



Agenda Date: 6/8/22
Agenda Item: 2D

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY FOR)	APPROVING SERVICE
APPROVAL OF A SERVICE AGREEMENT WITH)	AGREEMENT AMENDMENTS
PSEG SERVICES CORPORATION AND)	
TRANSFER OF UTILITY ASSETS)	BPU DOCKET NO. EM21101204

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Katherine E. Smith, Esq., PSEG Services Corporation, on behalf of Public Service Electric and Gas Company

BY THE BOARD:

On October 29, 2021, Public Service Electric and Gas Company (“PSE&G”, or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) seeking approval to 1) transfer approximately 496 PSE&G employees to PSE&G’s affiliate, PSEG Service Corporation (“Service Company”); and 2) amend the Service Agreement under which these services are provided (“October 2021 Petition”). By this decision and Order, the Board considers the Company’s request.

BACKGROUND AND PROCEDURAL HISTORY

The Service Company provides administrative, managerial and support service to several of its affiliates, including PSE&G, pursuant to a service agreement approved by the Board in 2004 (“Service Company Agreement”).¹ All of the services provided by the Service Company are charged to PSE&G and other affiliates using a fully allocated cost methodology.

¹ In re the Petition of Public Service Electric and Gas Company for Approval of Changes in Electric Rates, for Changes in the Tariff BPUNJ No. 14 Electric Pursuant To N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, for Changes in its Electric Depreciation Rates Pursuant to N.J.S.A. 48:2-6, and for Other Relief et al., BPU Docket No. ER02050303, Order dated April 22, 2004.

OCTOBER 2021 PETITION

In the October 2021 Petition, PSE&G requested permission pursuant to N.J.S.A. 48:3-7 and N.J.A.C. 14:4-4.5 to transfer approximately 496 employees from PSE&G into the Service Company.² According to the company, the functions of 232 of the 496 positions are already included in the Service Company Agreement, specifically, the “corporate development,” “strategic planning,” and “environmental health and safety” categories. The remaining 264 positions perform construction support and engineering/design functions which are not part of the functions in the current Service Company Agreement. PSE&G also proposed to amend the Service Agreement to include two (2) additional service categories: 1) engineering and design; and 2) construction support.

PSE&G’s stated reason for wanting to transfer these employees is its belief that the centralization of these functions at the Service Company will better support transmission growth opportunities and projects, including transmission solicitation activities in PJM and the Ocean Wind Project.

RATE COUNSEL COMMENTS

On March 17, 2022, the New Jersey Division of Rate Counsel (“Rate Counsel”) submitted comments stating that it had no objection to PSE&G’s proposed transfer of the identified fulltime positions to the Service Company, PSE&G’s proposed amendments to the Service Agreement, or PSE&G’s transfer of the personal computer assets for those employees to the Service Company. However, Rate Counsel further provided that its non-opposition was conditioned upon a Board order which includes specific reporting requirements for PSE&G.

DISCUSSION AND FINDINGS

The Board reviewed the record in this matter. Based upon information provided by PSE&G, it does not appear that the proposed transfer will create additional costs for PSE&G, nor is it likely to result in significant cost savings to PSE&G and ratepayers. In addition, while the proposed transfer will have no impact on employee compensation or benefits, it may enhance the Company’s ability to attract and retain qualified engineering, design and construction support employees as centralizing these services in the Service Company will offer the employees the opportunity to work on more complex and diversified issues and projects.

As such, the Board **HEREBY FINDS** that the Company’s request to transfer approximately 496 PSE&G employees to the Service Company and make certain revisions to the Service Agreement are reasonable, in the public interest, and in accordance with law. Therefore, the Board **HEREBY AUTHORIZES** PSE&G to transfer approximately 496 PSE&G employees to the Service Company, and to amend the Service Agreement to include two (2) additional service categories: “engineering and design” and “construction support” as set forth in the draft Amended Service Agreement attached to the Company’s petition as Appendix A.

Further, the Board **FINDS** Rate Counsel’s recommendation regarding reporting requirements to be reasonable. Therefore, the Board **HEREBY DIRECTS** PSE&G to provide the following information to the Board and the Director of Rate Counsel:

² PSE&G’s estimate of positions transferring is approximate and could vary by 5-10%, or slightly more, to account for organizational vacancies and movement.

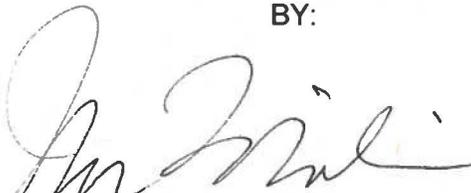
- 1) The executed amended Service Company Agreement reflecting the new services that the Service Company will now offer, within 90 days of Board approval;
- 2) A detailed list of positions that are transferred and the date of their transfer; and
- 3) A restatement of the Service Company allocation factors that reflect the transfer of certain PSE&G employees to the Service Company and indicate when those restated allocation factors will become effective for cost assignment purposes.

The Company's rates remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any audit of the utility or its affiliates.

This Order shall be effective on June 15, 2022.

DATED: June 8, 2022

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



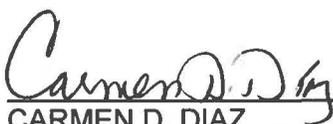
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 

CARMEN D. DIAZ
ACTING SECRETARY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF
A SERVICE AGREEMENT WITH PSEG SERVICES CORPORATION AND TRANSFER OF UTILITY ASSETS
DOCKET

DOCKET NO. EM21101204

SERVICE LIST

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