



Agenda Date: 5/4/22  
Agenda Item: 2B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC )	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY FOR )	
APPROVAL OF ELECTRIC AND GAS RATE )	DOCKET NOS. ER21111209 and
ADJUSTMENTS PURSUANT TO THE ENERGY )	GR21111210
STRONG II PROGRAM )	
)	
IN THE MATTER OF THE PETITION OF PUBLIC )	
SERVICE ELECTRIC AND GAS COMPANY FOR )	DOCKET NOS. EO18060629 and
APPROVAL OF THE SECOND ENERGY )	GO18060630
STRONG PROGRAM (ENERGY STRONG II) )	

**Parties of Record:**

**Danielle Lopez, Esq.**, Public Service Electric and Gas Company  
**Brian O. Lipman, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On November 1, 2021, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking cost recovery of certain investments within its Energy Strong II program (“Energy Strong II” or “Program”) (“November 2021 Petition”). By this Order, the Board considers a stipulation of settlement (“Stipulation”) executed by PSE&G, Board Staff (“Staff”), and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, “Parties”) intended to resolve the Company’s requests related to the November 2021 Petition.

**BACKGROUND**

By Order dated September 11, 2019, the Board authorized PSE&G to implement Energy Strong II pursuant to N.J.A.C. 14:3-2A.1 et seq., wherein the Company would invest up to \$842 million within the Program through December 31, 2023.<sup>1</sup> As noted in the Energy Strong II Order, \$691.5 million of investment would be eligible for accelerated recovery and \$150.5 million of investment would be considered Stipulated Base expenditure to be recoverable within the Company’s next

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<sup>1</sup> In re the Matter of the Petition of Public Service Electric and Gas Company for Approval of the Second Energy Strong Program (Energy Strong II), BPU Docket Nos. EO18060629 and GO18060630, Order dated September 11, 2019 (“Energy Strong II Order”).

base rate case.<sup>2</sup> The Energy Strong II projects were aimed at improving the reliability and resiliency of the Company's electric and gas systems, including raising and rebuilding substations, deploying advanced technology, and modernizing critical gas equipment.

The Energy Strong II subprograms and stipulated funding amounts are summarized below<sup>3</sup>:

<b>ES II Subprogram</b>	<b>Total Spending</b>
Electric Station Flood Mitigation	\$389 million
Contingency Reconfiguration	\$145 million
Grid Modernization – Communications System	\$72 million
Grid Modernization - ADMS	\$35 million
Electric Stipulated Base	\$100 million
Gas M&R Station Upgrades	\$50.5 million
Gas Stipulated Base	\$50.5 million
<b>Total</b>	<b>\$842 million</b>

Pursuant to the Energy Strong II Order, the rate adjustment schedule consists of two (2) annual filings followed by four (4) semi-annual filings.<sup>4</sup>

On December 1, 2020, PSE&G filed its first petition requesting cost recovery of Energy Strong II investments ("December 2020 Petition"). By Order dated April 27, 2021, the Board approved the rate adjustments associated with the December 2020 Petition, which authorized the Company to recover a revenue requirement of approximately \$12.7 million for electric system investments associated with a total gross plant of approximately \$105.9 million.<sup>5</sup>

In February 2021, PSE&G notified the Parties that the Constable Hook substation project within the Electric Station Flood Mitigation subprogram would not be completed within the timeframe of the Program. Subsequently, PSE&G requested to modify the Energy Strong II stipulation so that the Company may remove the Constable Hook substation project from the Program and replace this project with flood mitigation work on the Company's Front Street substation.

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<sup>2</sup> See Energy Strong II Order at Page 7, Paragraph 34.

<sup>3</sup> On July 27, 2021, PSE&G provided notice that it had transferred \$7.7 million of funding from the Grid Modernization – Communications System subprogram to the Grid Modernization – ADMS subprogram, which is not reflected in the table above.

<sup>4</sup> See Energy Strong II Order at Pages 8-9, Paragraph 40.

<sup>5</sup> In re the Matter of the Petition of Public Service Electric and Gas Company for Approval of Electric Infrastructure Investment Recovery Charges Pursuant to the Second Energy Strong Program (Energy Strong II), BPU Docket No. ER20120736, Order dated April 27, 2021.

## **NOVEMBER 2021 PETITION**

In the November 2021 Petition, PSE&G sought approval to recover the revenue requirements associated with Energy Strong II electric and gas investments made through January 31, 2022. PSE&G estimated the annualized increase in revenue requirement for electric system investments to be approximately \$18.1 million, associated with a total gross plant of approximately \$149.8 million. PSE&G estimated the annualized increase in revenue requirement for gas system investments to be approximately \$1.1 million, associated with a total gross plant of approximately \$10.6 million. The November 2021 Petition was based upon actual electric plant placed into service from February 1, 2021 through September 30, 2021, and forecasted electric plant placed into service from October 1, 2021 through January 31, 2022. Since the November 2021 Petition was the Company's first rate adjustment filing associated with gas system investments, the filing was based upon actual gas plant placed into service since the Program's inception (October 2019) through September 30, 2021, and forecasted gas plant placed into service from October 1, 2021 through January 31, 2022.

On February 22, 2022, the Company updated the November 2021 Petition to include actual Program expenditures through January 31, 2022 ("Update"). In the Update, the Company adjusted its proposed revenue requirement for electric system investments to approximately \$15.5 million, associated with a total gross plant of approximately \$129 million. Additionally, the Company adjusted its proposed revenue requirement for gas system investments to approximately \$887,000, associated with a total gross plant of approximately of \$8.1 million.

Following publication of notice, virtual public hearings were held on March 22, 2022 at 4:30 p.m. and 5:30 p.m.<sup>6</sup> No members of the public participated in the public hearings or submitted written comments to the Board.

