



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)
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF THE NEXT PHASE OF THE GAS)
SYSTEM MODERNIZATION PROGRAM AND)
ASSOCIATED COST RECOVERY MECHANISM)
("GSMP II") (DECEMBER 2019 GSMP II RATE)
FILING)) BPU DOCKET NO. GR19120002

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Danielle Lopez, Esq., on behalf of Public Service Electric and Gas Company

BY THE BOARD:

On December 30, 2019, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking review and approval for gas base rate changes to provide for cost recovery associated with the extension of the Company's Gas System Modernization Program ("GSMP II" or "Program") ("December 2019 Petition"). By this Order, the Board considers a Stipulation of Settlement ("Stipulation") executed by PSE&G, Board Staff ("Staff") and the New Jersey Division of Rate Counsel ("Rate Counsel"), (collectively, "Parties") intended to resolve the Company's requests related to the above docketed matter.

BACKGROUND

By Order dated November 16, 2015, the Board authorized PSE&G to implement a three (3) year Gas System Modernization Program ("GSMP") through which the Company would invest approximately \$650 million [excluding Allowance for Funds Used During Construction ("AFUDC")] to replace the Company's utilization pressure cast iron ("UPCI") and unprotected steel mains and associated services, and the up-rating of the UPCI segments to higher pressure.¹ The November 2015 Order also approved a cost recovery mechanism that allowed for annual rate adjustments

¹ In re the Petition of Public Service Electric and Gas Company for Approval of a Gas System Modernization Program and Associated Cost Recovery Mechanism, BPU Docket No. GR15030272, Order dated November 16, 2015, ("November 2015 Order").

("Alternative Rate Mechanism") and required PSE&G to maintain a base level of capital spending of approximately \$85 million that is not recoverable through the Alternative Rate Mechanism.

By Order dated May 22, 2018, the Board authorized PSE&G to implement the GSMP II, wherein PSE&G would: (a) replace PSE&G's UPCI mains and associated services and Unprotected Steel mains and associated services; (b) uprate the UPCI systems (including the uprating of associated protected steel and plastic mains and associated services) to higher pressures; and (c) install of excess flow valves and, the elimination of district regulators, where applicable.² According to the GSMP II Order, costs would be eligible for recovery under the GSMP II Accelerated Rate Recovery Mechanism ("GSMP II Rate Mechanism").

Costs eligible for recovery under the GSMP II Rate Mechanism were not to exceed \$1.575 billion representing replacement of 875 miles of main, which excludes the cost associated with the Stipulated Base and AFUDC.³ Costs recoverable under the GSMP II Rate Mechanism shall not exceed \$1.80 million per mile. Costs incurred by the Company in excess of the \$1.80 million per mile on its replacements will be credited toward the baseline capital expenditure requirement, as provided in the GSMP II Order, for the year in which the cost is incurred. For each of the five (5) years, 2019 through 2023, the Company agreed to maintain a baseline capital expenditure level of at least \$155 million. Recovery of costs in excess of \$1.80 million per mile could be sought through a base rate case. The base spend ("Stipulated Base") must be at least \$300 million during the five (5) year Program, with no less than \$20 million expended in each calendar year on certain projects.

DECEMBER 2019 PETITION

In compliance with the GSMP II Order, PSE&G filed the December 2019 Petition with the Board seeking approval to recover the projected revenue requirement of approximately \$18.245 million associated with the capitalized investment costs of GSMP II, through February 29, 2020, not yet recovered in rates.

According to the December 2019 Petition, through November 2019, PSE&G replaced approximately 199 miles of main and 13,522 services. The Company indicated that it anticipates having a total of 255 miles of main installed and in-service, and 17,000 services replaced and in-service, by February 29, 2020.

On March 16, 2020, the Company provided an update reflecting actual data through February 29, 2020 ("Update"). PSE&G replaced 259 miles of main and 18,007 services through February 29, 2020. The Update supported a proposed revenue requirement of \$18.293 million. However, PSE&G did not seek to recover the updated amount, and rather proposed to recover the original

² In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP II"), BPU Docket No. GR17070776, Order dated May 22, 2018, ("GSMP II Order").

