

BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE VERIFIED PETITION OF)
PUBLIC SERVICE ELECTRIC & GAS COMPANY)
FOR APPROVAL OF THE CONSTRUCTION OF)
THE MASON SUBSTATION DAMAGED DURING)
SUPERSTORM SANDY)
_____)

BPU Dkt. No. EO16080788

DIRECT TESTIMONY OF ANDREA C. CRANE
ON BEHALF OF THE
DIVISION OF RATE COUNSEL

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1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is 16 Old Mill Road, Redding,
4 Connecticut 06896. (Mailing address: PO Box 810, Georgetown, Connecticut 06829)

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes
8 in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
9 undertake various studies relating to utility rates and regulatory policy. I have held
10 several positions of increasing responsibility since I joined The Columbia Group, Inc. in
11 January 1989. I became President of the firm in March 2008.

12

13 **Q. Please summarize your professional experience in the utility industry.**

14 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
15 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987
16 to January 1989. From June 1982 to September 1987, I was employed by various Bell
17 Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the
18 Product Management, Treasury, and Regulatory Departments.

19

1 **Q. Have you previously testified in regulatory proceedings?**

2 A. Yes, since joining The Columbia Group, Inc., I have testified in over 400 regulatory
3 proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas,
4 Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania,
5 Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of
6 Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid
7 waste, cable television, and navigation utilities. A list of dockets in which I have filed
8 testimony since January 2008 is included in Appendix A.

9

10 **Q. What is your educational background?**

11 A. I received a Master of Business Administration degree, with a concentration in Finance,
12 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a
13 B.A. in Chemistry from Temple University.

14

15 **II. PURPOSE OF TESTIMONY**

16 **Q. What is the purpose of your testimony?**

17 A. On August 12, 2016, Public Service Electric and Gas Company (“PSE&G” or
18 “Company”) filed a Petition with the State of New Jersey, Board of Public Utilities
19 (“BPU” or “Board) seeking approval to construct, own, and operate a new substation
20 (“New Substation”) at the site of the current Mason and Building 9 substations (“Existing
21 Substation”), which are located adjacent to each other in Kearny, New Jersey. The

1 Existing Substation is currently owned by New Jersey Transit Corporation (“NJ
2 Transit”). The Columbia Group, Inc. was engaged by the New Jersey Division of Rate
3 Counsel (“Rate Counsel”) to review the Company’s Petition and to provide
4 recommendations to the BPU regarding accounting and cost recovery issues. Testimony
5 is also being filed on behalf of Rate Counsel by Robert Fagan addressing the engineering
6 aspects of the proposed project.

7
8 **III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

9 **Q. Please summarize your conclusions and recommendations.**

10 A. Based on my analysis of the Company’s filing, its responses to data requests, and the
11 findings of Rate Counsel witness Robert Fagan, my conclusions and recommendations
12 are as follows:

- 13 • The investment that is the subject of this Petition is investment that primarily
14 serves one customer, and therefore it would be inappropriate to recover such
15 investment from the general body of ratepayers.
- 16 • The revenues received from NJ Transit are insufficient to support the level of
17 investment being proposed.
- 18 • Approximately [begin confidential] ██████████ [end confidential] of the
19 investment that is the subject of this Petition is transmission investment and
20 therefore it should not be recovered through regulated distribution rates.

- 1 • The Company has not demonstrated why any extraordinary ratemaking treatment
2 should be applied with regard to this investment.
- 3 • Given the fact that the investment is dedicated to the service of one customer, and
4 given the fact that much of this investment is not distribution plant, the BPU
5 should reject the Company’s Petition in this case.

6
7 **IV. DISCUSSION OF THE ISSUES**

8 **A. Description of the Proposal**

9 **Q. Please provide a brief summary of the Company’s Petition.**

10 A. The current Mason Substation was constructed by the New Jersey Department of
11 Transportation (“NJ DOT”) between 1980 and 1983 as part of the Erie Lackawanna Re-
12 Electrification Program. The current Building 9 Substation was constructed between
13 1985 and 1988 as part of the NJ Transit Meadows Maintenance Complex. The Existing
14 Substation is owned by NJ Transit. The Existing Substation was damaged in October
15 2012 by Superstorm Sandy. NJ Transit has spent approximately \$5.45 million of federal
16 funds to repair damage from Superstorm Sandy at the Mason and Building 9 substations,
17 according to the response to RCR-ET-7. NJ Transit indicated that it also “expended its
18 own funds to conduct ongoing repairs to the Substations, which occur on a regular basis,
19 but has not tracked such expenditures separately.”¹ PSE&G contends that given the

1 In contrast, PSE&G spent only \$44,378 to repair damage at the Existing Substation and that amount was expensed, according to the response to RCR-ENG-39.

