



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 FOR)
APPROVAL OF AN EXTENSION OF THE ELECTRIC)
CAPITAL ECONOMIC STIMULUS)
INFRASTRUCTURE INVESTMENT PROGRAM AND)
ASSOCIATED COST RECOVERY MECHANISM;)
AND TO ROLL INTO RATE BASE THE NET)
CAPITAL INVESTMENT FOR ALL THE QUALIFYING)
PROJECTS FROM THE INITIAL CAPITAL)
ECONOMIC STIMULUS INFRASTRUCTURE)
INVESTMENT PROGRAM UPON COMPLETION)
PURSUANT TO N.J.S.A. 48:2-23, 48:2-21 AND 48:2-)
21.2 AND FOR CHANGES IN THE TARIFF FOR)
ELECTRIC SERVICE, B.P.U.N.J NO. 15 ELECTRIC,)
AND THE TARIFF FOR GAS SERVICE, B.P.U.N.J.)
NO. 15 GAS PURSUANT TO N.J.S.A. 48:2-21)

DECISION AND ORDER)
APPROVING STIPULATION)

DOCKET NO. EO11020088

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS COMPANY)
FOR APPROVAL OF AN EXTENSION OF THE GAS)
CAPITAL ECONOMIC STIMULUS)
INFRASTRUCTURE INVESTMENT PROGRAM AND)
ASSOCIATED COST RECOVERY MECHANISM;)
AND TO ROLL INTO RATE BASE THE NET CAPITAL)
INVESTMENT FOR ALL THE QUALIFYING)
PROJECTS FROM THE INITIAL CAPITAL)
ECONOMIC STIMULUS INFRASTRUCTURE)
INVESTMENT PROGRAM UPON COMPLETION)
PURSUANT TO N.J.S.A. 48:2-23, 48:2-21 AND 48:2-)
21.2 AND FOR CHANGES IN THE TARIFF FOR)
ELECTRIC SERVICE, B.P.U.N.J NO. 15 ELECTRIC,)
AND THE TARIFF FOR GAS SERVICE, B.P.U.N.J.)
NO. 15 GAS, PURSUANT TO N.J.S.A. 48:2-21)

DOCKET NO. GO10110862

Stefanie A. Brand, Director – New Jersey Division of Rate Counsel
Matthew Weissman, Esq., Public Service Electric and Gas Company

BY THE BOARD:

BACKGROUND

In an effort to maintain the reliability and safety of its delivery system, while providing stimulus to New Jersey's economy, on January 21, 2009, Public Service Electric and Gas Company ("PSE&G" or "Company") petitioned the New Jersey Board of Public Utilities ("Board") in Docket Nos. EO09010049 and GO09010050, requesting that the Board approve a Capital Infrastructure Investment Program ("Capital Infrastructure Program" or "CIP) pursuant to N.J.S.A. 48:2-21.1 et seq. and simultaneously approve the recovery of costs for projects included within its proposed Infrastructure Program through the implementation of electric and gas Capital Adjustment Mechanisms ("CAMs") and associated Capital Adjustment Charges ("CAC"). The Company made a supplemental filing on February 4, 2009, (collectively, "2009 Filing").

According to the Company, these CIP projects ("Qualifying Projects") were incremental to its planned fiscal 2009, 2010 and 2011 capital investment programs. Additionally, the Company represented that expediting the work on these projects would assist in mitigating the negative impact of the recession by creating additional job opportunities in the State while enhancing service and reliability for PSE&G's existing customers. In the 2009 Filing, PSE&G also requested approval of a proposed method for recovering the investment costs associated with the Qualifying Projects.

By Order dated April 28, 2009, the Board adopted the April 9, 2009 Stipulation among PSE&G, Board Staff and the Division of Rate Counsel ("Rate Counsel") in its entirety, thereby approving the construction of thirty-eight Qualifying Projects, which were expected to create 933 additional jobs while enhancing the provision of safe, adequate and proper service in PSE&G's service territory through capital investment in PSE&G's distribution system ("April 2009 Order"). The Board also directed the Company to make its first annual cost recovery filing no later than November 1, 2009.

On November 5, 2009, the Company submitted its first annual CIP filing in Docket Nos. EO09010049 and GO09010050 requesting a \$33.2 million increase in the Company's electric and gas CACs to recover the costs associated with PSE&G's Qualifying Projects. On December 22, 2009, the Board approved a stipulation for provisional CAC rates which had been entered into by PSE&G, Rate Counsel and Board Staff, with effective January 1, 2010. The matter was subsequently transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Richard McGill.

On May 29, 2009, PSE&G filed a petition with the Board seeking to increase its electric and gas distribution base rates ("Base Rate Case") which was assigned to Docket No. GR09050422. Among other things, the Company sought an expansion of the Infrastructure Program, and a review of certain Qualified Projects for inclusion within the Company's rate base as required by the April 2009 Order.

In accordance with the Company's Base Rate Case stipulation, and as approved by Board Orders dated June 7, 2010 addressing the Company's electric operations and July 9, 2010 addressing the Company's gas operations, certain Qualifying Projects were rolled into the Company's rate base. Additionally, in the Base Rate Case, the parties agreed that PSE&G would be permitted to continue the recovery of approximately \$11.5 million of Qualifying Projects (approximately \$10.7 million for electric and approximately \$.7 million for gas) through

the CACs, subject to a prudency review of costs associated with these projects in the forthcoming Phase II portion of the Base Rate Case.

On November 1, 2010, the Company submitted its second annual CIP filing in Docket Nos. EO10110823 and GO10110824 ("November 1, 2010 Annual Filing"), requesting rate increases to be effective January 1, 2011. The petition sought to reset PSE&G's CACs, included an update on the status of the CIP. The resultant revenue increase on the Company's electric and gas customers, if approved, would have been \$17.6 million. This matter was transmitted to the Office of Administrative Law on April 1, 2011, was also assigned to ALJ Richard McGill, and was subsequently consolidated with the first annual CIP filing on consent of the parties.

The Current Filings to Extend the CIP

Based on the continued need to stimulate the economy and further foster job retention or creation in PSE&G's service territory, the Company sought Board approval to continue the acceleration of incremental capital spending for additional capital projects. Accordingly, on November 23, 2010, PSE&G made a filing (Docket No. GO10110862) for approval of an extension of the Gas CIP including eight proposed projects with overall anticipated construction costs of \$78 million to be completed by the later of April 30, 2012 or one year from the date of the Board Order approving the extension ("Gas CIP II").

On February 18, 2011, PSE&G made a filing (Docket No. EO11020088) for approval of an extension of the Electric CIP including twenty-four proposed projects with overall anticipated construction costs of \$229 million over a period of two years and two months after the date of the Board Order approving the extension ("Electric CIP II").

The proposed Qualified Projects, the associated costs, and the associated construction periods are described in the attachments to the CIP II Stipulation.

Two public hearings were held on each of the following dates at the indicated locations: April 25, 2011 in Hackensack, April 27, 2011 in New Brunswick, and April 28, 2011 in Mount Holly. Eight members of the public appeared and made statements at the public hearings, primarily objecting to the higher rates they could be charged if the petition were approved by the Board.

On July 7, 2011, representatives of PSE&G, Board Staff, and Rate Counsel (collectively, the "Parties"), executed a stipulation¹ ("CIP II Stipulation") that provides for the following²:

Stipulated Matters

The salient points of the CIP II Stipulation are as follows:

- 1) PSE&G's total minimum levels of base electric capital spending, including Utility Operating Support ("UOS") costs and excluding capital expenditures for new

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

² Simultaneously with the submission of this CIP II Stipulation to the Board, the Company has also submitted for Board approval, a stipulation addressing the CIP I issues which was adopted by ALJ McGill in an Initial Decision dated July 8, 2011.

business or monies spent under CIP I or CIP II will be \$170.5 million in 2011; \$183.8 million in 2012; and \$188.8 million in 2013.

