

# NOTICE TO PUBLIC SERVICE ELECTRIC AND GAS COMPANY GAS CUSTOMERS

## IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE NEXT PHASE OF THE GAS SYSTEM MODERNIZATION PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM ("GSMP II")

### Notice of Filing and Notice of Public Hearings | BPU Docket No.: GR17070776

**TAKE NOTICE** that, on July 27, 2017, Public Service Electric and Gas Company (Public Service, PSE&G, the Company) filed a Petition and supporting documentation with the New Jersey Board of Public Utilities (Board, BPU). The Company is seeking Board approval to implement and administer an extension to PSE&G's Gas System Modernization Program (GSMP II or the Program) and to approve an associated cost recovery mechanism.

PSE&G seeks Board approval to invest up to \$2.68 billion in Program investments across its gas service territory over the duration of the Program. The implementation of the GSMP II program will complete projects to replace cast iron mains and unprotected steel mains and services; address the abandonment of district regulators associated with this cast iron and unprotected steel plant; rehabilitate large-diameter elevated pressure cast iron; upgrade utilization pressure portions of the system to elevated pressure; replace limited amounts of protected steel and plastic mains; and relocate inside meter sets. At this time, the Company anticipates these expenditures will result in the replacement of approximately 870 miles of Utilization Pressure Cast Iron (UPCI), 130 miles of Elevated Pressure Cast Iron (EPCI), 200 miles of unprotected/bare steel mains, 50 miles of cathodically-protected steel and plastic main, and the reinforcement of approximately 4,000 EPCI, large-diameter bell joints. Main replacement will result in approximately 266 abandoned district regulators, replacement of approximately 99,200 unprotected steel services, and the relocation of approximately 70,900 inside meter sets to the outside.

In conjunction with the implementation of the Program, PSE&G will seek Board approval to recover in base rates the revenue increases associated with the capital investment costs of the GSMP II. While the Company is not seeking an increase at this time, PSE&G is seeking to recover a return on and return of its investments through semi-annual adjustments to its base rates beginning on June 1, 2020. The Company estimates that the rate change effective June 1, 2020, would increase rates by approximately \$41.2 million to recover approximately \$362.2 million in investments. This rate change is only an estimate at this time and is subject to change.

For illustrative purposes, the June 1, 2020, estimated base rates including New Jersey Sales and Use Tax (SUT) for residential Rate Schedule RSG is shown in Table #1. Table #2 provides customers with the approximate effect of the proposed change in base rates relating to the Program, if approved by the Board, effective June 1, 2020. The annual percentage increase applicable to specific customers will vary according to the applicable rate schedule and the level of the customer's usage.

Under the Company's proposal, a residential gas heating customer using 100 therms per month during the winter months and 610 therms on an annual basis would see an initial increase in the annual bill from \$548.68 to \$562.52, or \$13.84 or approximately 2.52%. Also, a typical residential gas heating customer using 165 therms per month during the winter months and 1,010 therms on an annual basis would see an initial increase in the annual bill from \$862.68 to \$885.54, or \$22.86 or approximately 2.65%. The approximate effect of the proposed gas base rate change on typical gas residential monthly bills, if approved by the Board, is illustrated in Table #3.

Based upon current projections and assuming full implementation of the complete Program as proposed, the anticipated incremental annual bill impact for the typical residential gas heating

customer using 1,010 therms annually would be: \$22.86 or approximately 2.65% effective 6/1/2020; \$17.52 or approximately 2.03% effective 12/1/2020; \$17.08 or approximately 1.98% effective 6/1/2021; \$17.56 or approximately 2.04% effective 12/1/2021; \$17.12 or approximately 1.98% effective 6/1/2022; \$17.54 or approximately 2.03% effective 12/1/2022; \$17.14 or approximately 1.99% effective 6/1/2023; \$17.92 or approximately 2.08% effective 12/1/2023; \$24.54 or approximately 2.84% effective 10/1/2024.

