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June 5, 2026

Via Electronic Mail

Sheri L. Lewis Secretary of the Board
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**Re: In the Matter of Developing Integrated Distributed Energy Resource
Plans to Modernize New Jersey's Electric Grid**

**Comments on Straw Proposal for Proactive System Upgrade Planning
Requirements**

BPU Docket No. QO24030199

Dear Secretary Lewis:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel in accordance with the Notice issued by the Board of Public Utilities ("Board") in this matter dated May 8, 2026. In accordance with the Notice, these comments are being filed electronically with the Board's Secretary at board.secretary@bpu.nj.gov. **Please acknowledge receipt of these comments.**

I. INTRODUCTION

The New Jersey Division of Rate Counsel ("Rate Counsel") welcomes the opportunity to provide written comments on the Straw Proposal for Proactive System Upgrade Planning ("PSUP") Requirements ("Straw Proposal") issued by the New Jersey Board of Public Utilities ("Board" or

"NJBPU"), Division of Clean Energy.¹ These comments are submitted pursuant to the instructions set forth in Section I(d) of the Straw Proposal.

Rate Counsel represents and protects the interest of all consumers—residential customers, small business customers, small and large industrial customers, schools, libraries and other institutions in our communities. Rate Counsel also gives consumers a voice in setting energy policy that will affect the rendering of utility services well into the future. In that capacity, Rate Counsel supports the stated goal of the PSUP which is ultimately to plan cost-effective improvements to the distribution grid that make it more flexible, participatory, and equitable. Rate Counsel also supports the policy goals underlying Executive Orders 1 and 2 that seek to promote electricity affordability and to examine increased distributed energy resources (DERs) as a way to potentially reduce peak demand by as much as 20 percent. Executive Order 2 instructs the Board to accelerate the development of utility scale solar under the Competitive Solar Incentive program, Community Solar, Garden State Energy Storage Program, and develop a virtual powerplant program. However, it is unclear to Rate Counsel how the increased utility spending under the PSUP will address the affordability crisis as intended by the Executive Orders.

That said, a well-designed planning framework for PSUPs can provide meaningful transparency into EDC investment priorities and support cost-effective DER integration. Rate Counsel does not oppose the PSUP concept, but, as described in our comments, the Straw Proposal

¹ See BPU Docket No. QO24030199, *In the Matter of Developing Integrated Distributed Energy Resource Plans to Modernize New Jersey's Electric Grid*.

suffers from serious deficits and will not lead to the type of intended cost reductions the program is meant to achieve.

Rate Counsel has serious concerns about the underlying regulatory process, ratepayer protection provisions, and the overall adequacy of cost-effectiveness review that must be resolved before any final PSUP framework is adopted. Specifically, Rate Counsel is concerned that:

- The PSUP framework, though nominally a planning tool, will function in practice as quasi-pre-approval for subsequent Infrastructure Investment Program (IIP) cost recovery filings, resulting in single-issue ratemaking and undermining the traditional prudency review sequence;
- The Straw Proposal allows near-contemporaneous cost recovery for PSUP-identified investments through the IIP mechanism, ahead of any prudency determination;
- The Cost-Effectiveness Evaluation standard is explicitly qualitative and imposes no least-cost or benefits-maximization requirement, leaving ratepayers without a meaningful opportunity to challenge cost-effectiveness at the stage where planning decisions are actually made; and
- The scenario analysis framework is systematically optimistic, failing to require any stress scenario that accounts for adverse macroeconomic conditions, an omission of particular concern given current energy affordability pressures in New Jersey and ongoing issues impacting various markets operated by PJM that raise the cost of energy for New Jerseyans.

These comments address each of these concerns and propose specific modifications to the Straw Proposal to protect the interests of New Jersey ratepayers. Rate Counsel's concerns are consistent with those previously raised in this proceeding and are informed by the broader record of public comments submitted in response to the Board's February 2026 Request for Information.

