

Testimony

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Good afternoon **Chairwoman Pinto-Marin** and **Vice Chairman Burzichelli** and members of the committee. I appreciate the opportunity to appear before you today to discuss Governor Murphy's proposed Fiscal Year 2022 budget for the New Jersey Board of Public Utilities (BPU).

Our statutory mission is to serve the people of New Jersey by ensuring safe, adequate, and proper utility service at a **reasonable rate** for customers. The Board addresses issues of consumer protection, deregulation of energy and telecommunication services, and the structuring of utility rates to encourage **resilience, energy conservation, and competitive pricing** for more than nine million residents throughout the state.

In addition to these responsibilities, the BPU is charged with the implementation of **Governor Murphy's Clean Energy Agenda** which has a goal of **100 percent clean energy by 2050**. The centerpiece of this initiative is the Clean Energy Act, which was approved by the Legislature and signed by the Governor in May 2018.

Most notably our agenda includes establishing **7,500 megawatts of offshore wind energy** by 2035, the implementation of the new Energy Master Plan, the transition to a **new, more effective and efficient solar program** that reduces costs for ratepayers, and a goal of 600 megawatts of energy storage by 2021 and 2,000 megawatts by 2030. As we approach the end of the Governors first term in office, New Jersey is well on its way to meeting its **100 percent clean energy goal**.

This year, the BPU rose to meet the historic challenges presented by the COVID-19 pandemic to **ensure residents could rely on their utility service** regardless of their economic circumstances while also maintaining forward momentum on our State's Energy Master Plan.

When the pandemic struck, the NJBPU and New Jersey's regulated water, gas, and electric utility companies **swiftly agreed to a voluntary moratorium on shutoffs** to both residential and commercial customers during this unprecedented situation. **Governor Murphy's Executive Order 190**, subsequently extended no shut-off moratorium until at least March 15, 2021 and then again until **June 30, 2021** for residential gas, electric and water utility customers as well as internet service for households with school-aged children.

The BPU has been working with the utilities to **promote assistance and deferred payment programs** for customers who are struggling to pay their bills. In fact, we have designated **this week as Utility Assistance Awareness week** to get the message out to all New Jerseyans that **help is available** if you are struggling to pay your utility bills.

The Board currently has a **Pandemic Response Proceeding** through which we are working with the regulated utilities, the Division of Rate Counsel, the Department of Community Affairs and other interest parties like AARP and the Affordable Housing Alliance to address costs incurred as a result of COVID-19 including compliance with Executive Orders as well as **the large sum of arrearages as a result of COVID-19 financial impacts** on many of our residents.

To help ratepayers, **the BPU offers a number of customer assistance programs**, including **Comfort Partners**, which is designed to improve energy affordability for income eligible households through direct installation of free energy efficiency measures; the **PAGE program**, which provides relief on natural gas and electric bills for low to moderate income New Jersey households experiencing a temporary financial crisis; and the **Universal Service Fund (USF)**, which the Board created to help make energy bills more affordable for qualifying households with annual household income at or below 175% of the Federal Poverty Level.

While the pandemic response and ensuring no resident is left behind during these times has been the BPU's number one priority, we have also worked hard to stay focused on our mission of meeting the Energy Master Plan goals and strengthening our infrastructure. The effects of **climate change** become more apparent with each passing year and our responsibility to act grows more urgent. We are seeing more **extreme and erratic weather conditions** affect New Jersey and the country including storms, wildfires and tornadoes.

Over the last several years, New Jersey has experienced a series of extreme weather events. On August 4, 2020 Tropical Storm Isaias struck New Jersey. **Approximately 1.3 million electric utility customers were impacted.** Emergency Management & Cyber Security Bureau Personnel were activated by the SEOC to monitor and report utility outages, coordinate road clearing with the New Jersey Department of Transportation, coordinate restoration of power to hospitals and healthcare facilities and assist utility companies navigate the restoration process in the COVID-19 environment.

Given the **magnitude of the damage and the severity of the storm**, Governor Murphy and I directed the agency to initiate a review of the actions and activities undertaken by each electric company before, during and after the weather event. Emergency Management and Cyber Security Bureau provided an analysis of utility company pre-storm preparations, **mutual aid** and staffing, weather forecasting and prediction modeling, utility company customer communications, **vegetation management**, compliance with prior Board orders, and outage response and restoration timelines.