On April 1, 2022, the Company further updated the November 2021 Petition to revise its electric revenue requirement due to an error identified in the filing associated with the annual depreciation rates for the Outside Plant - Grid Modernization Communication Infrastructure asset class. As a result, the Company's electric revenue requirement increased from approximately \$15.5 million to approximately \$17.0 million. The gas revenue requirement was unchanged from the Company's Update. Additionally, the Company delayed its proposed rate effective date from May 1, 2022 to June 1, 2022.

## **STIPULATION**

Upon review of the November 2021 Petition, the updates and discovery, the Parties executed the Stipulation, which provides for the following:<sup>7</sup>

1. The Company will implement rates to recover an electric revenue requirement of approximately \$17.045 million as shown in Schedule SS-ESII-2E (UPDATE R1), and a gas revenue requirement of approximately \$0.887 million as shown in Schedule SS-ESII-2G (UPDATE) reflecting actual investments through January 2022, attached to the

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<sup>6</sup> The hearings were held virtually due to the ongoing COVID-19 pandemic.

<sup>7</sup> Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

Stipulation as Attachment 1.

2. PSE&G may implement the proposed rates, attached to the Stipulation as Attachment 2, which are associated with the increase in the revenue requirements referenced above pursuant to the rate design methodology reflected in Schedules SS-ESII-5 (UPDATE R1) and SS-ESII-6 (UPDATE) reflecting actual investments through January 2022.
3. The impact of the proposed rates on a typical residential electric customer using 740 kilowatt-hours (“kWh”) per month during the summer months, and 6,920 kWh on an annual basis, will be an increase in the annual bill from \$1,314.28 to \$1,321.68, or \$7.40, or approximately 0.56% (based upon Delivery Rates and BGS-RSCP charges in effect April 1, 2022 and assuming that the customer receives BGS-RSCP service from PSE&G). The impact of the proposed rates on a typical residential gas customer using 172 therms in a winter month and 1,040 therms annually is an increase from \$1,032.52 to \$1,032.98, or \$0.46, or approximately 0.04% (based upon Delivery Rates and BGSS-RSG charges in effect April 1, 2022, and assuming that the customer receives BGSS service from PSE&G).
4. The Parties acknowledge that PSE&G’s November 2021 Petition and February Update had an error associated with the annual depreciation rate for the Outside Plant – Grid Modernization Communication Infrastructure Asset class, which understated the revenue requirement.
5. PSE&G may implement the rates in Attachment 2 to the Stipulation effective no earlier than June 1, 2022. The rate adjustments established in the Stipulation shall be provisional and subject to refund contingent upon the Board finding that PSE&G imprudently incurred capital expenditures under Energy Strong II. Such prudence review shall take place in a future base rate case. The Company’s next base rate case is expected to be filed no later than January 1, 2024, in accordance with the Board’s Order in the Next Phase of the Company’s Gas System Modernization Program.<sup>8</sup> Nothing in the Stipulation will preclude any Party from raising any objection in the base rate case prudence review that could have been raised in a prior Infrastructure Investment Program rate filing.
6. Following notice, discovery, discussion, and agreement by and among the Parties, it is proposed that the stipulation approved by the Energy Strong II Order is amended to allow for the substitution of the Front Street substation for the Constable Hook substation in the Company’s Electric Station Flood Mitigation subprogram.

## **DISCUSSION AND FINDINGS**

After a review of the record in this matter, including the November 2021 Petition, the updates, and the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

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<sup>8</sup> In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism (“GSMP II”), BPU Docket No. GR17070776, Order dated May 22, 2018, at paragraph 40.

The Board **HEREBY APPROVES** the rate adjustments reflected in the Stipulation on a provisional basis, subject to refund and review for prudence in a future base rate case, effective for service rendered on and after June 1, 2022. As a result of the Stipulation, a typical residential electric customer using approximately 740 kWh in a summer month and 6,920 kWh annually will see an increase in their annual bill of \$7.40, or 0.56%, and a typical residential gas customer using 172 therms in a winter month and 1,040 therms annually will see an increase in their annual bill of \$0.46, or 0.04%.

The Board is also cognizant of PSE&G's request to modify the stipulation approved by the Energy Strong II Order, as described above, so that the Company may substitute a certain project within the Program's Electric Station Flood Mitigation subprogram. Specifically, PSE&G determined that the Constable Hook substation project, which was approved within the Energy Strong II Order as part of the Electric Station Flood Mitigation subprogram<sup>9</sup>, would not be completed within the timeframe of the Program.<sup>10</sup> The Parties subsequently reached an agreement that would allow the Company to remove the Constable Hook substation project from the Program and replace this project with flood mitigation work on the Company's Front Street substation.<sup>11</sup> As noted in the Stipulation, this modification to the Electric Station Flood Mitigation subprogram does not change the overall subprogram budget, but qualifies Front Street flood mitigation work for accelerated recovery.<sup>12</sup> Based upon the Board's review and consideration of the request, the Board **HEREBY FINDS** the proposed stipulation modification to be reasonable. Accordingly, the Board **HEREBY MODIFIES** the stipulation approved by the Energy Strong II Order as described herein, such that the Company may substitute the Front Street substation project for the Constable Hook substation project. No other provision of the Energy Strong II Order stipulation is modified by this Order.

The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to June 1, 2022.

The Company's costs, including those related to the Program, remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

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<sup>9</sup> See Energy Strong II Order at Page 5.

<sup>10</sup> See Stipulation at Page 3-4.

