



STATE OF NEW JERSEY
Board of Public Utilities
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DIVISION OF ENERGY

I/M/O THE PETITION OF PUBLIC SERVICE
ELECTRIC AND GAS COMPANY FOR EXPEDITED
APPROVAL OF AN ADVANCED METER
INFRASTRUCTURE DEPLOYMENT INITIATIVE -
TECHNOLOGY SELECTION PROCESS)

ORDER
ACKNOWLEDGING PSE&G'S
TECHNOLOGY TEST
DOCKET NO. EO07120940

(SERVICE LIST ATTACHED)

BY THE BOARD¹:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers the modified petition filed by Public Service Electric and Gas Company ("PSE&G") on May 15, 2008 seeking expedited review and approval for a two step pilot program to evaluate and test communication and other infrastructure equipment technology commencing September 2008 and convene an educational stakeholder forum to discuss several proposed topics.

Background and Procedural History

On December 12, 2007, PSE&G filed a petition with the Board by which it sought expedited approval for an Advanced Metering Infrastructure ("AMI") Deployment Initiative – Technology Selection Process, to evaluate selected AMI technologies and to commence a stakeholder process to discuss related AMI issues. Specifically, the Company proposed to install AMI technology in selected portions of its service territory (Paterson, Wayne, and Totowa) and asked the Board to find that AMI was a necessary and appropriate method to support the State's Energy Master Plan goals and objectives and that deployment of AMI technology was in the public interest.

The Company proposed to test three different communication technologies and to install a Meter Data Management System that would be a central repository used to collect, validate, and store meter data that is then made available to other systems, processes and users.

The Company proposed a two step process in its original petition. The first step was to commence a stakeholder process to discuss the strategic and public policy benefits of AMI

¹ Commissioner Christine V. Bator recused herself on this matter due to a potential conflict of interest.

deployment and to address the societal, operational and financial issues by a panel comprised of representatives from various interested constituent groups.

The second step involved the technical evaluation of the pros and cons of the selected AMI technologies. The objective of the technology selection process was to compare the performance and cost differences of a number of possible technologies under various field operating conditions to guide the Company in the final selection of a full-scale AMI deployment.

The Company also sought an order that found that AMI was necessary to produce both societal and operational benefits for customers and to achieve the 2020 goals currently part of the NJ Energy Master Plan and that the PSE&G AMI deployment initiative was the appropriate method to inform the Board's decision on the technology required to support the Energy Master Plan goals and objectives.

The Company proposed a Final Technical Evaluation Report to be publicly available and shared with the utility industry in order to assist them in the development of their own AMI strategy. Thereafter, the Company was to proceed with full deployment without further discussion and review with interested parties.

By letters dated February 13, 2008, and February 26, 2008, the American Association of Retired Persons ("AARP") and the Utility Workers Union of America, Local 601 ("UWUA, Local 601" or "Local 601") filed motions to intervene in this matter respectively. By letters dated January 22, 2008 and March 7, 2008, Elster Integrated Solutions ("Elster"), a meter technology provider and Jersey Central Power and Light Company ("JCP&L") filed a motion to participate in this matter respectively. Counsel for Elster also filed a motion for admission Pro Hac Vice. On February 8, 2008, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") filed a motion objecting to the Company's December 11, 2007 petition and requested that the Board transmit the matter to the Office of Administrative Law ("OAL") as a contested case.

On May 15, 2008, PSE&G filed a letter of modification to the December 12, 2007 petition which it stated responds to the issues raised by Rate Counsel and various other parties. PSE&G stated that it commits to seeking BPU approval prior to deploying AMI or Smart Grid technology system-wide, if the Company decides to pursue such action after the pilot program's conclusion.

Comments on the Filing

As noted above, on February 8, 2008, Rate Counsel filed a letter requesting that the Board begin a full evidentiary process in the matter. Rate Counsel maintained that PSE&G's petition requesting determinations regarding the necessity of AMI for achieving energy efficiency goals and that the proposed Company initiative is the appropriate method "to inform the Board's decision on the technology required to support the Energy Master Plan goals and objectives" is both contested and dependent on the resolution of factual issues.

