



Agenda Date: 4/12/23

Agenda Item: 2J

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC ) ORDER DESIGNATING  
SERVICE ELECTRIC AND GAS COMPANY FOR ) COMMISSIONER AND SETTING  
APPROVAL OF THE NEXT PHASE OF THE GAS ) MANNER OF SERVICE AND BAR  
SYSTEM MODERNIZATION PROGRAM AND ) DATE  
ASSOCIATED RECOVERY MECHANISM ("GSMP )  
III") ) DOCKET NO. GR23030102

**Parties of Record:**

**Danielle Lopez, Esq.**, Public Service Electric and Gas Company  
**Brian O. Lipman, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:

**BACKGROUND**

On March 1, 2023, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval of the next phase of its Gas System Modernization Program ("GSMP III" or "Program") and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A ("Petition").<sup>1</sup> The Company proposed a three (3)-year Program with a total investment level of approximately \$2.54 billion. The proposed Program would serve as an extension of the Company's prior GSMP and GSMP II programs.<sup>2</sup>

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<sup>1</sup> On December 19, 2017, the Board adopted new regulations for utility "Infrastructure Investment and Recovery" supporting the implementation of an Infrastructure Investment Program ("IIP"), which allows a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency. The rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

<sup>2</sup> See In the Matter 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, and 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"), BPU Docket No. GR17070776, Order dated May 22, 2018.

By the Petition, PSE&G proposed to replace 1,140 miles of gas main, consisting of 810 miles of low-pressure cast iron main, 50 miles of high-pressure cast iron main, 200 miles of unprotected steel main, and 80 miles of catholically-protected steel and plastic main (“Replacement Subprogram”). PSE&G estimated that, through the Program, the Company would replace 380 miles of main annually over the three (3)-year period from 2024 to 2026, to commence on January 1, 2024. The proposed Replacement Subprogram also includes abandonment of approximately 210 district regulators, replacement of approximately 92,100 unprotected steel services, and relocation of approximately 49,200 inside meter sets to the outside. The Company estimated the Replacement Subprogram will cost approximately \$2.39 billion and reduce greenhouse gas emissions by approximately 59,000 metric tons of carbon dioxide equivalent (“CO<sub>2</sub>e”) by the end of 2026.

Additionally, PSE&G proposed to invest in a hydrogen blending project (“Hydrogen Project”) that includes the installation of a one-megawatt (“1 MW”) power-to-gas facility to provide the Company’s distribution system with a 2% blended supply of hydrogen. The Company estimated the Hydrogen Project will cost approximately \$30 million and reduce greenhouse gas emissions by approximately 1,000 metric tons of CO<sub>2</sub>e.

The Company further proposed to conduct a Renewable Natural Gas (“RNG”) project (“RNG Project”), to upgrade landfill gas to “pipeline quality” specifications before injection into the gas distribution system. The Company estimated the RNG Project will cost approximately \$123 million and would result in quantified net reductions for nitrogen oxides, carbon monoxide, sulfur dioxide, particulate matter 2.5, and particulate matter 10 air pollutants.

PSE&G proposed to recover Program costs via a new gas rate component of the Company’s IIP charges with semi-annual rate adjustment filings beginning June 30, 2024. The Company proposed to include depreciation/amortization expense providing for the recovery of the invested capital over its useful book life, return on the net investment, and the impact of any tax adjustments applicable to the Program for recovery in its rates. PSE&G further proposed to base its return on net investment upon the weighted average cost of capital (“WACC”) approved by the Board in PSE&G’s most recent base rate case and that any change in the WACC authorized by the Board in any subsequent base rate case be reflected in the subsequent revenue requirement calculations.<sup>3</sup>

PSE&G also proposed to include an Operations and Maintenance (“O&M”) expense adjustment to account for cost savings from leak reductions resulting from the Replacement Subprogram and ongoing annual expenses related to the O&M of the proposed Hydrogen and RNG Projects. Additionally, the Company proposed to credit revenue associated with the sale of gas from the Hydrogen and RNG projects and environmental attributes, and net any selling expenses from the RNG Project, to its Basic Gas Supply Service-Residential Service Gas deferral balance.

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<sup>3</sup> In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in Tariffs for Electric and Gas Service, B.P.U.N.J. No. 16 Electric and B.P.U.N.J. No. 16 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, BPU Docket Nos. ER18010029 and GR18010030, OAL Docket No. PUC 01151-18, Decision and Order Adopting Initial Decision and Stipulation dated October 29, 2018.

According to the Petition, as proposed, the estimated cumulative bill impact of the proposed Program on the typical residential gas customer is an increase of approximately \$10.16 in their average monthly bill, or approximately 10.41% on an average annual bill.

On March 6, 2023, New Jersey Natural Gas Company (“NJNG”) filed a Motion to Intervene in this matter. Additionally, on March 9, 2023, South Jersey Gas Company (“SJG”) and Elizabethtown Gas Company (“ETG”) filed a joint Motion to Participate in this matter. The motions filed by NJNG and SJG and ETG, as well as any other motions received by the Board to intervene or participate in this matter, shall be addressed in a future Order.

## **DISCUSSION**

The Board **HEREBY ORDERS** that the Petition be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, **HEREBY DESIGNATES** Commissioner Christodoulou as the presiding officer with authority to rule on all motions that arise during the pendency of this proceeding, 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 May 12, 2023. Any party wishing to file a motion for admission of counsel, *pro hac vice*, should do so concurrently with any motion to intervene or participate.

In addition, in compliance with the Board's Orders in Docket No. EO20030254, all parties are **HEREBY DIRECTED** to serve all documents electronically.<sup>4</sup> No hard copies shall be filed until the Board lifts the restrictions imposed by the Orders. The Board **FURTHER DIRECTS** Staff to post this Order to the Board's website.

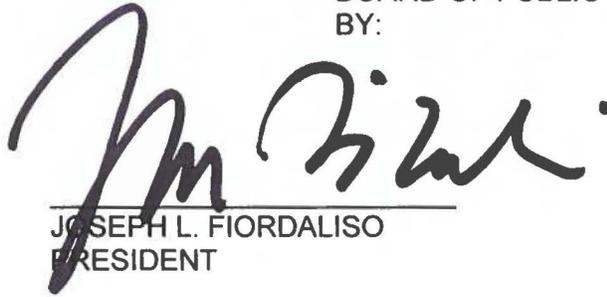
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<sup>4</sup> In re the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Orders dated March 19, 2020 and June 10, 2020.

This Order shall be effective April 19, 2023.

DATED: April 12, 2023

BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER

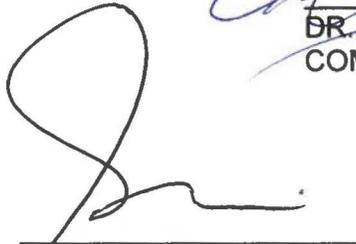


DIANNE SOLOMON  
COMMISSIONER



DR. ZENON CHRISTODOULOU  
COMMISSIONER

ATTEST:



SHERRI L. GOLDEN  
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 THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
FOR APPROVAL OF THE NEXT PHASE OF THE GAS SYSTEM MODERNIZATION  
PROGRAM AND ASSOCIATED RECOVERY MECHANISM (“GSMP III”)

DOCKET NO. GR23030102

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