



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC	)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO	)	APPROVING INITIAL DECISION
MODIFY ITS MANUFACTURED GAS PLANT	)	AND STIPULATION
(MGP) REMEDIATION COMPONENT WITHIN ITS	)	
ELECTRIC SOCIETAL BENEFITS CHARGE (SBC)	)	
AND ITS GAS SBC; DURING THE REMEDIATION	)	
ADJUSTMENT CHARGE (RAC) 22 PERIOD,	)	BPU DOCKET NO. GR14121411
AUGUST 1, 2013 TO JULY 31, 2014	)	OAL DOCKET NO. PUC 03304-2015 N

**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 BOARD: <sup>1</sup>

The Manufactured Gas Plant Remediation Adjustment Clause (“RAC”) allows recovery of reasonably incurred Manufactured Gas Plant (“MGP”) Remediation Program Costs (“MGP Costs”) plus carrying charges by Public Service Electric and Gas Company (“Company”), amortized over a seven (7) year rolling average period. The Company’s MGP Costs are allocated to gas and electric customers on a sixty (60)/forty (40) percent basis pursuant to prior Orders of the New Jersey Board of Public Utilities (“the Board”).

On December 15, 2014, the Company filed a petition with the Board requesting an Order finding that its RAC activities and net MGP costs incurred during the RAC 22 period, August 1, 2013 through July 31, 2014, of \$84.998 million were reasonable and appropriate for recovery, and that the Company is justified in increasing the electric and gas RAC remediation rates accordingly.

On March 10, 2015, this matter was filed with the Office of Administrative Law and assigned to Administrative Law Judge (“ALJ”) Michael Antoniewicz.

<sup>1</sup> Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

## **SETTLEMENT:**<sup>2</sup>

After review of discovery and subsequent settlement discussions, the Company, the New Jersey Division of Rate Counsel (“Rate Counsel”) and Board Staff, (collectively, “Parties”) reached an agreement on the RAC 22 issues, and on July 8, 2015 stipulated as follows:

The Parties agree that 1) the current electric RAC rate<sup>3</sup> should be increased from \$0.000403 per kWh to \$0.000464; and 2) the current gas RAC rate should be increased from \$0.009280 per therm to \$0.009552.

The Parties acknowledge that during the RAC 22 period, the Company incurred gross expenditures of \$96.655 million, which have been reduced by insurance proceeds of approximately \$6.989 million, miscellaneous recoveries of \$4.658 million, and natural resource damage (“NRD”)-related interest of \$10,604 resulting in net expenditures and recoverable costs of \$84.998 million for the RAC 22 period.<sup>4</sup> The Parties agree that the remediation work performed during the RAC 22 period was prudent and reasonable.

The Company represents that it has not retained lease or sale proceeds for any remediation properties during the RAC 22 remediation period and there were in fact no sales of remediated property during the RAC 22 expenditure period.

The Company represents that its RAC 22 filing does not include any administrative, legal, consulting or other costs associated with NRD claims, except for the approximately \$10,604 discussed in the Stipulation. The Parties further agree that the Company will have deferred a total of approximately \$708,682 of NRD-related MGP costs through the end of the RAC 22 period. The Company agrees to defer the above-indicated NRD-related MGP costs until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism.

The Company agrees that it will include with its future RAC filings responses to the minimum filing requirements (“MFRs”) per Exhibit B to the Stipulation.

Based on the filing, a typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an increase in the annual bill from \$1,365.28 to \$1,365.96 or by \$0.68 (0.05%).

Based on the filing, a typical residential gas heating customer using 165 therms per month during the winter months and 1,010 therms on an annual basis would see an increase in the annual bill from \$920.37 to \$920.63 or by \$0.26 (0.03%).

In his Initial Decision dated July 9, 2015, ALJ Antoniewicz found that the Parties voluntarily agreed to the settlement which resolved all issues in controversy and is consistent with the law.

