



Agenda Date: 02/22/17
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
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)
APPROVAL OF ELECTRIC BASE RATE)
ADJUSTMENTS PURSUANT TO THE ENERGY)
STRONG PROGRAM) DOCKET NO. ER16090918

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 BOARD:

By this Order, the New Jersey Board of Public Utilities (“Board”) considers a stipulation and agreement (“Stipulation”) executed by Public Service Electric and Gas Company (“PSE&G” or “Company”), Board Staff, and the New Jersey Division of Rate Counsel (collectively, “Parties”) intended to resolve the Company’s requests related to the above docketed matter.

BACKGROUND

By Order dated May 21, 2014,¹ the Board authorized PSE&G to implement an Energy Strong Program (“ES Program”). Pursuant to the May 2014 Order, PSE&G was to invest up to \$1.0 billion (\$0.6 billion electric and \$0.4 billion gas), to be recovered through future base rate adjustments, to harden its infrastructure, thereby making 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.² The following ES Program investments were anticipated to be made over a three or five year period:

¹ In re the Board Review of the Petition of Public Service Electric and Gas Company for Approval of the Energy Strong Program, BPU Docket Nos. EO13020155 and GO13020156, Order dated May 21, 2014 (“May 2014 Order”)

² The Company was to invest an additional \$220.0 million into the ES Program - Electric related to substations which will not be recoverable through the ES Program rate recovery mechanism.

| | \$ 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 M&R Station Flood Mitigation | 350.0 |
| | 50.0 |
| Total Gas | 400.0 |
| Total ES Program | 1,000.0 |

The May 2014 Order also approved a cost recovery mechanism that allowed for semi-annual rate adjustments for spending related to electric ES Program investments and annual rate adjustments for spending related to gas ES Program investments. In addition, the May 2014 Order required that PSE&G file a base rate case with the Board no later than November 1, 2017.

September 2016 Filing

On September 30, 2016, the Company filed the instant petition ("September 2016 Petition") seeking Board approval to recover \$15.190 million in revenue related to electric ES Program costs through November 30, 2016 for electric ES Program plant in service costs not previously placed in base rates. The September 2016 Petition was based on actual costs from June 1, 2016 through August 31, 2016 and projected program expenditures from September 1, 2016 through November 30, 2016.

After publication of notice in newspapers of general circulation in the Company's service territory, public hearings were held at 4:30 p.m. and 6:00 p.m. in Mt. Holly, New Brunswick, and Hackensack on November 28 and 29 and December 1, 2016, respectively. No members of the public provided comments at the hearings held in Mt. Holly or Hackensack. In New Brunswick, one witness spoke against the rate increase. That witness's statement was completed by another individual, as the witness was unable to finish due to health reasons. A separate witness expressed concerns about PSE&G construction activities close to his residence.

On December 15, 2016, PSE&G updated the September 2016 Petition to include actual electric ES Program expenditures through November 30, 2016. The update reflected a reduction in the proposed revenue requirement to \$11.793 million. On January 9, 2017, the Company provided a revised update to reflect a portion of a project that was inadvertently excluded from the Company's December 15, 2016 update. The revenue requirement reflected in the January 9, 2017 reflected an overall increase of approximately \$12.450 million,³ calculated as follows:

³ The January 9, 2017 revised update reflected costs associated with a portion of the Marion Switching Station that went into service on October 20, 2016, but was inadvertently excluded from the Company's Filing of December 15, 2016.

| Electric Rev. Req. – Roll-In #5 (\$000) | | |
|---|--|-------------|
| 1 | Gross Plant | \$100,489 |
| 2 | Accumulated Depreciation | \$11,928 |
| 3 | Net Plant | \$112,417 |
| 4 | Accumulated Deferred Taxes | - \$ 24,148 |
| 5 | Rate Base | \$88,269 |
| 6 | Rate of Return - After Tax (Schedule WACC) | 6.32% |
| 7 | Return Requirement (After Tax) | \$5,579 |
| 8 | Depreciation Exp., net | \$1,934 |
| 9 | Tax Adjustment | - \$ 149 |
| 10 | Sub-total [(lines 7 + 8 + 9)] | \$ 7,364 |
| 11 | Revenue Factor | 1.6907 |
| 12 | Calculated Revenue Requirement. | \$12,450 |
| 13 | Roll-In # 4 Shortfall | \$ 0 |
| 14 | Total Revenue Requirement – Roll-In #5 | \$12,450 |

