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CASE MANAGEMENT



OCT 15 2018

October 11, 2018

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

IN THE MATTER OF THE PETITION OF  
PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
FOR APPROVAL OF ITS CLEAN ENERGY FUTURE-ENERGY  
EFFICIENCY ("CEF-EE") PROGRAM ON A REGULATED BASIS

BPU Docket No. *GO18101112*  
*EO18101113*

VIA BPU E-FILING SYSTEM & HARD COPY

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Aida Camacho-Welch, Secretary of the Board  
Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Trenton, New Jersey 08625

OCT 15 2018

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

Dear Secretary Camacho-Welch:

Enclosed for filing are the original and two copies of the Verified Petition of Public Service Electric and Gas Company ("PSE&G" or the "Company") in the above-entitled matter, along with the attachments and appendix thereto. PSE&G originally filed this matter with the Board of Public Utilities ("BPU" or the "Board") on September 26, 2018, along with its Clean Energy Future – Electric Vehicle and Energy Storage ("CEF-EVES") and Clean Energy Future – Energy Cloud ("CEF-EC") Programs. However, per the BPU's request, PSE&G is now filing these three Clean Energy Future Programs separately, with their own petitions and docket numbers.

PSE&G's Clean Energy Future filings in the aggregate will: (1) make New Jersey a national leader in energy efficiency; (2) seed a market to support electric vehicle adoption; (3) begin exploring the potential of energy storage applications; and (4) enable a number of customer, community, and company smart energy capabilities, including advanced metering infrastructure in PSE&G's electric service territory that will, among other customer benefits, improve outage response. These programs support the State's vision for achieving 100% clean energy by 2050 by proposing a new clean energy paradigm where the utilities and the State, through the Board, work together to reduce customers' energy bills, create "green" jobs, and lower greenhouse gas emissions, while also modernizing the electric grid, increasing its resiliency, and enhancing the overall utility experience for PSE&G customers.

While energy efficiency is regularly recognized as the lowest cost energy resource, New Jersey has recently not fared well, ranking 29<sup>th</sup> in electric savings achieved according to the 2018

*cms* RPA  
*Legal* S. Peterson  
*DAE*



American Council for an Energy-Efficient Economy Scorecard, and achieving less than one-seventh the energy savings being achieved in states like Massachusetts. However, the State is poised to change New Jersey's ranking amongst its peers, with a strong commitment to energy efficiency that was most recently reflected in the recently enacted Clean Energy Law (P.L. 2018, c. 17) and its requirement that utilities reduce gas and electric usage by their customers. The CEF-EE Program is consistent with this new law, achieving much of the 2% annual electric usage savings and 0.75% annual gas usage savings targeted therein. The CEF-EE Program is filed pursuant to *N.J.S.A. 48:3-98.1* (referred to as the "RGGI Law").

Consideration of the CEF-EE Program at this time, at the outset of the Board's implementation of the Clean Energy Law, is appropriate because that implementation will be more efficient and informed through review, with input from all interested stakeholders, of the practical energy efficiency measures and programmatic approach set forth in the CEF-EE filing. Moreover, while PSE&G through its CEF-EE filing proposes that following a transition period, it will be the exclusive provider of regulated energy efficiency programs in its service territory, the Office of Clean Energy must continue to play a critical role in oversight, standard setting, and ensuring consistency in implementation of energy efficiency programs throughout the State, where appropriate

Regarding the other elements of PSE&G's Clean Energy Future initiative, New Jersey also has an opportunity to jumpstart the electric vehicle industry in the state, in accordance with its goals. In New Jersey, every electrically "fueled" mile is 70% cleaner than an average mile fueled by gasoline. Electric vehicles offer a unique opportunity to improve local air quality and reduce greenhouse gas emissions in the transportation sector. The separately docketed CEF-EVES Program supports the installation of 40,000 charging stations, which will help reduce customer concern regarding lack of electric vehicle charging options in the state, thereby supporting increased electric vehicle adoption while also supporting efficient grid operations. The CEF-EVES Program also supports electric school buses for our local school districts and vehicle electrification in ports and other environmental justice regions.

Energy storage is another emerging market that also offers tremendous potential to change the way the distribution system operates and is managed. However, the cost and space necessary to support energy storage have always been limiting factors. As the industry gradually removes these barriers, utilities need to be ready to install energy storage. The CEF-EVES Program supports the deployment of 35 MW of energy storage projects, which will help the state begin to reach the energy storage goals set forth in the new Clean Energy Law.

Finally, all of these clean energy investments, and PSE&G's customers' ability to take full advantage of these technologies, require a firm foundation of support. Therefore, PSE&G is also including, in a separate filing, an advanced electric metering infrastructure proposal -- contained within its CEF-EC Program -- to support outage management in storms, but also to provide the Company with the "eyes and ears" it needs to optimize the distribution system and ensure effective integration of solar and other renewable energy technologies. A total of approximately 2.2 million electric smart meters will be deployed to all customers across our service territory under an accelerated roll-out. The data and two-way communication network

associated with these advanced meters will also support a new customer experience, which will include smart home and energy solutions for customers. The CEF-EC Program is being filed pursuant to the Board's Infrastructure Investment Program regulations, and in accordance with Recommendation #12 of BPU Staff's July 25, 2018 report following the March 2018 Nor'easters.

