

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

I/M/O THE PETITION OF PUBLIC)	BPU Docket Nos. EO18060629 and
SERVICE ELECTRIC & GAS)	GO18060630
COMPANY FOR APPROVAL OF)	
THE SECOND ENERGY STRONG)	
PROGRAM (ENERGY STRONG II)		

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

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Appendix A - List of Prior Testimonies

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is 2805 East Oakland Park Boulevard, #401, Ft. Lauderdale, FL 33306.

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

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

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

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

Q. Have you previously testified in regulatory proceedings?

A. Yes, since joining The Columbia Group, Inc., I have testified in over 400 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania,

1 Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of
2 Columbia. These proceedings involved gas, electric, water, wastewater, telephone, solid
3 waste, cable television, and navigation utilities. A list of dockets in which I have filed
4 testimony since January 2008 is included in Appendix A.

5
6 **Q. What is your educational background?**

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

10
11 **II. PURPOSE OF TESTIMONY**

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

13 A. On June 8, 2018, Public Service Electric and Gas Company (“PSE&G”) filed a Petition
14 with the New Jersey Board of Public Utilities (“BPU” or “Board”) seeking approval “of a
15 second Energy Strong Program and associated cost recovery mechanism” (“Energy
16 Strong II”). The Energy Strong II Program is a \$2.5 billion accelerated infrastructure
17 investment program that the Company proposes to undertake over a five-year period.
18 The Company is also seeking approval for a semi-annual accelerated cost recovery
19 mechanism for Energy Strong II costs. The Columbia Group, Inc. was engaged by the
20 State of New Jersey, Division of Rate Counsel (“Rate Counsel”) to review the Petition
21 and to make recommendations to the BPU related to accounting and cost recovery issues.
22 Testimony on behalf of Rate Counsel is also being filed by David Dismukes and Edward
23 McGee, of Acadian Consulting Group, by Maximilian Chang and Charles Salamone of

Synapse Energy Economics, Inc., and by Kevin O'Donnell of Nova Energy Consultants. Dr. Dismukes is testifying on gas policy and regulatory issues, Mr. McGee is testifying on gas program issues, Mr. Chang and Mr. Salamone are testifying on electric program issues, and Mr. O'Donnell is testifying on cost of capital issues.

III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Q. What are your conclusions and recommendations concerning the Energy Strong II Program proposed by the Company?

A. Based on my analysis of the Company's filing and other documentation in this case, including the recommendations of other Rate Counsel witnesses, my conclusions and recommendations are as follows:

1. PSE&G has had, and continues to have, an obligation to provide safe and reliable utility service.
2. PSE&G has not demonstrated that an alternative cost recovery mechanism is necessary in order to ensure adequate investment in the utility.
3. The BPU should reject the Energy Strong II Program and the associated cost recovery mechanism as proposed by PSE&G.
4. If the BPU finds that some extraordinary ratemaking treatment is required in order to increase investment by the Company, then it should limit the Energy Strong II Program to the investment levels as recommended by other Rate Counsel witnesses.
5. If the Energy Strong II Program is approved, the Board should require an annual baseline spending level of \$223.6 million for the electric utility and of \$155

1 million for the gas utility. These baseline spending requirements should be in
2 addition to the requirement that at least 10% of the accelerated Energy Strong II
3 Program be recovered through base rates. These spending requirements also
4 exclude spending for new business and base spending required pursuant to the
5 Gas System Modernization II (“GSMP II”) Program.

6 6. If an accelerated cost recovery mechanism is approved for the Energy Strong II
7 Program, the rate adjustments should be based on the cost of capital
8 recommended by Mr. O’Donnell.

9 7. The revenue requirement associated with any rate adjustments should include the
10 operating expense offsets recommended by other Rate Counsel witnesses.

11 8. The cost recovery provisions of the Energy Strong II Program are generally
12 similar to the mechanism in the Board’s recently adopted rules for Infrastructure
13 Investment Programs (“IIP”),¹ except for the use of a base rate adjustment
14 instead of a rider. I am not opposed to a base rate adjustment if the Board
15 approves the Energy Strong II Program.

16 9. If an Energy Strong II Program is approved, the rate base used to develop the
17 periodic rate adjustments should exclude cost of removal and indirect overhead
18 costs.

19 10. Energy Strong II Program rate adjustments should be limited to annual rate
20 adjustments instead of the semi-annual adjustments proposed by PSE&G.

21 11. Pursuant to the recommendation of Dr. David Dismukes, Energy Strong II
22 Program adjustments should be capped at 1% of the typical residential customer’s

¹ 50 N.J.R. 630(a) (Jan. 16, 2018).

1 annual bill.

2 12. If an Energy Strong II Program is approved, all current filing and reporting
3 requirements should be retained.

4 13. All plant additions under the Energy Strong II Program should be subject to a
5 review for prudence in a subsequent base rate case.

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

8 **A. Background of the Energy Strong Program**

9 **Q. Please provide a brief background of this proceeding.**

10 A. On May 21, 2014, the BPU approved the initial Energy Strong Program in BPU Docket
11 Nos. EO13020155 and GO13020156 pursuant to a Stipulation reached by the parties in
12 that proceeding. In the initial Energy Strong Program, PSE&G was authorized to spend
13 up to \$1.22 billion, including \$820 million on three electric projects and up to \$400
14 million on two gas projects, as shown below:

	\$ Million
Electric Station Flood Mitigation	\$620
Contingency Reconfiguration Strategies	\$100
Advanced Technologies	\$100
Total Electric	\$820
Gas Utilization Pressure Cast Iron	\$350
M&R Station Flood Mitigation	\$50
Total Gas	\$400
Total Energy Strong	\$1,220

The Stipulation provided for recovery of up to \$1 billion (\$600 million in electric and \$400 in gas) of the program through the Energy Strong cost recovery mechanism, with the additional costs being recovered through the traditional base rate mechanism. Pursuant to the Energy Strong cost recovery mechanism, the Company was permitted to file for semi-annual base rate adjustments for its electric utility and for annual adjustments for its gas utility in order to roll into base rates the revenue requirement for projects completed under the Energy Strong Program. The revenue requirement included the return on net plant in service at the end of the rate adjustment period, as well as depreciation expense, income taxes, the associated interest synchronization adjustment, and BPU/Rate Counsel assessments. The rate design for the rate adjustments was based on the rate design methodology used to set rates in the Company's prior base rate case and utilized 2012 weather-normalized billing determinants. Pursuant to the terms of the original Energy Strong Program Stipulation, PSE&G was permitted to shift some program funds among the subprograms provided that the total Energy Strong Program

cap was not exceeded. The Energy Strong Stipulation also contained various reporting requirements and performance metrics.

