



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY TO MODIFY)
ITS MANUFACTURED GAS PLANT (MGP))
REMEDATION COMPONENT WITHIN ITS ELECTRIC)
SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS)
SBC; FOR A BOARD ORDER FINDING THAT ITS MGP)
REMEDATION WORK PERFORMED DURING THE)
REMEDATION ADJUSTMENT CHARGE (RAC) 18)
PERIOD, AUGUST 1, 2009 TO JULY 31, 2010 WAS)
PRUDENT; THAT THE RESULTING RAC 18 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.)

DECISION AND ORDER
ADOPTING INITIAL
DECISION

AND

APPROVING SETTLEMENT

BPU DKT. NO. ER10110828

Matthew M. Weissman, Esq., Associate General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas Company

Sarah H. Steindel, Esq., Assistant Deputy Public Advocate, and **Henry M. Ogden, Esq.**, Division of Rate Counsel (**Stefanie A. Brand**, Director)

BY THE BOARD:

The Manufactured Gas Plant Remediation Adjustment Clause ("RAC") allows for recovery of reasonably incurred Manufactured Gas Plant 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 electric and gas customers on a 60/40 percent basis pursuant to prior Orders of the New Jersey Board of Public Utilities ("Board").

On November 4, 2010, 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, 2009 through July 31, 2010 ("RAC 18") was prudent, and that the resulting RAC 18 costs are reasonable and appropriate for rate recovery.

The Company proposed to modify its RAC factors for both gas and electric service in the petition filed with the Board in November of 2010. The RAC is a component of the Societal Benefits Charge ("SBC").

The Company's filing sought to establish rates to recover \$59.067 million of which \$24.252 represents the true up of RAC 17 costs; \$30.735 million represents 1/7 of each of the RAC 12 through RAC 18 expenditures and \$4.080 million of carrying costs. The filing 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 increased annual RAC revenues from the Company's gas customers of approximately \$0.914 million, and increased annual RAC revenues from the Company's electric customers of approximately \$3.304 million. The Company's filing requested authority to (1) increase its Gas RAC factor rate from 1.0915 cents per therm (including Sales and Use Tax, "SUT") to 1.1232 cents per therm (including SUT); and (2) to increase its Electric RAC factor rate for secondary service from 0.0535 cents per kWh (including losses and SUT) to 0.0615 cents per kWh (including losses and SUT), with other voltage level services increased accordingly.

In addition, the Company has identified \$66,891 of Natural Resource Damage ("NRD") related MGP costs in the RAC 18 period which has not been included in the amount sought for recovery. The Company has agreed to defer recovery of these costs, pending review by the Board.

This matter was transmitted to the Office of Administrative Law on January 4, 2011, and assigned to Administrative Law Judge ("ALJ") Walter Braswell.

Notice of the Company's November 4, 2010 request for an increase in its electric and gas RAC factor rates, including the date, time and place of the public hearings, was placed in newspapers having a circulation within the Company's service territory, and was served on the county executives and clerks of all municipalities within the Company's service territory. Public hearings were scheduled and conducted in Hackensack, New Brunswick, and Mount Holly, on December 13, 14, and 16, 2010, respectively. At the public hearings held in Hackensack and New Brunswick, one member of the public at each hearing spoke in opposition to the proposed increase.

The Company, Board Staff, and the New Jersey Division of Rate Counsel ("the Parties") entered into a Settlement¹ dated May 10, 2011 that provided for the following:

- The Company's MGP Remediation work performed during the RAC 18 period, August 1, 2009 to July 31, 2010, was prudent and reasonable, and the resulting RAC 18 costs during this period of \$19.038 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery. This \$19.038 million is also net of the deferral of \$66,891 of NRD-related MGP costs incurred during the RAC 18 period that the Company has deferred.
- Consistent with the Board approved RAC formula, the RAC factors agreed to in this filing, are set to recover \$33.976 million through the gas SBC and \$25.091 million through the electric SBC or a total of \$59.067 million. Of this \$59.067 million, \$24.252

¹Although summarized in this Order, the detailed terms of the Settlement control, subject to the findings and conclusions of this Order.

million represents the true up of RAC 17 costs and \$30.735 million represents 1/7 of each of the RAC 12 through RAC 18 expenditures and \$4.080 million of carrying costs.