The energy industry is at a crossroads. Increased storm intensity, changing customer demands associated with the information and digital era in which we live, and the continued threat of climate change are some of the serious challenges facing the industry. In New Jersey, these challenges are even more pronounced as the state is behind many of its peers in terms of its energy efficiency activity, electric vehicle charging infrastructure, advanced meter infrastructure deployment, and even its outdated regulatory model that keeps utility earnings aligned with energy sales. The Clean Energy Future filings offer an opportunity for New Jersey to turn the page, and establish itself as a global leader in addressing the challenges facing our industry and the state.

In support of PSE&G's CEF-EE Petition, attached and filed herewith are the Direct Testimonies and Schedules of the following witnesses.

<b><u>Attachment</u></b>	<b><u>Witness</u></b>	<b><u>Area of Responsibility</u></b>
1	Karen Reif, Vice President, Renewables and Energy Solutions, PSE&G	Energy efficiency
2	Stephen Swetz, Senior Director, Corporate Rates and Revenue Requirements, PSEG Services Corporation	Revenue requirements, cost recovery methodology, and rate design
3	Daniel Hansen, Vice President, Christensen Associates Energy Consulting, LLC	A proposal to address recovery of lost revenues



PSE&G respectfully requests that the Board retain jurisdiction over this CEF-EE filing. Attached to the testimony of Karen Reif (Attachment 1) concerning the CEF-EE Program is a workpaper that contains confidential information. This workpaper will be furnished to BPU Staff and the Division of Rate Counsel upon execution of a Confidentiality Agreement, which is provided herewith for execution. Copies of the Petition and supporting documentation will be served upon all entities legally required to be noticed.

We look forward to the opportunity to actively participate in these upcoming proceedings and putting New Jersey on a path to a Clean Energy Future.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matthew Weissman".

Matthew M. Weissman

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C Attached Service List (E-Mail Only)



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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF	)	
PUBLIC SERVICE ELECTRIC AND GAS	)	<b><u>PETITION</u></b>
COMPANY FOR APPROVAL OF ITS	)	
CLEAN ENERGY FUTURE-ENERGY EFFICIENCY	)	BPU Docket No. _____
PROGRAM ON A REGULATED BASIS	)	

**I. INTRODUCTION**

Public Service Electric and Gas Company ("PSE&G" or the "Company"), a corporation of the State of New Jersey, having its principal offices at 80 Park Plaza, Newark, New Jersey, respectfully petitions the New Jersey Board of Public Utilities ("Board" or "BPU") pursuant to N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, N.J.S.A. 48:3-98.1, and any other statute or regulation the Board deems applicable, as follows:

1. Petitioner is a public utility engaged in the distribution of electricity and the provision of electric Basic Generation Service ("BGS"), and the distribution of gas and the provision of Basic Gas Supply Service ("BGSS"), for residential, commercial, and industrial purposes within New Jersey. PSE&G provides service to approximately 2.2 million electric and 1.8 million gas customers in an area having a population of approximately six million people, which extends from the Hudson River opposite New York City, southwest to the Delaware River at Trenton and south to Camden, New Jersey.

2. PSE&G is subject to regulation by the Board for the purposes of setting its retail distribution rates and to assure safe, adequate, and reliable electric distribution and natural gas distribution service pursuant to N.J.S.A. 48:2-21 et seq.

3. Through this Petition and the accompanying schedules and testimonies, PSE&G seeks BPU approval for the Clean Energy Future – Energy Efficiency Program ("CEF-EE



Program”) which, along with two other programs being filed at this time by PSE&G under separate petitions and docket numbers, forms the basis for a clean and resilient energy future. The CEF-EE Program will significantly expand PSE&G’s energy efficiency deployment in its service territory beyond current levels, in order for the State to meet its clean energy objectives.

4. This Program, along with the other programs, will form a Clean Energy Future for New Jersey. This CEF-EE Program in particular will further the State’s goals by, among other benefits: (a) lowering energy consumption and customer bills; (b) reducing greenhouse gas emissions; and (c) creating “green jobs.” Taken together, these programs will allow New Jersey to take the first steps toward becoming a leader in the development of a Clean Energy Future. Consideration of these Programs at this time, at the outset of the Board’s implementation of the Clean Energy Law, P.L. 2018, c. 17, is appropriate because that implementation will be more efficient and informed through review, with input from all interested stakeholders, of the practical energy efficiency measures and programmatic approach set forth in this filing. Moreover, while PSE&G through this filing proposes that following a transition period, it will be the exclusive provider of regulated energy efficiency programs in its service territory, the Office of Clean Energy must continue to play a critical role in oversight, standard setting, and ensuring consistency in implementation of energy efficiency programs throughout the State, where appropriate.

