



Agenda Date: 2/24/16  
Agenda Item: 2C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC )  
SERVICE ELECTRIC AND GAS COMPANY FOR ) ORDER  
APPROVAL OF ELECTRIC BASE RATE )  
ADJUSTMENTS PURSUANT TO THE ENERGY )  
STRONG PROGRAM ) DOCKET NO. ER15101180

**Parties of Record:**

**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**  
**Martin C. Rothfelder, Esq., Public Service Electric and Gas Company**

**BY THE BOARD:**

On May 21, 2014, the New Jersey Board of Public Utilities (“the Board”) issued an Order approving Public Service Electric and Gas Company’s (“the Company’s”) Energy Strong Program (“ES Program”) in Docket Nos. EO13020155 and GO13020156 (“May Order”). The May Order provided approval for the Company to invest up to \$1.0 billion (\$0.6 billion electric and \$0.4 billion gas), to be recovered through future base rate adjustments, to harden its infrastructure, thereby making it less susceptible to damage from wind, flying debris and water damage in anticipation of future major storm events and to strengthen the resiliency of the Company’s delivery system.<sup>1</sup> The following ES Program investments are anticipated to be made over a three or five year period:

	\$
<b>Electric</b>	millions
Station Flood Mitigation	400.0
Contingency Reconfiguration Strategies	100.0
Advanced Technologies	100.0
<b>Total Electric</b>	<b>600.0</b>

<sup>1</sup> Plant-in-service ES Program – Electric projects are recovered on a semi-annual basis; while ES Program - Gas projects are recovered on an annual basis. The Company will invest an additional \$220.0 million into the ES Program - Electric related to substations which will not be recoverable through the ES Program rate recovery mechanism.

<b>Gas</b>	
Utilization Pressure Cast Iron	350.0
M&R Station Flood Mitigation	50.0
Total Gas	400.0
Total ES Program	1,000.0

On September 29, 2015, the Company filed a petition ("September Petition") seeking Board approval to recover revenue requirements of \$13.633 million tied to actual and estimated Electric ES Program costs through November 30, 2015 for Electric ES Program costs not previously placed in base rates,

Public hearings were held at 4:30 p.m. and 5:30 p.m. in New Brunswick, Mt. Holly and Hackensack on December 9, 10, and 17, 2015, respectively. No members of the public provided comments at any of these hearings.

On December 14, 2015, the September Petition revenue requirement amounted to \$10.935 million, based on actual costs through November 30, 2015.

On January 8, 2016, the Company reduced, to \$10.382 million, the revenue requirement traced to an accounting correction detected in the course of executing on-going internal control procedures.

Upon review of the filing and updates thereto, and subsequent to conducting and reviewing responses to discovery, on February 5, 2016, the Company, Board staff, and the Division of Rate Counsel (collectively, "the Parties"), stipulated as follows:<sup>2</sup>

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<sup>2</sup> Although summarized in this Order, the detailed terms of the stipulation are controlling, subject to the findings and conclusions of this Order.

Electric rates<sup>3</sup> should be established to recover an annualized increase in electric revenues of \$10.382 million calculated as follows:

Electric Rev. Req. - Investment at 11/30/15 (\$000)	
	Roll-In #3
1	Gross Plant
2	Accumulated Depreciation
3	Net Plant
4	Accumulated Deferred Taxes
5	Rate Base
6	Rate of Return - After Tax (Schedule WACC)
7	Return Requirement (After Tax)
8	Depreciation Exp., net
9	Tax Adjustment
10	Sub-total [lines 7 + 8 + 9]
11	Revenue Factor
12	Calculated Revenue Requirement.
13	Roll-In # 2 Shortfall <sup>4</sup>
14	Total Revenue Requirement – Roll-In #3

The Parties agree that the Company may implement the rates reflected in Attachment 1 of the Stipulation effective March 1, 2016.

The rate adjustments shall be provisional, subject to prudence review in the Company's next base rate case to be filed November 1, 2017, and its subsequent base rate case to the extent there are any Electric ES Program investments, up to \$600 million, not included within the test year of the November 1, 2017 base rate case.

