

Katherine E. Smith
Managing Counsel – State Regulatory

Law Department
80 Park Plaza, T10, Newark, New Jersey 07102-4194
(Tel.) 973-430-6996
Email: Katherine.Smith@pseg.com



May 19, 2023

In the Matter of 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")
(December 2022 GSMP II Rate Filing)

BPU Docket No. GR22120749

VIA ELECTRONIC MAIL

Sherri Golden, Secretary
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Golden:

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 that reads "Katherine E. Smith". The signature is fluid and cursive, with a long horizontal stroke at the end.

Katherine Smith

cc: Attached service list

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”) (December
2022 GSMP II Rate Filing)
BPU Docket No. GR22120749

Sherri Golden
Board Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 1ST Floor
P.O. Box 350
Trenton, NJ 08625

Brian O. Lipman, Director
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Maura Caroselli, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Megan Lupo, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Mamie W. Purnell, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Carlena Morrison, Paralegal
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Carol Artale
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Robert Brabston
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Joseph Costa
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Christine Lin
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Dr. Son Lin Lai
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Mike Kammer
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Ryan Moran
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Stacy Peterson
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Heather Weisband
NJ Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Matko Ilic
NJ Dept. of Law and Public Safety
Richard J. Hughes Justice Complex
Public Utilities Section
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Joseph F. Accardo, Jr.
PSE&G Services Corporation
80 Park Plaza, T5G
P.O. Box 570
Newark, NJ 07102

Michele Falcao
PSE&G Services Corporation
80 Park Plaza, T5G
P.O. Box 570
Newark, NJ 07102

Danielle Lopez, Esq.
PSE&G Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark, NJ 07102

Bernard Smalls
PSE&G Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark, NJ 07102

Matthew M. Weissman, Esq.
PSE&G Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark, NJ 07102

Caitlyn White
PSE&G Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark, NJ 07102

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

IN THE MATTER OF THE PETITION OF	:	
PUBLIC SERVICE ELECTRIC AND GAS	:	
COMPANY FOR APPROVAL OF THE NEXT	:	
PHASE OF THE GAS SYSTEM MODERNIZATION	:	BPU DOCKET NO. GR22120749
PROGRAM AND ASSOCIATED COST	:	
RECOVERY MECHANISM (“GSMP II”)	:	
(DECEMBER 2022 GSMP II RATE FILING)	:	

STIPULATION AND AGREEMENT

APPEARANCES:

Danielle Lopez, Esq., Associate Counsel—Regulatory, for the Petitioner, Public Service Electric and Gas Co.

Maura Caroselli, Esq., Managing Attorney—Gas and **Mamie Purnell, Esq.**, Assistant Deputy Rate Counsel and **Megan Lupo**, Assistant Deputy Rate Counsel (**Brian O. Lipman**, Director, Division of Rate Counsel)

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

On December 30, 2022, Public Service Electric and Gas Company (“Company” or “PSE&G”) filed a petition and supporting documentation with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking Board approval for gas base rate changes to provide for cost recovery associated with the extension of the Company’s Gas System Modernization Program (“GSMP II” or “Program”) from September 2022 through February 2023 (“Petition”). The Petition was filed pursuant to an Order dated May 22, 2018 in GR17070776 (“GSMP II Order”).¹ The GSMP II Order adopted a stipulation that authorized rate increases. Paragraph 36 of the stipulation provided, in pertinent part, that revenue requirements associated with Program

¹ In the Matter of 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.

investments that are placed into service through and including February 28, 2023 shall go into base rates effective June 1, 2023. The stipulation further provided that PSE&G shall make its initial filing for such rates as of December 31, 2022, and update such filing for actual data through February 28, 2023, by March 15, 2023.

In the Petition, PSE&G sought the authority to establish rates to recover an annualized increase in gas revenue requirement of approximately \$10.916 million associated with GSMP II investment costs. The annualized increase was supported by Schedule SS-GSMPII-2 Attachment 2, and was based upon actual expenditures in-service through November 30, 2022 and a forecast through February 28, 2023.