## **II. THE CEF – EE PROGRAM**

### **A. CEF-EE Background**

5. Pursuant to Section 13 of P.L. 2007, c. 340 (the “RGGI Law”), codified in part as N.J.S.A. 48:3-98.1(a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis. An electric or gas public utility’s investment in energy efficiency and conservation programs is

eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms. N.J.S.A. 48:3-98.1(b). In addition, the Clean Energy Law, which Governor Murphy signed into law on May 23, 2018, requires each utility to implement energy efficiency measures to reduce electricity usage by 2% and natural gas usage by 0.75%, and requires that a utility shall include in an annual petition for cost recovery the revenue impact of sales losses resulting from the implementation of those measures.<sup>1</sup>

6. PSE&G has made several energy efficiency filings pursuant to Section 13 of the RGGI Law, including:

- On June 23, 2008, PSE&G filed a petition with the Board seeking approval of its Carbon Abatement Program, which the BPU approved by Order dated December 16, 2008;<sup>2</sup>
- On January 21, 2009, PSE&G filed a petition with the Board seeking approval of its Energy Efficiency Economic Stimulus Program (“EEE Program”), which the BPU approved by Order dated July 16, 2009;<sup>3</sup>
- On January 24, 2011, PSE&G filed a petition with the Board seeking approval to extend three of the EEE subprograms (*i.e.*, Multifamily Housing, Government/Municipal/Non-Profit Direct Install, and Hospital Efficiency), which the BPU approved on July 14, 2011;<sup>4</sup>
- On August 8, 2014, PSE&G filed a petition with the Board seeking a further extension of the three EEE subprograms with certain modifications, which the BPU approved on April 15, 2015;<sup>5</sup> and

<sup>1</sup> P.L. 2018, c. 17, § 3(a) and (e)(1).

<sup>2</sup> *In the Matter of the Petition of Public Service Electric and Gas Company Offering a Carbon Abatement Program in its Service Territory on a Regulated Basis and Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1*, BPU Docket No. EO08060426, Order (Dec. 16, 2008).

<sup>3</sup> *In the Matter of the Petition of Public Service Electric and Gas Company Offering an Energy Efficiency Economic Stimulus Program in its Service Territory on a Regulated Basis and Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1*, BPU Docket No. EO09010058, Decision (July 16, 2009).

<sup>4</sup> *In the Matter of the Petition of Public Service Electric and Gas Company for an Extension of Three Sub-Components of its Energy Efficiency Economic Stimulus Program in its Service Territory on a Regulated Basis and Associated Cost Recovery and for Changes in the Tariff for Electric Service, B.P.U.N.J. No. 15 Electric and the Tariff for Gas Service, B.P.U.N.J. No. 15 Gas, Pursuant to N.J.S.A. 48:2-21, 48:2-21.1, and 48:3-98.1*, BPU Docket No. EO11010030, Decision and Order (July 14, 2011).

<sup>5</sup> *In the Matter of the Petition of Public Service Electric and Gas Company to Continue its Energy Efficiency Economic Extension Program on a Regulated Basis (“EEE Extension II”)*, BPU Docket No. EO14080897, Order Adopting Stipulation



- On March 3, 2017, PSE&G filed a petition with the Board seeking a further extension of the three EEE subprograms with certain modifications, along with a request for two new subprograms (*i.e.*, smart thermostats and a data analytics pilot). The Board approved this filing on August 23, 2017.<sup>6</sup>

7. As with the Company's Carbon Abatement Program, as well as the original EEE Program filing and its three extensions, the CEF-EE Program is being filed pursuant to Section 13 of the RGGI Law. The RGGI Law sets forth the New Jersey Legislature's findings that energy efficiency and conservation measures must be essential elements of the state's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to New Jersey citizens. The Legislature has also found and declared that public utility involvement and competition in the conservation and energy efficiency industries are essential to maximize efficiencies. *See* N.J.S.A. 26:2C-45.

#### **B. CEF-EE Procedural Matters**

8. Pursuant to the legislative authority set forth in the RGGI Law, on May 8, 2008, the Board issued an Order (the "May 2008 Order") that allows electric and gas public utilities to offer energy efficiency and conservation programs on a regulated basis, provided that the utility files a petition and obtains BPU approval for such programs and the associated mechanism for program cost recovery.<sup>7</sup> In the May 2008 Order, the Board also established minimum filing requirements ("MFRs") that require the submission of certain information with the petition, as

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(Apr. 15, 2015).

<sup>6</sup> *In the Matter of the Petition of Public Service Gas and Electric Company for Approval of its Energy Efficiency 2017 Program and Recovery of Associated Costs ("17 EE Program")*, BPU Docket No. EO17030196, Order Adopting Stipulation (Aug. 23, 2017).

<sup>7</sup> *Decision, I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, And Offering Class I Renewable Energy Programs In Their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1*, BPU Docket No. EO08030164, Order Pursuant to N.J.S.A. 48:3-98.1(c) (May 8, 2008).

revised by the Board's October 20, 2017 Order in BPU Docket No. QO17091004. In this case, please see Appendix A for the location of all CEF-EE MFRs attached to this Petition.

9. The May 2008 Order also requires a utility to meet with BPU Staff and Rate Counsel at least 30 days prior to filing its energy efficiency petition to discuss: (a) the nature of the energy efficiency program; (b) the program cost recovery mechanism to be proposed in the petition; and (c) the MFRs to be submitted along with the petition. *See* May 2008 Order, at p. 6.

10. On May 3, 2018, a 30-day pre-filing meeting was conducted with BPU Staff and Rate Counsel in connection with this matter and in accordance with the May 2008 Order. For informational purposes the proposed CEF-EVES Program, which is being filed at this time under a separate petition and docket number, was also discussed at that meeting.

