



Agenda Date: 2/28/2018  
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/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC )  
SERVICE ELECTRIC AND GAS COMPANY FOR )  
APPROVAL OF ELECTRIC RATE ADJUSTMENTS )  
PURSUANT TO THE ENERGY STRONG PROGRAM )  
("SEPTEMBER 2017 ES ELECTRIC RATES FILING") )

ORDER ADOPTING  
STIPULATION

DOCKET NO. ER17101027

**Parties of Record:**

**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**  
**Matthew Weissman, Esq., Public Service Electric and Gas Company**

**BY THE BOARD:**

By this Order, the New Jersey Board of Public Utilities ("Board") considers a stipulation of settlement ("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,<sup>1</sup> 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.<sup>2</sup> The ES Program investments were anticipated to be made over a three to five year period.

<sup>1</sup> 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 (May 21, 2014). ("Energy Strong Order")

<sup>2</sup> 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.

The Energy Strong 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.<sup>3</sup>

**September 2017 Petition**

On September 29, 2017, the Company filed the instant petition (“September 2017 Petition”) seeking Board approval to establish rates to recover an annualized increase in electric revenue requirements of \$8.841 million related to the ES Program. The September 2017 Petition was based on actual costs for program investments placed in service from June 1, 2017 through August 31, 2017, and projected costs through November 30, 2017, which is also the basis for the proposed increase in electric base rates.

After publication of notice in newspapers of general circulation in the Company’s service territory, two public hearings were held in Hackensack, Mount Holly, and New Brunswick on November 30 and December 7 and 11, 2017, respectively. No members of the public provided comments addressing this matter at any of the hearings or filed written comments.

On December 15, 2017, PSE&G updated the September 2017 Petition to include actual electric ES Program expenditures through November 30, 2017. The updated schedules reflected a reduction in the proposed revenue requirements from \$8.841 million to \$8.405 million. The revenue requirement reflected in the December update was calculated as follows:

<b>Energy Strong - Electric Revenue Requirements-Roll-in</b>		
<b>11/30/2017 (\$000)</b>		
1	Gross Plant	\$73,471
2	Accumulated Depreciation	\$2,215
3	Rate Base	\$75,686
4	Accumulated Deferred Taxes	(\$14,035)
5	Net Rate Base	\$61,651
6	Rate of Return - Net (Schedule WACC)	6.32%
7	Return Requirement (Net of Tax)	\$3,897
8	Depreciation Exp, net	\$1,109
9	Tax Adjustments, net	(\$35)
10	<b>Sub-total [lines 7+8+9]</b>	<b>\$4,972</b>
11	Revenue Factor	1.6907
12	<b>Roll-In Revenue Requirement</b>	<b>\$8,405</b>

<sup>3</sup> By Orders dated October 20, 2017 and November 21, 2017, the required date for PSE&G to file a base rate case was modified to February 1, 2018. PSE&G filed its base rate case on January 12, 2018.

## **STIPULATION**

Following a review of the September 2017 Petition, updates thereto, and discovery, on January 30, 2018, the Parties executed the Stipulation, which provides as follows:<sup>4</sup>

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 December 15, 2017 schedule SS-ESAM7-5 - UPDATE, at pages 22-23. Those pages are attached to the Stipulation as Attachment 1. The Company shall implement the electric rates discussed in this paragraph effective March 1, 2018.
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 \$ 2.12 or approximately 0.17%.
7. The Parties agree that pursuant to the terms of the Energy Strong Order, PSE&G may implement the rates in Attachment 1 of the Stipulation effective March 1, 2018. The rate adjustments established in the Stipulation shall be provisional and subject to refund solely based upon a Board finding that PSE&G imprudently incurred capital expenditures under the ES Program. Such prudence review shall take place in the Company's Next Base Case and its base rate case subsequent to the Next Base Case to the extent there are any ES Program investments up to \$1 billion not included within the test year of the Next Base Case. The Parties further agree that the review of ES 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 in the Stipulation 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.

## **DISCUSSION AND FINDING**

After review of the September 2017 Petition and the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, 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 calculated in Attachment 1 of the Stipulation on a provisional basis, subject to refund and review for prudence in a base rate case.

Based on the Stipulation, 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 \$ 2.12 or approximately 0.17%.

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


PSE&G is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to March 1, 2018.

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.

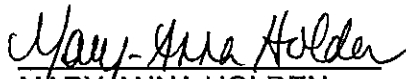
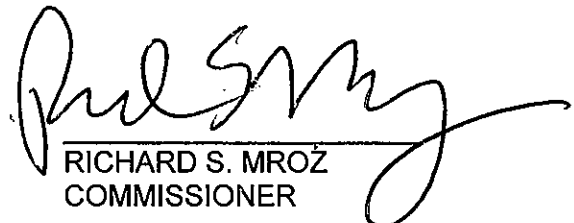
The effective date of this Order is February 28, 2018.