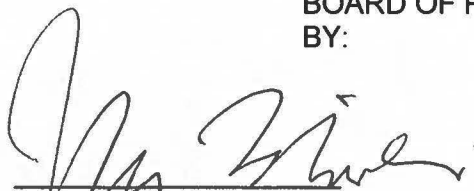
<sup>11</sup> Id. at Page 7.


<sup>12</sup> Id. at Page 4.

This Order shall be effective on May 11, 2022.

DATED: May 4, 2022

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BY:

  
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PRESIDENT

  
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MARY-ANNA HOLDEN  
COMMISSIONER

  
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DIANNE SOLOMON  
COMMISSIONER

  
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ROBERT M. GORDON  
COMMISSIONER

ATTEST:   
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CARMEN D. DIAZ  
ACTING SECRETARY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
FOR APPROVAL OF ELECTRIC AND GAS RATE ADJUSTMENTS PURSUANT TO THE  
ENERGY STRONG II PROGRAM

DOCKET NOS. ER21111209 AND GR21111210

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
FOR APPROVAL OF THE SECOND ENERGY STRONG PROGRAM (ENERGY STRONG II)

DOCKET NOS. EO18060629 AND GO18060630

SERVICE LIST

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April 20, 2022

In The Matter of the Petition of  
Public Service Electric and Gas Company  
for Approval of Electric and Gas Rate Adjustments Pursuant  
to the Energy Strong II Program

BPU Docket No. ER21111209 and GR21111210

***VIA ELECTRONIC MAIL***

Carmen D. Diaz, Secretary  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

Attached is the fully executed Stipulation in the above-reference matter resolving all aspects of this matter. All the parties have signed the Stipulation: Public Service Electric and Gas Company, the Staff of the New Jersey Board of Public Utilities, and the New Jersey Division of Rate Counsel.

Consistent with the Order issued by the New Jersey Board of Public Utilities (“BPU or Board”) in connection with In the Matter of the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Order dated March 19, 2020, this filing is being electronically filed with the Secretary of the Board and the New Jersey Division of Rate Counsel. No paper copies will follow.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Danielle Lopez", written in a cursive style.

Attach.

C Attached Service List (E-Mail)

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**DAG**

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF ELECTRIC AND GAS RATE ADJUSTMENTS PURSUANT TO THE ENERGY STRONG II PROGRAM	BPU DOCKET NOS. ER21111209 and GR21111210
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**STIPULATION AND AGREEMENT**

**APPEARANCES:**

**Matthew M. Weissman, Esq.**, Managing Counsel-State, and **Danielle Lopez, Esq.**, Associate Counsel-Regulatory, for Public Service Electric and Gas Company

**T. David Wand, Esq.**, Managing Attorney - Electric, **Bethany Rocque-Romaine, Esq.**, Assistant Deputy Rate Counsel and **Robert M. Glover, Esq.**, Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel (**Brian O. Lipman, Esq., Director, Division of Rate Counsel**)

**Matko Ilic**, Deputy Attorney General, on behalf of the Staff of the New Jersey Board of Public Utilities (**Matthew J. Platkin, Acting Attorney General of New Jersey**)

**BACKGROUND**

On June 8, 2018, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board” or “BPU”), pursuant to subchapter *N.J.A.C. 14:3-2A.1 et seq.* (“IIP Rules”), seeking approval of the next phase of its Energy Strong program, Energy Strong II (“ES II” or “Program”), which consisted of infrastructure investments to enhance safety, system reliability, and resiliency through both electric and gas subprograms.

Following discovery, the filing of testimony, evidentiary hearings, and settlement conferences, the parties executed a stipulation of settlement resolving the ES II matter on August 23, 2019. The stipulation, approved by the Board on September 11, 2019, provided that the ES II Program would include an investment level of up to \$691.5 million recovered through a stipulated

cost recovery mechanism.<sup>1</sup> The ES II Order also approved an additional investment of \$150.5 million on certain capital projects during the Program term that would not be recovered through the ES II cost recovery mechanism, but would be considered stipulated base expenditures to be recovered in the Company's next base rate case. The Company's costs related to the ES II Program remain subject to a prudency review and audit by the Board. In total, the Company was authorized to spend a maximum of \$842 million to complete the Program, with \$691.5 million recoverable through the ES II cost recovery mechanism, and \$150.5 million through stipulated base. The Company was also authorized to request cost recovery through six (6) rate adjustment filings consisting of two (2) annual filings followed by four (4) semi-annual filings.

Under the stipulation approved by the ES II Order, the maximum subprogram investment levels include the following:<sup>2</sup>

<b><u>Electric ES II Program</u></b>	<b><u>\$ million</u></b>
Electric Station Flood Mitigation	\$389
Contingency Reconfiguration	\$145
Grid Modernization, Communication System	\$72
Grid Modernization, ADMS	<u>\$35</u>
Electric ES II Total	\$641
<b><u>Gas ES II Program</u></b>	
M&R Station Upgrades	<u>\$50.5</u>
Gas ES II Total	\$50.5
<b>TOTAL ES II Program</b>	<b>\$691.5</b>

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<sup>1</sup> In re the Petition of Public Service Electric and Gas Company for Approval of the Second Energy Strong Program (Energy Strong II), BPU Docket Nos. EO18060629 and GO18060630, Order dated September 11, 2019 (“ES II Order”).

<sup>2</sup> On July 27, 2021, PSE&G provided notice that it had transferred \$7.7 million of funding from the Grid Modernization – Communications System subprogram to the Grid Modernization – ADMS subprogram, which is not reflected in the table above.