On March 15, 2023, the Company provided updated schedules [SS-GSMPII-2 (Update)] with actual data through February 28, 2023 (“Update”). As a result, the Company’s revenue requirement decreased from approximately \$10.916 million to approximately \$10.887 million. The Company also provided an update to its Gas Proof of Revenue Schedule SS-GSMPII–5 (UPDATE), which included the proposed rates reflecting changes from those in effect March 1, 2023. The Company provided an update to Schedule SS-GSMPII-7 (UPDATE), updating the Company’s earnings test in this matter with actual data through December 31, 2022 by way of discovery response RCR-A-0007 (UPDATE) on April 21, 2023. The response reflected the latest quarter of financial data filed with the Board.

Notice of the Company’s Petition, and the date, time and details for virtual public hearings, were placed in newspapers having a circulation within the Company’s gas 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 gas service territory.² In accordance with the notice,

² The public hearings were conducted virtually due to the COVID-19 Pandemic.

virtual public hearings occurred at 4:30 p.m. and 5:30 p.m. on April 4, 2023. Two (2) members of the public attended the public hearings. One (1) member of the public was a reporter, who did not comment, and the other was a PSE&G customer, who provided comments pertaining to a PSE&G subject not related to this matter.

Upon review of the Petition, the Update, and discovery, Board Staff, the New Jersey Division of Rate Counsel (“Rate Counsel”), and PSE&G, the only parties to this proceeding (collectively, “Parties”), HEREBY STIPULATE AND AGREE AS FOLLOWS:

1. The Parties agree that the Company will implement rates effective June 1, 2023 to recover approximately \$10.887 million relating to GSMP II investment costs through and including February 28, 2023 and representing approximately \$106.24 million of investment and 60 miles of main installed. A schedule reflecting the final investments and miles can be found in Schedule WEM-GSMP II (Update 2) attached herein as Attachment 2.
2. The Company shall implement the rates provided in the Update to Schedule SS-GSMPII-5 (UPDATE), effective upon Board approval. Schedule SS-GSMPII-5 (UPDATE) is attached hereto as Attachment 1. Subsequent to the update provided above new gas rates took effect May 1, 2023 and are accounted for in Attachment 1 to this stipulation of settlement (“Stipulation”).
3. Under the Company’s proposal, a typical residential gas heating customer using 172 therms per month during the winter months and 1,040 therms on an annual basis, would see an increase in the annual bill from \$1,173.24 to \$1,179.24 or \$6.00, or approximately 0.51%, based upon current Delivery Rates and Basic Gas Supply Service (BGSS-RSG) charges in effect as of May 1, 2023.


4. The Parties agree that pursuant to the terms of the GSMP II Order, PSE&G may implement the rates in Attachment 1 effective upon Board approval. 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 GSMP II. Such prudence review shall take place in the Company's next base rate case. The Company will file its next base rate case no later than January 1, 2024 ("2024 Base Rate Case"), in accordance with paragraph 40 of the GSMP II Order. Nothing herein will preclude any party from raising any objection in the 2024 Base Rate Case that could have been raised in the annual GSMP II cost recovery filings.
5. 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.
6. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
7. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. 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.

8. 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.
9. **WHEREFORE**, the Parties hereto respectfully submit this Stipulation to the BPU and recommend that the Board issue a Final Decision and 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: May 18, 2023

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

BY: _____


Matko Ilic
Deputy Attorney General

DATED: May 18, 2023

NEW JERSEY DIVISION OF RATE COUNSEL

BRIAN O. LIPMAN, DIRECTOR

A handwritten signature in black ink that reads "megan C Lupo". The signature is written in a cursive, lowercase style.