Rate Counsel argued that the December 12, 2007 petition was not simply requesting approval for the testing of new equipment, which does not require Board approval, but rather the Company was seeking approval of PSE&G's Strategic Vision for New Jersey, which included the development of "a consistent AMI business and technology approach."

Rate Counsel also argued that PSE&G's goals deserved more attention and deeper scrutiny than can be garnered in six working group meetings and that the Board should require the Company to support these claims and to quantify the benefits with sworn testimony that can be examined and

rebutted. Rate Counsel asserted that vague assertions of “Lower Energy Bills” and “Lower Market Price Benefits” cannot go unchallenged. Rate Counsel also argued that the Company provided the Board with no analysis regarding the price that a PSE&G customer will pay for these promised lower prices and lower bills and little information regarding the cost associated with testing AMI.

Rate Counsel and the AARP in its letter dated February 13, 2008 voiced concern that petition approval would allow the Company to proceed with full AMI deployment after the conclusion of the pilot program without further review and vetting by interested parties in the case.

By letter dated February 19, 2008, PSE&G responded to Rate Counsel’s claims, arguing that Rate Counsel erroneously opines that to institute such a program on an incomplete Energy Master Plan may be premature.² The Company further disputed Rate Counsel’s claim that this proceeding is a contested case, as it did not cite to any specific provision of the Administrative Procedures Act that would mandate that this matter be treated as a contested case. Also, PSE&G claimed that Rate Counsel would not be prejudiced in a subsequent cost recovery filing.

In a February 25, 2008 letter, Rate Counsel rebutted PSE&G’s February 19, 2008 response arguing that the Company never disputed Rate Counsel’s assertion that some of the relief requested by PSE&G in this proceeding is contested and dependent of the resolution of factual issues. Rate Counsel also corrected its alleged citation failure by referring to N.J.A.C. 1:1.2-1. Rate Counsel disputed PSE&G’s claim about “time is of the essence” since it asserted that the Company could have mitigated that claim, had it submitted a narrowly tailored request for Board approval of a limited technology test, which would have allowed this matter to be handled in a more timely and expeditious manner.

The Company in its March 3, 2008 letter also challenged the assertions made by AARP and argued that AARP’s intervention is inappropriate as the New Jersey Division of Rate Counsel represents the interests of all classes of customers, including AARP’s constituents.

In its February 26, 2008 letter, UWUA, Local 601 expressed its concern about the impact that a full-scale AMI deployment would have on its members claiming that the cost savings referred to by PSE&G undoubtedly refer to cost savings associated with the elimination of customer service, and call center positions as well as the elimination or reduction of other positions such as Field Collectors and Field Service Representatives due to the automation associated with AMI. UWUA, Local 601 argued that the implementation of AMI technology will result in a loss of over eight hundred positions in UWUA, Local 601, devastating the minority communities. UWUA, Local 601 also challenged other assertions made by PSE&G such as reductions in error reads and customer complaints with AMI.

By letter dated March 7, 2008, PSE&G supported the intervention of UWUA, Local 601 but disputed UWUA, Local 601’s assertions that error in bill readings will not be reduced, arguing that AMI eliminates estimated bills and that in order to meet the goals of the Energy Master Plan, the Company needs to start testing the AMI technology.

²The draft Energy Master Plan was released by Governor Corzine on April 17, 2008.

PSE&G's Revised Petition and Proposal

On May 15, 2008, PSE&G filed a letter of modification to the December 12, 2007 petition filing which it stated responds to the issues raised by Rate Counsel and the various other parties. The revised petition provides for the following:

Pilot Description

- PSE&G proposes a two-step AMI Technology Evaluation Pilot ("AMI Pilot").
 - 1 Step A technology evaluation:
 - Testing of three selected communication technologies, including Mesh Networks, Radio-Frequency ("RF"), Hierarchy (Point to Point) and Broadband over Power Line ("BPL") as well as a Meter Data Management System which is a central repository used to collect, validate, and store meter data.
 - The objective is to identify the strengths and weaknesses of the equipment and technologies; their ability to be integrated into the Company's existing distribution system and to test a Meter Data Management System, management and delivery network, and a cost projection representative for large-scale implementation.
 - Approximately 15,000 to 20,000 meter points would be installed in Wayne, Paterson and Totowa at an approximate cost of \$8 million to \$10 million.
 - The technology evaluation would be conducted for a 12-month period from September 2008 to September 2009.

