

New Rates *continued*

benefits from the 2017 federal tax law and other tax effects. PSE&G will receive an additional \$212 million in annual revenues, including recovery of storm costs that had been deferred until now, but return \$225 million in tax savings in large part due to tax reform.

“We’re pleased that the BPU approved the agreement we had reached with Board staff, the Division of Rate Counsel and several other parties,” said Dave Daly, PSE&G president and COO. “The agreement will enable us to keep customer bills essentially flat while providing the ability to invest in our electric and gas systems.”

Daly said the agreement reflects the company’s successful efforts to control costs as well as the impacts of recent federal tax reform, the latter of which will produce savings of \$262 million in reduced rates in 2018.

BPU Approves Expansion of NJNG *continued*

food banks to distribute to their clients, helping ensure all customers, particularly senior citizens and low- to moderate-income residents, have access to energy savings.

For commercial and industrial customers, NJNG will:

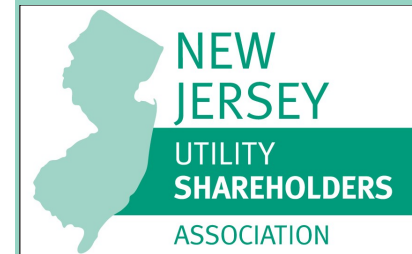
- offer new programs tailored to meet specific customer needs;
- continue support for commercial programs offered under New Jersey’s Clean Energy Program™ (NJCEP);
- introduce “SAVEGREEN on Main,” a new program offering a free energy assessment for qualifying small commercial customers using less than 5,000 therms annually; and
- tailored assistance to help reduce the energy burden for nonprofit organizations and public service entities, such as municipalities, universities, schools and hospitals.

Since 2009, NJNG has invested nearly \$160 million in energy-efficiency programs through SAVEGREEN, generating more than \$392 million in economic activity in its service territory while reducing greenhouse emissions. Over the last decade, nearly 52,000 customers have participated in SAVEGREEN, and the program has grown the green energy economy in New Jersey for the more than 2,600 contractors who have participated in the program.

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NJUSA Insight

BPU Approves Expansion of New Jersey Natural Gas’ Energy-Efficiency Programs

New Jersey Natural Gas (NJNG) has received approval from the New Jersey Board of Public Utilities (BPU) to significantly expand its energy-efficiency programs available through The SAVEGREEN Project® (SAVEGREEN) to help customers better understand and manage their energy usage, reduce greenhouse gas emissions and save money. NJNG can now invest \$135 million over the next three years to provide customized energy solutions to assist residential, government and small commercial customers in saving money on their energy bills.

“Energy efficiency is one of the most effective ways we can help our customers save energy and money, protect our environment and create a

stronger and fairer clean energy economy,” said Steve Westhoven, COO of New Jersey Natural Gas. “We are committed to helping support New Jersey’s clean energy agenda, advancing energy efficiency and providing even more opportunities to help customers save.”

Beginning in January 2019, NJNG will roll out new and expanded programs for the residential and commercial markets, with programs and features available for low- to moderate-income customers and public entities, to help eliminate barriers to energy efficiency and make the benefits accessible to more customers.

For homeowners, the new offerings include:

- Home Energy Reports with easy-to-implement recommendations to reduce consumption and improve energy efficiency;
- a free, online home energy audit to help customers better understand their energy usage and savings opportunities;
- a \$49 Home Energy Assessment performed by NJNG-certified Building Performance Institute auditors, an on-site way to help customers see potential home energy savings;
- new low-cost energy efficiency products, such as smart thermostats and weatherization kits, through an online marketplace; and no-cost conservation kits provided to local

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A MESSAGE FROM THE PRESIDENT

Dear Members,

NJUSA's third year of operation saw an expansion of activities key to our advocacy and educational missions.

In 2018, we supported rate cases that were approved by the BPU; joined with others to testify in support of the now new law to prevent the premature retirement of New Jersey's nuclear power plants; learned via BPU Commissioner Upendra Chivukula's luncheon speech about the new Governor's ambitious clean energy goals; took members on a tour of PSEG's Salem and Hope Creek nuclear power facilities; and helped prevent bills that would allow utility franchises to be revoked by local governments from further consideration by the Legislature.

This is just a sampling of what we have been able to achieve this year because of our members' participation and our sponsors' support. Thanks to all of you, NJUSA will continue to grow and provide members with important tools and information to engage you in our advocacy on public policy issues that can affect the value of your utility shares.

Next year promises even more opportunities for New Jersey utility shareholders' voices to be heard. In 2019, look forward to more developments at BPU and in the legislature to advance clean energy. From measures to increase the use of electric vehicles and revisions to the State's Energy Master Plan to solar and wind energy developments and ensuring that the interests of vertically integrated water utilities are protected, next year will be full of issues we will pursue with you and to support you.

On behalf of the NJUSA staff and Board of Directors, thank you for your continued support. We wish you and yours safe and Happy Holidays and a wonderful New Year!