## **DISCUSSION AND FINDINGS:**

The Board has reviewed the Settlement and **FINDS** it to be reasonable and in the public interest being persuaded that the MGP Costs have been thoroughly reviewed. The Board **HEREBY**

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<sup>2</sup> Although described at some length in this Order, should there be any conflict between this summary and the Settlement, the terms of the Settlement control, subject to the findings and conclusions in this Order.

<sup>3</sup> Both kWh and therm rates quoted herein include sales and use tax (“SUT”).

<sup>4</sup> Per Exhibit A attached to the Settlement.

**FINDS** that the Company's MGP remediation work performed during the RAC 22 period of August 1, 2013 through July 31, 2014 was prudent, and the resulting MGP Costs for the RAC 22 period of \$84.998 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 agrees that it is reasonable to increase the existing RAC rates, and therefore **HEREBY ORDERS** that the Company's existing gas RAC factor rate be increased to \$0.009552 per therm. The Board also **HEREBY ORDERS** that the Company's existing electric RAC factor rate be increased to \$0.000464 per kWh.

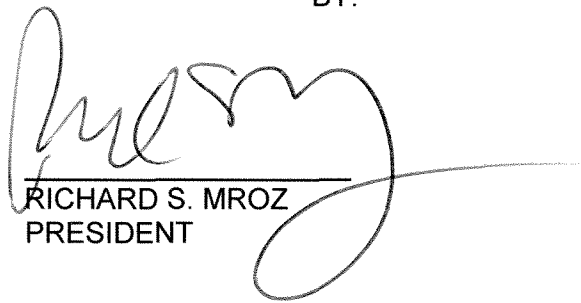
The Board **FURTHER ORDERS** that the NRD-related costs deferred through the end of the RAC 22 period of \$708,682 shall continue to be deferred until such time as the Board addresses the rate recoverability of NRD-related costs via the RAC mechanism.

The Company's RAC costs shall remain subject to audit by the Board. 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 audits.

The effective date of this Order is August 29, 2015.

DATED: 8/19/15

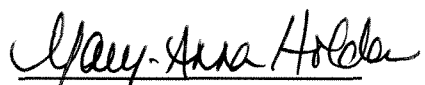
BOARD OF PUBLIC UTILITIES  
BY:




RICHARD S. MROZ  
PRESIDENT




JOSEPH L. FIORDALISO  
COMMISSIONER

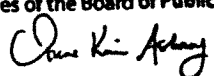


MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER

ATTEST:   
IRENE KIM ASBURY  
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; DURING  
THE REMEDIATION ADJUSTMENT CHARGE (RAC) 22 PERIOD,  
AUGUST 1, 2013 TO JULY 31, 2014  
DOCKET NO. GR14121411

SERVICE LIST

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July 8, 2015

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; During The Remediation  
Adjustment Charge (RAC) 22 Period, August 1, 2013, to  
July 31, 2014

BPU Docket No.: GR14121411

***VIA E-MAIL AND HAND- DELIVERY***

The Honorable Michael Antoniewicz, ALJ  
Office of Administrative Law  
33 Washington Street  
Newark, New Jersey 07102

Dear Judge Antoniewicz:

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

Thank you for your consideration in this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Martin C. Rothfelder".

C Attached Service List (E-Mail)

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05/06/2015

Public Service Electric and Gas Company  
RAC 22  
GR14121411

Page 2 of 2

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

<b>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; During The Remediation Adjustment Charge (RAC) 22 Period, August 1, 2013, to July 31, 2014</b>	<b>SETTLEMENT  OAL DOCKET NO. PUC 03304-15  BPU DOCKET NO. GR14121411</b>
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**APPEARANCES:**

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

**Henry M. Ogden, Esq. and Maura Caroselli, 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 (John J. Hoffman, Acting Attorney General of New Jersey)

On December 15, 2014, 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, 2013 through July 31, 2014 (RAC 22 period) was prudent, and that the resulting RAC 22 costs are reasonable and appropriate for rate recovery. Upon review of the PSE&G filing, conducting and reviewing responses to discovery, and discussing the facts and issues in settlement meetings, telephone calls, and e-mails, the Staff of the New Jersey Board of Public



Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's petition in this matter seeks authority to establish rates to recover the true up of RAC 21 costs, 1/7 of each of the RAC 16 through RAC 22 expenditures, and the carrying costs on its unamortized remediation program balance. The Company's filing further requested an Order finding that "its RAC activities conducted and Program Costs incurred during the RAC 22 period, August 1, 2013 through July 31, 2014, are reasonable and are appropriate for recovery" and that "such Order find that it is reasonable to increase the existing electric and gas Manufactured Gas Plant Remediation component of the Societal Benefits Charge" historically referred to as the Remediation Adjustment Charge (RAC).
2. The Company incurred gross expenditures of \$96,655,210 in remediation costs during the RAC 22 period. This amount has been reduced by insurance proceeds of \$6,989,266, miscellaneous recoveries of \$4,657,786, as well as \$10,604 (Interest only) of NRD-related MGP costs, resulting in net expenditures of \$84,997,554 for the RAC 22 period, as illustrated on Attachment A-3, page 1 to the Petition.
3. The PSE&G petition allocates RAC costs to gas and electric customers on a 60/40 percent basis pursuant to Board directives, and said RAC costs are to be recovered over a rolling seven-year period.
4. Notice of the Company's petition in this docket, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric and gas service territories. In accordance with that notice, public hearings on the Company's requests were held on the following dates at three locations in PSE&G's service territory: two hearings on June 1, 2015 in Westampton, New Jersey; two hearings on June 4, 2015 in Hackensack, New Jersey; and two hearings on June 10, 2015 in New

Brunswick, New Jersey. No members of the public provided comments at any of the hearings.

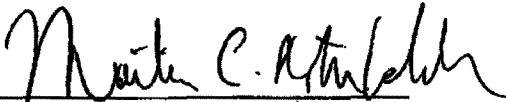
5. Board Staff and Rate Counsel have propounded discovery requests, to which the Company has responded. Board Staff, Rate Counsel, and the Company have also engaged in discussions regarding the issues in this matter, leading to the development of this Stipulation.
6. The Parties agree that the current gas RAC of \$0.008673/therm, excluding sales and use tax (SUT), should be increased to \$0.008927/therm, excluding SUT (\$0.009552/therm, including SUT). The Parties also agree that the current electric RAC of \$0.000349/kilowatt-hour, excluding line losses and SUT, should be increased to \$0.000434/kilowatt-hour, excluding line losses and SUT (\$0.000464/kilowatt-hour excluding line losses and including SUT).
7. The foregoing rates will allow recovery of 1/7 of the RAC 16 through RAC 22 expenditures. Under these rates, the annual bill for a typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an increase in the annual bill from \$1,365.28 to \$1,365.96, or \$0.68 or approximately 0.05% based upon current Delivery and Basic Generation Service – Residential Small Commercial Pricing (BGS-RSCP) Supply rates in effect on June 1, 2015 and assuming that the customer receives BGS-RSCP service from Public Service. A residential gas heating customer using 100 therms per month during the winter months and 610 therms on an annual basis would see an increase in the annual bill from \$583.63 to \$583.75, or \$0.12 or approximately 0.02%. Moreover, a typical gas heating customer using 165 therms during a winter month and 1,010 therms on an annual basis would see an increase in their annual bill from \$920.37 to \$920.63, or \$0.26 or approximately 0.03% based upon current Delivery and Basic Gas Supply Service (BGSS-RSG) Supply rates in effect on June 1, 2015 and assuming that the customer receives BGSS-RSG service from Public Service.