1 damage sustained in Superstorm Sandy, it now requires replacement.²

2 PSE&G is now proposing to construct and own a New Substation to replace the
3 Existing Substation. The New Substation would be operated primarily, but not
4 exclusively, by PSE&G.³ The Company is seeking to have costs associated with the
5 New Substation, including all capital and operating costs, included in distribution rates
6 paid by New Jersey utility ratepayers.

7
8 **Q. What is the Company’s rationale for having PSE&G assume ownership of the New**
9 **Substation?**

10 A. According to the Petition, the Existing Substation serves as a flow-through facility for
11 power transmitted by the Company. The Company claims that the Existing Substation is
12 “critical to the reliable delivery of power to PSE&G customers because any failure at the
13 Existing Substation would reduce the availability of power to the Athenia and Essex
14 substations, and result in PSE&G’s Cook Road and Kingsland substations being deprived
15 of an alternate source of power.”⁴ The Company claims that ownership of the New
16 Substation by PSE&G would “...enhance the reliability and resilience of PSE&G’s
17 provision of energy service to the larger region – a benefit to consumers across PSE&G’s
18 service territory.”⁵

19 The Existing Substation is also “critical to the reliability of rail transportation

2 Petition, paragraph 6.

3 Petition, paragraph 7. NJT will retain limited operation and maintenance responsibility. Petition, paragraph 28.

4 Petition, paragraph 5.

5 Petition, paragraph 7.

1 service in Northern New Jersey.”⁶ Specifically, the Building 9 section of the Existing
 2 Substation supports the operations of the Meadows Maintenance Complex, NJ Transit’s
 3 major maintenance facility, and powers the NJ Transit Rail Operations Center. PSE&G
 4 states that NJ Transit’s ownership of the flow-through substation facility is unique.⁷
 5 PSE&G entered into an agreement with NJ Transit in 1983 that permits PSE&G to
 6 operate, test, and adjust certain elements of the Existing Substation.⁸

7
 8 **Q. What are the estimated capital costs of the proposed New Substation?**

9 A. The total capital costs are estimated to be \$268 million, as shown below⁹:

10

	Estimated Cost (\$000)
Major Equipment	\$45,000
General Conditions, Civil and Architectural Materials and Construction	\$67,000
Electrical Materials and Construction	\$48,000
Detailed Engineering, Licensing & Permitting, Procurement and Construction Management	\$12,000
Project Management	\$36,000
Water Line Reinforcement	\$2,000
Sales Tax	\$2,000
Cost Escalation Estimate	\$14,000
Project Risk and Contingency	\$42,000
Total	\$268,000

11
 12 PSE&G states in its Petition that NJ Transit is expected to make a contribution to the

6 Petition, paragraph 6.

7 Petition, paragraph 14

8 Petition, paragraph 15

9 See Exhibit D, page 1 of the Petition.

1 New Substation, but the amount of any such contribution is yet to be determined.

2
3 **Q. How is PSE&G proposing to recover the capital costs associated with the New**
4 **Substation?**

5 A. PSE&G is proposing to recover the capital costs through regulated distribution utility
6 rates. In addition, PSE&G is seeking a cost recovery mechanism, the Substation
7 Adjustment Mechanism (“SAM”) that would allow the Company to begin to recover
8 costs associated with the New Substation without the need to file a new base rate case.
9 The proposed SAM would operate in a manner similar to the mechanism adopted for the
10 Energy Strong Program with periodic adjustments to base rates as components of the
11 New Substation are completed and placed into service.

12 The Company is proposing a series of three roll-ins to base rates as various
13 components of the New Substation go into service. The Company projects that the first
14 phase of the New Substation would be placed into service in December 2020. It proposes
15 to make a filing for an initial roll-in 60 days prior to the first estimated in-service date,
16 and it seeks to implement associated rates on the first day of the fourth month after the
17 investment is placed into service. It proposes a second roll-in one year later and a final
18 roll-in once all final charges are known. PSE&G proposes that the prudence review for
19 all investment take place at the third roll-in.

