



January 12, 2018

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Increase in Electric and Gas
Rates and for Changes in the 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. _____

VIA HAND DELIVERY

Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Asbury:

Enclosed for filing are the original, two copies and two USB drives of the Verified Petition (Exhibit P-1) of Public Service Electric and Gas Company (PSE&G, Public Service, the Company, Petitioner) in the above-entitled matter. Also attached and filed herewith are the Direct Testimonies of the following witnesses in support of the Company's Petition:

<u>Exhibit</u>	<u>Witness</u>	<u>Area of Responsibility</u>
Exhibit P-2	Scott Jennings, Vice President, Utility Finance, PSE&G	Overall financial policy and revenue requirements
Exhibit P-3	Jorge Cardenas, Vice President, Asset Management and Centralized Services, PSE&G	Electric and gas operations, capital expenditures, and electric and gas distribution-related O&M expense

Exhibit P-4	Robert C. Krueger, Vice President – Special Projects, PSEG Services Company	Tax expense, accumulated deferred income tax and tax benefit flow back; Consolidated Tax Adjustment
Exhibit P-5	Ann E. Bulkley, Concentric Energy Advisors	Return on equity
Exhibit P-6	Michael Adams, Concentric Energy Advisors	Benchmarking of PSE&G’s financial and operational performance
Exhibit P-7	John J. Spanos, Gannett Fleming	Depreciation
Exhibit P-8	Harold Walker, Gannett Fleming	Lead/lag study, cash working capital
Exhibit P-9E, Exhibit P-9G	Stephen Swetz, Senior Director – Rate and Regulation, PSE&G	Cost of service, rate design, and tariff submissions
Exhibit P-10	Daniel Hansen, Christensen Associates Energy Consulting LLC	Decoupling (Green Enabling Mechanism)
Exhibit P-11	Aaron Ford, Vice President – Corporate Security and Claims, PSEG Services Corporation	Cybersecurity

It has been more than eight years, *i.e.*, May 2009, since the Company filed for a base rate increase. After the rate changes proposed in this filing, bills for a typical residential customer who receives both electric and gas service from PSE&G are expected to be more than 15 percent lower than they were after the conclusion of that prior base rate case in 2010, and PSE&G’s delivery charges will remain among the lowest of New Jersey’s electric and gas utilities.

The Company requests that new rates go into effect no later than October 1, 2018, and that these rates take into account: (a) a one-time credit for estimated excess income taxes collected, in light of recently-enacted Federal tax reform, between January 1, 2018 and the time new rates go into effect; and (b) the flow back to customers of certain additional tax benefits described in this filing. In subsequent years, after the initial rate year and the cessation of the one-time credit (item (a)), PSE&G proposes to increase the amount of tax credits flowed back to customers (item (b)), resulting in rate decreases over the subsequent three years. These decreases will offset increases, resulting from other PSE&G matters, such as the pending Gas System Modernization II (“GSMP II”) capital investment program.

As a result of the execution of a very successful strategy of cost mitigation and expense control, PSE&G is seeking only a modest rate increase in this filing. Nevertheless, the Company has invested a substantial amount of capital to maintain, upgrade, and harden its electric and gas distribution systems that has not been reflected in rates. At this time, PSE&G’s current electric and gas rates do not reflect an adequate return on invested capital dedicated to the Company’s

electric and gas customers. Other drivers of the small rate increase sought in this filing include the insufficiency of the Company's current depreciation rates, which is largely due to the fact that the rates are not permitting the Company to recover fully its appropriate cost of removal; flat sales, as compared with sales at the time of the Company's most recent base rate case in 2009; PSE&G's unrecovered incremental storm costs of approximately \$240 million, the majority of which have already been reviewed by the Board and determined to be prudent; and PSE&G's return to customers, prior to the beginning of the rate year (October 1, 2018) of approximately \$90 million of cost of removal in excess of the amount deemed to have been over-recovered in a prior rate case.

Major components of this filing include:

- A Tax Adjustment Credit ("TAC") to pass on to customers the benefits due to the recently enacted Federal tax reform legislation and to flow back other tax benefits to customers; and
- A cost of service study and rate design proposal, including the Green Enabling Mechanism ("GEM"), a rate design change that removes the incentive to sell more kilowatt-hours of electricity and therms of gas. By "decoupling" sales and revenue, GEM encourages large-scale utility investments in energy efficiency, renewables, and other clean technologies that will ultimately benefit all customers by bringing down bills and reducing emissions.

PSE&G respectfully requests that the Board address the issues in this proceeding in as thorough and efficient a manner as possible. PSE&G is confident that its filing and the Board's review will support the fact that the Company's request for rate relief is essential to maintaining the necessary electric and gas distribution infrastructure and needed services required to serve our customers in a safe, adequate, proper and reliable manner.

Copies of the Petition will be served upon all entities legally required to be noticed. Please note that due to size, notice of this filing will be submitted in electronic format and the filing will be posted on the PSE&G website in lieu of paper copies for a majority of the individuals on the service list.

In connection with his testimony concerning consolidated taxes (Exhibit P-4), Mr. Krueger refers to certain tax data that contain confidential financial information. This material will be furnished upon execution of a Confidentiality Agreement between the Company, Board of Public Utilities (BPU) Staff, and the Division of Rate Counsel (Rate Counsel) and its consultants. A Confidentiality Agreement is attached hereto for execution. Please note that the Confidentiality Agreement attached hereto is the version most recently executed by BPU Staff and Rate Counsel and its consultants in the pending GSMP II matter.

Please be assured that the Company will work diligently with all parties to the proceeding in an effort to resolve this matter in as timely and equitable a manner as is possible. We request that the Board, at its earliest convenience, establish a procedural schedule and/or transfer this proceeding to the Office of Administrative Law so as to render a final decision before October 1, 2018.

Respectfully submitted,



Matthew M. Weissman

Enclosures

C Attached Service List (E-Mail Only)

Letter Only

Richard Mroz, President

Joseph L. Fiordaliso, Commissioner

Mary-Anna Holden, Commissioner

Dianne Solomon, Commissioner

Upendra Chivukula, Commissioner

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