



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC	)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO MODIFY	)	ADOPTING INITIAL
ITS MANUFACTURED GAS PLANT (MGP)	)	DECISION
REMEDATION COMPONENT WITHIN ITS ELECTRIC)	
SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS	)	AND
SBC; FOR A BOARD ORDER FINDING THAT ITS MGP)	
REMEDATION WORK PERFORMED DURING THE	)	APPROVING STIPULATION
REMEDATION ADJUSTMENT CHARGE (RAC) 19)	
PERIOD, AUGUST 1, 2010 TO JULY 31, 2011 WAS)	
PRUDENT; THAT THE RESULTING RAC 19 COSTS)	
ARE REASONABLE AND AVAILABLE FOR)	
RECOVERY; AND TO MAKE CHANGES IN THE TARIFF)	
FOR ELECTRIC SERVICE B.P.U.N.J. NO. 15 AND TO)	
MAKE CHANGES IN THE TARIFF FOR GAS SERVICE)	
B.P.U.N.J. NO. 15, PURSUANT TO <u>N.J.S.A. 48:2-21</u>	)	BPU Docket No. GR11110779
AND <u>N.J.S.A. 48:2-21-1.</u>	)	OAL Docket No. 14566-2011

Parties of Record:

Martin Rothfelder Esq., for the Petitioner, Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel.

BY THE BOARD¹:

The Manufactured Gas Plant Remediation Adjustment Clause ("RAC") allows recovery of reasonably incurred Manufactured Gas Plant ("MGP") Remediation Program Costs ("MGP Costs") by Public Service Electric and Gas Company ("Public Service" or "Company"), amortized over a seven-year rolling average period, and carrying charges tied to seven-year treasuries plus sixty basis points. Public Service's MGP Costs are allocated to gas and electric customers on a 60/40 percent basis pursuant to prior Orders of the New Jersey Board of Public Utilities ("Board"). On November 1, 2011, Public Service filed a petition with the Board for an Order finding that Public Service's MGP remediation work performed during the RAC period August 1, 2010 through July 31, 2011 ("RAC 19") was prudent, and that the resulting RAC 19 MGP Costs are reasonable and appropriate for rate recovery.

¹ Commissioner Mary-Anna Holden did not participate.

The Company proposed to modify its RAC factors for both gas and electric service in the November 2011 petition. The RAC is a component of the Societal Benefits Charge ("SBC").

The Company's filing sought to establish rates to recover \$40.007 million of which \$6.611 million represents the true up of the prior period, RAC 18, MGP Costs; \$30.644 million represents 1/7 of each of the RAC 13 through RAC 19 expenditures, and \$2.752 million represents carrying costs. In its filing, the Company requested that the Board approve its revised tariff sheets for the RAC components of its gas SBC and electric SBC rates that would result in decreased annual RAC revenues from the Company's gas customers of approximately \$10.118 million, and decreased annual RAC revenues from the Company's electric customers of approximately \$8.943 million.

The Company's filing requested authority to (1) decrease its gas RAC factor rate from \$0.011232 per therm (including Sales and Use Tax, "SUT") to \$0.009280 per therm (including SUT); and (2) to decrease its electric RAC factor rate for secondary service from \$0.000615 per kWh (including losses and SUT) to \$0.000403 per kWh (including losses and SUT), with other voltage level services decreased accordingly.

In addition, the Company identified \$33,077 of Natural Resource Damage ("NRD") related MGP Costs in the RAC 19 period which have not been included in the amount sought for recovery. The Company has agreed to defer recovery of these costs, pending further review by the Board. This matter was transmitted to the Office of Administrative Law on November 11, 2011, and assigned to Administrative Law Judge ("ALJ") Walter Braswell.

