

Critical Issue Fast Path – DOE 202(c) Cost Allocation

PSE&G Comments on Proposed Solutions

PSE&G is New Jersey's largest electric utility, serving approximately 2.4 million electric customers. PSE&G's affiliate, PSEG Power, operates three nuclear units in southern New Jersey that provide over 40% of New Jersey's energy, and has a 50% ownership interest in two nuclear power plants in Pennsylvania.

PSE&G is deeply concerned about resource adequacy in the PJM region and the reliability and affordability risks it poses for customers. The year 2030 – when PJM projects there will not be enough generation on the system to reliably serve load - is fast approaching and the federal government has now intervened. Specifically, the DOE has acted to issue an FPA Section 202(c) order to keep two generating units, which were set to imminently shut down, on-line through the 2025 summer season. Customers in PJM will pay the generator to keep these units running.

The PJM Board initiated the CIFP stakeholder process to solicit PJM and stakeholder feedback on the issue of how payments made to units kept online through FPA Section 202(c) orders, and that select the Deactivation Avoidable Cost Credit ("DACC") cost recovery mechanism, should be allocated to customers – i.e. who should pay the costs. PSE&G provides the following feedback for the PJM Board's consideration:

- **At the outset, it is important to emphasize that the DOE Section 202(c) order at issue in the current CIFP process is only a band-aid "fix" that will keep old about-to-retire units running at customer cost.** This approach is by no means a panacea in fact, it is concerning from a reliability perspective that reliance on DOE emergency authorization orders is part of the current landscape. Leadership from PJM and from the states is needed to solve this urgent resource adequacy problem and to bring new generation supply on-line.
- **PSE&G supports a simple, clear cost allocation methodology that does not penalize specific zones, LDAs or a subset of the PJM region.** Resource adequacy is a regional problem that impacts all customers. Therefore, the costs associated with keeping the Eddystone Units 3 & 4 units available through August 28, 2025, the date the DOE 202(c) Order expires, should be allocated across all load in the PJM region based on zonal peak load contribution. The PJM Board should reject the location-based allocation methodologies that have been proposed. If the PJM Board were to consider an alternative location-based allocation methodology, it should only do so for DOE 202(c) orders that specify a locational resource adequacy concern. In that case there should be careful consideration of the reliability benefits accruing to the

location(s) identified in the order and its customers versus the broader reliability benefits to the RTO.

- **The solution selected by the PJM Board should refrain from allocating costs based on the *possibility* that a DOE 202(c) order may be issued in the future identifying issues in specific LDAs or zones.** Attempting to define now how to address a set of drivers for a 202(c) order that does not exist may cause confusion and result in improper cost allocation. For example, if a future DOE order identified both regional resource adequacy concerns and specific LDA concerns as the driver, would PJM utilize a split cost allocation methodology? Those details are best worked out in the context of a concrete DOE order rather than in an abstract or hypothetical sense.
- **Since customers will ultimately bear the cost of keeping these uneconomic units operational, transparency is critical.** The PJM Board should direct PJM to coordinate with EDCs on how PJM plans to reflect costs in PJM bills and to educate states and state regulators on all aspects of this process and any next steps, including whether these units may remain operational for longer than three months (and what that decision-making process may entail).

This DOE emergency authorization order is a clear warning sign. Urgent, focused and timely action is needed to increase generation supply in PJM. We urge the PJM Board to accord the need to address resource adequacy, and to work with the states on this objective, its highest priority.