8. The Company's MGP Remediation work performed during the RAC 22 period, August 1, 2013 to July 31, 2014, as described in Company witness Richard A. Blackman's testimony (Attachment B to the Company's Petition), was prudent and reasonable. The Company represents that these expenditures and rates agreed to in this Stipulation do not include any incentive compensation costs.
9. The Company represents that, during the RAC 22 period, it properly credited all net proceeds from the sale of MGP properties to the RAC 22 balance, for the benefit of customers. Accordingly, the Company represents that it has not retained sale proceeds for any remediation properties during the RAC 22 remediation period and there were in fact no sales of remediated property during the RAC 22 expenditure period.
10. The Company represents that its RAC 22 filing does not include any administrative, legal, consulting, or other costs associated with NRD claims, except for the \$10,604 in interest discussed herein. The Parties further agree that PSE&G will have deferred a total of \$708,682, inclusive of applicable interest, of NRD-related MGP costs through the end of the RAC 22 period. PSE&G agrees to defer the above-indicated NRD-related MGP costs 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.
11. Attached hereto as Exhibit A is Attachment A-2, page 1 of 2 from the Company's filing which reflects the expenditures to be approved for this RAC 22 period and the approved expenditures for RAC 16 through RAC 21.
12. The Company agrees that it will include with its future RAC filings, responses to the minimum filing requirements (MFRs) as set forth in Exhibit B 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.

13. 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 this Settlement resolves all issues regarding the Company's RAC 22 filing except as specifically provided herein.
14. 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 this proceeding is resumed, each party is given the right to return to the position it was in before this Settlement was executed.
15. 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.
16. 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

JOHN J. HOFFMAN, ACTING ATTORNEY  
GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

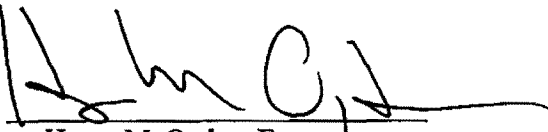
By:   
Martin C. Rothfelder, Esq.

By:   
Alex Moreau  
Deputy Attorney General

DATED: July 8, 2015

DATED: July 8, 2015

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

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

DATED: July 8, 2015

# EXHIBIT A

Attachment A-2  
Page 1 of 2

## RAC 22 SUMMARY SCHEDULE FOR THE ANNUAL RAC PERIOD ENDED JULY 31, 2014 \$000

<u>Workpaper Reference</u>	<u>TOTAL</u>	<u>RAC #22</u>	<u>RAC #21</u>	<u>RAC #20</u>	<u>RAC #19</u>	<u>RAC #18</u>	<u>RAC #17</u>	<u>RAC #16</u>
<b>COSTS ELIGIBLE FOR AMORTIZATION &amp; RECOVERY OVER 7 YEARS:</b>								
Prior RAC Periods #16 - #21 - Actual Approved Expenditures , Net*	From Prior yr. Approved RAC filings (A) \$199,640		\$65,896	\$25,770	\$17,773	\$19,038	\$33,550	\$37,614
RAC 22 Period - Actual Expenditures, Net*	From Attachment A-3, pg. 1(B) \$84,998	\$84,998						
<b>ANNUAL RECOVERY SUMMARY:</b>								
Annual Amortization of Prior RAC Period Costs (seven years)	From Prior yr. Approved RAC filings = (A) / 7 \$28,520		\$9,414	\$3,681	\$2,539	\$2,720	\$4,793	\$5,373
RAC 22 Period - Annual Amortization (seven years)	(B) / 7	\$12,143	\$12,143					
<b>Subtotal:</b> RAC 16 through 22 Annual Amortization for Allocation between Gas & Electric		<b>\$40,663</b>	<i>To Attachment A-2 pg. 2</i>					
True up of RAC 21 Expenditures with RAC Recoveries- GAS	From Attachment A-3, pg. 2 (\$2,807)							
True up of RAC 21 Expenditures with RAC Recoveries- ELECTRIC	From Attachment A-3, pg. 2 (\$189)							
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-14 to June-16 per Dkt. No. ER02080604	From Attachment A-5, pg. 2 \$3,077							
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-14 to June-16 per DKT No. ER02080604	From Attachment A-5, pg. 4 \$2,002							
<b>TOTAL - RAC 22 ANNUAL RECOVERY, PERIOD TO DATE</b>		<b>\$42,746</b>						

\* NET represents "Net of Insurance Recoveries, Miscellaneous Recoveries and NRD"  
Numbers may not add due to rounding

## **EXHIBIT B**

### 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 work papers, 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.