II. PSUPS RISK FUNCTIONING AS PSEUDO-PRE-APPROVAL OF CAPITAL PROGRAMS

The Straw Proposal states that PSUPs "do not constitute requests for cost recovery" and that EDCs would use a filed PSUP to identify "upgrade paths for which the EDC could later request cost recovery."² Rate Counsel does not object to the stated scope of the PSUP. However, the practical effect of the PSUP review process, as proposed, would be to create a strong presumption of prudence that EDCs will invoke in subsequent IIP and rate case proceedings, effectively collapsing the formal distinction between planning and cost recovery. The Straw Proposal directs that Board Staff will review each EDC's PSUP and, "within 90 days of filing, either the Board will approve the filing or Staff will request revisions."³ Rate Counsel cautions that this review period is too short to allow for meaningful review by Staff, Rate Counsel or any intervenor.

Moreover, there is no provision for intervenor participation, no evidentiary process, and no mechanism for Rate Counsel or other stakeholders to challenge the underlying need or cost projections contained in a PSUP before the 90-day window closes. Rate Counsel recommends that Board clarify that there will be a discovery process for Board Staff, Rate Counsel, and other stakeholders to propound discovery. Further, Rate Counsel recommends that Board clarify as to whether an EDC would have to resubmit a PSUP if Staff requires revisions.

A PSUP filed by an EDC and not rejected within 90 days will therefore be treated, in practice, as Board-approved. The record of utility regulation in New Jersey and elsewhere demonstrates a consistent pattern: once a capital program has been filed with and not opposed by

² Straw Proposal at p. 4 (Section I(a))

³ Straw Proposal at p. 9 (Section IV)

a regulator, the utility will cite that filing as evidence of regulatory acceptance in any subsequent cost recovery proceeding.⁴ The history of capital cost overruns, including in programs justified on grounds similar to those cited in the Straw Proposal, counsels against creating presumptions of approval at the planning stage.⁵ By the time an EDC seeks IIP recovery or rate case treatment for a PSUP-identified investment, the planning assumptions embedded in the PSUP will be treated as settled, foreclosing challenge on the very issues of need, cost trajectory, and alternatives considered that are most important for ratepayer protection. This concern is not hypothetical. The Straw Proposal itself defines a PSUP as a mechanism that "guides utilities in requesting approval for infrastructure investments (through traditional Rate Case and IIP mechanisms)."⁶ The word "guides" understates what a Board-filed and staff-reviewed plan will accomplish in a subsequent proceeding: it will serve as a roadmap that an EDC has every incentive to cite as regulatory authorization, and that customers will be hard-pressed to challenge after the fact.

Rate Counsel recommends the final PSUP framework include:

- An express statement in both the PSUP filing requirements and any Board Order adopting the framework that a filed, non-rejected, or Board-reviewed PSUP does not constitute pre-approval of, or a presumption in favor of, any specific capital investment for later IIP recovery or rate case purposes;

⁴ See, e.g., "Alternative Ratemaking in the US: A Prerequisite for Grid Modernization or an Unwarranted Shift of Risk to Customers?", 35 *Electricity J.* at <https://doi.org/10.1016/j.tej.2022.107200> (arguing that capital cost recovery mechanisms such as riders and MYRP "emasculate the existing controls by shifting risks and responsibilities from utilities to customers"); Ahmad Faruqui & Mark Schwartz, "Regulatory Questions for Grid Modernization," *Energy Regulation Quarterly* (2026) (noting that "upfront regulatory commitment and riders/trackers" create a "moral hazard" that "reduces both utility and regulatory accountability and can be a major factor for utility overspending").

⁵ See, e.g., ThinkPowerSolutions, "Why Utilities Need Project Controls for Grid Modernization" (2025) (noting supply chain and planning failures have contributed to cost overruns of 20–40% in large-scale grid upgrades); Feinstein & King, *supra* n. 10 (documenting "examples of misplaced grid investments and planning processes that have resulted from alternative ratemaking").

