



State of New Jersey
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Governor

SHEILA OLIVER
Lt. Governor

STEFANIE A. BRAND
Director

October 5, 2020

Via Electronic Mail

Danielle Lopez, Esq.
Associate Counsel - Regulatory
Public Service Electric & Gas Company
80 Park Plaza, T-5
Newark, New Jersey 07102-4194
danielle.lopez@pseg.com

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

Dear Ms. Lopez:

This letter is in response to Public Service Electric and Gas Company's ("PSE&G" or the "Company") notice dated September 24, 2020 (attached herewith) informing the Staff of the New Jersey Board of Public Utilities ("Staff") and the New Jersey Division of Rate Counsel ("Rate Counsel") of changes to the proposed flood mitigation method used for certain substation projects previously agreed to by the parties as part of the Energy Strong II ("ES II") Electric Station Flood Mitigation subprogram, under Docket Nos. EO18060629 and GO18060630 and approved by the Board on September 11, 2019 (hereinafter "the Stipulation"). Specifically, PSE&G's September 25th notice states that the Company seeks a site change for the Lakeside Avenue Substation project from the one initially contemplated because "PSE&G has determined moving sites to a new property . . . is the better option." The Company proposes an \$11,800,000 increase in the ES II Lakeside Avenue Substation project based on the site change due to the unavailability of an adjacent property that the ES II flood mitigation filing assumed the Company would acquire. The Company also proposes to combine its transmission and distribution upgrade activities at the Orange Valley project. Additionally, the PSE&G asserts that it has "identified an opportunity to combine the flood mitigation work at Constable Hook with new capacity needed in the area based on ongoing development."

Rate Counsel objects to the Company implementing these changes without further clarification. Pursuant to the express terms of the Stipulation, if PSE&G makes a change in its mitigation method, it must provide notification that includes "detailed supporting information to support the Company's position." See Stipulation at ¶24. Although some initial informal

Danielle Lopez, Esq.
October 5, 2020
Page 2 of 2

discovery has been exchanged between Rate Counsel and PSE&G, questions remain regarding the significant changes proposed in the Company's September 24th notice and whether they will likely deliver the same benefits to customers or are appropriate under the circumstances. Without further detail and supporting information, this office is unable to determine whether the Company's changes are necessary or a more cost effective method exists to address the concerns raised by the Company.

Accordingly, PSE&G should cease all activities related to its change in mitigation method for the Lakeside Avenue Substation; Orange Valley, and Constable Hook projects until such time as additional information and clarification can be provided by the Company to Rate Counsel and Staff. Rate Counsel suggests a teleconference or virtual meeting be scheduled at the parties' earliest convenience to discuss, among other things, a process for moving forward.

If you have any questions, please contact me at dwand@rpa.nj.gov.

Very truly yours,

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

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

Attachment

c: Aida Camacho-Welch, Secretary, BPU
Paul Flanagan, Executive Director BPU
Stacy Peterson, Director BPU Energy Div.
Abe Silverman, BPU Chief Counsel
Matko Ilic, Deputy Attorney General
Stefanie Brand, Esq., Director, Division of Rate Counsel
Brian Lipman, Esq., Litigation Manager, Division of Rate Counsel
Ami Morita, Esq, Deputy Rate Counsel, Division of Rate Counsel
Robert Glover, Esq., Assistant Deputy Rate Counsel, Division of Rate Counsel
Joseph F. Accardo Jr., Esq., PSE&G

ATTACHMENT

Danielle Lopez
Associate Counsel-Regulatory

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September 24, 2020

VIA ELECTRONIC MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, New Jersey 08625-0350

**Re: *In the Matter of the Petition of Public Service Electric and Gas Company
for Approval of the Second Energy Strong Program,
BPU Docket Nos. EO18060629 and GO18060630
Notice of Change of Mitigation Method For Certain Substations***

Dear Secretary Camacho-Welch:

This letter is being submitted to provide notice of a change in mitigation method for certain substations identified in the flood mitigation subprogram of Energy Strong II, as specified below.

The Energy Strong II Program (the "Program") was approved by Board Order dated September 11, 2019 in Docket Nos. EO18060629 and GO18060630. This Order adopted the Stipulation pursuant to which Public Service Electric and Gas Company ("PSE&G" or the "Company") operates the Program and enumerates, among other things, when and how changes to components of the Program can be made. With respect to the Flood Mitigation Subprogram, Paragraph 24 of the Stipulation provides that PSE&G may change the method of mitigation for a station "if it concludes that an alternative method would provide the same benefits to customers at a lower cost, or if permitting or other circumstances make it impossible or inappropriate to use the method specified in the filing." Any change in the mitigation method for a station however, will not be made without 15 days prior written and electronic notification to Board Staff and Rate Counsel.