- 2) PSE&G's total minimum levels of base gas capital spending, excluding capital expenditures for new business or monies spent under CIP I or CIP II will be \$116.3 million in 2011 and \$133.9 million in 2012.
- 3) PSE&G will provide Board Staff and Rate Counsel with quarterly reports of its electric and gas capital spending and on certain reliability indices for PSE&G, until such time as PSE&G files its next base rate proceeding.
- 4) PSE&G represents that the Electric CIP II Qualifying Projects and the Gas CIP II Qualifying Projects will assist PSE&G in providing safe, adequate and proper service to its customers; are incremental in nature; and will create jobs in support of economic development activities in New Jersey. Based on these representations, the Parties agree that the CIP II Electric and Gas Qualifying Projects appear to be prudent and that the costs associated with the Qualifying Projects will be recovered through the Company's base rates subject to review.
- 5) A description of each of the CIP II Qualifying Projects, the estimated cost for each Electric and Gas CIP II Qualifying Project, the projected duration of each Electric and Gas CIP II Qualifying Project, and the estimated number of incremental jobs created as a result of the Electric and Gas CIP Qualifying Projects (477) is attached to the CIP II Stipulation. The Company commits that it will endeavor to employ contractor and engineering firms located in New Jersey for work associated with the Qualifying Projects.
- 6) Work on the CIP II Qualifying Projects will commence as soon as practicable following the date of the written Board Order in these proceedings; but no later than three months after that written Board Order. The completion date for CIP II Qualifying Projects will be December 2012 for gas and electric projects.
- 7) The Company agrees that it will not petition the Board for base rate recovery through the CIP II Cost Recovery Mechanism for CIP II costs that occur after December 31, 2012. All CIP II projects that are placed in service after December 31, 2012 will start to accrue depreciation and stop AFUDC upon entering service, and will not accrue a deferred return. Any costs incurred by PSE&G after December 31, 2012 and until the related project is placed in service will be excluded from the CIP II, with the associated costs included in the PSE&G's plant accounts for review and appropriate rate treatment in its next base rate case. The Parties reserve their rights with respect to these costs in PSE&G's next base rate case.
- 8) Based on current cost levels and available estimates, the estimated overall construction costs, prior to any capitalization of AFUDC, will be approximately \$78 million related to the Gas CIP II Qualifying Projects, and will be approximately \$195 million related to the Electric CIP II Qualifying Projects.
- 9) Expenditures for Electric CIP II Qualifying Projects for the period 2011-2012 will be incremental to the total minimum level of base electric capital spending, including UOS costs and will not include capital expenditure for new business or capital

stimulus spending under either CIP or CIP II, for the period 2011-2012 as indicated in paragraph 1 above.

- 10) Expenditures for Gas CIP II Qualifying Projects for the period 2011-2012 will be incremental to the total minimum level of base gas capital spending, not including capital expenditure for new business or capital stimulus spending under either CIP or CIP II, for the period 2011-2012 as indicated in paragraph 2 above.
- 11) PSE&G should recover the costs of the CIP II Qualifying Projects listed in Attachments A and B of the CIP II Stipulation through the Company's base rates, subject to a prudence review and Board Order, as provided below.
- 12) If PSE&G plans to eliminate any of the CIP II Qualifying Projects or substitute another project for any of the CIP II Qualifying Projects during the term of CIP II, notice of any such changes and an opportunity for review and comment shall be provided to the Parties, and all substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Parties to this Stipulation and seek consent to the modifications.
- 13) PSE&G's electric and gas base rate case in Docket No. GR09050422 will remain open for the sole purpose of considering PSE&G's requests for base rate increases associated with the CIP II Qualifying Projects. In order to accommodate recovery of the CIP II capital costs with as few filings as possible, PSE&G will make the following filings ("CIP II Recovery Filings"): (a) On November 1, 2011; (b) at the conclusion of the final Gas CIP II Qualifying project ; and (c) at the conclusion of the final Electric CIP II Qualifying Projects.
- 14) No recovery of CIP II Qualifying Project costs will be permitted in 2011 unless the Company has met the minimum levels of base electric capital spending and base gas capital spending, i.e., for electric: \$170.5 million in 2011; and for gas: \$116.3 million in 2011. No recovery of CIP II Qualifying Project costs will be permitted in 2012 unless the Company has met the minimum levels of base electric capital spending and base gas capital spending i.e., for electric: \$183.8 million in 2012; and for gas: \$133.9 million in 2012. If these minimum spending levels are not met for each year, then normal ratemaking practices will apply and there will be no deferral of any CIP II related costs for that year. Instead, all prudently-incurred CIP II Qualifying Projects for the year(s) in which the base capital spending levels were not met will be reviewed in the Company's next base rate case and recovered through base rates, if reasonable and prudent, at their net book their net book value. The Company also agreed to a level of base electric capital spending of \$188.8 million in 2013.
- 15) The CIP II Recovery Filings will include requests for recovery in base rates of all prudently incurred capital expenditures associated with the CIP II Qualifying Projects, including actual costs of engineering, design and construction, cost of removal (net of salvage) and property acquisition, including actual labor, materials, overhead, capitalized AFUDC, and capitalized deferred return associated with the projects (the "Capital Investment Costs"). Capital Investment Costs will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant In Service account upon the respective project being deemed used and

useful. If PSE&G submits a base rate case filing with the Board prior to the resolution of any of the upcoming CIP II Recovery Filings, any pending request for rate relief associated with the CIP II Qualifying Projects will be withdrawn.

- 16) The Company's CIP II base rate adjustments proposed in the CIP II Recovery Filings will include a revenue requirement that reflects a rate of return on CIP II investments associated with the CIP II Qualifying Projects based on PSE&G's Capital Investment Costs, which is defined in above in paragraph 15. The Company's Return Requirement will be based on final actual Qualifying Project Investment Balances for all Gas CIP II and Electric CIP II Qualifying Projects, respectively, and a WACC of 7.96 percent for all CIP II Qualifying Projects (adjusted for income taxes, uncollectibles (gas only), and Board and Rate Counsel assessment fees). Estimated or projected Investment Balances will not be rolled into base rates.
- 17) PSE&G will apply a 1.6 percent composite depreciation rate to the CIP II base rate adjustments for Gas CIP II Qualifying Project investments.
- 18) PSE&G will apply a 2.49 percent composite depreciation rate to the CIP II base rate adjustments for Electric CIP II Qualifying Project investments.
- 19) PSE&G agrees that it will not include incremental operation and maintenance expenses in CIP II Filings.
- 20) The Qualifying Projects, and any Board-approved substituted projects, and the associated investment costs included in each CIP II Recovery Filing, will be subject to a prudency review by BPU Staff and Rate Counsel prior to the issuance of a Board Order establishing that the Company's proposed annual base rate adjustment is just and reasonable. Such review will be conducted as a contested case in accordance with the New Jersey Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. At the conclusion of the proceeding to review the filing made at the conclusion of the final Gas and Electric CIP II Qualifying Projects, the base rate case in Docket No. GR09050422 will be closed unless otherwise ordered by the Board.
- 21) The Company will separately track Capital Investment Costs, as defined in above number 15, for each of the CIP II Qualifying Projects in a separate CIP II CWIP account. The Company will record a monthly accrual of AFUDC which will be capitalized and included in the CIP II CWIP balance until the project enters service. The rate at which AFUDC will be accrued is determined as follows:
 - (a) when PSE&G's average total CWIP balance for the month (the average of beginning-of-month and end-of-month balance), including CWIP associated with CIP II Qualifying Projects, is less than or equal to PSE&G's average daily outstanding short-term debt ("S/T debt") balance for the month, the applicable AFUDC rate will be equal to PSE&G's average daily cost of S/T debt for the month; or
 - (b) when PSE&G's average total CWIP balance for the month, including CWIP associated with CIP II Qualifying Projects, is greater than PSE&G's average daily outstanding S/T debt balance for the month, the applicable AFUDC rate for CIP II Qualifying Projects will be the result of a blended monthly AFUDC

calculation. The blended AFUDC rate calculation will include a S/T debt rate for that portion of PSE&G's average total CWIP balance for the month, including CWIP associated with CIP II Qualifying Projects, equal to the average daily cost of S/T debt for the month and a rate equal to 7.96 percent or 0.665 percent per month (adjusted for income taxes, uncollectibles (gas only), and BPU and Rate Counsel assessment fees), which reflects the cost of equity and capital structure as authorized by the Board in PSE&G's most recent base rate case and the current embedded cost of long-term debt and customer deposits, for that portion of PSE&G's average total CWIP balance for the month, including CWIP associated with CIP II Qualifying Projects, that is greater than PSE&G's average daily outstanding S/T debt balance outstanding S/T debt balance for the month; or

(c) if PSE&G has no average S/T debt balance for the month, the AFUDC rate in that month will be 7.96 percent.

