



Agenda Date: 5/22/18  
Agenda Item: 2F

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
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	)	ORDER APPROVING
PUBLIC SERVICE ELECTRIC AND GAS	)	STIPULATION FOR
COMPANY FOR APPROVAL OF CHANGES IN	)	DISCONTINUANCE OF DEMAND
ITS ELECTRIC GREEN PROGRAMS	)	RESPONSE PROGRAM
RECOVERY CHARGE AND ITS GAS GREEN	)	
PROGRAMS RECOVERY CHARGE ("2017	)	
PSE&G GREEN PROGRAMS COST	)	DOCKET NOS. ER17070724 AND
RECOVERY CHARGE FILING")	)	GR17070725

**Parties of Record:**

**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**  
**Justin B. Incardone, Esq., Public Service Electric and Gas Company**

BY THE BOARD:<sup>1</sup>

On July 5, 2017, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition ("2017 GPRC Petition") with the New Jersey Board of Public Utilities ("Board") requesting approval of changes in its electric and gas Green Programs Recovery Charge ("GPRC"). By this Order, the Board considers a stipulation of settlement ("DR Program Stipulation") entered into by PSE&G, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, the "Parties"), requesting that the Board discontinue PSE&G's demand response program.

**BACKGROUND/PROCEDURAL HISTORY**

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law based on the New Jersey Legislature's findings that energy efficiency and conservation measures and increased use of renewable energy resources must be essential elements of the State's energy future, and that greater reliance on energy efficiency, conservation and renewable energy resources will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the renewable energy, conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

<sup>1</sup> Commissioner Robert M. Gordon recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1, an electric or gas public utility may, among other things, provide and invest in Class 1 renewable energy resources, energy efficiency and conservation programs in its service territory on a regulated basis. Such investments in Class 1 renewable energy programs and energy efficiency and conservation programs may be eligible for rate treatment approved by the Board including return on equity or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and programs cost investments in the respective utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board including, but not limited to, the societal benefits charge established pursuant to section 12 of P.L. 1999, c. 23. An electric or gas public utility seeking cost recovery for any renewable energy, energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

By Order dated July 1, 2008 in Docket No. EO08080544, the Board pursuant to N.J.S.A. 48:3-98.1(a)(3) directed the State's four electric distribution companies, including PSE&G, to submit proposals to the Board by August 1, 2008 for demand response ("DR") programs to be implemented for the period beginning June 1, 2009. By Order dated July 31, 2009, the Board approved a stipulation that authorized PSE&G to implement a Residential Air Conditioning ("AC") Cycling and a Small Commercial AC Cycling Program with an estimated budget of \$65.34 million which was expected to result in an estimated saving of 150 MW for the period 2009-2014.

### **2017 GPRC Petition**

On July 5, 2017, PSE&G filed the 2017 GPRC Petition, including accompanying exhibits. The 2017 GPRC Petition sought approval of cost recovery for the PSE&G Green Programs. The proposed rates for the combined components of the electric and gas GPRCs for the period October 1, 2017 through September 30, 2018 are designed to recover approximately \$57.9 million (electric) and \$12.5 million (gas) in revenues on an annual basis. As filed, the resulting net combined annual revenue impacts on the Company's electric customers are an increase of \$9.2 million for the Company's electric customers and a decrease of \$1.2 million for the Company's gas customers

The Company's 2017 GPRC Petition also requested Board approval to end the DR program after the summer of 2017, in light of changes to PJM Interconnection, LLC's ("PJM's") rules regarding the electric capacity market. The Company proposed in its filing to recover the regulatory asset over the remaining life of the DR equipment.

After notice in newspapers of general circulation within the service territory, public hearings were held on August 24, 28, and 29, 2017 in New Brunswick, Mount Holly, and Hackensack, respectively. No members of the public commented on the filing at the public hearings.