⁶ Straw Proposal at p. 8 (Definition of "Proactive System Upgrade Plan")

- A formal participation channel for stakeholders, including Rate Counsel, during the Staff review window, with an opportunity to obtain discovery and submit written objections to specific investments or cost projections identified in a filed PSUP; and
- A requirement that any EDC seeking IIP or recovery through a rate case for a PSUP-identified investment demonstrate that the investment remains prudent and cost-effective at the time of recovery, without reliance on the PSUP filing as evidence of prior Board acceptance.

III. IIP COST RECOVERY PRECEDES PRUDENCY REVIEW, AND THE DER RATIONALE RAISES SERIOUS COST ALLOCATION QUESTIONS

A. Near-Contemporaneous Recovery Before Prudency Determination

The Straw Proposal explicitly contemplates that PSUPs will "inform more transparent and stable recovery of needed infrastructure costs" through the IIP mechanism and subsequent rate cases.⁷

New Jersey's IIP mechanism allows EDCs to recover capital costs on a near-contemporaneous, single issue basis, without waiting for a base rate case and the prudency review that accompanies it. Moreover, the IIP mechanism has resulted in significant rate increases between rate cases, and has likely delayed prudency review because utility profits support longer periods between rate cases.

This sequence inverts sound regulatory practice and shifts the risk from private DER developers and utilities to captive ratepayers. Under traditional regulation, prudency is determined before, or at minimum contemporaneously with, the imposition of cost recovery on ratepayers. However, the Straw Proposal envisions a process in which the EDC can file a PSUP, and Staff reviews it within 90 days without additional stakeholder participation, the PSUP-identified investments are then

⁷ Straw Proposal at p. 1 (Executive Summary)

seemingly prequalified to be incorporated into an IIP filing. Once an IIP program is approved, ratepayers begin paying through IIP surcharges before any prudency review of the projects or claimed project benefits are realized, which is inconsistent with the ratepayer protection principles. Rate Counsel recommends that the Board establish, in connection with the PSUP framework, a clear procedural requirement that any cost recovery filing premised on PSUP-identified investments be proposed through a base rate case, accompanied by a prudency certification, supported by an evidentiary record, demonstrating that the investment was prudent at the time it was made, that the costs incurred were reasonable, and that the promised benefits are being delivered to ratepayers. If they are not, recovery should be delayed or reduced.

B. Unresolved Cost Allocation Between DER Beneficiaries and General Ratepayers

The Straw Proposal identifies DER integration, including hosting capacity for rooftop solar, battery storage, EV charging infrastructure, and data centers, as a primary driver of PSUP investments. The Straw Proposal's financial data requirements ask EDCs to report on "non-EDC investments in distribution system upgrades (e.g., those required as a condition of interconnection)" but impose no requirement that EDCs distinguish between grid investments that benefit all customers and those that primarily benefit DER adopters, large load customers, or third-party aggregators.⁸ This omission is significant. Not all New Jersey ratepayers are DER adopters, nor are they equally positioned to become DER adopters. A framework that socializes the cost of DER-driven grid upgrades across all customer classes without examining who benefits, and in

⁸ Straw Proposal at p. 11 (Section VI(a)(3)). Rate Counsel also notes that the Financial Data/ System data does not require the EDCs to provide any information on vegetation management that has an impact on system reliability.

what proportion, raises fundamental cost causation and cost allocation questions that the Straw Proposal does not address. Rate Counsel has noted in this proceeding that New Jersey residential electric bills have increased substantially in recent years, and that new programs which socialize costs without commensurate demonstrated benefits impose disproportionate burdens on lower-income households. The cost allocation question is not a question the Board can defer to rate cases if the PSUP framework has already committed the investment pathway. A clear process for allocating the costs to DER customers commensurate with the benefits received is needed.⁹ Indeed, some of the enumerated projects will likely be for profit, and the BPU's proposal will serve only to increase profits of private investors through continued higher rates. Rate Counsel recommends the Board initiate the following activities prior to solidifying PSUP filing requirements:

