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**REMARKS OF STEFANIE A. BRAND, ESQ.  
DIRECTOR, DIVISION OF RATE COUNSEL  
Presented by Paul Flanagan, Esq.  
Litigation Manager, New Jersey Division of Rate Counsel**

**In the Matter of the Petition of Public Service Electric and Gas Company  
for Approval of an Extension of a Solar Generation Investment Program  
and Associated Cost Recovery Mechanism and for Changes  
in the Tariff for Electric Service, B.P.U.N.J. No. 15 Electric  
Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and N.J.S.A. 48:3-98.1  
("Solar 4 All Extension Petition")  
BPU Docket No. EO12080721**

**In the Matter of the Petition of Public Service Electric and Gas Company  
for Approval of a Solar Loan III Program and an Associated Cost Recovery  
Mechanism and for Changes in the Tariff for Electric Service,  
B.P.U.N.J. No. 15 Electric Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1  
("Solar Loan III Petition")  
BPU Docket No. EO12080726**

**PUBLIC HEARINGS**

**November 27, 2012**

**Middlesex County Administration Building  
Freeholders Meeting Room, 1st Floor Meeting Room  
J.F. Kennedy Square  
New Brunswick, New Jersey**

**4:30 p.m. and 5:30 p.m.**

Good afternoon/evening. My name is Paul Flanagan, and I am Litigation Manager for the New Jersey Division of Rate Counsel (“Rate Counsel”). Our office was created by the New Jersey Legislature to represent ratepayers in cases such as this where a utility seeks an increase in rates or a change in services.

In July and August 2012, Public Service Electric and Gas Company (“Public Service”, “PSE&G” or “the Company”) filed two Petitions with the New Jersey Board of Public Utilities (“Board”, “BPU”). One of the Petitions seeks approval for a proposed “Solar Loan III” program that would allow the Company to provide \$193 million in financing to its customers to develop 97.5 MW of solar capacity on the customers’ premises. The second Petition seeks approval for an extension of the Company’s Solar 4 All program, to be known as the “Solar 4 All Extension Program,” that would allow invest \$729.4 million in 136 MW of Company owned and operated solar projects over a five-year period. Both Petitions request authorization for PSE &G to recover the costs of the proposed programs from the Company’s ratepayers.

**Solar Loan III -**

PSE&G seeks Board approval to implement this Solar Loan III Program, which would offer long-term loans to qualified solar photovoltaic projects in residential and non-residential customer segments. The program would aim to

develop 97.5 megawatts of solar capacity, with a maximum investment of \$193 million. PSE&G proposes that the Program remain open for applications for three years or until the capacity is filled, whichever comes first. This Program will be substantially similar to the existing Solar Loan II Program approved by the Board in November 2009. The loans will be repaid in Solar Renewable Energy Certificates (SRECs) or cash, at the borrower's option. PSE&G will auction the SRECs it receives in periodic auctions, using the same auction format as utilized for the Solar Loan II Program, or its successor auction process as determined by the Board. All net proceeds from the sale of SRECs will be applied against the Program's cost.

PSE&G seeks Board approval to recover the costs of providing the financing and other program costs, through a separate component of the PSE&G's electric RGGI Recovery Charge ("RRC") entitled: "Solar Loan III Program." The Solar Loan III Program component would be applicable to all electric rate schedules. The component would be reviewed and modified in annual filings. The Company is requesting that the carrying charge on its deferred balances for this program be set based upon PSE&G's monthly weighted-average cost of capital, together with the income tax effects.

A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis would see an initial increase in

the annual bill from \$1,336.84 to \$1,337.00, or \$0.16, or approximately 0.01%. Based upon current estimates and assuming full implementation, the anticipated total impact for the same residential electric customer will be approximately \$23.44 through 2027.