BY: _____
Megan Lupo, Esq.
Assistant Deputy Rate Counsel

DATED: May 19, 2023

Gas Tariff Rates
Schedule SS-GSMPII-5 UPDATE

Rate Schedule	Description	<u>Current Total Distribution Charges</u>		<u>Proposed Total Distribution Charges</u>	
		Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT
RSG	Service Charge	\$8.08	\$8.62	\$8.08	\$8.62
	Distribution Charges	\$0.432058	\$0.460682	\$0.437491	\$0.466475
	Balancing Charge	\$0.094435	\$0.100691	\$0.094435	\$0.100691
	Off-Peak Use	\$0.216029	\$0.230341	\$0.218746	\$0.233238
GSG	Service Charge	\$18.69	\$19.93	\$18.97	\$20.23
	Distribution Charge - Pre July 14, 1997	\$0.325510	\$0.347075	\$0.328263	\$0.350010
	Distribution Charge - All Others	\$0.325510	\$0.347075	\$0.328263	\$0.350010
	Balancing Charge	\$0.094435	\$0.100691	\$0.094435	\$0.100691
	Off-Peak Use Dist Charge - Pre July 14, 1997	\$0.162755	\$0.173538	\$0.164131	\$0.175005
	Off-Peak Use Dist Charge - All Others	\$0.162755	\$0.173538	\$0.164131	\$0.175005
LVG	Service Charge	\$165.99	\$176.99	\$168.50	\$179.66
	Demand Charge	\$4.3387	\$4.6261	\$4.3754	\$4.6653
	Distribution Charge 0-1,000 pre July 14, 1997	\$0.034420	\$0.036700	\$0.033054	\$0.035244
	Distribution Charge over 1,000 pre July 14, 1997	\$0.049245	\$0.052507	\$0.050101	\$0.053420
	Distribution Charge 0-1,000 post July 14, 1997	\$0.034420	\$0.036700	\$0.033054	\$0.035244
	Distribution Charge over 1,000 post July 14, 1997	\$0.049245	\$0.052507	\$0.050101	\$0.053420
	Balancing Charge	\$0.094435	0.100691	\$0.094435	\$0.100691
SLG	Single-Mantle Lamp	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Double-Mantle Lamp, inverted	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Double Mantle Lamp, upright	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Triple-Mantle Lamp, prior to January 1, 1993	\$13.2351	\$14.1119	\$13.2351	\$14.1119
	Triple-Mantle Lamp, on and after January 1, 1993	\$67.4762	\$71.9465	\$67.4762	\$71.9465
	Distribution Therm Charge	\$0.053020	\$0.056533	\$0.053531	\$0.057077

Gas Tariff Rates
Schedule SS-GSMPII-5 UPDATE

Rate Schedule	Description	<u>Current Total Distribution Charges</u>		<u>Proposed Total Distribution Charges</u>	
		Charge without SUT	Charge Including SUT	Charge without SUT	Charge Including SUT
TSG-F	Service Charge	\$888.99	\$947.89	\$902.42	\$962.21
	Demand Charge	\$2.1817	\$2.3262	\$2.1896	\$2.3347
	Distribution Charges	\$0.083395	\$0.088920	\$0.083696	\$0.089241
TSG-NF	Service Charge	\$888.99	\$947.89	\$902.42	\$962.21
	Distribution Charge 0-50,000	\$0.097754	\$0.104230	\$0.098680	\$0.105218
	Distribution Charge over 50,000	\$0.097754	\$0.104230	\$0.098680	\$0.105218
	Special Provision (d)	\$1.89	\$2.02	\$1.89	\$2.02
CIG	Service Charge	\$197.12	\$210.18	\$199.11	\$212.30
	Distribution Charge 0-600,000	\$0.088083	\$0.093918	\$0.088960	\$0.094854
	Distribution Charge over 600,000	\$0.078083	\$0.083256	\$0.078960	\$0.084191
	Special Provision (c) 1st para	\$1.89	\$2.02	\$1.89	\$2.02
BGSS RSG	Commodity Charge including Losses	\$0.442440	\$0.471752	\$0.442408	\$0.471718
CSG	Service Charge	\$888.99	\$947.89	\$902.42	\$962.21
	Distribution Charge - Non-Firm	\$0.097754	\$0.104230	\$0.098680	\$0.105218

PSE&G Gas System Modernization Program II
Capital Expenditures

Attachment 2

Schedule WEM-GSMPII-3 (Update 2)