- Initiate a structured proceeding to explore flexible connections and DER orchestration as alternative means to increasing DER hosting capacity. This is necessary to ensure that the Board and stakeholders have insight into current EDC planning processes related to increasing DER interconnection, and how the proposed PSUP framework would likely lead to meaningful net benefits. This proceeding should cover the following topics:
 - EDCs should outline the current status for DER interconnection and hosting capacity analysis methodologies, including descriptions of constrained circuits and the planning standards they use to identify constraints;
 - Current cost-allocation processes for distribution and transmission network upgrades triggered by DER interconnection requests. It is important to outline which costs are charged to the interconnecting customer, versus socialized in base rates (typically, broader network upgrades).
 - Status of DERMS and grid modernization activities related to DER and VPP orchestration. Each EDC should be required to present a roadmap for these investments that are tied to specific outcomes and grid services (e.g., energy,

⁹ Examples can be drawn from other jurisdictions, such as Minnesota, Maryland, and Massachusetts, which have been more deliberate in requiring cost allocation to identified beneficiaries before approving proactive investment programs.

- capacity, expanding hosting capacity, etc.) in order to gauge the relative costs and benefits of competing strategies to achieve similar outcomes. Pressing forward with proactive upgrades without first maximizing the ratepayer benefits from these planned grid modernization investments will result in duplicative costs and lost opportunities for increased system benefits.
- Technology implementation plans and plans to update planning standards (if required) to support flexible connections for both load and DER. Developing flexible connections can defer or offset the need for tens of millions of dollars of substation upgrade costs and should be studied and prioritized before recourse to more traditional grid upgrade solutions. Flexible connections have already been implemented and tested in New York and California and shown to be effective, and in the United Kingdom they have been so successful that they have resulted in hundreds of millions in customer cost savings. New Jersey should not wait to reap these benefits, which are achievable now.
 - Develop cost allocation methods for proactive system upgrades prior to approving a PSUP plan process. Cost allocation is foundational to ensuring ratepayer protection and preventing costs that primarily benefit merchant DER developers from reaping subsidies paid for by captive New Jersey ratepayers. Other states pursuing proactive upgrade frameworks have been more deliberate with requirements to identify and allocate system upgrade costs to expand hosting capacity, such as Minnesota, Maryland, and Massachusetts. The Board should initiate a stakeholder process to investigate competing cost allocation mechanisms prior to approving a PSUP framework. This investigation should include the following:
 - Exploration of the relationship between the system impact study for interconnection, the utility cost allocation method for a general rate case, and the tariff mechanism to recover costs for ongoing use of the system. An export tariff is a framework to better align DER integration with typical utility planning processes and recovery mechanisms that treats DER export similar to how load is currently treated.
 - Develop a plan for EDCs to separately identify, for each proposed PSUP investment category, whether the primary driver is system-wide reliability, DER-specific hosting capacity, large load interconnection, or a combination thereof;
 - Explain how proposed PSUP investments interact with existing interconnection cost allocation rules under N.J.A.C. 14:8-5 and whether any portion of identified costs could or should be recovered through interconnection charges rather than general rate increases.

IV. THE COST-EFFECTIVENESS EVALUATION IS INADEQUATE

Section VI(c)(5) of the Straw Proposal requires each EDC to provide a "Cost-Effectiveness Evaluation" as part of the PSUP Solution Identification. The Straw Proposal describes this evaluation as follows:

The Cost-Effectiveness Evaluation shall be qualitative and limited to identifying cost drivers, customer-benefit pathways, and potential affordability considerations. Detailed rate or bill impacts shall be addressed in subsequent rate cases or IIPs.¹⁰

This standard is not a cost-effectiveness evaluation in any meaningful sense. A qualitative identification of "cost drivers" and "customer-benefit pathways" is a narrative checklist; it does not require the EDC to quantify either costs or benefits, to weigh them against each other, to demonstrate that the preferred investment represents the least-cost path to meeting identified grid needs, or to show that any alternative was seriously considered. The Appendix to the Straw Proposal confirms this. The "Cost-Effectiveness Evaluation Examples" consist of bullet-pointed lists of potential costs and benefits with no methodology for their quantification or comparison.¹¹

The decision to defer "detailed rate or bill impacts" to subsequent rate cases or IIPs means that ratepayers will have no meaningful opportunity to challenge cost-effectiveness at the PSUP stage, precisely the stage at which investment paths are selected. By the time an IIP or rate case is filed, the PSUP will have identified the investments, the EDC will have begun implementation, and the question of whether a different investment would have been more cost-effective will be academic.

