



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

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)	ORDER DESIGNATING
SERVICE ELECTRIC AND GAS COMPANY FOR)	COMMISSIONER AND
APPROVAL OF A GAS SYSTEM MODERNIZATION)	SETTING MANNER OF
PROGRAM AND ASSOCIATED COST RECOVERY)	SERVICE AND BAR DATE
MECHANISM)	
)	DOCKET NO. GR15030272

Parties of Record:

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

BY THE BOARD:¹

BACKGROUND

In the fourth quarter of 2008, the New Jersey Board of Public Utilities ("the Board") called upon the State's public utilities to formulate plans for enhanced investments in infrastructure that would both increase service reliability and promote economic development. On January 21, 2009, Public Service Electric and Gas ("PSE&G or the Company") filed a petition seeking approval of the Company's Capital Infrastructure Program ("CIP") to help revive the State's economy and stimulate job growth through capital spending projects.

On April 29, 2009, following execution of a Stipulation of Settlement between the Company, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel"), the Board issued an Order approving a \$273 million, twenty-four month-long, gas-related, job-creating capital infrastructure program ("CIP I").

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

On November 23, 2010, PSE&G filed a petition in Docket No. GO10110862 requesting that the Board approve an extension of CIP I ("CIP II"). The CIP II program was approved by a July 14, 2011 Board Order, and included the replacement of an additional 47 miles of cast iron and unprotected steel mains. CIP I and CIP II were completed in May 2013, at a combined actual capital investment of 357.3 million.

In an Order dated May 21, 2014, the Board approved a stipulation to authorize the Energy Strong Program ("ESP"), including an investment of up to \$400 million in gas infrastructure designed to harden gas infrastructure to protect it from future major storms. Up to \$350 million of the gas portion of the ESP is aimed at replacing an estimated 250 miles of cast iron mains and associated services with a higher operating pressure system utilizing plastic or cathodically protected steel mains and services in specified areas. The ESP is expected to be completed by May 2016.

PSE&G Gas System Modernization Program ("GSMP") Petition

On February 27, 2015, the Company filed a petition with the Board seeking approval to implement and administer the GSMP, and to implement an associated cost recovery mechanism. The Company anticipates spending up to \$1.594 billion in GSMP investment across its gas service territory over 5.5 years. According to the petition, the implementation of the GSMP will complete projects to replace cast iron mains, unprotected steel mains and services, abandonment of district regulators associated with cast iron and unprotected steel plant, and relocation of inside meter sets. At this time, the Company anticipates these expenditures will result in the replacement of approximately 810 miles of cast iron and unprotected steel mains, 55,000 unprotected steel services, and associated district regulators.

The Company proposes to implement the same cost-recovery methodology and rate design as used for ESP, including: annual "roll-in" filings based on investment through May 31, with no deferred return or deferred depreciation, for rates to be effective as of September 1. The Company also seeks a return on and of the approved investments using an after-tax weighted average cost of capital of 6.32% based on a Return on Equity of 9.75% and a cost of debt of 4.60%

DISCUSSION

The Board determined that the GSMP petition described above should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, **HEREBY DESIGNATES** Commissioner Joseph L. Fiordaliso as the presiding officer who is authorized to rule on all motions that arise during the pendency of these proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues. Further, the Board **HEREBY DIRECTS** that any entities seeking to intervene or participate in this matter file the appropriate application with the Board by June 5, 2015.

Also in the interests of economy, all parties are **HEREBY DIRECTED** to serve all documents electronically, while still providing hard copies to the Board for those documents which must be filed with the Board, and also providing two hard copies to each party, unless otherwise requested by the parties. Finally, the Board **HEREBY DIRECTS** Staff to post this Order on the Board's website.

DATED: 4/15/15

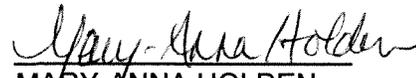
BOARD OF PUBLIC UTILITIES
BY:



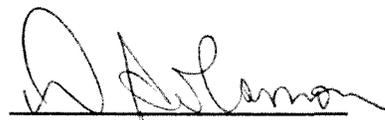
RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER

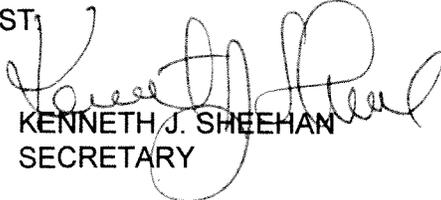


MARY-ANNA HOLDEN
COMMISSIONER



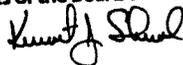
DIANNE SOLOMON
COMMISSIONER

ATTEST:



KENNETH J. SHEEHAN
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 PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL
OF A GAS SYSTEM MODERNIZATION PROGRAM AND ASSOCIATED COST RECOVERY
MECHANISM - DOCKET NO. GR15030272

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