



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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www.nj.gov/bpu/

IN THE MATTER OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A GAS SYSTEM MODERNIZATION PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM)
)
)
) **PREHEARING ORDER**

) **DOCKET NO. GR15030272**

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Matthew Weissman, Esq., Public Service Electric and Gas Company

BY COMMISSIONER JOSEPH L. FIORDALISO:

On February 27, 2015, Public Service Electric and Gas ("PSE&G" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval to implement and administer a Gas System Modernization Program ("GSMP") and to implement an associated cost recovery mechanism. The Company seeks approval to spend up to \$1.594 billion in GSMP investment across its gas service territory over 5.5 years. According to the petition, the GSMP will replace cast iron mains, replace unprotected steel mains and services, abandon district regulators associated with cast iron and unprotected steel plant and relocate inside meter sets. The Company anticipates that these expenditures will result in the replacement of approximately 810 miles of cast iron and unprotected steel mains, 55,000 unprotected steel services, and associated district regulators.

The Company proposes to implement the same cost-recovery methodology and rate design as used for the Energy Strong Program ("ESP")¹, including annual "roll-in" filings based on investment through May 31, with no deferred return or deferred depreciation, for rates to be effective as of September 1. The Company also seeks a return on and of the approved investments using an after-tax weighted average cost of capital of 6.32% based on a return on equity of 9.75% and a cost of debt of 4.60%.

By Order dated April 15, 2015 ("April Order"), the Board retained this matter for hearing, and designated me as the presiding officer with the authority to establish and modify schedules, decide all motions and otherwise control the conduct of this case, subject to Board ratification. Additionally, the April Order set June 5, 2015 as the deadline for the filing of motions to intervene or participate in this matter.

¹ In re Petition of Public Service Electric and Gas Company for Approval of the Energy Strong Program, BPU Docket Nos. EO13020155 & GO13020156 (Order dated May 21, 2014).

Thereafter, on April 7, 2015 the New Jersey Large Energy Users Coalition ("NJLEUC") filed a motion to intervene. Local Union 94 of the International Brotherhood of Electrical Workers and Local 855 of the United Association of Journeymen and Apprentices of Plumbing and Pipefitting Industry (collectively, "Unions") filed a motion to participate in this proceeding on April 22, 2015, and Ferreira Construction Company, Inc. ("Ferreira") filed a motion to intervene or participate on May 7, 2015. On May 12, 2015, AARP, Inc. ("AARP") filed a motion to participate in this matter; however, the motion was accompanied by correspondence indicating that AARP was moving to intervene. AARP then filed a "Letter of Correction" and "Motion to Intervene as a Participant" on May 18, 2015. The motions are still pending and will be addressed in a subsequent order.

To aid in the setting of an appropriate schedule, a proposed preliminary procedural schedule was generated by Board staff and circulated to the Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), NJLEUC, the Unions and Ferreira via email on May 12, 2015. Rate Counsel proposed minor revisions to the preliminary procedural schedule which ultimately extended the time for completing discovery by two days. The Company proposed a modification to the preliminary procedural schedule shortening the time frame for the completion of discovery and the evidentiary hearings by more than one month. The Company also proposed to conduct the evidentiary hearings on the date of a Board agenda meeting.

DISCUSSION AND FINDINGS:

I have reviewed the proposals exchanged for a preliminary schedule, and have concluded that the shortened procedural schedule proposed by the Company does not provide sufficient time for Rate Counsel, Board staff and possible interveners/participants to thoroughly review the GSMP on the record to be created in this proceeding. Furthermore, I am not available on all of the dates proposed by the Company to conduct the evidentiary hearings.

After giving due consideration to the positions of Staff, Rate Counsel and the Company,

I **HEREBY ISSUE** the attached as the Prehearing Order, along with the procedural schedule identified as Exhibit A, and **HEREBY DIRECT** the parties to comply with its terms.

I **HEREBY DIRECT** that all documents required to be served under the terms of the schedule described on Exhibit A, shall be served by electronic-mail, while still providing hard copies 1) to the Board for those documents which must be filed with the Board, and 2) to each party requesting hard copies.

I **HEREBY DIRECT** that this Order be posted on the Board's website.

This provisional ruling is subject to ratification or other alteration by the Board as it deems appropriate during the proceedings in this matter.

DATED: May 21, 2015

BY: 

Joseph L. Fiordaliso
COMMISSIONER

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OF A GAS MODERNIZATION PROGRAM ANED ASSOCIATED COST RECOVERY
MECHANISM

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PREHEARING ORDER

1. NATURE OF PROCEEDINGS AND ISSUES TO BE RESOLVED:

Through this proceeding Petitioner Public Service Electric and Gas Company ("PSE&G" or the "Company") seeks approval to implement and administer a Gas System Modernization Program ("GSMP"), and to implement up to \$1.594 billion in GSMP investments across its gas service territory over five and one-half (5.5) years to replace cast iron mains, unprotected steel mains and services, and abandon district regulators associated with cast iron and unprotected steel plant; and relocate inside meter sets. The Company proposes to implement the same cost-recovery methodology and rate design as used for the Energy Strong Program ("ESP"), including annual "roll-in" filings based on investment through May 31, with no deferred return or deferred depreciation for rates to be effective September 1. The Company proposes an after-tax weighted average cost of capital ("WACC") of 6.32% based on a Return on Equity ("ROE") of 9.75% and a cost of debt of 4.60%.