Tables #4 & #5 provide customers with the estimated incremental and cumulative rate impacts of the Program to typical and class average customers for Residential, Commercial, and Industrial classes, respectively. The annual percentage increase applicable to specific customers will vary according to the applicable rate schedule and the level of the customer's usage. It is anticipated that the Company will make semi-annual filings each year of the Program to request the Board's approval to implement that Program Year's revenue requests. The Board's decisions may increase or decrease the percentages shown.

Any rate adjustments with resulting changes in bill impacts found by the Board to be just and reasonable as a result of the Company's filing may be modified and/or allocated by the Board in accordance with the provisions of N.J.S.A. 48:2-21 and for other good and legally sufficient reasons to any class or classes of customers of the Company. Therefore, the described charges may increase or decrease based upon the Board's decision.

Copies of the Company's filing are available for review by the public at the Company's Customer Service Centers, online at the PSEG website at <http://www.pseg.com/pseandgfilings> and at the Board of Public Utilities at 44 South Clinton Avenue, Seventh Floor, Trenton, New Jersey 08625-0350.

The following dates, times and locations for public hearings have been scheduled on the Company's filing so that members of the public may present their views. Information provided at the public hearings will become part of the record of this case and will be considered by the Board in making its decision.

<p><b>January 17, 2018</b> <i>(Alternate date is January 24, 2018, if January 17 hearing cancelled due to inclement weather)</i> <b>4:00 and 5:30 PM</b> Middlesex County Administration Building Freeholders Meeting Room 1st Floor Meeting Room 75 Bayard Street New Brunswick, NJ 08901</p>	<p><b>January 18, 2018</b> <i>(Alternate date is January 23, 2018, if January 18 hearing is cancelled due to inclement weather)</i> <b>4:00 and 5:30 PM</b> Burlington County Administration Building Board of Chosen Freeholders Board Room 1st Floor 49 Rancocas Road Mt. Holly, New Jersey 08060</p>	<p><b>January 25, 2018</b> <i>(Alternate date is February 6, 2018, if January 25 hearing cancelled due to inclement weather)</i> <b>4:00 and 5:30 PM</b> Bergen County Administration Building Freeholders Public Meeting Room Room 540 1 Bergen County Plaza Hackensack, NJ 07601</p>
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In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, such as interpreters, listening devices or mobility assistance, no less than 48 hours prior to the above hearings to the Board's Secretary at the following address.

Customers may also file written comments with the Secretary of the Board of Public Utilities at 44 South Clinton Avenue, Third Floor, Suite 314, P.O. Box 350, Trenton, New Jersey 08625-0350 ATTN: Secretary Irene Kim Asbury whether or not they attend the public hearings. To review PSE&G's rate filing, visit <http://www.pseg.com/pseandgfilings>.

**Table #1 - BASE RATES For Residential RSG Customers Rates if Effective June 1, 2020**

Rate Schedule			Base Rates	
			Charges in Effect July 10, 2017 Including SUT	Estimated Charges Including SUT
RSG	Service Charge	per month	\$5.84	\$5.84
	Distribution Charge	\$/Therm	0.328980	0.351773
	Off-Peak Use	\$/Therm	0.164490	0.175886
	Basic Gas Supply Service-RSG (BGSS-RSG)	\$/Therm	0.339408	0.339186

**Table #2 - Proposed Percentage Change in Revenue by Customer Class For Gas Service For Rates if Effective June 1, 2020**

	Rate Class	Percent Change
Residential Service	RSG	2.60
General Service	GSG	1.86
Large Volume Service	LVG	1.32
Street Lighting Service	SLG	3.07
Firm Transportation Gas Service	TSG-F	1.17
Non-Firm Transportation Gas Service	TSG-NF	0.61
Cogeneration Interruptible Service	CIG	0.77
	Overall	2.02

The percent increases noted above are based upon July 10, 2017 Delivery Rates, the applicable Basic Gas Supply Service (BGSS) charges, and assumes that customers receive commodity service from Public Service Electric and Gas Company.