The Company is also proposing to test a Meter Data Management System while working with its major application software provider, SAP, to develop an integrated solution and a select group of other utilities and vendors to design and evaluate a meter data management solution that is well integrated to market leading AMI systems. The Company will collect and store customer meter data with the AMI head-end system as well as continuing to read meters manually.

- According to the Company, the technology lab will also be used to test the operations of Home Area Networks and related devices such as Smart Thermostats and Load Control Switches. According to PSE&G, the lab will allow it to perform testing in different operating environments and simulate worse case conditions (i.e., place behind metal partitions and in different temperature settings, create interference, etc). Smart thermostats will also be tested in actual field conditions by deploying them in a substation building and temporary PSE&G work trailers.

The Company will submit a final Technical Evaluation Report to the Board at the pilot's conclusion for its information and consideration in the Board's evaluation of an appropriate AMI strategy for PSE&G and its customers. Interested parties would be free to comment on this report.

2. Step 2: An educational stakeholder forum consisting of six (6) specific AMI topics to be discussed at meetings held at the Company's offices in Newark:

- The objective is to allow interested parties to provide input to help the Company refine strategic and policy goals for AMI.

The proposed topics for the six meetings are:

- Overview of PSE&G's filing, AMI deployment strategy and objectives, AMI and New Jersey's EMP Goals.
 - Technology and market assessment.
 - Societal, customer and system benefits and potential future benefits of AMI.
 - Smart grid and demand response applications.
 - Cost assessment and cost benefit analysis.
 - PSE&G's business vision and management philosophy for full-scale deployment.
- The educational forum would begin in July 2008.
 - A Final Educational Stakeholder Report, including all comments filed by participants, will be submitted to the Board, Rate Counsel, and interested parties after the conclusion of the final stakeholder forum.

Comments on Revised Filing

On June 6, 2008, parties who submitted motions or comments were advised that the revised May 15, 2008 petition would be heard at the Board's June 11, 2008 agenda meeting (subsequently rescheduled to June 13, 2008) and that if the parties had any comments, the comments should be submitted by June 9, 2008. Only the Utility Workers Union of America, Local 601, submitted comments.

On June 6, 2008, the Utility Workers Union of America, Local 601 filed a letter with the Board objecting to this matter being heard as part of the agenda on June 11, 2008, and requesting an adjournment of the Board's consideration of PSE&G's revised May 15, 2008 petition in this matter for several reasons. UWUA, Local 601 stated that, despite having filed a motion to intervene, UWUA, Local 601 was never served with the modified filing and then only served notice on June 6, 2008 by PSE&G that the matter was going on the Board's June 11, 2008 agenda. UWUA, Local 601 argued that this notice provided inadequate time to prepare the necessary comments. UWUA, Local 601 further stated that counsel for UWUA, Local 601 will be on trial on June 11, 2008, and said trial could not be adjourned. UWUA, Local 601 also stated that Mr. Noel Christmas, President of Local 601 will also be unavailable on June 11, 2008.

On June 9, 2008, PSE&G responded to UWUA, Local 601's June 6, 2008 letter, apologizing for the inadvertent omission of UWUA, Local 601 to the service list regarding PSE&G's revised filing, dated May 15, 2008. PSE&G argued that it had no intention to deliberately not serve UWUA, Local 601 with the revised filing. The Company took exception to UWUA, Local 601's argument that the Board's consideration of the modified petition should be adjourned due to the unavailability of the UWUA, Local 601's counsel and president since PSE&G asserted that this matter is not a contested case and thus the motion to intervene or in the alternative to participate should be considered moot. PSE&G also argued that another representative and attorney could

make themselves available on June 11, 2008 and any transcript of the Board's decision could be expedited for their review. PSE&G further argued that UWUA, Local 601 will have the opportunity to fully participate in the educational stakeholder forum.