STIPULATION

Upon review of the filing and updates thereto, and subsequent to conducting and reviewing responses to discovery, on January 27, 2017, the Parties executed the Stipulation, which provides as follows:⁴

Electric rates⁵ should be established to recover an annualized increase in electric revenues of \$12.450 million. The Parties agree that the Company may implement the rates reflected in Attachment 1 of the Stipulation effective March 1, 2017.

The rate adjustments shall be provisional, subject to prudence review in the Company's next base rate case to be filed no later than November 1, 2017, and its subsequent base rate case to the extent there are any electric ES Program investments, up to \$600 million, not included within the test year of the November 1, 2017 base rate case.

Additionally, the prudence review will ensure that actual costs incurred in completing the projects exclude transmission investments.

The annual bill impact of the proposed rates on a typical residential customer using 7,200 kilowatt-hours annually is an increase of \$3.20 (0.25%).

DISCUSSION AND FINDING

After review of the September 2016 Petition and the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore,

⁴ Although summarized in this Order, the detailed terms of the stipulation are controlling, subject to the findings and conclusions of this Order.

⁵ Listed under "Proposed" in Attachment 1 of the Stipulation.

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 as calculated in Attachment 1 of the Stipulation on a provisional basis, subject to refund and review for prudence in the base rate case that the Company has committed to file by November 1, 2017 under the terms of the May 2014 Order.

Based on the Stipulation, the annual bill impact of the proposed rates on a typical residential customer using 750 kilowatt-hours in a summer month and 7,200 kilowatt-hours annually is an increase of \$3.20, or approximately 0.25%.

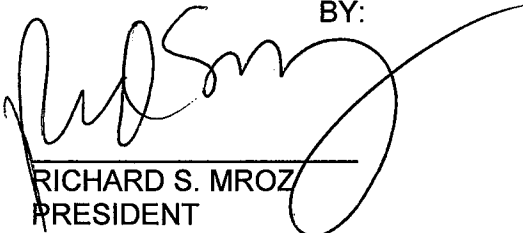
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to March 1, 2017.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The effective date of this Order is February 22, 2017.

DATED: 2/22/17

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



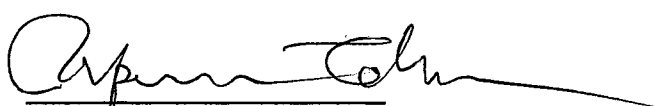
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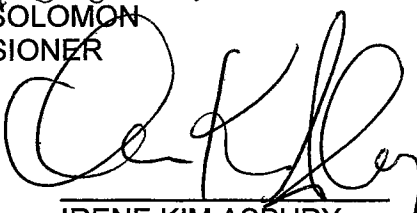
MARY-ANNA HOLDEN
COMMISSIONER

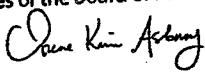


DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
IRENE KIM ASBURY
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files 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. ER16090918

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January 27, 2017

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

BPU Docket No. ER16090918

VIA ELECTRONIC MAIL & OVERNIGHT MAIL

Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Asbury:

Enclosed is a fully executed Stipulation of Settlement in the above-referenced matter. If you have any questions regarding this, do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink that reads "Martin C. Rothfelder".

C Attached Service List (E-mail only)

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**STATE OF NEW JERSEY
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 | BPU DOCKET NO. ER16090918 |
|--|----------------------------------|

APPEARANCES:

Martin C. Rothfelder, Esq., Associate General Regulatory Counsel for the Petitioner, Public Service Electric and Gas Company

Brian Lipman, Esq., Litigation Manager, **Ami Morita, Esq.**, Managing Attorney – Electric, **Diane Schulze, Esq.** and **Kurt Lewandowski, Esq.**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel (Stefanie A. Brand, Director)

Alex Moreau, Emma Xiao, and Patricia A. Krogman, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Christopher S. Porrino, Attorney General of New Jersey)