All projects undertaken in the Energy Strong Program were to be reviewed for prudence in a base rate case proceeding. Most of the Energy Strong Program projects were completed in time to be examined for prudence in the Company's recent base rate case.

B. Description of the Energy Strong II Program

Q. Please provide a brief description of the proposed Energy Strong II Program.

A. The Company is seeking authorization for a five-year, \$2.5 billion program. The proposed Energy Strong II Program includes the following projects:

Electric	\$Millions
Flood Mitigation for 16 Electric Substations	\$428
Life Cycle Replacements	\$478
Outside Plant Higher Design and Construction Standards	\$345
Contingency Reconfiguration Subprogram	\$145
Grid Modernization Subprogram	\$107
Total Electric	\$1,503
Gas	
Curtailment Resiliency Subprogram	\$863
Metering and Regulation Upgrade Subprogram	\$136
Total Gas	\$999

Q. How does the Company propose to recover the costs of the Energy Strong II Program?

A. PSE&G is proposing to recover the costs through semi-annual rate adjustments to its base distribution rates. The revenue requirement would include the return on net rate base, depreciation expenses, taxes, and revenue assessments. An allowance for uncollectible expense would also be included for the gas program. The Company proposed that the return on rate base be based on the weighted average cost of capital ("WACC") approved in the Company's recent base rate case, which was still ongoing when the Energy Strong II Program was filed. Although the Company's original filing reflected a common equity return of 10.3% and a pre-tax cost of capital of 9.56%, the Stipulation in the recent base rate case resulted in a pre-tax cost of capital of 9.02%, as shown below:

	Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long-Term Debt	45.53%	3.96%	1.80%	1.80%
Customer Deposits	0.47%	0.87%	0.00%	0.00%
Common Equity	54.00%	9.60%	5.18%	7.21%
Total			6.99%	9.02%

The Company's net rate base would include gross plant that was completed and placed into service, accumulated depreciation, and accumulated deferred income taxes.

1 Depreciation expense would be based on the currently-approved depreciation rates. Any
2 subsequent changes to depreciation rates would be reflected in the revenue requirement
3 calculation. Depreciation would begin once the plant was placed into service. Projects
4 that cost more than \$5,000 and that have a construction period of longer than 60 days
5 would accrue an Allowance for Funds Used During Construction (“AFUDC”) at a rate
6 based on the approved FERC methodology.

7 PSE&G is proposing to make its first rate adjustment on March 1, 2020, based on
8 actual plant-in-service at November 30, 2019. The Company would make an initial filing
9 with estimated rates on September 30, 2019 and an updated filing on December 15, 2019
10 based on actual results through November 30, 2019. Subsequent rate adjustments would
11 be made on September 1 and March 1 of each year, based on actual plant-in-service
12 balances ending three months prior to the effective date, with initial filings made two
13 months prior to the plant cut-off date and with updated filings due fifteen days after the
14 cut-off date.

15 PSE&G is proposing to utilize the billing determinants and rate design approved
16 in its recent base rate case. Since the Company’s Petition was filed prior to the
17 completion of that rate case, the Petition reflects the rate design utilized in the initial
18 Energy Strong Program and billing determinants from calendar year 2012. However, the
19 Company acknowledged in its response to RCR-A-004 that the rate design and billing
20 determinants from its recent base rate case would be used in its Energy Strong II rate
21 adjustments.

22 **Q. What is the estimated impact of the Energy Strong II Program on customer rates?**

23 **A.** The Company is proposing to limit each base rate roll-in to a minimum investment of

10% of the total program investment. Therefore, if in any semi-annual period the actual investment is less than 10% of the total approved program, there would be no rate adjustment for the period. As shown on Schedules SS-ESII-2E and SS-ESII-2G to Mr. Swetz's testimony, the schedule of rate adjustments proposed by PSE&G in its Petition would result in seven electric adjustments and three gas adjustments, with the following revenue increases:

As Filed

Rate Adjustment	Electric \$Millions	Gas \$Millions
3/1/21	\$20,127	
9/1/21	\$20,067	
3/1/22	\$18,257	
9/1/22	\$48,916	\$17,246
9/1/23	\$50,070	\$13,166
3/1/24	\$27,974	
9/1/24	\$2,074	\$77,802
Total	\$187,484	\$108,214

The revenue requirement increases shown in Mr. Swetz's schedules were subsequently updated to reflect the impact of the Stipulation in the Company's recent base rate case, including a cost of equity of 9.6%, new depreciation rates, updated billing determinants, and the rate design resulting from that case. As a result, the revenue requirement impact of the proposed Energy Strong II Program was reduced slightly, as shown below:

Updated to Reflect Rate Case

Rate Adjustment	Electric \$Millions	Gas \$Millions
3/1/21	\$19,468	
9/1/21	\$18,949	
3/1/22	\$17,310	
9/1/22	\$45,267	\$15,946
9/1/23	\$46,865	\$12,038
3/1/24	\$26,538	
9/1/24	\$2,041	\$70,670
Total	\$176,438	\$98,654

The bill impacts and percentage changes to the typical residential customer are shown below:²

Typical Residential Customer

Rate Adjustment	Electric	% Increase	Gas	% Increase
3/1/21	\$8.48	0.68%		
9/1/21	\$8.20	0.65%		
3/1/22	\$7.52	0.60%		
9/1/22	\$19.56	1.54%	\$9.58	1.09%
9/1/23	\$20.12	1.56%	\$7.14	0.80%
3/1/24	\$11.36	0.87%	\$41.40	4.62%
9/1/24	\$0.84	0.06%		
Total	\$76.08	6.11%	\$58.12	6.60%

Q Is the Company also proposing to apply an earnings test to each rate adjustment?

A. Yes, it is. Under the Company's proposal, if PSE&G's ROE exceeds the ROE authorized in the Company's most-recently decided base rate case by more than 50 basis points, no

² Derived from the response to RCR-A-19.

1 adjustment to base rates would be made for the applicable filing period. The Company is
2 proposing to utilize its quarterly and annual SEC filings for the earnings test. Since
3 PSE&G is a combined electric and gas utility, its common equity includes financing for
4 both utilities. Therefore, some method for allocating the common equity is necessary.

