

Agenda Date: 10/16/13 Agenda Item: 2G

**ENERGY** 

# STATE OF NEW JERSEY

Board of Public Utilities 44 South Clinton Avenue, 9<sup>th</sup> Floor Post Office Box 350 Trenton, New Jersey 08625-0350 www.nj.gov/bpu/

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE ENERGY STRONG PROGRAM	)	ORDER ON INTERLOCUTORY APPEAL
	)	BPU Docket Nos. EO13020155 GO13020156

#### Parties of Record:

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#### BY THE BOARD:

On January 23, 2013, the New Jersey Board of Public Utilities ("Board" or "BPU") issued an Order¹ ("January 23 Order") addressing five categories of potential improvements to be undertaken by New Jersey's electric distribution companies ('EDCs') in response to large scale weather events. These categories include: 1) Preparedness Efforts; 2) Communications; 3) Restoration and Response; 4) Post Event; and 5) Underlying Infrastructure Issues.

In the January 23, 2013 Order, among other actions, the Board directed the EDCs to take specific actions to improve their preparedness for major storms. As part of this response, the Board required the EDCs to provide detailed cost benefit analysis associated with a variety of utility infrastructure upgrades. The Board further required the EDCs to "carefully examine their

<sup>&</sup>lt;sup>1</sup> In re the Board's Review of the Utilities Response to Hurricane Irene, Order Accepting Consultants' Report and Additional Staff Recommendations and Requiring Electric Utilities to Implement Recommendations, BPU Docket No. EO11090543, January 23, 2013.

infrastructure and use data available to determine how substations can be better protected from flooding, how vegetation management is impacting electric systems, and how Distribution Automation can be incorporated to improve reliability." January 23 Order at 56.

On February 20, 2013, Public Service Electric and Gas Company ("PSE&G") petitioned the Board for approval of a program and the recovery of costs to bolster its "electric and gas infrastructure to make them less susceptible to damage from wind, flying debris and water damage in anticipation" of future Major Storm Events (hereafter "Energy Strong"). PSE&G requested approval of approximately \$2.5 billion in infrastructure upgrades, the cost of which is to be collected from ratepayers over a period of five years though the implementation of an "Energy Strong Adjustment Mechanism." PSE&G further requested that the Board approve this expenditure and recovery mechanism by July 1, 2013.

On March 20, 2013, the Board opened a generic proceeding (hereinafter "Storm Mitigation Proceeding") to investigate possible avenues to support and protect New Jersey's utility infrastructure so that it may be better able to withstand the effects of Major Storm Events<sup>2</sup> and focused on category 5 of the January 23, 2013 Order- Underlying Infrastructure Issues for all utility companies, not exclusively the EDCs. It also invited all regulated utilities to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future Major Storm Events, pursuant to the terms and at the level of detail requested in the January 23 Order. Additionally, the Board found that the PSE&G Energy Strong petition, and all future petitions within the Storm Mitigation Proceeding, should be retained by the Board for review and hearing as authorized by N.J.S.A. 52:14F-8.

By Order dated June 21, 2013<sup>3</sup>, the Board authorized PSE&G to implement certain Board Staff recommendations related to the Energy Strong Station Flood and Storm Surge Mitigation subprogram. That Order also designated Commissioner Joseph Fiordaliso as the presiding commissioner for the Energy Strong petition with authority to rule on all motions that arise within the proceeding, and to modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.

On July 2, 2013, Commissioner Fiordaliso granted the motions of the New Jersey Large Energy Users Coalition ("NJLEUC") and AARP to enter the pending matter as intervenors, and granted the motion of the Unions to participate in the matter. On August 2, 2013, Commissioner Fiordaliso denied the motion of the Sierra Club and the New Jersey Environmental Federation ("Environmental Participants") to intervene in this proceeding, and granted them participant status under N.J.A.C. 1:1-16.6 limited to the providing of statements or briefs ("August 2 Order"). Commissioner Fiordaliso found that while the Environmental Participants could provide a prospective on proposals to increase the resiliency of PSE&G's infrastructure and the reliability of its electric and gas delivery services that is different from the other parties to this proceeding, they had not shown that the interest that they represent will be directly affected by the outcome of the case, and that as participants they could share their expertise on issues within the scope of the case. The Environmental Participants filed a motion for interlocutory review which was accepted by the Board. In an Order dated September 18, 2013, this Board

<sup>&</sup>lt;sup>2</sup> "Major Storm Event" is defined as sustained impact on or interruption of utility service resulting from conditions beyond the control of the utility that affect at least 10 percent of the customers in an operating area.