1 **Q. What are the estimated revenue requirement impacts of each of the three roll-ins?**

2 A. Based on the \$268 million cost estimate, PSE&G projects the following rate impacts: an
3 increase of \$26.423 million for the first roll-in, an increase of \$8.135 million for the
4 second roll-in, and an increase of \$2.466 million for the third roll-in, for a total of
5 \$37.024 million.¹⁰ The Company's revenue requirement is based on its projected return
6 requirements, depreciation, and taxes. PSE&G has not included operating expenses or
7 property taxes in its projected revenue requirement. To determine the associated return
8 on investment, PSE&G proposes to reflect the cost of equity and capital structure
9 authorized in its base rate case scheduled to be filed in November 2017.

10
11 **Q. How is the Company proposing to allocate this revenue requirement**

12 PSE&G proposes to utilize the rate design methodology approved in the most recent base
13 rate case to structure rates related to the roll-ins. It is proposing to allocate the revenue
14 requirement among customer classes based on the overall revenues allocated to each
15 class. The Company is also seeking a revision to the High Tension Service ("HTS")
16 Tariff to include a special provision related to the provision of service at the New
17 Substation. PSE&G is proposing that in future rate cases, the revenue requirement
18 associated with the New Substation be allocated among classes based on each class's
19 revenue distribution. It appears that the Company's proposal would therefore have no
20 impact on the class rates of return developed for each rate class.

¹⁰ See the response to RCR-A-23.

1 **B. Threshold Issue**

2 **Q. What is the threshold issue in this case that must be addressed by the BPU?**

3 A. The threshold issue in this case is whether the BPU should approve PSE&G’s proposal to
4 build, own, and operate the New Substation, given that the Existing Substation is the
5 property of, and the responsibility of, NJ Transit. It is not entirely clear how the current
6 proposal to have PSE&G own the New Substation came about. However, in a
7 presentation about the project, provided in response to RCR-A-11, PSE&G stated that
8 **[being confidential]** “[i]n the course of NJ Transit’s evaluation of the need to reconstruct
9 the Mason Substation, NJT recognized that the integration of the proposed station with
10 the PSE&G system favors PSE&G’s design, ownership and operation of the station going
11 forward.”**[end confidential]**

12 This proposal appears to be an attempt to shift significant costs from NJ Transit to
13 PSE&G’s regulated ratepayers. Moreover, not only will the proposal result in a
14 significant increase to utility rates, but it will also result in significant additional earnings
15 for PSE&G shareholders. PSE&G clearly has a financial incentive to assume ownership
16 of the New Substation, while NJ Transit has a financial incentive to relinquish ownership.

17 The central issue, therefore, is whether PSE&G customers should be paying for
18 the New Substation at all through their utility rates. I contend that they should not. The
19 Existing Substation is the property of NJ Transit and is integral to NJ Transit operations.
20 Moreover, NJ Transit “is the only distribution customer located at the site of the station
21 and thus is the only customer served directly from the current Mason and Building 9

1 stations as well as from the proposed new station.”¹¹ In addition, PSE&G “does not
2 currently own and operate any similar large stations...that service a single customer.”¹²
3 Thus, there is no precedent for PSE&G to assume ownership of a substation serving a
4 single customer, especially one where the single customer is currently the owner of the
5 substation.

6
7 **C. Financial Impact**

8 **Q. How is investment that is intended to serve one customer typically recovered by a
9 utility?**

10 A. It is a basic principle of utility regulation that, to the extent possible, regulatory
11 commissions attempt to assign costs to the customer or customers that are responsible for
12 them. If a customer requests the construction of facilities, the utility generally evaluates
13 whether the incremental revenue anticipated to be received from the customer will be
14 sufficient to recover the annual revenue requirement related to the facilities being
15 constructed. If the customer will not generate sufficient incremental revenue to cover the
16 revenue requirement associated with the facilities, then a regulated utility typically
17 receives either a contribution in aid of construction (“CIAC”) or an advance from the
18 customer for whom the facilities are being built.

19

¹¹ See the response to S-PS-6.

¹² See the response to S-PS-7.