On June 9, 2008, UWUA, Local 601 filed a reply to PSE&G's June 9, 2008 letter to the Board claiming that PSE&G's letter contains mischaracterizations. UWUA, Local 601 argued that it was not served with PSE&G's revised filing until June 6, 2008, and then only as part of a chain email. It stated that it had no notice that this matter was going on the Board's agenda this week and other commitments were previously scheduled, in particular a trial from June 11 through the 13 and which cannot be adjourned. UWUA, Local 601 also took exception to PSE&G's claim that this matter is uncontested. UWUA, Local 601 argued it must be given a fair opportunity to review and comment upon PSE&G's revised filing. UWUA, Local 601 argued that they have yet to file comments and PSE&G has no one to blame but themselves for any delay in this matter.

On June 10, 2008, PSE&G filed a letter responding to UWUA, Local 601's June 9, 2008 letter. PSE&G argued that UWUA, Local 601 is not a formal party to this case. PSE&G noted that the Board has yet to act on its motion and cited to the definition of "party" and "intervention" as defined in N.J.A.C. 1:1-2.1. PSE&G argued that its inclusion of UWUA, Local 601 on the service list was PSE&G's attempt to be cooperative and courteous. PSE&G further argued that UWUA, Local 601 should have taken notice of the Board's agenda meeting as posted on the Board's website and that these meetings are not scheduled around a party's availability. PSE&G challenged UWUA, Local 601's claim that this case is contested, arguing that the revised filing calls for a gathering of information and data regarding AMI through the technology test and is soliciting expressions of public sentiment on AMI from various interested parties through the educational stakeholder forum. PSE&G argued that UWUA, Local 601's alleged factual issues refer to the original filing and do not exist with the revised filing. Issues raised in UWUA, Local 601's letters will be the subject of discussion in the stakeholder forums where it will have the opportunity to vet them among all interested stakeholders. UWUA, Local 601's challenge of whether AMI will reduce errors will be evaluated in the testing of the AMI technology. PSE&G stated that it will not only be reading the participating customers' meters remotely, but will also read the meters manually to have data to make this comparison. PSE&G also argued that UWUA, Local 601's allegations that the number of customer complaints would increase is unfounded since PSE&G's revised filing will only test AMI communication technologies between the meter itself and the utility, and the AMI pilot has limited interaction with any of PSE&G's customers. PSE&G stated that customers will only know that they will be given a new electric interval meter and a retrofitting of the existing gas meter that will read the meter and collect interval data and transmit the data to a central data collection point, at which time the data will then be transmitted to the utility. PSE&G further argued that after the conclusion of the AMI technology test, if PSE&G files for a petition requesting full system wide AMI deployment, UWUA, Local 601 may file for intervention.

On June 10, 2008, Local 601 filed a letter responding to PSE&G's June 10 letter. Local 601 stated that PSE&G has known at all relevant times that Local 601 is an interested party and that PSE&G consented to Local 601's intervention. Local 601 argued that its cursory review of PSE&G's revised filing shows that PSE&G is attempting to test certain AMI technologies prior to an evaluation of the potential impacts of such technologies and that Local 601 has a right to further explore these issues via a formal submission with comments to the Board, and sees no reason why the matter cannot be adjourned until the next Board meeting on July 9, 2008.

On June 12, 2008, Local 601 filed an additional letter regarding this matter being considered on the June 13, 2008 agenda. Local 601 stated in its June 12 letter that it was withdrawing its

objection to PSE&G's revised filing being considered at the agenda meeting scheduled for June 13, 2008. Local 601 expressly reserved its right to object to further implementation of advanced metering infrastructure of similar initiatives which may be considered at a future time.

