ANNOUNCEMENT OF STAKEHOLDER PROCESS

In recent years, the New Jersey Board of Public Utilities ("Board") has approved in excess of $3 billion in "Infrastructure Programs" administered by energy and water utilities related to resiliency and reliability. The Board has approved the Distributed System Improvement Charge ("DSIC") for water companies, and separately, large Infrastructure Programs to implement repairs and replacements after Superstorm Sandy and Hurricane Irene. While each Infrastructure Program has been handled by the Board on an individual basis, the Board has nevertheless developed certain requirements and processes to protect ratepayers and facilitate replacement and repair of aging utility infrastructure.

Board Staff has been directed to establish a stakeholder process to receive comments and proposals regarding potential regulations and filing requirements for additional infrastructure projects that will not be included as part of a utility's Capital Expenditures ("CapEx"). After consideration by the Board, this straw proposal may result in a rule applicable to a utility that wishes to establish or expand an Infrastructure Program.

The straw proposal concerning Infrastructure Programs will be the subject of a stakeholder meeting to be held on May 4, 2017 at 1:00 pm at the Board's offices, located at 44 South Clinton Avenue, Trenton, NJ 08625. Public comments are invited. Written comments are also invited and must be submitted to Irene Kim Asbury, Secretary, New Jersey Board of Public Utilities, 44 South Clinton Avenue, 3rd Floor, Suite 314, CN 350, Trenton, New Jersey 08625, on or before May 12, 2017.

The following topics are included for discussion and comment at the stakeholder meeting and by written submissions:

1. The Infrastructure Program may be for a period of five (5) years or less.

2. The Infrastructure Programs are voluntary.

3. **Any Infrastructure Program must be incremental to the Utility's average CapEx over the prior five years.**

4. **A filing in support of an Infrastructure Program must:**

   a) **Include projected annual CapEx budgets for a five-year period, broken down by major category of expenditures;**

   b) **Specify the projects, and include descriptions of project objectives and detailed cost estimates;**

   c) **Include an Infrastructure Program budget establishing the maximum (or "cap") that can be spent (although year to year variations of ten percent will be allowed, and larger variations may be permitted with Board approval);**

   d) **Include similar projects within the utility's CapEx budget equal to ten percent of the amount of the Infrastructure Program; and be supported with semi-annual status reports for project management oversight purposes.**

5. **The projects within the Infrastructure Program must be related to reliability, resiliency, and/or replacement and may include, but are not limited to:**

   a) **Replacement of Gas Utilization Pressure Cast Iron mains with elevated pressure mains and associated services;**

   b) **Replacement of Gas bare steel and coated steel mains and services;**

   c) **Installation of Gas Excess Flow Valves where necessary;**

d) Electric distribution automation investments, for example, SCADA equipment, relays, reclosers, Volt/VAR control, communications networks, and Distribution Management System Integration;

e) Resiliency or Redundancy Projects; and

f) Projects deemed by the Board to involve critical interconnections of a utility plant.

6. The projects must be non-revenue producing. Blanket Infrastructure Programs will not be eligible.

7. Cost recovery will be through a surcharge mechanism that will allow accelerated recovery.

8. The Infrastructure Program must include a cost benefit analysis.

9. The maximum annual increase in rates attributable to an Infrastructure Program will be two percent.

10. For combination utilities, separate gas and electric Infrastructure Programs may be established, each with their own respective spending caps.

11. Allowance for Funds Used During Construction ("AFUDC") would be allowed but not deferred accounting once facilities are in service.

12. The utilities will be allowed to file rate recovery petitions on a semi-annual basis provided at least ten percent of the Infrastructure Program's costs were in service during the semi-annual period.

13. Rates will be provisional, with prudency to be determined in the next base rate case, which will be required to be filed no later than five years after the approval of the Infrastructure Program.

14. An annual earnings test shall be required, which shall include an unadjusted cost and revenue study.

15. If the calculated Return on Equity ("ROE") exceeds the allowed ROE from the last base rate case by fifty basis points, there will be no accelerated recovery for the next six months and until a new calculation shows no return over the fifty basis points.

16. Water utilities may use this method for infrastructure improvements or may use the Board's DSIC rules.