1 **Q. Why is it important to require CIAC or an advance in this situation?**

2 A. It is important to require CIAC or an advance from the customer requesting construction
3 of the facilities to ensure that other ratepayers are not negatively impacted. If facilities
4 dedicated to serve one customer were instead allowed among all utility customers, then
5 the customer for whom the facility was being built would be subsidized by other utility
6 ratepayers. In this case, the New Substation would replace facilities that are currently
7 owned by, and which serve, NJ Transit. It would be unreasonable for the BPU to permit
8 PSE&G to construct the New Substation for the benefit of NJ Transit and then require
9 other regulated ratepayers to bear the associated costs.

10

11 **Q. Has the Company identified the expected contribution to the project from NJ**
12 **Transit?**

13 A. No, it has not. One of the most curious aspects of the Petition is the representation that
14 NJ Transit is expected to contribute toward construction of the New Substation but that
15 the amount of any such contribution has not yet been identified. As discussed above, the
16 New Substation will replace assets that are currently owned by, and serve, NJ Transit.
17 Thus, NJ Transit should be responsible for the associated costs. While PSE&G states that
18 NJ Transit is expected to make a “contribution” to the project, it has not identified the
19 amount of any such contribution, which could range from \$0 to the full cost of the
20 project. Frankly, I don’t understand how the BPU or other parties could authorize
21 recovery of this investment without knowing the amount that would be recovered from

1 through the concept design process but has not reviewed the current design in depth.”
2 While the engineering aspects of the Petition are being addressed by Rate Counsel
3 witness Mr. Fagan, it is important to note that PSE&G’s cost estimate is significantly
4 higher than the estimate originally developed by NJ Transit, providing a windfall for
5 PSE&G shareholders..
6

7 **Q. In addition to higher capital costs, are there other reasons why it would be more**
8 **expensive for PSE&G to own the New Substation than for NJ Transit to retain**
9 **ownership?**

10 A. Yes, there are. As a public entity, NJ Transit does not have public shareholders and
11 therefore NJ Transit has access to lower cost capital than a publicly-traded investor-
12 owned utility. In addition, NJ Transit is exempt from income taxes. The combination of
13 lower capital costs and the absence of income taxes results in significantly lower overall
14 financing costs for NJ Transit relative to PSE&G.
15

16 **Q. How much of PSE&G’s projected revenue requirement relates to return on equity**
17 **and related income taxes?**

18 A. According to the response to RCR-A-23, the final roll-in will result in a total annual
19 revenue requirement of \$37.024 million. This includes \$29.763 million of return on
20 investment and associated income taxes. The return on equity component accounts for
21 \$14.059 million, income taxes on this return account for \$9.709 million, and interest

1 charges account for \$5.992 million. Assuming a 40-year life of the facility, PSE&G
2 shareholders stand to gain well over \$200 million in profits related to this investment, and
3 the amount earned could be closer to \$300 million depending on authorized returns over
4 this 40-year period. Meanwhile, in addition to providing a return to shareholders on this
5 investment, ratepayers would also be required to fund millions of dollars in associated
6 income taxes.

7
8 **Q. How do these costs compare with the costs that PSE&G ratepayers have incurred in**
9 **the past relating to the Existing Substation?**

10 A. According to the response to RCR-A-3, over the past five years, PSE&G has only
11 incurred capital costs of approximately \$13,000 and operating costs of approximately
12 \$190,000 relating to the Existing Substation. Therefore, this proposal will result in a
13 very large and, in my opinion, unnecessary, increase to ratepayers.

14 In addition to the capital costs that would be recovered subject to the roll-in, the
15 Company also anticipates annual operating costs of \$100,000. Neither the Mason nor
16 Building 9 substations currently have full-time employees on-site, according to the
17 response to RCR-AT-12, and similarly there are no plans to have employees at the New
18 Substation on a full-time basis. Therefore, the majority of the costs to ratepayers would
19 be the return on, and of, capital costs. PSE&G shareholders stand to earn millions of
20 dollars annually if the Company's proposal is approved.

21

1 **Q. Is it possible that the costs to ratepayers could be even higher than those proposed**
2 **by PSE&G in its Petition?**

3 A. Yes, it is possible that the total capital costs could be even higher than the costs estimated
4 in the Petition. The Company’s capital cost estimate does not include the costs for
5 easements or other property rights that will be required in order to build the New
6 Substation. PSE&G plans to obtain these easements at “fair market value”. In response
7 to RCR-A-18, PSE&G identified ten entities that own property that could be subject to
8 these easements, most of which are public entities.

