PJM had fewer resources to draw on compared to the previous summer – approximately 182,500 MW of installed capacity was available in 2024, compared to the summer of 2023 when approximately 186,500 MW was on the system. In terms of demand for electricity, the forecasted peak demand for electricity for this past summer was approximately 151,000 MW, compared to 2023 when the summer peak load was 147,000 MW. This reduction in available supply with the projected increase in demand results in a year-over-year net difference of 8,000 MW. While PJM anticipates the addition of new generating resources in the coming years, PJM is also projecting that demand for electricity will continue to grow at a material rate over the next decade, as depicted in the line chart in Figure 1, below.

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Figure 1. PJM Summer Peak Demand (15-Year Forecast)



Maintaining Resource Adequacy and Reliability

PJM has analytically studied and will continue to study the impacts of the energy transition described above. Based on our analysis, we have observed a few trends that, when taken in the aggregate, will create a reliability concern around resource adequacy later into this decade.

- First, the rate of electricity demand is anticipated to increase significantly in the future due to the electrification of the transportation and heating sectors. There has also been a significant near-term increase in the development of large data centers in the PJM service area, each of which consumes electricity in very high volumes.
- Second, the pace of retirements of existing fossil-based resources, largely due to state and federal policies, is clearly outpacing the construction of new renewable resources. There have been a variety of reasons cited for this lag in construction, including supply chain, state and local siting challenges, and issues related to project financing.
- Finally, the thermal dispatchable generators slated to retire are those that have historically provided the grid balancing services necessary to reliably operate the system. Longer-duration batteries and potentially other technologies could also serve in this role in the future if they can become more cost-effective and are deployed at scale.

Capacity Auction Results Signal Need for Additional Resources

Similar to other grid operators, PJM conducts auctions to procure supply resources in advance of a future delivery year to meet the electric needs of customers in PJM's service area. This auction for capacity resources, known as the Base Residual Auction (BRA), is typically held three years in advance of the delivery year. However, the auction calendar has recently been compressed to accommodate FERC's review of changes to PJM's capacity market rules, and some auctions will be conducted closer to the delivery year.

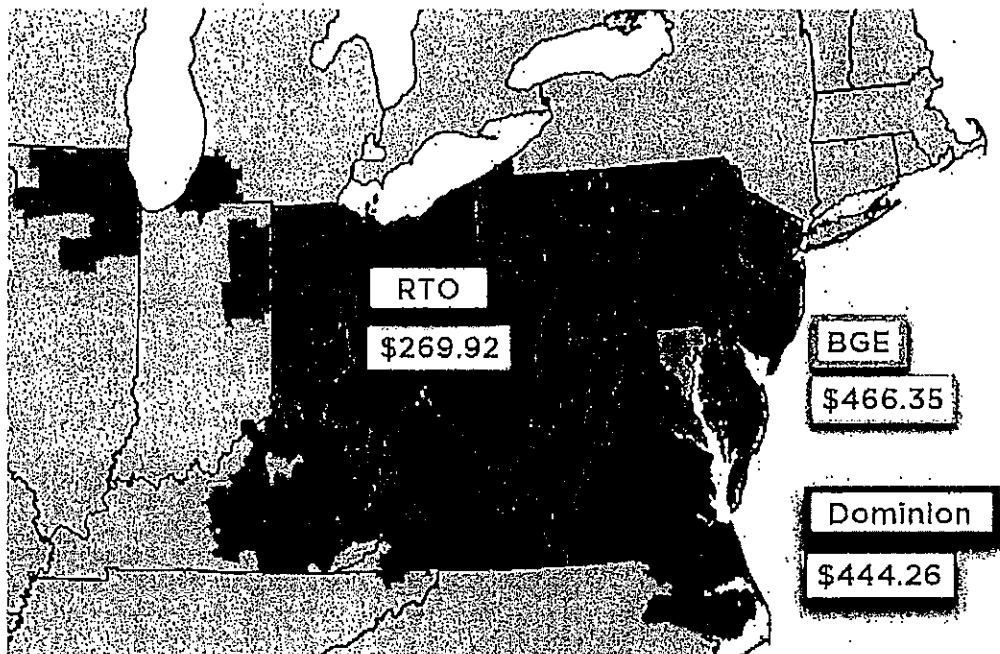
The most recent BRA was conducted in July 2024, and the auction competitively secured resources to meet the reliability requirement for the 2025/2025 Delivery Year, which begins on June 1, 2025. However, auction prices were significantly higher due to decreased electricity supply caused primarily by a large number of generator retirements, combined with increased electricity demand and the implementation of FERC-approved market reforms.

As noted in Figure 2, below, the auction produced a price of nearly \$270/MW-day for much of the PJM footprint, including all of New Jersey, compared to almost \$29/MW-day for the prior 2024/2025 auction. Two additional zones (BGE and Dominion) cleared at zonal caps due to insufficient resources inside those zones and constraints on the transmission system that limit the ability to import capacity. Taken together, these higher prices send a clear investment signal across PJM's region that additional generating resources are needed.

It is important to note that these capacity auction results represent wholesale prices, not retail prices. While wholesale capacity prices may ultimately be reflected on a retail customer's utility bill, there are several factors that can mitigate or affect the timing and magnitude of the rate impact (e.g., the filing of a local distribution utility's rate case with the BPU). Notwithstanding, the results of the recent capacity auction have had no effect on the utility bills of New Jersey consumers to date, and any possible rate impacts will not occur until June 1, 2025, at the earliest.

The next BRA, for the 2026/2027 Delivery Year, is currently scheduled for December 2024. As PJM prepares for this next auction, there are early indications that the recent market results should incent additional capacity resources to participate.

Figure 2. PJM Base Residual Auction Results for the 2025/2026 Delivery Year (by Local Deliverability Area)



20x

Replacement Generation in the Interconnection Queue

PJM has made significant strides in reforming the generation interconnection queue so as to speed up the interconnection of projects in the queue that have both financial wherewithal and site control. The following figures illustrate the current state of the queue in terms of its composition of resources (Figure 3) as well as the progress that PJM has been making toward implementing FERC-approved reforms to shorten the processing times and increase the overall efficiency of the queue (Figure 4 through Figure 6). It is also important to note that approximately 38,000 MW of generating resources (mostly solar) have already been processed through the interconnection queue but have yet to connect to the grid. See Figure 5. Finally, Figure 7 illustrates the total number of projects (i.e., 488) expected to clear the queue in 2024-2025, including 20 projects located in New Jersey.

Figure 3. PJM Queued Capacity (Nameplate) by Fuel Type ("Active" in the PJM Queue as of April 1, 2024)