## **EXHIBIT B**

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 work papers 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, work papers or other material related to the two largest MGP remediation contracts awarded during the previous RAC



## **EXHIBIT B**

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 work papers 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.

## **EXHIBIT B**

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 are legally privileged may be excluded from the filing, which parties may seek under the applicable standard for any claimed privilege.



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

RECEIVED

JUL 13 2015

BOARD OF PUBLIC UTILITIES  
MAIL ROOM

JUL 13 2015  
Case management

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 03304-15

AGENCY DKT. NO. GR14121411

**IN THE MATTER OF THE PETITION OF  
PUBLIC SERVICE ELECTRIC AND GAS  
COMPANY TO MODIFY ITS MANUFACTURED  
GAS PLANT (MGP) REMEDIATION COMPONENT  
WITHIN ITS ELECTRICAL SOCIETAL BENEFITS  
CHARGE (SBC) AND ITS GAS SBC; DURING  
THE REMEDIATION ADJUSTMENT CHARGE  
(RAC) 22 PERIOD, AUGUST 1, 2013 TO  
JULY 31, 2014.**

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

**Henry M. Ogden, Esq.**, and **Maura Caroselli, Esq.**, for the Division of Rate  
Counsel (Stefanie A. Brand, Director)

**Alex Moreau, Deputy Attorney General**, and **T. David Wand, Deputy Attorney**  
General, for the Staff of the Board of Public Utilities (John J. Hoffman,  
Acting Attorney General of New Jersey, attorney)

Record Closed: July 8, 2015

Decided: July 9, 2015

BEFORE **MICHAEL ANTONIEWICZ, ALJ:**

On or about December 9, 2014, petitioner Public Service Electric and Gas Company (PSE&G) filed a petition with the Board of Public Utilities (BPU). The BPU transmitted this matter to the Office of Administrative Law, where it was filed on March 10, 2015, for determination as a contested case pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13. A telephone prehearing conference was held on April 29, 2015, and a hearing was scheduled for July 13, 2015. After public notice, public hearings were held in Westampton on June 1, 2015, in Hackensack on June 4, 2015, and in New Brunswick on June 10, 2015.

Prior to the hearing scheduled for July 13, 2015, the parties submitted a Settlement, which resolves all issues in this proceeding. Having reviewed the record and the settlement terms, I **FIND** as follows:

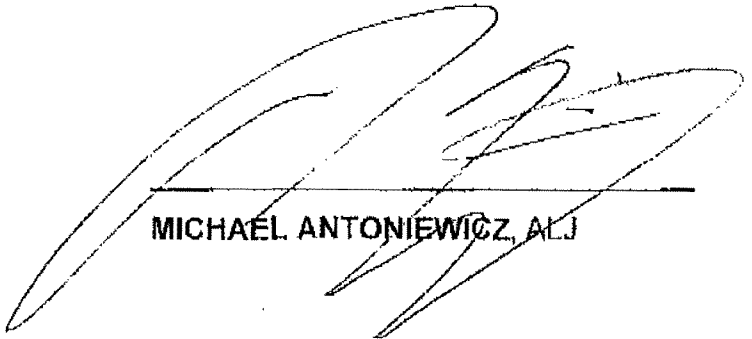
1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. I approve the settlement and, therefore, **ORDER** that the parties comply with the settlement terms and that 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.

7/9/15  
DATE

  
MICHAEL ANTONIEWICZ, ALJ

Date Received at Agency: \_\_\_\_\_

Date Mailed to Parties: \_\_\_\_\_

jb

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

<p><b>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; During The Remediation Adjustment Charge (RAC) 22 Period, August 1, 2013, to July 31, 2014</b></p>	<p style="text-align: center;"><b>SETTLEMENT</b></p> <p><b>OAL DOCKET NO. PUC 03304-15</b></p> <p><b>BPU DOCKET NO. GR14121411</b></p>
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**APPEARANCES:**

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

**Henry M. Ogden, Esq. and Maura Caroselli, 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 (John J. Hoffman, Acting Attorney General of New Jersey)