While assessing distribution projects, and in consideration of overall system needs and scheduled improvements, the Company has identified several opportunities to combine distribution and transmission work to take advantage of certain project efficiencies. PSE&G hereby provides notice of changes in the mitigation method for the three substations listed below.

Overall, combining the ES II distribution projects with scheduled transmission improvements will provide the same or increased benefits at the same or a lower overall cost.

1. Lakeside Avenue

The Company identified the need for transmission upgrades in the same area as the above-referenced ES II project and determined that it would be more beneficial for customers and less costly to perform the ES II project and transmission project together. While the Company initially contemplated constructing the distribution and transmission projects at the Lakeside Avenue location noted in the ES II filing, PSE&G has determined moving sites to a new property at 101 N. Park Street is the better option.

The ES II flood mitigation filing assumed acquisition of adjacent property to install the raised switchgear. However the property was not available, and a more complicated construction sequence requiring temporary relocation of the 4kV switchgear would be necessary. The initial Lakeside site is very small and would require a customized design to accommodate both the distribution and transmission facilities on the property. It would also require use of contingencies and cutovers that will increase safety, environmental and reliability risks, and pose a challenge to mitigate.

Conversely, since there is no existing utility operation at the new property at 101 N. Park Street, the use of contingencies is not required—thus improving construction safety and eliminating the reliability risk associated with performing construction and circuit cutovers. Additionally, the substation built at 101 N. Park Street will be a standard PSE&G design, which is better from an operational and maintenance standpoint. The initial estimates for the ESII and 69kV projects at the Lakeside Avenue site were \$36.1M and \$106M, respectively. The current, more refined study level estimates for the ESII and 69kV projects at the 101 N. Park Street site are now \$47.9M and \$93.6M respectively. The estimated combined savings on the distribution and transmission projects is approximately \$.6M.

2. Orange Valley

The Company is looking to move from the existing Orange Valley site to a larger property that is approximately 120 feet from the existing station. As with the above Lakeside project, the Company identified the need for transmission upgrades in the same area as the Orange project and determined that it would be less costly to perform the ES II project and transmission project jointly.

By combining the T&D work, the Company will be able to avoid the need for a 7 Breaker 69 kV Ring Bus Switchgear that would be required if the Company proceeded with the construction of two separate stations. The initial estimates for the ESII and 69kV projects at the Orange Valley site were \$26.6M and \$328M, respectively. The current, more refined estimate for the ES II and 69kV projects at the new site are \$21M and \$205.3M, respectively. The estimated combined savings on the distribution and transmission projects is approximately \$20-30M.

3. Constable Hook

The Company has identified an opportunity to combine the flood mitigation work at Constable Hook with new capacity needed in the area based on ongoing development. The proposed change can also support the Life Cycle replacement needs at neighboring Bergen Point.

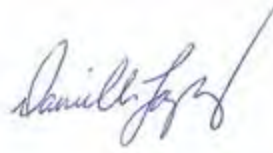
The Company's plan is to construct a new station in the area of Constable Hook—thereby eliminating this station—and supply the new load at the former Military Ocean Terminal. The new station will serve the existing Constable Hook customers with a storm-hardened facility. The future elimination of Bergen Point would provide significant costs savings for both Transmission and Distribution upgrades. The total estimate, including land and retirement of Bergen Point, is \$186.69.

This is approximately \$16M lower than the estimate to rebuild and convert Bergen Point of approximately \$203M.

Additional supporting calculations and explanation of the Lakeside Avenue, Orange Valley and Constable Hook station changes and cost savings associated therewith have been provided in PSE&G's responses to Staff's Discovery Requests, S-INF-0001 thru S-INF-0003 (served on September 2, 2020), and Rate Counsel's Discovery Requests RCR-INF-0001 thru RCR-INF-0003 (served as of the date of this correspondence).

Please advise if you have any questions regarding the foregoing.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Danielle Lopez", is written over a light blue rectangular background.

Danielle Lopez

cc: Stefanie Brand
Paul Flanagan
Grace Strom Power
Stacy Peterson
Caroline Vachier
Ilene Lampitt
Matko Ilic
Brian Lipman
Ami Morita
David Wand
Debora Layugan
Max Chang