11. Under the RGGI Law, once a petition has been filed with the Board, Board Staff shall have 30 days, commencing on the date the petition was filed, to determine whether the petition is administratively complete and to so advise the utility in writing. If BPU Staff determines that the petition is not administratively complete, it shall set forth the deficiencies and the items required to remedy the deficiencies. *See* May 2008 Order, at p. 6. PSE&G respectfully requests that BPU Staff conduct its administrative completeness assessment of the CEF-EE portion of this Petition at this time.

12. PSE&G's CEF-EE filing is being submitted pursuant to Section 13 of the RGGI Law and the Board's May 2008 Order (as modified by the October 20, 2017 Order), which allot the BPU 180 days from the date of an energy efficiency filing to review and approve any such filing submitted thereunder once the Board determines that the filing has met the MFRs. *See* N.J.S.A. 48:3-98.1(b); May 2008 Order, at p. 6.

13. Consistent with prior reviews of PSE&G's energy efficiency and renewable energy offerings, as well as reviews of similar N.J.S.A. 48:3-98.1 offerings by other electric and gas utilities, the Company also requests that the Board retain jurisdiction of this matter and not transfer the filing to the Office of Administrative Law once Board Staff determines that the CEF-EE Program is in compliance with the MFRs. PSE&G looks forward to the opportunity to work with all parties to arrive at a mutually acceptable resolution of any issues that may arise in this proceeding. As stated in the May 2008 Order, "[t]he Board encourages all interested parties to work toward a settlement for the Board's consideration before expiration of the 180 day period." *See* May 2008 Order, at p. 5.

**C. CEF-EE Program Description**

14. The CEF-EE Program consists of 22 subprograms, including seven residential subprograms, seven commercial and industrial ("C&I") subprograms, and eight pilot subprograms. The various pilot subprograms consist of PSE&G implementing and managing select, highly advanced approaches to energy efficiency that after the pilot phase may support future energy efficiency programs in New Jersey. Customers in PSE&G's electric and/or gas service territory who meet the criteria for the respective CEF-EE subprogram offerings will be eligible to participate in them. The CEF-EE Program has an emphasis on the following hardest to reach sectors: low income, multi-family, small business, and local government.

15. The proposed residential subprograms will work together to significantly upgrade efficiency in homes throughout PSE&G's service territory. All sub-segments are addressed, from new construction and refurbishments; to promoting and incentivizing new equipment and providing easily accessible channels for such purposes; to direct installation and other support



for multi-family and low income customers. Where needed, additional customer support is provided through on-bill repayment and other incentives. To change the culture of energy use and efficiency in its territory, PSE&G will sponsor programs in schools and through education and behavioral programs.

16. A detailed description of the 22 subprograms is set forth in the Direct Testimony of Karen Reif, Vice President, Renewables and Energy Solutions (Attachment 1 to this Petition), and Schedule KR-CEF-EE-2. A summary of the CEF-EE subprograms is as follows:

Subprogram	Description
Residential Efficient Products	Rebates and on-bill repayment for HVAC, smart thermostats, appliances, lighting, and other equipment
Residential Existing Homes	Rebates and on-bill repayment for energy audit, direct install of efficient equipment, and broader weatherization / appliance replacement services
Residential Behavioral	Data analytics, home energy reports, and online energy audits
Residential K-12 Education	Curriculum to teach energy efficiency and a take-home kit with efficient products
Residential New Construction	Rebates to builders and owners for new construction meeting energy efficiency standards
Residential Multi-Family	Energy audit and direct install of efficient equipment at no charge to tenants
Residential Income Eligible	Energy audit, direct install of efficient equipment, and broader weatherization / appliance replacement services at no charge
C&I Prescriptive	Rebates and on-bill repayment for HVAC, lighting, motors & drives, refrigeration, water heaters, air compressors, and food service equipment
C&I Custom	Custom incentives for large energy efficiency projects, including on-bill repayment
C&I Small Non-Residential Efficiency	Rebates & on-bill repayment for direct-installed EE measures to small non-residential customers of lighting, controls, refrigeration, heating and air conditioning upgrades, and similar measures
C&I New Construction	Rebates to builders and owners for new construction meeting energy efficiency standards

Subprogram	Description
C&I Energy Management	Retro-commissioning and Strategic Energy Management: optimizing existing systems with little to no equipment upgrades
C&I Engineered Solutions	Whole-building engineered energy saving solutions to hospitals, school districts, universities, municipalities, apartment buildings and other non-profit and public entities
C&I Streetlight	Replacement of HPS with LED luminaires and smart cities pilot
Emerging Technologies & Approaches	Funding and support to identify, demonstrate, and deploy the next generation of energy efficiency technologies
Energy Efficiency as a Service Pilot	Monthly service contracts, incentives, and extensive guidance on energy efficient building equipment and software
Smart Homes Pilot	Automated and personalized savings measures using an ecosystem of energy efficient devices and technologies working in coordination
Non-Wires Alternative Pilot	Defer or replace the need for electric infrastructure upgrades through the extensive deployment of energy efficiency and demand response resources
Non-Pipes Solution Pilot	Defer or replace the need for gas infrastructure upgrades through the extensive deployment of energy efficiency and demand response resources
Volt Var Pilot	Smart-grid technology to automate control of the electric power distribution grid to reduce energy consumption, peak demand, and system losses, and enable more solar
Business Energy Reports Pilot	Data analytics, home energy reports and online energy audits for businesses
Building Operator Certification Pilot	Training program for building operations staff responsible for energy-using equipment