- 22) In determining the CIP II CWIP base upon which to apply the monthly AFUDC rate, a deduction will be made for any CIP II CWIP amount currently approved by the Board and included in PSE&G's base rates. This exclusion of CIP II CWIP for determining the base also applies to the calculation of the blended AFUDC rate.
- 23) A CIP II Qualifying Project that is placed into service, but not yet reflected in customer base rates, will record a monthly accrual of a deferred return which will be capitalized and included in the plant balance equal to the overall rate of return of 7.96 percent. This deferred return will not apply to projects entering service after December 31, 2012. Depreciation expense will not begin on CIP II Qualifying Projects until they are reflected in base rates, with the exception of CIP II Qualifying Projects entering service after December 31, 2012.
- 24) PSE&G will provide the information set forth in the MFR attached to the CIP II stipulation as Attachment D, in its CIP II Recovery Filings, together with a petition for relief and supporting testimony. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each blanket project in Attachments B and C of the CIP II stipulation together with measurable parameters, such as line-feet installed or number of installations completed, associated with each blanket project.
- 25) PSE&G will recover the costs approved in each of its CIP II Filings by adjusting base rates to recover the determined annualized revenue requirements for each filing using the same rate design methodology agreed to in the May 2010 Stipulation in PSE&G's most recent gas and electric base rate case, which was adopted in Board Orders dated June 7 and July 9, 2010.
- 26) The Company estimates that the maximum annual impacts to the typical residential electric customer that uses 7,360 kilowatt-hours per year and the residential gas heating customer that uses 1,210 therms per year will be less than 1% in aggregate.
- 27) The Parties stipulate that the Company will provide the Parties with a quarterly report ("Quarterly Report") detailing the capital expenditures individually for each of the CIP II Qualifying Projects identified in Attachments B and C and the job growth resulting

from the implementation of each CIP II Qualifying Project on a quarterly basis, in the format attached hereto as Attachment E and made a part of this Stipulation. The Quarterly Report should also include a Gantt chart showing the status of the projects, tasks completed, percentage of projects completed, and the actual money spent to date. The project expenditures shall be broken out between labor and material costs. Additionally, the Company will include in the Quarterly Report budgeted capital expenditures for non-Qualifying Projects for comparison to the actual costs incurred for non-Qualifying Projects. This reporting will begin one month after the end of the first calendar quarter following the issuance of a written Board Order approving this Stipulation in this Stipulation in this proceeding. For example, assuming a written Board Order is issued in July 2011, reporting will begin on November 1, 2011.

- 28) PSE&G will provide Board Staff and Rate Counsel with quarterly reports of its CAIDI (Customer Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index), SAIDI (System Average Interruption Duration Index) and MAIFI (Momentary Average Interruption Frequency Index) results on a Company and Division basis identifying major events, and of its electric and gas base capital spending, until such time as PSE&G files its next base rate proceeding. The Parties agree that Rate Counsel and Staff may propound discovery based on the quarterly reports, including but not limited to discovery on metrics and reliability data, including CAIDI, SAIDI, SAIFI and MAIFI, for each of the substations and circuits impacted by each project.
- 29) The Company agrees to report the number of incremental contractor or other positions associated with the CIP II Qualifying Projects, consistent with the definition of a Full-Time Equivalent in Paragraph 56 of the CIP II Stipulation. The Company will include that information with each Quarterly Report and Annual Filing submitted to the Board Staff and Rate Counsel, in the format set forth in Attachment E attached hereto and made a part of the CIP II stipulation.
- 30) The Parties agree that job creation is an integral part of the Economic Stimulus Plan underlying the CIP II Qualifying Projects. For purposes of reporting jobs associated with the CIP II Qualifying Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 hours per year.
- 31) Subject to any restrictions set forth in the federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) and other applicable law, if PSE&G obtains federal funds or credits directly related to the CIP II Qualifying Projects through the ARRA, PSE&G agrees to utilize that money to offset the CIP II Qualifying Projects' costs. If funding or credits from the ARRA or any subsequent state or federal action becomes available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, any such funds or credits directly applicable to work related to the CIP II Qualifying Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

DISCUSSION AND FINDING

In the April 28 Order, the Board recognized that the acceleration of utility infrastructure projects and the treatment of capital expenses on an expedited schedule outside the purview of a rate

case is not part of the normal course of utility regulation. However, based on economic conditions at that time, the Board found that it was appropriate and within the Board's authority to allow infrastructure projects which had already been researched and planned by the companies to be accelerated, and that enhanced investments in infrastructure would both increase reliability and promote employment. The Board continues to find those conclusions valid.

Now, as then, the Board takes notice of the fact that the financial markets remain volatile, affecting the utilities' ability to fund incremental infrastructure projects within the usual framework which requires that capital expenditures be recovered through a rate case only after projects are completed. N.J.S.A. 48:2-21. It is within a rate case that the property that is used and useful in the utility's provision of service is evaluated, and the expenses that can become components of just and reasonable rates are determined. In re Investigation of Tele. Cos., 66 N.J. 476 (1975). These difficult economic times continue to require creative responses that respect the law but adapt to extraordinary circumstances. In the past, the Board has found that it has the power to act to meet such challenges. N.J.S.A. 48:2-13; In re Implementation of the Two Bridges/Ramapo Water Diversion Project, BPU Docket No. 8011-870 (March 17, 1981). The Board continues to have that power.

Looking at the proposed infrastructure program extension, the Board is persuaded that the CIP II, if successfully executed, will both increase employment in the State and enhance the reliability of PSE&G's distribution system. Only capital projects which enhance the reliability, safety and security of the utility's distribution system are eligible as Qualifying Projects, and the Company has committed to base levels of capital spending for both gas and electric so that the proposed projects are truly incremental to the Company's normal capital investment program. The Qualifying Projects are projects originally scheduled for future years which can be brought forward into the 2011--2012 time period because they have already been researched and planned by the Company. In the absence of this program, most of the projects would be completed, but only in future years. As described above, the stipulation provides for reporting and review that maintains adequate supervision over CIP II expenditures including Quarterly Reports, minimum information that must accompany any CIP II Recovery Filing, and final review of the prudence of the CIP II capital costs within the recent base rate case which shall remain open for the sole purpose of considering PSE&G's requests for base rate increases associated with the CIP II Qualifying Projects.

Therefore, after review of the stipulation and exhibits, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with law, and **HEREBY APPROVES** the attached stipulation in its entirety and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board Order shall become effective 10 days after the date of this Board Order. The Board **HEREBY DIRECTS** PSE&G to file tariff sheets consistent with the Stipulation and Order within five (5) business days from the date of service of this Order.