- The Company's current gas RAC rates shall be increased by \$0.914 million on an annual basis, and its current electric RAC rates shall be increased by \$3.304 million on an annual basis, for a total increase of \$4.218 million on an annual basis.
- The current secondary service electric RAC factor of 0.0535 cents per kWh (includes losses and SUT) would be increased to 0.0615 cents per kWh (including losses and SUT). The other electric services by voltage level (Primary, Subtransmission and High Voltage) will also be increased accordingly. Similarly, the current gas RAC factor of 1.0915 cents per therm (including SUT) would be increased to 1.1232 cents per therm (including SUT).
- NRD-related MGP expenditures of \$66,891 incurred during the RAC 18 period are not included in the net \$19.038 million of RAC 18 costs. Public Service will have deferred a total of \$466,791 of NRD-related MGP costs through the end of the RAC 18 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 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.
- The annual bill for a typical electric residential customer using 7,800 kWh annually will increase from \$1,487.19 to \$1,487.81, or \$0.62 or approximately 0.04%. The annual bill for a typical gas residential customer using 1,200 therms annually will increase from \$1,384.98 to \$1,385.34, or \$0.36 or approximately 0.03%.

On May 11, 2011 ALJ Braswell closed the record and approved the Settlement. His Initial Decision found that the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDINGS

The Board has reviewed the attached Initial Decision and Settlement of the Parties 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 18 period of August 1, 2009 through July 31, 2010 was prudent, and the resulting RAC 18 costs of \$19.038 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 increased from 1.0915 cents per therm (including SUT) to 1.1232 cents per therm (including SUT). The Board **HEREBY ORDERS** that the Company's electric RAC factor for electric customers other than contract customers be increased from 0.0535 cents per kWh (including losses and SUT) to 0.0615 cents per kWh (including losses and SUT) with other voltage levels increased accordingly.

The Board FURTHER ORDERS that the NRD related costs of \$66,891 from the RAC 18 period and the deferred total of \$466,791 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 Settlement shall become effective July 1, 2011.

The Board HEREBY DIRECTS the Company to submit revised tariff sheets that conform to the terms and conditions of this Order within seven (7) days from the effective date of the rates approved by this Order.

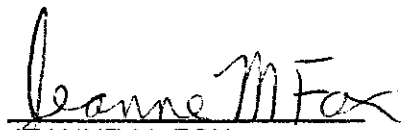
The Company's RAC costs shall remain subject to on-going audit by the Board. Additionally, the Company will periodically conduct audits of these expenses. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 6/15/11

BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT



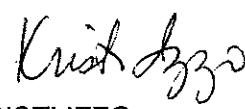
JEANNE M. FOX
COMMISSIONER



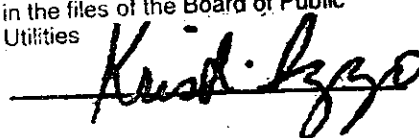
JOSEPH L. FIORDALISO
COMMISSIONER



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 ITS MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATION ADJUSTMENT CHARGE (RAC) 18 PERIOD, AUGUST 1, 2009 TO JULY 31, 2010 WAS PRUDENT; THAT THE RESULTING RAC 18 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. ER10110828

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL Dkt. No. PUCRL 00548-2011

AGENCY DKT. NO. ER 10110828

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) 18 PERIOD, AUGUST 1, 2009 TO JULY 31, 2010 WAS PRUDENT; THAT THE RESULTING RAC 18 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

Matthew M. Weissman, Esq. Associate General Regulatory Counsel, for petitioner Public Service Electric and Gas Company

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

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

Record Closed: May 11, 2011

Decided: May 11, 2011

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

On November 4, 2010, 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, 2009 through July 31, 2010 (RAC 18 period) was prudent, and that the resulting RAC 18 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 increased annual RAC revenues from the Company's gas customers of approximately \$0.914 million and increased annual RAC revenues from the Company's electric customers of approximately \$3.304 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 May 11, 2011, 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.