In recent years, Hurricane Irene, Super Storm Sandy, the triple Nor'easters in March 2018, and Isaias all left our residents without power for extended times-frames. **Science** tells us these storms will continue to grow in strength and frequency and so we must do better at strengthening our infrastructure and responding to outages because we cannot accept long term outages as reasonable.

Over the last decade, the Board has imposed **over 100 new requirements** on the utilities to improve resiliency and strengthen infrastructure and we continuously re-examine those rules. Board staff are constantly **examining new ways of evaluating the utilities performance** in both near, and long term infrastructure improvements to ensure they are affective and cost efficient. To be clear, we may never prevent all outages from occurring but we will ensure the utilities are doing everything possible to limit the frequency and length of power outages when they do occur.

Under the leadership of this Administration, New Jersey is now being recognized, both nationally and internationally, as **a leader in clean, efficient, renewable energy** and energy conservation. The work we are doing to revolutionize our state's energy infrastructure is necessary to ensure a better tomorrow for future generations and towards the end the BPU has worked on many fronts.

Clean energy has been one of the highest priorities of the Murphy administration. We have implemented **many initiatives toward our clean energy goals, including offshore wind, solar, community solar, energy efficiency, and electric vehicles.**

Since its release, the Energy Master Plan has served as our roadmap to these goals. This comprehensive document focuses on solutions that will help us reduce energy demand, modernize the grid, strengthen the innovation economy, reduce harmful emissions and ensure **equitable access** to the benefits of clean energy.

New Jersey has become a national **leader in offshore wind.** This is due not only to our location on the Atlantic Coast, but also due to the work we have done in moving this initiative forward in recent years.

Our first offshore wind project, Ørsted's 1,100 MW Ocean Wind, was approved last year and will be built 15 miles off the coast of Atlantic City. It's expected **to power roughly 500,000 homes, generate \$1.17 billion in economic benefits, and create an estimated 15,000 jobs** over the life of the project.

Ocean Wind's collaboration with EEW to develop a foundation manufacturing facility at the Paulsboro Marine Terminal, and the resulting economic benefits of this partnership, weighed heavily in our evaluation of their project proposal.

In 2020, the Board moved forward with its second offshore wind solicitation. In December we received two applications for that solicitation targeting 1,200 to 2,400 MW, from Atlantic Shores and Ørsted. **The Board anticipates making an award in June.** Next year the Board expects to open a third solicitation of at least 1,200 MW. This will keep us on schedule to reach the Governor’s offshore wind goal of 7,500 MW by 2035.

Not only does New Jersey boast 130 miles of coastline that is well-suited to support offshore wind development, our southern shoreline along the Delaware River provides access to offshore wind lease areas with no vertical restrictions to the Atlantic Ocean.

EDA will take advantage of these features by developing the NJ Wind Port in Lower Alloways Creek, which will include more than 200 acres of purpose-built space for manufacturing and marshalling. The Wind Port is expected to produce another **\$500 million in economic activity** as we establish New Jersey as the East Coast hub of the U.S. offshore wind industry. Additionally, two MOUs approved in 2020 by NJBPU and EDA will provide nearly \$6 million to support offshore wind workforce development and clean tech startups in New Jersey.

The Board has also taken creative, positive steps toward ensuring that wind energy can easily come ashore and into the existing grid. In November, New Jersey made headlines as the first state in the country to take a collaborative, regional approach to the critical offshore wind transmission planning process.

Using a novel regulatory pathway known as the “**State Agreement Approach,**” our regional grid operator PJM will manage a competitive solicitation process to explore offshore wind transmission solutions. This first-of-its-kind approach will help us identify the most cost-effective, environmentally sensitive, and ready-to-build ways of bringing that renewable energy to shore.

Another key element of the Governor’s clean energy agenda is solar. **With over 134,000 solar installations, New Jersey is the #1 state for installed solar per square mile.**

The industry supports over **6,000 jobs**, and we are working to grow that number through community solar development and by transitioning to our solar successor program to ensure the industry’s long-term profitability. In fact, solar installer is the fastest-growing job in New Jersey.