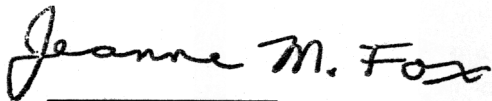
The Company's rates will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

DATED: 7/14/11

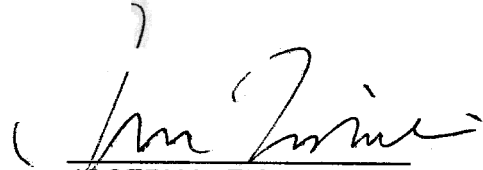
BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER



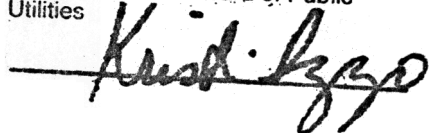
NICHOLAS ASSELTA
COMMISSIONER

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



I/M/O the PSE&G for Approval of an Extension of the Gas Capital Economic Stimulus Infrastructure Investment Program and Associated Cost Recovery Mechanism; and to Roll Into Rate Base the Net Capital Investment for all the Qualifying Projects from the Initial Capital Economic Stimulus Infrastructure Investment Program upon Completion Pursuant to N.J.S.A. 48:2-23, 48:2-21 And 48:2-21.2 and for Changes in the Tariff for Electric Service, B.P.U.N.J. NO. 15 Electric, and the Tariff for Gas Service, B.P.U.N.J. NO. 15 Gas, Pursuant to N.J.S.A. 48:2-21, In the Matter of the Petition of Public Service Electric and Gas Company for Approval of an Extension of the Electric Capital Economic Stimulus Infrastructure Investment Program and Associated Cost Recovery Mechanism; and to Roll Into Rate Base the Net Capital Investment for all the Qualifying Projects from the Initial Capital Economic Stimulus Infrastructure Investment Program upon Completion Pursuant to N.J.S.A. 48:2-23, 48:2-21 and 48:2-21.2 and for Changes in the Tariff for Electric Service, B.P.U.N.J. NO. 15 Electric, and the Tariff for Gas Service, B.P.U.N.J. NO. 15 Gas, Pursuant to N.J.S.A. 48:2-21, and In the Matter of the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service B.P.U.N.J. O. 14 Electric and B.P.U.N.J. NO. 14 Gas Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and For Approval of a Gas Weather Normalization Clause; A Pension Tracker and for Other Appropriate Relief BPU Docket Nos. GO10110862 and EO11020088

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July 7, 2011

In the Matter of the Petition of Public Service Electric and Gas Company
for Approval of an Extension of the Gas Capital Economic Stimulus Infrastructure
Investment Program and Associated Cost Recovery Mechanism; and to Roll into Rate Base
the Net Capital Investment for all the Qualifying Projects from the Initial
Capital Economic Stimulus Infrastructure Investment Program upon Completion Pursuant to
N.J.S.A. 48:2-23, 48:2-21 and 48:2-21.2 and for Changes in the
Tariff for Electric Service, B.P.U.N.J No. 15 Electric,
and the Tariff for Gas Service, B.P.U.N.J. No. 15 Gas, Pursuant to N.J.S.A. 48:2-21
BPU Docket Nos. GO10110862

In The Matter of the Petition of Public Service Electric and Gas Company
for Approval of an Extension of the Electric Capital Economic Stimulus Infrastructure
Investment Program and Associated Cost Recovery Mechanism; and to Roll into Rate Base
the Net Capital Investment for all the Qualifying Projects from the Initial
Capital Economic Stimulus Infrastructure Investment Program upon Completion Pursuant to N.J.S.A.
48:2-23, 48:2-21 and 48:2-21.2 and for Changes in the
Tariff for Electric Service, B.P.U.N.J No. 15 Electric,
and the Tariff for Gas Service, B.P.U.N.J. No. 15 Gas, Pursuant to N.J.S.A. 48:2-21
BPU Docket No. EO11020088

VIA ELECTRONIC & REGULAR MAIL

Kristi Izzo, Secretary
Office of the Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Dear Secretary Izzo:

Enclosed please find a fully executed Stipulation of Settlement and attachments with respect to the above-referenced matters.

Thank you for your consideration.

Respectfully submitted,

*Original Signed by
Matthew M. Weissman*

C Service List (E-mail Only with Enclosure)
Kevin Jarvis, Esq. (E-mail Only with Enclosure)

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS COMPANY) **STIPULATION**
FOR APPROVAL OF AN EXTENSION OF THE GAS)
CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE)
INVESTMENT PROGRAM AND ASSOCIATED COST) BPU DOCKET NO. GO10110862
RECOVERY MECHANISM; AND TO ROLL INTO RATE)
BASE THE NET CAPITAL INVESTMENT FOR ALL THE)
QUALIFYING PROJECTS FROM THE INITIAL CAPITAL)
ECONOMIC STIMULUS INFRASTRUCTURE)
INVESTMENT PROGRAM UPON COMPLETION)
PURSUANT TO N.J.S.A. 48:2-23, 48:2-21 AND 48:2-21.2)
AND FOR CHANGES IN THE TARIFF FOR ELECTRIC)
SERVICE, B.P.U.N.J NO. 15 ELECTRIC, AND THE)
TARIFF FOR GAS SERVICE, B.P.U.N.J. NO. 15 GAS,)
PURSUANT TO N.J.S.A. 48:2-21)

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS COMPANY)
FOR APPROVAL OF AN EXTENSION OF THE ELECTRIC)
CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE)
INVESTMENT PROGRAM AND ASSOCIATED COST) BPU DOCKET NO. EO11020088
RECOVERY MECHANISM; AND TO ROLL INTO RATE)
BASE THE NET CAPITAL INVESTMENT FOR ALL THE)
QUALIFYING PROJECTS FROM THE INITIAL CAPITAL)
ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT)
PROGRAM UPON COMPLETION PURSUANT TO)
N.J.S.A. 48:2-23, 48:2-21 AND 48:2-21.2 AND FOR)
CHANGES IN THE TARIFF FOR ELECTRIC SERVICE,)
B.P.U.N.J NO. 15 ELECTRIC, AND THE TARIFF FOR)
GAS SERVICE, B.P.U.N.J. NO. 15 GAS,)
PURSUANT TO N.J.S.A. 48:2-21)

APPEARANCES:

Tamara Linde, Esq., Vice President – Regulatory, and **Matthew M. Weissman, Esq.**, Associate General Regulatory Counsel, for the Petitioner Public Service Electric and Gas Company

Paul Flanagan, Esq., Litigation Manager; **Felicia Thomas-Friel, Esq.**, and **Ami Morita, Esq.**, Deputy Rate Counsel, and **Kurt S. Lewandowski, Esq.** and **Henry M. Ogden, Esq.**, Assistant Deputy Rate Counsel, for the Division of Rate Counsel (**Stefanie A. Brand, Esq.**, 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)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

The Initial Capital Infrastructure Investment Program

1. As part of its ordinary capital spending planning cycle, Public Service Electric and Gas Company (“PSE&G” or the “Company”) continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its electric and gas distribution system and to ensure the continuation of safe, adequate, and proper service. In late-2008/early-2009, consistent with the directive of then-Governor Corzine and in order to mitigate the local effects of the worldwide economic downturn, PSE&G determined to increase its planned infrastructure capital spending, to enhance the reliability of its system and to support economic development and job growth in New Jersey.

2. On January 21, 2009, and by supplement dated February 4, 2009, PSE&G filed a petition in Docket Nos. EO09010049 and EO09010050 seeking approval of its proposed Capital Economic Stimulus Infrastructure Investment Program, referred to herein as Capital Investment Program or “CIP”. In that filing PSE&G proposed to undertake capital infrastructure investments through forty-four CIP projects across PSE&G’s electric and gas businesses over a twenty-four (24) month period, and to recover the costs of that program through a Capital Adjustment Charge.

3. On April 28, 2009, following execution of a Stipulation among PSE&G, Board Staff, and Rate Counsel (“April 2009 Stipulation”), the Board issued an Order approving the Capital Infrastructure Program.¹ The April 2009 Order approved thirty-three (33) electric projects and five (5) gas projects (“Qualifying Projects”) that the Company states would assist in providing safe, adequate and proper service to its customers; are incremental in nature; and would create jobs in support of the Governor’s Economic Stimulus Plan. The estimated cost of the electric program described in the April 2009 Order was approximately \$421 million, and the estimated cost of the gas program was approximately \$273 million. The Company anticipated that the thirty-eight CIP projects would generate approximately nine hundred thirty three jobs (933), based on the design and construction work associated with those projects

4. In the April 2009 Order approving the CIP, the Board also approved the recovery of the costs of the thirty-eight (38) qualifying projects included within the CIP through the implementation of Electric and Gas Capital Adjustment Mechanisms (“CAMs”) and associated Capital Adjustment Charges (“CACs”). The Company is required to file an annual petition (“Annual Filing”) to adjust its electric and gas CACs no later than sixty (60) days prior to the date proposed for the implementation of the revised CACs, which is January 1 of each year.