The ES II Order provides that PSE&G will raise or eliminate specific electric substations in its service territory that are at risk for flooding and, consequently, extended service outages. The following table specifies the electric substations to be completed within the Electric Station Flood Mitigation subprogram:

<b>Flood Mitigation</b>					
<b>#</b>	<b>Station</b>	<b>Anticipated Method</b>	<b>#</b>	<b>Station</b>	<b>Anticipated Method</b>
<b>1</b>	Academy Street	Raise	<b>9</b>	Meadow Road	Raise
<b>2</b>	Clay Street	Raise	<b>10</b>	Orange Valley	Raise
<b>3</b>	Constable Hook	Raise	<b>11</b>	Ridgefield 13kV	Raise
<b>4</b>	Hasbrouck Heights	Raise	<b>12</b>	Ridgefield 4kV	Eliminate
<b>5</b>	Kingsland	Raise	<b>13</b>	State Street	Raise
<b>6</b>	Lakeside Avenue	Raise	<b>14</b>	Toney's Brook	Raise
<b>7</b>	Leonia	Raise	<b>15</b>	Waverly	Raise
<b>8</b>	Market Street	Eliminate	<b>16</b>	Woodlynne	Raise

However, the Company identified an opportunity to combine the flood mitigation work at Constable Hook with new capacity needed in the area based on ongoing development. Per the ES II Order, PSE&G provided notice to Board Staff (“Staff”) and the New Jersey Division of Rate Counsel (“Rate Counsel”) of the change in the Electric Station Flood Mitigation subprogram that involves the construction of a new station in the area of Constable Hook that will serve the existing Constable Hook customers with a storm-hardened facility.

Since the work to serve the Company’s Constable Hook customers cannot be completed within the timeframe of the ES II program, PSE&G proposed to substitute and amend the above-referenced list of Electric Station Flood Mitigation projects to remove Constable Hook substation and replace this work with flood mitigation work on the Company’s Front Street substation.



The Front Street substation is located in Scotch Plains, New Jersey, sits two (2) feet below Federal Emergency Management Agency (“FEMA”) flood elevation levels, and is thus at risk during a major storm. PSE&G provided discovery enumerating the details of the Front Street substation project, including detail around the flood risks noted above. This also included flood data from the Hurricane Ida remnants.

Based upon the information provided and reviewed, the Company, Staff, and Rate Counsel are agreeable to an amendment to the flood mitigation subprogram that substitutes Front Street for the Constable Hook substation. This change in the Electric Station Flood Mitigation subprogram does not change the overall subprogram budget, but qualifies Front Street flood mitigation work for accelerated recovery. No work on the Front Street substation has been included in this rate filing. Nonetheless, all recovery requested for work performed at the Front Street substation shall be subject to review for reasonableness and prudence.

Additionally, the ES II Order outlined the Minimum Filing Requirements for the ES II cost recovery petitions and provided for the recovery of ES II approved costs through the ES II cost recovery mechanism.

### **ENERGY STRONG II 2021 PETITION**

On November 1, 2021, PSE&G filed a petition with the Board seeking approval to recover the revenue requirements associated with certain capitalized ES II electric and gas investments through January 31, 2022 (“November 2021 Petition”). Consistent with the ES II Order, PSE&G’s November 2021 Petition sought authority to recover an annualized increase of approximately \$18.156 million from its electric customers associated with ES II electric program investment costs, and \$1.157 million from its gas customers associated with ES II gas program investment costs. The annualized increases in the electric and gas revenue requirements were

based upon actual expenditures through September 30, 2021, and projected expenditures through January 31, 2022. The November 2021 Petition represents the Company's second annual filing for cost recovery (second electric cost recovery filing/first gas cost recovery filing).

On February 22, 2022, the Company updated the November 2021 Petition to reflect actual data through January 31, 2022 ("February Update"). As a result, the Company's electric revenue requirement decreased from \$18.156 million to \$15.459 million, and its gas revenue requirement decreased from \$1.157 million to \$0.887 million. On April 1, 2022, the Company further updated the November 2021 Petition to revise its electric revenue requirement. An error was identified in both the November 2021 Petition and the February Update associated with the annual depreciation rates for the Outside Plant - Grid Modernization Communication Infrastructure asset class. As a result, the Company's electric revenue requirement increased from \$15.549 million to \$17.045 million. The gas revenue requirement was unchanged from the Company's February Update. Additionally, the Company's proposed rate effective date was delayed to June 1, 2022.

Notice of the Company's November 2021 Petition and updated actual investment levels, including the date, time and telephonic dial-in details for the public hearings, was placed in newspapers having a circulation within the Company's service territory, and served on the Clerks of the municipalities, the Clerks of the Board of County Commissioners, and the County Executives within the Company's service territory. In accordance with that notice, due to the COVID-19 pandemic, two (2) virtual public hearings were held at 4:30 p.m. and 5:30 p.m. on March 22, 2022. No members of the public appeared or provided comments at the public hearings.

Upon review of the November 2021 Petition and discovery responses, Staff, Rate Counsel, and PSE&G, the only parties to this proceeding (collectively, "Parties"), HEREBY STIPULATE AND AGREE AS FOLLOWS:

1. The Company will implement rates to recover an electric revenue requirement of approximately \$17.045 million as shown in Schedule SS-ESII-2E (UPDATE R1), and a gas revenue requirement of approximately \$0.887 million as shown in Schedule SS-ESII-2G (UPDATE) reflecting actual investments through January 2022, attached hereto as Attachment 1.

2. PSE&G may implement the proposed rates, attached hereto as Attachment 2, which are associated with the increase in the revenue requirements referenced above pursuant to the rate design methodology reflected in Schedules SS-ESII-5 (UPDATE R1) and SS-ESII-6 (UPDATE) reflecting actual investments through January 2022.