May 11, 2011
DATE

Walter M. Braswell
WALTER M. BRASWELL, ALJ

Date Received at Agency:

May 13, 2011
Lucia Sardis

Date Mailed to Parties: May 13, 2011
ljb

DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

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 NO. ER10110828
SOCIETAL BENEFITS CHARGE (SBC) AND ITS)
GAS SBC; FOR A BOARD ORDER FINDING) OAL DOCKET NO. PUCRL 00548-
THAT ITS MGP REMEDIATION WORK) 2011
PERFORMED DURING THE REMEDIATION)
ADJUSTMENT CHARGE (RAC) 18)
PERIOD, AUGUST 1, 2009 TO JULY 31, 2010)
WAS PRUDENT; THAT THE RESULTING RAC)
18 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)

APPEARANCES:

Matthew M. Weissman, Esq., Associate General Regulatory Counsel for the Petitioner,
Public Service Electric and Gas Company

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

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public
Utilities (Paula T. Dow, Attorney General of New Jersey)

On November 4, 2010, 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, 2009 through July 31, 2010 (RAC 18 period) was prudent, and that the resulting RAC 18 costs are reasonable and appropriate for rate recovery. As illustrated in the table below, PSE&G sought to establish rates to recover \$59.067 million of which (1) \$24.252 represents the true up of RAC 17 costs and (2) \$30.735 million represents 1/7 of each of the RAC 12 thru RAC 18 expenditures. The Company also requested recovery of the carrying costs of \$4.080 million on its unamortized remediation program balance and the true-up and recovery of its RAC 17 costs.

	<u>RAC</u> <u>#12</u>	<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>TOTAL</u>
Actual Expenditures *	\$18,402	\$42,887	\$27,834	\$35,811	\$37,614	\$33,556	\$19,038	\$215,143
Annual Amortization (seven years)	\$2,629	\$6,127	\$3,976	\$5,116	\$5,373	\$4,794	\$2,720	<u>\$30,735</u>
Allocation to Gas Customers @ 60% **								\$18,441
True-up of RAC 17*								13,176
Carrying Charges per Dkt. No. ER02080604: 8/10 - 03/12								2,359
Total Allocation to Gas Customers								<u>\$33,976</u>
Allocation to Electric Customers @ 40% **								\$12,294
True-up of RAC 17*								11,076
Carrying Charges per Dkt. No. ER02080604: 8/10 - 03/12								1,721
Total Allocation to Electric Customers								<u>\$25,091</u>
Total Allocation								\$30,735
True-up of RAC 17*								24,252
Carrying Charges per Dkt. No. ER02080604: 8/10 - 03/12								4,080
Total RAC 18 Allocation								<u>\$59,067</u>

Notes:

*Net of Insurance Recovery.

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

Specifically, the Company incurred gross expenditures of \$26.077 million in remediation costs during the RAC 18 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of \$6.973 million. The Company has also proposed the deferral of \$66,891 of Natural Resource Damage (NRD)-related MGP costs, resulting in net expenditures of \$19.038 million for the RAC 18 period as illustrated on Attachment A-4 in the testimony of Daniel M. Furlong.

The Table below illustrates the NRD-related MGP costs and associated carrying costs from RAC 15 through RAC 18.

	NRD-related MGP Cost	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
Total	\$ 442,100	\$ 23,959	\$ 466,059
* RAC 15 includes NRD-related MGP costs from RACs 11-15			

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 increased annual RAC revenues from the Company's gas customers of approximately \$0.914 million, and increased annual RAC revenues from the

Company's electric customers of approximately \$3.304 million for a total increase of \$4.218 million per annum. The Company's filing requested authority to (1) increase its Gas RAC factor rate from \$0.010915 per therm (including Sales and Use Tax, "SUT") to \$0.011232 per therm (including SUT); and (2) to increase its Electric RAC factor rate for secondary service from \$0.000535 per kWh (including losses and SUT) to \$0.000615 per kWh (including losses and SUT), with other voltage level services increased accordingly. The Company proposed an April 1, 2011 effective date for these tariff changes.