¹⁰ Straw Proposal at p. 16 (Section VI(c)(5))

¹¹ Straw Proposal at pp. 20–22 (Appendix C)

This is not a technical sequencing choice, but reflects a structural limitation that unreasonably limits the cost-effectiveness review ratepayers are entitled to expect.

The absence of a least-cost requirement is particularly troubling. The Straw Proposal frames the PSUP as a description of what EDCs "envision" for their distribution systems, not as a demonstration of what produces the best outcome for customers. New Jersey's existing regulatory framework for energy efficiency programs requires rigorous cost-effectiveness testing before programs are approved. There is no principled basis for subjecting DER-driven grid modernization investments, which may be far larger in dollar terms and geared to support and bolster private investment, to a weaker standard. Additionally, Rate Counsel notes that that EDCs prefer traditional capital investment, which generates regulated returns, over non-wires alternatives that do not. The current Cost-Effectiveness Evaluation framework does nothing to counteract this structural incentive. The Straw Proposal nominally requires EDCs to "identify and adequately consider" non-traditional solutions, but imposes no standard for what "adequately consider" means and no consequence for a finding that a traditional capital investment was preferred over a less expensive non-traditional alternative.

Quantitative cost-effectiveness evaluations are needed to help ensure that PSUPs provide a pathway that is both least-cost and most cost-effective for ratepayers, who will ultimately bear the cost of the programs. A qualitative cost-effectiveness evaluation is insufficient in that there is no guarantee that an EDCs plan is least cost or cost-effective for ratepayers. Further, a qualitative cost-effectiveness evaluation appears to be at cross-purposes with one of the PSUP Straw Proposal goals. Specifically, the PSUP Straw Proposal states:

As stated in Section I above, the purpose of the PSUP is to communicate strategies on a three- and ten-year basis which can affordably increase integration capacity to prepare for grid developments anticipated for the future and enables participation of these DERs as grid edge resources to configure and orchestrate VPPs that improve operational flexibility of the EPS and serve local load.¹²

A quantitative cost-effectiveness evaluation could inform the Board as to specific strategies that would be required over three and ten years to increase integration capacity in a cost-effective and least cost manner. A qualitative cost-effectiveness evaluation may be insufficient to help identify appropriate strategies for the State to implement and for ratepayers to fund.

Rate Counsel recommends that the Board require EDCs to provide quantitative cost-effectiveness evaluations in their PSUPs. Moreover, Rate Counsel recommends that the Board require the EDCs to conduct their cost-effectiveness evaluations in a manner that is consistent with the Board's approved NJ Cost Test.¹³

The PSUP Straw Proposal proposes that the EDCs provide a cost-effectiveness evaluation "that provides high-level estimates of the costs and benefits associated, including the methodology, with non-traditional solutions considered in the plan as compared to traditional infrastructure investments to demonstrate their value."¹⁴ As noted above, the PSUP Straw Proposal does not require a quantitative cost-effectiveness analysis. Should the EDCs provide a quantitative cost-effectiveness analysis, Rate Counsel cautions the Board that cost-effectiveness tests do not

¹² PSUP Straw Proposal, page 13.

¹³ I/M/O the Clean Energy Act of 2018- New Jersey Cost Test. BPU Docket No. QO20060389, August 24, 2020.

¹⁴ PSUP Straw Proposal, pages 15-16.

necessarily provide information as to whether a proposed PSUP is the least cost option given a portfolio of choices available to the EDC.

Rate Counsel has concerns that the Straw Proposal does not go into detail as to how the Board shall use the cost-effectiveness tests when evaluating the EDCs PSUPs. Simply requiring the EDCs to perform a cost-effectiveness test is insufficient to determine the appropriateness of any proposed PSUP.