The Company, Board Staff, and the New Jersey Division of Rate Counsel ("the Parties") entered into a stipulation of settlement ("Settlement")² dated October 10, 2012 that provides for the following:

- The Company's MGP Remediation work performed during the RAC 19 period, August 1, 2010 to July 31, 2011, was prudent and reasonable, and the resulting RAC 19 costs during this period of \$17.773 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery.
- Consistent with the Board approved RAC formula, the RAC factors agreed to in this filing, are set to recover \$23.859 million through the gas SBC and \$16.148 million through the electric SBC or a total of \$40.007 million. Of this \$40.007 million, \$6.611 million represents the true up of RAC 17 costs and \$30.644 million represents 1/7 of each of the RAC 13 through RAC 19 expenditures and \$2.752 million of carrying costs.
- The Company's current gas RAC rates shall be decreased by \$10.118 million on an annual basis, and its current electric RAC rates shall be decreased by \$8.943 million on an annual basis, for a total decrease of \$19.061 million on an annual basis.
- The current secondary service electric RAC factor of \$0.000615 per kWh (includes losses and SUT) would be decreased to \$0.000403 per kWh (including losses and SUT). The other electric services by voltage level (Primary, Subtransmission and High Voltage)

² Although described at some length in this Order, should there be any conflict between this summary and this Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

will also be decreased accordingly. Similarly, the current gas RAC factor of \$0.011232 per therm (including SUT) would be decreased to \$0.009280 per therm (including SUT).

- NRD-related MGP expenditures of \$33,077 incurred during the RAC 19 period are not included in the agreed upon net \$17.773 million of RAC 19 costs. Public Service will have deferred a total of \$499,136 of NRD-related MGP costs through the end of the RAC 19 period.
- The Company agrees to include responses to the minimum filing requirements attached as Exhibit A to the Settlement as part of its RAC filings.
- The Company's MGP remediation costs will remain subject to audit by the Board. Additionally, the Company periodically conducts audits of these expenses, similar to its other expenses.
- The annual bill for a typical electric residential customer using 7,800 kWh annually based upon rates in effect September 1, 2012, will decrease from \$1,416.41 to \$1,414.77, or \$1.64 or approximately 0.12%. The annual bill for a typical gas residential customer using 1,050 therms annually based upon rates expected to be in effect September 1, 2012, will decrease from \$1,147.32 to \$1,145.26, or \$2.06 or approximately 0.18%.

By Initial Decision dated October 11, 2012, ALJ Braswell closed the record, and approved the Settlement. He found that the parties had voluntarily agreed to the Settlement and that the Stipulation fully disposes of all issues in controversy and is consistent with the law, and therefore meets the requirements of N.J.A.C. 1:1-19.1.

DISCUSSION AND FINDINGS

The Board has reviewed the attached Initial Decision and Settlement and FINDS them to be reasonable and in the public interest. The Board HEREBY FINDS that the Company's MGP remediation work performed during the RAC 19 period of August 1, 2010 through July 31, 2011 was prudent, and the resulting MGP Costs for the RAC 19 of \$17.773 million (net of insurance proceeds and other recoveries, and deferred NRD expenses) are reasonable and appropriate for recovery.

Accordingly, the Board HEREBY ADOPTS the Initial Decision and the Settlement in their entirety as if fully incorporated herein. The Board HEREBY ORDERS that the Company's gas RAC factor for gas customers other than contract customers be decreased from \$0.011232 per therm (including SUT) to \$0.009280 per therm (including SUT). The Board HEREBY ORDERS that the Company's electric RAC factor for electric customers other than contract customers be decreased from \$0.000615 per kWh (including losses and SUT) to \$0.000403 per kWh (including losses and SUT) with other voltage levels decreased accordingly.

The Board FURTHER ORDERS that the NRD related costs of \$33,077 from the RAC 19 period and the deferred total of \$499,136 of NRD-related MGP Costs which have been removed from the Company's RAC rates, shall continue to be deferred until such time as the Board addresses the rate recoverability of NRD-related expenditures through the RAC mechanism.

The Board HEREBY DIRECTS the Company to submit revised tariff sheets that conform to the terms and conditions of this Order within five (5) days from the effective date of the rates approved by this Order.


The Company's RAC costs shall remain subject to audit by the Board. Additionally, the Company will periodically conduct audits of these expenses.