5 In its filing, the Company proposed to calculate its common equity balances based
6 on the starting and ending Net Plant balances multiplied by the ratio of Net Plant to
7 Common Equity determined in the most recent base rate case. The Company claimed in
8 its filing that a similar methodology was used for the earnings test in its Weather
9 Normalization Clause. However, in its recent base rate case, the parties agreed on an
10 earnings test for the Weather Normalization Clause that would utilize net income divided
11 by the average 13-month Rate Base multiplied by 54%, which was the equity percentage
12 used to determine the authorized return requirement. It is my understanding that the
13 Company is now proposing to adopt the same methodology for the Energy Strong II
14 Program's earnings test. As part of its Energy Strong II filing, PSE&G is proposing that
15 its next base rate case be filed no later than five years after the commencement of the
16 Energy Strong II Program.

1 **C. Description of the BPU's IIP Rule**

2 **Q. Has the BPU approved a rule relating to accelerated infrastructure recovery?**

3 A. Yes, it has. In its public meeting on December 19, 2017 the BPU approved its proposed
4 Rule at N.J.A.C. 14:3-2A relating to Infrastructure Investment Programs ("IIP Rule") for
5 New Jersey utilities³. The IIP Rule is intended to allow a utility to "accelerate its
6 investment" in certain utility property and to "obtain accelerated recovery of qualifying
7 investments, subject to the terms of this subchapter, and any other conditions set by the
8 Board...." The IIP Rule was adopted and published in the New Jersey Register on
9 January 16, 2018.⁴ To be eligible for recovery through an IIP, a project must be related to
10 safety, reliability and/or resiliency. It must be incremental and non-revenue producing.
11 It must also be identified in a petition filed by the utility and approved by the BPU. A
12 utility may request an IIP program of up to five years in duration. The IIP Rule
13 specifically lists the following types of projects as eligible for an IIP:

- 14 • The replacement of gas Utilization Pressure Cast Iron ("UPCI") mains
15 with elevated pressure mains and associated services;
- 16 • The replacement of mains and services that are identified as high risk in a
17 gas utility's Distribution Integrity Management Plan;
- 18 • The installation of Excess Flow Valves where existing gas service line
19 replacements require them, excluding Excess Flow Valves installed upon
20 customer request pursuant to 49 CFR 192.383;
- 21 • Electric distribution automation investments, including, but not limited to,

³ The Rule was proposed at 49 N.J.R. 2489(a) and docketed as BPU Docket No. AX17050469.

⁴ 50 N.J.R. 630(a) (Jan. 16, 2018).

1 supervisory control and data acquisition equipment, cybersecurity
2 investments, relays, reclosers, voltage and reactive power control,
3 communications networks, and distribution management system
4 integration;

- 5 • The installation of break-predictive water sensors and wastewater sensors
6 to curtail combined sewer overflows; and
- 7 • Other projects deemed appropriate by the Board.

8
9 **Q. What information is a utility seeking approval for an IIP required to provide?**

10 A. Petitions to establish an IIP must include five-years of capital expenditure budgets, by
11 major category of expenditure; historic capital expenditures for the prior five years, by
12 major category of expenditure; an engineering evaluation with details on specific projects
13 to be included in the program; budgets for the projects to be completed pursuant to the
14 IIR program; a proposal for when the utility plans to file its next base rate case; proposed
15 baseline spending levels; the maximum amount that is proposed to be recovered through
16 the IIP and the estimated rate impact of the IIP on customers. The IIP Rule also
17 specifies the information that must be provided to the Board and Rate Counsel through
18 semi-annual reports on the progress of the program.

19
20 **Q. Are the utilities required to maintain a certain level of baseline spending in order to
21 participate in an IIP?**

22 A. Yes, there are two requirements for additional spending in the IIP Rule. First, a utility
23 must invest at least 10% of the amount approved for the IIP in projects that are recovered

1 through the base rate case process rather than through the accelerated recovery
2 mechanism. Second, the utility must maintain an overall annual baseline spending level
3 for projects recovered through base rates. In determining baseline spending levels, the
4 Board may consider a utility's historical capital expenditure budgets, projected capital
5 expenditure budgets, depreciation expenses, or any other data deemed relevant.
6

7 **Q. Does the IIP Rule also address the related cost recovery mechanism?**

8 A. Yes, it does. The IIP Rule permits a utility to file for annual or semi-annual rate
9 adjustments for projects that have been placed into service. Each rate adjustment must
10 include the revenue requirement associated with at least 10% of the total IIP budget. The
11 IIP Rule prohibits the accrual of AFUDC once a project is placed into service. The IIP
12 Rule also provides for recovery of costs through a separate tariff clause.

13 The IIP Rule allows for year-to-year variances from the approved annual budgets
14 of up to 10%, provided that the total program budget is not exceeded. All rate
15 adjustments are provisional until the prudence of the capital expenditures is determined in
16 a subsequent base rate case. A utility must file a base rate case no later than 5 years after
17 the IIP is approved, but the Board may require a utility to file within a shorter period.
18 The IIP Rule requires an earnings test and the IIP Rule prohibits a rate adjustment if the
19 company's actual return on equity for the preceding twelve months exceeds the ROE
20 authorized in the last base rate case by 50 basis points.
21

22 **Q. Did Rate Counsel have concerns about certain provisions of the IIP Rule?**

23 A. Yes, it did. In addition to general concerns about the need for an accelerated

1 infrastructure investment mechanism, Rate Counsel expressed particular concerns about
2 the 10% threshold for similar projects that will be recovered through the base rate case
3 process. This provision was later clarified by the Board, who indicated that the 10%
4 applied to the specific projects included in the IIP. Therefore, the 10% requirement was
5 to capture at least a portion of the incremental program in base rates, not to transfer
6 recovery of infrastructure investment from the traditional base rate case process to an
7 adjustment mechanism. As Rate Counsel noted in its October 6, 2017 comments on the
8 proposed IIP Rule, the Board should continue to utilize the traditional base rate case
9 process to serve as the primary mechanism for cost recovery of infrastructure investment.

10 Rate Counsel also noted that while the IIP Rule proposed that the rate adjustment
11 be a separate clause in the company's tariff, there were no rate design details provided
12 regarding how such a clause would be structured or implemented, or what revenue
13 requirement components would be used to determine the adjustment. Rate Counsel also
14 proposed that any rate adjustment be implemented on an annual, and not semi-annual,
15 basis since neither Rate Counsel nor other parties have the resources to process semi-
16 annual filings.