3. The impact of the proposed rates on a typical residential electric customer using 740 kilowatt-hours per month during the summer months, and 6,920 kilowatt-hours on an annual basis, will be an increase in the annual bill from \$1,314.28 to \$1,321.68, or \$7.40, or approximately 0.56% (based upon Delivery Rates and BGS-RSCP charges in effect April 1, 2022 and assuming that the customer receives BGS-RSCP service from PSE&G). The impact of the proposed rates on a typical residential gas customer using 172 therms in a winter month and 1,040 therms annually is an increase from \$1,032.52 to \$1,032.98, or \$0.46, or approximately 0.04% (based upon Delivery Rates and BGSS-RSG charges in effect April 1, 2022, and assuming that the customer receives BGSS service from PSE&G).

4. The Parties acknowledge that PSE&G's November 2021 Petition and February Update had an error associated with the annual depreciation rate for the Outside Plant – Grid Modernization Communication Infrastructure Asset class, which understated the revenue requirement.

5. PSE&G may implement the rates in Attachment 2 effective no earlier than June 1, 2022. The rate adjustments established herein shall be provisional and subject to refund contingent

upon the Board finding that PSE&G imprudently incurred capital expenditures under ES II. Such prudence review shall take place in a future base rate case. The Company's next base rate case is expected to be filed no later than January 1, 2024, in accordance with the Board's Order in the Next Phase of the Company's Gas System Modernization Program.<sup>3</sup> Nothing herein will preclude any Party from raising any objection in the base rate case prudence review that could have been raised in a prior IIP rate filing.

6. Following notice, discovery, discussion, and agreement by and among the Parties, it is proposed that the stipulation approved by the ES II Order is amended to allow for the substitution of the Front Street substation for the Constable Hook substation in the Company's Electric Station Flood Mitigation subprogram.

7. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation, and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

8. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.

9. It is specifically understood and agreed that this Stipulation represents a negotiated

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<sup>3</sup> In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP II"), Docket No. GR17070776, Order dated May 22, 2018, at ¶40.

agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, PSE&G, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

10. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.


**WHEREFORE**, the Parties hereto respectfully submit this Stipulation to the Board and recommend that the Board issue an Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof.

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

BY:   
\_\_\_\_\_  
**Danielle Lopez, Esq.**  
**Associate Counsel, Regulatory**

DATED: April 14, 2022

**MATTHEW J. PLATKIN**  
**ACTING ATTORNEY GENERAL OF NEW JERSEY**  
**Attorney for the Staff of the New Jersey Board of Public Utilities**

BY:   
\_\_\_\_\_  
**Matko Ilic**  
**Deputy Attorney General**

DATED: April \_\_\_\_\_, 2022

**NEW JERSEY DIVISION OF RATE COUNSEL  
BRIAN O. LIPMAN, DIRECTOR**

BY: Bethany Rocque-Romaine  
**Bethany Rocque-Romaine**  
**Assistant Deputy Rate Counsel**

DATED: April 18, 2022

**PSE&G Energy Strong II**  
**Electric Filing**  
**Rate Adjustment #2**

Schedule SS-ESII-2E Update R1

in (\$000)

<b>Rate Effective Date</b>	6/1/2022
Plant In Service as of Date	1/31/2022
Rate Base Balance as of Date	4/30/2022

**RATE BASE CALCULATION**

	<b>Total</b>	Notes
1 Gross Plant	\$129,014	= In 16
2 Accumulated Depreciation	\$4,084	= In 19
3 Net Plant	\$133,098	= In 1 + In 2
4 Accumulated Deferred Taxes	-\$4,041	= See "Dep-" Wkps Row 749
5 Rate Base	\$129,058	= In 3 + In 4
6 Rate of Return - After Tax (Schedule WACC)	6.48%	See Schedule SS-ESII-3
7 Return Requirement (After Tax)	\$8,365	= In 5 * In 6
8 Depreciation Exp, net	\$3,886	= In 25
9 Tax Adjustment	-\$30	= See "Roll-ins Detail" Wkps In 35
10 Revenue Factor	1.3948	See Schedule SS-ESII-4
<b>11 Roll-in Revenue Requirement</b>	<b>\$17,045</b>	= (In 7 + In 8 + In 9) * In 10

**SUPPORT**

**Gross Plant**

12 Plant in-service	\$73,704	= See "Dep-" Wkps Row 727
13 CWIP Transferred into Service	\$52,933	= See "Dep-" Wkps Row 728
14 AFUDC on CWIP Transferred Into Service - Debt	\$595	= See "Dep-" Wkps Row 729
15 AFUDC on CWIP Transferred Into Service - Equity	\$1,783	= See "Dep-" Wkps Row 730
16 <b>Total Gross Plant</b>	<b>\$129,014</b>	= In 12 + In 13 + In 14 + In 15

**Accumulated Depreciation**

17 Accumulated Depreciation	-\$3,946	= See "Dep-" Wkps Row 736
18 Cost of Removal	\$8,030	= See "Dep-" Wkps Row 731
19 <b>Net Accumulated Depreciation</b>	<b>\$4,084</b>	= In 17 + In 18

**Depreciation Expense (Net of Tax)**

20 Depreciable Plant (xAFUDC-E)	\$127,231	= In 12 + In 13 + In 14
21 AFUDC-E	\$1,783	= In 15
22 Depreciation Rate	4.19%	= In 23 / In 20
23 Depreciation Expense	\$5,405	= See "Dep-" Wkps Row 731
24 Tax @ 28.11%	\$1,519	= In 20 * In 22 * Tax Rate
25 <b>Depreciation Expense (Net of Tax)</b>	<b>\$3,886</b>	= In 23 - In 24

**PSE&G Energy Strong II  
Gas Roll-in  
Rate Adjustment #2**

Schedule SS-ESII-2G Update

in (\$000)