This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

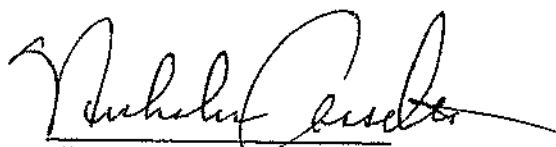
DATED: 10/23/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

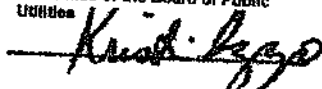

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; FOR A BOARD ORDER FINDING THAT IT'S MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATIO ADJUSTMENT CHARGE (RAC) 19 PERIOD, AUGUST 1, 2010 TO JULY 31, 2011 WAS PRUDENT; THAT THE RESULTING RAC 19 COSTS ARE REASONABLE AND AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 15 AND TO MAKE CHANGES IN THE TARIFF FOR GAS SERVICE B.P.U.N.J. NO. 15, PURSUANT TO N.J.S.A.

48:2-21 AND N.J.S.A. 48:2-21-1.

Docket No. GR11110779

SERVICE LIST

Kristi Izzo, Secretary
Board of Public Utilities
44 South Clinton Ave, 9th FL
Post Office Box 350
Trenton, NJ 08625-0350

Jerome May, Director
Board of Public Utilities
44 South Clinton Ave, 9th FL
Post Office Box 350
Trenton, NJ 08625-0350

Sheila DeLucia, Chief
Board of Public Utilities
44 So. Clinton Ave, 9th FL
Post Office Box 350
Trenton, NJ 08625-0350

Tricia Caliguire Esq.
Board of Public Utilities
44 South Clinton Ave, 9th FL
Post Office Box 350
Trenton, NJ 08625-0350

Henry Rich
Board of Public Utilities
44 South Clinton Ave, 9th FL
Post Office Box 350
Trenton, NJ 08625-0350

Henry Ogden, Esq.
Division of Rate Counsel
31 Clinton Street, 11th FL
Newark, NJ 07101

Stefanie A. Brand, Esq.
Division of Rate Counsel
31 Clinton Street, 11th FL
Newark, NJ 07101

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
31 Clinton Street, 11th FL
Newark, NJ 07101

James Glassen, Esq.
Division of Rate Counsel
31 Clinton Street, 11th FL
Newark, NJ 07101

Babette Tenzer, DAG
Deputy Attorney General
124 Halsey Street, 5th FL
P.O. Box 45029
Newark, NJ 07101

Alex Moreau, DAG
Deputy Attorney General
124 Halsey Street, 5th FL
P.O. Box 45029
Newark, NJ 07101

Caroline Vachier, DAG
Deputy Attorney General
124 Halsey Street, 5th FL
P.O. Box 45029
Newark, NJ 07101

Martin Rothfelder Esq.
Associate General Reg.
PSE&G Services Corp.
80 Park Plaza, T-08
Newark, NJ 07101

Paul Flanagan, Litigation Mgr.
Division of Rate Counsel
31 Clinton Street, 11th FL
P.O. Box 46005
Newark, NJ 07101

David Dismukes, Ph.D.
Acadian Consulting Gp
5800 One Perkins Pl Dr
Building 5, Suite F
Baton Rouge, LA 70808

2MS
bestow
DAG(2)
LPA
AGY
Haynes
Lee-Thonia
xadresse

RECEIVED

2012 OCT 16 AM 11 52



NJ BPU
MAILROOM

REC'D

2012 OCT 17 AM 10 06

NJ BPU
CASE MANAGEMENT

State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

fwd 10/17/12

INITIAL DECISION

SETTLEMENT

OAL DOCKET NO. PUC 14566-2011

AGENCY DOCKET NO. GR11110779

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO MODIFY TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; FOR A BOARD ORDER FINDING THAT ITS MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATION ADJUSTMENT CHARGE (RAC) 19 PERIOD, AUGUST 1, 2010 TO JULY 31, 2011 WAS PRUDENT; THAT THE RESULTING RAC 19 COSTS ARE REASONABLE AND AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 15 AND TO MAKE CHANGES IN THE TARIFF FOR GAS SERVICE B.P.U.N.J. NO. 15, PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1

Martin C. Rothfelder, Esq. Associate General Regulatory Counsel, for petitioner
Public Service Electric and Gas Company

Henry M. Ogden, Esq., Assistant Deputy Rate Counsel, New Jersey Division of
Rate Counsel (Stefanie A. Brand, Director)

T. David Wand Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey)

Record Closed: October 10, 2012

Decided: October 11, 2012

BEFORE: **WALTER M. BRASWELL**, ALJ:

On November 1, 2011, Public Service Electric and Gas Company (Petitioner or the Company), a public utility of the State of New Jersey filed a petition with the State Board of Public Utilities (BPU), pursuant to N.J.S.A 48:2-21, and N.J.A.C 14:1-5.12. Petitioner sought an order finding that its Manufactured Gas Plant (MGP) remediation work, associated with the clean up of PSE&G's former MGP sites, performed during the Remediation Adjustment Charge (RAC) period, August 1, 2010 through July 31, 2011 (RAC 19 period) was prudent, and that the resulting RAC 19 costs are reasonable and appropriate for rate recovery. The Company also requested approval of its revised tariff sheets for the RAC components of its gas Societal Benefits Charge (SBC) and electric SBC rates that would result in decreased annual RAC revenues from the Company's gas customers of approximately \$10.118 million and decreased annual RAC revenues from the Company's electric customers of approximately \$8.943 million.

The BPU transmitted the matter to the Office of Administrative Law for determination as a contested case pursuant to N.J.S.A. 52:14F-1 to -13.

Telephone conferences were conducted throughout the proceedings. Public hearings were conducted in New Brunswick, Hackensack, and Mt. Holly, New Jersey. The parties conferred throughout the proceedings and reached a resolution of the matter. An executed Stipulation of Settlement (Stipulation) was filed on October 10, 2012, on which date the record was closed. Attached herewith is a copy of the Stipulation.

I have reviewed the record and the settlement terms and I **FIND** that the parties have voluntarily agreed to the Stipulation as evidenced by their signatures and the Stipulation fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that the Stipulation meets the requirements of N.J.A.C. 1:1-19.1 and that it should be approved. It is hereby **ORDERED** that the Stipulation be and is hereby **APPROVED**, the rates reflected therein be effective on the effective date of approval by the BPU of the pertinent tariff sheets, and these proceedings be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

October 11, 2012

DATE

Walter M. Braswell

WALTER M. BRASWELL, ALJ

Date Received at Agency:

10-12-12

Aurora Sardis

DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

OCT 12 2012

Date Mailed to Parties:
ljb

Martin C. Rothfelder
Associate General Regulatory Counsel

Law Department
PSEG Services Corporation
80 Park Plaza – T5, Newark, New Jersey 07102-4194
tel : 973-430-6479 fax: 973-430-5983
email: martin.rothfelder@pseg.com



October 10, 2012

In The Matter Of The Petition Of
Public Service Electric And Gas Company
To Modify Its Manufactured
Gas Plant (MGP) Remediation Component
Within Its Electric Societal Benefits Charge (SBC)
And Its Gas SBC; For A Board Order Finding That Its MGP
Remediation Work Performed During The Remediation
Adjustment Charge (RAC) 19 Period, August 1, 2010 To July 31, 2011
Was Prudent; That The Resulting RAC 19 Costs Are Reasonable
And Available For Recovery; And To Make Changes In The Tariff For
Electric Service B.P.U.N.J. No. 15 And To Make Changes In The Tariff
For Gas Service B.P.U.N.J. No. 15, Pursuant To
N.J.S.A. 48:2-21 And N.J.S.A. 48:2-21.1

BPU Docket No. GR11110779

VIA HAND DELIVERY

Honorable Walter M. Braswell, ALJ
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

Dear Judge Braswell:

Attached please find a Stipulation executed by all parties to the above-referenced matter which addresses and settles all matters issues therein.

Thank you for your consideration in this matter.

Respectfully submitted,

A handwritten signature in black ink that reads "Martin C. Rothfelder".