17
18 **Q. Does the Board have discretion with regard to approval of a petition for the IIP**
19 **Program?**

20 A. Yes, it does. The IIP Rule at N.J.A.C. 14:3-2A.4(b) permits the Board to "limit the size
21 of a particular Infrastructure Investment Program due to its anticipated impact on rates, or

1 for any other reasons in the Board's discretion."⁵ Thus, the Board has broad discretion in
2 reviewing requests for an IIP. In addition, the Board can require that the utility hire an
3 independent program monitor to provide periodic reports to the Board and Rate Counsel.
4 The IIP Rule also specifies the information that must be provided to the Board and Rate
5 Counsel through semi-annual filings.
6

7 **D. Evaluation of the Proposed Energy Strong II Program**

8 **Q. What factors should the BPU consider as it evaluates the Company's request for**
9 **approval of the Energy Strong II Program?**

10 A. First, the BPU should consider whether an accelerated infrastructure investment program
11 is necessary in order for the Company to meet its service obligations. To put this issue in
12 a broader context, for most of the past century, utilities had traditionally recovered the
13 cost of their investment in infrastructure through base rates. Between base rate cases,
14 utilities funded infrastructure investment that was necessary to provide safe and reliable
15 utility service to regulated ratepayers. As plant was completed and placed into utility
16 service, the utility began to record depreciation expense, which reflected recovery of the
17 investment over its useful life. When new utility rates were established in a subsequent
18 base rate case, the utility began to recover its annual depreciation expenses from
19 ratepayers. In addition, the new utility rates also reflected a return on the undepreciated
20 investment included in rate base. It was up to the utility to decide when it would file for a
21 base rate increase. Between base rate cases, utility shareholders took the risk of under-
22 earning but shareholders also benefitted from any overearnings during this period.

⁵ Ibid.

1 In addition to recovering their investment through base rates, utilities traditionally
2 recovered operating costs through base rates as well. With the “energy crisis” of the
3 1970s, utilities argued that fuel costs were increasing rapidly, were extremely volatile,
4 and were largely outside of the control of management. Therefore, most utilities
5 successfully petitioned for fuel clauses that would allow them to pass through to
6 ratepayers increases in fuel costs. In addition, any reductions in fuel costs were similarly
7 passed through to ratepayers.

8 From this relatively modest beginning, surcharges for utilities have proliferated,
9 especially over the past 10-15 years, as utilities have argued that the regulatory paradigm
10 no longer provides adequate returns to shareholders. Accordingly, utilities have
11 successfully proposed a host of surcharge mechanisms and cost trackers. These include
12 weather normalization adjustment clauses, Ad Valorem Tax surcharges, pension and
13 other post-employment benefit (“OPEB”) trackers, energy efficiency surcharges,
14 renewable energy surcharges, and other tracking mechanisms including, in some cases,
15 complete decoupling of revenues from sales. More recently, utilities have argued that
16 new ratemaking mechanisms are necessary to address storm damage investment, system
17 resiliency, and reliability issues. For PSE&G, this has resulted in the approval of capital
18 infrastructure programs, the Energy Strong Program, the initial Gas System
19 Modernization Program (“GSMP”), and an extension to the GSMP (“GSMP II”).

20 In addition to new rate recovery mechanisms, utilities have also increased the use
21 of regulatory assets as a tool to ensure that shareholders recover 100% of certain costs,
22 such as rate case costs, storm-related costs, security costs, and other costs. All of these
23 mechanisms – surcharges, trackers, and regulatory assets - transfer risk from a utility’s

1 shareholders to its ratepayers. However, in virtually every case, these mechanisms have
2 been instituted without a concomitant reduction to the cost of equity awards to utility
3 shareholders.

4
5 **Q. Is the Company currently meeting its service obligations?**

6 A. Yes, it is. While the details of the specific Energy Strong II projects are being reviewed
7 by other Rate Counsel witnesses, it does not appear that the Energy Strong II Program is
8 necessary for the provision of safe and reliable utility service. Thus, the Company is not
9 suggesting that the Energy Strong II Program, or any new program, must be implemented
10 in order to meet its service obligations. Moreover, the Company has always had, and
11 continues to have, a long-standing obligation to make the infrastructure replacements that
12 are necessary to ensure the continuation of safe and reliable service. Replacing aging
13 infrastructure is an integral part of managing any utility distribution system. The
14 regulatory compact provides that in exchange for being granted a monopoly franchise
15 area, a utility will provide safe and reliable utility service at reasonable rates. The
16 obligation to provide safe and reliable service is a cornerstone of the utility's obligations.
17 Thus, the concept of replacing infrastructure, when required, is not new or novel. Rather,
18 this is a fundamental obligation of any gas or electric distribution company.

19
20 **Q. If the Board decides that an accelerated replacement program is necessary, could
21 such a program still be undertaken within the traditional rate case process?**

22 A. Yes, if the BPU believes that an accelerated replacement program is desirable, then it
23 must decide whether to require cost recovery through the base rate case process or to

1 permit recovery through some other accelerated mechanism such as a rider or surcharge.

2 In addition, it must determine the types of costs that would be eligible for recovery.

3
4 **Q. What factors should the Board consider when determining whether to authorize an**
5 **accelerated cost recovery mechanism?**

6 A. There are many factors that should be considered by the Board. These include whether
7 the utility has been reasonable in its past investment strategies, the impact on the utility's
8 shareholders if accelerated cost recovery is not authorized, the availability of other
9 programs from which to fund the accelerated investment program, the impact on
10 ratepayers of an accelerated recovery plan, and others. It is critical for the Board to
11 recognize that the implementation of an accelerated investment program does not
12 necessarily require the implementation of an accelerated cost recovery mechanism.

13
14 **Q. How does the recovery mechanism envisioned for the Energy Strong II Program**
15 **fundamentally differ from traditional base rate recovery?**

16 A. The Company's proposed Energy Strong II Program cost recovery mechanism is an
17 accelerated recovery mechanism - one that will require ratepayers to pay for certain costs
18 earlier than they would under traditional ratemaking.

19
20 **Q. What is the impact on shareholders of the Company's proposed cost recovery**
21 **mechanism for the Energy Strong II?**

22 A. Contrary to economic theory and good ratemaking practice, the proposed Energy Strong
23 II mechanism will increase shareholder return while significantly reducing risk.

1 Shareholder return is directly proportional to the amount of investment made by the
2 utility. Since shareholders benefit from every investment dollar that is spent by a utility,
3 the proposed Energy Strong II Program will increase overall return to shareholders and
4 accelerate recovery of that return.

