



Agenda Date: 01/31/18  
Agenda Item: 2E

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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ENERGY

IN THE MATTER OF THE PROVISION OF	)	DECISION AND ORDER APPROVING
BASIC GENERATION SERVICE AND THE	)	THE PASS-THROUGH OF FERC
COMPLIANCE TARIFF FILING REFLECTING	)	AUTHORIZED CHANGES IN FIRM
CHANGES TO SCHEDULE 12 CHARGES IN	)	TRANSMISSION SERVICE RELATED
PJM OPEN ACCESS TRANSMISSION TARIFF-	)	CHARGES
DECEMBER 12, 2016 JOINT FILING	)	
	)	DOCKET NO. ER16121152
AND	)	
	)	
IN THE MATTER OF THE PROVISION OF	)	
BASIC GENERATION SERVICE AND THE	)	
COMPLIANCE TARIFF FILING REFLECTING	)	
CHANGES TO SCHEDULE 12 CHARGES IN	)	
PJM OPEN ACCESS TRANSMISSION TARIFF-	)	
DECEMBER 14, 2017 JOINT FILING	)	DOCKET NO. ER17121284

**Parties of Record:**

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**Hesser G. McBride, Jr., Esq.**, on behalf of Public Service Electric and Gas Company  
**Phillip J. Passanate, Esq.**, on behalf of Atlantic City Electric Company  
**John L. Carley, Esq.** on behalf of Rockland Electric Company  
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**BY THE BOARD:**

On December 12, 2016, Atlantic City Electric Company ("ACE"), Jersey Central Power & Light Company ("JCP&L"), Public Service Electric and Gas Company, ("PSE&G") and Rockland Electric Company ("Rockland") (collectively, the "EDCs") filed a joint petition ("December 2016 Petition") with the New Jersey Board of Public Utilities ("Board") requesting recovery of Federal Energy Regulatory Commission ("FERC") approved changes in transmission service related charges related to the formula rate filing made by JCP&L.

Subsequently, on December 14, 2017, the EDCs filed a joint petition ("December 2017 Petition") related to the annual formula rate update filed by JCP&L for 2018.

### **FERC Proceeding**

On October 28, 2016, in FERC Docket No. ER17-217-000, JCP&L filed a petition with FERC requested approval of a formula rate for its Network Integration Transmission Service ("NITS") and Point-to-Point transmission service. The proposed formula rate JCP&L filed at FERC was an increase compared to JCP&L's current stated transmission rate. JCP&L requested an effective date of January 1, 2016.

On December 28, 2016, FERC issued a letter finding JCP&L's filing to be deficient and requesting additional information, which was provided by JCP&L on January 10, 2017. On March 10, 2017, FERC issued a letter order accepting JCP&L's filing subject to refund, suspending the filing for five months to be effective on June 1, 2017.

On December 21, 2017, JCP&L filed an offer of settlement ("JCP&L FERC Settlement") concerning the filing. As part of the JCP&L FERC Settlement, JCP&L's proposed formula rate will be replaced by a stated rate. On December 27, 2017, an Order was entered authorizing JCP&L to implement the JCP&L FERC Settlement rates effective January 1, 2018.

### **December 2016 Petition**

In the December 2016 Petition, the EDCs proposed tariff changes to the Basic Generation Service ("BGS"), Residential and Small Commercial Pricing ("BGS-RSCP") and Commercial and Industrial Energy Pricing ("BGS-CIEP") rates to customers resulting from changes in the PJM Interconnection LLC's ("PJM") Open Access Transmission Tariff ("OATT") made in response to the JCP&L formula rate filing made by JCP&L in FERC Docket No. ER17-217-000. The EDCs requested that the changes become effective on January 1, 2017.

The EDCs also request that BGS suppliers be compensated for the changes to the OATT resulting from the implementation of the JCP&L project annual formula updates effective on January 1, 2017. The EDCs confirm that the suppliers will be compensated subject to the terms and conditions of the applicable Supplier Master Agreements ("SMAs"), and any difference between the payments to BGS-RSCP and BGS-CIEP suppliers and charges to customers will flow through the BGS Reconciliation Charges.

### **December 2017 Petition**

In the December 2017 Petition, the EDCs proposed tariff changes to the BGS-RSCP and BGS-CIEP rates to customers resulting from changes in the PJM OATT made in response to the annual formula rate update filing by JCP&L in FERC Docket Nos. ER-17-217-000. The EDCs proposed that the requested changes become effective January 1, 2018.

The EDCs also request that BGS suppliers be compensated for the changes to the OATT resulting from the implementation of the JCP&L project annual formula updates related to the December 2017 Petition, effective on January 1, 2018. The EDCs confirm that suppliers will be compensated subject to the terms and conditions of the applicable Supplier Master Agreements ("SMAs"), and any difference between the payments to BGS-RSCP and BGS-CIEP suppliers and charges to customers will flow through the BGS Reconciliation Charges.

In the December 2017 Petition, the EDCs also requested a waiver of the 30-day filing requirement that would otherwise apply to this type of submission, because BGS suppliers will begin paying the revised transmission charges for service in January 2018.

According to the EDCs, the December 2016 Petition and the December 2017 Petition filings satisfy the requirements of paragraph 15.9(a) (i) and (ii) of the BGS-RSCP and BGS-CIEP SMAs, which mandate that BGS-RSCP and BGS-CIEP suppliers be notified of rate increases for firm transmission service, and that the EDCs file for and obtain Board approval for an increase in retail rates commensurate with the FERC-implemented rate increase.