On December 15, 2014, 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, 2013 through July 31, 2014 (RAC 22 period) was prudent, and that the resulting RAC 22 costs are reasonable and appropriate for rate recovery. Upon review of the PSE&G filing, conducting and reviewing responses to discovery, and discussing the facts and issues in settlement meetings, telephone calls, and e-mails, the Staff of the New Jersey Board of Public

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Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's petition in this matter seeks authority to establish rates to recover the true up of RAC 21 costs, 1/7 of each of the RAC 16 through RAC 22 expenditures, and the carrying costs on its unamortized remediation program balance. The Company's filing further requested an Order finding that "its RAC activities conducted and Program Costs incurred during the RAC 22 period, August 1, 2013 through July 31, 2014, are reasonable and are appropriate for recovery" and that "such Order find that it is reasonable to increase the existing electric and gas Manufactured Gas Plant Remediation component of the Societal Benefits Charge" historically referred to as the Remediation Adjustment Charge (RAC).
2. The Company incurred gross expenditures of \$96,655,210 in remediation costs during the RAC 22 period. This amount has been reduced by insurance proceeds of \$6,989,266, miscellaneous recoveries of \$4,657,786, as well as \$10,604 (Interest only) of NRD-related MGP costs, resulting in net expenditures of \$84,997,554 for the RAC 22 period, as illustrated on Attachment A-3, page 1 to the Petition.
3. The PSE&G petition allocates RAC costs to gas and electric customers on a 60/40 percent basis pursuant to Board directives, and said RAC costs are to be recovered over a rolling seven-year period.
4. Notice of the Company's petition in this docket, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric and gas service territories. In accordance with that notice, public hearings on the Company's requests were held on the following dates at three locations in PSE&G's service territory: two hearings on June 1, 2015 in Westampton, New Jersey; two hearings on June 4, 2015 in Hackensack, New Jersey; and two hearings on June 10, 2015 in New

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- Brunswick, New Jersey. No members of the public provided comments at any of the hearings.
5. Board Staff and Rate Counsel have propounded discovery requests, to which the Company has responded. Board Staff, Rate Counsel, and the Company have also engaged in discussions regarding the issues in this matter, leading to the development of this Stipulation.
  6. The Parties agree that the current gas RAC of \$0.008673/therm, excluding sales and use tax (SUT), should be increased to \$0.008927/therm, excluding SUT (\$0.009552/therm, including SUT). The Parties also agree that the current electric RAC of \$0.000349/kilowatt-hour, excluding line losses and SUT, should be increased to \$0.000434/kilowatt-hour, excluding line losses and SUT (\$0.000464/kilowatt-hour excluding line losses and including SUT).
  7. The foregoing rates will allow recovery of 1/7 of the RAC 16 through RAC 22 expenditures. Under these rates, the annual bill for a typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an increase in the annual bill from \$1,365.28 to \$1,365.96, or \$0.68 or approximately 0.05% based upon current Delivery and Basic Generation Service – Residential Small Commercial Pricing (BGS-RSCP) Supply rates in effect on June 1, 2015 and assuming that the customer receives BGS-RSCP service from Public Service. A residential gas heating customer using 100 therms per month during the winter months and 610 therms on an annual basis would see an increase in the annual bill from \$583.63 to \$583.75, or \$0.12 or approximately 0.02%. Moreover, a typical gas heating customer using 165 therms during a winter month and 1,010 therms on an annual basis would see an increase in their annual bill from \$920.37 to \$920.63, or \$0.26 or approximately 0.03% based upon current Delivery and Basic Gas Supply Service (BGSS-RSC) Supply rates in effect on June 1, 2015 and assuming that the customer receives BGSS-RSG service from Public Service.



