Agenda Date: 6/29/22
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 SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF AN INFRASTRUCTURE ADVANCEMENT PROGRAM (IAP)	DECISION AND ORDER APPROVING STIPULATION OF SETTLEMENT DOCKET NOS. EO21111211 AND GO21111212

Parties of Record:

Danielle Lopez, Esq., Public Service Electric and Gas Company
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, **Esq.,** Giordano, Halleran & Ciesla, P.C., for New Jersey Large Energy Users Coalition

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board") considers a stipulation of settlement ("Stipulation") executed by Public Service Electric and Gas Company ("PSE&G" or "Company"), Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel"), (collectively, "Signatory Parties"), which resolves the Company's requests related to the above-captioned matter. The New Jersey Large Energy Users Coalition ("NJLEUC") filed a letter of non-opposition with the Board.

BACKGROUND

On November 4, 2021, PSE&G filed a petition with the Board seeking approval to implement its proposed Infrastructure Advancement Program ("IAP" or "Program") and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A ("Petition").[1]

In the Petition, PSE&G proposed to conduct a four (4)-year Program with a total investment level of approximately $848 million. As proposed by PSE&G, the Program would include the replacement of aging overhead and underground electrical equipment, modernization of electric

[1] On December 19, 2017, the Board adopted new regulations for utility "Infrastructure Investment and Recovery" supporting the implementation of an Infrastructure Investment Program ("IIP"), which allows a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency ("II&R Regulations"). The rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

distribution substation equipment, upgrading of gas metering and regulating stations, and installation of electric vehicle ("EV") infrastructure to support the Company's transition to an electric fleet. According to the Petition, the IAP is intended to improve last mile reliability while supporting the electrification of the transportation sector and increased use of Distributed Energy Resources.

As noted in the Petition, the proposed Program included 12 electric projects totaling approximately $708 million, and one (1) gas project with an approximate cost of $140 million, as summarized below:

Subprogram	**Project**	**Cost**
Electric Outside Plant Subprogram	Buried Underground Distribution Cable Replacement Project	$80 million
	Spacer Cable Conversion Project	$42 million
	Lashed Cable Replacement Project	$14 million
	Pole Upgrade Project	$32 million
	Spacer Upgrade Project	$15 million
	Conventional Underground Cable Replacement Project	$23 million
	Open Wire Secondary Upgrade Project	$36 million
	Voltage Optimization Project	$55 million
Substation Modernization Subprogram	26kV Station Upgrade Project	$33 million
	West Orange Switching Station Project	$72 million
	4kV Substation Modernization Project	$172 million
EV Charging Infrastructure Subprogram	EV Charging Infrastructure Project	$134 million
Gas Metering and Regulating Station Modernization Subprogram	Gas Metering and Regulating Station Modernization Project	$140 million

PSE&G's proposed cost recovery mechanism would create new electric and gas IAP rate components of the Company's IIP Charges for its electric and gas tariffs with semi-annual rate adjustment filings beginning October 31, 2022. The Company requested that rates include the following: 1) depreciation/amortization expense providing for the recovery of the invested capital over its useful book life; 2) return on the net investment; and 3) the impact of any tax adjustments applicable to the Program. As provided in the Petition, the return on net investment would be based upon the weighted average cost of capital ("WACC") approved by the Board in PSE&G's

most recent base rate case.[2] PSE&G further proposed that any change in the WACC authorized by the Board in any subsequent base rate case be reflected in the subsequent revenue requirement calculations.

PSE&G also proposed to maintain annual baseline capital spending levels of $248 million annually for electric investments, and $176 million annually for gas investments, pursuant to N.J.A.C. 14:3-2A.3. The Company based the electric baseline capital spending level upon the projected baseline capital budget from 2022 through 2026, with an additional amount of proposed base rate recovery spending on work similar to the IAP projects. Additionally, PSE&G further provided that the gas baseline capital spending level was based on the 2022 gas capital depreciation level.

PROCEDURAL HISTORY

By Order dated December 15, 2021, the Board determined that the Petition should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Mary-Anna Holden as the presiding officer authorized to rule on all motions that arise during the pendency of the proceedings and modify any schedules.[3] Additionally, the December 2021 Order directed that entities seeking to intervene or participate in this matter file the appropriate application with the Board by January 14, 2022, and that any party wishing to file a motion for admission of counsel *pro hac vice* should do so concurrently with any motion to intervene or participate.

On March 3, 2022, Commissioner Holden issued an Amended Prehearing Order establishing the procedural schedule in this matter and ruling on motions to intervene and participate.[4] In the Amended Prehearing Order, intervenor status was granted to NJLEUC and participant status was granted to New Jersey Laborers-Employers Cooperation and Education Trust, Ferreira Construction Company Inc., Burns & McDonnell Engineering Company, Inc., Engineers Labor – Employer Cooperative, J. Fletcher Creamer & Son, Inc., Local Union 94 of the International Brotherhood of Electrical Workers, South Jersey Gas Company and Elizabethtown Gas Company.[5] Additionally, Commissioner Holden denied the motion for participation filed by Waters

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[2] In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in Tariffs for Electric and Gas Service, B.P.U.N.J. No. 16 Electric and B.P.U.N.J. No. 16 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, Decision and Order Adopting Initial Decision and Stipulation, BPU Docket Nos. ER18010029 and GR18010030, OAL Docket No. PUC 01151-18, Order dated October 29, 2018.

[3] In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), Order Designating Commissioner and Setting Manner of Service and Bar Date, BPU Docket Nos. EO21111211 and GO21111212, Order dated December 15, 2021 ("December 2021 Order").

[4] In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), Prehearing Order With Procedural Schedule and Order on Motions to Intervene or Participate and for Admission Pro Hac Vice, BPU Docket Nos. EO21111211 and GO21111212, Order dated March 3, 2022 ("Amended Prehearing Order"). The Amended Prehearing Order modified the Prehearing Order issued by Commissioner Holden on March 1, 2022.

[5] In the Amended Prehearing Order, Commissioner Holden noted that several of the motions were filed beyond the January 14, 2022 bar date established in the December 2021 Order, but determined that late-filed motions may be considered in this instance without prejudice to the parties or participants. See Amended Prehearing Order at page 9.

& Bugbee, Inc. The Amended Prehearing Order also granted the motion filed by NJLEUC for the *pro hac vice* admission of Paul F. Forshay, Esq.

On April 8, 2022, a motion for participation was filed by Atlantic City Electric Company ("ACE"). By Order dated May 20, 2022, Commissioner Holden denied ACE's motion to participate.[6]

Following proper notice, two (2) virtual public hearings were held on May 5, 2022.[7] The public hearings were well attended by the public, the parties, and municipal officials. The Board also received written public comments from two (2) entities regarding the Program.

STIPULATION

Following extensive discovery and several settlement meetings, the Signatory Parties executed the Stipulation, which provides for the following:[8]

1. Subject to Board approval of the Stipulation, PSE&G may implement the IAP with the modifications to the Program as filed and the terms and conditions agreed to in the Stipulation. The Program will include investment in PSE&G's electric and gas distribution systems; an accelerated rate recovery mechanism ("IAP Rate Mechanism"), including scheduled rate adjustments for investments included in the IAP Rate Mechanism; electric and gas distribution base investments in projects that are not recoverable through the II&R Regulations or the IAP Rate Mechanism ("Stipulated Base"); an annual baseline for electric and gas capital expenditures ("Baseline Capital Expenditure"), and other provisions as described in the Stipulation.

I. Program Term

2. The project work under the Program will commence on July 1, 2022, and conclude no later than June 30, 2026, except as provided in the Stipulation (*i.e.*, trailing/closeout work). The Company may undertake Program non-construction expenditures, such as planning and engineering, upon Board approval of the Program.

3. The Company will have the option of seeking Board approval to extend the end date for the Program beyond the term provided above. Any such extension proposal shall be supported by the results of activities from the first two (2) years under this Program. To the extent the Company determines that any such extension is necessary, the Company will make electronic notice to Board Staff and Rate Counsel no later than 30 days after the Company makes that determination, and will seek Board approval for such extension no sooner than 15 days following that electronic notice. The Signatory Parties reserve all rights to take any positions.

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[6] In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), Order and Decision on Motion to Participate, BPU Docket Nos. EO21111211 and GO21111212, Order dated May 20, 2022.

[7] Due to the COVID-19 pandemic, public hearings were held virtually.

[8] 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.

II. IAP Accelerated Rate Recovery Mechanism

4. The Signatory Parties agree to include maximum subprogram investment levels for accelerated recovery up to the following, without any inflation adjustments:

$ Million

A. Electric Infrastructure Advancement Program

Electric Outside Plant Subprogram	
Spacer Cable Conversion Project	$42.00
Lashed Cable Replacement Project	$14.00
Spacer Upgrade Project	$15.00
Conventional Underground Cable Replacement Project	$8.00
Voltage Optimization Project	$12.00
Substation Modernization Subprogram	
26kV Station Upgrade Project	$33.00
4kV Substation Modernization Project	$157.20
Electric IAP Total	*$281.20*

B. Gas Infrastructure Advancement Program

Gas Metering and Regulating Station Modernization Subprogram	$69.80
Gas IAP Total	*$69.80*

Total IAP Accelerated Recovery **$351.00**

While the accelerated recovery investment funds may not be moved between the IAP electric and gas programs, such funds may be reallocated among the electric subprograms. The Signatory Parties recognize that the infrastructure initiatives covered under the IAP electric program will be of a significant scale and scope, and there are many variables associated with this type of work that make it difficult to precisely budget each subprogram Project initiative. Accordingly, the Signatory Parties agree that a process enabling the Company to make adjustments to subprogram budgets in response to real market and service conditions experienced is justified. The process shall be as follows: for reallocation among IAP electric subprograms in the cumulative amount of five percent (5%) or less of the overall IAP electric program investment set forth above, PSE&G shall be authorized to make adjustments on an immediate basis. PSE&G shall notify Board Staff and Rate Counsel of the changes within 30 days following the change. PSE&G shall not make reallocations among the IAP electric subprograms exceeding five percent (5%) of the IAP electric program investments without 15 days prior electronic notification to Board Staff (Director, Division of Water and Energy or designee) and Rate Counsel, providing them with the opportunity to object within that time period. If Board Staff or Rate Counsel do not object within 15 days of receipt of the electronic notice, the Company may make the reallocation. Should Board Staff and/or Rate Counsel object within 15 days of receipt of the electronic notice, the Company, Board Staff, and Rate Counsel will make their best efforts to resolve the objection within 90 days of Board Staff's and/or Rate Counsel's objection.