<sup>&</sup>lt;sup>3</sup>In the Matter of the Petition of Public Service Electric and Gas Company for Approval of the Energy Strong Program – Request for Specific Action - Docket Nos. EO13020155 and GO13020156.

affirmed the August 2 Order adding the right to argue orally to the rights granted by Commissioner Fiordaliso.

By Order dated September 30, 2013, ("September 30 Order") Commissioner Fiordaliso ruled on various motions to intervene that had been filed during August, including that of the Environmental Defense Fund ("EDF"). Commissioner Fiordaliso found that EDF's interest in the case is similar to the interests of the Environmental Participants. He also found that EDF's expressed interest focusing on advancing "smart" electric and gas systems and ensuring that grid investments maximize the potential to create a cleaner, more resilient electric and gas system mirrored those presented by the Environmental Participants, and that while the Board has supported and continues to support distributed generation and energy efficiency and demand response programs, there is a concern that adding those issues to the current proceeding will distract from the primary purpose of the generic storm mitigation proceedings improving the resiliency of utility infrastructure and its ability to withstand severe weather events. Additionally, Commissioner Fiordaliso was concerned that the addition of these issues may unduly confuse and delay this matter; however, he found that EDF's extensive interest and knowledge and its involvement with multiple national research projects, including the National Academy of Sciences "Methane Study," may add constructively to the case, thereby justifying its participation in this matter in the same manner as the Environmental Participants, especially in the area of gas infrastructure and methane gas leakage prevention. He therefore granted EDF participant status with the right to argue orally and file statements or briefs.

# The EDF's Request for Interlocutory Review

By motion dated October 4, 2013, EDF filed a request for interlocutory review of the September 30 Order "on an expedited basis" denying its motion to intervene and granting it participant status with all of the rights afforded under N.J.A.C. 1:1-16.6. EDF requests that the Board accept interlocutory review of the September 30 Order, overturn the denial of its motion to intervene, and grant it full intervenor status. EDF Request for Interlocutory Review at 1.

According to EDF, it is a national non-profit organization with more than 10,000 active members in New Jersey. EDF asserts that it has deep knowledge and expertise in costal restoration, and is actively working to ensure that coastal projects in the Mississippi Delta receive appropriate funding. Id. at 2. EDF assets that it brings a unique perspective and expertise to this proceeding which no current intervenor can offer. EDF seeks expedited review because under the schedule adopted in the August 2, 2013 Prehearing Order, intervenor testimony is due on October 18, 2013, and EDF is prepared to file. Id. at 3.

EDF maintains that it cannot add constructively to the case in a convincing manner unless it can submit testimony, conduct cross examination and fully participate in conferences. EDF seeks to provide constructive expert perspectives on flood mitigation planning and projection. <u>Id.</u> at 9. EDF also maintain that unless it is granted intervenor status, a ruling on the Energy Strong proposal will lack "adequate environmental examination." <u>Id.</u> at 10.

EDF asserts that the September 30 Order was incorrect in finding that EDF's interests are not sufficiently different from those of the Environmental Participants as EDF's interests are broader than those raised by the Environmental Participants. <u>Ibid.</u> EDF maintains that the September 30 Order did not adequately evaluate EDF's interests which include not only methane leakage but also substation flooding mitigation, and requests that the Board evaluate these interests as part of its review. Id. at 11.

EDF argues that as a representative of environmental issues, EDF has standing under the statutes that recognize that environmental interests are relevant to the public interest and must be considered when a determination is made on a petition or filing. Additionally, there is a long history of allowing intervention by organizations with a wide range of environmental interests. EDF is concerned that absent expert testimony of environmental intervenors, the PSE&G plan will not be sufficiently resilient and will not harden the distribution systems in ways that also protect the environment and the public from Major Storms. <u>Id.</u> at 13-14.

EDF reiterates its position that its interests are unique and not adequately represented by any other intervenor or party, and that EDF's members are ratepayers. EDF also contests the conclusion that it may interject issues outside the focus of this proceeding, as EDF seeks to provide expert testimony on issues germane to the proceeding, including methane leakage and flood planning. EDF states it fully intends to limit its participation to issues that are within the scope of the proceeding. Id. at 14.

No responses to the request for interlocutory review were received.

## **DISCUSSION AND FINDINGS**

An order or ruling of an individual Commissioner designated as a hearing officer for a particular matter, like an order of an ALJ, may be reviewed interlocutorily by the full Board at the request of a party. N.J.A.C. 1:1-14.10(a). Pursuant to N.J.A.C. 1:14-14.4(a), a rule of special applicability that supplements N.J.A.C. 1:1-14.10, the Board shall determine whether to accept the request and conduct an interlocutory review by the later of (i) ten days after receiving the request for interlocutory review or (ii) the Board's next regularly scheduled open meeting after expiration of the 10-day period from receipt of the request for interlocutory review. In addition, under N.J.A.C. 1:14-14.4(b), if the Board determines to conduct an interlocutory review, it shall issue a decision, order, or other disposition of the review within 20 days of that determination. Under N.J.A.C. 1:14-14.4(c), if the Board does not issue an order within the timeframe set out in N.J.A.C. 1:14-14.4(b), the ruling shall be considered conditionally affirmed.