5 As shown in Schedule SS-ESII-2E provided in response to RCR-A-19, by the end
6 of the program, annual electric rates will include \$96.9 million of additional after-tax
7 return to the Company, approximately 80% of which will be return to shareholders. By
8 the end of the gas program, annual utility rates will reflect an additional \$60.4 million of
9 after-tax return, 80% of which will be return on common equity. Therefore, instead of
10 viewing infrastructure replacement as an investment burden, investors are likely to view
11 the Energy Strong II Program as an opportunity to increase their returns and to reduce
12 their risk. Regulators should not lose sight of the fact that there are two primary ways
13 that shareholders can increase their returns – by increasing the rate base on which a return
14 is earned or by increasing the rate of return that is applied to that rate base. Since the
15 Company is not able to increase its return outside of a base rate case, and in fact the last
16 rate case resulted in a reduction in the authorized common equity return, then it must
17 increase its earnings by increasing the amount of investment on which it can earn a
18 return. Every dollar of investment made by PSE&G results in greater earnings for
19 shareholders.

20
21 **Q. What is the impact of the Company's proposal on its customers?**

22 **A.** Pursuant to traditional ratemaking practice, plant additions are only included in rate base,
23 and therefore in utility rates, once the plant is completed and placed into service and the

1 Company files a subsequent base rate case. Between general base rate cases, plant that is
2 booked to utility plant-in-service is not reflected in utility rates until the Company's next
3 base rate case.

4 However, under the Company's proposal, ratepayers will bear higher costs
5 sooner, as a result of the Energy Strong II Program. If approved, electric ratepayers will
6 have semi-annual rate increases and gas ratepayers are likely to have at least annual rate
7 increases related to the Energy Strong II Program. From a financial perspective, these are
8 serious detriments to ratepayers. Moreover, the rate impact to customers under the
9 proposed Energy Strong II Program would be substantial. As shown in the workpapers
10 provided in response to RCR-A-19, for a typical residential customer the proposed
11 Energy Strong II Program would result in a cumulative annual electric increase of
12 approximately \$76.08, or approximately 6.1% of the current bill of \$1,246.08, by the end
13 of the program. Typical gas residential customers would experience a cumulative annual
14 increase of \$58.12, or 6.6%, by September 1, 2024. These increases would be in addition
15 to other increases in either base rates or surcharges that customers may experience over
16 this period. Such base rate increases are especially troubling since the Company just
17 received base distribution increases of \$88.9 million for the electric utility and of \$123.1
18 for the gas utility, although the rate impact on customers was largely offset by tax savings
19 resulting from the Tax Cut and Jobs Act of 2017 ("TCJA").

20

1 **Q. Would the Company's proposal to implement the Energy Strong cost recovery**
2 **mechanism also shift additional risk onto ratepayers?**

3 **A.** Yes, it would. The Company's proposed mechanism would shift risk from shareholders,
4 where it properly belongs, to ratepayers without any commensurate reduction in the
5 Company's return on equity. In addition, the Company's proposal would require the
6 BPU to increase rates even if the Company was earning its authorized rate of return.

7 Under the Energy Strong II Program, shareholders will no longer have to wait for
8 a general base rate case to receive a return on this investment. Nor will shareholders
9 have to wait for a general base rate case in order to begin recovery of depreciation
10 associated with the investment. Nevertheless, ratepayers will experience semi-annual or
11 annual rate increases even though the Company will not have annual rate cases, so other
12 components of its revenue requirement such as revenues, expenses, investment, and cost
13 of capital will not be reviewed.

14
15 **Q. Is the Company proposing any reduction to its cost of equity to reflect the lower risk**
16 **inherent in the Energy Strong II Program?**

17 **A.** No, it is not. In spite of the fact that the Energy Strong II Program will reduce
18 shareholder risk, and will transfer that risk to ratepayers, PSE&G is proposing that the
19 return authorized in its recent base rate case be used to calculate the revenue requirement
20 associated with Energy Strong II Program rate adjustments. However, since this return
21 will be accelerated, the impact to shareholders is an increase in the earned return on
22 equity between base rate cases even though there is little risk of cost recovery. Thus, the

1 Energy Strong II Program provides exactly the wrong movement in return on equity that
2 one would expect, given the significant reduction in shareholder risk.

3
4 **Q. Don't shareholders bear the risk of having the BPU deny recovery as part of its**
5 **eventual prudence review in a base rate case?**

6 A. In my opinion, the Energy Strong II Program is essentially risk-free to shareholders.
7 Since the BPU will have already approved the Energy Strong II sub-programs, there is
8 virtually no risk of disallowance unless actual spending varies greatly from what is
9 projected. Therefore, even though rate adjustments will be provisional and will be
10 subject to a future review for prudence, in all likelihood there is very little possibility of
11 disallowances.

12
13 **Q. Does the Company's proposal result in single-issue ratemaking?**

14 A. Absolutely. The Company's proposal clearly constitutes single-issue ratemaking since it
15 proposes to increase rates for one component of the ratemaking equation without
16 consideration of the overall revenue requirement or revenue levels being earned by
17 PSE&G. Single-issue ratemaking violates the regulatory principle that all components of
18 a utility's ratemaking equation be considered when new rates are established. The
19 Energy Strong II Program would permit the Company to impose increases twice each
20 year on captive customers without regard for other ratemaking components. This is
21 especially troublesome given the fact that, after completion of its recent base rate case, it
22 may be some time before the BPU has the opportunity to examine the Company's entire
23 revenue requirement as part of a base rate case. Although the earnings test provides some

1 protection for ratepayers, as proposed by PSE&G it would still permit the Company to
2 increase rates even if the Company was earning its authorized rate of return, provided
3 that the excess return did not exceed 50 basis points.

4
5 **Q. Hasn't the BPU approved similar single-issue cost recovery mechanisms in other**
6 **cases?**

7 A. Yes, however, in my view, the existence of these other surcharge recovery mechanisms
8 makes it more critical, not less critical, for the BPU to move away from single-issue
9 ratemaking and to return to base rate cases as the vehicle for establishing rates to New
10 Jersey ratepayers.

11 Ratemaking is supposed to be a substitute for competition. In a competitive
12 marketplace, a company is not guaranteed to recover costs and shareholders are not
13 guaranteed to earn a specific level of profit. The entire regulatory paradigm appears to be
14 at risk as utilities have successfully argued that the base rate case recovery mechanism,
15 which provided incentives for effective management and permitted shareholders the
16 opportunity to earn a reasonable return, should be discarded in place of a myriad of
17 surcharges that guarantee recovery, reduce shareholder risk, and remove incentives for
18 effective cost control.