³ The Company will spend \$300 million on certain capital projects during the five (5) year Program with no less than \$20 million expended in each calendar year from 2019 through 2023. The \$300 million expenditure (i.e. "Stipulated Base") shall be recoverable from base rates and not recoverable through the GSMP II Rate Mechanism. If the Company fails to spend at least \$20 million in any calendar year or \$300 million over the five (5) year period for Stipulated Base, the Company shall expend the amount of the shortfall without seeking cost recovery from ratepayers for such expenditures to make up the shortfall.

revenue requirement of \$18.245 million, and defer the difference of \$49,000 until the next roll in. The GSMP capital investment costs calculations for \$18.245 million are as follows:

PSE&G Gas System Modernization Program II Revenue Requirement (\$000) Docket No. GR19120002		
<u>Rate Base Calculation</u>		Total
1	Gross Plant	\$170,926
2	Accumulated Depreciation	\$3,670
3	Net Plant	\$174,596
4	Accumulated Deferred Taxes	(\$3,600)
5	Rate Base	\$170,997
6	Rate of Return – After Tax (Schedule WACC)	6.48%
7	Return Requirement (After Tax)	\$11,084
8	Depreciation Exp, net	\$2,084
9	Expense Adjustment (After Tax)	(\$300)
10	Tax Adjustment	\$0
11	Revenue Factor	1.4178
12	Roll-in Revenue Requirement	\$18,245

After publication of notice in newspapers of general circulation in the Company’s service territory, public hearings were held telephonically at 4:30 and 5:30 pm on May 11, 12, and 13, 2020. One member of the public provided comments on the May 11 telephonic public hearing opposed to the proposed rate increase. Additionally, the Board received an email from a member of the public supporting PSE&G’s proposed increase.

STIPULATION

Following the review of the December 2019 Petition and discovery, the Parties executed the Stipulation, which provides for the following⁴:

1. The Parties agree that the Company will implement rates to recover the \$18.245 million included in the Company’s public notice and will defer the incremental \$0.049 million to be recovered in the next GSMP II rate adjustment filing.
2. The Company shall implement rates, which were provided in the March 16, 2020 update to Schedule SS-GSMPII-5 (UPDATE), effective upon Board approval. These rates are consistent with the Company’s initial request of \$18.245 million. Schedule SS-GSMPII-5 (UPDATE) is attached to the Stipulation as Attachment 1.

⁴ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order. Paragraphs are numbered to coincide with the Stipulation.

3. Under the Company's proposal, a typical residential gas heating customer using 172 therms per month during the winter months and 1,040 therms on an annual basis would see an initial increase in the annual bill from \$871.88 to \$882.76, or \$10.88, or approximately 1.25%.
4. The Parties agree that pursuant to the terms of the GSMP II Order, PSE&G may implement the rates in Attachment 1 of the Stipulation effective upon Board approval. The rate adjustments established in the Stipulation shall be provisional and subject to refund contingent upon the Board finding that PSE&G imprudently incurred capital expenditures under GSMP II. Such prudence review shall take place in the Company's next base rate case. The Company will file its next base rate case no later than January 1, 2024 ("2024 Base Rate Case"), in accordance with paragraph 40 of the GSMP II Order. Nothing in the Stipulation will preclude any party from raising any objection in the 2024 Base Rate Case that could have been raised in the annual GSMP II cost recovery filings.

DISCUSSION AND FINDINGS

The Board reviewed the record in this proceeding, including the December 2019 Petition and the Stipulation and **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY APPROVES** the rate adjustments calculated in Attachment 1 of the Stipulation, on a provisional basis, to be effective for services rendered on and after July 16, 2020.