Roll-In	8	8	8	8	8	8			
	Actual 2022 Sep-22	Actual 2022 Oct-22	Actual 2022 Nov-22	Actual 2022 Dec-22	Actual 2023 Jan-23	Actual 2023 Feb-23	Program Total	YTD 2022 Total	Roll-In 8 Total
Miles of Main Replaced	11	10	8	7	13	11	960	126	60
<u>GSMP II Total Program</u>									
Direct Install	\$23,166,567	\$10,144,238	\$11,310,109	\$18,562,110	\$17,671,620	\$18,029,108	\$1,519,420,934	\$330,994,111	\$98,883,752
COR (less Salvage)	\$1,713,488	\$1,412,122	\$1,081,789	\$1,227,001	\$1,285,347	\$636,532	\$55,579,066	\$16,725,221	\$7,356,279
Total	\$24,880,056	\$11,556,360	\$12,391,897	\$19,789,111	\$18,956,967	\$18,665,640	\$1,575,000,000	\$347,719,332	\$106,240,030
<u>GSMP II Program - Mains</u>									
Direct Install	\$13,149,112	\$5,658,437	\$6,650,205	\$16,133,240	\$12,158,352	\$16,997,394	\$553,771,378	\$107,679,067	\$70,746,740
COR (less Salvage)	\$1,613,753	\$1,369,629	\$1,043,834	\$1,146,472	\$1,242,528	\$604,317	\$52,596,596	\$15,627,548	\$7,020,533
Total	\$14,762,866	\$7,028,066	\$7,694,038	\$17,279,712	\$13,400,880	\$17,601,712	\$606,367,974	\$123,306,615	\$77,767,274
<u>GSMP II Program - Services</u>									
Direct Install	\$10,090,553	\$4,010,392	\$5,134,084	\$2,609,748	\$5,244,042	\$97,323	\$950,359,210	\$220,913,806	\$27,186,143
COR (less Salvage)	\$99,735	\$42,493	\$37,955	\$80,530	\$42,818	\$32,215	\$2,982,470	\$1,097,673	\$335,745
Total	\$10,190,288	\$4,052,885	\$5,172,039	\$2,690,278	\$5,286,860	\$129,538	\$953,341,680	\$222,011,479	\$27,521,888
<u>GSMP II Program - Regulators</u>									
Direct Install	-\$73,098	\$475,409	-\$474,180	-\$180,879	\$269,226	\$934,390	\$15,290,346	\$2,401,239	\$950,869
COR (less Salvage)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	-\$73,098	\$475,409	-\$474,180	-\$180,879	\$269,226	\$934,390	\$15,290,346	\$2,401,239	\$950,869
<u>Stipulated Base Spend</u>									
Direct Install	\$18,955,741	\$12,392,472	\$15,371,978	\$18,896,635	\$10,985,824	\$18,121,368	\$295,835,952	\$125,235,913	\$94,724,018
COR (less Salvage)	\$317,681	\$331,989	\$316,162	\$366,527	\$359,507	\$581,781	\$9,666,230	\$2,711,408	\$2,273,647
Total	\$19,273,422	\$12,724,461	\$15,688,140	\$19,263,163	\$11,345,331	\$18,703,148	\$305,502,182	\$127,947,321	\$96,997,665
<u>Baseline Spend</u>									
Direct Install	\$17,659,702	\$54,845,462	\$47,658,823	\$36,148,867	\$22,207,803	\$20,081,524	\$913,569,900	\$294,063,939	\$198,602,181
COR (less Salvage)	\$1,962,506	\$2,108,537	\$2,641,903	\$3,749,572	\$2,395,975	\$1,526,342	\$104,647,128	\$28,173,814	\$14,384,835
Total	\$19,622,208	\$56,954,000	\$50,300,726	\$39,898,439	\$24,603,778	\$21,607,866	\$1,018,217,028	\$322,237,754	\$212,987,016
	<u>Amount</u>	<u>Percentage</u>							
Total GSMP II Program	\$1,575,000,000								
10% Minimum Filing Requirement	\$157,500,000	10%							
Roll-In # 8 (Actual/Forecast)	\$106,240,030	7%							