To the extent that the Company is able to complete any of the Electric Outside Plant Subprogram Projects identified in the Stipulation for a dollar amount below those provided for under this section, it may utilize the remaining accelerated rate recovery budget dollars to conduct additional project work included or not included in the initial IAP filing, provided that the work is consistent with the applicable Project.

5. To the extent the Company decides to not proceed with any of the five Electric Outside Plant Subprogram Projects identified in paragraph 6 of the Stipulation, due to new or unforeseen circumstances not present at the time of the current filing, any remaining amount of the allowed accelerated recovery investment level of $351 million identified in Paragraph 4 of the Stipulation can be utilized for additional project work necessary for safety, reliability, and/or resiliency included or not included in the initial IAP filing, provided that the work is consistent with the removed Project. The Company shall not make any change as described in this paragraph without 15 days prior electronic notification to Board Staff (Director, Division of Water and Energy or designee) and Rate Counsel, providing them with sufficient detail on the circumstances and the opportunity to object within that time period. If Board Staff or Rate Counsel do not object within 15 days of receipt of the electronic notice, the Company may proceed with the change in subprogram Projects. Should Board Staff and/or Rate Counsel object within 15 days of receipt of the electronic notice, the Company, Board Staff, and Rate Counsel will make their best efforts to resolve the objection within 90 days of Board Staff's and/or Rate Counsel's objection.

6. <u>Electric Outside Plant Subprogram</u>

The Electric Outside Plant Subprogram consists of five (5) Projects that focus on overhead and underground facilities that supply customers from the substation to the customers' meters. This subprogram consists of the following projects:

i. Spacer Cable Conversion Project

The Company will invest up to $42.00 million to replace aging 3-phase open wire construction (cross arm and armless) with new spacer cable type construction. Spacer cable is a more compact and reliable design that incorporates a conductor with a thick polymer covering, thereby making it especially resilient to branch and tree contacts.

ii. Lashed Cable Replacement Project

The Company will invest up to $14.00 million to replace lashed cable with spacer cable construction. Lashed primary cable consists of three (3) conductors that are wrapped together with a bonding ribbon and suspended from pole to pole with clamps. This construction type is used for 4kV applications primarily in urban areas, backyards, or right of ways with limited construction space. Lashed cable is one of the oldest distribution assets on PSE&G's system.

iii. Spacer Upgrade Project

The Company will invest up to $15.00 million to replace aging spacer components along existing construction with new hardware that is designed to a higher and more resilient standard. The new spacer standard has higher insulation values, improved material properties and better mechanical performance, and is expected to improve the reliability on these circuits at a relatively low cost compared to circuit reconstruction.

iv. Conventional Underground Cable Replacement Project

The Company will invest up to $8.00 million to replace the poorest performing conventional underground cables that have reached end of life. Conventional underground cable systems are most common in urban environments, and this asset class includes cable, splices, and terminations.

v. Voltage Optimization Project

The Company will invest up to $12.00 million to replace aging 13kV pole top capacitors and switches that are increasingly failing and providing poor voltage regulation. Replacement systems will be equipped with advanced switches, voltage and current sensing, and the ability to communicate back to the DSCADA system, providing significant improvements in voltage regulation as distributed energy resources ("DERs") become more commonplace.

7. Substation Modernization Program

The Substation Modernization Subprogram will modernize 26kV and 4kV substations and consists of the following Projects:

i. 26kV Station Upgrade Project

The Company will invest up to $33.00 million to replace existing 26kV oil circuit breakers ("OCBs") with newer gas circuit breakers at various switching and substations across the Company's system. The OCBs have an average age of 60 years, require significant corrective maintenance, and pose environmental challenges.

ii. 4kV Substation Modernization Project

The Company will invest up to $157.2 million to modernize 4kV switchgear at certain electric distribution 69/4kV substations, including replacing and upgrading breakers, disconnects, reactors, regulators, relays, and other infrastructure. The following five (5) substations are included within the Project:

- Fortieth Street
- McLean Blvd
- Teaneck
- Tonnelle Ave
- Totowa

To the extent the Company decides not to proceed with the work on the any of the 4kV Substation Modernization projects identified in this Paragraph, due to new or unforeseen circumstances not present at the time of the current filing, any remaining amount of the allowed accelerated recovery investment level of $157.20 million identified in Paragraph 4 of the Stipulation can be shifted to other similar station projects. It is agreed that in such circumstances, the Company would propose any such change to the Substation Modernization Program to Board Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for in the Stipulation.

8. Gas Metering and Regulating Station Modernization Subprogram

In the Gas Metering and Regulating ("M&R") Station Modernization Subprogram, PSE&G will modernize its M&R stations by phasing out outdated designs, upgrading stations to series regulation design with a second level of overpressure protection for enhanced safety and reliability, and replacing aging equipment and facilities. The Company will make up to $69.80 million of Program investment to comply with U.S. Department of Homeland Security Transportation Security Administration regulations, as well as, toward modernizing the following four (4) M&R stations:

- Brooklawn
- Hillsborough
- Hamilton
- Hanover

All costs to be found prudently incurred for work on the four (4) M&R stations referenced above that exceed $69.80 million will be credited toward the Company's stipulated base requirement provided in Paragraph 11 of the Stipulation. To the extent that the Company is able to complete modernization of the above-referenced M&R stations at a dollar amount below $69.80 million, the Company may allocate the funds associated with the project(s) to perform similar work at PSE&G's remaining M&R stations identified in the Petition (*i.e.*, Trenton, Roseland, West Deptford). To the extent the Company decides not to proceed with the work on any of the M&R stations identified in this Paragraph, due to new or unforeseen circumstances not present at the time of the current filing, any remaining amount of the allowed accelerated recovery investment level of $69.80 million identified in Paragraph 4 of the Stipulation may be shifted to the remaining M&R stations identified in the Petition. It is agreed that in such circumstances, the Company would propose any such change to the M&R program to Board Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for in the Stipulation.

9. Costs eligible for recovery under the IAP Rate Mechanism shall not exceed $351.00 million, which excludes the cost associated with the Stipulated Base and Allowance for Funds Used During Construction ("AFUDC").

III. Capital Structure/Return on Equity

10. PSE&G's WACC for the IAP will be set based upon the WACC established in the Company's most recently approved base rate case. The current WACC based upon the approved 2018 base rate case is 6.99%, or 6.48% on an after-tax basis based on current tax rates.

IV. Stipulated Base

11. The Company shall spend a total of $160 million on certain capital projects during the Program term that will not be recovered through the IAP Rate Mechanism, but will be considered Stipulated Base expenditures and proposed to be recovered in the Company's future base rate cases, subject to a prudency review, and as long as this investment is found to be reasonable and prudent. Of that $160 million, $142.60 million will be spent at the Company's discretion toward the Electric Outside Plant and/or Substation Modernization Subprograms identified in Paragraphs 6 & 7 of the Stipulation, as well as the Buried Underground Distribution Cable Replacement Project, and the Open Wire Secondary Upgrade Project as proposed in the Company's filing. The remaining $17.4 million will be used to complete any of the gas M&R station upgrades specified in Paragraph 8 of the Stipulation. If the Company completes M&R station upgrades to all seven (7) of the gas M&R stations identified in Paragraph 8 of the Stipulation without exhausting the $17.4 million of Stipulated Base, the Company will have the option of achieving the $17.4 million of Stipulated Base expenditure through additional gas M&R station upgrades. If the completion of the four (4) M&R station upgrades identified for accelerated recovery in Paragraph 8 of the Stipulation requires more than the estimated $17.4 million of Stipulated Base expenditure, the excess can be counted toward the Company's baseline capital expenditure requirement as described in Paragraph 13 of the Stipulation. The total $160 million Stipulated Base expenditures shall be subject to a prudency review and recoverable from base rates as long as this investment is found to be reasonable and prudent. The Stipulated Base expenditure shall not be recoverable through the IAP Rate Mechanism.

V. Total Program Expenditures

12. In total, the Company shall spend a maximum of $511 million to complete the Program, with $351 million within the IIP and recovery sought through the IAP Rate Mechanism and $160 million within Stipulated Base. All costs found to be prudently incurred on IAP Projects above $511 million, as determined during prudency review, will count toward Baseline Capital Expenditures as discussed in Paragraph 13 of the Stipulation.

VI. Baseline Capital Expenditure

13. During the term of the IAP, in addition to the Stipulated Base expenditures set forth in Paragraph 11 of the Stipulation, the Company agrees to maintain a minimum annual baseline capital expenditure level of at least $300 million on electric investments, and at least $225 million in gas investments, which are based upon the Company's historical baseline spending. The Company further agrees that, over the course of the four (4)-year Program, it will achieve an average baseline capital expenditure level of at least $325 million on electric investments, and $250 million on gas investments. The capital investments made by the Company as part of its baseline capital expenditure requirements are solely within the discretion of the Company and may include additional investments in the IAP subprograms described above, and/or other costs incurred by the Company in excess of the maximum spending levels provided under the IAP Rate Mechanism. Investments made by the Company to extend service to new customers, extend additional service to existing customers, or investments made pursuant to Stipulated Base spending requirements in other Board-approved programs, will not be included as part of the annual baseline capital expenditures

required pursuant to this Paragraph of the Stipulation.

VII. Cost Recovery

14. The Company may seek recovery through the IAP Rate Mechanism for the costs covered under paragraph 4 of the Stipulation via a rate adjustment request with schedules, procedures, and filings as detailed in subsequent Paragraphs in the Stipulation. Consistent with N.J.A.C. 14:3-2A.6(d), the Company proposes to recover its costs associated with the IAP Rate Mechanism through a new component of the Company's Infrastructure Investment Recovery Charges in its Electric and Gas tariffs. Following completion of the Program, the estimated annual bill impact from the accelerated Program investments on a typical residential electric customer using 6,920 kWh annually is expected to be approximately $13.04, or 1.01%, and the estimated annual bill impact on a typical residential gas customer using 1,040 therms annually is expected to be approximately $4.65, or 0.43%.

