



New Jersey Board of Public Utilities

NEWS RELEASE

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NJ Board of Public Utilities Approves \$1 Billion Energy Strong Storm Mitigation Plan Settlement

- PSE&G originally sought approval of a \$2.6 billion plan -

TRENTON, N.J. - The New Jersey Board of Public Utilities (Board) today approved the investment of \$1 billion in infrastructure hardening measures as prudent expenditures to mitigate the effects of future severe storms on Public Service Electric & Gas Company's (PSE&G) electric and natural gas delivery systems. In approving the stipulated settlement on PSE&G's Energy Strong Investment Program, which is \$1.6 billion less than originally sought, the Board balanced the need for infrastructure hardening improvements, the potential impacts upon service reliability and the rate impacts upon PSE&G customers.

"Today's Board action ensures that PSE&G will harden its electric and gas infrastructure to meet the challenges presented by future severe storms," said Dianne Solomon, President of the N.J. Board of Public Utilities. "This agreement also safeguards PSE&G customers by ensuring the investments are prudent and cost recovery is reasonable."

PSE&G will now begin infrastructure hardening work that will include flood mitigation work at 29 substations, upgrading the company's gas distribution system including replacement of cast iron and bare steel pipe, and installation of advanced technologies among other projects. The Board's approval of the stipulation of settlement reached by parties in the case will allow PSE&G to begin work to harden its electric infrastructure over a 5-year period and its natural gas infrastructure over a 3-year period.

The Energy Strong Program also has a revised cost recovery mechanism for the \$1 billion investment. As projects are completed the associated costs will be put into rates on a provisional basis annually for gas and semi-annually for electric subject to prudence review during the next base rate case, which will be filed no later than November 1, 2017. Customer rate impact will be determined by the pace of which projects are completed.

Furthermore, PSE&G will spend up to an additional \$220 million on its electric station flood mitigation subprogram. The company will seek to recover that investment in its next base rate case.

The stipulation of settlement approved by the Board includes reporting and performance metrics that PSE&G will provide to the Board and Rate Counsel. The quarterly reports are to include:

- The estimated quantity of work and the quantity of work completed
- The forecasted and actual costs spent to date for the quarterly reporting period and the program to date.
- The estimated Energy Strong project completion date.

Board Commissioner Joseph Fiordaliso, who presided over the Energy Strong matter, thanked the participants and interveners in the case and everyone who submitted comments at one of the public hearings or in writing. “This matter was brought to speedy conclusion due largely to the diligence and professionalism of those who represented the parties and interveners,” said Commissioner Fiordaliso. “I also want to thank the many members of the public and public officials who submitted comments for the Board’s consideration.”

On February 20, 2013, PSE&G proposed a plan to make its electric and gas infrastructure less susceptible to the damage from major storm events. As a result of major storms in 2011 and 2012, PSE&G discovered that its infrastructure was highly susceptible to damage from water, wind, and flying debris. On March 20, 2013, the Board issued an order that initiated a Storm Mitigation Proceeding to investigate different ways in which to support and buttress New Jersey’s utility infrastructure to withstand the effects of future major storms. During the subsequent proceedings, the Board determined the plan originally put forth by PSE&G failed to provide required detailed information on hardening project information, rate impacts and clarification on what would qualify as storm hardening measures as compared to normal maintenance.

PSE&G supplemented its filing on March 20, 2013, which sought approval of approximately \$2.6 billion of infrastructure investments over five years with cost recovery related to these investments to be through the implementation of two new Energy Strong Adjustment Mechanisms (“ESAMs”), one for electric and one for gas.

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About the New Jersey Board of Public Utilities (NJBPU)

The NJBPU is a state agency and regulatory authority mandated to ensure safe, adequate and proper utility services at reasonable rates for New Jersey customers. Critical services regulated by the NJBPU include natural gas, electricity, water, wastewater, telecommunications and cable television. The Board has general oversight responsibility for monitoring utility service, responding to consumer complaints, and investigating utility accidents. To find out more about the NJBPU, visit our web site at www.nj.gov/bpu.