9
10 **Q. How much revenue is PSE&G currently receiving from NJ Transit’s energy usage**
11 **at the site?**

12 A. According to the response to S-PS-0005, usage at the New Substation is expected to be
13 similar to usage in previous years. That response indicates that “[b]ased upon the latest
14 twelve month historic usage and rates effective 12/1/2016, the expected annual revenue,
15 excluding supply, would be approximately \$864k.” Therefore, the New Substation is not
16 expected to generate additional revenue and the revenue expected from NJ Transit will
17 fall far short of the revenues needed to support the annual revenue requirement associated
18 with \$268 million of additional investment.

19 Moreover, the \$864,000 revenue reported in this response consists primarily of
20 revenues from rate riders, not distribution rates. Out of estimated revenues of \$864,000,
21 only about [begin confidential] ██████████ [end confidential] relates to distribution

1 charges. The remainder are Societal Benefit Charges (“SBC”) and other riders that will
2 not contribute to recovery of the substation investment. Therefore, the costs associated
3 with this proposed New Substation will be incurred primarily by other PSE&G
4 customers, while NJ Transit will essentially be getting a new substation and a free ride.
5

6 **Q. Is it possible that revenues received by PSE&G from NJ Transit could actually**
7 **decline in the future?**

8 A. Yes, it is. As stated in the Petition, the New Substation will also serve a role in the
9 operation of NJ Transit’s NJ TRANSITGRID project, which includes construction of an
10 electric “...micro-grid system that will provide reliable power to support a core segment
11 of NJ TRANSIT’s transportation service in Northern New Jersey and the Hudson River
12 crossings in the event of an electrical system failure resulting in the interruption of
13 electric delivery service to NJ TRANSIT.”¹⁴ The NJ TRANSITGRID project includes a
14 gas-fired generation facility that will supply power to the New Substation in the event
15 that the commercial grid is unavailable. NJ Transit will receive approximately \$409.8
16 million of Federal Funds relating to the NJ TRANSITGRID project, according to the
17 response to RCR-ENG-13. The total cost of the NJ TRANSITGRID project is
18 approximately \$577.4 million, per the response to RCR-ENG-13.

19 While the generation facility included in the NJ TRANSITGRID project is
20 purported to be used in the event that the commercial grid is not available, NJ Transit

14 Petition, paragraph 8.

1 could presumably take power directly from the generation facility even if the commercial
2 grid is available. Moreover, according to the response to RCR-ET-32, NJ Transit will
3 also have the ability to sell power from the generation facility to PJM. The new
4 generation facility could therefore impact the revenues received by PSE&G from NJ
5 Transit, while providing a new source of revenue for NJ Transit. Given the role of the
6 New Substation on the NJ TRANSITGRID project, it is particularly inappropriate to
7 require other New Jersey customers to pay for this investment.

8
9 **D. Classification of Investment**

10 **Q. Is all of the investment that is the subject of this Petition appropriately classified as**
11 **distribution plant?**

12 A. No, it is not. As addressed in the testimony of Mr. Fagan, it appears that much of the
13 New Substation project is more appropriately classified as transmission plant than as
14 distribution plant. Mr. Fagan estimates that approximately [begin confidential] █████
15 █████ [end confidential] of the projected investment is transmission plant. As such,
16 regulatory review of this investment would not fall under the purview of the BPU.¹⁵
17 Instead, the Federal Energy Regulatory Commission (“FERC”) would have jurisdiction
18 over recovery of costs for transmission facilities, including the determination as to which
19 customer(s) or class of customers the costs should be allocated.

20 According to the response to S-PS-1, the existing substation “has not been subject

15 I am not an attorney and my comments should not be considered legal opinion.

1 to a specific transmission-distribution delineation.” The Company went on to add that it
2 “proposes that the investment in the station be recovered through rates that are subject to
3 the jurisdiction of the NJ BPU.” However, in the response to RCR-A-11, the Company
4 provided a presentation made to FERC on September 28, 2016. That presentation clearly
5 states that: **[begin confidential]**

- 6
- 7 • [redacted]
- 8 [redacted]
- 9 • [redacted]
- 10 [redacted]
- 11 • [redacted]
- 12 [redacted] **[end confidential]**

13

14 As further addressed in the testimony of Mr. Fagan, much of this project should not be
15 classified as distribution plant. Therefore, even if PSE&G were to own and operate the
16 New Substation, cost recovery issues regarding the **[begin confidential]** [redacted]
17 **[end confidential]** of transmission plant should be addressed to other regulatory agencies
18 and not to the New Jersey BPU.

