



August 8, 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. ER18010029 & GR18010030
OAL Docket No. PUC 01151-18

VIA EMAIL AND HARD COPY

Honorable Gail M. Cookson, ALJ
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

**Re: 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**

Dear Judge Cookson:

Enclosed for filing are the original and two copies of the following documents that
comprise Public Service Electric and Gas Company's ("PSE&G" or "Company") update to
reflect twelve months of actual data in its base rate case filing (the "12+0 update") in the above
proceeding:

- | | | | |
|----|-----------------------------------|---|---|
| 1. | Exhibit P-2 R-2 | - | Direct Testimony of Scott Jennings,
Vice President, Utility Finance, PSE&G |
| 2. | Exhibit P-3 R-2 | - | Supplemental Direct Testimony of Jorge L.
Cardenas, Vice President, Asset
Management and Centralized Services,
PSE&G |
| 3. | Exhibit P-4 R-2 | - | Direct Testimony of Robert C. Krueger,
Vice President – Special Projects,
PSEG Services Company |
| 4. | Exhibit P-6 R-1 | - | Supplemental Direct Testimony of Michael
Adams, Concentric Energy Advisors |
| 5. | Exhibit P-8 R-2 | - | Direct Testimony of Harold Walker III,
Gannett Fleming |
| 6. | Exhibits P-9E R-2 and
P-9G R-2 | - | Direct Testimony of Stephen Swetz,
Senior Director, Rates and Regulation, PSE&G |

Mr. Cardenas' and Mr. Adams' testimonies supplement the Company's prior filings in this case, while the remaining documents completely supersede and replace the comparable documents included with PSE&G's prior filings.

On January 12, 2018, PSE&G filed a petition in these proceedings designed to increase annual operating revenues by approximately \$95 million annually for its electric and gas operations, an increase in total revenues of approximately 1.2%.¹ That filing reflected a one-time credit for estimated excess income taxes collected between January 1, 2018 and the likely effective date of new rates of October 1, 2018 as a result of the enactment of revised Federal tax legislation² and the proposed flow back to customers of certain additional tax benefits.

By Order dated January 31, 2018, the Board of Public Utilities ("BPU" or "Board") made all affected utility rates interim as of January 1, 2018 and directed PSE&G and the State's other utilities to file amended tariffs to be effective April 1, 2018 reflecting a reduction in rates as a result of the reduction in the corporate tax rate.³ On March 2, 2018, PSE&G filed a petition pursuant to the January 31 Order proposing to reduce its electric and gas distribution rates by approximately \$114 million annually to reflect the impact of the Tax Act. By Order dated March

¹ The Company's initial filing proposed increases in annual revenues, assuming all customers are served by default supply, of approximately \$27 million and \$68 million for PSE&G's electric and gas operations, respectively.

² The Federal Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017.

³ See *In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, BPU Docket No. AX18010001, Order (January 31, 2018).

26, 2018, the Board directed the Company to file tariffs reflecting its proposed rate reduction to be effective April 1, 2018 on an interim basis subject to the outcome of this base rate case proceeding.⁴

The Company's 9+3 update,⁵ filed on May 14, 2018, reflected the impacts of the Company's implementation of the interim rate reduction attributed to the change in the federal tax law. The 9+3 filing also updated the Company's proposal to implement a Tax Adjustment Credit ("TAC") for its electric and gas operations. Under the Company's updated proposal, the Company would use the TAC to return to customers both the tax benefits arising from the recent changes in the federal tax law and other tax benefits to offset storm costs previously incurred but yet to be recovered, maintain rate stability, and maintain the Company's credit statistics in an acceptable range.

This 12+0 update reflects a proposed increase in operating revenues of approximately \$272 million annually on an ongoing basis for PSE&G's electric and gas operations, which would result in an approximate 3.6% increase in overall revenues, less a \$39 million refund provided in the first three months assuming rates effective October 1, 2018.⁶ As was the case for 9+3 update, the majority of the difference between the increase reflected in the Company's original January 2018 filing and the amount reflected in the 12+0 update is due to the fact that the Company has already implemented interim rates that reflect certain reductions due to the change in the federal tax law.

As we have noted before, bills for a typical residential customer who receives both electric and gas service from PSE&G are more than 20% lower than they were at the conclusion of the Company's previous base rate case in 2010 and are among the lowest of New Jersey's electric and gas utilities. The Company has been able to achieve these results as a result of the execution of a very successful strategy of cost mitigation and expense control. Nonetheless, the Company has invested substantial capital to maintain, upgrade, and harden its electric and gas distribution systems that has not been reflected in rates, and as a consequence, PSE&G's current rates do not reflect an adequate return on the capital invested for the benefit of electric and gas customers. The modest rate increases reflected in this 12+0 update filing are fully justified to enable the Company to recover the costs associated with investments made to enhance and maintain its electric and gas distribution networks and provide customers with safe, adequate, reliable, and proper utility service.

Due to its voluminous nature, this filing will be submitted in electronic format, will be posted on the PSE&G website, and paper copies will be provided as indicated on the Service

⁴ *In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017 et al.*, BPU Docket Nos. AX18010001 and ER18030231, Order (March 26, 2018).

⁵ The Company's initial filing was based on a test year ending June 30, 2018 as adjusted for certain known and measurable post-test year adjustments and reflected five months of actual and seven months of forecast data for the test year.

⁶ The Company's 12+0 update reflects proposed increases of approximately \$147 million in annual electric revenues and \$125 million in annual gas revenues.

List. Mr. Kreuger's confidential schedules RCK 6A R-2 and RCK 6B R-2 will be provided to those who have signed the confidentiality agreement.

Please contact the undersigned if you require further information concerning this filing.

Respectfully submitted,



By:

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Dated: August 8, 2018

cc: Aida Camacho-Welch, Secretary
Attached Service List