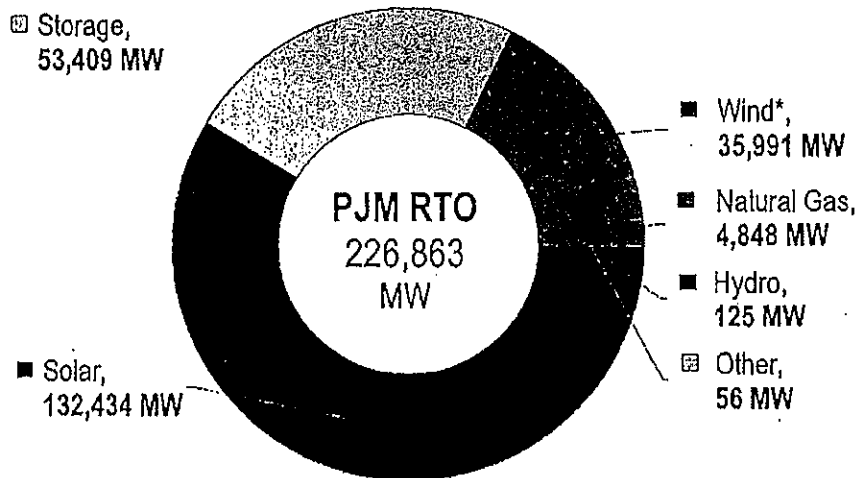


Figure 4. Interconnection Process Reform Timeline

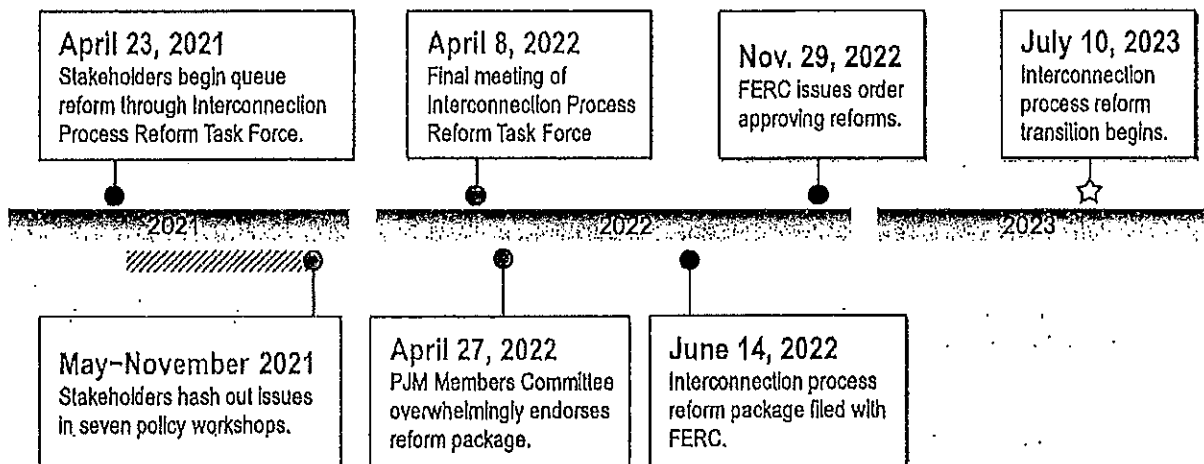


Figure 5. Interconnection Queue Breakdown and Timeline

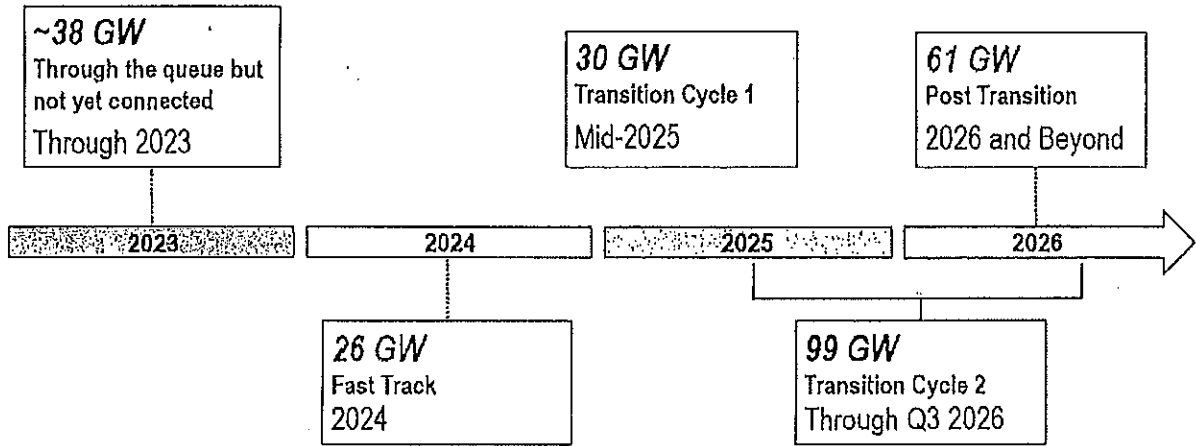
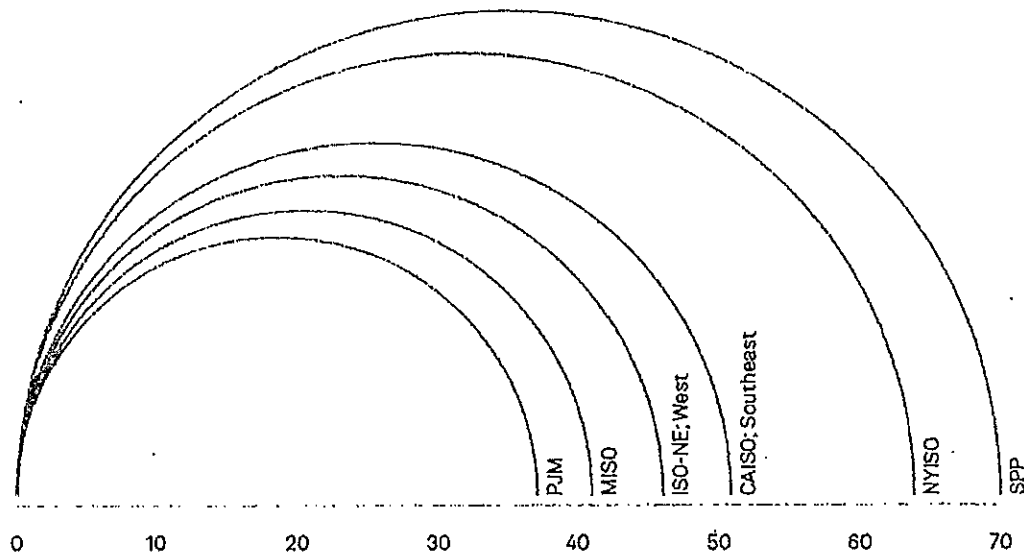


Figure 6. U.S. Interconnection Queues – S&P Global

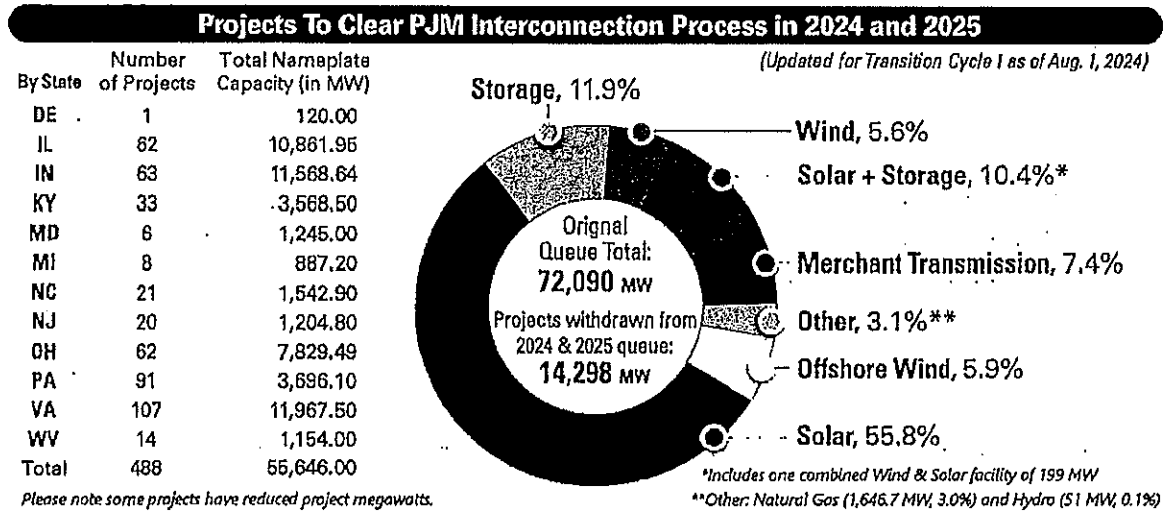
Average time from queue date to proposed online date (months)



As of June 28, 2023.
 Active queues only.
 Only includes interconnection queues for which sufficient details were available.
 Source: Public company reports (see Excel attachment for details).
 © 2023 S&P Global

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Figure 7. Projects To Clear PJM Interconnection Process in 2024 and 2025



Conclusions

- PJM understands that higher energy costs materially impact all consumers in New Jersey and throughout the region we serve. While a shrinking supply of energy and capacity, combined with increasing demand, will result in upward pressure on wholesale and retail prices, certain actions can be taken to minimize those rate impacts. As noted, any rate impacts associated with PJM's most recent capacity auction will not occur until June 1, 2025, at the earliest.
- Specifically, while PJM leaves the determination of energy policy to state and federal government, we respectfully urge that policymakers:
 - Avoid policies meant to push generation resources off of the system until an adequate quantity of replacement generation is online and has been shown to be operational.
 - Analyze your state/local challenges in the deployment of new generation resources and electricity infrastructure, and enact policy to facilitate greater/quicker construction.
- PJM is working to advance state energy goals like offshore wind transmission planning with New Jersey, as well as taking a series of steps to try and maintain reliability as we progress through the energy transition. For more information on PJM's efforts, please visit the [Ensuring a Reliable Energy Transition](#) webpage on PJM.com. It outlines the organization's reliability concerns, the actions PJM is advancing to help alleviate those concerns, and all of the studies produced in support of these efforts.

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Assembly Telecommunications and Utilities Committee Hearing

Remarks provided by Phillip Vavala, Region President Atlantic City Electric
October 2, 2024

Good morning, Chairman DeAngelo and members of the Assembly Telecommunications and Utilities Committee. My name is Phillip Vavala, Region President for Atlantic City Electric and I appreciate the opportunity to speak to you today about the recent influx in high customer electric bills, Atlantic City Electric's efforts to communicate with customers about the increases, and the resources available to help lower energy usage and assist customers with bill payments.

Each customer's bill is unique and can vary from energy use, to supplier, to clean energy solutions like solar. Our goal is to ensure customers are well-informed about the factors affecting their bill so they can better understand rates and consider all potential ways to save energy and money. Customers receive extensive information regarding energy efficiency and assistance programs. And while we communicate to customers about bill impacts, we heard our customers' feedback and concerns and began taking steps this summer through email and social media to share bill impact information. We continue our direct customer communications explaining rate changes. On Monday, we sent a customer communication explaining that as we transition from summer to winter rates, customers may experience a five percent decrease in their bills on average. In less than .24 hours, Monday's winter bill impact email was opened by nearly 100,000 Atlantic City Electric customers with further plans to share this information through other channels.

Extreme summer heat combined with changes in rates and cost of energy have led to fluctuations in customers' bills. New Jersey experienced the second hottest June on record, with a nearly eight percent temperature increase from June 2023 to June 2024. July was the seventh hottest month on record. As a result, the company saw residential usage on average in Atlantic City Electric's service area for June and July increase 20 percent compared to last year.

Recent studies have revealed that New Jersey residents are using energy more than ever before, causing equipment to work harder. This increased energy demand, coupled with inflation and extreme weather, are contributing factors affecting energy bills.

On average customers experienced an additional 20 percent bill increase compared to the previous summer due to several factors affecting both supply and distribution rates.

The supply rate is the cost of the electricity a customer uses, and that rate changes based on the purchase cost of electricity. It is a pass-through cost that the company does not profit from. Customers experienced a 13 percent impact due to supply rate increases when compared to July 2023. Customers can shop for third-party energy providers for the supply portion of their bill.

The distribution rate, which increased by 5 percent, allows the company to continue investing in reliability and modernization upgrades to better serve customers. Distribution rates also address severe storm damage and help us invest in making the grid more resilient against future storms. Our customers are receiving value in the quality of their energy service through these ongoing investments to enhance the local energy grid, resulting in customers experiencing the lowest



frequency of electric outages ever in 2023, while supporting a 45 percent overall decrease in outages over the past 10 years.

Atlantic City Electric understands that shifts in monthly bills can have significant impact to our customers, and that's why we work to empower customers to better manage their energy use and have programs supporting those who may be struggling to meet their energy needs or are facing financial hardship.