C Attached Service List (E-Mail)

BPU

Sheila DeLucia, Bureau Chief
Board of Public Utilities
Division of Energy
44 South Clinton Avenue, 9th Flr.
PO Box 350
Trenton, NJ 08625-0350
PHONE: (609) 341-2794
FAX: () - -
Sheila.DeLucia@bpu.state.nj.us

Kristi Izzo, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, NJ 08625-0350
PHONE: (609) 292-1599
FAX: () - -
kristi.izzo@bpu.state.nj.us

Jerome May, Director
Board of Public Utilities
Division of Energy
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, NJ 08625-0350
PHONE: (609) 292-3960
FAX: () - -
Jerome.may@bpu.state.nj.us

Henry Rich
Board of Public Utilities
Division of Energy
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, NJ 08625-0350
PHONE: (609) 341-5760
FAX: () - -
henry.rich@bpu.state.nj.us

Kenneth Sheehan, Chief Counsel
Board of Public Utilities
44 South Clinton Avenue, 9th Flr.
P.O. Box 350
Trenton, NJ 08625-0350
PHONE: (609) 292-1602
FAX: (609) 292-3332
kenneth.sheehan@bpu.state.nj.us

DAG

Alex Moreau, DAG
NJ Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Flr.
P. O. Box 45029
Newark, NJ 07101
PHONE: (973) 648-3762
FAX: (973) 648-3555
Alex.Moreau@dol.lps.state.nj.us

David Wand
NJ Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Flr.
P.O. box 45029
Newark, NJ 07101
PHONE: (973) 648-3762
FAX: (973) 648-3555
david.wand@dol.lps.state.nj.us

RATE COUNSEL

Stefanie A. Brand, Director
The Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
PHONE: (973) 648-2690
FAX: (973) 624-1047
sbrand@rpa.state.nj.us

Paul Flanagan, Litigation Manager
The Division of Rate Counsel
31 Clinton Street - 11th Floor
P.O. Box 46005
Newark, NJ 07101
PHONE: (973) 648-2690
FAX: (973) 642-1047
pflanagan@rpa.state.nj.us

James Glassen, Esq.
Office of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
PHONE: (973) 648-2690
FAX: (973) 624-1047
jglassen@rpa.state.nj.us

Shelly Massey
The Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
smassey@rpa.state.nj.us

Henry M. Ogden, Esq.
The Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
PHONE: (973) 648-6930
FAX: (973) 624-1047
hogden@rpa.state.nj.us

Felicia Thomas-Friel, Managing
Attorney - Gas
The Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
PHONE: (973) 648-2690
FAX: (973) 624-1047
fthomas@rpa.state.nj.us

RC CONSULTANTS

Kim Dismukes
Acadian Consulting Group
5800 One Perkins Place Drive
Suite 5F
Baton Rouge, LA 70808
PHONE: (225) 578-4343
FAX: () - -
kindismukes@acadianconsulting.com

PSE&G

Pilar M. Foy, Sr. Administrative Associate
PSEG Service Corporation
Public Service Electric & Gas Co., T-8
80 Park Plaza, T8
Newark, NJ 07101
PHONE: (973) 430-8766
FAX: (973) 648-0838
Pilar.Foy@pseg.com

Martin C. Rothfelder (PS), Associate
General Reg Counsel
PSEG Service Company
80 Park Plaza, T-5
Newark, NJ 07102
PHONE: (973) 430-6479
FAX: (973) 430-5983
martin.rothfelder@pseg.com

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

IN THE MATTER OF THE PETITION OF)	
PUBLIC SERVICE ELECTRIC AND GAS)	
COMPANY TO MODIFY ITS MANUFACTURED	)	SETTLEMENT
GAS PLANT (MGP) REMEDIATION)	
COMPONENT WITHIN ITS ELECTRIC	)	BPU DOCKET GR11110779
SOCIETAL BENEFITS CHARGE (SBC) AND ITS)	
GAS SBC; FOR A BOARD ORDER FINDING	)	OAL DOCKET PUC 14566-2011
THAT ITS MGP REMEDIATION WORK)	
PERFORMED DURING THE REMEDIATION)	
ADJUSTMENT CHARGE (RAC) 19)	
PERIOD, AUGUST 1, 2010 TO JULY 31, 2011)	
WAS PRUDENT; THAT THE RESULTING RAC)	
19 COSTS ARE REASONABLE AND)	
AVAILABLE FOR RECOVERY; AND TO MAKE)	
CHANGES IN THE TARIFF FOR ELECTRIC)	
SERVICE B.P.U.N.J. NO. 15 AND TO MAKE)	
CHANGES IN THE TARIFF FOR GAS SERVICE)	
B.P.U.N.J. NO. 15, PURSUANT TO <u>N.J.S.A.</u>)	
48:2-21 AND <u>N.J.S.A.</u> 48:2-21.1)	