**Table #3 - Residential Gas Service For Rates if Effective June 1, 2020**

If Your Annual Therm Use Is:	And Your Monthly Winter Therm Use Is:	Then Your Present Monthly Winter Bill (1) Would Be:	And Your Proposed Monthly Winter Bill (2) Would Be:	Your Monthly Winter Bill Change Would Be:	And Your Monthly Percent Change Would Be:
180	25	\$25.66	\$26.22	\$0.56	2.18%
360	50	45.51	46.64	1.13	2.48
610	100	86.89	89.15	2.26	2.60
1,010	165	139.59	143.32	3.73	2.67
1,224	200	167.96	172.47	4.51	2.69
1,836	300	249.01	255.79	6.78	2.72

(1) Based upon Delivery Rates and Basic Gas Supply Service (BGSS-RSG) charges in effect July 10, 2017, and assumes that the customer receives commodity service from Public Service.

(2) Same as (1) except includes change for GSMP II Base Rate Adjustments.

**Table #4 - Projected Incremental Percent Change From Annual Bills Effective July 10, 2017**

Rate Class	Forecasted % Increase 6/1/2020	Forecasted % Increase 12/1/2020	Forecasted % Increase 6/1/2021	Forecasted % Increase 12/1/2021	Forecasted % Increase 6/1/2022	Forecasted % Increase 12/1/2022	Forecasted % Increase 6/1/2023	Forecasted % Increase 12/1/2023	Forecasted % Increase 10/1/2024
RSG	2.65%	2.03%	1.98%	2.04%	1.98%	2.03%	1.99%	2.08%	2.84%
GSG	1.84%	1.43%	1.38%	1.42%	1.39%	1.42%	1.38%	1.45%	1.98%
LVG	1.32%	1.02%	0.99%	1.01%	0.98%	1.01%	0.98%	1.03%	1.40%
TSG-F	1.11%	0.86%	0.83%	0.86%	0.83%	0.86%	0.84%	0.89%	1.21%
TSG-NF	0.73%	0.56%	0.54%	0.56%	0.54%	0.56%	0.54%	0.57%	0.77%
CIG	0.79%	0.61%	0.58%	0.61%	0.58%	0.60%	0.58%	0.62%	0.84%

The percent increases noted above are based upon Delivery Rates in effect July 10, 2017, and the applicable Basic Gas Supply Service (BGSS) charges and assumes customers receive commodity service from Public Service Electric and Gas Company. It is anticipated that the Company will make semi-annual filings each year of the Program to request the Board's approval to implement that Program Year's revenue requests. The Board's decisions may increase or decrease the percentages shown above.

**Table #5 - Projected Cumulative Percent Change From Annual Bills Effective June 1, 2020**

Rate Class	Forecasted Cumulative % Increase 6/1/2020	Forecasted Cumulative % Increase 12/1/2020	Forecasted Cumulative % Increase 6/1/2021	Forecasted Cumulative % Increase 12/1/2021	Forecasted Cumulative % Increase 6/1/2022	Forecasted Cumulative % Increase 12/1/2022	Forecasted Cumulative % Increase 6/1/2023	Forecasted Cumulative % Increase 12/1/2023	Forecasted Cumulative % Increase 10/1/2024
RSG	2.65%	4.68%	6.66%	8.70%	10.68%	12.71%	14.70%	16.78%	19.62%
GSG	1.84%	3.27%	4.65%	6.07%	7.46%	8.89%	10.27%	11.72%	13.70%
LVG	1.32%	2.34%	3.32%	4.34%	5.32%	6.33%	7.31%	8.33%	9.73%
TSG-F	1.11%	1.98%	2.81%	3.68%	4.51%	5.38%	6.22%	7.10%	8.31%
TSG-NF	0.73%	1.29%	1.83%	2.39%	2.94%	3.49%	4.04%	4.60%	5.37%
CIG	0.79%	1.39%	1.98%	2.59%	3.17%	3.77%	4.36%	4.97%	5.81%

The percent increases noted above are based upon Delivery Rates in effect July 10, 2017, and the applicable Basic Gas Supply Service (BGSS) charges and assumes customers receive commodity service from Public Service Electric and Gas Company. It is anticipated that the Company will make semi-annual filings each year of the Program to request the Board's approval to implement that Program Year's revenue requests. The Board's decisions may increase or decrease the percentages shown above. The cumulative totals in Table #5 may not agree to Table #4 due to rounding.



PUBLIC SERVICE ELECTRIC AND GAS COMPANY

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