Karen D. Alexander
President

NJUSA Congratulates...



New Jersey Congressman Donald Norcross; Susan Story, President and Chief Executive Officer, American Water; Camden Mayor Frank Moran; and William P. Hankowsky, President and Chief Executive Officer, Liberty Property Trust at the opening of American Water's Camden headquarters.

American Water for the opening of its new headquarters at One Water Street on the Camden Waterfront. The new headquarters brings together over 600 corporate, service company and non-regulated business employees from American Water's former Voorhees location and three other offices in Southern New Jersey, as well as employees from New Jersey American Water. The five-story, 220,000 square-foot building is a green construction development and a LEED® Platinum building, reflective of American Water's commitment to the environment.

Atlantic City Electric and **PSE&G** for receiving 2018 ReliabilityOne™ Awards from PA Consulting. **PSE&G** also received PA Consulting's 2018 "Outstanding Customer Reliability Experience Award."

New Jersey Natural Gas & PSE&G for being named a 2018 "Most Trusted Brand" by Cogent Reports, the syndicated division of Market Strategies International.

New Jersey Natural Gas on being rated highest in 2018 for "Customer Satisfaction with Residential Natural Gas Service in the East among Large Utilities," by *J.D. Power*.

PSEG for being named to the Dow Jones Sustainability Index for North America for the 11th year.

NJUSA Pushes Back on Bills Allowing Municipalities to Unilaterally Revoke Franchises

Following several nor'easters in early 2018 that left thousands of Orange and Rockland and Jersey Central Power & Light customers in North Jersey without power, Assemblymen Christopher DePhillips and Kevin J. Rooney of District 40 introduced legislation (A-3736) that would permit municipalities to switch providers when utilities fail to provide safe and adequate service.

The bill, which has a companion bill in the Senate (S-2473), would allow towns to *revoke* a utility's franchise for poor service, limit franchise contracts to seven years, and increase penalties to \$25,000 per day for violating BPU rules and regulations.

NJUSA submitted a letter to the sponsors opposing A-3736, which could hurt NJUSA members by diminishing the value of their New Jersey utility investments and diminish – not improve – the provision of utility service in New Jersey. The NJUSA Board of Directors also met with Senate President Steve Sweeney and advised him on the adverse effects of the bill. Part of what was communicated to the sponsors and Senator Sweeney is detailed below.

1. Municipalities should not be allowed to unilaterally revoke a utility's franchise or shorten franchise terms because shares held in utility parent companies would lose value and shareholders would have to consider less risky investments in other industries or states. Decreased investment in New Jersey utilities could lead to the companies needing to rely more on debt which could hurt customers, especially since the cost of capital, which customers ultimately pay, rises as interest rates increase.
2. The legislation not only can hurt existing investors, but also put at risk utilities' ability to attract new investors or access capital markets at competitive rates. The equity from shareholders and the debt incurred in the capital markets is what enables utilities to operate, maintain and replace its infrastructure until such time as the costs of the service it has provided is deemed by BPU to be acceptable and can be reimbursed by customers through new rates.
3. The bills wrongly assume that if a municipality revokes a utility's franchise it can choose another utility to operate the system. This fails to recognize that the infrastructure through which service is delivered is the property of the utility and its shareholders. Those assets constitute the "rate base" on which shareholders are allowed a fair return under New Jersey's rate base/rate-of-return system of utility regulation. That property cannot be taken by government without just compensation is a longstanding principle of American jurisprudence. New Jersey utilities' distribution infrastructure is valued at multiple billions of dollars – an expensive outlay that is unlikely to be affordable for any municipality.

NJUSA is happy to report that our opposition to the bills helped to keep the Assembly bill from advancing and forestalled movement in the Senate. The meeting of NJUSA's Board with Senate President Sweeney was key to this success and is a good example of the value of NJUSA advocacy for and with its members.

PSE&G and New Jersey American Water Approved for New Rates

The BPU recently approved separate requests for new rates from New Jersey American Water and PSE&G. Each rate case ended in settlement agreements between the utilities, BPU staff, the New Jersey Division of Rate Counsel and third-party intervenors.

New Jersey American Water's rate request, which was filed September 15, 2017, was needed to allow the company to recover more than \$868 million spent since its last rate case in 2015 to invest in treatment and distribution system upgrades across its service territories. Due to the federal Tax Cuts and Jobs Act of 2017 and the settlement agreement, most customers were scheduled to receive a one-time credit on their bills in November 2018.

The new rates represent a \$40 million annual increase in water and wastewater revenues for New Jersey American Water, while the cost of water service for the company's customers remains about a penny per gallon. The approximate bill for an average water customer using 6,000 gallons of water per month will be \$56.34 and the approximate bill for an average wastewater customer will be \$58.70. One issue in the case remained without a settlement agreement and will be litigated separately before an administrative law judge.

PSE&G's settlement agreement keeps bills for the typical combined electric and gas residential customer stable and at levels that are 30 percent lower than customers paid in 2008. The agreement provides for a net \$13 million reduction in annual revenues

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