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April 7, 2022

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 Second Quarter Report for 2021
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 Second Quarter Report* (“Second 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 (“ESII”) program conducted through June 30, 2021.

At the end of the second quarter 2021, the ESII program is about a third completed in terms of spending. The Independent Monitor (“IM”) reports that spending for the quarter ending June 30, 2021 has been \$53,814,867 or 6.8 percent of the currently forecasted \$788,758,650 program (including the \$100 million for Electric Stipulated Base and excluding \$72.0 million of risk and contingency the flood mitigation and life cycle substation subprograms). Rate Counsel notes that the parties stipulated \$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 five substations (Hamilton, Paramus, Plainfield, Woodbury, and

State Street). The current Study level estimate for the subprogram is \$102,400 including \$19,600,000 for risk and contingency.

The current forecast for the Electric Flood mitigation program increased from \$331,374,281 in the First Quarter Report to \$346,463,155 in the Second Quarter report, not including risk and contingency estimates. Table 11 – ES 2 Electric Station Flood Mitigation Project Cost Status as of June 30, 2021, states that the base spending amount for the subprogram is \$336,600,000 in budgeted base project costs and \$52,400,000 allocated to risk and contingency.

The Independent Monitor notes that two formal RODs were issued during the second quarter of 2021. Both RODs were also discussed in the IM's First Quarter Report. The 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 Second Quarter Report notes that only the Waverly substation continues to have a forecasted in-service date that has moved more than 60 days. According to Pegasus, the Waverly substation “saw the in-service date slip an additional 92 days from the forecasted in-service date at the end of the prior quarter, which continues to reflect the impacts of the project’s site plan denial in March 2021.” The IM report also notes that PSE&G intends to improve the in-service date for the substation to bring the final in-service date back to 2023. With a forecasted in-service date so close to the ESII Program end date, the IM notes that continued monitoring is warranted to ensure the ESII Program is completed within the defined timeline.

The First Quarter Report noted that the Contingency Reconfiguration subprogram total forecast decreased from \$148,927,422 to \$147,070,235. The stipulated budget for the subprogram is \$145 million. Pegasus observed that the decrease in the program costs was attributed to “a net 14-unit reduction in the number of 13kV reclosers planned based on the current status of the network.”

In the Second Quarter Report, the IM noted that PSE&G added the outside plant component of the State Street substation to the \$100 million stipulated base spending component. Specifically, the State Street Outside Plant project has a projected base spend of \$19.7 million and a risk and contingency of \$3.0 million for a total project cost of \$22.7 million. In the same report, the IM noted that the State Street substation project saw a reduction in its cost from \$45.1 million to \$22.4 million with the shift in the outside plant work to the stipulated base spending component. The ESII Stipulation does allow for spending toward electric outside plant higher design and construction standards (“outside plant”).¹

¹ I/M/O Petition of Public Service Electric and Gas Company for Approval of the Second Energy Strong Program, BPU Dkt. Nos. EO18060629 and GO18060630, Final Decision and Order Approving Stipulation, effective date of Sept. 21, 2019, at ¶ 34.

Mr. Jeremy Clark
April 7, 2022
Page 3

On March 29, 2022, Rate Counsel submitted informal questions to PSE&G and Pegasus. On March 30, 2022, 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 responses to the informal questions.

Thank you for your attention to this matter. If you have any questions, please contact me at rglover@rpa.nj.gov.

Sincerely,

BRIAN O. LIPMAN, DIRECTOR
DIVISION OF RATE COUNSEL

By: /s/ Robert Glover
Robert Glover, Esq.
Assistant Deputy Rate Counsel

RG/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 (Q2)
BPU Dkt Nos. EO18060629 and GR18060630**

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