A quantitative cost-effectiveness test provides information whether a program is cost effective under the specific test. The results of a cost-effectiveness test should be evaluated for multiple alternatives to help inform the Board. For illustrative purposes, Rate Counsel has highlighted several scenarios that could arise under the PSUP Straw Proposal framework.

Rate Counsel recommends that the Board revise the Cost-Effectiveness Evaluation requirement as follows:

- Require that the Cost-Effectiveness Evaluation be quantitative, not merely qualitative. EDCs should be required to provide modeled estimates of the costs and benefits of proposed investments, including avoided capital and O&M costs, value of deferred upgrades attributable to non-traditional solutions, and projected ratepayer bill impacts by customer class;
- Require that each PSUP include a demonstration that the preferred investment plan represents the least-cost path to meeting the identified grid needs, with a written explanation of why lower-cost alternatives were rejected if any were identified;
- Require EDCs to provide quantitative cost-effectiveness information regarding alternatives considered, but rejected by the EDC when developing its PSUP.
- Require that the non-wires alternatives analysis be subject to a rebuttable presumption that non-traditional solutions should be employed where technically feasible and cost-effective, with the burden on the EDC to demonstrate that traditional capital investment is superior; and

- Apply a benefits test methodology, modeled on the New Jersey Cost Test used for energy efficiency and demand response programs, before any PSUP-identified investment is accepted by Staff.

V. THE SCENARIO ANALYSIS IS SYSTEMATICALLY OPTIMISTIC AND INCOMPLETE

Section VI(b)(2) of the Straw Proposal requires EDCs to develop "conceptual base-case, medium, and high scenarios regarding increased load and increased deployment of distributed generation and other DERs." All three scenarios are framed around varying rates of DER adoption and load growth, meaning that all three assume that the central drivers of the PSUP investments will materialize and the only question is how quickly. There is no scenario in which DER adoption falls short of projections, capital costs rise materially, or macroeconomic conditions deteriorate. This is a material gap in the planning framework.

New Jersey is currently experiencing sustained energy affordability pressure. Grid modernization investments made based on PSUP scenarios will be reflected in rates for decades. A planning process that models only favorable outcomes, and expressly prohibits reliance on "general market dynamics or the potential for global supply chain risks/bottlenecks" as a basis for estimating future planning requirements,¹⁵ while simultaneously requiring EDCs to plan for scenarios involving high DER adoption and significant load growth, is asymmetric in a way that systematically advantages capital spending and disadvantages the ratepayers who will pay for it.

The Straw Proposal instructs that citing general market dynamics is insufficient as a planning basis. That instruction cuts both ways. If an EDC may not rely on generalized supply chain

¹⁵ Straw Proposal at p. 13 (Section VI(b)(1)(g))

concerns to inflate projected costs, it equally should not be permitted to plan exclusively for favorable DER adoption trajectories while ignoring the possibility of an adverse macroeconomic environment. A planning framework that allows only good news is not a planning framework; it is a capital justification exercise. Load growth, distributed generation, and DER penetration are all dependent on economic growth. Should economic factors flatten and/or deteriorate then the PSUP Straw Proposal scenarios may overstate forecasts. Rate Counsel further notes that New Jersey's electrification and DER adoption goals are subject to the continued availability of federal incentives, state program funding, and consumer uptake. All three of these conditions are uncertain. A scenario framework that treats high DER penetration as a baseline planning condition, rather than as one of several possible outcomes, builds an optimistic assumption into every subsequent cost-effectiveness analysis and investment prioritization. Rate Counsel recommends that the Board:

- Require a fourth mandatory scenario in each PSUP reflecting an adverse macroeconomic and policy environment: one in which DER adoption grows more slowly than the baseline forecast, capital and labor costs are elevated due to inflationary pressure, and federal program incentives are curtailed or unavailable. This scenario should be used to test the robustness of proposed investments and identify which components of the plan remain cost-effective even under adverse conditions;
- Require that the Cost-Effectiveness Evaluation (as revised per Section IV above) be applied to the adverse scenario, so that the Board and stakeholders can assess which proposed investments would be unjustifiable if optimistic growth forecasts do not materialize; and
- Revise the prohibition on citing general supply chain risk as a planning basis to be symmetric: EDCs should be required to include the adverse scenario as a planning input, not merely permitted to ignore downside risks while projecting upside assumptions.