<b>Rate Effective Date</b>	6/1/2022
Plant In Service as of Date	1/31/2022
Rate Base Balance as of Date	4/30/2022

**RATE BASE CALCULATION**

	<b>Total</b>	Notes
1 Gross Plant	\$8,101	= In 16
2 Accumulated Depreciation	\$105	= In 19
3 Net Plant	\$8,206	= In 1 + In 2
4 Accumulated Deferred Taxes	-\$167	= See "Dep-" Wkps Row 724
5 Rate Base	\$8,040	= In 3 + In 4
6 Rate of Return - After Tax (Schedule WACC)	6.48%	See Schedule SS-ESII-3
7 Return Requirement (After Tax)	\$521	= In 5 * In 6
8 Depreciation Exp, net	\$105	= In 25
9 Tax Adjustment	\$0	
10 Revenue Factor	1.4175	See Schedule SS-ESII-4
<b>11 Roll-in Revenue Requirement</b>	<b>\$887</b>	= (In 7 + In 8 + In 9) * In 10

**SUPPORT**

**Gross Plant**

12 Plant in-service	\$1,500	= See "Dep-" Wkps Row 702
13 CWIP Transferred into Service	\$6,408	= See "Dep-" Wkps Row 703
14 AFUDC on CWIP Transferred Into Service - Debt	\$45	= See "Dep-" Wkps Row 704
15 AFUDC on CWIP Transferred Into Service - Equity	\$147	= See "Dep-" Wkps Row 705
16 <b>Total Gross Plant</b>	<b>\$8,101</b>	= In 12 + In 13 + In 14 + In 15

**Accumulated Depreciation**

17 Accumulated Depreciation	-\$44	= See "Dep-" Wkps Row 711
18 Cost of Removal	\$149	= See "Dep-" Wkps Row 706
19 <b>Net Accumulated Depreciation</b>	<b>\$105</b>	= In 17 + In 18

**Depreciation Expense (Net of Tax)**

20 Depreciable Plant (xAFUDC-E)	\$7,954	= In 12 + In 13 + In 14
21 AFUDC-E	\$147	= In 15
22 Depreciation Rate	1.80%	= In 23 / In 20
23 Depreciation Expense	\$146	= See "Dep-" Wkps Row 706
24 Tax @ 28.11%	\$41	= In 20 * In 22 * Tax Rate
25 <b>Depreciation Expense (Net of Tax)</b>	<b>\$105</b>	= In 23 - In 24



Electric Tariff Rates

<u>Rate Schedules</u>		<u>Current Total Distribution Charges</u>		<u>Proposed Total Distribution Charges</u>		<u>ES2 Rate Adjustment 2 IIP Charges</u>		<u>Total ESII IIP Charges</u>	
		<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>	<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>	<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>	<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>
		RS	Service Charge	\$4.64	\$4.95	\$4.64	\$4.95	\$0.00	\$0.00
	Distribution 0-600 Sum	\$0.039972	\$0.042620	\$0.042318	\$0.045122	\$0.002346	\$0.002502	\$0.004098	\$0.004370
	Distribution 0-600 Win	\$0.033344	\$0.035553	\$0.033344	\$0.035553	\$0.000000	\$0.000000	\$0.000000	\$0.000000
	Distribution over 600 Sum	\$0.043793	\$0.046694	\$0.046139	\$0.049196	\$0.002346	\$0.002502	\$0.004098	\$0.004370
	Distribution over 600 Win	\$0.033344	\$0.035553	\$0.033344	\$0.035553	\$0.000000	\$0.000000	\$0.000000	\$0.000000
RHS	Service Charge	\$4.64	\$4.95	\$4.64	\$4.95	\$0.00	\$0.00	\$0.00	\$0.00
	Distribution 0-600 Sum	\$0.049594	\$0.052880	\$0.050928	\$0.054302	\$0.001334	\$0.001422	\$0.002315	\$0.002468
	Distribution 0-600 Win	\$0.033234	\$0.035436	\$0.033843	\$0.036085	\$0.000609	\$0.000649	\$0.001059	\$0.001129
	Distribution over 600 Sum	\$0.054494	\$0.058104	\$0.055828	\$0.059527	\$0.001334	\$0.001423	\$0.002315	\$0.002469
	Distribution over 600 Win	\$0.015634	\$0.016670	\$0.016243	\$0.017319	\$0.000609	\$0.000649	\$0.001059	\$0.001129
	Common Use	\$0.054494	\$0.058104	\$0.055828	\$0.059527	\$0.001334	\$0.001423	\$0.002315	\$0.002469
RLM	Service Charge	\$13.07	\$13.94	\$13.07	\$13.94	\$0.00	\$0.00	\$0.00	\$0.00
	Distrib. kWhr Summer On	\$0.071911	\$0.076675	\$0.073753	\$0.078639	\$0.001842	\$0.001964	\$0.003207	\$0.003419
	Distrib. kWhr Summer Off	\$0.015007	\$0.016001	\$0.015394	\$0.016414	\$0.000387	\$0.000413	\$0.000667	\$0.000711
	Distrib. kWhr Winter On	\$0.015007	\$0.016001	\$0.015394	\$0.016414	\$0.000387	\$0.000413	\$0.000667	\$0.000711
	Distrib. kWhr Winter Off	\$0.015007	\$0.016001	\$0.015394	\$0.016414	\$0.000387	\$0.000413	\$0.000667	\$0.000711
WH	Distribution	\$0.047884	\$0.051056	\$0.048517	\$0.051731	\$0.000633	\$0.000675	\$0.001119	\$0.001193
WHS	Service Charge	\$0.60	\$0.64	\$0.61	\$0.65	\$0.01	\$0.01	\$0.02	\$0.02
	Distribution	\$0.001677	\$0.001788	\$0.001801	\$0.001921	\$0.000124	\$0.000133	\$0.000186	\$0.000199
HS	Service Charge	\$3.57	\$3.81	\$3.64	\$3.88	\$0.07	\$0.07	\$0.13	\$0.14
	Distribution June-September	\$0.096570	\$0.102968	\$0.097146	\$0.103582	\$0.000576	\$0.000614	\$0.000865	\$0.000922
	Distribution October-May	\$0.028952	\$0.030870	\$0.029110	\$0.031039	\$0.000158	\$0.000169	\$0.000315	\$0.000336
GLP	Service Charge	\$4.54	\$4.84	\$4.64	\$4.95	\$0.10	\$0.11	\$0.17	\$0.18
	Service Charge-unmetered	\$2.10	\$2.24	\$2.14	\$2.28	\$0.04	\$0.04	\$0.07	\$0.07
	Service Charge-Night Use	\$347.77	\$370.81	\$347.77	\$370.81	\$0.00	\$0.00	\$0.00	\$0.00
	Distrib. KW Annual	\$3.7103	\$3.9561	\$3.7329	\$3.9802	\$0.0226	\$0.0241	\$0.0398	\$0.0424
	Distrib. KW Summer	\$9.3044	\$9.9208	\$9.3611	\$9.9813	\$0.0567	\$0.0605	\$0.1000	\$0.1067
	Distribution kWhr, June-September	\$0.003033	\$0.003234	\$0.003052	\$0.003254	\$0.000019	\$0.000020	\$0.000033	\$0.000035
	Distribution kWhr, October-May	\$0.007742	\$0.008255	\$0.007789	\$0.008305	\$0.000047	\$0.000050	\$0.000083	\$0.000088
	Distribution kWhr, Night use, June-September	\$0.007742	\$0.008255	\$0.007789	\$0.008305	\$0.000047	\$0.000050	\$0.000083	\$0.000088
	Distribution kWhr, Night use, October-May	\$0.007742	\$0.008255	\$0.007789	\$0.008305	\$0.000047	\$0.000050	\$0.000083	\$0.000088