As previously stated, the request was filed on or about October 4, 2013. Therefore, the Board is addressing this request at its next regularly scheduled open meeting after the expiration of the ten day period. Since no responses to the request were received, the Board shall address both whether to grant review and review of the merits of the request in this Order.

The legal standard for accepting a matter for interlocutory review, is stated in In re Uniform Administrative Procedure Rules, 90 N.J. 85 (1982). In that case, the Court concluded that an agency has the right to review ALJ orders on an interlocutory basis "to determine whether they are reasonably likely to interfere with the decisional process or have a substantial effect upon the ultimate outcome of the proceeding." Id. at 97-98. The Court also held that the agency head has broad discretion to determine which ALJ orders are subject to review on an interlocutory basis. However, it noted that the power of the agency head to review ALJ orders on an interlocutory basis is not itself totally unlimited, and that interlocutory review of ALJ orders should be exercised sparingly. In this regard, the Court noted:

In general, interlocutory review by courts is rarely granted because of the strong policy against piecemeal adjudications. See Hudson v. Hudson, 36 N.J. 549 (1962); Pennsylvania Railroad, 20 N.J. 398. Considerations of efficiency and economy also have pertinency in the field of Administrative law. See Hackensack v. Winner, 82 N.J. at 31-33; Hinfey v. Matawan Reg. Bd. of Ed., 77 N.J. 514

(1978). See infra at 102, n.6. Our State has long favored uninterrupted proceedings at the trial level, with a single and complete review, so as to avoid the possible inconvenience, expense and delay of a fragmented adjudication. Thus, "leave is granted only in the exceptional case where, on a balance of interests, justice suggests the need for review of the interlocutory order in advance of final judgment." Sullivan, "Interlocutory Appeals," 92 N.J.L.J. 162 (1969). These same principles should apply to an administrative tribunal.

[90 N.J. at 100].

The Court held that interlocutory review may be granted "only in the interest of justice or for good cause shown." Ibid. In defining "good cause," the Court stated:

In the administrative arena, good cause will exist whenever, in the sound discretion of the agency head, there is a likelihood that such an interlocutory order will have an impact upon the status of the parties, the number and nature of claims or defenses, the identity and scope of issues, the presentation of evidence, the decisional process, or the outcome of the case.

[lbid.]

As stated above, the decision to grant interlocutory review is committed to the sound discretion of the Board, and is to be exercised sparingly to avoid piecemeal adjudication. Given that the September 30 Order affects the status of EDF in the Energy Strong proceeding, the Board <u>FINDS</u> that interlocutory review is warranted here. Accordingly, the Board <u>HEREBY GRANTS</u> EDF's request for interlocutory review of Commissioner Fiordaliso's September 30, 2013 Order.

Turning to the merits of the request that the Commissioner's order be overturned and that EDF be granted intervenor status rather than participant status, EDF argues its members who are ratepayers of PSE&G will be substantially, specifically and directly affected by the outcome of this case, and as such EDF has sought leave to intervene. EDF argues that absent full intervention by EDF there will be inadequate review of the possible environmental impacts of the proposed Energy Strong program. Additionally, EDF argues that only through granting EDF full intervention status and allowing EDF to file testimony will there be sufficient review of the PSE&G proposal will not be sufficiently resilient and will not harden the electric and gas distribution systems in ways that also protect the environment. EDF Request for Review at 14.

Commissioner Fiordaliso's September 30, 2013 Order clearly outlines the standard of review in ruling on a motion to intervene. N.J.A.C. 1:1-16 (a) requires the decision-maker considers the following factors:

- 1. The nature and extent of the moving party's interest in the outcome of the case;
- 2. Whether that interest is sufficiently different from that of any other party so as to add measurably and constructively to the scope of the case;
- 3. The prospect for confusion and delay arising from inclusion of the party, and
- 4. Other appropriate matters.

If the standard for intervention is not met, <u>N.J.A.C.</u> 1:1-16.5 provides for the more limited form of involvement in the proceeding as a "participant", if, in the discretion of the trier of fact, the addition of the moving party is likely to add constructively to the case without causing undue delay or confusion. Under N.J.A.C. 1:1-16.6(c), such participation is limited to the right to argue

orally, or file a statement or brief, or file exceptions, or all of these as determined by the trier of fact.