The annual bill impact on the typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually is an increase of \$10.88, or approximately 1.25%

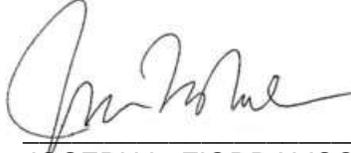
Accordingly, the Board **HEREBY ORDERS** PSE&G to file revised tariff sheets conforming to the terms of the Stipulation prior to July 16, 2020.

The Company's costs, including those related to GSMP II, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

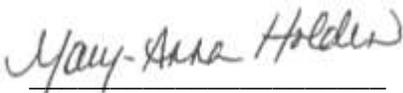
The effective date of this Order is July 15, 2020.

DATED: July 15, 2020

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



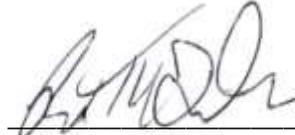
DIANNE SOLOMON
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

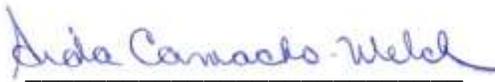


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR
APPROVAL OF THE NEXT PHASE OF THE GAS SYSTEM MODERNIZATION PROGRAM AND
ASSOCIATED COST RECOVERY MECHANISM ("GSMP II") (DECEMBER 2019 GSMP II RATE FILING)
BPU DOCKET NO. GR19120002

SERVICE LIST

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July 1, 2020

In The Matter of The Petition of Public Service Electric and Gas
Company for Approval of the Next Phase of the Gas System Modernization
Program and Associated Cost Recovery Mechanism (“GSMP II”)
(DECEMBER 2019 GSMP II RATE FILING)

Docket No. GR19120002

VIA E-MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

Attached please find the fully executed Stipulation in the above-referenced case resolving all aspects of this matter. All the parties have signed the Stipulation: Public Service Electric and Gas Company, the Staff of the New Jersey Board of Public Utilities, and the New Jersey Division of Rate Counsel.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Danielle Lopez", written over a light blue rectangular background.

c: Attached Service List (E-Mail)

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY FOR APPROVAL OF THE NEXT) BPU DOCKET NO. GR19120002
PHASE OF THE GAS SYSTEM MODERNIZATION)
PROGRAM AND ASSOCIATED COST)
RECOVERY MECHANISM (“GSMP II”))
(DECEMBER 2019 GSMP II RATE FILING))

STIPULATION AND AGREEMENT

APPEARANCES:

Matthew M. Weissman, Esq., Managing Counsel—State Regulatory, PSEG Services Corp., and **Danielle Lopez, Esq.**, Associate Counsel—Regulatory General, for the Petitioner, Public Service Electric and Gas Co.

Felicia Thomas-Friel, Esq., Managing Attorney – Gas, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel and **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsel (**Stefanie A. Brand**, Director)

Matko Ilic, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

On December 30, 2019, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a petition and supporting documentation with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking BPU approval for gas base rate changes to provide for cost recovery associated with PSE&G’s Gas System Modernization Program II (“GSMP II” or “Program”) through February 29, 2020 (“December 2019 Petition”). The December 2019 Petition was filed pursuant to the Board’s approval of the Company’s GSMP II, which the Board addressed in its Order dated May 22, 2018 in BPU Docket No. GR17070776 (the “GSMP

Order”).¹ The Board’s GSMP II Order adopted a stipulation that authorized the request for rate increases.

Paragraph 36 of the stipulation associated with the GSMP II Order provides, in pertinent part, that revenue requirements associated with Program investments that are placed into service through and including February 29, 2020 shall go into base rates effective June 1, 2020. The stipulation further provides that PSE&G shall make its initial filing for such rates as of December 31, 2019, and update such filing for actual data through February 29, 2020, by March 15, 2020.

PSE&G’s December 2019 Petition sought authority to establish rates to recover an annualized increase in gas revenue requirement of \$18.245 million associated with GSMP II investment costs. The annualized increase in the gas revenue requirement was supported by Attachment 2, Schedule SS-GSMPII-2 attached to the December 2019 Petition, which was based upon actual expenditures in-service through November 30, 2019 and a forecast through February 29, 2020.

