



State of New Jersey  
DIVISION OF RATE COUNSEL  
140 EAST FRONT STREET, 4<sup>TH</sup> FL  
P.O. Box 003  
TRENTON, NEW JERSEY 08625

PHIL MURPHY  
Governor

SHEILA OLIVER  
Lt. Governor

STEFANIE A. BRAND  
Director

December 7, 2020

**Via Electronic Mail**

Jeremy Clark  
Vice President  
Pegasus Global Holdings, Inc.®  
1750 Emerick Road  
Cle Elum, WA 98922  
[j.clark@pegasus-global.com](mailto:j.clark@pegasus-global.com)

**Re: In the Matter of the Petition of Public Service Electric and Gas Company  
Energy Strong 2 Program  
BPU Docket Nos. EO18060629 and GO18060630**

Dear Mr. Clark:

The Division of Rate Counsel (“Rate Counsel”) provides its comments regarding the *Confidential Draft Energy Strong 2 Program Independent Monitor 2020 Second Quarter Report* (“Second Quarter Report”) submitted by Pegasus Global Holdings, Inc. (“Pegasus” or “Independent Monitor”). The report documents Public Service Electric and Gas (“PSE&G” or “the Company”) activities associated with the Energy Strong II program conducted through June 30, 2020.

At the end of the second quarter 2020, the Energy Strong II (“ESII”) program is still in the early stages. The Independent Monitor reports that spending for the quarter ending June 30, 2020 has been \$28,229,119 or 3.8 percent of the forecasted \$746,975,315 program (including the \$100 million for Electric Stipulated Base and excluding \$92.8 million of risk and contingency). Rate Counsel notes that the parties stipulated to \$842 million to complete the ES II Program with \$641 million for electric, \$50.5 million for gas, and \$150.5 million within Stipulated Base for electric and gas spending.

Rate Counsel also notes that the budget for Electric stipulated base has been set to \$100 million, but that Pegasus states that the subprogram’s projects “remained largely in the planning stage.” The Electric Flood mitigation program increased from \$309,160,283 in the First Quarter Report to \$332,662,596 in the Second Quarter Report, not including risk and contingency estimates. However, Table 11 – ES 2 Electric Station Flood Mitigation Project Cost Status as of June 30, 2020, states that the base spending amount for the subprogram is \$309,000,000 in budgeted base project costs and \$80,000,000 allocated to risk and contingency. The Independent Monitor notes that no formal RODs were issued during the second quarter of 2020,

however, PSE&G has proposed additional mitigation method changes at three substations in the Electric Station Flood Mitigation subprogram: the Lakeside Avenue, Orange Valley, and Constable Hook substations.

Similarly, the Contingency Reconfiguration subprogram total forecast increased to \$150,876,803 from \$119,496,564 in the First Quarter Report. The stipulated budget for the subprogram is \$145 million. Nonetheless, Pegasus concludes that “[w]hile still early in the subprogram, the IM has found nothing to date that would jeopardize the subprogram being completed on time and/or on budget. “

The amounts set forth in the Second Quarter Report Tables should be amended so that the stipulated amounts for the ESII program are clearly stated. Although the Stipulation states that PSE&G may recover prudently incurred excess amount in its next base rate case, those amounts should be listed separately so that the stipulated allotments of funds may be plainly discerned. Pegasus and PSE&G should continue to provide subprogram information regarding over- or under-spending relative to the ES2 stipulated amounts.

On, November 30, 2020, Rate Counsel submitted informal questions to PSEG and the Independent Monitor. On December 1, 2020, Board Staff submitted additional informal questions. Rate Counsel has not received responses to either set of questions. At this time, Rate Counsel reserves its right to submit comments based on the Company’s response to the informal questions.

If you have any questions, please contact me at [dwand@rpa.nj.gov](mailto:dwand@rpa.nj.gov).

Sincerely,

STEFANIE A. BRAND, DIRECTOR  
DIVISION OF RATE COUNSEL

By:  /s/ T. David Wand  
T. David Wand, Esq.  
Assistant Deputy Rate Counsel

DW/dl  
cc: Service List (via electronic mail)

**In the Matter of the Petition of Public Service  
Electric and Gas Company for the Approval of  
the Second Energy Strong Program (Energy  
Strong II):**

**Draft Independent Monitor Report (Q2)  
BPU Dkt Nos. EO18060629 and GR18060630**

**SERVICE LIST**

Aida Camacho-Welch, Secretary  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Paul Flanagan, Exec. Director  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Abraham Silverman, Esq.  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Stacy Peterson, Director  
Division of Energy  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Heather Weisband, Esq.  
Division of Energy  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Son Lin Lai, PhD  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Christine Lin  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Jackie O'Grady  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

David Brown  
NJ Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Pamela Owen, DAG  
Division of Law  
Public Utilities Section  
R.J. Hughes Justice Complex  
25 Market Street, P.O. Box 112  
Trenton, N.J. 08625

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Brian O. Lipman, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Felicia Thomas-Friel, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Kurt S. Lewandowski, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Henry M. Ogden, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Maura Caroselli, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

T. David Wand, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Debora Layugan  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Fl.  
Trenton, NJ 08625

Max Chang  
Synapse Energy Economics, Inc.  
485 Massachusetts Avenue, Suite 2  
Cambridge, MA 02139

Charles Salamone  
Cape Power Systems Consulting  
630 Cumberland Drive  
Flagler Beach, FL 32136

Matthew M. Weismann, Esq.  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark, NJ 07102

Danielle Lopez, Esq.  
Public Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark, NJ 07102

Caitlyn White  
PSEG Service Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark, NJ 07102

Michele Falcao  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark, NJ 07102

Bernard Smalls  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark, NJ 07102

Jeremy Clark, Vice-President  
Pegasus Global Holdings, Inc.®  
1750 Emerick Road  
Cle Elum, WA 98922