

July 26, 2018

VIA ELECTRONIC MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
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Trenton, New Jersey 08625
Rule.Comments@bpu.nj.gov

Dear Secretary Camacho-Welch:

Jersey Central Power & Light Company (“JCP&L” or the “Company”) is pleased to submit comments on the Board of Public Utilities (the “Board”) Staff’s request for comments regarding the solicitation of 1,100 megawatts of offshore wind generation. JCP&L thanks the Board for the opportunity to provide these comments and looks forward to working with Staff further to ensure successful implementation of the offshore wind program. Please find below JCP&L’s comments regarding each of the topics specifically enumerated in the Board’s notice dated June 29, 2018.

1. How should BPU stagger/phase in New Jersey’s offshore wind procurements to realize the State’s goal of 3,500 megawatts. Should this schedule be announced before any solicitations are released?

Yes, the BPU should stagger/phase in New Jersey’s offshore wind (“OSW”) procurements. Since OSW solicitations and project development are costly and complicated efforts, JCP&L recommends the use of three procurement cycles. Using multiple procurements allows time for bidders to fully develop their technical requirements through a reasonable schedule, while also allowing the buyer equal time to fully investigate and evaluate the proposals to ensure that all requirements have been met and the most cost-effective project(s) have been identified. Also, multiple procurements will allow time to adjust future RFPs for lessons learned while also enabling benefits to be realized in price and technology gains, which are currently occurring across the industry and are anticipated to further increase as the OSW market continues to develop. Finally, such a schedule will allow those submitting future bids to learn from the results of prior projects and adjust their proposed projects accordingly.

The schedule should be announced in advance to facilitate long-term planning to meet the New Jersey’s 2030 target date for the installation of the 3,500 megawatts. An example timeline is shown below.

NJ - OSW Procurement Timeline

Year	Procurement Type	MW Goal
2019	Request for Proposal	1,100
2020		
2021		
2022		
2023	Request for Proposal	1,200
2024		
2025		
2026		
2027	Request for Proposal	1,200
2028		
2029		
2030		
Total		3,500

2. How should the BPU structure the initial solicitation for 1,100 megawatts of offshore wind capacity as called for under EO8?

A request for proposal (“RFP”) process should be used for the initial solicitation for 1,100 megawatts.

3. Should the BPU request proposals scaled at 1,100 megawatts, or should the BPU request proposals in smaller blocks of capacity (i.e. 400 megawatts)?

To increase competition, the RFP should seek to procure eleven (11) blocks of 100 megawatts of wind capacity to increase competition. There should be no load cap. Accordingly, a larger developer could bid for all eleven blocks and achieve greater economies of scale or a smaller developer could bid for one block.

4. How may a solicitation be structured to ensure strong competition from multiple OSW developers?

The State may wish to look towards Maryland for guidance. The Maryland Offshore Wind Energy Act of 2013 (“OWEA”) Report identifies several major RFPs for the purchase of renewable power, including, in some cases, OSW. Use of an RFP for OSW procurement provides multiple benefits. RFPs allow for a transparent solicitation and review process where the rules are clearly defined in advance and all bidders have access to the same information at the same time. It also provides the added benefit of evaluation flexibility due to the complexity of OSW installation allowing for a grading scale, if necessary, to help identify project risk and price

competitiveness. This procurement structure provides benefits to both the developers and purchasers by ensuring a robust and price-competitive process.

5. What conditions should be included to ensure maximum competition in terms of OREC Price?

JCP&L would highly recommend that New Jersey consider using the Maryland OSW RFP as a template for its procurement process. While several RFPs have been conducted to procure OSW over the last approximately 10 or more years, the recent Maryland OSW RFP took various RFP models into account and created a robust model, which resulted in very competitive pricing. Attributes of the Maryland RFP model included:

- A fixed price schedule for OREC procurement over the term of the agreements with all financial risk of project viability on the developer;
- A thorough review of ratepayer impact;
- A review of in-state economic benefit including job creation, taxes and macro-economic benefit to the local community and state;
- A review of environmental benefits including avoided emissions and marine / terrestrial benefits; and
- Other qualitative factors such as the financial strength of the developer, expertise of the developer, likelihood of the project achieving commercial operation, commitment to small business, commitment to minority investors, and the use of skilled labor while adhering to state compensation rules.

All RFP considerations were designed to select the most cost-effective projects with the greatest consideration given to maximizing the quantity of ORECs, while minimizing ratepayer cost.

6. OWEDA requires the OREC Price to be an all-in price that includes the full cost of the construction, operation and decommissioning of the project with all revenues being refunded to ratepayers. What measures can be included in project proposals to optimize all revenues over the life of the project?

Again, like the Maryland model, in addition to a requirement to sell all energy, capacity and ancillary services that are available to the project into the PJM market, the developer should also have an obligation to use best efforts to apply for all eligible state and federal grants, rebates, tax credits, loan guarantees, and other similar benefits as those benefits become available to be passed on to ratepayers. To help ensure "best efforts", the Board should hold developers accountable to avail themselves of the maximum benefits available to the benefit of ratepayers or otherwise be liable for any economic risk for failure to pursue an available option.

One component of the all-in OREC price is funding for decommissioning. In order to provide assurances that the funding collected for decommissioning activities is available, the individual components of the OREC price should be identified, including the revenues attributable to each component. The revenues for the decommissioning should be required to be held in an escrow or trust account to ensure availability upon completion of commercial activities.

7. OWEDA requires that offshore wind developers demonstrate a net economic benefit for the State. How should the BPU ensure net economic benefits in order to be able to compare applications?

The BPU should establish the measures to be evaluated to determine net economic benefit to the State. The Company is not proposing specific measures or components to include as part of the analysis but urges that key assumptions of cost-benefit analysis calculations be substantiated with the appropriate detail to allow the Board to complete their review. The Company does have concerns about ratepayers paying above market prices for power from installed wind farms as compared to the price for electricity from conventional power plants. Any demonstrated net economic benefit for the State should include an ultimate mandate for just and reasonable electric rates.

8. What other elements should BPU consider including in the 1,100 megawatt offshore wind solicitation called for under EO8 (e.g. storage, other adjunct technologies)?

The Company does not believe there should be any other elements, such as storage or other technologies, included in the subject solicitation. Any distractions or additional complexities that could impact bid analysis, and ultimate cost to consumers, should be avoided.

9. Should the BPU request bids for expandable, nondiscriminatory, open-access offshore transmission facilities for the efficient delivery of power to the onshore transmission system?

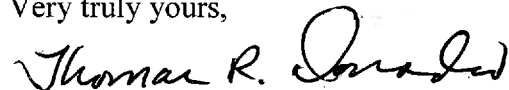
The Company interprets this question as referring to the generator interconnection facilities that are needed to enable the generation facilities to be interconnected with the transmission grid. As provided by the PJM Tariffs and supporting documents, the construction, costs, and ownership responsibilities of these interconnection facilities are the responsibility of the generation entity requesting interconnection to the transmission grid.

Please note that the PJM Tariffs also provide that the costs of any modifications or upgrades to the existing transmission system ("network upgrades") are the responsibility of the generation entity, and the responsibility for construction and ownership of these network facilities rests with the transmission owner affected by the interconnection.

The Company will defer any comments regarding the processes used to determine the need for these interconnection and network facilities to PJM as they are the transmission planner designated by FERC.

JCP&L again thanks the Board for the opportunity to provide comments on this important issue. If you have any questions or would like to further discuss any of JCP&L's above comments, please do not hesitate to contact me.

Very truly yours,



Thomas R. Donadio