15. The Company will make four (4) rate adjustments over the term of the Program in accordance with the parameters set forth below. Consistent with the II&R Regulations, each rate adjustment made by the Company must include a minimum investment level of 10% of the total amount authorized to be recovered via the IAP Rate Mechanism.[9] The Company must also meet the earnings test as specified in the II&R Regulations.

16. PSE&G, following consultation with Board Staff and Rate Counsel, will retain an independent monitor to review and report to Board Staff and Rate Counsel on the impact of the IAP on overall system performance during severe weather events; cost effectiveness and efficiency; appropriate cost assignment; and other information deemed appropriate by the Company, Board Staff and Rate Counsel. The independent monitor shall continue until one (1) quarter following the completion of the IAP investments unless the Company, Board Staff and Rate Counsel agree that the services of the independent monitor should continue. Independent monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles and shall be included as part of the IAP Rate Mechanism Costs and counted against the maximum investment levels for accelerated recovery set forth in Paragraph 4 of the Stipulation.

17. The Signatory Parties agree that the review of the prudency of all project work undertaken in the Program will not take place prior to or in connection with the rate adjustments established in the Stipulation. PSE&G therefore agrees that the rate adjustments established in the rate filing proceedings (assuming the 10% minimum threshold noted above has been met) shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred capital expenditures under the Program. Such prudency review shall take place in a future base rate case. Nothing in the Stipulation will preclude any party from raising in the base rate case prudency review any objection that could have been raised in a prior IIP rate filing.

18. PSE&G shall file four (4) rate adjustment requests over the course of the four (4)-year

[9] These rate adjustments do not account for the final roll-in necessary to capture the Program closeout work referenced in paragraph 21 of the Stipulation. A final roll-in to recover these trailing charges will follow. The Signatory Parties acknowledge that this final roll-in is not subject to the 10% minimum investment provision as the charges being sought are for Program trailing charges.

Program term. To effectuate the cost recovery process for the IAP Rate Mechanism investments, the Company shall provide Board Staff and Rate Counsel with not less than 60 days' notice prior to the filing of a rate recovery petition. PSE&G shall be the sole determinant of the date of the filing of each rate adjustment request, but such rate adjustments shall not include less than six (6) months of investments.

19. Once filed, PSE&G shall proceed on the below schedule and implement new rates following public notice and public hearing, recognizing that the prudency of the IAP investments will be determined in the base rate case following the placement of the IAP investments into service. The effective dates for the adjustments may be revised by agreement of the Signatory Parties.

20. The timing for a rate recovery petition and related activities are set forth below:

Event	**Timing**	**Example**
Notification of Filing Date	Not less than 60 days prior to Filing Date	As early as 6/2/23
Filing Date	First day of calendar month	As early as 8/1/23
Net Investment in Service as of	Net investment in service as of the last day of the third month from "Filing Date"	10/31/23
Update Filing for Actual Data	No later than 21 days following "Net Investment in Service as of" date	No later than 11/21/23
Rates Effective	No earlier than the 1st day of the fourth month following the "Net Investment in Service as of" date. After the completion of discovery and upon Board approval.	As early as 2/1/24

21. The Signatory Parties acknowledge that although the work for the IAP is scheduled to be complete by June 30, 2026, closeout work, such as site restoration, equipment removal, and as-built drawing updates, are expected to be completed 3 to·6 months following installation of IAP measures.

22. In the rate adjustment proceedings provided for above, the revenue requirement associated with the IAP investments recovered through the IAP Rate Mechanism shall be calculated as summarized below:

<u>IAP Rate Mechanism Costs</u> - All capital expenditures recoverable through the IAP Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the project work ("IAP Rate Mechanism Costs"), will be recovered through rate adjustments for each of the time periods described above. The IAP Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the IAP Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

WACC – PSE&G shall earn a return on its net investment in the IAP based upon the authorized WACC including income tax effects decided by the Board in the Company's most recently approved base rate case.

The rate adjustments will be calculated using the following formula:

Revenue Requirement = ((IAP Rate Mechanism Rate Base * After Tax WACC) + Depreciation Expense (net of tax) + Tax Adjustments) * Revenue Factor

i. IAP Rate Mechanism Rate Base – The IAP Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.

ii. Depreciation Expense – Depreciation expense will be calculated as the IAP Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.

iii. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

iv. Revenue Factor – The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments and Gas Revenue Uncollectibles. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized. The percentage used to calculate the uncollectible expense will be based upon the percentage determined in the Company's most recently approved base rate case.

Attached as Attachment A to the Stipulation is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

VIII. Rate Design

23. The rate design for the rate adjustments agreed upon in the Stipulation will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recent base rate case. To the extent the Company seeks to utilize more current weather normalized billing determinants for any future rate adjustment filings subsequent to the most recently approved base rate case, or to

change the methodology used to weather normalize billing determinants, PSE&G shall provide those updated billing determinants and supporting data to Board Staff and Rate Counsel a minimum of 60 days prior to any IAP rate adjustment filing for review and approval. Board Staff and Rate Counsel retain all rights with respect to any proposed changes in methodology.

IX. Base Rate Case Filing Requirement

24. Consistent with the II&R Regulations and with the settlement agreement in the Company's GSMP II filing in Docket No. GR17070776, approved by the Board by Order dated May 22, 2018, the Company will file a base rate case no later than January 1, 2024.[10] The prudency of any IAP investment not reviewed and determined by the Board in the January 2024 rate case shall be reviewed and determined in a subsequent base rate case, which shall be filed no later than five (5) years after the approval of the Company's January 2024 rate case.

X. IIP Minimum Filing and Reporting Requirements

25. Minimum Filing Requirements ("MFRs"). Each rate change filing will be accompanied by the MFRs that are set forth in Attachment B to the Stipulation.

26. Consistent with the II&R Regulations, the Company will file semi-annual status reports with the Board—with copy to Rate Counsel that will include at a minimum the following:

    i. The estimated total quantity of work and the quantity completed to date or, if the project work cannot be quantified with numbers, the major tasks completed, e.g., design phase, material procurement, permit gathering, phases of construction;

    ii. The forecasted and actual IAP costs-to-date for the reporting period and for the Program-to-date; where project work is identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);

    iii. The estimated IAP Project completion date, and estimated completion dates for each IAP subprogram and the Program as a whole;

    iv. Anticipated changes to IAP Projects, if any;

    v. Actual capital expenditures made by the utility in the normal course of business on similar project work, identified by major category; and

    vi. Any other performance metric concerning the IAP required by the Board.

    vii. For circuits improved within the Spacer Cable Conversion Project, Lashed Cable Replacement Project, and Spacer Upgrade Project, PSE&G will provide System

[10] 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.

Average Interruption Duration Index ("SAIDI") results for Major Event[11] performance at the circuit level (redacted and confidential unredacted) for circuits affected by a Major Event during the reporting period and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five (5) years from the Program start date. The report will include the SAIDI results at the circuit level for the reporting period.

viii. For circuits improved upon within the Spacer Cable Conversion Project, Lashed Cable Replacement Project, Spacer Upgrade Project, and Conventional Underground Cable Replacement Project, PSE&G will include non-Major Event performance (where a non-Major Event excludes all "Major Events" as defined at N.J.A.C. 14:5-1.2) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the reporting period. In addition to SAIDI, the Company will report non-Major Event data for Customer Average Interruption Duration Index ("CAIDI") and System Average Interruption Frequency Index ("SAIFI"). The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five (5) years from the Program start date.

XI. <u>Federal Infrastructure Investment and Jobs Act of 2021</u>

27. To the extent federal funding is made available for any subprogram project described in the Stipulation through the implementation of the federal Infrastructure Investment and Jobs Act of 2021 (Pub.L. 117-58, also known as the Bipartisan Infrastructure Law) ("Federal Infrastructure Funding"), the Company will employ its best efforts to identify and secure such Federal Infrastructure Funding as described under Section 40101 or other applicable sections identified by the Signatory Parties. Board Staff and Rate Counsel will, where appropriate, reasonably assist the Company in its best efforts to obtain Federal Infrastructure Funding and, when appropriate, express support for the Company to receive Federal Infrastructure Funding.

28. If funding or credits from the Bipartisan Infrastructure Law, or any subsequent state or federal action, become available to the Company for Project reimbursement, applicable to work related to the IAP, the Company agrees that any such funds will be credited to customers in a manner agreed to by the Signatory Parties to the extent permitted by Federal Infrastructure Funding requirements and the applicable law.

<u>DISCUSSION AND FINDINGS</u>

The Board is cognizant that not all parties signed the Stipulation in this proceeding. NJLEUC, a non-signatory party, filed a letter that indicated that it did not oppose the Stipulation. In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe,

[11] The definition of "Major Event" set forth in N.J.A.C. 14:5-1.2 shall apply for purposes of this reporting obligation.

adequate, and proper service at just and reasonable rates.[12] As discussed below, the Board finds that the Stipulation represents a fair and reasonable resolution of this matter and is in the public interest.

The II&R Regulations were created to provide a rate recovery mechanism that encourages and supports all necessary accelerated construction, installation, and rehabilitation of certain utility plant and equipment. The Board believes that IIPs are important for continued system safety, reliability, resiliency, and sustained economic growth. After carefully considering the record in this proceeding and the terms of the Stipulation, the Board is persuaded that the current settlement satisfies these goals.

The Board agrees that replacement of aging infrastructure, as well as the implementation of certain investments in the Company's system, if properly executed, should mitigate potential damage to the system, as well as enhance public safety and result in increased long-term reliability.