Notice setting forth the Company's November 4, 2010 request for an increase in its electric and gas RAC factor rates, including the date, time and place of the public hearings, was placed in newspapers having a circulation within the Company's service territory and was served on the county executives and clerks of all municipalities within the Company's service territory.

Public hearings were scheduled and conducted in Hackensack, New Brunswick, and Mount Holly on December 13, 14, and 16, 2010, respectively. Two members of the public appeared at the public hearings.

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 \$59.067 million of which: (1) \$24.252 million represents the true up of RAC 17 costs; (2) \$30.735 million represents 1/7 of each of the RAC 12 through RAC 18 expenditures; and (3) are carrying costs of \$4.080 million.
- 2) The Company incurred gross expenditures of \$26.077 million in claimed MGP remediation costs during the RAC 18 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of \$6.973 million. The Company has also deferred \$66,891 of NRD-related MGP costs, resulting in net expenditures of \$19.038 million for this remediation period as illustrated on Attachment A-4 in the testimony of Daniel Furlong.
- 3) The Company's MGP Remediation work performed during the RAC 18 period, August 1, 2009 to July 31, 2010, as described in Company witness Bruce A. Preston's testimony (Attachment B to the Company's Motion), was prudent and reasonable, and the resulting RAC 18 costs of \$19.038 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery. The Company represents that the \$66,891 in deferred costs for the RAC 18 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 18 period.

- 4) The Parties agree that the current electric and gas RAC rates, approved by the Board on August 4, 2010, should be changed as follows. The current gas RAC rates shall be increased by \$0.914 million on an annual basis, and the current electric RAC rates shall be increased by \$3.304 million on an annual basis, for a total increase of \$4.218 million on an annual basis. The current secondary service electric RAC factor of \$0.000535 per kWh (includes losses and sales and use tax or "SUT") would be increased to \$0.000615 per kWh (including losses and SUT). The other electric services by voltage level (Primary, Subtransmission and High Voltage) will also be increased accordingly. Similarly, the current gas RAC factor of \$0.010915 per therm (including SUT) would be increased to \$0.011232 per therm (including SUT). The foregoing rates will allow recovery of 1/7 of the RAC 12 through RAC 18 expenditures. The undersigned agree that the foregoing RAC factors are set so that PSE&G may recover \$33.976 million through the gas SBC and \$25.091 million through the electric SBC, for a total of \$59.067 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 April 1, 2011 will increase from \$1,487.19 to \$1,487.81, or \$0.62 or approximately 0.04%. The annual bill for a typical gas residential customer using 199 therms per winter month and 1,200 therms annually based upon rates expected to be in effect April

1, 2011 will increase from \$1,384.98 to \$1,385.34, or \$0.36 or approximately 0.03%.

- 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 3 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 2 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 18 period, it properly credited all net proceeds from the sale or lease of MGP properties to the RAC 18 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 18 remediation period.
- 8) The Company represents that its RAC 18 filing does not include any administrative, legal, consulting or other costs associated with NRD claims,

except for the \$66,891 discussed herein. The Parties agree that NRD-related MGP expenditures of \$66,891 incurred during the RAC 18 period are not included in the net \$19.038 million of RAC 18 costs described in Paragraphs 2 and 3 above. The Parties further agree that PSE&G shall defer the \$66,891 of NRD-related MGP costs from the RAC 18 period. The Parties further agree that PSE&G will have deferred a total of \$466,059 of NRD-related MGP costs through the end of the RAC 18 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.
- 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 18 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, the Board, 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: Matthew Weissman
Matthew M. Weissman, Esq.

DATED: May 4, 2011

PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities

BY: Alex Moreau
Alex Moreau, DAG

DATED: May 10, 2011

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

By: Sarah H. Steindel
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

DATED: May 10, 2011

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.