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8. The Company's MGP Remediation work performed during the RAC 22 period, August 1, 2013 to July 31, 2014, as described in Company witness Richard A. Blackman's testimony (Attachment B to the Company's Petition), was prudent and reasonable. The Company represents that these expenditures and rates agreed to in this Stipulation do not include any incentive compensation costs.
9. The Company represents that, during the RAC 22 period, it properly credited all net proceeds from the sale of MGP properties to the RAC 22 balance, for the benefit of customers. Accordingly, the Company represents that it has not retained sale proceeds for any remediation properties during the RAC 22 remediation period and there were in fact no sales of remediated property during the RAC 22 expenditure period.
10. The Company represents that its RAC 22 filing does not include any administrative, legal, consulting, or other costs associated with NRD claims, except for the \$10,604 in interest discussed herein. The Parties further agree that PSE&G will have deferred a total of \$708,682, inclusive of applicable interest, of NRD-related MGP costs through the end of the RAC 22 period. PSE&G agrees to defer the above-indicated NRD-related MGP costs 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.
11. Attached hereto as Exhibit A is Attachment A-2, page 1 of 2 from the Company's filing which reflects the expenditures to be approved for this RAC 22 period and the approved expenditures for RAC 16 through RAC 21.
12. The Company agrees that it will include with its future RAC filings, responses to the minimum filing requirements (MFRs) as set forth in Exhibit B 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.


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13. 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 this Settlement resolves all issues regarding the Company's RAC 22 filing except as specifically provided herein.
14. 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 this proceeding is resumed, each party is given the right to return to the position it was in before this Settlement was executed.
15. 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.
16. 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

JOHN J. HOFFMAN, ACTING ATTORNEY  
GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities


By:   
Martin C. Rothfelder, Esq.

By:   
Alex Moreau  
Deputy Attorney General

DATED: July 8, 2015

DATED: July 8, 2015

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

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

DATED: July 8, 2015

**EXHIBIT A**

**RAC 22 SUMMARY SCHEDULE  
FOR THE ANNUAL RAC PERIOD ENDED JULY 31, 2014**

\$000

Worksheet Reference	TOTAL	RAC #22	RAC #24	RAC #26	RAC #13	RAC #18	RAC #17	RAC #16	
<b>COSTS ELIGIBLE FOR AMORTIZATION &amp; RECOVERY OVER YEARS:</b>									
Prior RAC Periods #16 - #21 - Actual Approved Expenditures, Net*	From Prior yr. Approved RAC Filings (A)	\$160,640		\$85,886	\$25,770	\$17,773	\$19,038	\$33,580	\$37,614
RAC 22 Period - Actual Expenditures, Net*	From Attachment A-3, pg. 1 (B)	684,998	\$14,989						
<b>ANNUAL RECOVERY SUMMARY:</b>									
Annual Amortization of Prior RAC Period Costs (seven years)	From Prior yr. Approved RAC Filings = (A)*7	\$28,520		\$9,414	\$3,681	\$2,539	\$2,720	\$4,793	\$5,378
RAC 22 Period - Annual Amortization (seven years)	(B)/7	\$12,143	\$12,143						
Subtotal: RAC 16 through 22 Annual Amortization for Allocation between Gas & Electric		\$40,653	\$12,143						
True up of RAC 21 Expenditures with RAC Recoveries- GAS	From Attachment A-3, pg. 2	(\$2,807)							
True up of RAC 21 Expenditures with RAC Recoveries- ELECTRIC	From Attachment A-3, pg. 2	(\$1,893)							
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-14 to June-16 per Dkt. No. ER020806H	From Attachment A-5, pg. 2	\$3,077							
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-14 to June-16 per Dkt. No. ER020806H	From Attachment A-5, pg. 4	\$2,002							
<b>TOTAL - RAC 22 ANNUAL RECOVERY, PERIOD TO DATE</b>		<b>\$42,746</b>							

\*NET represents Net of Insurance Recoveries, Miscellaneous Recoveries and NRD.  
Numbers may not add due to rounding.

**EXHIBIT B****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 work papers, 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.

**EXHIBIT B**

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 work papers 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, work papers or other material related to the two largest MGP remediation contracts awarded during the previous RAC

**EXHIBIT B**

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 work papers 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.

**EXHIBIT B**

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 are legally privileged may be excluded from the filing, which parties may seek under the applicable standard for any claimed privilege.