17. PSE&G engaged Gabel Associates to complete a cost-benefit analysis and analyze the cost effectiveness of the CEF-EE Program using all five cost-benefit analysis tests required by the MFRs, where applicable. This analysis demonstrates that the CEF-EE Program is valuable and should be approved by the Board. Overall, the CEF-EE Program is cost effective with a Societal Cost Test (“SCT”) result of 3.7, with all subprograms resulting in benefits that exceed costs. The SCT provides the most comprehensive approach to determining cost effectiveness and should be the primary measure used to determine the cost effectiveness of the



CEF-EE Program. As explained further by Ms. Reif, the SCT quantifies a broader range of societal impact factors such as environmental and economic benefits. In addition, the CEF-EE Program results in a TRC test result of 1.0, although this should not be the ultimate governing test by which to measure the costs and benefits of the CEF-EE Program. The Clean Energy Law emphasizes the importance of measuring cost benefit by reference to environmental and economic benefits (*see* N.J.S.A. 48:3-87(g)-(h)), as does the Offshore Wind Economic Development Act of 2010 (*see* N.J.S.A. 48:3-87.1(a)(10)). The results of the cost-benefit analysis are reflected in Attachment 1, Schedule KR-CEF-EE-2, Appendix E.

18. A cost-benefit analysis was not conducted for the pilot subprograms in accordance with MFR Section I.e. Pursuant to MFR Section I.e., compliance with Part V of the MFRs was not feasible for these subprograms. The pilot subprograms represent novel ideas and are consistent with the types of programs that historically were excluded from the requirement to perform a cost-benefit analysis. These programs are designed to test new technologies and processes of attaining energy savings, and therefore the quantifiable savings of the pilot subprograms cannot be ascertained. Section 3.3 of Schedule KR-CEF-EE-2 further demonstrates why a cost-benefit analysis was not feasible for the pilot programs. Accordingly, to the extent necessary, in accordance with MFR Section I.e., PSE&G seeks a waiver of compliance with Part V of the MFRs for the pilot subprograms.

**D. CEF-EE Program Benefits**

19. The CEF-EE Program supports the State's objectives, including those reflected in the New Jersey Energy Master Plan ("NJEMP"), the Clean Energy Law, and the New Jersey Global Warming Response Act ("NJGWRA"), by: (a) reducing energy consumption, thereby



lowering participating customers' utility bills; (b) producing environmental benefits; and (c) creating "green jobs" and bolstering New Jersey's clean energy economy.

20. With respect to reducing energy consumption and lowering customers' bills: in total, the proposed CEF-EE Program is expected to reduce energy consumption by approximately 40.6 billion kWh and 675 million therms, resulting in a net reduction in participating customers' energy bills by \$5.7 billion over the life of energy efficiency measures. Once fully implemented, the CEF-EE Program will produce electric savings as a percentage of retail sales in PSE&G's service territory of approximately 1.8% per year, and 6.6% cumulatively by 2025. Gas savings as a percentage of retail sales in PSE&G's service territory will reach 0.8% annually, resulting in a cumulative total reduction of 2.0% by 2025. This more than triples New Jersey's statewide current electric energy efficiency savings of 0.44% and gas energy efficiency savings of 0.26% in 2016.<sup>8</sup>

21. The NJEMP recognizes and supports utility efforts in energy efficiency:

We continue to recognize the value of the EDCs in delivering EE and conservation programs. The EDCs already have access to the potential consumers of these resources through the monthly billing statements, call centers, field offices, and field activities. Billing statements as well as online tools can highlight conservation and EE programs when customers are paying closest attention to the cost of energy in their homes or places of business. With the appropriate education and training, EDC employees can convert routine customer interactions into effective outreach for these programs . . . The LDCs and EDCs have experience developing and implementing EE programs for their customers.<sup>9</sup>

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<sup>8</sup> New Jersey's 2016 net incremental electricity savings as reported in the 2017 State Energy Efficiency Scorecard report issued by the American Council for an Energy-Efficient Economy: <http://aceee.org/sites/default/files/publications/researchreports/u1710.pdf>.

<sup>9</sup> 2011 New Jersey Energy Master Plan (Dec. 6, 2011), at p. 119.

22. With respect to environmental benefits: the CEF-EE Program is expected to reduce carbon dioxide emissions by 24 million tons; sulfur dioxide emissions by 43,000 tons; and nitrogen oxide emissions by 18,000 tons over the life of the measures installed. The emissions savings are the equivalent of removing up to 320,000 cars from New Jersey roads per year. The CEF-EE Program environmental benefits also include:

- helping New Jersey meet its clean energy goals in a manner consistent with the Clean Energy Law's usage reduction requirements; and
- putting New Jersey back on the path to meeting the mandates of the NJGWRA, which requires by 2020 a level of greenhouse gas emissions ("GHG") equal to the 1990 level of GHGs, and further reduction to 80 percent below 2006 levels by 2050.<sup>10</sup>

23. With respect to creating "green jobs:" the CEF-EE Program is expected to increase employment through the creation of approximately 30,000 direct, indirect, and induced job-years.<sup>11</sup> As reflected in Attachment 1, Schedule KR-CEF-EE-2, PSE&G expects the creation of 7.91 direct job-years for every \$1 million spent in energy efficiency in the state.