For example, Budget Billing averages a customers' annual energy cost to create a balanced and predictable monthly bill that helps customers know what to expect each month in their bill and avoid seasonal peaks while still getting to view actual energy usage.

Additionally, our recently deployed and activated smart meters enable tools that help customers save money and energy. Let me emphasize that Atlantic City Electric has found there is no correlation to higher energy bills and the installation of a new smart meter. In fact, the tools enabled by an updated smart meter can help customers better monitor their usage with features such as high bill alerts and have better insights with more detailed daily energy use information.

Smart meters enable tools such as high usage alerts that notify customers when their usage goes beyond a customer-set level, allowing customers to better predict bills and adjust energy usage with customized energy saving tips to keep costs down.

Customers can also identify increased energy use by the hour and make adjustments at higher usage times such as adjusting the thermostat a few degrees, turning off unnecessary lights or devices, or closing blinds during direct sunlight in the summer.

Atlantic City Electric also works closely with community partners to connect customers with state and federal energy assistance grants. In 2023, Atlantic City Electric helped more than 37,000 customers secure approximately \$51.5 million in energy assistance that helped customers pay their energy bills with no requirement to pay back.

We have also launched an Assistance Finder tool which allows customers to find personalized program recommendations for financial assistance, bill management and energy efficiency. We are also working with community partners to better support customers who may not have access to the internet get connected to energy assistance if needed.

Some examples of no or low-cost energy efficiency programs include Quick Home Energy Check-ups, appliance recycling, HVAC and Energy Star rebate programs and available discounts, and Atlantic City Electric's Marketplace that offers discounted energy saving products such as programable thermostats.

Finally, we've dedicated a portion of the Atlantic City Electric website to educating our customers and addressing their concerns. We ask our customers to visit atlanticcityelectric.com/BillSupport where they will find additional information on understanding their energy bill, rates and more. Customers can also contact our Customer Care team by calling 800-642-3780.

In conclusion, Atlantic City Electric understands and hears our customers concerns and we are here to partner with our customers to help them better understand their bill and tools that are

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available so that they can take control of their energy usage, save money and energy, and connect with energy assistance, if needed.

I thank you again for the opportunity to testify and welcome any questions.

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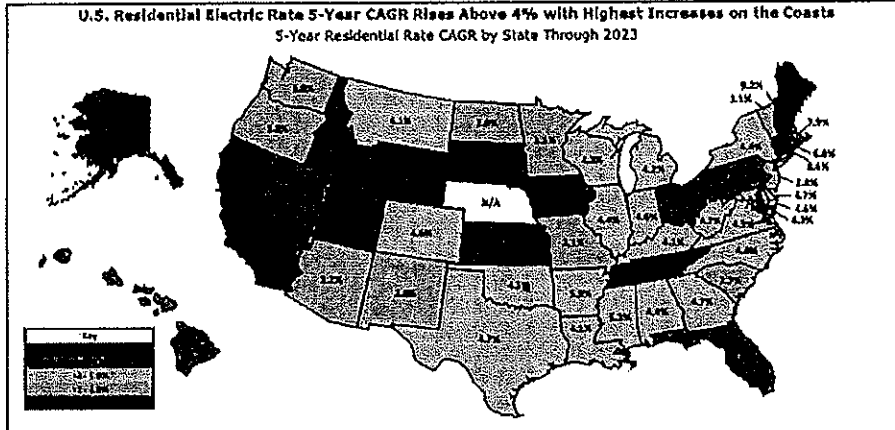
Assembly
Telecommunications
and Utilities
Legislative Hearing
PSE&G Presentation

Wednesday, October 2, 2024



New Jersey's Electric Residential Rate: Among *Lowest* Increases in the Nation

U.S. Residential Electric Rate 5-Year CAGR Rises Above 4% with Highest Increases on the Coasts
5-Year Residential Rate CAGR by State Through 2023



WELLS FARGO

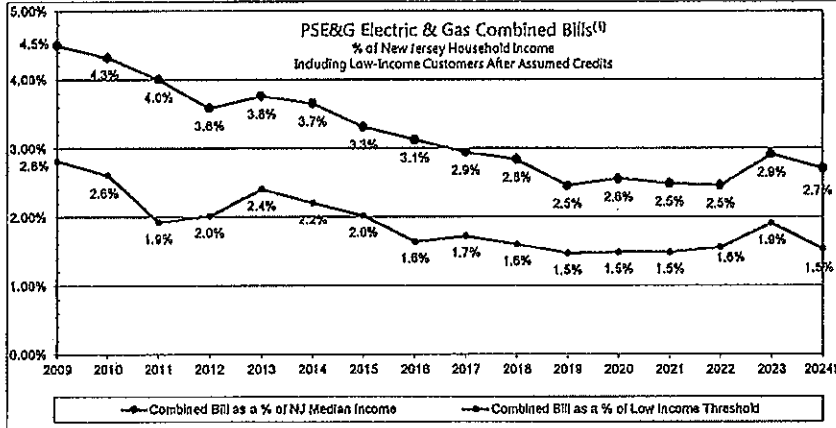
August 16, 2024

Wells Fargo illustrates that New Jersey has one of the lowest rate increases in the country.

Note: U.S. states are ranked using average residential price by state (2018), U.S. Median 5-Year Rate CAGR = 1.2%, Median 2023 residential price = 113 cents per kWh
 Note: New Jersey does not have any investment charges
 Source: S&P Financial LLC and Wells Fargo Securities, LLC

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PSE&G combined bills under 3% of median NJ Income and under 2% for low income customers who take advantage of eligible programs

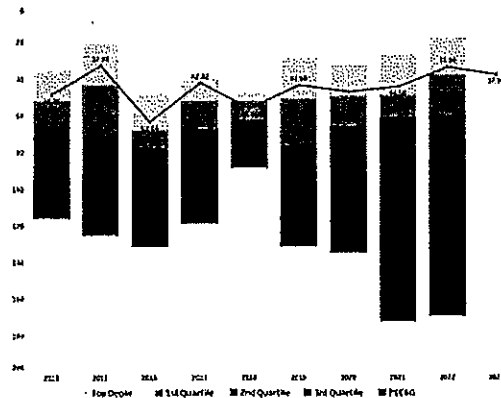


Affordability of the combined bill has improved ~40% since 2009 for median-income customers and ~45% for low-income customers

⁽¹⁾ Based on a typical residential electric customer using 740 kilowatt-hours per summer month and 8,920 kilowatt-hours on an annual basis using rates as of June 1 for each year and a typical residential gas heating customer using 172 therms per winter month and 1,540 therms on an annual basis using rates as of January 1 of each year.
Notes: NJ Median Income source: Department of Treasury and Revenue (NJEDMIR). 2023 and 2024E are not available, therefore assumes 3% annual increase per year over 2022. Income level of US\$, the lowest threshold of the three low-income programs, is 175% of the Federal Poverty Line. Assumes the customer also qualifies for LIHEAP and Lifeline.
2022 results were adjusted to normal levels of customer assistance, which was elevated in 2022 due to funds received through the American Recovery Plan.

PSE&G: Top decile reliability and first in customer satisfaction

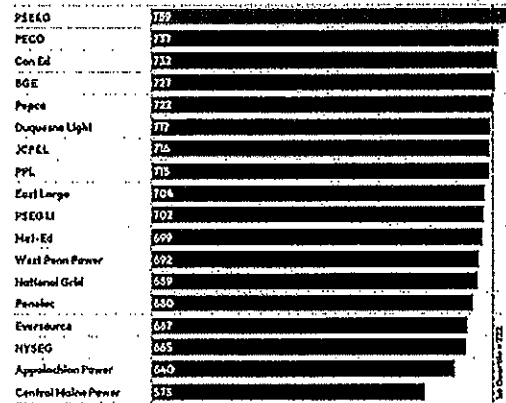
PSE&G's Reliability Is Top Decile vs. Peers



Source: National Rural Electric Association (NRECA) 2023 benchmarks pending

SAIDI: Represents the total minutes of outage time the average customer experienced in a year and is a measure of system reliability.

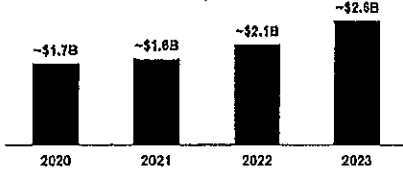
J.D. Power Customer Satisfaction for Electric Residential, East Large, 2023



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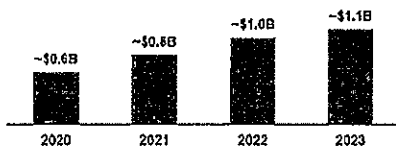
PSEG provides a compelling value for our communities

NJ Spend



Substantial investment in New Jersey economy

Total Diversity Spend



Continued growth in spending with diverse businesses

Corporate Citizenship & Economic Development

- Jobs – PSEG programs drive job creation and sustain thousands of skilled jobs throughout PSEG and our partners and contractors; PSEG supported more than 2,500 hires⁽¹⁾ as part of Clean Energy Jobs Program in collaboration with NJ's Council on the Green Economy
- PSEG's Corporate Citizenship focuses on creating a positive impact in the communities we serve
- With over \$12M in giving in 2023, the PSEG Foundation and Corporate Social Responsibility support strategic partnerships and activities, charitable giving as well as in-kind donations, and a robust employee-giving program
- Over 3,000 employees volunteered ~24,000 hours in 2023 with hundreds of local organizations, and PSEG executives serving on boards of 60 non-profits

(1) As of June 30, 2024.

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Orange & Rockland

WRITTEN TESTIMONY

New Jersey State Assembly Telecommunications and Utilities Committee

Hearing on Electricity Rates

Testimony of RECO/Orange and Rockland Utilities, Inc.

