



Re: IN THE MATTER OF THE IMPLEMENTATION OF L. 2018, c. 16 REGARDING THE ESTABLISHMENT OF A ZERO EMISSION CERTIFICATE PROGRAM FOR ELIGIBLE NUCLEAR POWER PLANTS

Aida Camacho-Welch
Secretary of the Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625- 0350

Dear President Fiordaliso and Members of the Board of Public Utilities:

On behalf of the Chemistry Council of New Jersey, which represents the business of chemistry in the state, we remain concerned with the potential subsidy for nuclear generation. As I testified during the extensive legislative process, this subsidy will drastically increase the electricity cost to manufactures in NJ, an industry that state has been trying to bolster. The potential cost of this program will increase electricity bills for companies who already pay an average of 45% more than there competition from around the country. To put it in a dollar and cents perspective, this subsidy could cost some smaller manufactures in NJ nearly \$100,000 in additional energy cost, while larger manufactures could pay upwards of \$1 million annually.

The companies we represent are not against nuclear energy, and we understand that if the BPU determines these nuclear plants need assistance to remain operational, that a subsidy may be inevitable, yet necessary. However, we implore the Board to consider some of the recommendations today that would help to minimize what the financial impact is, protect New Jersey's ratepayers, and best ensure that these nuclear facilities do not earn windfall profits beyond what is necessary to remain operational.

Recommendations:

1. In the law, the Board and Attorney General have the ability to jointly approve the disclosure of any documentation and other confidential financial information to a party the BPU and Attorney General deem to be essential in aiding them to make certain determinations required by the law. The law also clearly states that this disclosure cannot be made to a party that may be in a position to manipulate the energy market.

We believe that the BPU should strongly consider the Division of the Rate Counsel. Their mission is to make sure that all classes of utility consumers receive safe, adequate and proper utility service at affordable rates. We believe it is essential Rate Counsel have a role in this rate making process that will affect all of New Jersey's ratepayers, including the State of New Jersey, County and Municipal Government.

Secondly, we believe the state should conduct an independent audit of the necessary financial records. If the power plants have nothing to hide, and confident their books will show difficulty remaining operational, then they should have no issue having their books reviewed by an independent auditor.

Additionally, PJM interconnection should have ability to offer some input to the BPU during the decision making process. While we understand the need to keep certain information confidential and ensure that the market place remain free and competitive, it is essential that BPU take every step necessary to ensure they have all the information necessary to render an informed decision. This should include PJM in a way that BPU feels they can assist, while simultaneously protecting the integrity of the law.

2. It is clear that in today's current energy marketplace the cheap price of natural gas can have a negative impact on the nuclear energy market. However, higher natural gas prices can and does have the opposite effect. This was evident in the in winter months of 2017 and early 2018. Now that the state has rejoined the Regional Greenhouse Gas Initiative (RGGI) it is possible this will also result in indirect benefits to nuclear power plants in the form of higher natural gas prices. This type of information is important and should be considered by the Board in determining if a nuclear plant should qualify for ZEC's

The same consideration should be provided regarding the favorable federal tax policy of the current administration. Again these circumstances were not entirely known when this legislation was originally drafted. However, given the current climate, it would be prudent for the Board to review all possible financial outcomes moving forward. This includes the financial impact of RGGI and other federal policy changes.

3. If we assume certain power plants are still deemed eligible for ZEC's, the Board should consider what impact RGGI and/or the effect that federal tax policy has or will have on these power plants moving forward. Since the BPU cannot adjust the rate of \$0.004 per kilowatt-hour in the first eligibility period, we ask BPU to ensure that subsequent eligibility periods consider the potential higher profit margins mentioned before setting the rate for a future eligibility period.

In essence, we do not believe it was the legislative intent to provide these power plants potential windfall profits in the years during the first eligibility period and then continue with the same subsidy amount in subsequent years. We ask the Board to consider the rate

of return and other unforeseen profit that occurred in the first eligibly period as part of the process when rendering a decision regarding the next eligibility period.

4. As the legislative process unfolded, there was much discussion regarding what percentage of the subsidy could pay for the purchase of ZEC's to support nuclear plants from out of state. The Board should take physical location into consideration to better ensure that the minimum number of ZEC's actually leave the state. These are New Jersey ratepayers subsidizing this program, for this reason physical location should be given prime consideration to ensure New Jersey based companies benefit first.
5. As the board implements the rules of the ZEC program there should be a clear provision that if a nuclear plant receiving a credit is sold, then that credit should cease until the financial situation under the new owner is fully analyzed and evaluated. This taxpayer subsidy program should not be used as a way to boost the salability of the nuclear plants.

Finally, if I may quote Maya Angelou, "When someone shows you who they are believe them." During the legislative hearings PSEG executives stated that the nuclear units will be profitable this year and at least next year. You should take them at their word and no subsidies should be considered until their financial data from the end of 2020 is evaluated. I thank you for your consideration. It is essential that the approval of a subsidy as far reaching as this one be conducted in an open and transparent process that will ensure that New Jersey's ratepayers are given all due consideration under the law.

Sincerely,



Dennis Hart
Executive Director