



Agenda Date: 02/11/15
Agenda Item: 2K

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR) ORDER
APPROVAL OF ELECTRIC BASE RATE)
ADJUSTMENTS PURSUANT TO THE ENERGY)
STRONG PROGRAM) DOCKET NO. ER14091074

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Martin C. Rothfelder, Esq., Public Service Electric and Gas Company

BY THE BOARD¹:

On May 21, 2014, the New Jersey Board of Public Utilities (“Board”) issued an Order (“May Order”) approving the Public Service Electric and Gas Company (“PSE&G” or “the Company”) Energy Strong Program (“ES Program”) in Docket Nos. EO13020155 and GO13020156. The May Order provided PSE&G with approval to invest up to \$1.0 billion (\$0.6 billion electric and \$0.4 billion gas) to harden its infrastructure to make it less susceptible to damage from wind, flying debris and water damage in anticipation of future major storm events and to strengthen the resiliency of the Company’s delivery system, with costs to be recovered through periodic base rate adjustments.² The following types of ES Program investments are anticipated to be made over a three or five year period.³

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

² Plant-in-service Electric ES Program projects are recovered on a semi-annual basis, while Gas ES Program projects are to be recovered on an annual basis. The Company is to invest an additional \$220.0 million into the Electric ES Program related to substation investment, the recovery of which will be sought in the Company’s next base rate case.

³ The time period for investment under the Electric Station Flood Mitigation and the Gas M&R Station Flood Mitigation sub-programs is five years, while the Gas Utilization Pressure Cast Iron sub-program may be accelerated and completed in two years.

	\$ millions
Electric	
Station Flood Mitigation	\$400.0
Contingency Reconfiguration Strategies	\$100.0
Advanced Technologies	\$100.0
Total Electric	\$600.0
Gas	
Utilization Pressure Cast Iron	\$350.0
M&R Station Flood Mitigation	\$50.0
Total Gas	\$400.0
Total ES Program	\$1,000.0

The May Order also provided for a cost recovery mechanism permitting the Company to recover the revenue requirements associated with the Electric-ES Program on a provisional basis, with the prudence of the costs to be reviewed in the next base rate case. PSE&G committed to make that rate case filing by November 1, 2017.

On September 30, 2014, the Company filed a petition and supporting documentation with the Board seeking approval for electric base rate changes to provide cost recovery associated with the Company's Electric-ES Program investments through November 30, 2014.

After notice, two public hearings on the Company's request were held on November 18, 2014 in Hackensack, on November 20, 2014 in Westhampton, and on November 25, 2014 in New Brunswick. No members of the public appeared at the Hackensack and Westhampton locations. Three members of the public appeared and made statements in New Brunswick; two opposed the proposed rate increases generally, while the third expressed the hardship caused by having her electric service terminated for non-payment.

The Company replaced the projected data in the original schedules with actual data on December 15, 2014. On January 16, 2015, the Company provided the following updated data reflecting the calculation of the annualized increase in electric revenue requirement associated with the actual Electric ES Program investment costs through November 30, 2014 of \$1.143 million:

Investment End Date 11/30/2014
in (\$000)

	<u>Total</u>
Gross Plant	\$7,851
Accumulated Depreciation	\$3,149
Net Plant	\$11,000
Accumulated Deferred Taxes	-\$1,389
Rate Base	\$9,611
Rate of Return - Net (Schedule WACC)	6.32%
Return Requirement (Net of Tax)	\$607
Depreciation Expense, net	\$116
Tax Adjustment	-\$47
Revenue Factor	1.6907
Total Revenue Requirement	\$1.143

STIPULATION⁴

On January 30, 2015, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "the Parties") executed a stipulation ("Stipulation") agreeing that pursuant to the terms of the May Order, the Company could implement the rates reflected in *Schedule SS-ESAM-5 Update-Revised* (Attachment 1 to the Stipulation) effective March 1, 2015⁵.

The rates established to recover the revenue requirement of \$1.143 million shall be provisional and subject to refund solely based upon a Board finding that the Company imprudently incurred capital expenditures under the ES Program.

⁴ Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

⁵ Paragraph 41 of the Energy Strong Stipulation, approved by the May Order provides as follows: In order to effectuate the cost recovery process for the Electric-ES Program investments, Public Service shall proceed on the following schedule following public notice and public hearing, recognizing that the prudence of the investments will be determined in the Next Base Case, as addressed above. The schedule below anticipates semi-annual notice, public hearings, and rate adjustments to cover all rate changes for the Electric-ES Program investments: a. Revenue Requirements associated with program investments that are placed into service through and including 11/30/14 shall go into base rates effective 3/1/15. PSE&G shall make its initial filing for such rates in September 2014, and update such filing for actual data through November 30, 2014 by December 15, 2014.

The annual bill impact on the typical residential electric customer that uses 750 kilowatt-hours in a summer month and 7,200 kilowatt-hours annually is an increase of 32 cents or approximately 0.02%.

DISCUSSION AND FINDINGS

After review of the record to date, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

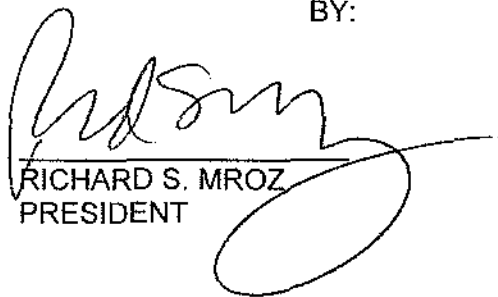
The Board **HEREBY APPROVES** the rate adjustments detailed in Attachment 1 of the Stipulation on a provisional basis, subject to refund, with the capital expenditures subject to review for prudence in the base rate case that the Company has committed to file by November 1, 2017.

The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days after the effective date of this Order.

The effective date of this Order is February 23, 2015.

DATED: 2/11/15

BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST:

KENNETH J. SHEEHAN
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the records of the Board of Public Utilities.


**IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY
FOR APPROVAL OF ELECTRIC BASE RATE ADJUSTMENTS PURSUANT TO THE
ENERGY STRONG PROGRAM - DOCKET NO. ER14091074**

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