



Agenda Date: 3/20/13
Agenda Item: 2K

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

IN THE MATTER OF THE BOARD'S ESTABLISHMENT) Establishment of a
OF A GENERIC PROCEEDING TO REVIEW COSTS,) Proceeding
BENEFITS AND RELIABILITY IMPACTS OF MAJOR)
STORM EVENT MITIGATION EFFORTS) DOCKET NO. AX13030197
)
IN THE MATTER OF THE BOARD'S REVIEW OF THE) Review of a Petition
PETITION OF PUBLIC SERVICE ELECTRIC AND GAS) DOCKET NOs. EO13020155;
COMPANY FOR APPROVAL OF THE ENERGY) GO13020156
STRONG PROGRAM)

Parties of Record:

Ralph LaRossa, Public Service Electric and Gas Co.
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

The Board of Public Utilities ("Board") is empowered to ensure that regulated public utilities provide safe, adequate and proper service to the citizens of New Jersey. N.J.S.A. 48:2-23. Pursuant to N.J.S.A. 48:2-13, the Board has been vested by the Legislature with the general supervision and regulation of and jurisdiction and control over all public utilities, "so far as may be necessary for the purpose of carrying out the provisions of [Title 48]." The courts of this State have held that the grant of power by the Legislature to the Board is to be read broadly, and that the provisions of the statute governing public utilities are to be construed liberally. See, e.g. In re Public Service Electric and Gas Company, 35 N.J. 358, 371 (1961); Township of Deptford v. Woodbury Terrace Sewerage Corp. 54 N.J. 418, 424 (1969); Bergen County v. Dep't of Public Utilities, 117 N.J. Super. 304 (App. Div. 1971). The Board is also vested with the authority, pursuant to N.J.S.A. 48:2-19, to investigate any public utility, and, pursuant to N.J.S.A. 48:2-16 and 48:2-40, to issue orders to public utilities.

In 2011 and 2012 New Jersey was struck by several extraordinary Major Storm Events, which left millions of New Jersey residents without necessary utility service and caused unprecedented damage to the state's utility infrastructure.

As used in this Order, Major Storm Event means sustained impact on or interruption of utility service:

1. resulting from conditions beyond the control of the utility, which may include, but are not limited to, thunderstorms, tornadoes, hurricanes, heat waves, snow and ice storms;
2. which affects at least 10 percent of the customers in an operating area; and
3. due to a utility's documentable need to allocate field resources to restore service to affected areas when one operating area experiences a Major Storm Event, the Major Storm Event shall be deemed to extend to those other operating areas of that utility which are providing assistance to the affected areas.

The Board retains authority to reexamine the characterization of a Major Storm Event.

RECENT MAJOR STORM EVENTS

Hurricane Irene made landfall at Little Egg Inlet as a Category 1 Hurricane on August 28, 2011. While still out to sea, the storm's outer bands produced heavy rains and wind that battered New Jersey's coastal communities. As the storm came ashore, damaging high winds and widespread flooding inundated large portions of the state's utility infrastructure and caused severe damage to both coastal and interior communities. Statewide approximately 1.9 million customers were affected by outages due to this storm. Power was not fully restored until September 5, 2011.

On October 29, 2011, northern New Jersey was struck with an unseasonal and powerful snowstorm that blanketed the region with record-breaking snowfall. The combination of heavy, wet snow and trees mostly full of foliage triggered extensive infrastructure damage from fallen trees and limbs. The storm caused loss of electrical service to nearly 1 million of the state's 3.9 million electric customers for up to nine days. Electric service was not fully restored until November 7, 2011.

On June 30 2012, a derecho wind storm left more than 206,000 New Jersey residents without power and caused severe damages to large portions of the energy infrastructure in southern New Jersey. The Federal Emergency Management Agency ("FEMA") attributed 34 deaths across the Midwest and Mid-Atlantic regions to the derecho wind storm. Atlantic City Electric ("ACE") deployed over 1,500 personnel in the ensuing restoration effort.

On October 29, 2013, Superstorm Sandy made landfall near Atlantic City. Sandy's 90-MPH winds and unprecedented storm surge caused catastrophic damage to dozens of communities across the state. Literally millions of residents were left without power, water, and natural gas service for extended periods of time following the storm.