October 2, 2024

Good afternoon. My name is *Michele O'Connell*, and I am the President and CEO of Rockland Electric Company (RECO). I am pleased to testify before the *Assembly Telecommunications and Utilities Committee* today to discuss the critical importance of electricity rates, the recent factors that have significantly impacted them, and the steps we are taking to assist our customers. As we navigate an increasingly complex energy landscape, it is essential to understand how various elements—including inflation, operational costs, and supply chain challenges—affect the rates our customers pay.

At RECO, a subsidiary of Orange and Rockland Utilities and Con Edison Inc., our guiding principles of safety, operational excellence, and enhancing the customer experience drive everything we do. We provide electric service to approximately 75,000 customers in parts of Bergen, Passaic, and Sussex Counties. Together with Orange and Rockland Utilities we contribute to the local economy by supporting 3,500 direct and indirect jobs, with Rockland Electric alone providing \$16 million in contracts to small businesses and minority and women owned businesses, and contributing \$26.7 million in local and state tax revenues.

Our mission is to deliver energy that is safe, reliable, and sustainable while actively engaging with our customers to understand their needs. We are committed to offering tailored programs and services that empower our customers to manage their energy usage effectively and improve their overall quality of life in the communities we serve. We have and continue to invest in the grid to ensure its reliability. This includes \$19.8 million in storm hardening and selective undergrounding investment over the last two years. We believe investments such as these are integral to a reliable and resilient grid.

RECO customer bills are made up of three key components: supply, delivery, and taxes. The supply portion of the bill reflects the cost of electricity itself and delivery charges cover the cost of transporting electricity from generation sources to customers. Finally, taxes are applied as required by state and federal regulations. Together, these three components make up the total cost on a RECO utility bill. As a regulated utility, the delivery rates we charge our customers are established through a robust rate case process. This process includes a thorough and detailed review of a utility's rate request, public hearings, and a determination as to whether the rates serve the public interest and maintain reliable service.

In our service area, electricity rates have been shaped by numerous interconnected factors. Inflation has led to increased operational costs across the energy sector, impacting expenses related to materials, labor, and maintenance, while rising energy demands—fueled by population growth and the electrification of sectors like transportation and heating—have placed further strain on our infrastructure, necessitating significant investments to maintain safety and reliability. Moreover, extreme weather events have become more frequent and severe due to climate change, contributing to increased usage, particularly during this summer—the third hottest since 1966—with typical RECO customers seeing usage rise by more than 15% on average. Together, these factors create a complex environment that drives costs and places upward pressure on rates.

We understand the challenges that higher energy bills can pose for our customers, and we are actively working to support them. We are committed to continuing to offer a range of programs that offer meaningful discounts and more flexible payment terms, including:

- Deferred payment agreements, which more than 1,000 customers currently use to spread payments over time;
- Payment extensions, which provide additional time for customers to make payments;
- The Universal Service Fund, which provides discounts for low-income customers, for which we plan to implement a new online enrollment option imminently;
- Collaboration with customers and local and state government agencies to facilitate the receipt of public assistance, including for example the Low-Income Home Energy Assistance Program, Fresh Start, NJ Shares, the Residential Energy Assistance Program, and NJ Lifeline; as well as;
- Level payment plans that allow customers to pay in equal monthly installments over the year even as their bills change, thereby reducing the impact of billing volatility.

In addition to these initiatives, we 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 get tips on how to avoid them. Additionally, the Company provides customers with weekly reports summarizing their utility usage. These measures are supplemented by energy-saving tips and incentives for making energy-efficient upgrades to homes and businesses, which can be accessed through our website.

In conclusion, Rockland Electric Company remains steadfast in our commitment to our customers, ensuring that we provide reliable electricity while managing the challenges posed by a dynamic energy environment. We understand that many customers are facing financial pressures, and we are dedicated to implementing programs and strategies that will help alleviate these burdens, particularly for our most vulnerable populations. By investing in infrastructure improvements, promoting energy efficiency, and enhancing our customer assistance programs, we aim to create a more sustainable and equitable energy future for everyone we serve.

Thank you, again, for the opportunity to talk about this important issue. I look forward to answering any questions you may have.



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P.O. Box 003
TRENTON, NEW JERSEY 08625

PHIL MURPHY
Governor

TAHESHA L. WAY
Lt. Governor

BRIAN O. LIPMAN
Director

Remarks of Brian O. Lipman, Director, Division of Rate Counsel,
Regarding Recent Increases In Electricity Rates & the Related Cost Burden on Utility
Customers In Certain Areas
Presented at the Assembly Telecommunications and Utilities Committee
Meeting, October 2, 2024

Introduction

Thank you Chairman DeAngelo, members of the Telecommunications and Utilities Committee and other legislators for inviting me today to discuss this important topic. My name is Brian Lipman, and I am the Director of the New Jersey Division of Rate Counsel. My office is a state agency representing the interests of ratepayers. We are involved in all matters before the Board of Public Utilities ("BPU" or "Board") where a regulated utility seeks to change its rates or terms of service. We also appear before the Federal Energy Regulatory Commission ("FERC") and we are a member of PJM, the regional grid operator. We have, at times also appeared before the Federal Communications Commission. Finally, we try to comment on any pending legislation that will impact bills—I hope that you have all seen letters from our office giving you insight on how pending legislation will impact rates. In all matters, we represent the interests of rate payers, fighting to try and make sure that any rate increases are necessary to provide safe and adequate service, and to ensure that no utility is overearning.

We are here today to discuss rates, specifically a recent increase in electric rates over the past summer. I will address that issue in some detail, but I want to make sure that we are focused on all rates. New Jersey customers do not just pay an electric bill. Many pay a gas bill and a water bill, and when we look at affordability, we must consider the entire burden on rate payers, not just electric. Utilities, especially electric utilities, play a key role in our daily lives. You wake up in the morning to an alarm clock, most likely charged by electricity. You go the bathroom and turn on the water. To get that water to you, the water utility needs electricity. You get in your car. If you need gasoline, that pump needs electric to work. You get a cup of coffee, that deli needed electric to heat your coffee. The electric bill that residents receive is important, but electric rates will impact much more than the bill a customer receives. Higher electric rates are passed on to customers, meaning they pay not just at home, but at every other juncture in their lives. I have heard PJM say that the energy sector is only 5% of the American economy, but it is the first 5%. Without energy, the rest of the economy stalls.

I want to also highlight the impact of these high bills on our most vulnerable residents. Everyone pays the same rates for electricity, regardless of income. For some, however, these bills are significant, sometimes taking up to fourteen percent of the home's income. For those who can least afford these increases, choices must be made: do I feed my family, do I heat my home, do I pay my rent, do I buy my medication. Over one third of the households in our state, live in functional poverty. About 16% of people in the United States live in energy poverty, where over 6% of their total income is spent on energy. These high bills are not just a nuisance they have real impacts on real lives. And I am not being sensationalist when I say, people will die. We just lived through one of the hottest summers in recent years—again. Air conditioning is no longer a luxury, it is lifesaving. Heat related deaths will increase as we make air conditioning more unaffordable. Likewise, in the winter, if heating becomes unaffordable, people will freeze. It is, of course, important to think about future generations and the air we breathe, but we must not forget about people who can right now, today, not afford their utility bills. No matter what future we seek, we need to ensure that no one is left behind.

And while this hearing is mostly focused on residential customers, I must highlight that these higher rates impact our businesses too. Just as a resident may need to choose whether to pay a utility bill, pay for medicine or pay for food, a business may need to decide whether to lay off employees or simply move out of state to an area with lower energy costs. Every time we raise bills, businesses—employers—are faced with the decision to leave or cut back. Higher electric rates also lead to loss of jobs and harm the economy for New Jersey.

Before I get into data, I think it is important to take a step back and understand that regulated public utilities are in fact for-profit corporations. Despite the word "public," these are not government entities. This is important for two reasons. First, the decision makers at a utility need to answer to shareholders. That means that decisions are made with profits in mind. I am by no means implying that our utilities do not provide safe, adequate service, but we need to remember that they are not doing so out of the goodness of their hearts—they expect to earn a profit. This leads to the second important thing to keep in mind—utility investment comes at a price. In New Jersey, for every dollar a utility invests in capital, it expects to receive about a dollar and ten cents back from its customers. The electric companies are happy to invest in whatever you ask them to (within reason) because that is how they earn their profits. Every time you ask a utility to invest \$100,000, rate payers are charged at least \$110,000. Why do I say at least? That dime we pay in return? That's literally only return. To the extent that the utility has any administrative costs, has to invest in IT upgrades, hire new people, buy new equipment—all of that is operations, and while they do not earn a return on those items, they do expect rate payers to pay for each of them. Once the investment is done, we want the utility to maintain it, right? They get that in rates too. There is no free ride.

I am going to spend a lot of time discussing rates, but I want to be clear how we get there. The next time you see a utility telling you that the budget for a particular program is only one million dollars, ask the next question—what is the revenue requirement? A one million program

will likely cost ratepayers much more, and we need to be aware of the full cost we are imposing on ratepayers before we approve programs. Rate impact is really the number you need to figure out to fully understand what bills will result from a program.

We are here today because of concerns with bills, but clearly the bills are determined by the rates customers are charged. For today's purposes, I am going to break down electric rates to two main components, state regulated—where we have much more control, and federally regulated, where we have less control, but still do have some influence.

State Rate Impacts

Even though they may not always have the biggest impact, I am going to start with the state rates, and how we get here. Traditionally, a utility would invest in facilities needed to provide service and then come before the BPU in what is called a base rate case to seek recovery of that investment. The great thing about a base rate case is that the BPU (and Rate Counsel) can look at all components of the utility. We can make sure the investment was prudent and we can make sure that the overall financial health of the utility is good, but at the same time that the utility is not overearning. This is important, because looking at the total picture is the only way to truly ensure that the utility is not over earning. If a utility over earns, we never get that money back. The shareholders keep it. In recent years, there has been a change in the traditional paradigm. Much of the utility's rate is now made up of what are called clauses. This is sometimes referred to as single issue ratemaking, which is generally not done, except where the Board has allowed it or a statute requires it. The concern with single issue ratemaking is that we look at the costs for one particular item and allow the utility to charge for that item, but we do not look for any offsets where the utility is saving money and might offset the overall cost to customers. This leads to two outcomes, paying higher rates than we may have had to and allowing the utility to over earn until the next rate case.