### **STIPULATION**

Following discovery, the Parties executed the Stipulation on May 7, 2018. The Stipulation provides for the following:<sup>2</sup>

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<sup>2</sup> Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

8. The Parties agree that the Company will no longer operate the DR Program after the 2017/2018 energy year. The Company will defer the remaining net investment in the DR Program as of May 31, 2018 as a regulatory asset, the recovery of which will be addressed in the pending 2017 GPRC Petition matter. In the interim the Company will continue to recover the regulatory asset and associated return on the corresponding net investment balance as if the DR assets were still in service. The Company may recover incremental, prudently incurred administrative costs required to discontinue the program, and, in addition, for expensing any remaining inventory held to maintain any defective devices, net of any proceeds realized from disposing of such inventory. These aforementioned costs shall be recoverable via the DR component of the GPRC. Such cost shall be documented in the Company's annual GPRC filings until fully recovered.
9. The Parties acknowledge that the Company seeks to provide participating customers with as much notice of the DR Program's discontinuance as is practicable prior to the date that these customers would otherwise have received program incentives. As a result, the Parties further acknowledge that as soon as practicable after the Stipulation is signed by all Parties, PSE&G will: (a) notify participating customers of the DR Program's discontinuance; and (b) discontinue incentive payments after participating customers have been notified.
10. The Parties further agree that the Stipulation is solely for the purpose of resolving the Company's request to discontinue the DR Program and address interim recovery of the DR regulatory asset, and it does not address, resolve or impact any other aspect of the 2017 GPRC Petition.

### **DISCUSSION AND FINDING**

The Board has carefully reviewed the record to date in this proceeding, including the 2017 GPRC Petition and the attached Stipulation, and **FINDS** that the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein. Accordingly, PSE&G will terminate their DR Program after the 2017/2018 energy year.

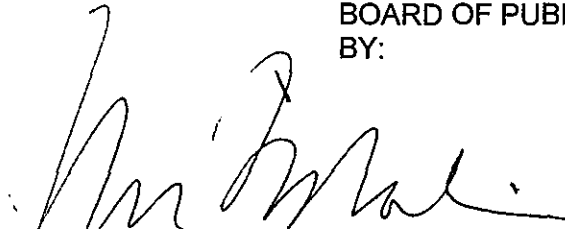
The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any such actions determined to be appropriate as a result of any such audit.

This Order only addresses the discontinuance of the DR program and interim recovery of the DR regulatory assets. The Board encourages the Parties to review the remaining matters within the 2017 GPRC Petition expeditiously to determine whether a resolution as to the remaining issues within the petition is possible.

The effective date of this Order is June 1, 2018.


DATED: 5/22/18

BOARD OF PUBLIC UTILITIES  
BY:

  
JOSEPH L. FIORDALISO  
PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public Utilities.

In the Matter of the Petition of Public Service Electric and Gas Company for Approval of  
Changes In its Electric Green Programs Recovery Charge and Its Gas Green Programs  
Recovery Charge ("2017 PSE&G Green Programs Recovery Charge Filing")  
BPU DOCKET NOS. ER17070724 and GR17070725

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May 7, 2018

In The Matter of the Petition of  
Public Service Electric and Gas Company  
for Approval of Changes in its  
Electric Green Programs Recovery Charge  
and its Gas Green Programs Recovery Charge  
"2017 PSE&G Green Programs Cost Recovery Filing"

BPU Docket Nos. ER17070724 and GR17070725

**VIA ELECTRONIC & OVERNIGHT DELIVERY**

Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 3rd Flr.  
P.O. Box 350  
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

Enclosed for filing please find an original and ten (10) copies of a fully executed Stipulation in the above-referenced matter. The Petitioner respectfully requests that the Board of Public Utilities ("Board") approve the Stipulation without modification.

If you have any questions, please contact the undersigned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Matthew Weissman".

Matthew M. Weissman

Attach.  
C Attached Service List (E-Mail Only)

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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 ) **STIPULATION FOR**  
FOR APPROVAL OF CHANGES IN ITS ) **DISCONTINUANCE OF PSE&G'S**  
ELECTRIC GREEN PROGRAMS RECOVERY ) **DEMAND RESPONSE PROGRAM**  
CHARGES AND ITS GAS GREEN PROGRAMS )  
RECOVERY CHARGES ("2017 PSE&G GREEN ) BPU DOCKET NOS. ER17070724 and  
PROGRAMS COST RECOVERY FILING") ) GR17070725

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**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel, **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsel for the New Jersey Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

**Alex Moreau, Patricia Krogman, and Emma Yao Xiao**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

**BACKGROUND**

1. Pursuant to N.J.S.A. 48:3-98.1,<sup>1</sup> Public Service Electric and Gas Company ("PSE&G" or the "Company") has implemented eleven (11) New Jersey Board of Public Utilities ("Board" or "BPU") approved energy efficiency, demand response, and solar energy programs (collectively, "Green Programs"). One of these programs is the Demand Response ("DR") Program. The Board approved each of the PSE&G Green Programs and their associated

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<sup>1</sup> N.J.S.A. 48:3-98.1 permits electric and gas public utilities to provide and invest in energy efficiency, conservation, and renewable energy resources and/or programs.

cost recovery mechanisms. PSE&G recovers the revenue requirements for these Programs through its electric and gas Green Programs Recovery Charge (hereinafter referred to as the "GPRC").

