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December 20, 2021

Via Electronic Mail

Jeremy Clark
Vice President
Pegasus Global Holdings, Inc.
1750 Emerick Road
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**Re : In the Matter of the Petition of Public Service Electric and Gas
Company Energy Strong 2 Program
Draft Independent Monitor First Quarter Report
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 2021 First Quarter Report* ("First 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 March 31, 2021.

At the end of the first quarter 2021, the Energy Strong II ("ESII") program remains in the early stages. The Independent Monitor reports that spending for the quarter ending March 31, 2021 has been \$40,652,703 or 5.2 percent of the current forecast of \$770,614,891 program (including the \$100 million for Electric Stipulated Base and excluding \$78.5 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 for the life cycle subprogram. In the report for this quarter, Pegasus continued to provide

Study level estimates for the four substations (Hamilton, Paramus, Plainfield, and Woodbury). The current Study level estimates for the program are \$79,700,000 including \$16,600,000 for risk and contingency.

The current forecast for the Electric Flood mitigation program decreased from \$339,403,267 in the Fourth Quarter Report to \$331,374,281 in the First Quarter Report, not including risk and contingency estimates. Table 12 – ES 2 Electric Station Flood Mitigation Project Cost Status as of March 31, 2021, states that the spending amount for the subprogram is \$318,900,000 in budgeted base project costs and \$59,800,000 allocated to risk and contingency. The Independent Monitor notes two formal Records of Decision (“ROD”) were issued during the first quarter of 2021. These two RODs included 13kV and 4kV reclosers related to the Contingency Reconfiguration program (ESII-CR-1); and outage management system (“OMS”) implementation (ESII-GM-5).

The First Quarter Report notes that two substations have forecasted in-service dates that have moved more than 60 days. These two substations are Hasbrouck Heights and Waverly. According to Pegasus, “the Hasbrouck Heights forecasted in-service date previously moved in the fourth quarter of 2020 from early December 2022 to mid-April 2023 due to Covid-19 related delays on the Siemens GIS installation on the associated Hasbrouck Heights 69kV project, which has resulted in the Hasbrouck Heights ES 2 project delaying the start of construction from July 2021 to January 2022. The fourth quarter in-service date was based on the capacitor bank in-service date (April 2023), which has now been updated by PSE&G to reflect the switchgear in-service date currently forecasted for February 2023.” For Waverly, Pegasus notes, “the Waverly in-service date slipped 314 days from the forecasted in-service date at the end of the prior quarter. This was due to PSE&G being denied approval of the site plan by the Newark Planning Board, which requires PSE&G to address the comments received, coordinate community meetings on the new site plan application, and re-submit to the Newark Planning Board.”

The First Quarter Report noted that the Contingency Reconfiguration subprogram total forecast decreased from \$162,806,273 in the Fourth Quarter report to \$148,927,422. The stipulated budget for the subprogram is \$145 million. Pegasus observed that the decrease in the program costs was attributed to the “reduction to the Fuse Saver scope due to the number of units planned for the Program decreasing from 2,572 to 1,967 due to the higher cost per unit observed in the pilot program.”

On December 14, 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. Therefore, Rate Counsel reserves its right to submit comments based on the Company’s response to the informal questions.

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

Sincerely,

BRIAN O. LIPMAN, 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 2021 Independent Monitor Report (Q1)
BPU Dkt Nos. EO18060629 and GR18060630**

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