The Transmission Enhancement Charges ("TECs") detailed in Schedule 12 of the PJM OATT were implemented to compensate transmission owners for the annual transmission revenue requirements for "Required Transmission Enhancements" that are requested by PJM for reliability or economic purposes. TECs are recovered by PJM through an additional transmission charge in the transmission zones assigned cost responsibility for Required Transmission Enhancement projects.

On January 9, 2018, JCP&L filed an update ("January 2018 Update") to the December 2017 Petition to reflect changes in the PJM OATT made in response to the revised NITS rate as a result of the JCP&L FERC Settlement. As part of the JCP&L FERC Settlement, JCP&L proposed formula rate was replaced by a black box stated rate with revenue requirements as follows:

1. JCP&L's stated revenue requirement for its NITS shall be \$135 million per year.
2. JCP&L's stated revenue requirement for its projects listed on Schedule 12 of the PJM OATT shall be an average of \$20 million per year aggregating \$51.67 million over the 31 months from June 1, 2017 through December 31, 2018. JCP&L's stated total aggregate revenue requirement for TEC will be allocated over three periods:
  - (i) For rates effective from June 1, 2017 through December 31, 2017, JCP&L's stated revenue requirement collected for TEC will be \$7,433,693 based on an annual revenue requirement of \$12,743,474.
  - (ii) For rates effective from January 1, 2018 through December 31, 2018, JCP&L's stated annual revenue requirement for TEC will be \$21,605,928.
  - (iii) For rates effective from January 1, 2019, JCP&L's stated annual revenue requirement for TEC will be \$22,627,046.

The January 2018 Update supplemented the December 2016 Petition and superseded the information included in the December 2017 Petition.

Each EDC is allocated a different portion of JCP&L's transmission costs from PJM based on the cost for Required Transmission Enhancements in each EDC's transmission zone. Based on this allocation of the TEC costs for the EDCs and their respective allocation among each EDC's customer service classes, the monthly bill for a residential customer using 650 kWh per month will change by approximately the following amounts (including Sales and Use Tax): no change for ACE; an increase of \$1.97 or 2.18% for JCP&L; an increase of \$0.18 or 0.16% for PSE&G, and an increase of \$0.18 or 0.16% for Rockland.

## **DISCUSSION AND FINDING**

In the Board's Order dated December 2, 2003, Docket No. EO03050394, the Board found that the pass through of any changes in the network integration transmission charge, and other charges associated with the FERC-approved OATT, is appropriate. Furthermore, by subsequent Orders, the Board approved paragraph 15.9 of the SMAs as filed by the EDCs which requires that the EDCs file for Board approval of any increases or decreases in their transmission charges that have been approved by FERC. The SMAs also authorize the EDCs to adjust the rates paid to suppliers for FERC-approved rates and increases to Firm Transmission Services once approved by the Board. The Board Orders further require that the EDCs review and verify the requested FERC authorized changes.

After review of the verifications and supporting documentation, the Board **HEREBY FINDS** that the December 2016 Petition and December 2017 Petition, as modified by the January 2018 Update, satisfy the EDCs' obligations under paragraph 15.9(a)(i) and (ii) of the relevant SMAs, and **HEREBY APPROVES** the changes to the BGS-RSCP and BGS-CIEP rates requested in the January 2018 Update by each EDC for its transmission charges resulting from the FERC-approved changes effective as of February 10, 2018. The Board's December 22, 2006 Order<sup>1</sup> at page 12 states,

"Upon receipt of Board approval for the increase in the rates charged to BGS Customers, the EDCs would begin collecting the increase from BGS Customers, tracking that portion of the rates charged to BGS Customers attributable to the rate increase, and retaining such tracked amounts for the ultimate benefit of the BGS Suppliers. Upon approval by the FERC of a proposed rate increase, in a Final FERC Order not subject to refund, the EDCs would increase, by the amount approved by the Board, the BGS-FP auction price paid to BGS-FP Suppliers, and the BGS-CIEP Transmission Charge paid to BGS-CIEP Suppliers, and would pay each BGS Supplier, in proportion to its BGS Supplier Responsibility Share, the amounts tracked and retained for the benefit of BGS Suppliers until the date final FERC approval was received."

Accordingly, the Board **AUTHORIZES** the EDCs to collect from BGS customers, the change in rates associated with the January 2018 Update and track such collections until receipt of a Final FERC Order in the matter.

The Board further **HEREBY WAIVES** the 30-day filing requirement as requested by the EDCs in the December 2017 Petition.

Further, the Board **HEREBY DIRECTS** the EDCs to file tariffs and rates consistent with the Board's findings by February 10, 2018.

The EDCs' rates remain subject to audit by the Board. This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

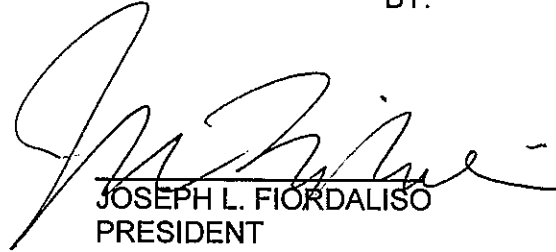
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<sup>1</sup> In re the Provision of Basic Generation Service for the Period Beginning June 1, 2007, BPU Docket No. EO06020119 (December 22, 2006).

The effective date of this Order is February 5, 2018.

DATED: 1/31/18

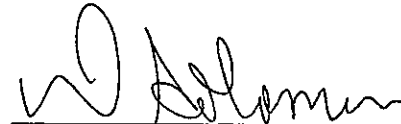
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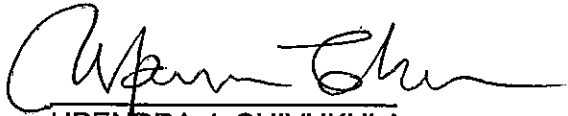
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