

PSE&G Reaches Agreement with NJ BPU Staff and Rate Counsel on Next Phase of Gas Infrastructure Replacement

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Utility to replace additional 875 miles of cast iron and unprotected steel gas pipes over five years

Low gas supply prices make this ideal time to upgrade system

(April 23, 2018 – Newark, N.J.) – Public Service Electric and Gas Company (PSE&G) today announced a \$1.875 billion settlement with the Staff of the New Jersey Board of Public Utilities (BPU), the New Jersey Division of Rate Counsel and other parties to continue the accelerated replacement of aging gas pipes, supporting a safe, clean and reliable gas system well into the future. The settlement agreement is pending approval by the BPU.

In a filing with the BPU in July 2017, PSE&G sought approval to continue to accelerate the replacement of the cast iron and unprotected steel gas mains throughout its service territory. The settlement will enable the utility to replace 875 miles of gas mains and make other improvements to its gas system over the five-year period.

“By year end, we expect to have replaced hundreds of miles of aging gas pipes under the first phase of our Gas System Modernization Program,” said David Daly, PSE&G president and COO. “This agreement means we can continue the next phase of this important work, which will result in improved safety and reliability of gas service and reduced methane emissions. It will also ensure we have the critical infrastructure needed to grow New Jersey’s economy for years to come.

“Together with our contractors, we have demonstrated we can manage a larger-scale, longer-duration program safely and cost-effectively,” Daly added. “We thank all of the parties involved for their thoughtful participation and review in this matter.”

In addition to PSE&G, the BPU staff and NJ Rate Counsel, parties supporting the settlement include: the Environmental Defense Fund, Local Union 94 of the International Brotherhood of Electrical Workers, Local 855 of the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry, the Engineers Labor-Employment Cooperative, New Jersey Laborers – Employers Cooperation and Education Trust, Ferreira Construction, and Creamer-Sanzari Joint Venture.

In 2017, the BPU approved new rules that support longer-term infrastructure programs of up to five years. This agreement culminates nearly nine months of formal discovery, review and discussions, including public hearings before the BPU.

The mains and service lines will be replaced with strong, durable plastic piping, which is much less likely to have leaks and release methane gas. The new elevated pressure systems also enable the installation of excess flow valves that automatically shut off gas flow if a service line is damaged, and better support the use of high-efficiency appliances. The five-year program is also expected to create about 3,200 sustained jobs.

Since 2009, residential gas heating bills are down about 50 percent because of the lower cost of natural gas supply. Continued low gas prices make this the ideal time to accelerate this work.

Under the settlement, PSE&G’s return on equity on the investment will be determined as part of the utility’s base distribution rate review currently under way. The average annual bill impact for a typical residential customer is expected to be less than a 2 percent increase, or about \$17, per year over the five-year program.

PSE&G has just under 4,000 miles of cast-iron gas pipes, which is more than any other utility in the nation. At this new pace, the utility can replace its cast-iron and unprotected steel pipes with modern ones in 25 years. Pipes installed before 1960 are the most leak-prone. They make up 25 percent of PSE&G’s network, yet account for 65 percent of leaks, excluding third-party damages. The five-year pipe replacement program would reduce greenhouse gas emissions equal to taking 30,000 vehicles off the road.

Public Service Electric and Gas Company (PSE&G) is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability. PSE&G is a subsidiary of Public Service Enterprise Group Incorporated (PSEG) (NYSE:PEG), a diversified energy company.



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