Electric Tariff Rates

<u>Rate Schedules</u>		<u>Current Total Distribution Charges</u>		<u>Proposed Total Distribution Charges</u>		<u>ES2 Rate Adjustment 2 IIP Charges</u>		<u>Total ESII IIP Charges</u>	
		<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>	<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>	<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>	<u>Charge w/out SUT</u>	<u>Charge w/ SUT</u>
		LPL-Secondary	Service Charge	\$347.77	\$370.81	\$347.77	\$370.81	\$0.00	\$0.00
	Distrib. KW Annual	\$3.5501	\$3.7853	\$3.5796	\$3.8167	\$0.0295	\$0.0314	\$0.0516	\$0.0550
	Distrib. KW Summer	\$8.4460	\$9.0055	\$8.5161	\$9.0803	\$0.0701	\$0.0748	\$0.1227	\$0.1308
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
LPL-Primary	Service Charge	\$347.77	\$370.81	\$347.77	\$370.81	\$0.00	\$0.00	\$0.00	\$0.00
	Service Charge-Alternate	\$20.52	\$21.88	\$20.95	\$22.34	\$0.43	\$0.46	\$0.75	\$0.80
	Distrib. KW Annual	\$1.6538	\$1.7634	\$1.6666	\$1.7770	\$0.0128	\$0.0136	\$0.0224	\$0.0239
	Distrib. KW Summer	\$9.1809	\$9.7891	\$9.2517	\$9.8646	\$0.0708	\$0.0755	\$0.1243	\$0.1325
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
Subtransmission	Service Charge	\$1,911.39	\$2,038.02	\$1,911.39	\$2,038.02	\$0.00	\$0.00	\$0.00	\$0.00
	Distrib. KW Annual	\$1.0863	\$1.1583	\$1.1061	\$1.1794	\$0.0198	\$0.0211	\$0.0339	\$0.0362
	Distrib. KW Summer	\$3.9268	\$4.1870	\$3.9985	\$4.2634	\$0.0717	\$0.0764	\$0.1227	\$0.1308
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
HTS-HV	Service Charge	\$1,720.25	\$1,834.22	\$1,720.25	\$1,834.22	\$0.00	\$0.00	\$0.00	\$0.00
	Distrib. KW Annual	\$0.6203	\$0.6614	\$0.6252	\$0.6666	\$0.0049	\$0.0052	\$0.0086	\$0.0092
	Distribution kWhr	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000
BPL	Distribution Sum	\$0.006774	\$0.007223	\$0.006823	\$0.007275	\$0.000049	\$0.000052	\$0.000088	\$0.000094
	Distribution Winter	\$0.006774	\$0.007223	\$0.006823	\$0.007275	\$0.000049	\$0.000052	\$0.000088	\$0.000094
BPL-POF	Distribution Sum	\$0.006763	\$0.007211	\$0.006810	\$0.007261	\$0.000047	\$0.000050	\$0.000082	\$0.000087
	Distribution Winter	\$0.006763	\$0.007211	\$0.006810	\$0.007261	\$0.000047	\$0.000050	\$0.000082	\$0.000087
PSAL	Distribution Sum	\$0.007223	\$0.007702	\$0.007276	\$0.007758	\$0.000053	\$0.000056	\$0.000092	\$0.000098
	Distribution Winter	\$0.007223	\$0.007702	\$0.007276	\$0.007758	\$0.000053	\$0.000056	\$0.000092	\$0.000098