On September 30, 2016 Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition (September 2016 Petition) with the Board of Public Utilities (Board) seeking BPU approval to recover the revenue requirements associated with certain capitalized electric investment costs of the Energy Strong Program through November 30, 2016. Upon review of the PSE&G filing, conducting and reviewing responses to discovery, and discussing the facts and issues in this matter, the Staff of the New Jersey Board of Public Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's September 2016 Petition in this matter sought Board approval for electric base rate changes to provide for cost recovery associated with the Company's Energy Strong Program. The Energy Strong Program was addressed in a Board Order dated May 21, 2014 in BPU Docket Nos. EO13020155 and GO13020156 (Energy Strong Order) that adopted a

Stipulation that explicitly authorizes the request for the rate increases in the September 2016 Petition.¹

2. PSE&G's September 2016 Petition sought authority to establish rates to recover an annualized increase in electric revenue requirement of \$15.190 million. The September 2016 Petition proposed revenue requirement increases associated with Energy Strong investment costs. The annualized increase in electric revenue requirement was supported by Attachment 2, Schedule SS-ESAM5-2E attached to the September 2016 Petition, which was based upon actual costs for program investments placed into service from June 1, 2016 through August 31, 2016 and projected costs for program investments anticipated to be placed into service through November 30, 2016 and was also the basis for the proposed increased electric base rates.
3. Notice of the Company's September 2016 Petition, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric service territory. In accordance with that notice, public hearings on the Company's request were held on the following dates at three locations in PSE&G's service territory: two hearings on November 28, 2016 in Mt. Holly, New Jersey; two

¹ Paragraph 41 of the Energy Strong Stipulation, through part e., 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:

- e. Revenue Requirements associated with program investments that are placed into service from 6/1/16 through and including 11/31/16 shall go into base rates effective 3/1/17. PSE&G shall make its initial filing for such rates in September 2016, and update such filing for actual data through November 30, 2016 by December 15, 2016.

hearings on November 29, 2016 in New Brunswick, New Jersey; and two hearings on December 1, 2016 in Hackensack, New Jersey. No members of the public provided comments at the Hackensack and Mt. Holly hearings. In New Brunswick, two witnesses spoke against the rate increase. One of these witness's statements was completed by another individual due to the witness being unable to finish due to health reasons. A third witness complained of PSE&G construction activities behind his residence.

4. On December 15, 2016, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through November 30, 2016. The Company then provided revised updated schedules on January 9, 2017. Schedule SS-ESAM5-2E Update (Revised) reflecting the revised updated annualized increase to electric revenue requirements associated with Energy Strong investment costs. The Parties agree that the Company shall receive rates, as described below, designed to recover the electric revenue requirement increase from the January 9, 2017 revised updated schedules of \$12.450 million.
5. The Company shall implement the proposed rates associated with the proposed annualized increase in the electric revenue requirement and the rate design (consistent with the Energy Strong Order) reflected in the January 9, 2017 schedule SS-ESAM5-5 - UPDATE REVISED, at pages 22-23. Those pages are attached hereto as Attachment 1. The Company shall implement the electric rates discussed in this paragraph effective March 1, 2017.
6. The annual impact of the proposed rates to the typical residential electric customer that uses 750 kilowatt-hours in a summer month and 7,200 kilowatt-hours annually is an increase of \$3.20 or approximately 0.25%.

7. The Parties agree that pursuant to the terms of the Energy Strong Order, PSE&G may implement the rates in Attachment 1 effective March 1, 2017. The rate adjustments established herein shall be provisional and subject to refund solely based upon a Board finding that PSE&G imprudently incurred capital expenditures under the Energy Strong Program. Such prudence review shall take place in the Company's Next Base Case² and its base rate case subsequent to the Next Base Case to the extent there are any Energy Strong Program investments up to \$1 billion not included within the test year of the Next Base Case. The Signatories further agree that the review of Energy Strong Program investment costs in the Next Base Case or a subsequent base rate case is not only to ensure that the actual costs incurred in completing the projects were spent prudently, but includes review to ensure that they are distribution, not transmission, investments. Nothing herein will preclude any party from raising in the Next Base Case any objection that could have been raised in the annual or semi-annual filings.
8. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

² "Next Base Case" as used herein is the term as defined in the Energy Strong case Stipulation as approved by the Board of Public Utilities in docket numbers EO13020155 & GO13020156 by an order dated May 21, 2014.

9. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
10. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Public Service, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.
11. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

**PUBLIC SERVICE ELECTRIC
AND GAS COMPANY**

By: Martin C. Rothfelder
Martin C. Rothfelder, Esq.

DATED: 1/27/2017

**CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY**
Attorney for the Staff of the
New Jersey Board of Public Utilities

By: Alex Moreau
Alex Moreau
Deputy Attorney General

DATED: 1/27/2017

**STEFANIE A. BRAND, DIRECTOR
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By: Ami Morita
Ami Morita, Esq.
Managing Attorney - Electric

DATED: 1/27/17

ESAM Roll-in
Electric Tariff Rates

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| | | Present | | Proposed | | Difference w/out SUT |
|-----------------------|--|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|-------------------------|
| | | <u>Charge w/out SUT</u> | <u>Charge including SUT</u> | <u>Charge w/out SUT</u> | <u>Charge including SUT</u> | |
| Rate Schedules | | | | | | |
| RS | Service Charge | \$2.27 | \$2.43 | \$2.27 | \$2.43 | \$0.00 |
| | Distribution 0-600 Sum | \$0.037296 | \$0.039860 | \$0.038301 | \$0.040934 | \$0.001005 |
| | Distribution 0-600 Win | \$0.033344 | \$0.035636 | \$0.033344 | \$0.035636 | \$0.000000 |
| | Distribution over 600 Sum | \$0.041117 | \$0.043944 | \$0.042122 | \$0.045018 | \$0.001005 |
| | Distribution over 600 Win | \$0.033344 | \$0.035636 | \$0.033344 | \$0.035636 | \$0.000000 |
| RHS | Service Charge | \$2.27 | \$2.43 | \$2.27 | \$2.43 | \$0.00 |
| | Distribution 0-600 Sum | \$0.049453 | \$0.052853 | \$0.050017 | \$0.053456 | \$0.000564 |
| | Distribution 0-600 Win | \$0.031975 | \$0.034173 | \$0.032340 | \$0.034563 | \$0.000365 |
| | Distribution over 600 Sum | \$0.055045 | \$0.058829 | \$0.055673 | \$0.059501 | \$0.000628 |
| | Distribution over 600 Win | \$0.011892 | \$0.012710 | \$0.012028 | \$0.012855 | \$0.000136 |
| | Common Use | \$0.055045 | \$0.058829 | \$0.055673 | \$0.059501 | \$0.000628 |
| RLM | Service Charge | \$13.07 | \$13.97 | \$13.07 | \$13.97 | \$0.00 |
| | Distrib. kWhr Summer On | \$0.059376 | \$0.063458 | \$0.060225 | \$0.064365 | \$0.000849 |
| | Distrib. kWhr Summer Off | \$0.013953 | \$0.014912 | \$0.014153 | \$0.015126 | \$0.000200 |
| | Distrib. kWhr Winter On | \$0.013953 | \$0.014912 | \$0.014153 | \$0.015126 | \$0.000200 |
| | Distrib. kWhr Winter Off | \$0.013953 | \$0.014912 | \$0.014153 | \$0.015126 | \$0.000200 |
| WH | Distribution | \$0.045300 | \$0.048414 | \$0.045783 | \$0.048931 | \$0.000483 |
| WHS | Service Charge | \$0.52 | \$0.56 | \$0.52 | \$0.56 | \$0.00 |
| | Distribution | \$0.000153 | \$0.000164 | \$0.000155 | \$0.000166 | \$0.000002 |
| HS | Service Charge | \$3.11 | \$3.32 | \$3.11 | \$3.32 | \$0.00 |
| | Distribution June-September | \$0.084764 | \$0.090592 | \$0.085734 | \$0.091628 | \$0.000970 |
| | Distribution October-May | \$0.031270 | \$0.033420 | \$0.031628 | \$0.033802 | \$0.000358 |
| GLP | Service Charge | \$3.96 | \$4.23 | \$3.96 | \$4.23 | \$0.00 |
| | Service Charge-unmetered | \$1.83 | \$1.96 | \$1.83 | \$1.96 | \$0.00 |
| | Service Charge-Night Use | \$347.77 | \$371.68 | \$347.77 | \$371.68 | \$0.00 |
| | Distrib. KW Annual | \$4.1755 | \$4.4626 | \$4.2219 | \$4.5122 | \$0.0464 |
| | Distrib. KW Summer | \$7.7493 | \$8.2821 | \$7.8354 | \$8.3741 | \$0.0861 |
| | Distribution kWhr, June-September | \$0.009807 | \$0.010481 | \$0.009916 | \$0.010598 | \$0.000109 |
| | Distribution kWhr, October-May | \$0.003448 | \$0.003685 | \$0.003486 | \$0.003726 | \$0.000038 |
| | Distribution kWhr, Night use, June-September | \$0.003448 | \$0.003685 | \$0.003486 | \$0.003726 | \$0.000038 |
| | Distribution kWhr, Night use, October-May | \$0.003448 | \$0.003685 | \$0.003486 | \$0.003726 | \$0.000038 |

