

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Smart Grid Policy

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Docket No. PL09-4-000

COMMENTS OF THE PSEG COMPANIES

On May 19, 2009, the Federal Energy Regulatory Commission (“Commission”) issued a Notice Requesting Supplemental Comments (“Notice”) focusing on rate recovery for certain smart grid investments.¹ Specifically, the Commission seeks supplemental comments addressing how it should manage rate recovery requests filed by public utilities to qualify for awards under two recently announced Department of Energy (“DOE”) smart grid funding opportunities, and whether some form of conditional approval or other process would be useful for public utilities participating in those DOE programs.²

The PSEG Companies³ support an interim rate recovery mechanism for smart grid investments which would exist until final interoperability standards are promulgated because such an interim rate recovery mechanism will provide the necessary investment recovery certainty needed to justify smart grid investments

¹ *Smart Grid Policy*, Notice Requesting Supplemental Comments, 127 FERC ¶ 61,139 (2009). Previously, the Commission issued a Proposed Policy Statement and Action Plan. *Smart Grid Policy*, Proposed Policy Statement and Action Plan, 126 FERC ¶ 61,253 at p. 1 (2009).

² *Id.*

³ The PSEG Companies are: Public Service Electric & Gas Company (“PSE&G”), PSEG Power LLC, (“PSEG Power”) PSEG Global LLC (“PSEG Global”), and PSEG Energy Resources & Trade LLC (“PSEG ER&T”).

in the near-term. Also, the PSEG Companies support the Commission's efforts to incorporate stranded cost provisions in their rates associated with legacy systems replaced by smart grid equipment.

Expediently finalizing the Commission's interim rate policy will provide significant direction for companies seeking FERC jurisdictional smart grid project rate recovery. Also, the Commission should not adopt a separate policy for projects seeking access to DOE's funding programs. Furthermore, the Commission should expedite review and conditionally approve rate filings pursuant to the interim rate policy. Allowing rate recovery for legacy systems stranded costs replaced by smart grid equipment and phased in upgrades to legacy systems should also be expedited and conditionally approved.

Finally, advance energy storage projects, as outlined in the DOE funding programs, should be prioritized because advance energy storage projects may enable greater transmission network efficiencies and a more robust use of existing infrastructure.

CONCLUSION

WHEREFORE, for the foregoing reasons, Public Service Electric and Gas Company, PSEG Power LLC, PSEG Global LLC, and PSEG Energy Resources & Trade LLC respectfully requests that the Commission consider these comments, and ensure that any future Commission action ordered as a result of this proceeding is consistent with them.

Respectfully submitted,

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Company
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Dated: June 2, 2009
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