19
20 **Q. Has the Company demonstrated that the proposed cost recovery mechanism is**
21 **necessary in order to meet its service obligations to New Jersey ratepayers?**

22 A. No, the Company has not demonstrated that its financial condition warrants an
23 accelerated cost recovery mechanism. There is no evidence that PSE&G has had

1 difficulty in the past attracting the capital necessary to invest in infrastructure projects.
2 The Company has not provided any evidence that it has had, or will have, difficulty
3 attracting capital if the Energy Strong II Program is not approved, or in funding
4 incremental projects if the BPU approves certain sub-components of the Program without
5 authorizing the accelerated cost recovery mechanism. In this case, there is no evidence
6 that either operational issues or financial issues necessitate implementation of a new
7 accelerated recovery mechanism for utility infrastructure projects. Thus, PSE&G has not
8 demonstrated that its financial integrity will be jeopardized if the cost recovery
9 mechanism proposed for the Energy Strong II Program is rejected by the BPU.

10
11 **Q. Should the Board approve a new cost recovery mechanism associated with**
12 **PSE&G's Energy Strong II Program?**

13 A. No, it should not. If the BPU finds that an additional level of investment is required to
14 replace aging infrastructure, then the associated costs should be recovered by PSE&G
15 through the existing base rate case process. Use of a surcharge mechanism will result in
16 a guaranteed return to shareholders, a transfer of risk from shareholders to ratepayers,
17 and a further erosion of the integrity of the regulatory process. I recommend that the BPU
18 reject the Company's proposal to accelerate recovery of costs associated with the Energy
19 Strong II projects.

20 The Energy Strong II Program also results in single-issue ratemaking and
21 provides a disincentive for utility management to control costs. The Energy Strong II
22 Program will put a further (and unnecessary) financial burden on ratepayers.
23 Infrastructure replacement should be treated no differently from other investment that is

1 necessary to provide safe and adequate utility service, and should be recovered only
2 through a general base rate case where all parties can undertake a thorough review of the
3 costs. Accordingly, the Company's request for an extraordinary recovery mechanism for
4 the Energy Strong II Program should be denied.

5
6 **Q. What would be the impact on the utility's shareholders if the traditional base rate**
7 **case process was utilized to fund accelerated infrastructure programs.**

8 A. It is important to remember that the traditional base rate case process does not require
9 shareholders to forego the entire revenue requirement associated with the accelerated
10 program – it only requires them to forego the return of and the return on the investment
11 until the Company's next base rate case. Assuming a 50-year depreciable life and an
12 average regulatory lag of 27 months⁶, shareholders would be responsible for funding the
13 revenue requirement for only 4.5% of the investment's useful life prior to it being
14 included in base rates.

15 If PSE&G believes that a new regulatory program is required in order to
16 accelerate the rehabilitation and replacement of its infrastructure, then it should also
17 recognize that a new regulatory paradigm may require sacrifice on the part of all parties -
18 both investors and ratepayers.

19
20 **Q. Do increases in utility investment benefit utility shareholders?**

21 A. Yes, absolutely. It is undeniable that increased investment helps utility shareholders.

⁶ This lag would reflect a three-year period between base rate cases. Assuming that plant was added continually during this period, on average, shareholders would finance 18 months of plant between base rate cases. In addition, a nine-month litigation period would result in a total lag of 27 months.

1 The utilities suggest that the additional financing requirements caused by accelerated
2 replacement programs put a strain on investors – but actually the opposite is true.
3 Shareholders stand to benefit from every dollar that is invested in the utility. Therefore,
4 to the extent PSE&G accelerates investment related to infrastructure replacement,
5 shareholders can expect higher earnings, even if an accelerated cost recovery mechanism
6 is not adopted. Given the benefit to shareholders, and given the fact that the Company has
7 not demonstrated a financial hardship, I recommend that the Company’s request for an
8 accelerated cost recovery mechanism be rejected.

9
10 **E. Recommendations If An Accelerated Cost Recovery Mechanism is Adopted**

11 **Q. Does the Company already have an accelerated cost recovery mechanism authorized**
12 **for its gas utility?**

13 A. Yes, it does. On May 22, 2018 the BPU authorized PSE&G to implement the GSMP II,
14 which is an accelerated investment and cost recovery program for the gas utility. This
15 program allows PSE&G to spend up to \$1.575 billion over the next five years on
16 replacement of UPCI mains and associated services, replacement of unprotected steel
17 mains and associated services, costs required to uprate the UPCI systems, the costs of
18 excess flow valves, and the cost of eliminating district regulators. While the GSMP II
19 projects may differ from some of the projects proposed for the Energy Strong II Program,
20 the BPU should not authorize two concurrent infrastructure replacement programs with
21 two cost recovery mechanisms. Moreover, the GSMP II Stipulation contained specific
22 requirements regarding base spending, project prioritization, performance metrics, and

1 other factors. It would be unreasonable to force ratepayers to pay for two infrastructure
2 replacement programs for the gas utility at the same time.

3
4 **Q. If, in spite of your recommendation, the Board decides to approve an accelerated**
5 **cost recovery mechanism, should the Board ensure that Energy Strong II Program**
6 **investment is incremental to the annual investment that would normally be made by**
7 **the Company in the absence of the Program?**

8 A. Yes, it should. If the Board approves an accelerated cost recovery mechanism, it should
9 also ensure that a significant amount of infrastructure replacement costs is still recovered
10 through the traditional base rate case process. In addition, the BPU should also ensure
11 that the Company does not shift capital resources that would otherwise be invested in the
12 utility and recovered in base rates into the Energy Strong II Program or into other areas of
13 the corporation. PSE&G should continue to undertake investments that are necessary for
14 the provision of safe and reliable utility service regardless of whether Energy Strong II is
15 approved. Therefore, in addition to the requirements of the IIP Rules that at least 10% of
16 an accelerated program must be recovered through base rates, the BPU should also
17 require the Company to maintain a baseline spending level in the event that the Energy
18 Strong II Program is approved.