APPEARANCES:

Martin C. Rothfelder, Esq., Associate General Regulatory Counsel for the Petitioner,
Public Service Electric and Gas Company

Henry M. Ogden, Esq. and James W. Glassen, Esq., Assistant Deputies Rate Counsel,
New Jersey Division of Rate Counsel (Stefanie A. Brand, Director)

Alex Moreau and T. David Wand, Deputy Attorneys General, for the Staff of the New
Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey)

On November 1, 2011, Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition with the Board of Public Utilities (Board) for an Order finding that PSE&G's Manufactured Gas Plant (MGP) Remediation work, associated with the clean up of PSE&G's former MGP sites, performed during the Remediation Adjustment Charge (RAC) period August 1, 2010 through July 31, 2011 (RAC 19 period) was prudent, and that the resulting RAC 19 costs are reasonable and appropriate for rate recovery. As illustrated in the table below, PSE&G sought to establish rates to recover \$40.007 million of which: (1) \$6.611 million represents the true up of RAC 18 costs, and (2) \$30.644 million represents 1/7 of each of the RAC 13 thru RAC 19 expenditures. The Company also requested recovery of the carrying costs of \$2.752 million on its unamortized remediation program balance and the true-up and recovery of its RAC 18 costs.

	<u>RAC</u> <u>#13</u>	<u>RAC</u> <u>#14</u>	<u>RAC</u> <u>#15</u>	<u>RAC</u> <u>#16</u>	<u>RAC</u> <u>#17</u>	<u>RAC</u> <u>#18</u>	<u>RAC</u> <u>#19</u>	<u>TOTAL</u>
Actual Expenditures * (000)	\$42,887	\$27,834	\$35,811	\$37,614	\$33,556	\$19,038	\$17,773	\$214,508
Annual Amortization (seven years)	\$6,127	\$3,976	\$5,116	\$5,373	\$4,794	\$2,720	\$2,539	<u>\$30,644</u>
Allocation to Gas Customers @ 60% **								\$18,386
True-up of RAC 18*								3,868
Carrying Charges per Dkt. No. ER02080604: 8/11 - 03/13								1,605
Total Allocation to Gas Customers								<u>\$23,859</u>
Allocation to Electric Customers @ 40% **								\$12,258
True-up of RAC 18*								2,743
Carrying Charges per Dkt. No. ER02080604: 8/11 - 03/13								1,147
Total Allocation to Electric Customers								<u>\$16,148</u>
Total Allocation								\$30,644
True-up of RAC 18*								6,611
Carrying Charges per Dkt. No. ER02080604: 8/11 - 03/13								2,752
Total RAC 19 Allocation								<u>\$40,007</u>

Notes:

*Net of Insurance Recovery.

** Per BPU Order of Nov. 4, 1994 (60% Gas - 40% Elect.)

Specifically, the Company incurred gross expenditures of \$23.776 million in remediation costs during the RAC 19 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of \$5.970 million. The Company has also proposed the deferral of \$33,077 of Natural Resource Damage (NRD)-related MGP costs, resulting in net expenditures of \$17.773 million for the RAC 19 period as illustrated on Attachment A-4 in the testimony adopted by Donna M. Powell.

The Table below illustrates the NRD-related MGP costs and associated carrying costs from RAC 15 through RAC 19.

	NRD-related MGP Costs	Interest	Total
RAC 15	\$71,880	\$4,702	\$76,582
RAC 16	\$53,505	\$3,832	\$57,337
RAC 17	\$259,455	\$5,794	\$265,249
RAC 18	\$57,260	\$9,631	\$66,891
RAC 19	<u>\$25,011</u>	<u>\$8,066</u>	<u>\$33,077</u>
Total	\$467,111	\$32,025	\$499,136

The RAC costs are allocated to gas and electric customers on a 60/40 percent basis pursuant to Board directives and are to be recovered over a rolling seven-year period.