**Gas Tariff Rates**  
**Schedule SS-ESII-2 UPDATE**

Rate Schedule	Description	Current Total Distribution Charges		Proposed Total Distribution Charges		ES2 Rate Adjustment 1 IIP Charges	
		Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT
<b>RSG</b>	Service Charge	\$8.08	\$8.62	\$8.08	\$8.62	\$0.00	\$0.00
	Distribution Charges	\$0.405733	\$0.432613	\$0.406174	\$0.433083	\$0.000441	\$0.000470
	Balancing Charge	\$0.087669	\$0.093477	\$0.087669	\$0.093477	\$0.000000	\$0.000000
	Off-Peak Use	\$0.202867	\$0.216306	\$0.203087	\$0.216542	\$0.000220	\$0.000236
<b>GSG</b>	Service Charge	\$17.35	\$18.50	\$17.37	\$18.52	\$0.02	\$0.02
	Distribution Charge - Pre July 14, 1997	\$0.312060	\$0.332734	\$0.312302	\$0.332992	\$0.000242	\$0.000258
	Distribution Charge - All Others	\$0.312060	\$0.332734	\$0.312302	\$0.332992	\$0.000242	\$0.000258
	Balancing Charge	\$0.087669	\$0.093477	\$0.087669	\$0.093477	\$0.000000	\$0.000000
	Off-Peak Use Dist Charge - Pre July 14, 1997	\$0.156030	\$0.166367	\$0.156151	\$0.166496	\$0.000121	\$0.000129
	Off-Peak Use Dist Charge - All Others	\$0.156030	\$0.166367	\$0.156151	\$0.166496	\$0.000121	\$0.000129
<b>LVG</b>	Service Charge	\$154.02	\$164.22	\$154.22	\$164.44	\$0.20	\$0.22
	Demand Charge	\$4.1594	\$4.4350	\$4.1625	\$4.4383	\$0.0031	\$0.0033
	Distribution Charge 0-1,000 pre July 14, 1997	\$0.040665	\$0.043359	\$0.040566	\$0.043253	-\$0.000099	-\$0.000106
	Distribution Charge over 1,000 pre July 14, 1997	\$0.045179	\$0.048172	\$0.045247	\$0.048245	\$0.000068	\$0.000073
	Distribution Charge 0-1,000 post July 14, 1997	\$0.040665	\$0.043359	\$0.040566	\$0.043253	-\$0.000099	-\$0.000106
	Distribution Charge over 1,000 post July 14, 1997	\$0.045179	\$0.048172	\$0.045247	\$0.048245	\$0.000068	\$0.000073
	Balancing Charge	\$0.087669	0.093477	\$0.087669	\$0.093477	\$0.000000	\$0.000000
<b>SLG</b>	Single-Mantle Lamp	\$13.2351	\$14.1119	\$13.2351	\$14.1119	\$0.000000	\$0.000000
	Double-Mantle Lamp, inverted	\$13.2351	\$14.1119	\$13.2351	\$14.1119	\$0.000000	\$0.000000
	Double Mantle Lamp, upright	\$13.2351	\$14.1119	\$13.2351	\$14.1119	\$0.000000	\$0.000000
	Triple-Mantle Lamp, prior to January 1, 1993	\$13.2351	\$14.1119	\$13.2351	\$14.1119	\$0.000000	\$0.000000
	Triple-Mantle Lamp, on and after January 1, 1993	\$67.4762	\$71.9465	\$67.4762	\$71.9465	\$0.000000	\$0.000000
	Distribution Therm Charge	\$0.050613	\$0.053966	\$0.050620	\$0.053974	\$0.000007	\$0.000008

**Gas Tariff Rates**  
**Schedule SS-ESII-2 UPDATE**

Rate Schedule	Description	Current Total Distribution Charges		Proposed Total Distribution Charges		ES2 Rate Adjustment 1 IIP Charges	
		Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT
<b>TSG-F</b>	Service Charge	\$824.91	\$879.56	\$825.97	\$880.69	\$1.06	\$1.13
	Demand Charge	\$2.1423	\$2.2842	\$2.1430	\$2.2850	\$0.0007	\$0.0008
	Distribution Charges	\$0.081888	\$0.087313	\$0.081915	\$0.087342	\$0.000027	\$0.000029
<b>TSG-NF</b>	Service Charge	\$824.91	\$879.56	\$825.97	\$880.69	\$1.06	\$1.13
	Distribution Charge 0-50,000	\$0.093241	\$0.099418	\$0.093318	\$0.099500	\$0.000077	\$0.000082
	Distribution Charge over 50,000	\$0.093241	\$0.099418	\$0.093318	\$0.099500	\$0.000077	\$0.000082
	Special Provision (d)	\$1.89	\$2.02	\$1.89	\$2.02	\$0.00	\$0.00
<b>CIG</b>	Service Charge	\$187.48	\$199.90	\$187.64	\$200.07	\$0.16	\$0.17
	Distribution Charge 0-600,000	\$0.083871	\$0.089427	\$0.083944	\$0.089505	\$0.000073	\$0.000078
	Distribution Charge over 600,000	\$0.073871	\$0.078765	0.073944	\$0.078843	\$0.000073	\$0.000078
	Special Provision (c) 1st para	\$1.89	\$2.02	\$1.89	\$2.02	\$0.00	\$0.00
<b>BGSS RSG</b>	Commodity Charge including Losses	\$0.384724	\$0.410212	\$0.384721	\$0.410209	-\$0.000003	-\$0.000003
<b>CSG</b>	Service Charge	\$824.91	\$879.56	\$825.97	\$880.69	\$1.06	\$1.13
	Distribution Charge - Non-Firm	\$0.093241	\$0.099418	\$0.093318	\$0.099500	\$0.000077	\$0.000082