24. The CEF-EE Program will result in a meaningful reduction in customers' electric and gas usage. Because PSE&G's revenues are based on sales volumes (like most New Jersey utilities' revenues), the CEF-EE Program will cause a meaningful reduction in the Company's revenues.

25. The recovery of lost revenues due to programs like the CEF-EE is standard practice across the country. New Jersey policy has repeatedly supported the recovery of lost revenues caused by energy efficiency programs. Specifically, the RGGI Law states:

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<sup>10</sup> New Jersey Global Warming Response Act, *N.J.S.A. 26:2c-37 et seq.*

<sup>11</sup> The value of job-years is based on the Rutgers report "Analysis for the 2011 Draft New Jersey Energy Master Plan Update" using the factor 7.91 direct jobs per one million dollars in program spend. ([https://nj.gov/emp/docs/pdf/emp\\_creeep\\_report20110412.pdf](https://nj.gov/emp/docs/pdf/emp_creeep_report20110412.pdf)) and the National Renewable Energy Laboratory Jobs and Economic Development Impact Model (<https://www.nrel.gov/analysis/jedi/>).

“[I]nvestment in energy efficiency and conservation programs or Class I renewable energy resources may be eligible for rate treatment approved by the [BPU], including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas.”<sup>12</sup> The Clean Energy Law recognizes that a utility must include as part of its cost recovery “the revenue impact of sales losses resulting from implementation of energy efficiency [programs]”, which the Board shall determine.<sup>13</sup> The Board has approved decoupling mechanisms for two New Jersey gas utilities.<sup>14</sup>

26. The mechanics of lost revenue recovery can be accomplished in more than one manner. The Company designed a decoupling mechanism, called the Green Enabling Mechanism (“GEM”), which would address the issue of lost revenues consistent with the RGGI Law and the Clean Energy Law. PSE&G proposed the GEM in the base rate case it filed on January 12, 2018 (“2018 Rate Case”),<sup>15</sup> and is reintroducing it here for consideration. The Company’s decoupling proposal is discussed further in the testimonies of PSE&G witnesses Daniel Hansen, Ms. Reif, and Stephen Swetz. In the event that the Company’s decoupling proposal is not approved, PSE&G would be open to discussing with the parties another form of decoupling or an annual lost revenue adjustment mechanism.

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<sup>12</sup> See N.J.S.A. 48:3-98.1(b).

<sup>13</sup> P.L. 2018, C. 17, *supra*, at §3(e)(1).

<sup>14</sup> See, e.g., *In the Matter of the Petition of South Jersey Gas Company for Authority to Implement a Conservation and Usage Adjustment* and *In the Matter of the Petition of New Jersey Natural Gas Company for Authority to Implement a Conservation and Usage Adjustment*, BPU Dkt. Nos. GR05121019 (South Jersey Gas) and GR05121020 (New Jersey Natural Gas), Decision and Order Approving Stipulation (Jan. 21, 2010).

<sup>15</sup> *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 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 Dkt. Nos. ER18010029 and GR18010030; OAL Dkt. No. PUC 01151-2018N.



27. Furthermore, following a transition period, the establishment of PSE&G as the exclusive provider of regulated energy efficiency programs that are offered in the Company's service territory is a prerequisite to implementing the CEF-EE Program and satisfying the mandatory usage reduction targets imposed on utilities in the Clean Energy Law. Utilities should not on one hand be required to meet these reduction targets, with penalties if they do not achieve them, and on the other hand be faced with competition in satisfying them from other regulated programs. Amongst other factors, PSE&G's established customer relationships and expertise make it well positioned to implement a program the size and scope of the CEF-EE Program.

**E. CEF-EE Program Expenditures**

28. PSE&G proposes to commit up to \$2.5 billion in CEF-EE Program investment, and proposes a \$283 million expense budget over the six-year term of the program. The projected CEF-EE Program investment and expense budgets, by subprogram where applicable, are reflected in Schedule KR-CEF-EE-2, Appendix B and Schedule KR-CEF-EE-3.

29. The overall CEF-EE Program budget includes all identified costs necessary to deliver the CEF-EE Program including customer incentives, information technology ("IT"), administration, marketing, training, program management, inspections, evaluations, and quality assurance/quality control efforts.

30. PSE&G proposes to commit the aforementioned investment over a period of approximately six years towards the delivery of the 22 subprograms contained in the CEF-EE Program. The six-year period will commence upon Board approval of the CEF-EE Program. Investments related to committed CEF-EE Program participants may occur beyond the

approximate six-year period as a result of long project lead and construction times for certain subprograms. The CEF-EE Program also anticipates expenses related to repayments and program evaluation to extend beyond the six-year period. The proposed extended period for the CEF-EE Program is necessary to provide continuity in the program to facilitate a continuous flow of benefits to participating customers and the state, without the hard starts and stops of shorter term programs. It will allow the Company to efficiently utilize experienced contractors who are already working on existing energy efficiency programs and provide greater certainty and stability for contractors to invest in the labor and resources necessary to support the CEF-EE Program. Furthermore, a long-term energy efficiency program is necessary to comply with the ongoing energy usage reduction targets set forth in the Clean Energy Law.