The Company's filing also requested that the Board approve revised tariff sheets for the RAC components of its gas Societal Benefits Charge (SBC) and electric SBC rates that would result in decreased annual RAC revenues from the Company's gas customers of approximately \$10.118 million, and decreased annual RAC revenues from the Company's electric customers of approximately \$8.943 million for a total decrease of \$19.061 million per annum. The Company's filing requested authority to (1) decrease its Gas RAC factor rate from \$0.011232 per therm (including Sales and Use Tax, "SUT") to \$0.009280 per therm (including SUT); and (2) to decrease its Electric RAC factor rate for secondary service from \$0.000615 per kWh (including losses and SUT) to \$0.000403 per kWh (including losses and SUT), with other voltage level services decreased accordingly. The Company proposed an April 1, 2012 effective date for these tariff changes.

The Board Staff (Staff) and the Division of Rate Counsel (Rate Counsel), the only parties to this proceeding (the Parties), have propounded discovery requests, to which the Company has responded. In addition, Staff, Rate Counsel, and the Company have held a settlement and discovery conference concerning this matter.

NOW, THEREFORE, THE UNDERSIGNED AGREE AS FOLLOWS:

- 1) Rates will be set to recover \$40.007 million of which: (1) \$6.611 million represents the true up of RAC 18 costs; (2) \$30.644 million represents 1/7 of each of the RAC 13 through RAC 19 expenditures; and (3) \$2.752 million are carrying costs.
- 2) The Company incurred gross expenditures of \$23.776 million in claimed MGP remediation costs during the RAC 19 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of \$5.970 million. In addition, the Company has also deferred \$33,077 of NRD-related MGP costs, resulting in net expenditures of \$17.773 million for this remediation period as illustrated on Attachment A-4 in the testimony adopted by Donna M. Powell.
- 3) The Company's MGP Remediation work performed during the RAC 19 period, August 1, 2010 to July 31, 2011, as described in Company witness Bruce A. Preston's testimony (Attachment B to the Company's Petition), was prudent and reasonable, and the resulting RAC 19 costs of \$17.773 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery. The Company represents that the \$33,077 in deferred costs for the RAC 19 period

includes all administrative, legal, consulting and other costs identified as associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or the federal trustees incurred during the RAC 19 period. During the next RAC period (RAC 20), the parties agree to review the sharing formula in the *NJDEP v. Occidental et al.* action mentioned on page 4 of the response to RAC-INF-8.

- 4) The Parties agree that the current electric and gas RAC rates, approved by the Board on June 15, 2011, should be changed as follows. The current gas RAC rates shall be decreased by \$10.118 million on an annual basis, and the current electric RAC rates shall be decreased by \$8.943 million on an annual basis, for a total decrease of \$19.061 million on an annual basis. The current secondary service electric RAC factor of \$0.000615 per kWh (includes losses and sales and use tax or "SUT") would be decreased to \$0.000403 per kWh (including losses and SUT) with other voltage level services decreased accordingly. Similarly, the current gas RAC factor of \$0.011232 per therm (including SUT) would be decreased to \$0.009280 per therm (including SUT). The foregoing rates will allow recovery of 1/7 of the RAC 13 through RAC 19 expenditures. The undersigned agree that the foregoing RAC factors are set so that PSE&G may recover \$23.859 million through the gas SBC and \$16.148 million through the electric SBC, for a total of \$40.007 million. As a result of this Settlement, the annual bill for a typical electric residential customer using 803 kWh per summer

month and 7,800 kWh annually based upon rates in effect September 1, 2012 will decrease from \$1,416.41 to \$1,414.77, or \$1.64 or approximately 0.12%. The annual bill for a typical gas residential customer using 160 therms per winter month and 1,050 therms annually based upon rates expected to be in effect September 1, 2012 will decrease from \$1,147.32 to \$1,145.26, or \$2.06 or approximately 0.18%.

- 5) The Parties agree that upon Board approval of the above rates, the Company is authorized to issue a revised Gas SBC Tariff Sheet No. 41 to reflect the revised RAC charges delineated in Paragraph 4 above applicable to gas customers. The undersigned parties further agree that upon Board approval of the above rates, the Company is authorized to issue a revised Electric SBC Tariff Sheet No. 57 to reflect the revised RAC charges delineated in paragraph 4 above applicable to all electric customers.
- 6) The Parties further agree that the revised RAC factors for gas customers and electric customers as set forth herein, and for gas co-generation customers in accord with their Board-approved contract terms, shall remain effective to recover the above-referenced RAC costs until any new rates are approved by the Board.
- 7) The Company represents that, during the RAC 19 period, it properly credited all net proceeds from the sale or lease of MGP properties to the RAC 19 balance, for the benefit of customers. Accordingly, the Company represents that it has not

retained lease or sale proceeds for any remediation properties during the RAC 19 remediation period.