Commissioner Fiordaliso considered EDF's motion for intervention and determined that EDF's interests mirrored those of the Environmental Participants, and to the extent that EDF could provide a different prospective on the proposals to increase resiliency of PSE&G's infrastructure and the reliability of its delivery services under extreme weather conditions, especially as to methane leakage, EDF should be granted participant status with the opportunity to raise issues of concern, to the extent that they are relevant to these proceedings through the filing of statements and briefs, and through oral argument. See Order, In re Atlantic City Electric Company, BPU Docket No. ER02080510 (January 15, 2003).

As described above, this proceeding is focused on actions that can be taken to improve the resiliency of PSE&G's infrastructure in the face of Major Storm Events, including such measures as flood and storm surge protection for substations. The January 23 Order included very specific, and relatively short-term, actions to be taken with respect to underlying infrastructure issues.<sup>4</sup> The March 20, 2013 Order<sup>5</sup> specifically directs the utilities to address infrastructure upgrades designed to better withstand severe weather. As such, this proceeding is unlike a petition for approval of a merger which asks that the Board review the total benefits of a proposed business combination — a broad spectrum of issues. See Order, In re the Joint Petition of PSE&G and Exelon Corp. for Approval of a Change in Control, EM05020106 (Nov. 17, 2005) (finding that the NJDEP had a role to play in the evaluation of the effect of a change in control on the safety of nuclear generation which can have a direct impact on the safe and adequate provision of utility distribution and basic generation services).

In this case, the Board has directed narrowly focused proposals to increase the resiliency of utility infrastructure and its ability to withstand severe weather events. The March 20, 2013 Order directed Staff to evaluate the measure proposed by PSE&G for Major Storm Event mitigation to determine whether those measures satisfy the requirements of the January 23 Order, and to distinguish storm hardening and mitigation efforts from normal operation and maintenance, reliability projects and programs necessary to maintain safe, adequate and proper service. The Board's priority in these Storm Mitigation proceedings is to implement the recommendations of the January 23 Order. While the Board supports efforts to strengthen the New Jersey coastline, distributed generation, and energy efficiency and demand response programs and will continue to support environmentally responsible programs that are within its jurisdiction, the Board is concerned that adding those issues to the current proceeding may veer from this primary focus and may unduly confuse and delay this matter, notwithstanding EDF's commitment to adhere to the scope of this proceeding. As Commissioner Fiordaliso noted, the need and desire for the development of a full and complete record must be weighed against the need for prompt and expeditious administrative proceedings. While the Board agrees that EDF can provide a prospective that is different from other parties to the case (especially in the area of methane leakage), it is concerned that some of the interests articulated in the motion and in this request for interlocutory review lie beyond the scope of this proceeding. While the Board is concerned with ensuring that any infrastructure upgrades proposed are efficient and cost effective, as well as environmentally responsible, it is also concerned with ensuring that

January 23 Order at 56-59.

<sup>&</sup>lt;sup>5</sup> In the Matter of the Board's Establishment of a Generic Proceeding to Review Costs, Benefits, and Reliability Impacts of Major Storm Event Mitigation Efforts – Docket No. AX13030197

upgrades found to satisfy those criteria are done within a reasonable period of time. The Board is not persuaded that absent a grant of intervention to EDF, there will be an inadequate review of the environmental aspects of the proposed Energy Strong program as the Board is confident that those already active in the proceeding, including its own Staff, factor environmental impacts into their review of various storm mitigation proposals. EDF can appropriately share its expertise in methane leakage and flood mitigation planning and projection by participating in conferences and site visits, and filing statements and briefs including its perspective on the various proposals. Therefore, the Board HEREBY FINDS that the September 30 Order granting participant status provides the appropriate avenue for EDF to share its expertise to the extent that it is relevant to the issues raised by the Energy Strong petition.

Accordingly, after thoroughly reviewing the submission, and after due consideration of the arguments and the law, the Board HEREBY AFFIRMS the decision of Commissioner Joseph Fiordaliso denying EDF's motion to intervene and granting EDF participant status in this proceeding with the right to file statements and briefs and to argue orally.

The Board encourages EDF to work cooperatively to the fullest extent possible with the other parties to this proceeding.

DATED: 10/16/13

BOARD OF PUBLIC UTILITIES

PRESIDENT

EANNE M. FOX

COMMISSIONER

**OMMISSIONER** 

ATTEST:

SECRETARY

FIOŘDAL COMMISSIONER

COMMISSIONER

I HEREBY CERTIFY that the within

BPU DOCKET NOS. EO13020155

GO13020156

# IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE ENERGY STRONG PROGRAM BPU Docket Nos: EO13020155 & GO13020156

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