



Via electronic mail

April 25 2018

Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Street, 3rd Floor, Suite 314
Trenton, New Jersey 08625-0350

Re: AARP Letter of Non-Support for the Proposed Settlement Agreement In the Matter of the Verified Petition of Public Service Electric and Gas Company for Approval of the Next Phase of Gas Modernization Program and Associated Cost Recovery Mechanism BPU Docket No. GR 17070776

Dear Secretary Camacho-Welch,

On behalf of AARP New Jersey's 1.3 million members please accept this letter of non-support for the proposed settlement that has been presented to the Board in the above referenced proceeding. AARP is a participant intervenor in this matter, has reviewed the discovery, attended all public hearings and participated in settlement discussions. AARP supported a settlement in the PSE&G GSMP I proceeding but for the reasons discussed below cannot support the proposed settlement in GSMP II.

AARP supports timely and reasonably cost infrastructure improvements. Indeed, PSE&G, like all utilities, have an obligation to provide safe and reliable service. In the GSMP I matter, the Board approved a settlement that established a 3 year program, utilizing an accelerated clause mechanism to recover from ratepayer approximately \$700 million in program costs. Under the terms of that settlement, PSE&G was required to file a base rate proceeding within 3 years of the start of the program during which a full prudency review would be undertaken. While our review of alternate ratemaking mechanisms including infrastructure clauses and trackers to date demonstrates that they are not needed to incent sufficient and prudent infrastructure investments, AARP believed the terms of the GSMP I settlement represented a reasonable compromise and balancing of the interests of consumers and PSE&G.

The proposed settlement in GSMP II, if approved, will create a significantly more expensive program and raise rates by \$1.575 billion dollars over a 5 year period, also through an accelerated clause mechanism. Rather than filing a base rate case within 3 years, the proposed settlement does not require a base rate filing and full prudency review of the project for five years.

All consumers must be able to rely on the availability of safe, affordable, and high-quality services. Home energy costs make up a sizable portion of household budgets. One group particularly vulnerable to rapid increases in energy prices is older consumers. Although they consume approximately as much energy as younger people do, older Americans devote a higher percentage of

their total spending to residential energy costs. They spend a greater proportion of their income to heat their homes (this is true even after statistics are adjusted for weather and home size). Low-income older households spend an average of 10 percent of their income on residential energy. However, in about one out of four cases, low-income older households devote 15 percent or more of their income to home energy bills. Too often older adults with low incomes must choose between cutting back on energy expenditures and reducing spending for other necessities, and may thus end up risking their health or comfort.

While the rate increase in the current matter might appear affordable to some, the increase is certainly not de minimis, and can adversely affect many customers struggling to keep pace with utility payments. Moreover, if rates are to remain affordable, the GSMP II proposed increase should not be reviewed in isolation of other pending utility matters including PSE&G's request for a base rate increase and its efforts to secure an up to \$300 million per year ratepayer funded nuclear plant subsidy. Many PSE&G customers are or will also be facing rising water utility bills and other proposed rate increases over the next three to five years.

Rate increases are very burdensome to customers. A recent New Jersey Department of Human Services report, *Living Below the Line 2017*,¹ finds that nearly six in ten NJ retired elder-only households² lack sufficient annual incomes to insulate them against poverty as they age.

We urge the Board ensure service affordability, taking into account households with lower incomes. AARP believes the proposed GSMP II settlement is too costly and that the program should be scaled back.

AARP is also particularly concerned about the proposed settlement's five year stay out provision. This provision seriously impedes the Board's ability to identify imprudence, to correct for it, and to incent adherence to prudence going forward. Status reports are no substitute for a prudence review. A prudence review that occurs five years after the project begins allows too much time to elapse since the decisions and conditions which give rise to concerns that the utility may have been imprudent.

The accelerated clause mechanism in the GSMP II settlement, like similar clauses, shift substantial risk from shareholders to ratepayers. AARP believes consumers who would be required to shoulder a significant rate increase under this proposal need more oversight, not less. While regulations allow for a five year stay-out, the Board has discretion in this matter and can require PSE&G file a base rate case in three years.

For the reasons outlined above, AARP cannot support the proposed settlement.

Thank you for your careful consideration of this matter.

Sincerely,



Evelyn Liebman
AARP NJ Director of Advocacy

Cc: BPU President Fiordaliso

BPU Commissioner Holden
BPU Commissioner Solomon
BPU Commissioner Chivukula
BPU Commissioner Holden
Janine Bauer, Esq.
Service List

ⁱ <http://www.state.nj.us/humanservices/news/reports/doasreports.html>

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