31. PSE&G proposes the flexibility to transfer funds between CEF-EE subprograms and across program years to respond to market conditions and participant demands to optimize energy savings and program resources. The Company proposes to provide reports to Board Staff and Rate Counsel regarding the CEF-EE Program consistent with the agreed upon way it currently reports on its energy efficiency programs.

**F. CEF-EE Cost Recovery**

32. The Company requests for purposes of the CEF-EE Program that the Board grant approval of recovery of the revenue requirements associated with all CEF-EE Program costs. Cost recovery would be made and tracked via a new CEF-EE Program component (“CEF-EEC”) of the Company’s electric and gas Green Programs Recovery Charge (“GPRC”), which would be filed annually after the proposed initial period. The testimony of Mr. Swetz (Attachment 2 to this Petition) contains the revenue requirement methodology, cost recovery mechanism, and bill impact analysis associated with the CEF-EE Program.

33. PSE&G proposes to earn a return on its net investment in the CEF-EE Program based upon an authorized return on equity (“ROE”) and capital structure including income tax effects. The Company proposes to utilize the latest cost of capital authorized by the Board in a base rate case proceeding. Since the CEF-EE Program is anticipated to commence after Board approval of the Company’s pending 2018 Rate Case, PSE&G is utilizing for forecasting purposes the weighted average cost of capital (“WACC”) submitted in that base rate case. *See* Attachment 2, Schedule SS-CEF-EE-1 for the calculation of the current Pre-Tax WACC utilized in the revenue requirement calculation. Any change in the WACC authorized by the Board in the pending or any subsequent electric, gas or combined base rate case would be reflected in the subsequent monthly revenue requirement calculations. Any changes to current tax rates would also be reflected in an adjustment to the After-Tax WACC. To the extent there are impacts associated with the resolution of the 2018 Rate Case, PSE&G will update the schedules and related information contained in this Petition and supporting testimony.

34. As set forth in more detail in Mr. Swetz’s testimony, the depreciation or amortization of the CEF-EE Program assets will vary depending on the type of asset. The table below summarizes the proposed book recovery and associated tax depreciation and tax treatment applied to the corresponding CEF-EE Program asset classes. PSE&G proposes a 15-year amortization period to align with the weighted average useful life of the measures being installed, with the exception of IT capital expenditures and assets associated with the Street Lighting subprogram. This amortization timeframe also has the benefit of reducing the annual rate impact of the subprograms on ratepayers.



Asset Class	Book Recovery	Tax Amortization / Depreciation	Tax Treatment
Residential and C&I Investment	15 years amort.	100% expense	Flow-Thru
HPS Regulatory Assets	5 years amort.	N/A	Normalization
LED Installation	22 years dep.	7yr MACRS	Proration
Smart Controller	10 years dep.	5yr MACRS	Proration
Smart Cities	7 years dep.	5yr MACRS	Proration
IT Software Investment	5 years amort.	3 yrs. SL	Flow-Thru

35. The expected increase from the electric CEF-EEC for the initial recovery period would be \$0.000514 per kWh without New Jersey Sales and Use Tax ("SUT") (\$0.000548 per kWh with SUT), with an expected maximum increase occurring in the period from October 1, 2029 through September 30, 2030 with a rate of \$0.005626 per kWh without SUT (\$0.005999 per kWh with SUT).

36. PSE&G's typical residential electric customer using 750 kWh in a summer month and 7,200 kWh annually would experience an initial increase in their annual bill of \$4.00, from \$1,233.72 to \$1,237.72, or approximately 0.32% (based upon Delivery Rates and BGS-RSCP charges in effect September 8, 2018, and assuming the customer receives BGS-RSCP service from PSE&G). The expected maximum increase of \$43.20, or approximately 3.50%, is projected to occur in the period from October 2029 to September 2030, based on rates in effect September 8, 2018.

37. The expected increase from the gas CEF-EEC for the initial recovery period would be \$0.000403 per therm without SUT (\$0.000430 per therm with SUT) with an expected

maximum increase occurring in the period from October 1, 2031 through September 30, 2032, with a rate of \$0.018665 per therm without SUT (\$0.019902 per therm with SUT).

38. PSE&G's typical residential gas heating customers using 165 therms in a winter month and 1,010 therms annually would experience an initial increase in their annual bill of \$0.42 from \$879.22 to \$879.64, or approximately 0.05% (based upon current Delivery Rates and BGSS-RSG charges in effect September 8, 2018, and assuming the customer receives BGSS service from PSE&G and not including any BGSS-RSG Bill Credits). The expected maximum increase of \$20.04, or approximately 2.28%, will occur in the period from October 2031 to September 2032, based on rates in effect September 8, 2018.

39. PSE&G has submitted proposed tariff sheets as Attachment 5 (redlined and clean), effective upon issuance of a BPU order, designed to recover the CEF-EE Program costs, which includes carrying charges on the Company's expenditures.

40. The residential customer bill impacts comparing the current and proposed delivery charges are stated in the Typical Residential Bill Impacts and draft CEF-EE Form of Notice of Filing and of Public Hearings set forth in Attachments 6 and 7, respectively.

41. In calculating the monthly interest on net over- and under-recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized, the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor bank credit lines was utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board in PSE&G's pre-tax WACC. The interest amount charged to the CEF-EE Program balances will be computed using the methodology described in Attachment 2, and is the same as the Board-

approved methodology that was specified in the Board's August 23, 2017 Order authorizing the Company's Energy Efficiency 2017 Program.