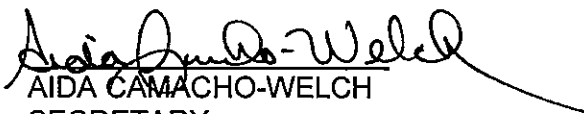
DATED: 2/28/18

BOARD OF PUBLIC UTILITIES  
BY:



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PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER  
DIANNE SOLOMON  
COMMISSIONER  
UPENDRA J. CHIVUKULA  
COMMISSIONER  
RICHARD S. MROZ  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
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. ER17101027**

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January 30, 2018

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  
(September 2017 ES Electric Rates Filing)

BPU Docket No. ER17101027

***VIA ELECTRONIC MAIL & OVERNIGHT MAIL***

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

Dear Corporate Secretary:

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 cursive script that reads "Matthew Weissman".

C Attached Service List (E-mail only)

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

<b>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 (September 2017 ES Electric Rates Filing)</b>	<b>STIPULATION  BPU DOCKET NO. ER17101027</b>
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**APPEARANCES:**

**Matthew M. Weissman, Esq.**, General Regulatory Counsel-Rates, **Danielle Lopez, Esq.**, Assistant General Regulatory Counsel and **Martin C. Rothfelder, Esq.**, Rothfelder Stern, L.L.C., 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 (Gurbir S. Grewal, Attorney General of New Jersey)

On September 29, 2017 Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition (September 2017 Petition) with the New Jersey Board of Public Utilities (Board or BPU) seeking BPU approval to recover the revenue requirements associated with certain capitalized electric investment costs of the Energy Strong Program through November 30, 2017. Upon review of the September 2017 Petition, conducting and reviewing responses to discovery, and discussing the facts and issues in this matter, the Staff of the Board (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, Parties), stipulate and agree as follows:

1. PSE&G's September 2017 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 explicitly authorizing the request for the rate increases in the September 2017 Petition.

2. PSE&G's September 2017 Petition sought authority to establish rates to recover an annualized increase in electric revenue requirement of \$8.841 million. The September 2017 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-ESAM7-2E attached to the September 2017 Petition, which was based upon actual costs for program investments placed into service from June 1, 2017 through August 31, 2017 and projected costs for program investments anticipated to be placed into service through November 30, 2017 and was also the basis for the proposed increased electric base rates.
3. Notice of the Company's September 2017 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 30, 2017 in Hackensack, New Jersey, two hearings on December 7, 2017 in Mt. Holly, New Jersey; and two hearings on December 11, 2017 in New Brunswick, New Jersey. No members of the public provided comments at the hearings.

4. On December 15, 2017, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through November 30, 2017. The Parties agree that the Company shall receive rates, as described below, designed to recover the electric revenue requirement increase from the updated schedules of \$8.405 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 December 15, 2017 schedule SS-ESAM7-5 - UPDATE, 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, 2018.
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 \$2.12 or approximately 0.17%.
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, 2018. 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 Case<sup>1</sup> 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

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<sup>1</sup> "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. PSE&G filed the case on January 12, 2018.

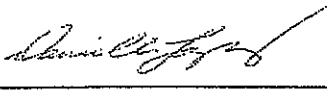
Program investment costs in the Next Base Case or a subsequent base rate case is not only to ensure that the actual costs incurred in completing the projects were spent prudently, but includes review to ensure that they are distribution, not transmission, investments. Nothing herein will preclude any 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.
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 the 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**

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

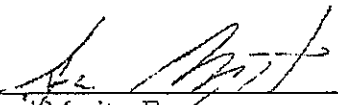
BY:   
\_\_\_\_\_  
Danielle Lopez, Esq.  
Assistant General Regulatory Counsel