Additionally, the prudence review will ensure that actual costs incurred in completing the projects exclude transmission investments.

The next electric rate adjustment is scheduled to be filed by March 31, 2016 for rates to be effective September 1, 2016. The next gas rate adjustment is also scheduled to be filed by March 31, 2016 for rates to be effective September 1, 2016. The Company will submit updated filings pertaining to both electric and gas operations by June 15, 2016, presenting actual data through May 31, 2016.

The annual impact of the proposed rates to the typical residential electric customer that uses 750 kilowatt-hours in a summer month and 7,200 kilowatt-hours annually is an increase of \$2.68 (0.21%).

<sup>3</sup> Listed under "Proposed" in Attachment 1 of the Stipulation.

<sup>4</sup> Pursuant to Board Order dated August 19, 2015 in Docket Nos. ER15030389 and GR15030390, Page 3 Chart, Line 14.

**DISCUSSION AND FINDING**

After review of the September 2015 Petition and the agreement of the Parties, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

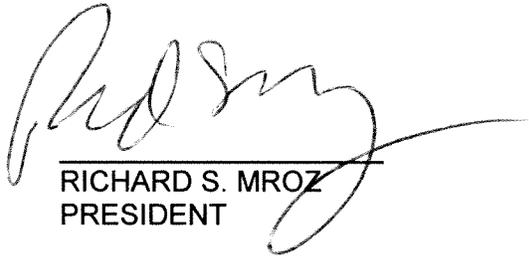
The Board **HEREBY APPROVES** the rate adjustments as calculated in Attachment 1 of the Stipulation on a provisional basis, subject to refund and review for prudence in the base rate case that the Company has committed to file by November 1, 2017 under the terms of the May 21, 2014 Order.

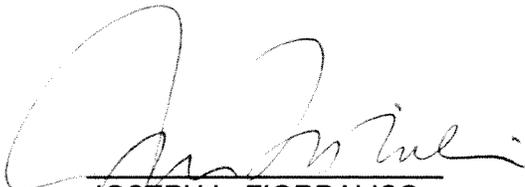
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days after the effective date of this Order.

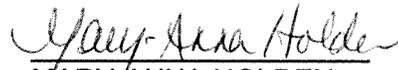
The effective date of this Order is March 1, 2016.

DATED: 2/24/16

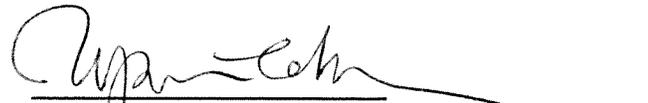
BOARD OF PUBLIC UTILITIES  
BY:

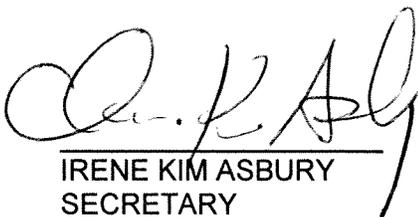
  
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PRESIDENT

  
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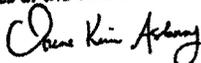
  
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ATTEST:   
IRENE KIM ASBURY  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
FOR APPROVAL OF ELECTRIC BASE RATE ADJUSTMENTS PURSUANT TO THE ENERGY  
STRONG PROGRAM  
DOCKET NO. ER15101180

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February 8, 2016

In the Matter of the Petition of  
Public Service Electric and Gas Company  
for Approval of Electric Base Rate Adjustments  
Pursuant to The Energy Strong Program

BPU Docket No. ER15101180

***VIA ELECTRONIC MAIL & OVERNIGHT MAIL***

Irene Kim Asbury, Secretary  
Board of Public Utilities  
44 South Clinton Avenue, 9th Flr.  
P.O. Box 350  
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Dear Secretary Asbury:

Enclosed is a fully executed Stipulation of Settlement in the above-referenced matter. If you have any questions regarding this, do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Martin C. Rothfelder".

