

PSE&G Reaches \$905 Million Agreement with NJ BPU Staff and Rate Counsel to Accelerate Replacement of Aging Gas Infrastructure

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Utility to replace up to 510 miles of cast iron and unprotected steel gas pipes over three years

Low gas supply prices make this the ideal time to upgrade system

(Sept.15, 2015 – Newark, NJ.) – Public Service Electric and Gas Company (PSE&G), New Jersey’s largest utility, today announced a \$905 million settlement in principle with the staff of the New Jersey Board of Public Utilities (BPU) and the New Jersey Division of Rate Counsel to expedite the replacement of aging gas pipes -- supporting a safe, clean and reliable gas system well into the future. The agreement detailing this three-year program will be submitted to the BPU for formal approval in the coming weeks.

In a filing with the BPU announced on March 2, PSE&G sought approval to invest \$1.6 billion during five years to accelerate the replacement of 800 miles of cast iron and unprotected steel gas mains, and 55,000 unprotected steel service lines to homes and business. The settlement will enable the utility to replace up to 510 miles of gas mains and 38,000 service lines over the three-year period. This agreement culminates six months of formal discovery, review and discussions, including public hearings before the BPU.

“We thank all of the parties involved for their thoughtful participation and review in this matter,” said Ralph LaRossa, PSE&G president and COO. “Although the agreement calls for a three-year program, we will have the ability to make a similar level of annual investment. We look forward to continuing these substantial upgrades to our system.”

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.

Since 2009, residential gas heating bills are down 47 percent because of the lower cost of natural gas supply. “We are pleased to be able to accelerate this work now, while gas prices remain low,” LaRossa said.

There will be no rate increase at the onset of the program. In 2017, the typical residential gas heating customer who uses 1,010 therms annually is expected to see an increase of \$0.49 on their average monthly bill. At the end of the Gas System Modernization Program, the same residential customer is projected to see a total cumulative increase of \$4.82 on their average monthly bill, or an increase of approximately 1.5 percent annually over four years.

“In addition to ensuring the continued safety and reliability of our gas system, the Gas System Modernization Program will enable us to create 500 direct, sustained jobs over the three-year period -- providing an economic boost for New Jersey,” said LaRossa. Under the agreement, PSE&G will earn a return on equity of 9.75 percent on \$650 million of investment based on an accelerated recovery mechanism, and will seek to recover the remaining \$255 million in a base rate case, to be filed no later than November 1, 2017.

The Gas System Modernization Program is a next step in a series of modernization programs, including PSE&G’s Energy Strong work that is focused on building the resiliency into its systems required to withstand the kind of severe weather that has devastated our state over the past five years. Approved last year, the \$1.22 billion Energy Strong program includes raising, relocating and protecting electrical switching and substations, and replacing 250 miles of low-pressure cast iron gas mains in or near flood areas.

“PSE&G has been providing safe, reliable gas service to customers in New Jersey for more than 100 years,” said LaRossa. “Today we serve 1.8 million gas customers in the most densely populated areas of our state. This agreement means we can modernize our

gas system at a faster pace -- benefiting our customers and the economy of our state.”

PSE&G

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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Forward-Looking Statement

The statements contained in this communication about our and our subsidiaries’ future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Although we believe that our expectations are based on information currently available and on reasonable assumptions, we can give no assurance they will be achieved. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein. A discussion of some of these risks and uncertainties is contained in our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K filed with the Securities and Exchange Commission (SEC), and available on our website: <http://www.pseg.com> [4]. These documents address in further detail our business, industry issues and other factors that could cause actual results to differ materially from those indicated in this communication. In addition, any forward-looking statements included herein represent our estimates only as of the date hereof and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our internal estimates change, unless otherwise required by applicable securities laws.

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- [2] <http://investor.pseg.com/category/press-release-category/%5Bcatpath-raw%5D-1>
- [3] <http://investor.pseg.com/contact/carlotta-n-chan>
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