So, have rates gone up in the last year? Yes, they have. Rate Counsel is against higher rates generally, but we also cannot put our heads in the sand, costs will go up, rates will go up. The question is how much. Atlantic City Electric ("ACE") and Jersey Central Power and Light ("JCP&L") had increases in base rates this year. Public Service Electric and Gas ("PSE&G") is currently before the Board seeking an increase in base rates. Capital investment has been significant, and therefore the rate increases are significant. And while we are focusing on electric rates, we should be clear, rates for natural gas and regulated water have gone up too. Most ratepayers need to pay for all of that, so these rate increases are hitting customers from multiple utilities. I will start with electric rates and how they have increased, but I will want to return to the other utilities, as they also provide examples of the issues we are seeing.

I am going to start with ACE. While it may seem that many of the increases are small, for ratepayers, it is death by a thousand cuts. I start with ACE partially because they are the ones that many seem focused on, but mostly because they come first alphabetically. In the past year,

ACE has had several increases. Since we are comparing this summer to last summer, I am going to start with July of last year, 2023. Since that time, ACE's rates went up nine times. To be fair, the rates went down four times as well, though the overall impact is an increase. For purposes of today's analysis, I am going to start with rates that went into effect on or after September 1, 2023, as that way we can talk about the difference in the rate for ACE from summer 2023 to summer 2024. I am also going to be talking about the "average" customer. This is calculated by looking at total residential use and creating a basic average. Obviously, each individual bill will be impacted differently based on usage, but these numbers are sufficient to give you a basic idea of the impact of each change.

On September 1, 2023, the average ACE customer saw an increase of 1.48% or \$2.08 per month. This increase was to pay for transmission rates approved by FERC. They are what is commonly referred to as a pass through. BPU, along with our office, will review the proposed changes to make sure they accurately reflect the charges from PJM, but there is little we can do at the state level to impact these numbers. I will talk later about the federal process and things we could do there. On October 1, 2023, rates went down some and up some. The BPU approved a decrease in the Universal Service Fund amount for all electric utilities that resulted in a decrease of about \$1.39 per month for the average customer. ACE, however, also increased rates on two different separate charges. First, ACE self-implemented an increase to the Reconciliation Charge. Without getting too technical, the Reconciliation Charge has to do with the rate charged for Basic Generation Supply that is the cost of the actual electricity. Again, this is not a rate set by ACE or the Board, but is the price for generation that is actually charged to ACE. The price itself is a result of the BGS Auction, but includes a number of related charges. This charge changes depending on sales throughout the year. In this case, it appears that ACE over estimated how much electricity it would sell, and needed to increase the rate to recover an under collection. ACE simply reset the charge to ensure it received full recovery of its BGS (supply) costs from customers. Therefore, on October 1, 2023, the average customer saw an increase in this charge of about \$1.65 per month.

The second increase had to do with ACE's Infrastructure Improvement Program ("IIP"). I want to take a moment to explain an IIP and why Rate Counsel continues to oppose this single-issue rate mechanism. IIPs were created by the BPU's regulations in 2017. This is a clause mechanism (single issue ratemaking) that allows utilities to make capital investments and then begin to earn an accelerated return on that investment outside of a base rate case. It means that when the utility comes in for recovery on an IIP project, we cannot look at the overall health of the utility. The only issue before the Board at that time is whether the utility in fact spent the money on the approved project. It is not until the rate case, sometimes five years later, that we look at the prudence of that investment or attempt to offset it with other savings or earnings found elsewhere in the utility's books. This rule has led to billions of additional investment by utilities over the last several years, all of which is charged to ratepayers at an accelerated rate, which means that the utility gets recovery for the project faster than it would if the project was

done as part of its normal course of business. Given the time value of money, earning a return more quickly is more expensive than spreading the cost over a longer span of time and therefore, IIP programs are more expensive for ratepayers than if the work was done within the normal course of the utility's business.

For ACE, the Company was approved in 2019 to invest \$96.5 million over four years. In fall of 2023, ACE sought to recover \$22.9 million of that investment. Again, at this time, because of the BPU's rules, we are not allowed to review prudence or whether the Company actually needs this revenue to complete this project. The only issue is whether the money was actually spent on the actual program approved by the Board in 2019. This IIP roll-in resulted in an increase in rates of about \$0.29 per month or 0.20%. While it seems minimal, this was outside a rate case, and will now remain part of the rate for years going forward. This is the result of clauses, they stack charge after charge on top of the utility's base rates.

On December 1, 2023, the bulk of ACE's base rate case increase went into effect. This rate increase was implemented to allow ACE to recover capital investments since its prior rate case in July of 2020. The remainder of the rate case increase was held because Rate Counsel wanted to see proof that advanced meter infrastructure was actually operational within the allowed timeframes before agreeing to recovery for those meters. Therefore, a later increase would be allowed once ACE completed its roll-out and provided proper documentation. As of December 1, ACE received an increase of approximately 3.53% or an increase of \$5.16 per month for the average customer. The second increase went into effect on February 1, 2024 after ACE demonstrated that it had in fact activated the agreed-upon number of meters, increasing rates an additional \$0.93 per month for the average residential customer.

The good news is that rates did go down some in the beginning of this year. First, due to changes in the PJM transmission rate, on April 1, the average ACE customer saw a decrease of \$1.06 or 0.69%. Second, there was a slight decrease in the Societal Benefit Charge ("SBC") which reduced the average ACE customer's bill by about \$0.25 per month or about 0.17%. Thus, for the first quarter of 2024, ACE's rates actually decreased slightly.

New BGS rates went into effect on June 1, 2024 as a result of the BGS auction conducted in February of that year. The new rates, which pay for the supply of electricity, increased rates about \$7.56 per month. On top of this increase, there was another BGS Reconciliation charge implemented to ensure ACE recovered sufficient funds from ratepayers to pay BGS suppliers for the supply of electricity. This was an additional \$6.54 per month increase for ACE's customers. On June 1, 2024, ratepayers saw an increase in rates based upon the Regional Greenhouse Gas Recovery Initiative Charge ("RGGI"). To be clear, this is not the RGGI auction that New Jersey participates in, this is a different charge. Again, in attempt to not get too into the weeds, there are several components of the RGGI charge. There is the solar portion, comprising of the SREC, TREC and SuSi solar energy programs. Here, the SREC charges went down, TREC and SuSi charges went up. There is also an Energy Efficiency ("EE") component, which increased and the

Community Solar Energy Pilot ("CSEP") program charge, which also went up. Overall, the average ACE customer saw a RGGI rider increase of about \$0.65 or 0.3% on their monthly bill. There was also an increase based on the Conservation Incentive Program Rate Adjustment. This is an adjustment created by the Legislature that purports to compensate the electric company for lost revenues due to energy efficiency measures that are implemented by customers. This means that when customers attempt to save money by implementing energy efficiency measures in their homes, ACE, and the other gas and electric utilities in our state, can actually make up for a portion of those revenues they lost due to energy efficiency efforts and charge it back to all customers. This was part of the New Jersey Clean Energy Act passed in 2018. For 2023, ACE received an increase in rates due to the Conservation Incentive Program of about \$2.94 per month. Finally, there was a decrease in the NGC/SBC rates, as it was determined that ACE was over collecting on these clauses based on usage, and therefore the rate could be reduced. This resulted in a decrease of about \$1.46 per month. To be clear, these reviews happen periodically throughout the year, and changes are made as needed to try and create a rate that is close to the actual needed recovery for each component within the NGC/SBC clauses.

So, overall, the average ACE ratepayer would be paying about \$23.64 more in June of 2024 when compared to June of 2023. Already, we are seeing a significant increase for the average customer. And to be clear, not every, probably no customer, is the average customer. So this is a ballpark figure of the increase the average customer would see based on the prior year. The rate, however, only tells part of the story. The rate is multiplied by usage. The rate impacts that the Board estimated and that I am providing assumes usage of about 643 KWh per month. If usage is higher, the increase will be higher. Unfortunately, for this past summer usage was at an all-time high. ACE has reported that the average residential customer used significantly more than average electricity this summer, 31% more than June, 28% more in July and 10% more in August. Overall, it appears usage was up about 20% this year. It is not entirely clear why there was more usage. It does appear that 2023 was significantly cooler than 2024, especially in June and July, and air conditioners are a significant part of the summer load. No matter the cause, overall electric consumption in the summer of 2024 was at an all-time high, directly after 2023, which was a particularly low-consumption summer. Put this together with the increases in rates that I detailed, the result is significantly higher bills for ACE customers in the summer of 2024 as compared to the summer of 2023.

This analysis does not only apply to ACE. I could go through the same analysis for PSE&G, JCP&L and Rockland Electric Company, ("RECO"). For these companies, I am going to simply provide some summaries. For PSE&G, the average customer saw an increase in rates of about \$6.52. Recall, the increase in rates requested in PSE&G's most recent rate case has not gone into effect yet. At the same time, PSE&G saw a significant increase in usage, about 28% in June, 19% in July and 8% in August. This is compared to a year (2023) where usage was at a five-year low, so the increase is all the more dramatic. The data implies that weather played a role in this increased usage, but that may not capture the full reason. Again, compared to

summer of 2023 bills, PSE&G customers saw significant increases this summer. Bills in JCP&L went up for an average ratepayer about \$12.36 and for RECO, about \$20.49. With similar weather, throughout the state, we can assume that usage was up in their territories as well. Overall, the combination of a higher rate with higher usage led to significantly higher bills for New Jersey customers.