**Solar 4 All Extension -**

PSE&G is seeking approval to extend its Solar 4 All program, in which the Company collaborates with developers, installers and manufacturers to develop grid-connected solar photovoltaic projects that are owned and operated by the Company. The current Petition seeks authorization for the Company to invest \$729.4 million over five years to develop 136 megawatts of solar capacity. The projects would be divided into four separate “segments.” The Company is proposing the following investments by segment: (1) \$474 million would be invested in 90 megawatts of capacity to be located on closed sanitary landfills abandoned commercial and industrial sites known as “brownfields,” and other “underutilized” properties; (2) \$74 million would be invested in 20 megawatts to be located on warehouse roofs; (3) \$133 million would be invested in 25 megawatts to be located in parking lots; and, finally, (4) \$9 million would be invested in a pilot program to develop a total of 1 megawatts in projects that combine solar power with energy storage. In addition to the proposed costs of the

capital investments, the Company estimates that it will expend approximately \$39.5 million over five years to operate and maintain the solar facilities.

PSE&G seeks Board approval to recover the costs of the Solar 4 All Extension Program, through a separate component of its electric RRC entitled "Solar Generation Investment Extension Program." This component would be applicable to all electric rate schedules. The component would be reviewed and modified in annual filings. PSE&G is requesting that it receive a return on its net investments in the Solar 4 All Extension program based on the overall cost of capital used to set rates in the Company's most recent base rate case.

A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis would see an initial increase in the annual bill from \$1,336.84 to \$1,337.52, or \$0.68, or approximately 0.05%. Based upon current estimates and assuming full implementation, the anticipated total impact for the same residential electric customer will be approximately \$163.80 through 2037.

### **Review of Petitions**

Any rate adjustments with resulting changes in bill impacts found by the Board to be just and reasonable as the result of the Company's filing may be modified and/or allocated by the Board, in accordance with the provisions of

*N.J.S.A.* 48:2-21, and for other good and legally sufficient reasons to any class or classes of customers of the Company. Therefore, the described charges may increase or decrease if the Board approves the Company's Petition.

Copies of the Company's filings are available for review by the public at the Company's Customer Service Centers and at the Board of Public Utilities at 44 South Clinton Avenue, Ninth Floor, Trenton, New Jersey 08625-0350.

Our office is conducting a complete review of the Company's proposals based on information that is being supplied and updated by the Company. We have retained the services of expert consultants to assist us in our review. We will carefully review the Company's Petitions and submissions. Any future impact on customers will be determined upon the final disposition of this matter by the Board. The Board of Public Utilities makes all decisions regarding rate modifications in New Jersey.

#### **Comments on Proposed Solar 4 All Extension**

On behalf of Rate Counsel, I want to make some specific comments regarding the proposed Solar 4 All Extension Petition. We are opposed to the petition for a number of reasons. There is currently an oversupply of SRECs in New Jersey, which is expected to continue over the next couple of years. The oversupply has resulted in very low prices and raised concerns regarding the

viability of the solar industry in New Jersey. Adding 136 MW of additional capacity will only intensify this concern. But more importantly, Rate Counsel does not believe that ratepayer money should be used to facilitate these investments by a public utility. We believe that the utility should invest in its electric transmission and distribution system and in providing safe, adequate and reliable service to its customers. If PSE&G's parent wishes to enter the solar market in New Jersey it may do so through one of its non-utility affiliates on the same footing as any other entrant. For example, PSEG already has a functioning affiliate that invests in solar projects independent of ratepayer funding.

The purpose of today's hearing is for you, the customer, to voice your opinion, relate your experiences and offer comments about your Company's rates and any service problems you may be experiencing. It is important that you express your views so they may become part of the record on which the Board of Public Utilities will base its decisions. The Division of Rate Counsel also needs to hear your views. Your active participation is strongly encouraged to help in our evaluation of the Company's proposal.

This hearing is being transcribed and your comments will become part of the record. I would like to reiterate the importance of your participation so that the Division of Rate Counsel can have a clear record of your concerns and interests.

On behalf of the Division of Rate Counsel, I would like to thank you for attending today's hearing.