DISCUSSION

The Board has carefully reviewed the record in this matter, including the Company's December 12, 2007 petition, and May 15, 2008 revised petition, and the intervention letters and comments submitted by interested parties. The revised petition in this proceeding is seeking approval to perform a technology test without any attempt to commence a full-scale deployment of AMI across its service territory and without any impact to union employees and has limited interaction with customers at this time. Customers will be given a new electric interval meter and a retrofitting of the existing gas meter. The Company will continue to read meters as they currently do during this test pilot. Ordinarily, technology evaluations do not require Board pre-approval, as the utilities continually test new equipment, software and hardware. This is part of the normal course of business to improve operations and reliability and service quality.

The Board ACKNOWLEDGES PSE&G's proposed AMI Technology Evaluation Pilot over a 12-month period, recognizing that it is within the Company's normal course of business to test, evaluate and analyze the costs and benefits of emerging technologies to determine whether these could improve operations, reliability, and service quality. Approval to perform a technology test ordinarily does not need Board authorization and approval. It is advisable, and utilities are encouraged, to test new technologies, particularly if they are costly and/or may involve broad deployment. In fact, the State's Draft Energy Master Plan ("EMP") calls for a "proof-of-concept" pilot for smart grid technology, of which AMI is a component. Such testing, as PSE&G proposes, shall be consistent with the EMP. The Board EMPHASIZES that this acknowledgement is limited to PSE&G's AMI Technology Evaluation pilot, should not be construed as approval for implementation of AMI at this time and does not in any way indicate the Board's opinion with regard to any potential future request by PSE&G to implement AMI in its service territory. The Board further EMPHASIZES that its acknowledgement of the pilot program does not constitute or in any way grant pre-approval of program pilot costs. Any determination regarding any petition by the Company requesting cost recovery shall be subject to prudence reviews. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matters affecting Petitioner including but not limited to the a request for cost recovery of program pilot costs and/or request for the implementation of AMI. The Board reserves its full rights to review for prudence, reasonableness and appropriateness both the program and the related costs. Moreover, this acknowledgement does not prejudice any interested party to discuss its concerns in this proceeding through the stakeholder process proposed by PSE&G and/or through a separate proceeding should the Company choose to file for implementation of AMI after the conclusion of the AMI Pilot. Thus, the record in this matter is not closed and any interested party may participate in the stakeholder forums that PSE&G is planning on conducting with the parties in this matter. PSE&G is HEREBY DIRECTED to petition the Board for approval and authorization prior to effectuating any decision to implement AMI because this could eventually be a very costly investment. This will enable the Board to consider such a program, including but not limited to the cost to ratepayers, the reliability of such technology and whether ratepayers will benefit and any other impacts or benefits resulting from the program.

Thus, the Board's acknowledgement of the Company's proposed AMI pilot program does not constitute and shall not be construed in any way as constituting any findings on the necessity or appropriateness of these AMI technologies in general, or AMI implementation in particular, and also does not constitute any findings on the reasonableness of any future request by the Company for recovery of any of the costs related to this pilot program.

The Board will keep this docket open in the event PSE&G files for implementation of AMI after the conclusion of the AMI Pilot. Because the Board is holding this docket open, it makes no determination on the pending motion for hearing by Rate Counsel or the pending motions for participation and intervention by other parties. The parties may re-file any such motions if PSE&G files for implementation of AMI. The Board is not making any determination at this time whether this or any future filing is a contested case or requires evidentiary hearings.

PSE&G is further DIRECTED to examine as part of the test pilot the capability of using an internet based communication method and technology to communicate with the meter and bring data back to the Company and its data collection system without the need to deploy any new communication infrastructure. PSE&G shall add to its pilot an internet component in the communications cycle of the pilot program to investigate the internet as an available communication resource value for consumers in such programs as well as testing the internet as an interface for the Company. The report shall assess its value and benefits related to the utility and/or customer communications in any possible future implementation of AMI and Smart Grid

The Board DIRECTS PSE&G to provide the final Technical Evaluation Report resulting from this test pilot to the Board, Board Staff and Rate Counsel as well as the parties who have expressed an interest in this matter.

DATED: 7/3/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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