I want to be clear about these rates. These rates that we have been discussing do not include offshore wind. Those costs have not been incurred, and therefore have not yet been passed on to ratepayers. While I am unable to give you an exact number, we can all agree that the rate impact of offshore wind, especially when we include required transmission, will be dramatic. Similarly, this does not include the rates associated with the gas and electric companies' proposed \$7 billion in Energy Efficiency programs currently pending before the Board. Those petitions were filed pursuant to the mandates in the Clean Energy Act ("CEA"). The requirements of that statute significantly impacted our ability to reduce the costs associated with those programs, or more importantly to reduce revenue requirement associated with running those programs. As a result of the CEA, utilities can earn money from all ratepayers in order to offer energy efficiency programs regardless of whether the ratepayer participates in the program. The cost of these programs includes the costs of the rebates that ratepayers can take advantage of but, as mentioned earlier, it also includes an additional charge related to make up for lost revenues that the companies experience as a result of customers' lower usage which is associated with implementing energy efficiency measures. It also includes a return on the investment. Those costs associated with the latest round of energy efficiency programs are not yet in rates, but they will also significantly increase rates.

I know the question you are now asking is what, can New Jersey do to protect its electric customers. Unfortunately, because a large portion of this bill is not controlled by state regulation, there is no simple fix. About two thirds of the bill are federally regulated costs. We can, however, do better in New Jersey. First, we can stop passing legislation that increases utility bills. Rate Counsel usually weighs in with letters on many proposed legislative initiatives and we explain why the bill will result in an increase to customers. Maybe some have seen our letters and voted in favor of the bill anyway with the justification that it would likely only be a minor increase. But, every utility mandate passed by the Legislature results in an increase in rates. For example, the Zero Emission Credits that the Legislature passed to force ratepayers to subsidize PSE&G's nuclear power plants cost ratepayers an average of about \$2.75 a month for the past six years. And, of course it is not just in the electric arena where legislation has caused bills to increase. In a recent Aqua Water case, more than half the increase was to pay for remediation of lead lines not owned by the Company. In a recent American Water case, recent legislation, the Resiliency and Environmental System Improvement Charge, increased bills by \$2.32 per month.

Similarly, clauses approved by the Board increase rates and should stop. IIPs are causing rates to go up more quickly, at a more frequent pace of one to two times a year. These single-

issue clauses are also increasing capital investment by the utilities. We can argue about whether this is needed investment, but to be clear, increased and faster investment leads to higher bills. All things being equal, the IIPs are leading to higher bills for all customers. Again, in the water realm, you can see that in American Water's rate case, the Distribution System Improvement Charge clause cost water customers \$4.68 per month and RESIC clause cost wastewater customers \$3.95 per month. This is on top of the overall increases of \$5.33 per month for water and \$5.12 per month for wastewater. To be clear, for an average water customer, the case resulted in a \$12.33 per month increase, \$7.00 of which is based upon infrastructure clauses.

We also need to be more deliberate in how we spend our ratepayers' money. I am constantly lamenting to my colleagues from other states that somehow New Jersey always finds the most expensive way of doing things. We pay too much for solar, too much for Energy Efficiency and too much for electric vehicles. Every time we overspend, two things happen. First, our ratepayers' bills are higher than they should be and second, we are not getting the best value for the money spent. I would hope that we could all agree that getting more solar energy and spending less would be better. Getting more Energy Efficiency and spending less for it would be better. We do not do that. Rather, we find more and more expensive ways. We are over subsidizing solar, paying an unnecessary return on Energy Efficiency investment, allowing utilities to get more heavily involved in EV charging. The Legislature must consider the ratepayer impact of each of its actions, not on an individual basis, but holistically. These small increases quickly add up to a significant impact on the bill. This summer has clearly demonstrated that moving forward with every idea, regardless of the cost to ratepayers, simply will not work.

Federal Rate Impacts

I would like to spend some time on the federal part of the bill as well, specifically the FERC regulated rates. While much of my time will be spent on the impact of the most recent PJM base residual auction, I would be remiss if I did not also discuss transmission planning and rate recovery at the federal level. Both of which are problematic. There has been a lot of talk about the recent PJM auction, so I will start there.

PJM is our regional grid operator. New Jersey along with 12 other states and DC are within the PJM region. As part of its functions, PJM runs several markets, one of them being a capacity market for capacity in the PJM region. Now, I need to take a step back and explain two things. First, capacity. Capacity is the ability to produce electricity when called upon. This is not a payment for the production of anything. Rather, it is a payment to generators for the promise that if we need your power, you will provide it. If we do need that power, we will pay for that separately as part of an energy payment. Second, the term market. This is not a real market based upon the simple concept of supply and demand. Rather, this is a market construct where PJM imposes a number of administrative rules to run the market. These rules, often

influenced by the very parties participating in the capacity auction can, as I will explain shortly, have a significant impact on the clearing price, that is the price we pay, for capacity.

For New Jersey, the PJM capacity market cleared a price of \$270 per Megawatt day. This is an increase of about nine times last year's market. To put that into perspective, this will likely result in an increase of about \$12 to \$15 per month for the average New Jersey ratepayer, beginning in June of 2025. What is worse, PJM is not done. There is an independent market monitor who reviews the PJM market outcomes. The monitor's findings in regard to the past auction are troubling. The monitor found that the results of the auction "were significantly affected by flawed market design decision." Significantly, the monitor found the auction "prices do not solely reflect supply and demand fundamentals." This means that we are paying higher prices, not because there is less supply and higher demand, but because of the rule changes implemented by PJM. For example, PJM's rules do not require a generator subject to a special reliability must run contract to bid into the auction. In the past auction, two such units in Maryland did not bid into the auction. Had just these two units been required to bid into the auction, there would have been about \$5 billion in savings to PJM customers and the clearing price would have dropped by over \$100 per Megawatt day. The market monitor found that other rule changes by PJM caused prices to increase, and that without significant rule changes, the next auction will likely be even higher, perhaps as high as \$695 per Megawatt day. Importantly, the next auction is to be held this December.

Rate Counsel, along with Board Staff, both our counterparts in other states and many other advocates have asked PJM to fix the market rules, or at a minimum to delay the December auction to determine how the rules should be changed to ensure that the rules are not causing prices to so dramatically increase. So far, PJM has been unreceptive to those requests, outright denying the consumer advocates' request. The state utility commissions' request is currently pending. This next auction can result in devastating results for New Jersey ratepayers, and the lack of action on PJM's part is troubling. Indeed, some parties have filed complaints at FERC, and we suspect others will follow. While you do not have legislative control over PJM, it is important that you support the Board and Rate Counsel as we advocate on behalf of New Jersey ratepayers before PJM. There is significant concern about PJM's ability to remain neutral in the operation of its markets and other actions, and inquiries by this body will certainly ensure that PJM understand the importance of its actions to its customers.

PJM also controls the transmission of electricity throughout the region and into New Jersey. Transmission consists of the bigger wires bringing the power to the electric distribution company that provides you service. These lines are large, expensive, and right now, largely unregulated. While PJM runs the transmission system and is supposed to be planning for the needs of the entire system, it does not in fact own the transmission lines. They are owned by the Transmission Owners within each state. In New Jersey, that is the electric company affiliates, Exelon, FirstEnergy, PSE&G and ConEd. Because PJM does not own the transmission lines, along with the lines planned by PJM, each transmission owner can build its own transmission

projects. When they do so, they do without any oversight. At PJM, they merely tell PJM they are planning the project. PJM may, though not always, do a no-harm analysis, that is they will determine if the project will do any harm to the current system. Assuming it does not, PJM takes no further action. In some states, the utility will have to go to the local commission to seek approval. Not in New Jersey. There is no law requiring the transmission owner to seek approval from any entity in New Jersey to determine if the line is in fact needed or if it is properly sized. There is also no review of those issues at the federal level. Rather, once it is built, the transmission owner rolls it into their federal formula rate. If we are lucky, we get a chance to see it and make sure they actually spent the money they are claiming recovery for. We do not have the ability to review or challenge the need or overall cost of the project. These formula rates are presumed to be reasonable by the FERC, and the current FERC rules make it extremely difficult to review, let alone challenge any charge. While changes to the formula rate process at FERC are needed, unfortunately that is beyond your jurisdiction. These costs are completely controlled by the transmission owner. In the past ten years, transmission costs have increased from approximately 8.9% of the PJM bill to 26%. In other words, they have more than doubled as a part of the bill. Transmission is expensive, and there is significantly more transmission planning taking place right now.

One solution is to ensure that transmission built in New Jersey is actually needed and that it is the least cost solution. This body has the power to pass legislation that would require review of these projects. This review would allow the Board, Rate Counsel and any other interested party to review the proposed transmission to ensure it is in fact needed and that it is the lowest cost solution. Such review could reduce transmission costs. At the least it would require a level of self-control that is not required right now. Pennsylvania has such legislation and would be a good model to start the process here. Those tremendous pass through costs that I discussed before could possibly be curbed with such legislation. I would be happy to discuss this proposed legislation or other ideas that might curb some of the transmission costs being imposed by PJM.

Conclusion

Are rates higher this year? Absolutely. Rates are going up everywhere, at the state and federal level. Every time you require a utility to invest, rates go up. Every time you create a new clause, rates go up. While each increase may be small by itself, they quickly add up to significant money. Sadly, what we are seeing right now is the tip of the iceberg. There are even more very large increases on the horizon. We need to make sure that we are careful how we implement the changes we want for New Jersey and that we do not try and shift all the costs to ratepayers. I will leave you with this thought. While utility rate increases may be an easier method to achieve certain goals, since ratepayers are a captive customer, they are implemented in an inherently unfair manner. This is because all ratepayers regardless of income, will pay the same increased rates. A millionaire and a Section 8 tenant are both residential customers as far as the electric company is concerned. We must do the hard work to rely on other ways, outside

of utility rates, to fund our needs that are less regressive and better share the burden among those who can better afford it.