BY:   
\_\_\_\_\_  
Alex Moreau  
Deputy Attorney General

DATED: 1/25/18

DATED: 1-29-18

**NEW JERSEY DIVISION OF RATE COUNSEL  
STEFANIE A. BRAND, DIRECTOR**

BY:   
\_\_\_\_\_  
Ami Morita, Esq.  
Managing Attorney - Electric

DATED: 1/30/18

ESAM Roll-in  
Electric Tariff Rates

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	Present		Proposed		Difference w/out SUT	
	Charge w/out SUT	Charge including SUT	Charge w/out SUT	Charge including SUT		
<b>Rate Schedules</b>						
RS	Service Charge	\$2.27	\$2.42	\$2.27	\$2.42	\$0.00
	Distribution 0-600 Sum	\$0.039603	\$0.042227	\$0.040282	\$0.042951	\$0.000679
	Distribution 0-600 Win	\$0.033344	\$0.035553	\$0.033344	\$0.035553	\$0.000000
	Distribution over 600 Sum	\$0.043424	\$0.046301	\$0.044103	\$0.047025	\$0.000679
	Distribution over 600 Win	\$0.033344	\$0.035553	\$0.033344	\$0.035553	\$0.000000
RHS	Service Charge	\$2.27	\$2.42	\$2.27	\$2.42	\$0.00
	Distribution 0-600 Sum	\$0.050748	\$0.054110	\$0.051134	\$0.054522	\$0.000386
	Distribution 0-600 Win	\$0.032813	\$0.034987	\$0.033063	\$0.035253	\$0.000250
	Distribution over 600 Sum	\$0.056487	\$0.060229	\$0.056917	\$0.060688	\$0.000430
	Distribution over 600 Win	\$0.012204	\$0.013013	\$0.012297	\$0.013112	\$0.000093
	Common Use	\$0.056487	\$0.060229	\$0.056917	\$0.060688	\$0.000430
RLM	Service Charge	\$13.07	\$13.94	\$13.07	\$13.94	\$0.00
	Distrib. kWhr Summer On	\$0.061333	\$0.065396	\$0.061903	\$0.066004	\$0.000570
	Distrib. kWhr Summer Off	\$0.014413	\$0.015368	\$0.014547	\$0.015511	\$0.000134
	Distrib. kWhr Winter On	\$0.014413	\$0.015368	\$0.014547	\$0.015511	\$0.000134
	Distrib. kWhr Winter Off	\$0.014413	\$0.015368	\$0.014547	\$0.015511	\$0.000134
WH	Distribution	\$0.046408	\$0.049483	\$0.046734	\$0.049830	\$0.000326
WHS	Service Charge	\$0.52	\$0.55	\$0.52	\$0.55	\$0.00
	Distribution	\$0.000157	\$0.000167	\$0.000158	\$0.000168	\$0.000001
HS	Service Charge	\$3.11	\$3.32	\$3.11	\$3.32	\$0.00
	Distribution June-September	\$0.086995	\$0.092758	\$0.087675	\$0.093483	\$0.000680
	Distribution October-May	\$0.032093	\$0.034219	\$0.032344	\$0.034487	\$0.000251
GLP	Service Charge	\$3.96	\$4.22	\$3.96	\$4.22	\$0.00
	Service Charge-unmetered	\$1.83	\$1.95	\$1.83	\$1.95	\$0.00
	Service Charge-Night Use	\$347.77	\$370.81	\$347.77	\$370.81	\$0.00
	Distrib. KW Annual	\$4.2820	\$4.5657	\$4.3133	\$4.5991	\$0.0313
	Distrib. KW Summer	\$7.9469	\$8.4734	\$8.0050	\$8.5353	\$0.0581
	Distribution kWhr, June-September	\$0.010057	\$0.010723	\$0.010131	\$0.010802	\$0.000074
	Distribution kWhr, October-May	\$0.003536	\$0.003770	\$0.003562	\$0.003798	\$0.000026
	Distribution kWhr, Night use, June-September	\$0.003536	\$0.003770	\$0.003562	\$0.003798	\$0.000026
	Distribution kWhr, Night use, October-May	\$0.003536	\$0.003770	\$0.003562	\$0.003798	\$0.000026

ESAM Roll-in  
Electric Tariff Rates

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		<u>Present</u>		<u>Proposed</u>		<u>Difference</u> <u>w/out SUT</u>
		<u>Charge</u> <u>w/out SUT</u>	<u>Charge</u> <u>including</u> <u>SUT</u>	<u>Charge</u> <u>w/out SUT</u>	<u>Charge</u> <u>including</u> <u>SUT</u>	
<b><u>Rate Schedules</u></b>						
LPL-Secondary	Service Charge	\$347.77	\$370.81	\$347.77	\$370.81	\$0.00
	Distrib. KW Annual	\$3.5816	\$3.8189	\$3.6113	\$3.8505	\$0.0297
	Distrib. KW Summer	\$8.5207	\$9.0852	\$8.5913	\$9.1605	\$0.0706
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
LPL-Primary	Service Charge	\$347.77	\$370.81	\$347.77	\$370.81	\$0.00
	Service Charge-Alternate	\$17.88	\$19.06	\$17.88	\$19.06	\$0.00
	Distrib. KW Annual	\$1.6878	\$1.7996	\$1.7008	\$1.8135	\$0.0130
	Distrib. KW Summer	\$9.3698	\$9.9905	\$9.4420	\$10.0675	\$0.0722
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
HTS-Subtransmission	Service Charge	\$1,911.39	\$2,038.02	\$1,911.39	\$2,038.02	\$0.00
	Distrib. KW Annual	\$1.0751	\$1.1463	\$1.0839	\$1.1557	\$0.0088
	Distrib. KW Summer	\$3.8870	\$4.1445	\$3.9190	\$4.1786	\$0.0320
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
HTS-HV	Service Charge	\$1,720.25	\$1,834.22	\$1,720.25	\$1,834.22	\$0.00
	Distrib. KW Annual	\$0.6878	\$0.7334	\$0.6932	\$0.7391	\$0.0054
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
BPL	Distribution Sum	\$0.022354	\$0.023835	\$0.023708	\$0.025279	\$0.001354
	Distribution Winter	\$0.022354	\$0.023835	\$0.023708	\$0.025279	\$0.001354
BPL-POF	Distribution Sum	\$0.007584	\$0.008086	\$0.007743	\$0.008256	\$0.000159
	Distribution Winter	\$0.007584	\$0.008086	\$0.007743	\$0.008256	\$0.000159
PSAL	Distribution Sum	\$0.023384	\$0.024933	\$0.024663	\$0.026297	\$0.001279
	Distribution Winter	\$0.023384	\$0.024933	\$0.024663	\$0.026297	\$0.001279