With respect to the cost recovery mechanism, the Board notes that the mechanism proposed in the Stipulation allows the Company recovery of all expenditures related to the utility plant that has been placed in service, but on a provisional basis, subject to refund. These costs will be subject to review in PSE&G's next base rate case(s), which the Company has committed to filing no later than January 1, 2024. The Board, in its discretion, may require PSE&G to file its next base rate case within a shorter period. The Board believes that the cost recovery mechanism adopted in the Stipulation strikes an effective balance between giving the Company a reasonable opportunity to earn its allowed rate of return over the life of the investment while still protecting ratepayers from paying more than reasonably necessary. No rates will be charged to customers until the facilities for which the rates are being charged are in service. The Stipulation also mandates the Company to maintain certain reporting requirements, which provides additional protection to ratepayers.

Based upon the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Holden during the pendency of this proceeding for the reasons stated in her decisions and Orders.

The Company's costs, including those related to the Program, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

[12] In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997).

This Order shall be effective on July 1, 2022.

DATED: June 29, 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

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 AN INFRASTRUCTURE ADVANCEMENT PROGRAM (IAP)

DOCKET NOS. EO21111211 AND GO21111212

SERVICE LIST

Public Service Electric and Gas Company	Board of Public Utilities
PSEG Services Corporation 80 Park Plaza, T5 Post Office Box 570 Newark, NJ 07102 Joseph Accardo, Jr., Esq. joseph.accardojr@pseg.com Danielle Lopez, Esq. danielle.lopez@pseg.com Michele Falcao michele.falcao@pseg.com Matthew M. Weissman, Esq. matthew.weissman@pseg.com Caitlyn White caitlyn.white@pseg.com Kenneth T. Maloney Cullen and Dykman LLP 1101 14th St., NW Suite 750 Washington, DC 20005 kmaloney@cullenllp.com **New Jersey Division of Law** Richard J. Hughes Justice Complex Public Utilities Section 25 Market Street, P.O. Box 112 Trenton, NJ 08625 Pamela Owen, ASC, DAG pamela.owen@law.njoag.gov Michael Beck, DAG michael.beck@law.njoag.gov Matko Ilic, DAG matko.ilic@law.njoag.gov Daren Eppley, SC, DAG daren.eppley@law.njoag.gov	44 South Clinton Avenue, 1st Floor Post Office Box 350 Trenton, NJ 08625-0350 Carmen D. Diaz, Acting Secretary board.secretary@bpu.nj.gov Robert Brabston, Esq., Executive Director robert.brabston@bpu.nj.gov Stacy Peterson, Deputy Executive Director stacy.peterson@bpu.nj.gov Division of Energy & Water Mike Kammer, Director mike.kammer@bpu.nj.gov Paul Lupo, Bureau Chief paul.lupo@bpu.nj.gov David Brown david.brown@bpu.nj.gov Ryan Moran ryan.moran@bpu.nj.gov Counsel's Office Abe Silverman, Esq., Executive Policy Counsel abe.silverman@bpu.nj.gov Carol Artale, Esq., Deputy General Counsel carol.artale@bpu.nj.gov Heather Weisband, Esq., Senior Counsel heather.weisband@bpu.nj.gov Economist Office Dr. Benjamin Witherell, Chief Economist benjamin.witherell@bpu.nj.gov Christine Lin christine.lin@bpu.nj.gov Dr. Son Lin Lai son.lai@bpu.nj.gov Jackie O'Grady jackie.ogrady@bpu.nj.gov

New Jersey Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Brian O. Lipman, Esq., Director
blipman@rpa.nj.gov

T. David Wand, Esq., Managing Attorney
dwand@rpa.nj.gov

Maura Caroselli, Esq., Managing Attorney
mcaroselli@rpa.nj.gov

Brian Weeks, Esq.
bweeks@rpa.nj.gov
Robert Glover, Esq.
rglover@rpa.nj.gov

Sarah Steindel, Esq.
ssteinde@rpa.nj.gov

Bethany Rocque-Romaine, Esq.
bromaine@rpa.nj.gov

Kurt Lewandowski, Esq.
klewando@rpa.nj.gov

Megan Lupo, Esq.
mlupo@rpa.nj.gov

Debora Layugan
dlayugan@rpa.nj.gov

Karen Forbes
kforbes@rpa.nj.gov

Rate Counsel Consultants

Acadian Consulting Group
5800 One Perkins Drive
Bldg. 5, Suite F
Baton Rouge, LA 70808

David Dismukes, Ph.D.
daviddismukes@acadianconsulting.com

Michael Deupree
michaeldeupree@acadianconsulting.com

Taylor Deshotels
taylordeshotels@acadianconsulting.com

Emily Mouch
emilymouch@acadianconsulting.com

New Jersey Large Energy Users Coalition

Steven S. Goldenberg
Giordano, Halleran & Ciesla, P.C.
125 Half Mile Road, Suite 300
Red Bank, NJ 07701-6777
sgoldenberg@ghclaw.com

Paul F. Forshay
Eversheds Sutherland (US) LLP
700 Sixth Street, N.W., Suite 700
Washington, DC 20001-3980
paulforshay@eversheds-sutherland.com

South Jersey Gas Company and Elizabethtown Gas Company

South Jersey Industries, Inc.
520 Green Lane
Union, NJ 07083

Deborah M. Franco, Esq.
Vice President, Rate, Regulatory & Sustainability
dfranco@sjindustries.com

Sheree L. Kelly, Esq.
Regulatory Affairs Counsel
skelly@sjindustries.com

SJI Utilities, Inc.
1 South Jersey Place
Atlantic City, NJ 08401

Cindy Capozzoli, Director, Rates
ccapozzoli@sjindustries.com

Carolyn A. Jacobs
Regulatory Compliance Specialist Sr.
Rates & Regulatory Affairs
cjacobs@sjindustries.com

Engineers Labor – Employer Cooperative

Elizabeth K. Schlax, Esq.
Susanin, Widman & Brennan, PC
1001 Old Cassatt Rd., Suite 306
Berwyn, PA 19312
eschlax@swbcounsellors.com

Burns & McDonnell Engineering Company

Norris McLaughlin, P.A.
400 Crossing Blvd, 8th Floor
Bridgewater, NJ 08807

James H. Laskey
jlaskey@norris-law.com

Laura M. Miller
lmiller@norris-law.com

Rod Walker & Associates Consultancy
P.O. Box 2670
Chattanooga, TN 37409

Rod Walker
rwalker@rwalkerconsultancy.com

Jeremy Walker
jwalker@rwalkerconsultancy.com

Andrea Crane
The Columbia Group, Inc.
2805 East Oakland Park Boulevard, #401
Fort Lauderdale, FL 3306
ctcolumbia@aol.com

Max Chang
Synapse Energy Economics, Inc.
485 Massachusetts Ave., Suite 3
Cambridge, MA 02139
mchang@synapse-energy.com

Marlon Griffing, Ph.D
PCMG and Associates
22 Brookes Drive
Gatthersburg, MD 20785
mgriffing@pcmgregcon.com

Ezra Hausman, Ph.D
Ezra Hausman Consulting
77 Kaposia Street
Newton, MA 02466
ezra@ezrahausman.com

New Jersey Laborers - Employers Cooperation and Education Trust

Bradley M. Parsons, Esq.
Kroll Heineman Ptasiewicz & Parsons, LLC
Metro Corporate Campus One
99 Wood Avenue South, Suite 307
Iselin, NJ 08830
bparsons@krollfirm.com

Ferreira Construction Company

Louis A. Modugno
Trif & Modugno LLC
89 Headquarters Plaza, North Tower
Suite 1201
Morristown, NJ 07960
lmodugno@tm-firm.com

Lindsay Grise, Legal Counsel
Burns & McDonnell Engineering Company, Inc
9400 Ward Parkway
Kansas City, MO 64112
lrgrise@burnsmcd.com

J. Fletcher Creamer & Son

Gibbons P.C.
50 West State Street
Suite 1104
Trenton, NJ 08608

Michael D. DeLoreto, Esq.
mdeloreto@gibbonslaw.com

Kevin G. Walsh, Esq.
kwalsh@gibbonslaw.com

Courtney A. Johnson, Esq.
cjohnson@gibbonslaw.com

IBEW

Scott Campbell
IBEW Local Union 94
299 Ward Street
East Windsor, NJ 08520
scott@ibew94.org

Paul A. Montalbano, Esq.
Cohen, Leder, Montalbano &
Connaughton, LLC
669 River Drive, Suite 125
Elmwood Park, NJ 07407
montalbanoemail@yahoo.com

Joseph F. Accardo Jr.
Vice President Regulatory &
Deputy General Counsel

Law Department
PSEG Services Corporation
80 Park Plaza – T10, Newark, New Jersey 07102-4194
tel : 973-430-5811
email: joseph.accardojr@pseg.com

June 23, 2022

In The Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Infrastructure Advancement Program
(IAP)

BPU Docket Nos. EO21111211 & GO21111212

VIA ELECTRONIC MAIL

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

Dear Acting Secretary Diaz:

Attached is the fully executed Stipulation in the above-reference matter resolving all aspects of this matter. Of the four parties to this matter, three parties have executed 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) and one party has indicated that it will file a letter of non-objection by Friday, June 24 (New Jersey Large Energy Users Coalition).

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,

Joseph F. Accardo Jr., Esq.