19

1 **Q. If PSE&G’s ownership of the New Substation is approved by another regulatory**
2 **agency, would the costs necessarily be allocated to all transmission customers?**

3 A. No, they would not. Even if PSE&G ownership is authorized by another regulatory
4 agency, my understanding is that the costs could still be assigned to one customer, i.e., NJ
5 Transit. In that case, a CIAC or similar contribution would be required, just as the BPU
6 requires a utility to collect CIAC when facilities are built to serve a customer that has
7 insufficient revenues to justify the associated costs.

8

9 **E. Other Concerns and Summary**

10 **Q. Could approval of this project establish a dangerous precedent for PSE&G to**
11 **acquire ownership of other private facilities in the State, and pass the associated**
12 **costs along to regulated ratepayers?**

13 A. Yes, it could. Approval of this Petition would result in a dangerous precedent for future
14 situations in which PSE&G could propose to assume ownership of assets currently owned
15 and operated by other customers. NJ Transit currently owns 38 significant substations,
16 according to the response to RCR-AT-13. There is nothing to prevent PSE&G from
17 proposing to assume ownership of additional NJ Transit substations. In addition, there
18 may be substations owned by other PSE&G customers for which PSE&G could propose
19 to assume ownership. Approval of this Petition could therefore subject New Jersey
20 ratepayers to additional costs that they do not currently bear today.

21

1 **Q. If the BPU were to approve recovery of any portion of this project from the general**
2 **body of PSE&G ratepayers, should the costs be recovered through the SAM**
3 **proposed by PSE&G?**

4 A. No, they should not. If, in spite of Rate Counsel’s recommendation, the BPU approves
5 PSE&G’s request to construct the New Substation and to recover all or a portion of the
6 costs through distribution rates, then the associated costs should be recovered through the
7 traditional base rate case process. PSE&G has not demonstrated why a new clause
8 mechanism should be adopted. On page 3 of his Direct Testimony, Mr. Swetz attempts
9 to equate the New Substation with the Electric Station Flood Mitigation subprogram
10 projects approved under Energy Strong. However, the Energy Strong subprogram
11 referenced by Mr. Swetz involves specific hardening activities for multiple substations
12 that serve the general body of PSE&G customers. In this case, the Existing Substation is
13 not owned by the utility and the New Substation will serve only one distribution
14 customer. Accordingly, the New Substation project is not analogous to the substation
15 projects approved in the Energy Strong case. The Energy Strong mechanism was the
16 result of a stipulation that represented a negotiated settlement and a compromise by all
17 parties and it should not be extended to recover the costs that are the subject of this
18 proceeding. Any costs ultimately approved by the BPU for recovery through distribution
19 rates should therefore be recovered through the traditional base rate case process.

20

1 **Q. Please summarize your concerns regarding the Company’s proposal to build, own,**
2 **and operate the New Substation.**

3 A. PSE&G has not demonstrated why it should assume ownership of a proposed New
4 Substation serving NJ Transit, or why New Jersey distribution customers should be
5 responsible for the associated costs. The New Substation will primarily serve the needs
6 of its current owner, NJ Transit. In addition, approximately [begin confidential] █████
7 █████ [end confidential] of the plant is more appropriately classified as transmission
8 investment than distribution investment. The revenues currently received from NJ
9 Transit are well below the level of revenues required to support the New Substation, and
10 the parties have not yet identified how much of the capital cost would be contributed by
11 NJ Transit. Moreover, the New Substation will also be integral to the NJ
12 TRANSITGRID project, a project that could further reduce the revenues currently
13 received by PSE&G from NJ Transit. PSE&G’s proposal will result in millions of
14 dollars of additional profits to its shareholders without commensurate benefit to New
15 Jersey distribution utility customers. The BPU should deny the Company’s Petition
16 requesting authorization to own and operate the New Substation and to recover the costs
17 from New Jersey ratepayers.