Just ten days after Superstorm Sandy, on November 7, 2012, a powerful nor'easter brought significant early season snow fall, damaging winds and tidal-surge to New Jersey. Heavy snowfall caused even further damage to New Jersey's storm-ravaged infrastructure, leaving an additional 167,000 people without power.

As a result of these storms, millions of New Jersey residents were left without electric power, often for extended periods of time. Entire communities were disrupted, and their emergency management capabilities were overextended. Schools and businesses were closed and critical facilities activated emergency contingency plans.

On January 23, 2013, the Board issued an Order¹ addressing five categories of potential improvements to be undertaken by New Jersey's electric distribution companies ("EDCs") in response to Major Storm Events. These categories include: 1) Preparedness Efforts; 2) Communications; 3) Restoration and Response; 4) Post Event; and 5) Underlying Infrastructure Issues. For the purposes of this Order, the Board will address Underlying Infrastructure Issues.

In the January 23 Order, the Board required the EDCs to take specific actions to improve their preparedness in response to extreme weather events. As part of this response, the Board required the EDCs to provide detailed cost benefit analysis associated with a variety of utility infrastructure upgrades. The Board further required the EDCs to "carefully examine their infrastructure and use data available to determine how substations can be better protected from flooding, how vegetation management is impacting electric systems, and how Distribution Automation can be incorporated to improve reliability."²

The Board recognizes that there remains a very real threat from future Major Storm Events. Accordingly, the Board finds that it is critical to investigate prudent, cost efficient, and effective opportunities to protect New Jersey's utility infrastructure against damage from future Major Storm Events. While the Board ordered the EDCs to evaluate various storm-related metrics, Superstorm Sandy revealed vulnerabilities in a variety of utility sectors, including electric transmission, and distribution, natural gas distribution, and water delivery infrastructure. Therefore, it is reasonable for the Board to expand its review to the other utilities that serve the citizens of the State.

To properly discharge its statutory responsibilities, as summarized above, and based on the recommendation of Board Staff, as well as comments presented at the public hearings held at various locations across the State, the Board **HEREBY FINDS** that it is necessary to initiate a proceeding to investigate possible avenues to support and protect New Jersey's utility infrastructure so that it may be better able to withstand the effects of Major Storm Events.

ESTABLISHMENT OF A PROCEEDING TO EVALUATE MAJOR STORM EVENT MITIGATION PROPOSALS

The Board **HEREBY ORDERS** Staff to open a proceeding to evaluate and review all current and future submissions for storm mitigation efforts to be made by each EDC in compliance with the terms of the January 23 Order under a separate sub-docket numbered proceeding. The Board **HEREBY FINDS** that it is appropriate to invite all regulated utilities subject to Board jurisdiction, but not parties to the January 23 Order, to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future Major Storm Events, pursuant to the terms and level of detail requested in the January 23 Order. Any proposals filed pursuant to this Order by utilities not subject to the January 23 Order must be submitted by September 3, 2013. The Board has determined that the petition described below, as well as the petitions which may be filed in the future, should be retained by the Board for review and hearing, as authorized by N.J.S.A. 52:14F-8, with a commissioner to be assigned pursuant to N.J.S.A. 48:2-32.

The Board **HEREBY ORDERS** Staff to investigate whether to retain, and if necessary the

¹ In the Matter of the Board's Review of the Utilities Response to Hurricane Irene, Order Accepting Consultant's Report and Additional Staff Recommendations and Requiring Electric Utilities to Implement Recommendations. BPU Docket No. EO11090543, January 23, 2013 (hereinafter "January 23 Order").

² January 23 Order at page 56.

appropriate mechanism to retain an independent expert(s), to aid the Board in reviewing the efficacy of the measures proposed by the utilities and examining the costs to be potentially incurred by the New Jersey utilities in association with efforts to protect utility infrastructure from future Major Storm Events, as well as any potential benefit to be obtained therefrom. The Board recognizes that maintaining safe, reliable and affordable utility infrastructure is the mandate of all New Jersey utilities, as is the requirement that rates be just and reasonable. Therefore, the potential rate impacts associated with decisions made regarding these Major Storm Event related actions must include an evaluation of the associated benefits of the proposed measures for protecting the State's utility infrastructure.