Attach.
cc: Attached Service List (E-Mail)

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF AN INFRASTRUCTURE ADVANCEMENT PROGRAM (IAP)

DOCKET NOS. EO21111211 AND GO21111212

SERVICE LIST

Board of Public Utilities 44 South Clinton Avenue, 1st Floor Post Office Box 350 Trenton, NJ 08625-0350 Aida Camacho-Welch, Board Secretary board.secretary@bpu.nj.gov Stacy Peterson, Deputy Executive Director stacy.peterson@bpu.nj.gov Division of Energy Paul Lupo, Acting Director paul.lupo@bpu.nj.gov David Brown david.brown@bpu.nj.gov Ryan Moran ryan.moran@bpu.nj.gov Counsel's Office Abe Silverman, Esq., General Counsel abe.silverman@bpu.nj.gov Carol Artale, Esq., Deputy General Counsel carol.artale@bpu.nj.gov Heather Weisband, Esq. heather.weisband@bpu.nj.gov **Rate Counsel** 140 East Front Street, 4th Floor Post Office Box 003 Trenton, NJ 08625-0003 Brian O. Lipman, Esq., Director blipman@rpa.nj.gov	**PSE&G** PSEG Services Corporation 80 Park Plaza, T5 Post Office Box 570 Newark, NJ 07102 Joseph F. Accardo, Esq. joseph.accardojr@pseg.com Matthew M. Weissman, Esq. matthew.weissman@pseg.com Danielle Lopez, Esq. danielle.lopez@pseg.com Michele Falcao michele.falcao@pseg.com Caitlyn White caitlyn.white@pseg.com Kenneth T. Maloney Cullen and Dykman LLP 1101 14th St., NW Suite 750 Washington, DC 20005 kmaloney@cullenllp.com **Division of Law** NJ Department of Law and Public Safety Richard J. Hughes Justice Complex Public Utilities Section 25 Market Street, P.O. Box 112 Trenton, NJ 08625 Pamela Owen, ASC, DAG pamela.owen@law.njoag.gov Michael Beck, DAG michael.beck@law.njoag.gov

T. David Wand, Esq. dwand@rpa.nj.gov Maura Caroselli, Esq. mcaroselli@rpa.nj.gov Brian Weeks, Esq. bweeks@rpa.nj.gov Sarah Steindel, Esq. ssteinde@rpa.nj.gov Kurt Lewandowski, Esq. klewando@rpa.nj.gov Bethany Rocque-Romaine, Esq. bromaine@rpa.nj.gov Robert Glover, Esq. rglover@rpa.nj.gov Megan Lupo, Esq. mlupo@rpa.nj.gov Debora Layugan dlayugan@rpa.nj.gov Karen Forbes kforbes@rpa.nj.gov Rate Counsel Consultants Andrea Crane The Columbia Group, Inc. 2805 East Oakland Park Boulevard, #401 Fort Lauderdale, FL 3306 ctcolumbia@aol.com Max Chang Synapse Energy Economics, Inc. 485 Massachusetts Ave., Suite 3 Cambridge, MA 02139 mchang@synapse-energy.com Marlon Griffing, Ph.D PCMG and Associates 22 Brookes Drive Gatthersburg, MD 20785 mgriffing@pcmgregcon.com	Matko Ilic, DAG matko.ilic@law.njoag.gov Daren Eppley, DAG daren.eppley@law.njoag.gov **NJLEUC** Steven S. Goldenberg Giordano, Halleran & Ciesla, P.C. 125 Half Mile Road, Suite 300 Red Bank, NJ 07701 sgoldenberg@ghclaw.com Paul F. Forshay Eversheds Sutherland (US) LLP 700 Sixth Street, N.W., Suite 700 Washington, D.C. 20001 paulforshay@eversheds-sutherland.com **South Jersey Gas Company/Elizabethtown Gas Company** South Jersey Industries, Inc. 520 Green Lane Union, NJ 07083 Deborah M. Franco, Esq. dfranco@sjindustries.com Sheree L. Kelly, Esq. skelly@sjindustries.com SJI Utilities, Inc. 1 South Jersey Place Atlantic City, NJ 08401 Cindy Capozzoli ccapozzoli@sjindustries.com Carolyn A. Jacobs cjacobs@sjindustries.com **NJLECET** Bradley M. Parsons, Esq. Kroll Heineman Ptasiewicz & Parsons, LLC Metro Corporate Campus One 99 Wood Avenue South, Suite 307 Iselin, New Jersey 08830 bparsons@krollfirm.com

Ezra Hausman, Ph.D
Ezra Hausman Consulting
77 Kaposia Street
Newton, MA 02466
ezra@ezrahausman.com

Acadian Consulting Group
5800 One Perkins Drive
Bldg. 5, Suite F
Baton Rouge, LA 70808

David Dismukes, Ph. D
daviddismukes@acadianconsulting.com

Michael Deupree
michaeldeupree@acadianconsulting.com

Taylor Deshotels
taylordeshotels@acadianconsulting.com

Emily Mouch
emilymouch@acadianconsulting.com

Rod Walker & Associates Consultancy
201 Cherokee Blvd., Suite 101
Chattanooga, TN 37405

Rod Walker
rwalker@rwalkerconsultancy.com

Jeremy Walker
jwalker@rwalkerconsultancy.com

ELEC

Elizabeth K. Schlax, Esq.
Susanin, Widman & Brennan, PC
1001 Old Cassatt Road, Suite 306
Berwyn, PA 19312
eschlax@swbcounsellors.com

BMcD

James H. Laskey
Norris McLaughlin, P.A.
400 Crossing Blvd, 8th Floor
Bridgewater, NJ 08807
jlaskey@norris-law.com

IBEW Local Union 94
IBEW Local Union 94
299 Ward Street
East Windsor, NJ 08520

Scott Campbell
scott@ibew94.org

Paul A. Montalbano, Esq.
Cohen, Leder, Montalbano & Connaughton, LLC
669 River Drive, Suite 125
Elmwood Park, NJ 07407
montalbanoemail@yahoo.com

JFCS
50 West State Street, Suite 1104
Trenton, NJ 08608

Michael D. DeLoreto, Esq.
mdeloreto@gibbonslaw.com

Kevin G. Walsh, Esq.
kwalsh@gibbonslaw.com

Courtney A. Johnson, Esq.
cjohnson@gibbonslaw.com

FCC

Louis A. Modugno
Triff & Modugno LLC
89 Headquarters Plaza, North Tower, Suite 1201
Morristown, NJ 07960
lmodugno@tm-firm.com

W&B

Jeff Waters, President
Waters & Bugbee, Inc.
75 South Gold Drive
Hamilton, NJ 08691
Jwaters@watersandbugbee.com

John D. Cromie, Esq.
Connell Foley LLP
56 Livingston Ave
Roseland, NJ 07068
jcromie@connellfoley.com

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF	)	
PUBLIC SERVICE ELECTRIC AND GAS	)	
COMPANY FOR APPROVAL OF AN	)	BPU DOCKET NOS.
INFRASTRUCTURE ADVANCEMENT	)	EO21111211
PROGRAM	)	GO21111212

STIPULATION OF SETTLEMENT

APPEARANCES:

Joseph F. Accardo Jr., Esq., VP Regulatory & Deputy General Counsel, **Danielle Lopez, Esq.,** Associate Counsel - Regulatory, **Aaron I. Karp, Esq.,** Associate Counsel - Regulatory, for the Petitioner, Public Service Electric and Gas Company

Brian O. Lipman, Esq., Director, **T. David Wand**, **Esq.**, Managing Attorney - Electric, **Maura Caroselli, Esq.**, Managing Attorney - Gas, and **Kurt S. Lewandowski, Esq.,** Assistant Deputy Rate Counsel, **Sarah H. Steindel**, Assistant Deputy Rate Counsel, **Robert Glover**, Assistant Deputy Rate Counsel, **Bethany Rocque-Romaine**, Assistant Deputy Rate Counsel, **Brian Weeks**, Deputy Rate Counsel, for the New Jersey Division of Rate Counsel

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

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED by and between Public Service Electric and Gas Company ("Public Service," "PSE&G," or the "Company"), the Staff of the New Jersey Board of Public Utilities ("Board Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the undersigned intervenor (collectively, "Parties" or "Signatories"), to execute this Stipulation of Settlement ("Stipulation"), resolving PSE&G's petition in these dockets, and to recommend that the New Jersey Board of Public Utilities ("Board") issue a Final Decision and Order approving this Stipulation.

BACKGROUND

On November 4, 2021, the Company filed a petition with the Board seeking approval of an Infrastructure Advancement Program ("IAP" or "Program") and an associated cost recovery mechanism for a four (4)-year period with a total investment level of approximately $848 million ("Petition"). The Petition provided that the Program is compliant with the Board's Infrastructure Investment Program ("IIP") rules codified at N.J.A.C. 14:3-2A.

According to the Company, the proposed Program investments will enhance safety, reliability, and/or resiliency, and modernize the Company's electric and gas delivery systems through twelve (12) electric Projects and one (1) gas Project. The Petition proposed an estimated investment of $708 million in electric infrastructure and $140 million in gas infrastructure over four (4) years, with cost recovery based upon the Board's IIP rules.

On December 15, 2021, the Board issued an Order designating Commissioner Mary-Anna Holden as the Presiding Commissioner with authority to rule on all motions that arise during the pendency of these proceedings, and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.[1] By way of Order dated March 1, 2022, Commissioner Holden issued a procedural schedule and ruled on Motions to Intervene or Participate in the proceeding.[2] Intervention status was granted to the New Jersey Large Energy Users Coalition, and participant status was granted to the following: South Jersey Gas Company

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[1] In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), Order Designating Commissioner and Setting Manner of Service and Bar Date, BPU Docket Nos. EO21111211 and GO21111212, Order dated December 15, 2021.

[2] In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), Prehearing Order with Procedural Schedule and Order on Motions to Intervene or Participate and for Admission Pro Hac Vice, BPU Docket Nos. EO21111211 and GO21111212, Amended Prehearing Order dated March 3, 2022 ("Amended Prehearing Order"). (The May 1, 2022 Prehearing Order was subsequently amended by Commissioner Holden on March 3, 2022, however, the determinations made by Commissioner Holden, as summarized above, were not modified.)

and Elizabethtown Gas Company; Local Union 94 of the International Brotherhood of Electrical Workers; Ferreira Construction Company, Inc.; J. Fletcher Creamer & Son, Inc.; New Jersey Laborers-Employers Cooperation and Education Trust; the Engineers Labor-Employment Cooperative; and Burns & McDonnell Engineering Company, Inc.

Virtual public hearings were held at 4:30 p.m. and 5:30 p.m. on May 5, 2022. A variety of comments were received at each of these hearings as reflected in their respective transcripts. The Board also received written public comments from two (2) entities.

Pursuant to the procedural schedule issued by Commissioner Holden, the Parties engaged in substantial discovery. The Parties and participants met on several occasions to facilitate further information gathering, including at discovery conferences on April 11 and 12, 2022, and settlement conferences on May 2, 5, 9, and 12, 2022.

On May 12, 2022, the Parties reached a settlement agreement in principle, and it was agreed that Board Staff would request that Commissioner Holden suspend the procedural schedule pending a final agreement. Commissioner Holden subsequently agreed to suspend the procedural schedule.