On March 16, 2020, the Company provided updated schedules in this matter which replaced the projected data in the original schedules with actual data through February 29, 2020.² As a result of the update for actuals costs through February 29, 2020, the Company’s updated revenue requirement increased from \$18.245 million to \$18.293 million. On May 1, 2020, the Company provided an update to Schedule SS-GSMPII-7, updating the Company’s earnings test in this matter for actuals through December 31, 2020, which reflects the latest quarter of financial data filed with the Board.

¹ In the Matter of the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism (“GSMP II”), Docket No. GR17070776, Order dated May 22, 2018.

² As March 15, 2020 was a Sunday, the update was filed on the following business day.

Notice of the Company's December 2019 Petition, including the date, time and telephonic dial-in details for the public hearings, were placed in newspapers having a circulation within the Company's gas service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's gas service territory. As a result of the COVID-19 pandemic, and to comply with social distancing mandates issued by the Governor, based on guidance from the Board's Staff the public hearings were conducted telephonically in lieu of in-person hearings. In accordance with the notice, public hearings on the Company's request were held at 4:30 p.m. and 5:30 p.m. on May 11, 12, and 13, 2020. One member of the public provided comments during the May 11 telephonic public hearing in opposition to the proposed rate increase. Additionally, the Board received an email from a member of the public supporting PSE&G's proposed rate increase.

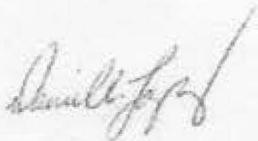
Upon review of the December 2019 Petition, the public comments, and the discovery responses, the Staff of the New Jersey Board of Public Utilities ("Board Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and PSE&G, the only parties to this proceeding (collectively, "Parties"), HEREBY STIPULATE AND AGREE AS FOLLOWS:

1. The Parties agree that the Company will implement rates to recover the \$18.245 million included in the Company's public notice and will defer the incremental \$0.049 million to be recovered in the next GSMP II rate adjustment filing.
2. The Company shall implement the rates, which were provided in the March 16, 2020 update to Schedule SS-GSMPII-5 (UPDATE), effective upon Board approval. These rates are consistent with the Company's initial request of \$18.245 million. Schedule SS-GSMPII-5 (UPDATE) is attached hereto as Attachment 1.

3. Under the Company's proposal, a typical residential gas heating customer using 172 therms per month during the winter months and 1,040 therms on an annual basis would see an initial increase in the annual bill from \$871.88 to \$882.76, or \$10.88, or approximately 1.25%.
4. The Parties agree that pursuant to the terms of the GSMP II Order, PSE&G may implement the rates in Attachment 1 effective upon Board approval. The rate adjustments established herein shall be provisional and subject to refund contingent upon the Board finding that PSE&G imprudently incurred capital expenditures under GSMP II. Such prudence review shall take place in the Company's next base rate case. The Company will file its next base rate case no later than January 1, 2024 ("2024 Base Rate Case"), in accordance with paragraph 40 of the GSMP II Order. Nothing herein will preclude any party from raising any objection in the 2024 Base Rate Case that could have been raised in the annual GSMP II cost recovery filings.
5. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation, and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

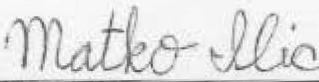
6. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
7. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, PSE&G, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.
8. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.
9. **WHEREFORE**, the Parties hereto respectfully submit this Stipulation to the Board of Public Utilities and recommend that the Board issue a Final Decision and Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