C Attached Service List (E-mail only)

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01/20/2016

Public Service Electric and Gas Company  
Energy Strong Electric Rate 2015  
ER15101180

Page 3 of 3

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

<b>IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF ELECTRIC BASE RATE ADJUSTMENTS PURSUANT TO THE ENERGY STRONG PROGRAM</b>	<b>BPU DOCKET NO. ER15101180</b>
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**APPEARANCES:**

**Martin C. Rothfelder, Esq.**, Associate General Regulatory Counsel for the Petitioner, Public Service Electric and Gas Company

**Brian Lipman, Esq.**, Litigation Manager, **Ami Morita, Esq.**, Managing Attorney – Electric, **Diane Schultz, Esq.** and **Kurt Lewandowski, Esq.**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand, Director**)

**Alex Moreau** and **Patricia A. Krogman**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**John J. Hoffman, Acting Attorney General of New Jersey**)

On September 29, 2015 Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition (September 2015 Petition) with the Board of Public Utilities (Board) seeking BPU approval to recover the revenue requirements associated with certain capitalized electric investment costs of the Energy Strong Program through November 30, 2015. Upon review of the PSE&G filing, conducting and reviewing responses to discovery, and discussing the facts and issues in this matter, the Staff of the New Jersey Board of Public Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's September 2015 Petition in this matter sought Board approval for electric base rate changes to provide for cost recovery associated with the Company's Energy Strong Program. The Energy Strong Program was addressed in a Board Order dated May 21, 2014 in BPU Docket Nos. EO13020155 and GO13020156 (Energy Strong Order) that adopted a

Stipulation that explicitly authorizes the request for the rate increases in the September 2015 Petition.<sup>1</sup>

2. PSE&G's September 2015 Petition sought authority to establish rates to recover an annualized increase in electric revenue requirement of \$13.633 million. The September 2015 Petition proposed revenue requirement increases associated with Energy Strong investment costs. The annualized increase in electric revenue requirement was supported by Attachment 2, Schedule SS-ESAM-2E attached to the September 2015 Petition, which was based upon actual costs for program investments placed into service from June 1, 2015 through August 31, 2015 and projected costs for program investments anticipated to be placed into service through November 30, 2015 and was also the basis for the proposed increased electric base rates.
3. Notice of the Company's September 2015 Petition, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric service territory. In accordance with that notice, public hearings on the Company's request were held on the following dates at three locations in PSE&G's service territory:

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<sup>1</sup> Paragraph 41 of the Energy Strong Stipulation, through part c., provides as follows:

In order to effectuate the cost recovery process for the Electric-ES Program investments, Public Service shall proceed on the following schedule following public notice and public hearing, recognizing that the prudence of the investments will be determined in the Next Base Case, as addressed above. The schedule below anticipates semi-annual notice, public hearings, and rate adjustments to cover all rate changes for the Electric-ES Program investments: . . . .

- c. Revenue Requirements associated with program investments that are placed into service from 6/1/15 through and including 11/30/15 shall go into base rates effective 3/1/16. PSE&G shall make its initial filing for such rates in September 2015, and update such filing for actual data through November 30, 2015 by December 15, 2015.

two hearings on December 9, 2015 in New Brunswick, New Jersey; two hearings on December 10, 2015 in Mount Holly, New Jersey; and two hearings on December 17, 2015 in Hackensack, New Jersey. No members of the public provided comments at any of these hearings.

4. On December 15, 2015, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through November 30, 2015. The Company then provided revised updated schedules on January 8, 2016. Schedule SS-ESAM-2E (Revised Update) reflects the revised updated annualized increase to electric revenue requirements associated with Energy Strong investment costs. The Parties agree that the Company shall receive rates, as described below, designed to recover the electric revenue requirement increase from the January 8, 2016 Schedule SS-ESAM2-2E (Revised Update) of \$10.382 million.
5. The Company shall implement the rates associated with the proposed annualized increase in the electric revenue requirement and the rate design (consistent with the Energy Strong Order) reflected in the January 8, 2016 schedule SS-ESAM-5 (Revised Update), at pages 22-23. Those pages are attached hereto as Attachment 1. The Company shall implement the electric rates discussed in this paragraph effective March 1, 2016.
6. The annual impact of the proposed rates to the typical residential electric customer that uses 750 kilowatt-hours in a summer month and 7,200 kilowatt-hours annually is an increase of \$2.68 or approximately 0.21%.
7. The Parties agree that pursuant to the terms of the Energy Strong Order, PSE&G may implement the rates in Attachment 1 effective March 1, 2016. The rate adjustments established herein shall be provisional and subject to refund solely based upon a Board