19
20 **Q. What level of baseline spending is PSE&G proposing?**

21 A. As shown on Schedule EFG-ESII-2B, for the electric utility, PSE&G is proposing to
22 maintain total baseline spending of \$233 million from 2019-2023. However, an average
23 of \$30 million of this amount relates to the requirement that at least 10% of IIP be funded

1 through the traditional base rate case process. Therefore, on average, the Company is
2 proposing to maintain a baseline spending level of \$203 million.

3 For the gas utility, PSE&G is proposing to maintain baseline spending of \$155
4 million, as shown in Schedule WEM-ESII-2B. In addition, the Company is proposing to
5 fund 10% of its IIR Program through base rates. PSE&G also has a requirement to fund
6 up to \$60 million annually of GSMP II costs through base rates, instead of through the
7 accelerated cost recovery mechanism approved for that program.

8
9 **Q. What level of baseline spending do you recommend?**

10 A. From 2013-2017, PSE&G incurred base spending capital costs of \$1,118.1 million, or
11 approximately \$223.6 million annually. Therefore, I recommend that if an accelerated
12 cost recovery mechanism is approved for the electric utility, then recovery of Energy
13 Strong II Program costs through an accelerated rate mechanism should be contingent on
14 the Company investing at least \$223.6 million annually in electric utility distribution-
15 related projects, excluding the 10% of the IIP costs to be funded through the traditional
16 ratemaking mechanism and excluding costs relating to new business. Given the \$30
17 million annually of IIP costs to be funded through base rates, the total base spending
18 requirement should be \$253.6 million annually over the next five years for the electric
19 utility.

20 With regard to the gas utility, I recommend that PSE&G be required to maintain
21 stipulated base spending of \$155 million annually, excluding new business spending,
22 based on its five-year historic average spending. This requirement should be in addition

1 to the 10% base spending requirement for IIP and in addition to the GSMP II annual base
2 spending requirement of \$60 million.
3

4 **Q. If an accelerated cost recovery mechanism for the Energy Strong II Program is**
5 **approved, are you recommending any adjustments to the revenue requirement**
6 **components proposed by the Company?**

7 A. Yes, I am. If the BPU approves an accelerated cost recovery mechanism, then I
8 recommend that the return on Cost of Removal be excluded from base rate adjustments
9 prior to the filing of the Company's next base rate case. In addition, I am recommending
10 that a return on and of overhead costs also be excluded from the revenue requirement
11 calculation between base rate case filings.
12

13 **Q. Why are you recommending that a return on Cost of Removal be excluded from the**
14 **revenue requirement calculation between base rate cases?**

15 A. The Company's revenue requirement calculation does not consider either plant
16 retirements associated with Energy Strong II projects or a reduction in depreciation
17 expense related to those retirements. Thus, ratepayers are continuing to pay a return on,
18 and a return of, investment that is subsequently retired from service between base rate
19 cases as a result of the Energy Strong II Program. Since the revenue requirement impact
20 of these plant retirements continues to be reflected in base rates, I believe it is
21 unreasonable to require ratepayers to pay a return on the costs of removal between base
22 rate case filings. Once new base rates are established in a base rate case, then rate base
23 (and depreciation expense) will be adjusted to reflect these retirements. In addition, once

1 there is a new base rate case, the Company will begin to recover the cost of removal, in
2 addition to a return on the unamortized balance.⁷ In the interim, it is premature to reflect
3 cost of removal prior to ratepayers receiving the ratemaking benefits related to the plant
4 that is being removed as a result of the Energy Strong II Program.

5
6 **Q. Why are you opposed to the inclusion of indirect overhead costs in the revenue**
7 **requirement calculation between base rate case filings?**

8 A. There are several reasons for this recommendation. The most important reason is that
9 indirect overhead costs, for the most part, are not incremental costs associated with the
10 Energy Strong II Program. Instead, by their nature, indirect overhead costs are primarily
11 joint and common costs that do not vary in the short-run with incremental construction
12 activity. Indirect overhead costs include such items as executive management, non-
13 productive labor costs, and general support costs. Overhead costs comprise a significant
14 portion of the Company's cost claim. Overhead costs, including overhead costs
15 associated with cost of removal, account for 21.3% of the Company's projected electric
16 costs and 10.4% of the Company's projected gas costs, per the response to RCR-A-009.

17 If an Energy Strong II Program is approved, costs that are included in base rates
18 between base rate case filings should be limited to direct costs of the underlying projects.
19 Therefore, any overhead costs included in an accelerated recovery mechanism should be
20 limited to overhead costs that are directly charged to the projects, and should not include
21 overhead costs that are allocated to the projects based on cost allocation factors.

⁷ Unless there is a provision in depreciation rates associated with cost of removal, in which case the Company begins recovery when it begins to reflect depreciation expense charges in the semi-annual rate adjustments.

1 **Q. What cost of capital should be applied to Energy Strong II projects that are**
2 **recovered through an accelerated ratemaking mechanism?**

3 A. Mr. O'Donnell is recommending that the Board adopt a cost of capital of 6.39% for
4 Energy Strong II projects that are recovered through an accelerated cost recovery
5 mechanism. Mr. O'Donnell's recommendation includes an ROE of 8.5%.
6

7 **Q. If an accelerated cost recovery mechanism is adopted, should the Board permit**
8 **semi-annual rate adjustments as proposed by the Company?**

9 A. No, it should not. If an accelerated cost recovery mechanism is adopted, the Board
10 should limit the associated rate adjustments to annual adjustments. The use of annual
11 rate adjustments is consistent with the initial Energy Strong rate adjustments for the gas
12 utility as well as the rate adjustments under the initial GSMP. In addition, the use of
13 annual rate adjustments will mitigate the impact on ratepayers. Finally, given the limited
14 resources that are available to Board Staff and Rate Counsel, adoption of annual rate
15 adjustments will reduce the burden placed on these parties to review the proposed
16 adjustments, especially if similar accelerated cost recovery mechanisms are proposed by
17 other utilities in the State.
18

19 **Q. If an accelerated recovery mechanism is adopted, should the Board also limit the**
20 **annual rate impact on New Jersey ratepayers?**

21 A. Yes, it should. In addition to any other limitation recommended by other Rate Counsel
22 witnesses, I also recommend that the Energy Strong II Program rate adjustments be
23 limited to no more than a 1.0% increase on the typical residential customer's average bill

1 each year. This limitation would provide a reasonable balance between the Company's
2 need to accelerate infrastructure replacement and the need to ensure that New Jersey
3 utility rates continue to be affordable. This recommendation would still permit the
4 Company to increase utility rates by 5.0% over five years, which would be in addition to
5 any rate increases resulting from base rate cases, changes in supply costs, or increases in
6 other clause mechanisms.