BY: 
Danielle Lopez, Esq.
Associate Counsel, Regulatory

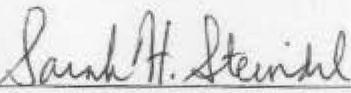
DATED: June 26, 2020

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities

BY: 
Matko Ilic
Deputy Attorney General

DATED: June 26, 2020

NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

BY: 
Sarah H. Steindel, Esq.,
Assistant Deputy Rate Counsel

DATED: June 29, 2020

**Gas Tariff Rates
SS-GSMPII-5 (UPDATE)**

Rate Schedule	Description	Present		Proposed	
		Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT
RSG	Service Charge	\$8.08	\$8.62	\$8.08	\$8.62
	Distribution Charges	\$0.360706	\$0.384603	\$0.370528	\$0.395075
	Balancing Charge	\$0.092492	\$0.098620	\$0.092492	\$0.098620
	Off-Peak Use	\$0.180353	\$0.192301	\$0.185264	\$0.197538
GSG	Service Charge	\$15.19	\$16.20	\$15.63	\$16.67
	Distribution Charge - Pre July 14, 1997	\$0.288299	\$0.307399	\$0.293661	\$0.313116
	Distribution Charge - All Others	\$0.288299	\$0.307399	\$0.293661	\$0.313116
	Balancing Charge	\$0.092492	\$0.098620	\$0.092492	\$0.098620
	Off-Peak Use Dist Charge - Pre July 14, 1997	\$0.144150	\$0.153700	\$0.146831	\$0.156559
	Off-Peak Use Dist Charge - All Others	\$0.144150	\$0.153700	\$0.146831	\$0.156559
LVG	Service Charge	\$134.85	\$143.78	\$138.78	\$147.97
	Demand Charge	\$3.9473	\$4.2088	\$3.9633	\$4.2259
	Distribution Charge 0-1,000 pre July 14, 1997	\$0.042298	\$0.045100	\$0.044475	\$0.047421
	Distribution Charge over 1,000 pre July 14, 1997	\$0.041894	\$0.044669	\$0.041535	\$0.044287
	Distribution Charge 0-1,000 post July 14, 1997	\$0.042298	\$0.045100	\$0.044475	\$0.047421
	Distribution Charge over 1,000 post July 14, 1997	\$0.041894	\$0.044669	\$0.041535	\$0.044287
	Balancing Charge	\$0.092492	0.09862	\$0.092492	\$0.098620
SLG	Single-Mantle Lamp	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Double-Mantle Lamp, inverted	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Double Mantle Lamp, upright	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Triple-Mantle Lamp, prior to January 1, 1993	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Triple-Mantle Lamp, on and after January 1, 1993	\$67.4762	\$71.9465	\$67.4762	\$71.9465
	Distribution Therm Charge	\$0.046697	\$0.049791	\$0.047500	\$0.050647

**Gas Tariff Rates
SS-GSMPII-5 (UPDATE)**

Rate Schedule	Description	Present		Proposed	
		Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT
TSG-F	Service Charge	\$722.23	\$770.08	\$743.29	\$792.53
	Demand Charge	\$2.0722	\$2.2095	\$2.0873	\$2.2256
	Distribution Charges	\$0.079210	\$0.084458	\$0.079787	\$0.085073
TSG-NF	Service Charge	\$722.23	\$770.08	\$743.29	\$792.53
	Distribution Charge 0-50,000	\$0.085720	\$0.091399	\$0.087292	\$0.093075
	Distribution Charge over 50,000	\$0.085720	\$0.091399	\$0.087292	\$0.093075
	Special Provision (d)	\$1.89	\$2.02	\$1.89	\$2.02
CIG	Service Charge	\$171.50	\$182.86	\$174.83	\$186.41
	Distribution Charge 0-600,000	\$0.076931	\$0.082028	\$0.078368	\$0.083560
	Distribution Charge over 600,000	\$0.066931	\$0.071365	0.068368	\$0.072897
	Special Provision (c) 1st para	\$1.89	\$2.02	\$1.89	\$2.02
BGSS RSG	Commodity Charge including Losses	\$0.300236	\$0.320127	\$0.300182	\$0.320069
CSG	Service Charge	\$722.23	\$770.08	\$743.29	\$792.53
	Distribution Charge - Non-Firm	\$0.085720	\$0.091399	\$0.087292	\$0.093075