5. The April 2009 Order also provided that PSE&G would file a base rate case, between April 3, 2009 and April 1, 2011, to provide a forum for a prudency review of all

¹ See I/M/O the Proceeding for Infrastructure Investment and a Cost Recovery Mechanism For All Gas and Electric Utilities; and I/M/O the Petition of Public Service Electric & Gas Company For Approval of a Capital Economic Stimulus Infrastructure Investment Program and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and 48:2-21.1, BPU Docket Nos. EO09010049 and GO09010050, Decision and Order Approving Stipulation (April 28, 2009) (“April 2009 Order”).

Qualifying Projects and to provide for the net capitalized costs of Qualifying Projects that are found to be reasonable and prudent to be rolled into base rates and out of the CAC.

The Post-CIP Base Rate Filing and First CIP Annual Filing

6. On May 29, in accordance with the April 2009 Order, PSE&G filed a base rate case, I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 14 Electric and B.P.U.N.J. No. 14 Gas Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and for Approval of a Gas Weather Normalization Clause; a Pension Expense Tracker and for Other Appropriate Relief, which was assigned Docket No. GR09050422. Also in accord with the April 2009 Order, PSE&G proposed to roll the completed Qualifying Projects into base rates at the conclusion of the rate case.

7. On November 5, 2009, PSE&G made its first Annual Filing to adjust its CAC rates in accordance with the April 2009 Order. In a Decision and Order dated December 22, 2009 (“December 2009 Order”), pursuant to a stipulation entered into by PSE&G, Rate Counsel, and Board Staff, the Board approved the new CAC rates on an interim basis, effective January 1, 2010.²

8. Following negotiations in the Spring of 2010, the primary parties in PSE&G’s electric and gas base rate case executed a Stipulation of Settlement dated May 26, 2010 (“May 2010 Stipulation”), which was adopted in Board Orders dated June 7, 2010 (“June 2010 Order”) and July

² See I/M/O the Petition of Public Service Electric and Gas Company for Approval of a Capital Economic Stimulus Infrastructure Investment Program and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and 48:21.1, BPU Dkt. Nos. EO09010049, GO09010050, ER09110936, Decision and Order (Dec. 22, 2009) (“December 2009 Order”).

and July 9, 2010 (“July 2010 Order”). Pursuant thereto and under the April 2009 Order, PSE&G’s electric and gas Qualifying Projects placed in service through December 31, 2009 under the Capital Infrastructure Program were rolled into base rates as of the rate effective dates of June 7, 2010 and July 9, 2010 for electric and gas, respectively. The specific Qualifying Projects and associated dollar amounts that were rolled in to PSE&G’s electric and gas base rates are set forth in Attachment A, pages 1-2 of the May 2010 Stipulation approved in the June 2010 Order and the July 2010 Order.

9. Also at the time the base rate case was settled in the June-July 2010 timeframe, and in accordance with paragraphs 21-22 of the April 2009 Stipulation in the CIP matter, the CACs set in the Board’s December 2009 Order were reset on a provisional basis, net of the capitalized projects rolled into the Company’s base rates through December 31, 2009. Accordingly, pursuant to the June 2010 and July 2010 Orders, the Company’s CAC rates were provisionally revised to recover \$11.46 million for the period June 1, 2010 through December 31, 2010 (\$10.74 million for electric and \$0.72 million for gas), as set forth in the rate design detailed in Attachment A, pages 3-5 of the May 2010 Stipulation. The Company’s CAC rates were provisionally changed consistent with Attachment A, pages 6-9 of the May 2010 Stipulation, subject to refund with interest as defined in the April 2009 Board Order for any over/under collections.

10. The June 2010 and July 2010 Orders resolving the base rate case provided that the ratemaking treatment of any Capital Infrastructure Program expenditures not rolled into rate base at that time continued to be governed by the December 2009 Order and the April 2009

Order.

The Second CIP Annual Filing

11. On November 1, 2010, PSE&G made its second Annual Filing to adjust its CAC rates in accordance with the April 2009 Order. The Company requested changes to its CAC rate to collect revenues of approximately \$14.2 million (electric) and \$10.7 million (gas) over a six-month period from January 1, 2011 through June 30, 2011, for a combined electric and gas total of \$24.9 million.

12. Compared to the Company's existing, Board-approved CAC rates, which were approved in the settlement of the base rate case in Docket No. GR09050422, the resultant total net revenue impact of the request in the second Annual Filing on the Company's electric and gas customers is a \$17.6 million increase (\$7.9 million for electric and \$9.7 million for gas).

13. Notice setting forth the Company's November 1, 2010 request for an increase in its CAC rates, including the date, time and place of the public hearing, was placed in newspapers having a circulation within the Company's gas and electric service territory and was served on the county executives and clerks of all municipalities within the Company's gas and electric service territory. Public hearings were held in Hackensack on December 13, 2010 at 6 p.m. and 7 p.m.; New Brunswick on December 14, 2010 at 4:30 p.m. and 5:30 p.m.; and Mount Holly on December 16, 2010 at 4:30 p.m. and 5:30 p.m.

14. Through quarterly program reports, meetings, and correspondence dated October 12, 2010 and March 10, 2011, PSE&G has kept the Board, Board Staff, and Rate Counsel apprised of the status of the Qualifying Projects included in the CIP. The majority of the initial CIP Qualifying

Qualifying Projects were timely completed by the end of April 2011, in accordance with the estimated schedule submitted in 2009. Due to severe weather during the winter of 2010-2011, PSE&G represents that certain of the Qualifying Projects were completed by June 30, 2011, two months later than originally planned.

15. Under cover letters dated February 4, 2011 and April 1, 2011, respectively, the Board transmitted PSE&G's November 2009 and November 2010 CIP Annual Filings to the Office of Administrative Law. Those proceedings are currently pending before Administrative Law Judge Richard McGill.

The Gas and Electric Capital Infrastructure Extension Filings ("CIP II")

16. Based on the continued need, recognized by the Board, to stimulate the economy and further foster job retention or creation, PSE&G sought Board approval to continue the acceleration of incremental capital spending for additional capital projects. Accordingly, on November 23, 2010, PSE&G filed a petition ("Gas Extension Petition") in Docket No. GO10110862 requesting that the Board approve an extension of the existing, Board-approved gas CIP pursuant to N.J.S.A. 48:2-21 et seq., to enable the Company to continue its construction program and enhance the reliability of its gas distribution system. The Gas Extension Petition also included a request to roll-in CIP Qualifying Projects into rate base.

17. PSE&G subsequently, on February 18, 2011, filed a related petition ("Electric Extension Petition") in Docket No. E011020088, requesting that the Board approve an extension of its existing, Board-approved CIP pursuant to N.J.S.A. 48:2-21 et seq., to allow continuation of its construction program and enhance the reliability of its electric distribution system. The gas and

and electric infrastructure extension programs described in the Gas Petition and the Electric Petition will be referred to herein as the “Gas CIP II” and “Electric CIP II” initiatives, respectively.

18. The proposed Gas CIP II initiative included eight individual qualifying projects representing an investment of approximately \$78 million dedicated to PSE&G’s gas delivery operations. In its Gas Petition, PSE&G stated that the scheduled completion date of the Gas CIP II would be April 30, 2012 or no later than one year from the date of the written Board order approving the extension, whichever is later.

19. The proposed Electric CIP II initiative included twenty-four qualifying projects representing an investment of approximately \$229 million dedicated to PSE&G’s electric delivery operations. In its Electric Petition, in light of necessary lead time associated with competitive bidding and the procurement of materials, PSE&G proposed that the completion date of the Electric CIP II would be two years and two months after the date of the written Board Order approving the extension. In the settlement discussed further below, the signatory parties agree that the completion date for CIP II will be December 31, 2012 for both gas and electric projects.

20. Public Notice was provided and six public hearings on the Company’s CIP II filings were held on the following dates at three locations in Public Service’s service territory: two hearings on April 25, 2011, in Hackensack, New Jersey; two hearings on April 27, 2011, in New Brunswick, New Jersey; and two hearings on April 28, 2011 in Mt. Holly, New Jersey. A total of eight members of the public appeared and made statements at the six public hearings.

Discovery and Settlement Discussions

21. Discovery questions relating to PSE&G's second CIP Annual Filing and the gas and electric CIP II extension filings have been propounded by Board Staff and the Division of Rate Counsel, and the Company has responded thereto.