As stated above, the Board recognizes that maintaining safe, adequate, and reliable service is the mandate of all New Jersey utilities and the minimum standard by which all regulated utilities must operate. Accordingly, the Board **HEREBY ORDERS** Staff to require that any entity retained by the Board to assist in the evaluation of proposed mitigation efforts associated with Major Storm Events prioritize those proposed mitigation efforts that fall outside of the capital expenditures normally incurred in the ordinary course of a utility's business of maintaining its infrastructure in such a state so as to enable it to provide safe, adequate, and reliable service in accordance with accepted industry norms.

PETITION BY PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE ENERGY STRONG PROGRAM

On February 20, 2013, Public Service Electric and Gas Company ("PSE&G") petitioned the Board for the recovery of costs to bolster its "electric and gas infrastructure to make them less susceptible to damage from wind, flying debris and water damage in anticipation" of future Major Storm Events.³

PSE&G requested approval of the Energy Strong Petition, the cost of which is to be collected from ratepayers through the implementation of an "Energy Strong Adjustment Mechanism."⁴ PSE&G further requests that the Board approve this expenditure and recovery mechanism by July 1, 2013.

Pursuant to the January 23 Order, the Board required that PSE&G adopt a number of recommended measures aimed to improve response to future Major Storm Events. The Board **HEREBY FINDS** that PSE&G is required to comply with the terms of January 23 Order, including those terms that address measures to mitigate against future damage to its infrastructure from Major Storm Events.

The Board **HEREBY FINDS** that PSE&G's Energy Strong petition fails to provide the required detailed estimates of costs, benefits, and/or rate impacts to allow for adequate consideration of the measures proposed by its petition at this time. The Board **HEREBY FINDS** that the Energy Strong petition also fails to adequately distinguish storm hardening and mitigation efforts from normal operations and maintenance, reliability projects, and programs necessary to maintain safe, adequate and reliable service within the PSE&G service territory. The Board **HEREBY FINDS** that PSE&G must provide all supporting data and analysis necessary to comply with the January 23 Order, pursuant to the terms and timeframes provided therein. However, the Board

³ In the Matter of the Petition of Public Service Electric and Gas Company for Approval of the Energy Strong Program at page 1. BPU Docket Nos. GO13020156 and EO13020155 (hereinafter "Energy Strong").

⁴ Energy Strong at page 4. BPU Docket Nos. GO13020156 and EO13020155.

welcomes submission of the requested supplemental filing prior to the deadlines provided in the January 23 Order.

The Board **HEREBY DIRECTS** Staff to prepare a response to the Energy Strong petition seeking additional information that may be necessary to begin properly evaluating any proposed mitigation measures. Staff shall provide the request to PSE&G no later than ten (10) business days from the effective date of this Order.


The Board further **DIRECTS** Staff to evaluate any additional Major Storm Event mitigation measures proposed by PSE&G subsequent to receipt of the information requested in the January 23 Order and herein. Any proposed mitigation measures beyond those directed by the January 23 Order shall be evaluated in accordance with the metrics to be developed within this proceeding.

To the extent any information that is required to be submitted pursuant to this Order is claimed to be confidential, proprietary or raises a security concern, it should be submitted pursuant to the Board's regulations at N.J.A.C. 14:1-12.1 - 12.18.

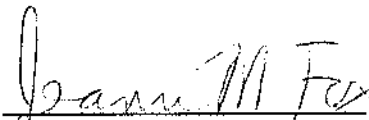
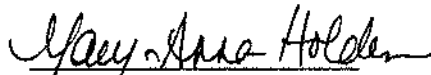
The Effective Date of this Order is April 1, 2013.

DATED: 3/20/13


BOARD OF PUBLIC UTILITIES
BY:



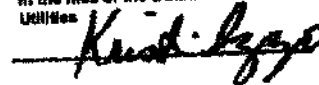
ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER
JOSEPH L. FIORDALISO
COMMISSIONER
MARYANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
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 BOARD'S ESTABLISHMENT OF A GENERIC PROCEEDING TO
REVIEW COSTS, BENEFITS AND RELIABILITY IMPACTS OF MAJOR STORM EVENT
MITIGATION EFFORTS

IN THE MATTER OF THE BOARD'S REVIEW OF THE PETITION OF PUBLIC SERVICE
ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE ENERGY STRONG PROGRAM

DOCKET NOs. AX13030197; EO13020155; GO13020156

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