42. The eligibility and performance rules for the PJM capacity market ("Reliability Pricing Model" or "RPM") continue to evolve and may change over the life of this filing. Given current performance rules and the performance risk to customers, the Company has not assumed any capacity revenues with respect to the CEF-EE Program. To the extent that CEF-EE subprogram measures are eligible to bid, represent an acceptable performance risk to customers, and are cost-effective when considering the costs for measurement and verification ("M&V"), PSE&G will bid these measures in the RPM auctions. All auction proceeds net of M&V and other administrative costs will be credited to ratepayers.

43. The electric CEF-EEC will be applicable to all electric rate schedules on an equal dollar per kilowatt-hour basis for recovery of costs associated with the electric allocation of the CEF-EE Program. The gas CEF-EEC will be applicable to all gas rate schedules on an equal dollar per therm basis for recovery of costs associated with the gas allocation of the CEF-EE Program. The initial CEF-EECs will be based on estimated CEF-EE Program revenue requirements from April 1, 2019 through September 30, 2020. Thereafter, the CEF-EE electric and gas components of the GPRC will be changed as part of the BPU's annual review of the GPRC, incorporating a true-up for actuals and an estimate of the revenue requirements for the upcoming year.

44. PSE&G requests that the rates to be charged to recover all of the CEF-EE Program costs be approved by the Board along with the CEF-EE Program cost recovery mechanism and GEM proposed herein. PSE&G also requests that the Board authorize the Company to implement the rates proposed herein, upon issuance of a written BPU order.



**V. SUPPORTING TESTIMONY AND PUBLIC NOTICE**

45. Below is a table listing the supporting testimony for this Petition and other attachments:

<b>Appendix Letter or Attachment No.</b>	<b>Document Description</b>
A	Location of MFRs – CEF-EE Program
1	Testimony of Karen Reif in support of the CEF-EE Program
2	Testimony of Stephen Swetz describing revenue requirement methodologies, cost recovery mechanisms, and bill impact analysis for the CEF-EE Program
3	Testimony of Daniel Hansen in support of the GEM proposal
4	Accounting Schedules
5	Clean and Redlined Tariff Sheets – GPRC and GEM
6	Typical Residential Customer Bill Impacts – CEF-EE Program
7	Form of Notice of Filing and of Public Hearings – CEF-EE Program

46. The Form of Notice set forth the requested changes to electric and gas rates, where applicable, and will be placed in newspapers having a circulation within the Company's service territory upon receipt, scheduling, and publication of public hearing dates. Public hearings will be held in each geographic area within the Company's service territory, *i.e.*, Northern, Central, and Southern. The Form of Notice will be served on the County Executives and Clerks of all municipalities within the Company's electric and gas service territories upon receipt, scheduling, and publication of public hearing dates.

47. Notice of this filing and two copies of the Petition will be served upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey

07101 and upon the Director, Division of Rate Counsel, 140 East Front Street, 4<sup>th</sup> Floor, Trenton, New Jersey 08625. The Petition and supporting testimony and attachments will also be e-mailed to the persons identified on the service list provided with this filing.

## VI. COMMUNICATIONS

Communications and correspondence related to the Petition should be sent as follows:

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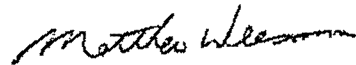
## **VII. CONCLUSION AND REQUESTS FOR APPROVAL**

For all the foregoing reasons, PSE&G respectfully requests that the Board retain jurisdiction of this matter and review and expeditiously issue an order approving the CEF-EE Program, specifically finding that:

1. The CEF-EE Program is in the public interest;
2. The CEF-EE Program, as described herein, is reasonable and prudent;
3. PSE&G is authorized to implement and administer the CEF-EE Program under the terms set forth in this Petition and accompanying Attachments;
4. The cost recovery proposal and mechanism for the CEF-EE Program set forth in this Petition will provide for implementation of just and reasonable rates, and are approved;
5. PSE&G may recover all prudently-incurred costs associated with the CEF-EE Program, on a full and timely basis, under the cost recovery mechanism set forth herein; and
6. PSE&G is authorized to implement the GEM, as described herein, or an alternative form of decoupling or an annual lost revenue adjustment mechanism.

Respectfully submitted.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY



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DATED: October 11, 2018  
Newark, New Jersey

**VERIFICATION**

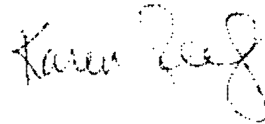
STATE OF NEW JERSEY   )  
   :  
COUNTY OF ESSEX        )

Karen Reif, of full age, being duly sworn according to law, on her oath deposes and says:

1. I am Vice President, Renewables and Energy Solutions of Public Service Electric and Gas Company, the petitioner in the foregoing Petition.

2. I have read the annexed Petition, and the matters and things contained therein are true to the best of my knowledge and belief.

3. Copies of the Petition have been provided to the NJBPU, the Department of Law & Public Safety, and the Division of Rate Counsel.



\_\_\_\_\_  
Karen Reif

Sworn and subscribed to       )  
before me this 10<sup>th</sup> day        )  
of October, 2018                )