18

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

ATTACHMENT A

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Public Service Electric and Gas Co.	E	New Jersey	EO16080788	5/17	Mason Substation	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	17-WSEE-147-RTS	4/17	Abbreviated Rate Case	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	17-KCPE-201-RTS	4/17	Abbreviated Rate Case	Citizens' Utility Ratepayer Board
GPE/ Kansas City Power & Light Co., Westar Energy, Inc.	E	Kansas	16-KCPE-593-ACQ	12/17	Proposed Merger	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	16-KGSG-491-RTS	9/16	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	15-00312-UT	7/16	Automated Metering Infrastructure	Office of Attorney General
Kansas City Power and Light Company	E	Kansas	16-KCPE-160-MIS	6/16	Clean Charge Network	Citizens' Utility Ratepayer Board
Kentucky American Water Company	W	Kentucky	2016-00418	5/16	Revenue Requirements	Attorney General/LFUCG
Black Hills/Kansas Gas Utility Company	G	Kansas	16-BHCG-171-TAR	3/16	Long-Term Hedge Contract	Citizens' Utility Ratepayer Board
General Investigation Regarding Accelerated Pipeline Replacement	G	Kansas	15-GIMG-343-GIG	1/16	Cost Recovery Issues	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	15-00261-UT	1/16	Revenue Requirements	Office of Attorney General
Atmos Energy Company	G	Kansas	16-ATMG-079-RTS	12/15	Revenue Requirements	Citizens' Utility Ratepayer Board
El Paso Electric Company	E	New Mexico	15-00109-UT	12/15	Sale of Generating Facility	Office of Attorney General
El Paso Electric Company	E	New Mexico	15-00127-UT	9/15	Revenue Requirements	Office of Attorney General
Rockland Electric Company	E	New Jersey	ER14030250	9/15	Storm Hardening Surcharge	Division of Rate Counsel
El Paso Electric Company	E	New Mexico	15-00099-UT	8/15	Certificate of Public Convenience - Ft. Bliss	Office of Attorney General
Southwestern Public Service Company	E	New Mexico	15-00083-UT	7/15	Approval of Purchased Power Agreements	Office of Attorney General
Westar Energy, Inc.	E	Kansas	15-WSEE-115-RTS	7/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	15-KCPE-116-RTS	5/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR14101099-1120	4/15	Cable Rates (Form 1240)	Division of Rate Counsel
Liberty Utilities (Pine Buff Water)	W	Arkansas	14-020-U	1/15	Revenue Requirements	Office of Attorney General
Public Service Electric and Gas Co.	E/G	New Jersey	EO14080897	11/14	Energy Efficiency Program Extension II	Division of Rate Counsel
Exelon and Pepco Holdings, Inc.	E	New Jersey	EM14060581	11/14	Synergy Savings, Customer Investment Fund, CTA	Division of Rate Counsel
Black Hills/Kansas Gas Utility Company	G	Kansas	14-BHCG-502-RTS	9/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	14-00158-UT	9/14	Renewable Energy Rider	Office of Attorney General

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Public Service Company of New Mexico	E	New Mexico	13-00390-UT	8/14	Abandonment of San Juan Units 2 and 3	Office of Attorney General
Atmos Energy Company	G	Kansas	14-ATMG-320-RTS	5/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Rockland Electric Company	E	New Jersey	ER13111135	5/14	Revenue Requirements	Division of Rate Counsel
Kansas City Power and Light Company	E	Kansas	14-KCPE-272-RTS	4/14	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR13100885-906	3/14	Cable Rates	Division of Rate Counsel
New Mexico Gas Company	G	New Mexico	13-00231-UT	2/14	Merger Policy	Office of Attorney General
Water Service Corporation (Kentucky)	W	Kentucky	2013-00237	2/14	Revenue Requirements	Office of Attorney General
Oneok, Inc. and Kansas Gas Service	G	Kansas	14-KGSG-100-MIS	12/13	Plan of Reorganization	Citizens' Utility Ratepayer Board
Public Service Electric & Gas Company	E/G	New Jersey	EO13020155 GO13020156	10/13	Energy Strong Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	12-00350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4 All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium, Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	110258	5/12	Cost of Capital	Division of the Public Advocate

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Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers

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New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel

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Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board