In addition, **community solar** furthers the promise of environmental justice for historically underserved communities by removing barriers like cost and location in order to **increase access to the benefits of clean energy.**

Last year, we approved 45 community solar projects in the state, all of which will serve low- to moderate-income communities. Year 2 of our historic Community Solar Energy Pilot Program has allocated 150 MW, double the capacity of Year 1, with a 40% carve out for LMI projects. We received **410 applications for Year 2** community solar projects, representing 800.5 MW of

solar, and all but one of those applications will support LMI communities. This is an outstanding response and we look forward to continuing to build a very successful program.

To support the construction and adoption of solar energy at a time when the cost of the then-new technology was a significant deterrent, the SREC market was established. However, over the last eight years, **the cost of solar has plummeted** and the Clean Energy Act requires the BPU to effectively transition to a revamped program that **will ensure the solar industry remains strong while providing cost relief to ratepayers.**

In FY22, following a full year of implementation of the transition incentive program and stakeholder engagement on the development of a successor incentive program, we anticipate fully fulfilling the mandates of the Clean Energy Act with respect to the development of a new solar incentive program.

In particular, the Clean Energy Act mandated the Board study “how to modify or replace the SREC program to encourage the continued efficient and orderly development of solar renewable energy generating sources throughout the State.” On January 7, 2021, the Board fulfilled this requirement by delivering the New Jersey Solar Transition Final Capstone Report to the Governor and legislature. The Capstone Report summarized the findings of an extensive stakeholder process and provided recommendations based on these findings and solar market modeling specific to New Jersey.

On April 7, 2021, drawing from the Capstone Report findings, NJBPU Staff issued a straw proposal which presented specific recommendations for the design of a successor solar incentive program. **The straw proposal recommends that the Board employ two programs to provide incentives to solar electric generation facilities; an administratively-determined incentive and a competition solicitation program.** The final details of the Successor Program including the administratively-determined incentive levels will be approved by the Board based upon the public input solicited in the straw proposal. Staff anticipates procuring the services of a Competitive Solicitation program administrator and conducting additional stakeholder outreach before this element of the program design is finalized and implemented.

Another critical aspect of our energy future is electrifying the transportation sector, which accounts for **46% of New Jersey’s greenhouse gas emissions.** Governor Murphy has set a goal of **330,000 EVs on the road by 2025,** and we’re working hard to meet that target.

In 2020, the Board approved parameters for the build-out of publicly-accessible EV charging stations in the state. This approach to a new component of our transportation infrastructure will use a “**shared responsibility**” model between electric utilities and private investors, so that drivers can **feel good about getting from A to B in an EV.**

Phase One of the program is on track to disburse **over \$30 million** in funding to residents who purchased or leased over **6,000 new EVs**. Phase Two of the program will provide the incentives at the point-of-sale and is expected to begin in July.

We also plan to issue a straw proposal on medium- and heavy-duty vehicles by early summer. That process will be similar to the light duty vehicle process, which ended with minimum filing requirements and an outline of the appropriate use of utility funding for these programs.

While NJBPU continues to establish the appropriate role of the utilities and ratepayer dollars, the Murphy Administration has continued its commitment to electrification of the medium- and heavy-duty vehicle sector. In 2021, the Board approved EV infrastructure programs for both PSE&G and Atlantic City Electric.

This is yet another step in creating the infrastructure to build on the success of our **Charge Up New Jersey EV incentive program** and reduce transportation-related emissions. EV charging infrastructure will help EV owners avoid range anxiety and give them confidence that they will be able to charge their vehicle all over the state.

The Energy Master Plan identifies energy efficiency as one of the most affordable ways of reducing our energy demand and lowering emissions, while simultaneously making our homes and businesses more comfortable.

The Clean Energy Act of 2018 emphasizes this and requires each electric and gas utility to reduce their usage by 2% and 0.75%, respectively.

The State's new **next generation of Energy Efficiency and Demand Reduction Programs** will help New Jersey achieve some of the highest energy savings in the country.

The Board has approved several utility-specific energy efficiency programs, including those for PSE&G, South Jersey Gas, and Elizabethtown Gas.

It is our goal to ensure these programs will help **reduce harmful greenhouse gas emissions** that contribute to climate change, **save New Jerseyans money** by reducing energy burdens especially for low- and moderate-income households, and **create jobs** that strengthen the State's clean energy economy.

That's particularly important now as we recover from the COVID-19 pandemic.