7
8 **Q. Are you also recommending changes to the earnings test proposed by the**
9 **Company?**

10 A. Yes, I am. While the Company has proposed that Energy Strong II Program rate
11 adjustments be permitted as long as the actual earnings for the prior twelve-month period
12 do not exceed 50 basis points, I am recommending that the earnings test be based on the
13 most recently authorized ROE, and exclude any additional cushion. As long as the
14 Company is earning its authorized rate of return, there is no reason to provide further
15 adjustments through an accelerated recovery mechanism. While the IIP Rule permits the
16 earnings test to include a 50-basis point cushion, the Board has the discretion to impose a
17 different parameter in order to mitigate the impact on New Jersey ratepayers.
18 Additionally, the Board should consider that ratepayers are already paying for the
19 Company's GSMP II which is an additional accelerated infrastructure replacement
20 program. Therefore, I am recommending that no cushion be included in any earnings test
21 used to determine whether an Energy Strong II Program rate adjustment should be
22 applied.

1 **Q. Do you have any other comments about the earnings test as proposed by the**
2 **Company?**

3 A. Yes, as discussed previously, the earnings test for the Weather Normalization Clause was
4 revised in the recent base rate case and the Company proposes to use a similar earnings
5 test for the Energy Strong II Program. While I am not conceptually opposed to the
6 revised earnings test, it does require the calculation of a utility rate base. In the past, the
7 Company and Rate Counsel have disagreed about whether certain elements should be
8 included in rate base. While the Company has agreed to exclude certain components,
9 such as plant held for future use, from the rate base calculation used in the earnings test,
10 there are other elements that are still in dispute, such as consolidated income taxes,
11 certain cash working capital components, and certain regulatory assets. Therefore, the
12 parties may disagree in the future about the calculation of the earnings test and whether
13 or not the Company has actually met the requirements of the test. This is likely to make
14 the review of Energy Strong II rate adjustments more complex and potentially more
15 controversial. These disagreements will be less significant if the Company's earnings are
16 well above or well below its authorized rate of return. But in situations where the
17 earnings are close to the authorized return requirement, then there may be disagreement
18 among the parties regarding whether or not the Company has earned its authorized return
19 on equity. The Board should take this into account when evaluating an appropriate
20 earnings test for the Energy Strong II Program.

1 **Q. If an accelerated recovery mechanism is adopted, when should the Company be**
2 **required to file its next base rate case?**

3 A. Pursuant to the Stipulation in the GSMP II proceeding, the Company is currently required
4 to file a base rate case no later than January 1, 2024.

5
6 **Q. Please summarize the conditions that Rate Counsel is recommending in the event**
7 **that the Board approves an accelerated cost recovery mechanism for the Energy**
8 **Strong II Program.**

9 A. If the Board approves an accelerated recovery mechanism, it should limit the costs of the
10 program to those sub-programs and investment levels recommended by other Rate
11 Counsel witnesses. In addition, the Board should require the Company to maintain a
12 base spending level of \$223.6 million for the electric utility and of \$155 million for the
13 gas utility, in addition to the 10% of base spending related to the Energy Strong II
14 Program, base spending related to the GSMP II Program, and new business spending.

15 Costs recovered through the accelerated cost recovery mechanism between base
16 rate cases should not include a return on cost of removal or indirect overhead costs. In
17 addition, Energy Strong II Program rate adjustments should reflect the cost of capital
18 recommended by Mr. O'Donnell, and the operating expense offsets as recommended by
19 Dr. Dismukes. Rate Counsel also recommends that the BPU limit rate adjustments to
20 annual adjustments of no more than 1.0% on a typical residential customer's average bill.
21 In addition, the annual earnings test should be based on the actual ROE authorized in the
22 Company's previous base rate case without an additional cushion. These conditions will
23 mitigate the impact of the Energy Strong II Program on New Jersey ratepayers and

1 recognize the significant benefit accruing to shareholders as a result of an accelerated
2 cost recovery program. The Company should continue to file all reports and Minimum
3 Filing Requirements (“MFRs”) that were required for the initial Energy Strong Program.
4 Finally, all rate adjustments pursuant to the Energy Strong II Program should continue to
5 be provisional and subject to refund, pending a review for prudence of the capital
6 projects in a subsequent base rate case.

7
8 **Q. Does this conclude your testimony?**

9 **A.** Yes, it does.

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<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/G	New Jersey	EO18060629/ G018060630	3/19	Energy Strong II Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	18-00308-UT	2/19	Voluntary Renewable Energy Program	Office of Attorney General
Zero Emission Certificate Program (Various Applicants)	E	New Jersey	EO18080899	1/19	Zero Emission Certificates Subsidy	Division of Rate Counsel
Public Service Company of New Mexico	E	New Mexico	18-00043-UT	12/18	Removal of Energy Efficiency Disincentives	Office of Attorney General
Kansas Gas Service	G	Kansas	18-KGSG-560-RTS	10/18	Revenue Requirements	Citizens' Utility Ratepayer Board
New Mexico Gas Company	G	New Mexico	18-00038-UT	9/18	Testimony in Support of Stipulation	Office of Attorney General
Kansas City Power and Light Company	E	Kansas	18-KCPE-480-RTS	9/18	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Co.	E/G	New Jersey	ER18010029/ GR18010030	8/18	Revenue Requirements	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	18-WSEE-328-RTS	6/18	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	17-00255-UT	4/18	Revenue Requirements	Office of Attorney General
Empire District Electric Company	E	Kansas	18-EPDE-184-PRE	3/18	Approval of Wind Generation Facilities	Citizens' Utility Ratepayer Board
GPE/ Kansas City Power & Light Co., Westar Energy, Inc.	E	Kansas	18-KCPE-095-MER	1/18	Proposed Merger	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Co.	E	New Jersey	GR17070776	1/18	Gas System Modernization Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	17-00044-UT	10/17	Approval of Wind Generation Facilities	Office of Attorney General
Kansas Gas Service	G	Kansas	17-KGSG-455-ACT	9/17	MGP Remediation Costs	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER17030308	8/17	Base Rate Case	Division of Rate Counsel
Public Service Company of New Mexico	E	New Mexico	16-00276-UT	6/17	Testimony in Support of Stipulation	Office of Attorney General
Westar Energy, Inc.	E	Kansas	17-WSEE-147-RTS	5/17	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	12/16	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

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
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
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

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
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
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

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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
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

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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
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

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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