Thank you for the opportunity to speak with you today. I hope that this committee continues to look at the issue of affordability and takes that into account when setting policy and enacting legislation. Rate Counsel stands ready to help you understand the rate impact of proposed legislation and looks forward to working with you to achieve a future with affordable rates for all.



**Testimony of Evelyn Liebman, AARP NJ Director of Advocacy
Before the NJ Assembly Telecommunications and Utilities Committee
October 2, 2024 – Trenton, NJ**

*Concerning Recent Increases in Electricity Rates and the Related Cost Burden on
Utility Customers*

Chairperson DeAngelo, Vice-Chair Kennedy and members of the Committee, on behalf of AARP's 1.1 million Garden State members and all older New Jerseyans, thank you for the opportunity to testify today. My name is Evelyn Liebman, and I am the Director of Advocacy for AARP NJ. Utility rates are an essential pocketbook issue for New Jersey residents 50-plus and their families, many of whom struggle to pay their utility bills along with other household expenses like food and medicine.

Affordable, reliable, and sustainable energy is essential to health, safety, and well-being. When home energy prices are high or unpredictable, people may be unable to cool and heat their homes adequately. Such exposure can lead to a host of adverse health outcomes that older adults are particularly susceptible to. These can range from the aggravation of chronic health conditions to food spoilage, undue stress, and even premature death. At the same time, moving toward more sustainable sources of energy that are cost-effective and reliable is increasingly important for older adults, their children, and grandchildren.

In a 2022 poll commissioned by AARP, NJ's 50 + voters said utility bills are the second most difficult household expense to pay each month – second only to NJ's highest in the nation property taxes. Given recent rate increases the affordability of utility rates has worsened for too many. And more rate increases are coming.

Price increases have a greater impact on older consumers, especially those with fixed incomes and all households with lower incomes. They may end up risking their health or comfort. Too often, older adults with low incomes must choose between cutting back on energy expenditures and reducing spending for other necessities like food and medicine.

NJ is not alone. According to federal data, as many as one in three households in the U.S. struggles to pay their monthly energy bills. According to the National Energy Assistance Directors Association, summer cooling costs this year were projected to be the highest in a

43x

decade, increasing nearly 8%.¹ NEADA also notes the cost of home cooling has risen in part because families need to purchase more electricity to cool their homes as temperatures continue to rise.

Whether it is rising prices or the need to use more electricity in the face of rising temperatures, or a combination of the two, all consumers need access to utility services regardless of factors such as geography, race, ethnicity, ability level, and income in order to stay healthy and safe.

NJ has been a leader in utility bill payment assistance programs. In particular, NJ's Universal Service Fund program is among the best in nation and is designed to ensure that low-income consumers' energy burden is affordable. The USF program provides a monthly credit on gas and electric bills such that household energy burden is no more than 4% of income (2% for electricity and 2% for gas). USF also includes an arrearage forgiveness component - Fresh Start.

But New Jersey can do more.

Like access to heat in the winter, access to affordable and reliable cooling in the summer is critical to health and safety. The National Weather Service calculates that extreme heat results in more deaths each year than any other weather event, including floods, hurricanes, and tornadoes.²

According to the Environmental Protection Agency (EPA) heat waves are occurring more often than they used to in major cities across the United States. Their frequency has increased steadily, from an average of two heat waves per year during the 1960s to six per year during the 2010s and 2020s. According to the EPA, heat waves were occurring earlier and later as well -- in both the late spring and early fall.³

NJ currently prohibits utility shut offs on days that are very cold (forecast temperature below 32° all day), and also on days that are very hot (forecast temperature 90° or higher).

NJ should consider expanding shut off protections during the cooling season. Like our winter termination moratorium program⁴ that protects certain customers against shut offs during the heating season, NJ should consider establishing a cooling season and broader protections for customers during this period.

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<https://neada.org/2024summeroutlook/#:~:text=The%20financial%20burden%20to%20families,the%20same%20period%20last%20year.>

² <https://www.scientificamerican.com/article/extreme-heat-is-deadlier-than-hurricanes-floods-and-tornadoes-combined/>

³ [Climate Change Indicators: Heat Waves | US EPA](#)

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<https://www.nj.gov/dca/dhcr/offices/wintertermination.shtml#:~:text=The%20NJ%20Department%20of%20Community,of%20circumstances%20beyond%20their%20control.>

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NJ should also consider increasing eligibility for bill payment assistance programs like USF, Lifeline, and this year's one-time Residential Energy Assistance Payment (REAP) program.⁵ Increasing assistance to weatherize and make dwelling more energy efficient will also increase access to affordable and reliable utility service.

NJ utility customers would also be well-served if New Jersey established a simple, easy to use one-stop application and enrollment process for all utility assistance along with other safety net programs.

AARP urges this Committee, the Legislature, the Board of Public Utilities, and the Governor to be good and diligent stewards of utility consumers' hard-earned dollars. This means ensuring that utility rates are based on the prudent use of ratepayer money. Households with lower incomes must be considered.

In setting rates, utility companies should receive only what is fair and reasonable—and not a dime more. New Jersey should get back to basics when it comes to setting utility prices.

Before allowing utilities to change rates, regulators should require a full rate case review. In a rate case, the BPU, the Division of Rate Counsel and other impacted parties are able to review evidence to determine how much revenue is needed for the utility to recover its costs and have an opportunity to earn a reasonable profit. A rate case ensures transparency by allowing scrutiny of all a utility's costs and revenues. Within this process regulators can review costs and revenues, applying decreases that might partially offset a proposed rate increase. They can also disallow certain costs or reject certain future planned expenditures. This process ensures a transparent examination of utility costs based on intervenor participation, evidence, and analysis.

While rate cases are filed in New Jersey, utility corporations, including electric companies, are also allowed to raise rates through alternate mechanisms that use separate fees and surcharges.⁶ These are policies that allow utilities to change rates on one particular expense item rather than going through a rate case to consider all expenses and revenues. The danger they pose for consumers is that such adjustments tend to limit regulators' ability to scrutinize and evaluate costs within the context of a whole picture of the utilities' operations. They undermine the comprehensive review of utility costs and revenues and prudence of investment decisions; consumers cannot be assured they are paying just and reasonable rates.

Especially, given the increasing unaffordability of utility bills, we urge you and the BPU to refrain from this type of ratemaking policy and ensure all costs are reviewed in base rate cases.

⁵ <https://www.nj.gov/bpu/assistance/reap/>

⁶ <https://www.propublica.org/article/the-obscure-charges-that-utility-companies-add-to-your-bills>

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The rate of return is the amount of money collected from customers intended to ensure that utilities can cover their operating expenses and earn a fair return, i.e., profits, on their investments. This is a major component of our electricity bills.

Any utility base rate examination must also ensure the utility's rate of return is fair, takes into consideration what ratepayers can afford and is based on current market conditions.

The electricity market is changing. As policy and decision makers it is important to consider how these changes may impact consumers. For the last 20 years, utility electricity loads (e.g., the amount of electrical output required to run appliances and other devices in your home) have been flat in most areas of the country. Energy efficiency measures and sluggish power demands meant flat sales. Then, in the past few years, the push to electrify appliances and the transportation sector caused the potential for load growth.

More recently, the rise of electricity demand caused by data centers, artificial intelligence, cryptocurrency mining, and an improved economy have caused load growth projections to spike even further.

We raise this as an important emerging issue and encourage all policy makers ensure that residential ratepayers have access to reliable and affordable energy when considering policies that would increase electricity use.

Thank you very much.

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NEW JERSEY STATE LEGISLATURE

MICHAEL TORRISSI JR.
ASSEMBLYMAN

October 2, 2024

Assemblyman Michael Torrissi Jr.'s statement on the Telecommunications and Utilities Committee electric rate inflation hearing

With rising costs, it is prudent that the Legislature seeks to ease the burden placed on taxpayers.

However, while some will talk about fighting for affordability, the actions, press releases and bills that will inevitably follow this hearing seem more like damage control for past policy missteps.

PJM, the grid operator for our region, recently announced an unprecedented 800% increase in capacity costs. These costs have already triggered significant rate hikes for utilities statewide: 3.6% for Rockland Electric, 6.2% for PSE&G, 4.8% for Atlantic City Electric, and a staggering 8.6% for Jersey Central Power & Light. But these rate hikes are symptoms of a deeper issue—overly ambitious, flawed energy policies that have done more harm than good.

I have introduced common-sense legislation to ease the burden on my neighbors. S596/A692 would require public utilities to send detailed notices to customers outlining rate settlement agreements before the BPU votes. While S597/A693 would ensure customers are notified of requested rate increases and guarantee that hearings are held in the largest affected municipality. These bills aim to give residents greater transparency and input in the rate-setting process, yet their future remains uncertain.

However, the current trajectory is not an isolated incident. New Jersey's electricity rates were already 21.1% higher than the national average before the auction increase. These spikes in energy costs were forecasted back in 2022 when the BPU predicted that implementing much of Governor Phil Murphy's Energy Master Plan would result in higher distribution surcharges.

Again, this was foreseeable. Studies have shown that Renewable Portfolio Standards (RPS) lead to electricity price increases of 10.9% to 11.4%, with some predicting even higher impacts. Ultimately, these rate hikes are self-inflicted wounds. It's clear that the majority party's energy policies are driving costs up rather than making energy more affordable. We can integrate green resources without draining our constituents' bank accounts.

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NEW JERSEY STATE LEGISLATURE

MICHAEL TORRISSI JR.
ASSEMBLYMAN

To make matters worse, when the Legislature had an opportunity to ease the burden on ratepayers, some chose to vote against the interests of my district and South Jersey, funneling billions of dollars to Ørsted, a Danish renewable energy company. In 2023, Governor Murphy signed legislation that redirected \$2 billion from New Jersey ratepayers to Ørsted, siphoning away federal tax credits meant for consumers. While Ørsted eventually pulled out of its offshore wind projects, the damage was done. Billions were taken from New Jersey families for a project that never materialized, and now my constituents are facing rate hikes at a time when their budgets are already stretched thin.

