

PSE&G Base Rate Review

June 2018

Update

- PSE&G is asking for an adjustment in electric and gas base delivery rates that would increase overall revenues by approximately 3 percent.
- This filing seeks recovery of investments made by PSE&G to strengthen its electric and gas distribution systems.
- If the filing is approved, the typical residential electric and natural gas customer will pay an average of about \$7 more per month.
- PSE&G has kept the impact on customers as low as possible by passing along 100 percent of its savings from federal tax reform.
- After this proposed increase, residential bills are expected to be approximately 20 percent lower than they were after the approval of PSE&G's last rate review in 2010.



What does this mean for our customers?

If the filing is approved:

- A typical residential electric bill would increase 4 percent or an average of about \$4 per month.
- A typical residential gas heating bill would increase by about 4 percent, or an average of about \$3 per month.
- The combined bill would increase approximately 4 percent, or an average of about \$7 per month.

Why did the company make this filing?

Since the last regulatory rate review in 2010, PSE&G has made significant capital investments to upgrade, modernize, and strengthen our electric and gas systems to make them more reliable and resilient. The company's current electric and gas delivery rates do not reflect all the investments it has made to maintain the safe, highly reliable service our customers have come to expect. PSE&G is also seeking recovery of storm costs that had been deferred until its next rate review.

Why now? And when will it go into effect for customers?

PSE&G was required to file the rate review as a condition of the 2014 approval by the BPU of the company's Energy Strong program to increase the reliability and resiliency of the utility's electric and gas system. The company anticipates that the new base rates will take effect in the fourth quarter of 2018.

Is PSE&G seeking approval of anything else in this rate review?

Yes. The filing also seeks BPU approval of a rate design change, called the Green Enabling Mechanism (GEM), a proposal to decouple revenues from sales volumes and thereby encourage energy efficiency.

PSE&G Base Rate Review

p.2

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If approved, the GEM will remove the incentive to sell more energy and will instead encourage utility investments in energy efficiency, renewables and other clean energy technologies that will ultimately benefit all customers by bringing down bills and reducing emissions.

We are also asking to update the customer charge on bills while reducing the per-kilowatt-hour and per-therm charges. While the revenue impact of this change is neutral, it would match expenses with revenues more closely. We are proposing to gradually increase the customer charge to \$8.24 (over three years) from \$2.27 per month on a residential bill, while reducing the per-kilowatt-hour or “volumetric” charge proportionately.

PSE&G’s monthly gas service charge would increase to \$12.36 (over three years) from \$5.46 per month on a residential bill, while reducing the per-therm or “volumetric” charge proportionately.

Both the current electric and gas service charges are the lowest of other utilities in our region and do not reflect our costs.

What infrastructure upgrades will higher rates support?

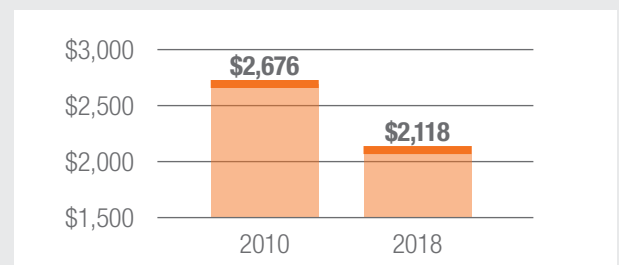
The small adjustment to customers’ rates will recover costs for infrastructure improvements already made to enhance the overall reliability and resiliency of the system. In addition, we plan to make additional investments to strengthen our distribution systems, add redundancy in the event of energy supply interruptions, and improve efficiency and communications. For more detail, see our testimony.

Has PSE&G taken steps to offset the cost impact on customers?

Yes. We are very aware of the impact of energy bills on our customers, and we consistently strive to minimize our costs and customer bills while providing high-quality service.

We have taken several steps to successfully reduce our operation and maintenance costs, which are lower today than they were in 2010. In addition, other costs to customers are down resulting in bills that are 20 percent lower.

Combined typical residential annual electric and gas bill



How do PSE&G customers’ electricity and gas rates compare with others in the state?

After this proposed rate increase, bills for a residential customer who receives both electric and gas service from PSE&G are expected to be approximately 20 percent lower than they were after the approval of our last rate review in 2010. The company’s delivery charges will remain among the lowest of the state’s electric and gas utilities.

Why does PSE&G need higher rates? You’re a very healthy company.

Our last base rate review was eight years ago. Since that time we have made significant capital investments to upgrade, modernize, and strengthen our electric and gas systems to make them more reliable and resilient so we can continue to provide the services our customers have come to expect. However, the current electric and gas delivery rates do not reflect all the investments that have been made across the system. That said, because PSE&G has managed its costs well, it is able to request an increase that is relatively minimal, particularly considering the amount of time that has passed since its last rate review.