A. Issues to be Resolved:

- 1) The prudence, cost effectiveness and cost efficiency of the activities and programs proposed for the five and one half years of the proposed GSMP;
- 2) The reasonableness and lawfulness of the proposed cost recovery mechanism;
and
- 3) The reasonableness of the proposed rates.

2. PARTIES AND THEIR DESIGNATED ATTORNEYS OR REPRESENTATIVES:

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No change in designated trial counsel shall be made without leave if such change will interfere with the dates for hearings. If no specific counsel is set forth in this Order, any partner or associate may be expected to proceed with evidentiary hearings on the agreed dates.

3. **SPECIAL LEGAL REQUIREMENTS AS TO NOTICE OF HEARING:**

Pursuant to N.J.S.A. 48:2-32.6, public hearings will be held in the Company's service territory after publication of notice in newspapers of general circulation in PSE&G's service territory. The three (3) public hearings will be held as follows: 1) on June 8, 2015 in New Brunswick; 2) on June 11, 2015 in Hackensack; and 3) on June 15, 2015 in Westampton, with sessions at 3:30 p.m. and 6:30 p.m. at each location.

4. **SCHEDULE OF HEARING DATES, TIME AND PLACE:**

Evidentiary hearings will be held in October 2015 starting at 9:00 a.m. on each day at the Board of Public Utilities, 44 South Clinton Avenue, Trenton, New Jersey. Dates will be determined based on the availability of the parties and myself.

5. **STIPULATIONS:**

None at this time.

6. **SETTLEMENT:**

Parties are encouraged to engage in settlement discussions. Notice should be provided to all parties of any settlement discussions for the preparation of an agreement to resolve the issues in the case.

7. **AMENDMENTS TO PLEADINGS:**

None at this time.

8. **DISCOVERY AND DATE FOR COMPLETION:**

The time limits for discovery shall be in accordance with N.J.A.C. 17:27-10.4 or as provided in Exhibit A. Unless I otherwise provide, all discovery shall be completed in accordance with the schedule in Exhibit A.

9. **ORDER OF PROOFS:**

PSE&G has the burden of proof. The hearings will be conducted by topic (see point 12, below); within each topic, the hearings will be conducted in the following order:

First – PSE&G

Second – Rate Counsel

Third – Interveners

Fourth – Board Staff

10. **EXHIBITS MARKED FOR IDENTIFICATION:**

None at this time.

11. **EXHIBITS MARKED IN EVIDENCE:**

None at this time.

12. **ESTIMATED NUMBER OF FACTS AND EXPERT WITNESSES:**

PSE&G will present the following two witnesses: Jorge L. Cardenas, Salvatore D. Marano, Stephen Swetz and Paul Moul. Additional witnesses may be identified by PSE&G as necessary for purposes of rebuttal or sur-rebuttal.

Rate Counsel will present the following six (6) witnesses: Andrea Crane, Edward McGee, Matthew Kahal, David Dismukes, and Michael J. Majoros, Jr.

Additional witnesses may be identified by Rate Counsel as necessary for purposes of testimony.

Intervenors shall identify its witnesses no later than five (5) days prior to the filing of testimony.

Any party substituting witnesses shall identify such witnesses within five (5) days of determining to replace a witness, and in no event later than five (5) days before filing of testimony of a substitute witness. All direct testimony will be pre-filed, and all witnesses submitting pre-filed direct testimony will be subject to cross examination at evidentiary hearings, which will be conducted by topic (e.g., program elements, revenue requirements, and so forth).

13. **MOTIONS:**

I will address the motions to intervene or participate filed by NJLEUC, the Unions, Ferreira and AARP in a subsequent Order. All other motions to intervene in this proceeding must be filed on or before June 5, 2015. No other motions are pending at this time.

14. **SPECIAL MATTERS:**

None at this time.

Exhibit A

IN THE MATTER OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A GAS MODERNIZATION PROGRAM ANED ASSOCIATED COST RECOVERY MECHANISM

DOCKET NO.GR15030272

PROCEDURAL SCHEDULE

- May 22, 2015:** Deadline for first round discovery requests
- June 5, 2015:** Deadline for first round responses
- June 5, 2015:** Deadline for filing of motions to intervene or participate
- June 8, 11 and 15, 2015:** Public hearings in New Brunswick, Westampton and Hackensack at 3:30 p.m. and 6:30 p.m., respectively
- June 19, 2015:** Deadline for second round discovery requests
- June 15, 2015:** Deadline for filing of responses to motions to intervene or participate
- June 30, 2015:** Deadline for second round discovery responses
- June 30, 2015:** Deadline for delivery of all previous discovery responses to current Parties
- July 14, 2015:** Technical conference
- July 16-21, 2015:** Discovery conference/settlement discussions
- August 14, 2015:** Deadline for Rate Counsel and Interveners to file direct testimony
- August 24, 2015:** Discovery on Rate Counsel and Interveners' testimony
- September 9, 2015:** Responses to discovery on Rate Counsel and Interveners' testimony
- September 18, 2015:** Rebuttal testimony by Company and Interveners
- October 2, 2015:** Deadline for discovery on rebuttal testimony
- October 9, 2015:** Deadline for responses to discovery on rebuttal testimony
- Early October 2015:** Settlement conferences
- October 19-21, 23, 27, and 28 (if necessary), 2015:** Hearings with live sur-rebuttal.
- To Be Determined:** Briefing schedule

Discovery will be conducted on a rolling basis, with responses due in accordance with N.J.A.C. 1:1-10.4, subject to the scheduled end dates.