VI. RATE AND BILL IMPACTS NOT INCLUDED IN PSUP STRAW PROPOSAL

The PSUP Straw Proposal states that “Detailed rate or bill impacts shall be addressed in subsequent rate cases or IIPs.” The omission of detailed rate and bill impacts will hamper the Board and public’s ability to see the potential impact of the proposed PSUPs on New Jersey ratepayers. A three-year PSUP time horizon may be included as part of an EDC’s rate case and/or Infrastructure Investment Program (“IIP”) filing, however a ten-year strategy time horizon will likely need to be spread over multiple rate cases and/or IIP filings. An EDC may elect to incorporate its three-year time horizon across multiple rate cases and/or IIP filings. If so, the EDCs would be able to obfuscate the rate and bill impacts of its PSUPs within other filings that may have some or little to do with the goals and requirements of the PSUP. For the purposes of transparency, Rate Counsel recommends that the Board require EDCs to provide rate and bill impacts for both the three and ten-year time horizons of the filed PSUPs.

VII. CONCLUSION AND SUMMARY OF REQUESTED MODIFICATIONS

Rate Counsel supports the overall goals of increasing affordability and expanding DER interconnections for reliability and other environmental benefits. Toward this end, a well-designed PSUP framework and proactive distribution planning, when done right, can lower long-term system costs and accelerate DER integration to the benefit of all New Jersey ratepayers. Rate Counsel’s comments are not opposition to this concept, but our comments throughout this docket and as evidenced above point out the glaring truth: the current proposed framework does not achieve the type of procedural safeguards and analytical rigor that ratepayer protection requires.

The Straw Proposal as currently drafted creates a pathway from EDC planning to IIP cost recovery that bypasses meaningful stakeholder review, imposes no least-cost obligation, provides no mechanism for challenging cost allocation, and models only favorable futures. If left unaddressed, these gaps will result in increasing ratepayer costs, not decreasing.

Rate Counsel respectfully requests that the Board revise the Straw Proposal to incorporate the following modifications:

- **Procedural Safeguards:** Establish a longer review period with a formal participation right for stakeholders during the PSUP review window, and include an express statement in the final framework that a filed or reviewed PSUP does not constitute pre-approval for IIP inclusion or recovery or traditional rate case cost recovery purposes;
- **Prudency Review:** Require an adjudicatory prudency finding in a base rate case with an evidentiary record before any PSUP-identified investment is recovered;
- **Cost Allocation:** Require EDCs to identify, in each PSUP, the primary beneficiaries of each proposed investment category and provide a preliminary cost allocation analysis distinguishing general ratepayer costs from those appropriately assigned to cost-causers;
- **Quantitative Cost-Effectiveness Standard:** Replace the qualitative Cost-Effectiveness Evaluation with a quantitative analysis demonstrating least-cost compliance and applying a benefits test comparable to the New Jersey Cost Test before any PSUP investment path is accepted by Staff; and
- **Adverse Scenario:** Require a fourth PSUP scenario modeling adverse macroeconomic and policy conditions, and apply the revised Cost-Effectiveness Evaluation to that scenario so that the robustness of proposed investments can be assessed.
- **Look at Bill Impacts:** Require and review detailed rate and bill impacts for both the three and ten-year time horizons before approving any PSUP.

Rate Counsel appreciates the opportunity to submit these comments and looks forward to continued engagement in this proceeding.

Secretary Sherri L. Lewis
June 5, 2026
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Thank you for your consideration and attention to this matter.

Respectfully submitted,

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c: Service List

**I/M/O Developing Integrated
Distributed Energy Resource Plans
to Modernize New Jersey's Electric
Grid: Straw Proposal on Proactive
System Upgrade Planning
Requirements**

BPU Docket No. QO24030199

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