22. Following review of discovery and the public hearings listed above, representatives of PSE&G, Board Staff, and Rate Counsel (the "Parties"), the only Parties to these proceedings, met to discuss the issues and reached a comprehensive settlement of the CIP II proceedings that are the subject of this Stipulation and of PSE&G's CIP Annual Filings that are pending at the OAL before ALJ McGill.

23. In that comprehensive settlement, the Parties agreed, subject to the resolution of these matters and submission of this Stipulation to the Board for approval at its July 14, 2011 agenda meeting, (1) that PSE&G would make certain commitments regarding its base level capital spending (that is, capital spending not included within the CIP or CIP II initiatives, and not including capital required to service new business) and regarding its reporting obligations; (2) to resolve the CIP Annual Filings in accordance with certain terms agreed to by the Parties; and (3) that the Gas and Electric CIP II proposals and associated cost recovery mechanism, as set forth herein and described in the Attachments hereto, should be implemented.

24. Simultaneously with the submission of this Stipulation to the Board, the Parties are submitting a separate stipulation (the "CIP Annual Filing Stipulation") to the OAL reflecting the terms of their agreement that are relevant to resolution of the CIP Annual Filings that are currently pending before ALJ McGill.

25. Therefore, with respect to the CIP II proceedings pending before the Board, the Parties stipulate and HEREBY AGREE as follows:

STIPULATED MATTERS

PSE&G Commitments

26. As part of the comprehensive settlement of the CIP II filings that are the subject of these proceedings and of the CIP Annual Filings pending before the Board, PSE&G has made the commitments set forth below.

27. PSE&G will undertake the following total minimum levels of base electric capital spending, including Utility Operating Support (“UOS”) costs and not including capital expenditure for New Business or capital stimulus spending under either CIP or CIP II: 2011 - \$170.5 million; 2012 - \$183.8 million; and 2013 - \$188.8 million.

28. PSE&G will undertake the following total minimum levels of base gas capital spending, not including capital expenditure for New Business or capital stimulus spending under either CIP or CIP II: 2011 - \$116.3 million; 2012 - \$133.9 million. Additional detail regarding the total minimum levels of base gas and electric capital spending described in this paragraph and in paragraph 27 above is set forth in Attachment A hereto.

29. PSE&G will provide Board Staff and Rate Counsel with quarterly reports regarding certain reliability parameters as detailed below, and of its electric and gas base capital spending, until such time as PSE&G files its next base rate proceeding.

Approval of the CIP Extensions (“CIP II”)

Projects

30. The Company represents that the Electric CIP II qualifying projects and the Gas CIP II qualifying projects (collectively, “CIP II Qualifying Projects”) identified in Attachment B and Attachment C, respectively, will assist the Company in providing safe, adequate and proper service to its customers; are incremental in nature; and will continue to create jobs in support of ongoing economic development activities in New Jersey. Based on these representations, the Parties agree that the CIP II Qualifying Projects appear to be prudent and that the costs associated with the Qualifying Projects shall be recovered through PSE&G’s base rates subject to review, as set forth below.

31. Attachment B contains a description of each Electric CIP II Qualifying Project, the estimated cost for each Electric CIP II Qualifying Project, the projected duration of each Electric CIP II Qualifying Project, and the estimated number of jobs created as a result of each Electric CIP II Qualifying Project. Attachment C contains a description of each Gas CIP II Qualifying Project, the estimated cost for each Gas CIP II Qualifying Project, the projected duration of each Gas CIP II Qualifying Project, and the estimated number of jobs created as a result of each Gas CIP II Qualifying Project.

32. The Company anticipates that the design and construction work associated with the Gas CIP II Qualifying Projects will generate approximately 167 incremental jobs in its service territory. The Company anticipates that the design and construction work associated with the Electric CIP II Qualifying Projects will generate approximately 310 incremental jobs in its service territory. The Company agrees that it will endeavor to employ contractors and engineering firms

engineering firms located in New Jersey for the work associated with the CIP II Qualifying Projects. The Company's estimate of the workforce necessary for the CIP II Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the CIP II Qualifying Projects.

33. For purposes of settlement, PSE&G agrees that the work associated with the CIP II Qualifying Projects will commence as soon as practicable following the date of the written Board Order in these proceedings. Furthermore, PSE&G agrees that work will have started on all CIP II Qualifying Projects no later than three months after that written Board Order. Using the date of the written Board Order in these proceedings as the starting point, PSE&G anticipates that work on all Electric and Gas CIP II Qualifying Projects will be completed in the time frames indicated in Attachment B and Attachment C hereto, respectively, and the completion date for CIP II will be December 2012 for both gas and electric projects. In resolution of these proceedings, PSE&G agrees that it will not seek base rate recovery through the CIP II Cost Recovery Mechanism for CIP II costs incurred after December 31, 2012. Any CIP II projects that enter service after December 31, 2012 will begin to accrue depreciation and cease AFUDC once they enter service and will not accrue a deferred return. Any costs incurred by PSE&G after December 31, 2012 and until the related project is placed in service will be excluded from the CIP II construction and capital program, with said costs to be included in the Company's plant accounts for review and appropriate rate treatment in its next base rate case. The Parties reserve all rights with respect to said costs in the next base rate case.

34. The Parties agree that, based on current cost levels and available estimates, the estimated overall construction costs, prior to any capitalization of an AFUDC, will be

approximately \$78 million related to the Gas CIP II Qualifying Projects, and will be approximately \$195 million related to the Electric CIP II Qualifying Projects.

35. PSE&G agrees that expenditures for Electric CIP II Qualifying Projects for the period 2011-2012 will be incremental to the total minimum level of base electric capital spending, including UOS costs and not including capital expenditure for New Business or capital stimulus spending under either CIP or CIP II, for the period 2011-2012 as set forth in paragraph 27 above.

36. PSE&G agrees that expenditures for Gas CIP II Qualifying Projects for the period 2011-2012 will be incremental to the total minimum level of base gas capital spending, not including capital expenditure for new business or capital stimulus spending under either CIP or CIP II, for the period 2011-2012 as set forth in paragraph 28 above.

37. The parties stipulate that PSE&G should recover the costs of the CIP II Qualifying Projects listed in Attachments B and C through the Company's base rates, subject to a prudence review and Board Order, as provided below.

Substitution of Projects

38. If it is necessary for the Company to eliminate any of the CIP II Qualifying Projects or substitute another project for any of the CIP II Qualifying Projects during the term of CIP II, notice of any such changes and an opportunity for review and comment shall be provided to the Parties, and any substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Parties to this Stipulation and seek consent to the modifications.

CIP II Cost Recovery Mechanism

39. The Parties agree that for purposes of settling these matters, PSE&G's electric and gas base rate case in Docket No. GR09050422 will remain open for the sole purpose of considering PSE&G's requests for base rate increases associated with the CIP II Qualifying Projects. The roll-in of CIP I qualifying projects proposed in the Gas Extension Petition shall be reviewed in the Final CIP Filing referenced in the CIP 1 Stipulation. In order to accommodate recovery of the CIP II capital costs with as few filings as possible, PSE&G agrees that it will make filings ("CIP II Recovery Filings") proposing electric and gas base rate changes in accordance with the mechanism set forth herein: (a) on November 1, 2011; (b) at the conclusion of the final Gas CIP II Qualifying project; and (c) at the conclusion of the final Electric CIP II Qualifying Project.

40. No recovery of CIP II Qualifying Project costs will be permitted in 2011 unless the Company has met the minimum levels of base electric capital spending and base gas capital spending defined in paragraphs 27 and 28 above, i.e., for electric: \$170.5 million in 2011; and for gas: \$116.3 million in 2011. No recovery of CIP II Qualifying Project costs will be permitted in 2012 unless the Company has met the minimum levels of base electric capital spending and base gas capital spending defined in paragraphs 27 and 28 above, i.e., for electric: \$183.8 million in 2012; and for gas: \$133.9 million in 2012. If these minimum spending levels are not met for each year, then normal ratemaking practices will apply and there will be no deferral of any CIP II-related costs for that year. Instead, all prudently-incurred CIP II Qualifying Projects for the year(s) in which the base capital spending levels were not met will be reviewed in the Company's next base rate case and recovered through base rates, if reasonable and prudent, at their net book

their net book value. The Company also agreed to a level of base electric capital spending of \$188.8 million in 2013.

