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August 4, 2021

**Via Electronic Mail**

Jeremy Clark  
 Vice President  
 Pegasus Global Holdings, Inc.®  
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**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 Fourth Quarter Report* (“Fourth Quarter Report”) submitted by Pegasus Global Holdings, Inc. (“Pegasus” or “Independent Monitor”). The report documents Public Service Electric and Gas’s (“PSE&G” or “the Company”) activities associated with the Energy Strong II program conducted through December 31, 2020.

The following table summarizes PSEG’s ESII quarterly spending and forecasts from the Pegasus reports for 2020.

<b>Report</b>	<b>Quarterly Spend</b>	<b>Base Spending Forecast</b>	<b>Risk and Contingency</b>	<b>Total</b>	<b>Stipulation Amount</b>
1Q2020	\$23,428,239	\$599,733,842	\$115,400,000	\$715,133,842	\$842M
2Q2020	\$28,229,119	\$746,975,315	\$115,400,000	\$862,375,315	\$842M
3Q2020	\$41,077,584	\$734,789,205	\$112,600,000	\$847,389,205	\$842M
4Q2020	\$52,629,214	\$778,706,402	\$89,600,000	\$787,666,402	\$842M
Notes					
1Q2020 report does not include \$100 million for stipulated base spending.					

As expected, the quarterly spending trends have been accelerating as more projects enter into construction for the ESII program. Also, we note that the trend in Risk and Contingency are moving downward as projects enter the construction phase.

At the end of the fourth quarter 2020, the Energy Strong II (“ESII”) program remains in the early stages. The Independent Monitor reports that spending for the quarter ending December 31, 2020 has been \$52,629,214 or 6.7 percent of the forecasted \$778,706,402 program (including the \$100 million for Electric Stipulated Base and excluding \$89.6 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. In the report for this quarter, Pegasus has provided Study level estimates for the four substations (Hamilton, Paramus, Plainfield, and Woodbury). The current forecast for the Electric Flood mitigation program increased from \$332,662,596 in the Second Quarter Report to \$339,403,267 in the Fourth Quarter Report, not including risk and contingency estimates. However, Table 12 – ES 2 Electric Station Flood Mitigation Project Cost Status as of December 31, 2020, states that the base spending amount for the subprogram is \$320,000,000 in budgeted base project costs and \$65,500,000 allocated to risk and contingency. The Independent Monitor notes three formal RODs were issued during the fourth quarter of 2020. These three RODs included Communications Retrofit and non-ES-II Units, Transfer of Clay Street Wastewater Wall Scope from ES2FM to Clay Street 69kV Project, and Market Street Radioactive Soil Testing and Handling- ESII-FM-1.

The Fourth Quarter Report notes: “As noted in the IM 2020 Third Quarter Report, the Lakeside Avenue forecasted in-service date for this project slipped from May 2023, as of the end of the second quarter of 2020, to December 2023, as of the end of the third quarter. This delay was driven by the original property location for the 69kV and ES 2 projects having contamination risks that resulted in a new potential property location, for which the purchase process is underway. As of the end of 2020, the forecasted in-service date has improved slightly from December 20, 2023 to December 13, 2023 as PSE&G continues to look for opportunities to advance the schedule.” Fourth Quarter Report at page 18. The reference to contamination risks at the original property was not mentioned in PSE&G’s original Change of Mitigation Strategy letter dated September 24, 2020. Specifically, the September 24th letter stated “[t]he 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.” PSE&G Change In Mitigation Method Letter, page 2.

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Rate Counsel has concerns that environmental contamination risk on the original property was not disclosed as the reason for the Company's decision to seek to acquire the 101 N. Park Street location.

Additionally, the Fourth Quarter Report noted that the Contingency Reconfiguration subprogram total forecast increased from \$131,898,033 in the Third Quarter Report to \$162,806,273. The stipulated budget for the subprogram is \$145 million. Nonetheless, Pegasus concludes that "PSE&G has spent approximately 56% of both its estimated and currently forecasted recloser costs, suggesting actual costs coming in close to the estimate, but will warrant continued monitoring to ensure the subprogram objectives are completed within the estimated costs."

On July 29, 2021, Rate Counsel submitted informal questions to PSE&G and the Independent Monitor. As of the date of this letter, Rate Counsel has not received responses to these questions. Rate Counsel therefore 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.  
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 2020 Independent Monitor Report (Q4)  
BPU Dkt Nos. EO18060629 and GR18060630**

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