

## **President Richard S. Mroz**

Board of Public Utilities 10/10/2017

## NJ Rate Making

- Traditional rate structure tied to base rate case.
- Early 2000s NJ begins to take a new approach to Rate Making.
  - 2006 Separating rates recovery related to energy efficiency.
  - 2012 DSIC.
  - Present program specific approach to infrastructure riders.
  - New rulemaking codifies scope and term of infrastructure recapture providing certainty.

## **Energy Efficiency**

- Decoupling is an adjustable price mechanism that breaks the link between the amount of energy sold and the actual (allowed) revenue collected by the utility. \*
  - Programs that improve energy efficiency among a utility's customers, and thus reduce sales, can have a negative effect on utility profits. Decoupling can be used to address this market barrier.
- Conservation Incentive Program (CIP)
  - NJNG and SJG were approved for this mechanism is 2006 (extended in 2010 and 2014).
  - Since the CIP was introduced in 2006, SJG customers have saved approximately \$693 million in energy costs. NJNG customers have saved approximately \$373 million in energy costs.
- Energy Efficiency Programs This year filed for a combined for about \$220 Million in program investment.
  - PSE&G first filed in 2008 followed by other in 2009.
  - NJ has spent \$3.1 Billion on energy efficiency in the last 15 years.





http://www.raponline.org/wp-content/uploads/2016/05/rap-revenueregulationanddecoupling-2011-04.pdf

## DSIC

#### • DSIC - Distribution System Improvement Charge

- Allows for semiannual true-up, outside of a general rate proceeding, for non-revenue producing investments to replace aging infrastructure.
- Benefits of the program include more efficient and timely investment of capital, significant progress in replacing aging infrastructure, enhanced service quality, reduction of water lost through leaks, avoidance of rate shock, and others.
  - Currently available for water only, looking to expanding for waste water.

#### Board Support of Infrastructure to Support Safety, Reliability and Resiliency

Gas - Infrastructure Upgrades And Mitigation Projects

- Since 2009, companies filed for total of \$6.214 Billion
- BPU approved \$2.898 Billion

Electric - Infrastructure Upgrades And Mitigation Projects

- Since 2013, companies filed for \$1.944 Billion
- BPU approved \$694.7 Million

Storm Cost Investments - approximately \$1.25 Billion

- EDCs: \$1.19 Billion
- GDCs: \$76 Million
- Sandy Costs alone for EDC and GDC: \$954 Million





#### Infrastructure Investment &

#### Recovery

- Nexus to a base rate case;
  - Prevailing perspective 3 years cycle,
  - Rule proposal would require a maximum of 5 years cycle,
  - Roll in (on a provisional basis) of prudent investments on a semi-annual or annual basis; prudency to be reviewed in next base rate case,
  - Projects must be related to safety, reliability and/or resiliency.
  - Requires filing a of capital plan.
- A 5-year investment plan permit a longer perspective for utility budgeting and planning process.
  - Allows utilities to invest and recover on infrastructure expenditures between base rate cases with prudency reviews.
- NJ adheres to the, "known and measurable" standard on rate increases which does not allow for a Future Test Year.

### Advanced Microgrids

- 2015 Energy Master Plan Update charged staff to exam and report on employing microgrid technology for resiliency in NJ.
  - 58 Level I and Level II Microgrids
- Fall 2016, staff issued the BPU Microgrid Report
- Spring 2017, the Board approved Microgrid Feasibility Study Pilot Program.
- June 2017, Phase I Board approved 13 grant applications and awarded \$2.1 million for feasibility studies.
  - Phase II four to six projects will move forward for detailed engineering design with EDCs and GDCs
- NJ takes a comprehensive, well measured approach to Microgrids
  - Examine Rate Structure
  - Examine EDCs & GDCs tariffs





# Questions