The Signatories have reached an agreement resolving all issues in the instant proceeding. Accordingly, the Signatories agreed to submit this Stipulation, the terms of which are set forth below. Specifically, the Signatories hereby STIPULATE AND AGREE to the following:

STIPULATED MATTERS

1. Subject to Board approval of this Stipulation, PSE&G may implement the IAP with the modifications to the Program as filed and the terms and conditions agreed to herein. The Program will include investment in PSE&G's electric and gas distribution systems; an accelerated rate recovery mechanism ("IAP Rate Mechanism"), including scheduled rate adjustments for

investments included in the IAP Rate Mechanism; electric and gas distribution base investments in projects that are not recoverable through the IIP regulations or the IAP Rate Mechanism ("Stipulated Base"); an annual baseline for electric and gas capital expenditures ("Baseline Capital Expenditure"), and other provisions as described herein.

I. <u>Program Term</u>

2. The project work under the Program will commence on July 1, 2022, and conclude no later than June 30, 2026, except as provided herein (*i.e.*, trailing/closeout work). The Company may undertake Program non-construction expenditures, such as planning and engineering, upon Board approval of the Program.

3. The Company will have the option of seeking Board approval to extend the end date for the Program beyond the term provided above. Any such extension proposal shall be supported by the results of activities from the first two (2) years under this Program. To the extent the Company determines that any such extension is necessary, the Company will make electronic notice to Board Staff and Rate Counsel no later than 30 days after the Company makes that determination, and will seek Board approval for such extension no sooner than 15 days following that electronic notice. The Parties reserve all rights to take any positions.

II. <u>IAP Accelerated Rate Recovery Mechanism</u>

4. The Signatories agree to include maximum subprogram investment levels for accelerated recovery up to the following, without any inflation adjustments:

$ Million

A. Electric Infrastructure Advancement Program

Electric Outside Plant Subprogram	
Spacer Cable Conversion Project	$42.00
Lashed Cable Replacement Project	$14.00
Spacer Upgrade Project	$15.00
Conventional Underground Cable Replacement Project	$8.00
Voltage Optimization Project	$12.00
Substation Modernization Subprogram	
26kV Station Upgrade Project	$33.00
4kV Substation Modernization Project	$157.20
Electric IAP Total	*$281.20*

B. Gas Infrastructure Advancement Program

Gas Metering and Regulating Station Modernization Subprogram	$69.80
Gas IAP Total	*$69.80*

Total IAP Accelerated Recovery **$351.00**

While the accelerated recovery investment funds may not be moved between the IAP electric and gas programs, such funds may be reallocated among the electric subprograms. The Signatories recognize that the infrastructure initiatives covered under the IAP electric program will be of a significant scale and scope, and there are many variables associated with this type of work that make it difficult to precisely budget each subprogram Project initiative. Accordingly, the Signatories agree that a process enabling the Company to make adjustments to subprogram budgets in response to real market and service conditions experienced is justified. The process shall be as follows: for reallocation among IAP electric subprograms in the cumulative amount of five percent (5%) or less of the overall IAP electric program investment set forth above, PSE&G shall be authorized to make adjustments on an immediate basis. PSE&G shall notify Board Staff and Rate Counsel of the changes within 30 days following the change. PSE&G shall not make reallocations among the IAP electric subprograms exceeding five percent (5%) of the IAP electric program investments without 15 days prior electronic notification to Board Staff (Director, Division of Water and Energy or designee) and Rate Counsel, providing them with the opportunity to object within that time period. If Board Staff or Rate Counsel do not object within 15 days of receipt of the electronic notice, the Company may make the reallocation. Should Board Staff and/or Rate Counsel object within 15 days of receipt of the electronic notice, the Company, Board Staff, and Rate Counsel will make their best efforts to resolve the objection within 90 days of Board Staff's and or Rate Counsel's objection.

To the extent that the Company is able to complete any of the Electric Outside Plant Subprogram Projects identified in this Stipulation for a dollar amount below those provided for under this section, it may utilize the remaining accelerated rate recovery budget dollars to conduct additional project work included or not included in the initial IAP filing, provided that the work is consistent with the applicable Project.

5. To the extent the Company decides to not proceed with any of the five Electric Outside Plant Subprogram Projects identified in paragraph 6 of this Stipulation, due to new or unforeseen circumstances not present at the time of the current filing, any remaining amount of the allowed accelerated recovery investment level of $351 million identified in Paragraph 4 of this Stipulation can be utilized for additional project work necessary for safety, reliability, and/or resiliency included or not included in the initial IAP filing, provided that the work is consistent with the removed Project. The Company shall not make any change as described in this paragraph without 15 days prior electronic notification to Board Staff (Director, Division of Water and Energy or designee) and Rate Counsel, providing them with sufficient detail on the circumstances and the opportunity to object within that time period. If Board Staff or Rate Counsel do not object

within 15 days of receipt of the electronic notice, the Company may proceed with the change in subprogram Projects. Should Board Staff and/or Rate Counsel object within 15 days of receipt of the electronic notice, the Company, Board Staff, and Rate Counsel will make their best efforts to resolve the objection within 90 days of Board Staff's and or Rate Counsel's objection.

6. Electric Outside Plant Subprogram

The Electric Outside Plant Subprogram consists of five (5) Projects that focus on overhead and underground facilities that supply customers from the substation to the customers' meters. This subprogram consists of the following Projects:

i. *Spacer Cable Conversion Project*

The Company will invest up to $42.00 million to replace aging 3-phase open wire construction (cross arm and armless) with new spacer cable type construction. Spacer cable is a more compact and reliable design that incorporates a conductor with a thick polymer covering, thereby making it especially resilient to branch and tree contacts.

ii. *Lashed Cable Replacement Project*

The Company will invest up to $14.00 million to replace lashed cable with spacer cable construction. Lashed primary cable consists of three (3) conductors that are wrapped together with a bonding ribbon and suspended from pole to pole with clamps. This construction type is used for 4kV applications primarily in urban areas, backyards, or right of ways with limited construction space. Lashed cable is one of the oldest distribution assets on PSE&G's system.

iii. *Spacer Upgrade Project*

The Company will invest up to $15.00 million to replace aging spacer components along existing construction with new hardware that is designed to a higher and more resilient standard. The new spacer standard has higher insulation values, improved material properties and better mechanical performance, and is expected to improve the reliability on these circuits at a relatively low cost compared to circuit reconstruction.

iv. *Conventional Underground Cable Replacement Project*

The Company will invest up to $8.00 million to replace the poorest performing conventional underground cables that have reached end of life. Conventional underground cable systems are most common in urban environments, and this asset class includes cable, splices, and terminations.

v. *Voltage Optimization Project*

The Company will invest up to $12.00 million to replace aging 13kV pole top capacitors and switches that are increasingly failing and providing poor voltage regulation. Replacement systems will be equipped with advanced switches, voltage and current sensing, and the ability to communicate back to the DSCADA system, providing significant improvements in voltage regulation as distributed energy resources ("DERs") becomes more commonplace.

7. <u>Substation Modernization Program</u>

The Substation Modernization Subprogram will modernize 26kV and 4kV substations and consists of the following Projects:

i. *26kV Station Upgrade Project*

The Company will invest up to $33.00 million to replace existing 26kV oil circuit breakers ("OCBs") with newer gas circuit breakers at various switching and substations across the Company's system. The OCBs have an average age of 60 years, require significant corrective maintenance, and pose environmental challenges.

ii. *4kV Substation Modernization Project*

The Company will invest up to $157.2 million to modernize 4kV switchgear at certain electric distribution 69/4kV substations, including replacing and upgrading breakers, disconnects, reactors, regulators, relays, and other infrastructure. The following five (5) substations are included within the Project:

- Fortieth Street
- McLean Blvd
- Teaneck
- Tonnelle Ave
- Totowa

To the extent the Company decides not to proceed with the work on the any of the 4kV Substation Modernization projects identified in this Paragraph, due to new or unforeseen circumstances not present at the time of the current filing, any remaining amount of the allowed accelerated recovery investment level of $157.20 million identified in Paragraph 4 of this Stipulation can be shifted to other similar station projects. It is agreed that in such circumstances, the Company would propose any such change to the Substation Modernization Program to Board Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for herein.

8. Gas Metering and Regulating Station Modernization Subprogram

In the Gas Metering and Regulating ("M&R") Station Modernization Subprogram, PSE&G will modernize its M&R stations by phasing out outdated designs, upgrading stations to series regulation design with a second level of overpressure protection for enhanced safety and reliability, and replacing aging equipment and facilities. The Company will make up to $69.80 million of Program investment to comply with U.S. Department of Homeland Security

Transportation Security Administration regulations, as well as, toward modernizing the following four (4) M&R stations:

- Brooklawn
- Hillsborough
- Hamilton
- Hanover

All costs to be found prudently incurred for work on the four (4) M&R stations referenced above that exceed $69.80 million will be credited toward the Company's stipulated base requirement provided in Paragraph 11 of this Stipulation. To the extent that the Company is able to complete modernization of the above-referenced M&R stations at a dollar amount below $69.80 million, the Company may allocate the funds associated with the project(s) to perform similar work at PSE&G's remaining M&R stations identified in the IAP Petition (*i.e.*, Trenton, Roseland, West Deptford). To the extent the Company decides not to proceed with the work on any of the M&R stations identified in this Paragraph, due to new or unforeseen circumstances not present at the time of the current filing, any remaining amount of the allowed accelerated recovery investment level of $69.80 million identified in Paragraph 4 of this Stipulation may be shifted to the remaining M&R stations identified in the IAP Petition. It is agreed that in such circumstances, the Company would propose any such change to the M&R program to Board Staff and Rate Counsel, and effectuation of the change would need to be made via Board Order in connection with one of the rate roll-in filings provided for herein.

9. Costs eligible for recovery under the IAP Rate Mechanism shall not exceed $351.00 million, which excludes the cost associated with the Stipulated Base and Allowance for Funds Used During Construction ("AFUDC").