finding that PSE&G imprudently incurred capital expenditures under the Energy Strong Program. Such prudency review shall take place in the Company's Next Base Case<sup>2</sup> and its base rate case subsequent to the Next Base Case to the extent there are any Energy Strong Program investments up to \$1 billion not included within the test year of the Next Base Case. The Signatories further agree that the review of Energy Strong Program investment costs in the Next Base Case or a subsequent base rate case is not only to ensure that the actual costs incurred in completing the projects were spent prudently, but includes review to ensure that they are distribution, not transmission, investments. Nothing herein will preclude any party from raising in the Next Base Case any objection that could have been raised in the annual or semi-annual filings.

8. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.
9. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.

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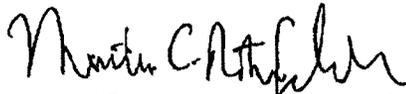
<sup>2</sup> "Next Base Case" as used herein is the term as defined in the Energy Strong case Stipulation as approved by the Board of Public Utilities in docket numbers EO13020155 & GO13020156 by an order dated May 21, 2014.

10. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Public Service, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.
11. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

PUBLIC SERVICE ELECTRIC  
AND GAS COMPANY

JOHN J. HOFFMAN, ACTING ATTORNEY  
GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

By:

  
Martin C. Rothfelder, Esq.

By:

  
Alex Moreau  
Deputy Attorney General

DATED:

2/3/16

DATED:

2/3/16

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

By:

  
Ami Morita, Esq.  
Managing Attorney - Electric

DATED:

2/5/16

**ESAM Roll-in**  
**Electric Tariff Rates**

**Schedule SS-ESAM-5**  
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		Present		Proposed		Difference w/out SUT
		<u>Charge w/out SUT</u>	<u>Charge including SUT</u>	<u>Charge w/out SUT</u>	<u>Charge including SUT</u>	
<b><u>Rate Schedules</u></b>						
RS	Service Charge	\$2.27	\$2.43	\$2.27	\$2.43	\$0.00
	Distribution 0-600 Sum	\$0.035170	\$0.037632	\$0.036008	\$0.038529	\$0.000838
	Distribution 0-600 Win	\$0.033344	\$0.035678	\$0.033344	\$0.035678	\$0.000000
	Distribution over 600 Sum	\$0.038991	\$0.041720	\$0.039829	\$0.042617	\$0.000838
	Distribution over 600 Win	\$0.033344	\$0.035678	\$0.033344	\$0.035678	\$0.000000
RHS	Service Charge	\$2.27	\$2.43	\$2.27	\$2.43	\$0.00
	Distribution 0-600 Sum	\$0.048252	\$0.051630	\$0.048722	\$0.052133	\$0.000470
	Distribution 0-600 Win	\$0.031198	\$0.033382	\$0.031502	\$0.033707	\$0.000304
	Distribution over 600 Sum	\$0.053708	\$0.057468	\$0.054231	\$0.058027	\$0.000523
	Distribution over 600 Win	\$0.011603	\$0.012415	\$0.011716	\$0.012536	\$0.000113
	Common Use	\$0.053708	\$0.057468	\$0.054231	\$0.058027	\$0.000523
RLM	Service Charge	\$13.07	\$13.98	\$13.07	\$13.98	\$0.00
	Distrib. kWhr Summer On	\$0.057563	\$0.061592	\$0.058278	\$0.062357	\$0.000715
	Distrib. kWhr Summer Off	\$0.013527	\$0.014474	\$0.013695	\$0.014654	\$0.000168
	Distrib. kWhr Winter On	\$0.013527	\$0.014474	\$0.013695	\$0.014654	\$0.000168
	Distrib. kWhr Winter Off	\$0.013527	\$0.014474	\$0.013695	\$0.014654	\$0.000168
WH	Distribution	\$0.044278	\$0.047377	\$0.044681	\$0.047809	\$0.000403
WHS	Service Charge	\$0.52	\$0.56	\$0.52	\$0.56	\$0.00
	Distribution	\$0.000150	\$0.000161	\$0.000151	\$0.000162	\$0.000001
HS	Service Charge	\$3.11	\$3.33	\$3.11	\$3.33	\$0.00
	Distribution June-September	\$0.082727	\$0.088518	\$0.083503	\$0.089348	\$0.000776
	Distribution October-May	\$0.030519	\$0.032655	\$0.030805	\$0.032961	\$0.000286
GLP	Service Charge	\$3.96	\$4.24	\$3.96	\$4.24	\$0.00
	Service Charge-unmetered	\$1.83	\$1.96	\$1.83	\$1.96	\$0.00
	Service Charge-Night Use	\$347.77	\$372.11	\$347.77	\$372.11	\$0.00
	Distrib. KW Annual	\$4.0773	\$4.3627	\$4.1160	\$4.4041	\$0.0387
	Distrib. KW Summer	\$7.5671	\$8.0968	\$7.6389	\$8.1736	\$0.0718
	Distribution kWhr, June-September	\$0.009576	\$0.010246	\$0.009667	\$0.010344	\$0.000091
	Distribution kWhr, October-May	\$0.003367	\$0.003603	\$0.003399	\$0.003637	\$0.000032
	Distribution kWhr, Night use, June-September	\$0.003367	\$0.003603	\$0.003399	\$0.003637	\$0.000032
	Distribution kWhr, Night use, October-May	\$0.003367	\$0.003603	\$0.003399	\$0.003637	\$0.000032