ESAM Roll-in
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| | | Present | | Proposed | | Difference w/out SUT |
|-----------------------|--------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|-------------------------|
| | | <u>Charge w/out SUT</u> | <u>Charge including SUT</u> | <u>Charge w/out SUT</u> | <u>Charge including SUT</u> | |
| Rate Schedules | | | | | | |
| LPL-Secondary | Service Charge | \$347.77 | \$371.68 | \$347.77 | \$371.68 | \$0.00 |
| | Distrib. KW Annual | \$3.4807 | \$3.7200 | \$3.5247 | \$3.7670 | \$0.0440 |
| | Distrib. KW Summer | \$8.2807 | \$8.8500 | \$8.3853 | \$8.9618 | \$0.1046 |
| | Distribution kWhr | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 |
| LPL-Primary | Service Charge | \$347.77 | \$371.68 | \$347.77 | \$371.68 | \$0.00 |
| | Service Charge-Alternate | \$17.88 | \$19.11 | \$17.88 | \$19.11 | \$0.00 |
| | Distrib. KW Annual | \$1.6438 | \$1.7568 | \$1.6630 | \$1.7773 | \$0.0192 |
| | Distrib. KW Summer | \$9.1253 | \$9.7527 | \$9.2319 | \$9.8666 | \$0.1066 |
| | Distribution kWhr | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 |
| HTS-Subtransmission | Service Charge | \$1,911.39 | \$2,042.80 | \$1,911.39 | \$2,042.80 | \$0.00 |
| | Distrib. KW Annual | \$1.0450 | \$1.1168 | \$1.0581 | \$1.1308 | \$0.0131 |
| | Distrib. KW Summer | \$3.7785 | \$4.0383 | \$3.8257 | \$4.0887 | \$0.0472 |
| | Distribution kWhr | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 |
| HTS-HV | Service Charge | \$1,720.25 | \$1,838.52 | \$1,720.25 | \$1,838.52 | \$0.00 |
| | Distrib. KW Annual | \$0.6692 | \$0.7152 | \$0.6775 | \$0.7241 | \$0.0083 |
| | Distribution kWhr | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 | \$0.000000 |
| BPL | Distribution Sum | \$0.017746 | \$0.018966 | \$0.019753 | \$0.021111 | \$0.002007 |
| | Distribution Winter | \$0.017746 | \$0.018966 | \$0.019753 | \$0.021111 | \$0.002007 |
| BPL-POF | Distribution Sum | \$0.007043 | \$0.007527 | \$0.007279 | \$0.007779 | \$0.000236 |
| | Distribution Winter | \$0.007043 | \$0.007527 | \$0.007279 | \$0.007779 | \$0.000236 |
| PSAL | Distribution Sum | \$0.019038 | \$0.020347 | \$0.020933 | \$0.022372 | \$0.001895 |
| | Distribution Winter | \$0.019038 | \$0.020347 | \$0.020933 | \$0.022372 | \$0.001895 |