III. **Capital Structure/Return on Equity**

10. PSE&G's weighted average cost of capital ("WACC") for the IAP will be set based upon the WACC established in the Company's most recently approved base rate case. The current WACC based upon the approved 2018 base rate case is 6.99%, or 6.48% on an after-tax basis based on current tax rates.[3]

IV. **Stipulated Base**

11. The Company shall spend a total of $160 million on certain capital projects during the Program term that will not be recovered through the IAP Rate Mechanism, but will be considered Stipulated Base expenditures and proposed to be recovered in the Company's future base rate cases, subject to a prudency review, and as long as this investment is found to be reasonable and prudent. Of that $160 million, $142.60 million will be spent at the Company's discretion toward the Electric Outside Plant and/or Substation Modernization Subprograms identified in Paragraphs 6 & 7, as well as the Buried Underground Distribution Cable Replacement Project, and the Open Wire Secondary Upgrade Project as proposed in the Company's filing. The remaining $17.4 million will be used to complete any of the gas M&R station upgrades specified above in Paragraph 8. If the Company completes M&R station upgrades to all seven (7) of the gas M&R stations identified in Paragraph 8 above without exhausting the $17.4 million of Stipulated Base, the Company will have the option of achieving the $17.4 million of Stipulated Base expenditure through additional gas M&R station upgrades. If the completion of the four (4) M&R station upgrades identified for accelerated recovery in Paragraph 8 above requires more than the

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[3] In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in Tariffs for Electric and Gas Service. B.P.U.N.J. No. 16 Electric and B.P.U.N.J. No. 16 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, BPU Docket Nos. ER18010029 and GR18010030, Order dated October 29, 2018.

estimated \$17.4 million of Stipulated Base expenditure, the excess can be counted toward the Company's baseline capital expenditure requirement as described in Paragraph 13. The total \$160 million Stipulated Base expenditures shall be subject to a prudency review and recoverable from base rates as long as this investment is found to be reasonable and prudent. The Stipulated Base expenditure shall not be recoverable through the IAP Rate Mechanism.

V. Total Program Expenditures

12. In total, the Company shall spend a maximum of \$511 million to complete the Program, with \$351 million within the IIP and recovery sought through the IAP Rate Mechanism and \$160 million within Stipulated Base. All costs found to be prudently incurred on IAP Projects above \$511 million, as determined during prudency review, will count toward Baseline Capital Expenditures as discussed in Paragraph 13, below.

VI. Baseline Capital Expenditure

13. During the term of the IAP, in addition to the Stipulated Base expenditures set forth in Paragraph 11 above, the Company agrees to maintain a minimum annual baseline capital expenditure level of at least \$300 million on electric investments, and at least \$225 million in gas investments, which are based upon the Company's historical baseline spending. The Company further agrees that, over the course of the four (4)-year Program, it will achieve an average baseline capital expenditure level of at least \$325 million on electric investments, and \$250 million on gas investments. The capital investments made by the Company as part of its baseline capital expenditure requirements are solely within the discretion of the Company and may include additional investments in the IAP subprograms described above, and/or other costs incurred by the Company in excess of the maximum spending levels provided under the IAP Rate Mechanism. Investments made by the Company to extend service to new customers, extend additional service

to existing customers, or investments made pursuant to Stipulated Base spending requirements in other Board-approved programs, will not be included as part of the annual baseline capital expenditures required pursuant to this Paragraph.

VII. Cost Recovery

14. The Company may seek recovery through the IAP Accelerated Rate Recovery Mechanism for the costs covered under paragraph 4 via a rate adjustment request with schedules, procedures, and filings as detailed in subsequent Paragraphs herein. Consistent with N.J.A.C. 14:3-2A.6(d), the Company proposes to recover its costs associated with the IAP Accelerated Rate Recovery Mechanism through a new component of the Company's Infrastructure Investment Recovery Charges in its Electric and Gas tariffs. Following completion of the Program, the estimated annual bill impact from the accelerated Program investments on a typical residential electric customer using 6,920 kWh annually is expected to be approximately $13.04, or 1.01%, and the estimated annual bill impact on a typical residential gas customer using 1,040 therms annually is expected to be approximately $4.65, or 0.43%.

15. The Company will make four (4) rate adjustments over the term of the Program in accordance with the parameters set forth below. Consistent with the IIP rules, each rate adjustment made by the Company must include a minimum investment level of 10% of the total amount authorized to be recovered via the IAP Rate Mechanism.[4] The Company must also meet the earnings test as specified in the IIP rules.

[4] These rate adjustments do not account for the final roll-in necessary to capture the Program closeout work referenced in paragraph 21. A final roll-in to recover these trailing charges will follow. The parties acknowledge that this final roll-in is not subject to the 10% minimum investment provision as the charges being sought are for Program trailing charges.

16. PSE&G, following consultation with Board Staff and Rate Counsel, will retain an independent monitor to review and report to Board Staff and Rate Counsel on the impact of the IAP on overall system performance during severe weather events; cost effectiveness and efficiency; appropriate cost assignment; and other information deemed appropriate by the Company, Board Staff and Rate Counsel. The independent monitor shall continue until one (1) quarter following the completion of the IAP investments unless the Company, Board Staff and Rate Counsel agree that the services of the independent monitor should continue. Independent monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles and shall be included as part of the IAP Rate Mechanism Costs and counted against the maximum investment levels for accelerated recovery set forth in Paragraph 4 of this Stipulation and Agreement of Settlement.

17. The Signatories agree that the review of the prudency of all project work undertaken in the Program will not take place prior to or in connection with the rate adjustments established herein. PSE&G therefore agrees that the rate adjustments established in the rate filing proceedings (assuming the 10% minimum threshold noted above has been met) shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred capital expenditures under the Program. Such prudency review shall take place in a future base rate case. Nothing herein will preclude any party from raising in the base rate case prudency review any objection that could have been raised in a prior IIP rate filing.

18. PSE&G shall file four (4) rate adjustment requests over the course of the four (4)-year program term. To effectuate the cost recovery process for the IAP Rate Mechanism investments, the Company shall provide Board Staff and Rate Counsel with not less than 60 days' notice prior to the filing of a rate recovery petition. PSE&G shall be the sole determinant of the

date of the filing of each rate adjustment request, but such rate adjustments shall not include less than six (6) months of investments.

19. Once filed, PSE&G shall proceed on the below schedule and implement new rates following public notice and public hearing, recognizing that the prudency of the IAP investments will be determined in the base rate case following the placement of the IAP investments into service. The effective dates for the adjustments may be revised by agreement of the Parties.

20. The timing for a rate recovery petition and related activities are set forth below:

Event	Timing	Example
Notification of Filing Date	Not less than 60 days prior to Filing Date	As early as 6/2/23
Filing Date	First day of calendar month	As early as 8/1/23
Net Investment in Service as of	Net investment in service as of the last day of the third month from "Filing Date"	10/31/23
Update Filing for Actual Data	No later than 21 days following "Net Investment in Service as of" date	No later than 11/21/23
Rates Effective	No earlier than the 1st day of the fourth month following the "Net Investment in Service as of" date. After the completion of discovery and upon Board approval.	As early as 2/1/24

21. The Signatories acknowledge that although the work for the IAP is scheduled to be complete by June 30, 2026, close out work, such as site restoration, equipment removal, and as-built drawing updates, are expected to be completed 3 to·6 months following installation of IAP measures.

22. In the rate adjustment proceedings provided for above, the revenue requirement associated with the IAP investments recovered through the IAP Rate Mechanism shall be calculated as summarized below:

> <u>IAP Rate Mechanism Costs</u> - All capital expenditures recoverable through the IAP Rate Mechanism, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, and capitalized AFUDC associated with the project work ("IAP Rate Mechanism Costs"), will be recovered through rate

adjustments for each of the time periods described above. The IAP Rate Mechanism capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the IAP Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

WACC – PSE&G shall earn a return on its net investment in the IAP based upon the authorized WACC including income tax effects decided by the Board in the Company's most recently approved base rate case.

The rate adjustments will be calculated using the following formula:

Revenue Requirement = ((IAP Rate Mechanism Rate Base * After Tax WACC) + Depreciation Expense (net of tax) + Tax Adjustments) * Revenue Factor

i. IAP Rate Mechanism Rate Base – The IAP Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.

ii. Depreciation Expense – Depreciation expense will be calculated as the IAP Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.

iii. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

iv. Revenue Factor – The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments and Gas Revenue Uncollectibles. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized. The percentage used to calculate the uncollectible expense will be based upon the percentage determined in the Company's most recently approved base rate case.

Attached as Attachment A is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

VIII. Rate Design

23. The rate design for the rate adjustments agreed upon herein will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recent base rate case. To the extent the Company seeks to utilize more current weather normalized billing determinants for any future rate adjustment filings subsequent to the most recently approved base rate case, or to change the methodology used to weather normalize billing determinants, PSE&G shall provide those updated billing determinants and supporting data to Board Staff and Rate Counsel a minimum of 60 days prior to any IAP rate adjustment filing for review and approval. Board Staff and Rate Counsel retain all rights with respect to any proposed changes in methodology.

IX. Base Rate Case Filing Requirement

24. Consistent with the IIP rules and with the settlement agreement in the Company's GSMP II filing in Docket No. GR17070776, approved by the Board by Order dated May 22, 2018, the Company will file a base rate case no later than January 1, 2024.[5] The prudency of any IAP investment not reviewed and determined by the Board in the January 2024 rate case shall be reviewed and determined in a subsequent base rate case, which shall be filed no later than five (5) years after the approval of the Company's January 2024 rate case.

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[5] 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.

X. Infrastructure Investment Program Minimum Filing and Reporting Requirements

25. Minimum Filing Requirements ("MFRs"). Each rate change filing will be accompanied by the MFRs that are set forth in Attachment B hereto.