**ESAM Roll-in  
Electric Tariff Rates**

**Schedule SS-ESAM-5  
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		<u>Present</u>		<u>Proposed</u>		
		<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Difference</u>
		<u>w/out SUT</u>	<u>including</u>	<u>w/out SUT</u>	<u>including</u>	<u>w/out SUT</u>
			<u>SUT</u>		<u>SUT</u>	
<b><u>Rate Schedules</u></b>						
LPL-Secondary	Service Charge	\$347.77	\$372.11	\$347.77	\$372.11	\$0.00
	Distrib. KW Annual	\$3.3877	\$3.6248	\$3.4244	\$3.6641	\$0.0367
	Distrib. KW Summer	\$8.0595	\$8.6237	\$8.1467	\$8.7170	\$0.0872
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
LPL-Primary	Service Charge	\$347.77	\$372.11	\$347.77	\$372.11	\$0.00
	Service Charge-Alternate	\$17.88	\$19.13	\$17.88	\$19.13	\$0.00
	Distrib. KW Annual	\$1.6032	\$1.7154	\$1.6192	\$1.7325	\$0.0160
	Distrib. KW Summer	\$8.9001	\$9.5231	\$8.9888	\$9.6180	\$0.0887
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
HTS-Subtransmission	Service Charge	\$1,911.39	\$2,045.19	\$1,911.39	\$2,045.19	\$0.00
	Distrib. KW Annual	\$1.0174	\$1.0886	\$1.0283	\$1.1003	\$0.0109
	Distrib. KW Summer	\$3.6784	\$3.9359	\$3.7179	\$3.9782	\$0.0395
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
HTS-HV	Service Charge	\$1,720.25	\$1,840.67	\$1,720.25	\$1,840.67	\$0.00
	Distrib. KW Annual	\$0.6519	\$0.6975	\$0.6589	\$0.7050	\$0.0070
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
BPL	Distribution Sum	\$0.013495	\$0.014440	\$0.015174	\$0.016236	\$0.001679
	Distribution Winter	\$0.013495	\$0.014440	\$0.015174	\$0.016236	\$0.001679
BPL-POF	Distribution Sum	\$0.006544	\$0.007002	\$0.006741	\$0.007213	\$0.000197
	Distribution Winter	\$0.006544	\$0.007002	\$0.006741	\$0.007213	\$0.000197
PSAL	Distribution Sum	\$0.015041	\$0.016094	\$0.016616	\$0.017779	\$0.001575
	Distribution Winter	\$0.015041	\$0.016094	\$0.016616	\$0.017779	\$0.001575