While some claim to be addressing these electric rate hikes, they remain silent on broader affordability issues. This year, once again, we had the opportunity to cushion the blow by rejecting a tax increase. Yet, those same people claiming to mount a full-court press on energy were absent and silent in their opposition to these policies.

Wrong is wrong, regardless of who proposes it. Fighting for your constituents means speaking out, even if it means bucking leadership.

I urge my colleagues to reach out to my office so we can work together to fix the wrongs of the past. I am confident that with the help of my staff, among the best in the state, we can truly electrify New Jersey's energy policy and provide real relief to our constituents. The alternative is continuing to chase pet projects while ignoring the policies that only deepen the unaffordability crisis.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Torrisi".

Assemblyman Torrisi

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Memorandum

To: Chairman Wayne DeAngelo and Members of the Assembly
Telecommunications and Utilities Committee

From: Fred DeSanti, Executive Director, New Jersey Solar Energy Coalition

Date: September 26, 2024

Subject: NJSEC Comments: Electricity Rate Increases Hearing October 2nd

Public support for New Jersey's Clean Energy Policies to combat climate change has been based upon successfully balancing the consumer cost of these programs and policies against maintaining electricity rates at affordable levels for both business and residential customers.

Clearly, our recent experience with inflation over the past few years has not helped that situation, but we now also find ourselves on the edge of statutory and regulatory program mandates that are scheduled to be triggered in FY2025 that will likely make matters far worse.

The purpose of our comments are to define two sets of emerging electricity rate cost increases: (1) *Cost increases that need to be paid in the coming year by ratepayers; and (2) Cost increases that are elective and can be deferred, delayed, or avoided completely to take pressure off rates in the coming year.*

NJSEC offers these comments and recommendations in as much as the continued success of New Jersey's solar program relies upon the continuing support of ratepayers that might otherwise be eroded with electricity costs reaching unaffordable levels.

Scheduled Cost Increases That Need to Be Paid in 2025

1. Our state's electric distribution companies (EDCs) have been hit hard, no differently than other business, by inflationary increases in both labor and material cost increases over the recent years. Subject to the Board of Public Utilities oversight and approval of these cost increases, it would be confiscatory not to pay these charges in base rates and other charges.

2. PJM's recent "Base Residual Capacity Auction" has resulted in an unanticipated increase of approximately \$14.7 billion dollars which will be collected from all PJM RTO customers beginning in June of 2025. This nearly 900% increase is largely the result of several factors including that renewable energy deployment has not kept up with fossil plant retirements; 3,243 MWs of forecast increased load in PJM; and the capacity resources necessary to maintain an adequate reserve margin. New Jersey is a member of PJM and has an obligation to pay its fair share of capacity costs to maintain the reliability of the grid. The associated electricity cost increase beginning in June of 2025, however, will be substantial.

Both cost increases are unavoidable and will, taken together, create New Jersey residential and business electric rate increases in 2025 that will unfortunately be far higher than the current rate of inflation.

Scheduled "Elective" Cost Increases That Need Not be Paid in 2025

In 2025, there are at least three areas of looming ratepayer cost increases that should be considered for deferral, delayed treatment, or to be avoided completely. We are not arguing the intended value or merit of these cost areas, we are simply pointing to the fact that incurring all these costs along with the "must pay" costs described above could together create serious affordability issues across the board for all ratepayers.

1. Statutory Increase in Class I Purchases in FY 2025 from 22% to 35%

Chapter 17 Laws of 2018 provides for the increase purchase of Class I renewable energy certificates from the current 22% of the 72 million MWhrs consumed in New Jersey to 35% of the 72 million MWhrs:

(2) beginning on January 1, 2020, that 21 percent of the kilowatt hours sold in this State by each electric power supplier and each basic generation service provider be from Class I renewable energy sources. The board shall increase the required percentage for Class I renewable energy sources so that by January 1, 2025, 35 percent of the kilowatt hours sold in this State by each electric power supplier and each basic generation service provider shall be from Class I renewable energy sources, and by January 1, 2030, 50 percent of the kilowatt

Back in 2018 when this law was signed, the weighted average cost of a Class I REC was about \$9/MWhr, however, in recent years the market cost of a Class I REC is over \$35/Mwhr, more than triple the cost. As is also known, New Jersey has very limited Class I generation resources to speak of and, therefore 99.5% of these costs flow to Class I eligible projects in Illinois and other PJM

states. The incremental cost in FY 2025 for these purchases is, therefore, on the order of \$325 million, all flowing out-of-state in exchange for certificates. Overall, bringing the total out-of-state Class I spend to just over \$600 million annually.

While we can debate the value of these Class I purchases to New Jersey ratepayers, the fact remains that there is no compelling reason not to at least delay this statutory mandate (by either statutory or regulatory change) until these other costs can be digested by ratepayers.

2. Regional Greenhouse Gas Initiative (RGGI) Costs in 2025

New Jersey has now participated in RGGI for the past 4+ years and the program has been successful in working to reduce greenhouse gas emissions and playing a role in shuttering inefficient coal facilities in New Jersey.

However, the current program has reached a point of inflection where it is now ***costing New Jersey ratepayers about \$800 million dollars a year while increasing regional greenhouse gas emissions by about 4 million tons of CO2 annually.***

The current price per ton charged to New Jersey natural gas generators is about \$25.75/ton from the September 2024 auction. When this cost is converted to a price per MWhr of generation based on an average New Jersey natural gas generator, it creates a surcharge of about \$11.20/MWhr of generation which must then be added to the cost of all ~72 million MWhrs of generation consumed by New Jersey ratepayers, or about \$800 million annually.

The cost of complying with RGGI, however, falls on New Jersey natural gas generation and does not apply to non-RGGI PJM states like West Virginia, and Pennsylvania in particular. This competitive cost disadvantage then levels the playing field for dirtier and less-efficient coal, waste coal, and inefficient natural gas combustion turbines out-of-state to successfully bid into the "day ahead" energy market displacing cleaner New Jersey generation. This then incrementally creates about 4 million tons more CO2 on a regional basis than would otherwise exist if New Jersey were not a member of RGGI.

And, since the state is only collecting about \$290 million per year from the sale of allowances, this RGGI "leakage," has the net effect of costing New Jersey ratepayers \$500 million more than received at the current rate while increasing the regional CO2 emissions generated by 4 million tons.

Clearly, this program was successful but will now have a difficult time producing the desired results due to leakage. There is an immediate need to either modify the current program to either create "price caps" to thoughtfully rebalance the program or even abandon the RGGI program entirely until it can be successfully structured to deal with the leakage problem.

3. Electric Energy Efficiency Triennium 2 Program

While energy efficiency is an important tool in combatting climate change, the ambitious program set in Chapter 17 Laws of 2018 is likely rapidly becoming unaffordable for New Jersey ratepayers.

Each electric public utility shall be required to achieve annual reductions in the use of electricity of two percent of the average annual usage in the prior three years within five years of implementation of its electric energy efficiency program. Each natural gas public

In the Division of Rate Council's comments filed on June 27, 2023, in this matter, they pointed to several staggering cost estimates based upon the aggregate cost of the Energy Efficiency program based upon the Cadmus study requested by the Board:

Currently, the Cadmus Study states that the by Program Year 6, the total budget for energy efficiency for NJ ratepayers for Triennium Two will be somewhere between \$5.3 billion under Scenario B and \$9.1 billion under Scenario C.⁷ According to the Cadmus Study, under Scenario

B, or what is stated as "Full Compliance," ratepayers will be paying up to \$5.3 billion in total for these EE programs and under Scenario C, or "High Adoption," NJ ratepayers would pay a total of \$9.1 billion over the three year Triennium. With about 4.7 million ratepayers in New Jersey, if that amount of money was divided equally, this would result in a cumulative increase to each individual ratepayer of \$1,133.00 over the three years under the "Full Compliance" scenario and a whopping \$1,943.00 increase per ratepayer under the "High Adoption" scenario over the 3-year triennium. A ratepayer who pay gas and electric bills would pay these increases in twofold, once on their gas bill, and separately again on their electric bill. The yearly increases to individual ratepayers range between \$317.00 and \$418.00 per ratepayer in the "Full Compliance" scenario, and between \$540.00 and \$745.00 per year in the "High Adoption" scenario.⁸ This is a monthly increase of a minimum of \$26.00 and a maximum of \$62.00 just in energy efficiency programs alone if each ratepayer shared the burden equally. It is important to note that Rate Counsel's numbers are based on the Cadmus Study results which did not include an analysis of the impact on an average residential customer based on customer class and usage.

It would seem obvious that this program needs to be closely reviewed now not only based upon the current potential consumer cost, but also on the scope of this statutory mandate to achieve these results on a continuing annual basis.

The New Jersey Solar Energy Coalition represents most firms currently operating in New Jersey employing nearly 7000 people. We are proud of our record of accomplishment in creating nearly 5 gigawatts of solar energy capacity on nearly 195,000 homes and businesses throughout the state. We are also very proud to support our state's robust community solar program that offers energy cost discounting to our state's low- and moderate-income families. We also favorably note that as the original legacy SREC program continues to wind down reaching the 15-year eligibility limits, the cost of the solar program has been and will continue to decrease dramatically. Currently, the administratively determined solar incentive levels are nearly 90% lower than when the program first stated.

However, as stated at the outset, the state's solar energy program, and the entire clean energy program for that matter fundamentally relies upon public support and the public's ability to financially support these important programs. Rate shock occasioned by the confluence of some of the cost factors looming next year can be avoided to the extent possible by moving now to make the necessary statutory and regulatory changes recommended, in advance.

We appreciate the opportunity to share our thoughts, and hope that you will reach out if you have any questions or require additional detail.