26. Consistent with the IIP rules, the Company will file semi-annual status reports with the Board—with copy to Rate Counsel that will include at a minimum the following:

i. The estimated total quantity of work and the quantity completed to date or, if the project work cannot be quantified with numbers, the major tasks completed, e.g., design phase, material procurement, permit gathering, phases of construction;

ii. The forecasted and actual IAP costs-to-date for the reporting period and for the Program-to-date; where project work is identified by major category (with the actual variances from forecasted amounts expressed in dollar and percentage terms);

iii. The estimated IAP Project completion date, and estimated completion dates for each IAP subprogram and the Program as a whole;

iv. Anticipated changes to IAP Projects, if any;

v. Actual capital expenditures made by the utility in the normal course of business on similar project work, identified by major category; and

vi. Any other performance metric concerning the IAP required by the Board.

vii. For circuits improved within the Spacer Cable Conversion Project, Lashed Cable Replacement Project, and Spacer Upgrade Project, PSE&G will provide System Average Interruption Duration Index ("SAIDI") results for Major Event [6] performance at the circuit level (redacted and confidential unredacted) for circuits affected by a Major Event during the reporting period and at the operating area level and system wide. The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under Major Event conditions for the prior five (5) years from the Program start date. The report will include the SAIDI results at the circuit level for the reporting period.

[6] The definition of "Major Event" set forth in N.J.A.C. 14:5-1.2 shall apply for purposes of this reporting obligation.

viii. For circuits improved upon within the Spacer Cable Conversion Project, Lashed Cable Replacement Project, Spacer Upgrade Project, and Conventional Underground Cable Replacement Project, PSE&G will include non-Major Event performance (where a non-Major Event excludes all "Major Events" as defined at N.J.A.C. 14:5-1.2) including circuit designation (information to be provided redacted and confidential unredacted), that reflects non-Major Event conditions for the reporting period. In addition to SAIDI, the Company will report non-Major Event data for Customer Average Interruption Duration Index ("CAIDI") and System Average Interruption Frequency Index ("SAIFI"). The SAIDI results will be reported and measured against a baseline that reflects performance for each circuit under non-Major Event conditions for the prior five (5) years from the Program start date.

XI. Federal Infrastructure Investment and Jobs Act of 2021

27. To the extent federal funding is made available for any subprogram Project described herein through the implementation of the federal Infrastructure Investment and Jobs Act of 2021 (Pub.L. 117-58, also known as the Bipartisan Infrastructure Law) ("Federal Infrastructure Funding"), the Company will employ its best efforts to identify and secure such Federal Infrastructure Funding as described under Section 40101 or other applicable sections identified by the Parties. Board Staff and Rate Counsel will, where appropriate, reasonably assist the Company in its best efforts to obtain Federal Infrastructure Funding and, when appropriate, express support for the Company to receive Federal Infrastructure Funding.

28. If funding or credits from the Bipartisan Infrastructure Law, or any subsequent state or federal action, become available to the Company for Project reimbursement, applicable to work related to the IAP, the Company agrees that any such funds will be credited to customers in a manner agreed to by the Parties to the extent permitted by Federal Infrastructure Funding requirements and the applicable law.

FURTHER PROVISIONS

29. 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 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.

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

31. 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, the Company, Board Staff, Rate Counsel and any other Signatory 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 Signatories further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

32. The Signatories 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 Signatories 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
BY: *[signature]*	BY: T. David Wand
Joseph F. Accardo Jr., Esq. VP Regulatory & Deputy General Counsel	T. David Wand, Esq. Deputy Rate Counsel
DATED: June 23, 2022	DATED: June 23, 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

Matko Ilic
Deputy Attorney General

DATED: June 23, 2022

PSE&G Infrastructure Advancement Program
Sample Electric Revenue Requirements
Rate Adjustment
in ($000)

Rate Effective Date	4/1/2024	
Plant In Service as of Date	12/31/2023	
Rate Base Balance as of Date	3/31/2024	

RATE BASE CALCULATION

		Total	Notes
1	Gross Plant	$66,864,508	= ln 16
2	Accumulated Depreciation	$4,841,453	= ln 19
3	Net Plant	$71,705,961	= ln 1 + ln 2
4	Accumulated Deferred Taxes	-$2,418,303	= See "Dep-" Wkps Row 724
5	Rate Base	$69,287,658	= ln 3 + ln 4
6	Rate of Return - After Tax (Schedule WACC)	6.48%	See Schedule SS-IAP-3
7	Return Requirement (After Tax)	$4,491,080	= ln 5 * ln 6
8	Depreciation Exp, net	$989,846	= ln 25
9	Tax Adjustment	-$20,345	
10	Revenue Factor	1.3948	
11	**Revenue Requirement**	**$7,616,419**	= (ln 7 + ln 8 + ln 9) * ln 10

SUPPORT

Gross Plant

12	Plant in-service	$37,532,486	= See "Dep-" Wkps Row 702
13	CWIP Transferred into Service	$27,094,229	= See "Dep-" Wkps Row 703
14	AFUDC on CWIP Transferred Into Service - Debt	$562,786	= See "Dep-" Wkps Row 704
15	AFUDC on CWIP Transferred Into Service - Equity	$1,675,007	= See "Dep-" Wkps Row 705
16	**Total Gross Plant**	$66,864,508	= ln 12 + ln 13 + ln 14 + ln 15

Accumulated Depreciation

17	Accumulated Depreciation	-$831,832	= See "Dep-" Wkps Row 711
18	Cost of Removal	$5,673,285	= See "Dep-" Wkps Row 706
19	**Net Accumulated Depreciation**	$4,841,453	= ln 17 + ln 18

Depreciation Expense (Net of Tax)

20	Depreciable Plant (xAFUDC-E)	$65,189,502	= ln 12 + ln 13 + ln 14
21	AFUDC-E	$1,675,007	= ln 15
22	Depreciation Rate	2.06%	= ln 23 / ln 20
23	Depreciation Expense	$1,376,890	= See "Dep-" Wkps Row 706
24	Tax @ 28.11%	$387,044	= ln 20 * ln 22 * Tax Rate
25	**Depreciation Expense (Net of Tax)**	**$989,846**	= ln 23 - ln 24

PSE&G Infrastructure Advancement Program
Sample Gas Revenue Requirements
Rate Adjustment

in ($000)

Rate Effective Date	4/1/2024
Plant In Service as of Date	12/31/2023
Rate Base Balance as of Date	3/31/2024

RATE BASE CALCULATION

		Total	Notes
1	Gross Plant	$17,445,827	= ln 16
2	Accumulated Depreciation	$68,312	= ln 19
3	Net Plant	$17,514,139	= ln 1 + ln 2
4	Accumulated Deferred Taxes	-$390,527	= See "Dep-" Wkps Row 724
5	Rate Base	$17,123,612	= ln 3 + ln 4
6	Rate of Return - After Tax (Schedule WACC)	6.48%	See Schedule SS-IAP-3
7	Return Requirement (After Tax)	$1,109,917	= ln 5 * ln 6
8	Depreciation Exp, net	$336,888	= ln 25
9	Tax Adjustment	$0	
10	Revenue Factor	1.4175	
11	**Revenue Requirement**	**$2,050,846**	= (ln 7 + ln 8 + ln 9) * ln 10

SUPPORT

Gross Plant

12	Plant in-service	$6,158,994	= See "Dep-" Wkps Row 702
13	CWIP Transferred into Service	$10,983,896	= See "Dep-" Wkps Row 703
14	AFUDC on CWIP Transferred Into Service - Debt	$76,186	= See "Dep-" Wkps Row 704
15	AFUDC on CWIP Transferred Into Service - Equity	$226,751	= See "Dep-" Wkps Row 705
16	**Total Gross Plant**	$17,445,827	= ln 12 + ln 13 + ln 14 + ln 15

Accumulated Depreciation

17	Accumulated Depreciation	-$238,798	= See "Dep-" Wkps Row 711
18	Cost of Removal	$307,111	= See "Dep-" Wkps Row 706
19	**Net Accumulated Depreciation**	$68,312	= ln 17 + ln 18

Depreciation Expense (Net of Tax)

20	Depreciable Plant (xAFUDC-E)	$17,219,076	= ln 12 + ln 13 + ln 14
21	AFUDC-E	$226,751	= ln 15
22	Depreciation Rate	2.69%	= ln 23 / ln 20
23	Depreciation Expense	$468,617	= See "Dep-" Wkps Row 706
24	Tax @ 28.11%	$131,728	= ln 20 * ln 22 * Tax Rate
25	**Depreciation Expense (Net of Tax)**	**$336,888**	= ln 23 - ln 24

ATTACHMENT B

MINIMUM FILING REQUIREMENTS

1) PSE&G's income statement for the most recent 12 month period prepared using the same Federal Energy Regulatory Commission ("FERC") reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.

2) PSE&G's balance sheet for the most recent 12 month period, as filed with the Board prepared using the same FERC reporting and accounting conventions that are reflected in the Company's Annual Report to the Board.

3) PSE&G's capital spending for each of the past five (5) years, broken down by major categories (e.g., system reinforcement, replace facilities, environmental/regulatory, and support facilities).

4) PSE&G's overall approved IAP capital budget broken down by major categories, both budgeted and actual amounts.

5) For each IAP Program subprogram:
   a. The original project summary for each IAP sub-program,
   b. Expenditures incurred to date for each sub-program,
      i. The cost of removal and
      ii. The amount of allocated overhead.
   c. Appropriate metric (e.g., reclosers installed), and
   d. Work completed, including identified tasks completed (e.g., design phase, material procurement, permit gathering, phases of construction)

6) Anticipated sub-program timeline with updates and expected changes.

7) A calculation of the proposed rate adjustment based on details related to IAP Program projects included in Plant in Service, including a calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.

8) A list of any and all funds or credits received from the United States government, the

State of New Jersey, a county or a municipality, for work related to any of the IAP Program projects, such as relocation, reimbursement, or stimulus money. An explanation of the financial treatment associated with the receipt of the government funds or credits.

9) A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.

10) An earnings test calculation demonstrating that the calculated ROE does not exceed the Company's allowed ROE from the latest base rate case by 50-basis points or more. The Company should divide the actual net income of the utility for the most recent 12-month period filed with the Board or FERC by the average of the beginning and ending common equity balances for the corresponding period, subject to adjustments. Common equity will be as reflected on the Company's FERC financial statements, adjusted to reflect only the electric and gas distribution allocation. The Company should provide nine (9) months actual data and three (3) months forecasted data at the time of each Initial Filing. The three (3) months of forecasted data should be updated with actuals at the same time the Company provides the Actuals Update for Investments.