2. On July 5, 2017, PSE&G made the requisite annual filing ("2017 GPRC Petition") with the Board requesting resetting of the Company's electric and gas GPRCs for the Green Programs.

3. In addition, the 2017 GPRC Petition requested Board approval to end the DR Program after the summer of 2017, in light of changes to PJM Interconnection, LLC's ("PJM's") rules regarding the electric capacity market. The Company proposed in its 2017 GPRC Petition to recover the regulatory asset associated with its DR Program investment over the remaining life of the DR equipment.

4. Notice setting forth the Company's 2017 GPRC Petition, including the date, time, and place of the public hearings, was placed in newspapers of broad circulation within the Company's gas and electric service territories, and was served on the county executives and clerks of all municipalities within PSE&G's gas and electric service territories.

5. Public hearings were scheduled and conducted in New Brunswick, Mount Holly, and Hackensack on August 24, 28, and 29, 2017, respectively. No members of the public commented on this filing at the public hearings.

6. Discovery questions were propounded by Board Staff and Rate Counsel, including with respect to the Company's request to discontinue the DR Program, and the Company responded thereto.

7. Following review of discovery and the public hearings listed above, Board Staff, the New Jersey Division of Rate Counsel ("Rate Counsel"), and PSE&G (collectively, the

"Parties") discussed the issues and reached a settlement regarding the discontinuance of the Company's DR Program. Specifically, the Parties hereby **STIPULATE AND AGREE** to the following:

**STIPULATED MATTERS**

8. The Parties agree that the Company will no longer operate the DR Program after the 2017/2018 energy year. The Company will defer the remaining net investment in the DR Program as of May 31, 2018 as a regulatory asset, the recovery of which will be addressed in the pending 2017 GPRC Petition matter. In the interim the Company will continue to recover the regulatory asset and associated return on the corresponding net investment balance as if the DR assets were still in service. The Company may recover incremental, prudently incurred administrative costs required to discontinue the program, and, in addition, for expensing any remaining inventory held to maintain any defective devices, net of any proceeds realized from disposing of such inventory. These aforementioned costs shall be recoverable via the DR component of the GPRC. Such cost shall be documented in the Company's annual GPRC filings until fully recovered.

9. The Parties acknowledge that the Company seeks to provide participating customers with as much notice of the DR Program's discontinuance as is practicable prior to the date that these customers would otherwise have received program incentives. As a result, the Parties further acknowledge that as soon as practicable after this stipulation is signed by all Parties, PSE&G will: (a) notify participating customers of the DR Program's discontinuance; and (b) discontinue incentive payments after participating customers have been notified.

10. The Parties further agree that this stipulation is solely for the purpose of resolving the Company's request to discontinue the DR Program and address interim recovery of the DR regulatory asset, and it does not address, resolve or impact any other aspect of the 2017 GPRC Petition.

11. 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, or is modified by the Board, each party that is adversely affected by the modification can either accept the modification or declare this Settlement to be null and void, and the Parties shall be placed in the same position that they were in immediately prior to its execution. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, 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.

12. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

13. 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.

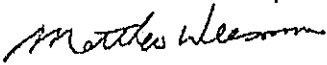
14. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose set forth in Paragraph 10 above. Except as expressly provided herein, the Parties shall not be deemed to have approved,

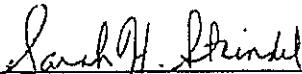
agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce its terms.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

PUBLIC SERVICE ELECTRIC AND GAS  
COMPANY

NEW JERSEY DIVISION OF RATE  
COUNSEL  
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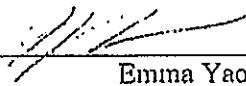
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DATED: May 7, 2018

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DATED: May 7, 2018