- 8) The Company represents that its RAC 19 filing does not include any administrative, legal, consulting or other costs associated with NRD claims, except for the \$33,077 discussed herein. The Parties agree that NRD-related MGP expenditures of \$33,077 incurred during the RAC 19 period are not included in the net \$17.773 million of RAC 19 costs described in Paragraphs 2 and 3 above. The Parties further agree that PSE&G shall defer the \$33,077 of NRD-related MGP costs from the RAC 19 period. The Parties further agree that PSE&G will have deferred a total of \$499,136 of NRD-related MGP costs through the end of the RAC 19 period. PSE&G agrees to defer the above-indicated NRD-related MGP expenditures until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC, of NRD-related costs. The Parties expressly reserve their rights to argue their respective positions on NRD issues in future proceedings, as appropriate.
- 9) The deferred NRD-related amounts have been excluded from the new RAC factors set forth in Paragraph 3 of this Settlement.

- 10) The Company agrees that it will include with its RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to this Settlement and that in future RAC filings it shall not request any late fees or charges that are associated with legal costs recovered through the RAC
- 11) The Parties agree that this Settlement is being entered into exclusively for the purpose of resolving the issues in this matter. The parties further agree that, except as specifically provided herein, this Settlement resolves all issues regarding the Company's RAC 19 filing.
- 12) The Parties agree that this Settlement was negotiated and agreed to in its entirety with each section being mutually dependent on approval of all other sections. Therefore, if the Board modifies any of the terms of this Settlement, each party is given the option, before implementation of any different rate or terms in this case, to accept the change or to resume the proceeding as if no agreement had been reached. If these proceedings are resumed, each party is given the right to return to the position it was in before this settlement was executed.
- 13) The Parties agree that the Company's MGP remediation costs will remain subject to audit by the Board. Additionally, the Company periodically conducts audits of these expenses, similar to its other expenses.
- 14) It is specifically understood and agreed that this Settlement represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Company, Board Staff, and

Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposedly underlying any agreement provided herein in total or by specific item. The Parties further agree that this Settlement Agreement is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement Agreement. All rates remain subject to audit by the Board.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By: Martin C. Rothfelder
Martin C. Rothfelder, Esq.

DATED: Oct. 10, 2012

JEFFREY S. CHIESA, ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities

BY: Alex Moreau
Alex Moreau, DAG

DATED: October 10, 2012

STEFANIE A. BRAND, DIRECTOR
NEW JERSEY DIVISION OF RATE COUNSEL

By: Henry M. Ogden
Henry M. Ogden, Esq.
Assistant Deputy Rate Counsel

DATED: October 10, 2012

EXHIBIT A

PSE&G RAC Minimum Filing Requirements

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period.

1. The Company currently provides a vendor summary as part of its generic discovery responses to its annual RAC filing. This document provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through July 31 will be submitted with the Company's RAC Petition.
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding July 31st of the most recent RAC period.
4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.
6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the

Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company will provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing, but need not disclose any insurance company's identity.

7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.
8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.
9. Provide schedules and supporting workpapers and documents which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.
10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.
12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including workpapers and supporting documentation.
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.
16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.
17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.
18. The Company shall disclose all internal control deficiencies, significant deficiencies, or material weaknesses that are identified by the Sarbanes Oxley review process or by company internal control procedures that are related to RAC expenditures or cost recoveries during the applicable RAC period under review or the immediate prior RAC period. In addition, the Company will provide identification of remedial steps taken by management to correct such deficiencies, significant deficiencies, or material weaknesses; and the summarization of additions, deletions, or amendments to the company's Site Remediation Project Directives during the applicable RAC period under review. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards.

19. All legal bills sought to be paid by ratepayers. Said bills shall include the descriptions provided with such bills. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards. Material in legal bills that is legally privileged may be excluded from the filing, which parties may seek under the applicable standard for any claimed privilege.