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**REMARKS OF STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL**

**I/M/O THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS
COMPANY FOR APPROVAL OF THE ENERGY STRONG PROGRAM
BPU Docket No. EO13020155 and GO13020156**

**PUBLIC HEARING
Essex County College
303 University Avenue
J. Harry Smith Hall- Room 2131
Newark, New Jersey**

**Monday, September 16, 2013
3:30 p.m. and 6:30 p.m.**

Good afternoon. My name is Stefanie Brand and I am the Director of the Division of Rate Counsel. Our office was created by the New Jersey Legislature to represent ratepayers in cases such as this involving public utility service and rates.

Public Service Electric & Gas Company¹ filed a proposal on February 20, 2013 with the New Jersey Board of Public Utilities² requesting that the

¹ "PSE&G" or the "Company".

² "Board" or "BPU".

Board approve the first phase of a two phase program totaling approximately \$3.9 billion to enhance PSE&G's infrastructure and its response to major storms. As filed, the first phase is a five year program that will cost approximately \$1.7 billion for electric delivery upgrades and approximately \$902 million of gas delivery upgrades for a total phase one cost of \$2.6 billion. As proposed by the Company, this would initially increase rates to be paid by the Company's electric customers by \$16.411 million annually and would initially increase rates to be paid by the Company's gas customers by \$12.970 million annually, effective January 1, 2014.

A typical residential electric customer using 780 kilowatthours per summer month and 7,360 kilowatthours on an annual basis would see an initial increase in the annual bill from \$1,349.08 to \$1,353.60, or \$4.52 or approximately 0.34%.

Using the Company's current projections and assuming full implementation of the five year program as proposed, the anticipated annual rate increases for the typical residential electric customer would be: \$16.32 or approximately 1.21% in Year 2; \$33.44 or approximately 2.48% in Year 3; \$48.72 or approximately 3.61% in Year 4; \$60.08 or

approximately 4.45% in Year 5; and \$60.48 or approximately 4.48% in Year 6.

PSE&G's residential gas customers would also see increases in their annual bills. A residential gas heating customer using 100 therms per month during the winter months and 660 therms on an annual basis would see an initial increase in the annual bill from \$731.27 to \$736.07, or \$4.80 or approximately 0.66%. Similarly, a typical residential gas heating customer using 160 therms per month during the winter months and 1,050 therms on an annual basis would see an initial increase in the annual bill from \$1,121.51 to \$1,128.39, or \$6.88 or approximately 0.61%.

Using the Company's current projections and assuming full implementation of the five year program as proposed, the anticipated annual bill increases for the typical gas heating customer using 1,050 therms annually would be: \$18.96 or approximately 1.69% in Year 2; \$31.80 or approximately 2.84% in Year 3; \$45.10 or approximately 4.02% in Year 4; \$57.88 or approximately 5.16% in Year 5; and \$58.40 or approximately 5.21% in Year 6.

At issue in this proceeding are: (1) the prudence, cost effectiveness and cost efficiency of the activities and programs proposed for the first five years of the proposed Energy Strong program; (2) the reasonableness and

lawfulness of the proposed cost recovery mechanism; and the reasonableness of rates proposed for January 1, 2014.

Our office is conducting a complete review of the Company's request and the individual capital improvements proposed by PSE&G. We have retained the services of expert consultants to assist us in our review. While this review is ongoing, we have learned a few things already. First, while the stated goal of this multi-billion dollar program is to prevent or reduce outages in future storms, PSE&G itself has admitted that if the program is approved, only 39% of the customers who experienced outages in Superstorm Sandy will not suffer an outage or will suffer one of a shorter duration. That means that after paying the increases I just outlined, 61% of PSE&G's customers will be in the same position they were in during Sandy. Of the 39% that do see improvement, many will simply see an outage that's a few hours shorter. So I urge the public to understand the truth, which is that for most people, if a storm like Sandy ever comes back, this program is not likely to put them in a better position.

Second, there should be no misperception by the public that this program will not raise rates. As I mentioned there are specific and quantifiable increases that will result if this program is approved. The Company has attempted to distance itself from these increases arguing

that because certain surcharges are coming off ratepayers' bills, the net effect will not be significant. The public should not be duped by these claims. The surcharges coming off include surcharges that were imposed during deregulation to compensate PSE&G for "stranded costs" that they never ended up incurring. So the expiration of those surcharges should not be viewed as an opportunity to pay PSE&G to do something else, but a long-awaited opportunity to give ratepayers some relief from paying those extra dollars to the Company.

Third, it is important for the public to understand that the way PSE&G has proposed to be paid for this work is not how they get paid for all the other work that they do. Normally, a utility decides what work needs to be done and finances it either by borrowing money or raising it from their shareholders. Ratepayers then pay them back over time and pay them a return to compensate them for the risk they have taken by laying the money out and the time it will take to pay them back. Here, they are proposing that ratepayers pay for the work as it gets done. Yet PSE&G still wants the full return that they would get if they fronted the money. Not only does this remove incentives for them to keep costs down, it provides an unfair, and we believe illegal, windfall to the Company and its shareholders.

This is not to say that Rate Counsel wouldn't support cost effective measures that will bring a real improvement in our storm response. There may be some projects embedded in this proposal that we may support. But if a project does not provide greater benefits than it costs, we think the money is better spent on other things. If a project or series of projects will not prevent outages or enhance our response to storms, then ratepayers should not be asked to fund them. Rate Counsel will continue its investigation and its focus on whether there are aspects of the proposal filed by PSE&G that are necessary, cost effective, prudent and reasonable. But we will not support a program that simply throws money at the problem without providing real benefits. We will not support a program if the rate increase and method of cost recovery is not fair and reasonable. While we understand the need to respond better to storms, we also understand the need to make sure that New Jersey's residents and businesses do not pay more than they have to in order to receive safe, reliable and proper service.

The purpose of this hearing is for you, the customer, to voice your opinion, relate your experiences and offer comments about this matter. The BPU will make the final decision regarding PSE&G's Energy Strong program and the resulting impact on PSE&G's customers. It is important that you express your views so they may become part of the record on

which the Board makes its decision. Rate Counsel also needs to hear your views. Your active participation is strongly encouraged to help in our evaluation of the Company's proposals.

This hearing is being transcribed and your comments will become part of the record. I would like to reiterate the importance of your participation so that Rate Counsel can have a clear record of your concerns and interests.

On behalf of Rate Counsel, thank you for attending today's hearing.