We also provide significant incentives through our Clean Energy Program for improving energy efficiency in commercial, industrial, residential, and multifamily buildings.

Because energy efficiency projects are labor-intensive, these initiatives will **help to support local economies**, expand the job market, and aid in our recovery from COVID-19.

I am extremely proud of the work we are doing and credit of the staff at the BPU, for accomplishing so much in only a few short years in the area of clean energy. All of our achievements have not only continued to provide **cost-conscious energy** to consumers, but also make New Jersey a **cleaner and greener state**.

One of NJBPU's most significant issues is the **impact** the State's transition to 100% clean energy will have on **NJ ratepayers**. The Board began looking at this issue holistically as part of its development of the Energy Master Plan (EMP) with the object of achieving Governor Murphy's goal of **100 percent clean energy by 2050** at the **lowest achievable cost**. During the development of the final Energy Master Plan the Board engaged Rutgers to initiate the analysis of ratepayer costs which was subsequently paused due to COVID. The Board is now **refocused** on that effort, and approved the hiring of a sophisticated economic firm to continue this work which will ultimately include stakeholder engagement and a final analysis of the impacts.

While we remain mindful and vigilant of the costs born by the rate payer, we also see the change to clean energy as a new economic driver. Offshore wind represents a **once-in-a-generation economic opportunity for New Jersey**. The solar industry has provided over 7,000 well-paying jobs in NJ and with the huge amount growth planned for this industry in the near future those job numbers will continue to grow.

It's also important to remember, **the cost of in action is far higher** – and potentially deadly. We're talking about **billions of dollars in damage**, crippling economic interruption, and devastating public health threats that come from climate change.

The BPU is confident that this proposed budget will enable us to fulfill all of our critical missions, at a time of innovation and demand. This budget will help us continue to advance the Governor's vision **for clean, resilient, and efficient energy for every New Jerseyan**.

As the Board moves forward to aggressively implement the Governor's clean energy agenda, we will ensure that we are adequately staffed not only to implement our clean energy initiatives but that we are able to live up to every expectation of our statutorily-mandated mission to serve residents and ratepayers of New Jersey in the best, **most cost-effective way possible** in our traditional regulatory role.

Budget Overview

The BPU's FY2020 Budget provides \$26.8 million in State funding to support Board operations, including core regulatory and customer service functions, along with \$63 million to fund energy assistance grants administered by the Department of Human Services. The funding contained in the Governor's budget is at the appropriate level to support staffing that will allow the Board to fulfill its regulatory responsibilities, and also to carry out the Governor's robust clean energy agenda.

Funding to support the BPU's Clean Energy Program (CEP) is provided through the collection of the Societal Benefits Charge (SBC), as authorized in statute. The proposed Comprehensive Resource Analysis for FY 22 would continue the current SBC funding level of \$344.7 million, which is unchanged since FY14. This stable funding source will enable growth of the CEP while avoiding utility rate impacts attributable to the program.

In FY 22 the Governor's budget has **sharply reduced** the amount of SBC collections that are being allocated to the General Fund and the lion's share of the SBC funds are instead being allocated for the clean energy purposes for which they were originally intended, including for the implementation of the Governor's aggressive clean energy agenda. In the current fiscal year \$122.1million was budgeted for allocation to the General Fund. In FY 22 that number has been reduced to a maximum of \$87.1 million, which will go toward New Jersey Transit's utility costs (\$82.1 million) and at most \$5 million will be dedicated to offsetting State expenses due to P.L.2020,c.117, Plastic Materials.

The amount of SBC funds diverted to the General Fund **continues to decrease** and we thank the Legislature and the Governor for recognizing the importance of fully funding the clean energy programs. With the additional funding, the Office of Clean Energy continues to develop new programs and enhance existing Clean Energy Programs in order to meet the goal of 100 percent clean energy by 2050.

The proposed budget will support the BPU in undertaking our important work to help New Jersey become an **environmental and energy leader, ensure equitable access** to clean energy programs for all New Jersey residents while continuing to oversee the utilities and ensure the lowest cost of reliable, efficient, sustainable energy to New Jersey ratepayers.

We are proud of the progress we have made and will continue to work tirelessly to meet the state's clean energy goals.

I thank you once more for allowing me to offer this testimony and I am happy to answer your questions at this time.

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