41. The CIP II Recovery Filings will include requests for recovery in base rates of all prudently incurred capital expenditures associated with the CIP II Qualifying Projects, including actual costs of engineering, design and construction, cost of removal (net of salvage) and property acquisition, including actual labor, materials, overhead, capitalized AFUDC, and capitalized deferred return associated with the projects (the “Capital Investment Costs”). Capital Investment Costs will be recorded, during construction, in an associated Construction Work In Progress (“CWIP”) account or in a Plant In Service account upon the respective project being deemed used and useful. Additionally, if PSE&G submits a base rate case filing with the Board prior to the resolution of any of the upcoming CIP II Recovery Filings, any pending request for rate relief associated with the CIP II Qualifying Projects will be withdrawn.

42. The Parties agree that the Company’s CIP II base rate adjustments proposed in the CIP II Recovery Filings will include a revenue requirement that reflects a return on CIP II investments associated with the CIP II Qualifying Projects based on PSE&G’s Capital Investment Costs, defined in paragraph 41 above. The Company’s Return Requirement will be based on the most recent actual Qualifying Project Investment Balances³ available for the November 2011 filing, and based on final actual Qualifying Project Investment Balances for all Gas CIP II and Electric CIP II Qualifying Projects for the filing to be made at the conclusion of the final Gas CIP II and Electric CIP II Qualifying Projects, respectively, and the WACC of 7.96 percent for all CIP

³ Qualifying Project Investment Balances are the Capital Investment Costs adjusted for accumulated deferred income taxes and accumulated depreciation based upon one-half year of annualized depreciation expense.

percent for all CIP II Qualifying Projects (adjusted for income taxes, uncollectibles (gas only), and BPU and Rate Counsel assessment fees). In no event shall estimated or projected Investment Balances be rolled into base rates.

43. PSE&G will apply a 1.6 percent composite depreciation rate to the CIP II base rate adjustments for Gas CIP II Qualifying Project investments.

44. PSE&G will apply a 2.49 percent composite depreciation rate to the CIP II base rate adjustments for Electric CIP II Qualifying Project investments.

45. PSE&G agrees that it will not include incremental operation and maintenance expenses in CIP II Filings.

46. The Qualifying Projects, and any Board-approved substituted projects, and the associated investment costs included in each CIP II Recovery Filing, will be subject to a prudence review by BPU Staff and Rate Counsel prior to the issuance of a Board Order establishing that the Company's proposed annual base rate adjustment is just and reasonable. Such review will be conducted as a contested case in accordance with the New Jersey Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. At the conclusion of the proceeding to review the filing made at the conclusion of the final Gas and Electric CIP II Qualifying Projects, the base rate case in Docket No. GR09050422 will be closed unless otherwise ordered by the Board.

Accounting Methodology for CIP II

47. The Company will separately track Capital Investment Costs, as defined in Paragraph 41 herein, for each of the CIP II Qualifying Projects in a separate CIP II CWIP account. The Company will record a monthly accrual of AFUDC which will be capitalized and included in

included in the CIP II CWIP balance until the project enters service. The rate at which AFUDC will be accrued is determined as follows:

- (a) when PSE&G's average total CWIP balance for the month (the average of beginning-of-month and end-of-month balance), including CWIP associated with CIP II Qualifying Projects, is less than or equal to PSE&G's average daily outstanding short-term debt ("S/T debt") balance for the month, the applicable AFUDC rate will be equal to PSE&G's average daily cost of S/T debt for the month; or
- (b) when PSE&G's average total CWIP balance for the month, including CWIP associated with CIP II Qualifying Projects, is greater than PSE&G's average daily outstanding S/T debt balance for the month, the applicable AFUDC rate for CIP II Qualifying Projects will be the result of a blended monthly AFUDC calculation. The blended AFUDC rate calculation will include a S/T debt rate for that portion of PSE&G's average total CWIP balance for the month, including CWIP associated with CIP II Qualifying Projects, equal to the average daily cost of S/T debt for the month and a rate equal to 7.96 percent or 0.665 percent per month (adjusted for income taxes, uncollectibles (gas only), and BPU and Rate Counsel assessment fees), which reflects the cost of equity and capital structure as authorized by the Board in PSE&G's most recent base rate case and the current embedded cost of long-term debt and customer deposits, for that portion of PSE&G's average total CWIP balance for the month, including CWIP associated with CIP II Qualifying Projects, that is greater than PSE&G's average daily outstanding S/T debt balance

outstanding S/T debt balance for the month; or

- (c) if PSE&G has no average S/T debt balance for the month, the AFUDC rate in that month will be 7.96 percent.

48. In determining the CIP II CWIP base upon which to apply the monthly AFUDC rate, a deduction will be made for any CIP II CWIP amount currently approved by the Board and included in PSE&G's base rates. This exclusion of CIP II CWIP for determining the base also applies to the calculation of the blended AFUDC rate.

49. A CIP II Qualifying Project that is placed into service, but not yet reflected in customer base rates, will record a monthly accrual of a deferred return which will be capitalized and included in the plant balance equal to the overall rate of return of 7.96 percent. This deferred return will not apply to projects entering service after December 31, 2012. Depreciation expense will not begin on CIP II Qualifying Projects until they are reflected in base rates, with the exception of CIP II Qualifying Projects entering service after December 31, 2012.

Minimum Filing Requirements ("MFR")

50. The Company will provide the information set forth in the MFR attached hereto as Attachment D and made a part of this Stipulation, in its CIP II Recovery Filings, together with a petition for relief and supporting testimony. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each blanket project in Attachments B and C, together with measurable parameters, such as line-feet installed or number of installations completed, associated with each blanket project.

Rate Design

51. PSE&G will recover the costs approved in each of its CIP II Filings by adjusting base rates to recover the determined annualized revenue requirements for each filing using the same rate design methodology agreed to in the May 2010 Stipulation in PSE&G's most recent gas and electric base rate case, which was adopted in Board Orders dated June 7 and July 9, 2010.

Rate Impact

52. The Company estimates that the maximum annual impacts to the typical residential electric customer that uses 7,360 kilowatt-hours per year and the residential gas heating customer that uses 1,210 therms per year will be less than 1% in aggregate.

Quarterly Reporting

53. The Parties stipulate that the Company will provide the Parties with a quarterly report ("Quarterly Report") detailing the capital expenditures individually for each of the CIP II Qualifying Projects identified in Attachments B and C and the job growth resulting from the implementation of each CIP II Qualifying Project on a quarterly basis, in the format attached hereto as Attachment E and made a part of this Stipulation. The Quarterly Report should also include a Gantt chart showing the status of the projects, tasks completed, percentage of projects completed, and the actual money spent to date. The project expenditures shall be broken out between labor and material costs. Additionally, the Company will include in the Quarterly Report budgeted capital expenditures for non-Qualifying Projects for comparison to the actual costs incurred for non-Qualifying Projects. This reporting will begin one month after the end of the first calendar quarter following the issuance of a written Board Order approving this Stipulation in this

Stipulation in this proceeding. For example, assuming a written Board Order is issued in July 2011, reporting will begin on November 1, 2011.

54. PSE&G will provide Board Staff and Rate Counsel with quarterly reports of its CAIDI (Customer Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index), SAIDI (System Average Interruption Duration Index) and MAIFI (Momentary Average Interruption Frequency Index) results on a Company and Division basis identifying major events, and of its electric and gas base capital spending, until such time as PSE&G files its next base rate proceeding. The Parties agree that Rate Counsel and Staff may propound discovery based on the quarterly reports, including but not limited to discovery on metrics and reliability data, including CAIDI, SAIDI, SAIFI and MAIFI, for each of the substations and circuits impacted by each project.

55. The Company agrees to report the number of incremental contractor or other positions associated with the CIP II Qualifying Projects, consistent with the definition of a Full-Time Equivalent in Paragraph 56 below. The Company will include that information with each Quarterly Report and Annual Filing submitted to the Board Staff and Rate Counsel, in the format set forth in Attachment E attached hereto and made a part of this Stipulation.

Calculation of Jobs Created

56. The Parties agree that job creation is an integral part of the Economic Stimulus Plan underlying the CIP II Qualifying Projects. For purposes of reporting jobs associated with the CIP II Qualifying Projects, the Company will define a Full-Time Equivalent (“FTE”) job as 1,820 hours per year.

Government Funding

57. On February 17, 2009, the federal American Recovery and Reinvestment Act of 2009 (“ARRA”) (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits directly related to the CIP II Qualifying Projects through the ARRA, the Company agrees to utilize that money to offset the CIP II Qualifying Projects’ costs. If funding or credits from the ARRA or any subsequent state or federal action becomes available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the CIP II Qualifying Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

FURTHER PROVISIONS

58. This Stipulation, in combination with the CIP Annual Filing Stipulation, represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation or the CIP Annual Filing Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation or the CIP Annual Filing Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal

remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

59. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.


60. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Public Service, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

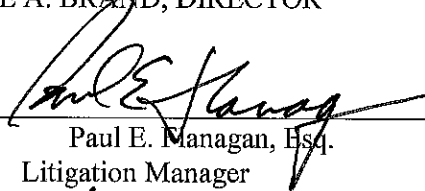
61. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

PUBLIC SERVICE ELECTRIC AND GAS

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

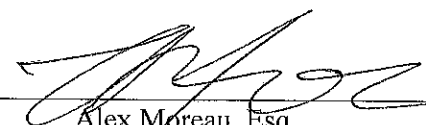
BY: 
Matthew M. Weissman, Esq.
Associate General Regulatory Counsel

BY: 
Paul E. Managan, Esq.
Litigation Manager

DATED: July 7, 2011

DATED: July 7, 2011

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

BY: 
Alex Moreau, Esq.
Deputy Attorney General

DATED: July 7, 2011

Gas Capital Plan

Gas (\$M)	2011	2012
New Business Projects	39.5	42.1
Environmental/Regulatory Projects	20.9	21.6
System Reinforcement Projects	20.8	23.8
Replace Facilities Projects	48.9	36.6
Support Facilities Projects	1.0	1.1
Total	131.1	125.2
Total Net of New Business	91.6	83.1
Additional Base CapEx	24.7	50.8
Base Total (Net of New Business)	116.3	133.9

Electric Capital Plan

Electric (\$M)	2011	2012	2013
New Business Projects	83.7	89.0	91.7
System Reinforcement Projects	46.8	34.9	48.1
Replace Facilities Projects	86.3	98.8	101.0
Environmental/Regulatory Projects	7.2	7.9	8.0
Support Facilities Projects	3.0	3.3	3.0
Utility Operations Services (UOS) ¹	17.2	28.9	28.7
Total w/ UOS	244.2	262.8	280.5
Total Net of New Business w/ UOS	160.5	173.8	188.8
Additional Base CapEx	10.0	10.0	-
Base Total (Net of New Business)	170.5	183.8	188.8

¹ Utility Operations Services (UOS) manages projects common to the Utility (e.g. vehicles, computers, mobile data terminals, security upgrades, fuel management system, etc.). UOS is planned in electric and incurred across the utility on an actual basis. At the time of incurrence, the appropriate amounts will be posted to the correct utility division.

PSE&G Capital Stimulus Infrastructure Investment Program**Capital Extension Electric Project Descriptions**

In Thousands \$

Item No.	Project	Description	Estimated Cost	Estimated Start Date	Estimated Completion Date	Estimated FTE Impact
ED2-001	Indoor Breaker Replacement Program	This program provides funding for the replacement of approximately fourteen (14) aging (1926) indoor Oil Circuit Breakers at Norfolk, Irvington, Ironbound, and Central Ave to preserve asset function and reliability.	\$ 12,000	Mid-2011	Mid-2012	19
ED2-002	Fire Protection System Upgrade Program	This program provides funds for approximately three (3) indoor substation fire protection system upgrades.	\$ 2,400	Mid-2011	Late-2011	4
ED2-003	Relay Replacement Program	This program provides funding for relay replacements of approximately thirty two (32) first generation solid state devices, mainly Westinghouse relays installed in the early 1970s. These relays have proven unreliable because their trip settings drift requiring annual maintenance.	\$ 3,000	Mid-2011	Late-2012	5
ED2-004	Urban Substation Upgrade	This project focuses on improving the overall condition, reliability and infrastructure in our urban substations. The improvements include replacement of old, energy inefficient voltage regulators, insulators, breakers, station light and power transformers and inadequate substation lighting. These station upgrades will provide those customers in our urban service territory with better voltage regulation during peak periods, reduces risks due to aging equipment and provides societal benefits associated with energy conservation.	\$ 11,300	Mid-2011	Late-2012	18
ED2-004B	Urban Substation Upgrade - Security Fencing	With the onset of our current economic conditions, Urban Substations have become a target for vandalism and copper theft. This project proposes to upgrade approximately eight thousand (8,000) feet of perimeter fences and gates at these urban facilities.	\$ 1,000	Mid-2011	Early-2012	2
ED2-005	Ventilation System Upgrade	This project provides funding for replacement of the ventilation system at Harrison Substation to keep summer extreme temperatures in the station below 100 degrees. High temperatures during the summer months with improper ventilation can result in a station shutdown and serious health risks for employees within the station.	\$ 500	Late-2011	Late-2011	1

PSE&G Capital Stimulus Infrastructure Investment Program**Capital Extension Electric Project Descriptions**

In Thousands \$

Item No.	Project	Description	Estimated Cost	Estimated Start Date	Estimated Completion Date	Estimated FTE Impact
ED2-006	SAIFI Improvement Program	This program provides systematic funding for condition based replacement of selected devices and additional equipment which directly affect customer reliability. The program will be divided into 4 parts: 1) Minor circuit remediation 2) Reduce customer impact by increased sectionalization 3) Major circuit remediation 4) Replace Defective Poles	\$ 60,000	Mid-2011	Late-2012	95
ED2-007	Lashed cable - SAIFI Improvement	This program provides funding for the replacement of approximately fifty four thousand (54,000) feet of poorly performing overhead lashed cable throughout the distribution system with newer more reliable cable.	\$ 7,000	Mid-2011	Late-2012	11
ED2-008	Recloser Replacement Program	This program provides funding for condition based replacement of approximately eighty (80) aging reclosers which improves reliability and eliminates oil containing devices from the pole top.	\$ 4,000	Mid-2011	Mid-2012	6
ED2-009	Underground (UG) Cable Replacement Program	This program provides funding for the replacement of approximately one hundred fifty thousand (150,000) feet of poorly performing underground cable throughout the distribution system with newer more reliable cable.	\$ 15,000	Mid-2011	Late-2012	24
ED2-010	Aerial Cable Replacement Program	This program provides funding for the replacement of approximately twenty five thousand (25,000) feet of poorly performing aerial cable throughout the distribution system with newer more reliable cable.	\$ 3,500	Late-2011	Mid-2012	6
ED2-011	BUD (Buried Underground Distribution) Cable Replacement Program	This program provides for replacement of approximately four hundred thousand (400,000) feet of aging BUD cable facilities to preserve asset function and reliability.	\$ 20,000	Mid-2011	Late-2012	32
ED2-012	Network Equipment Replacement Program	This program provides funding for the replacement defective miscellaneous underground equipment such as transformers, network protectors, oil filled cutouts, etc.	\$ 6,700	Mid-2011	Late-2012	11
ED2-013	13kV Network Protector Relays Replacement Program	This program provides for the replacement of older network protector relays with new expanded capability protection relays. This program is Pat Downes recommendation #6.	\$ 1,500	Mid-2011	Late-2012	2
ED2-014	LPGF Gas Monitoring System	This project provides for installation of two (2) monitoring systems to track consumption of nitrogen gas used by specific feeders in the stations which will enable targeted gas leakage repairs. This program is Pat Downes recommendation #10.	\$ 900	Mid-2011	Late-2012	1

PSE&G Capital Stimulus Infrastructure Investment Program**Capital Extension Electric Project Descriptions**

In Thousands \$

Item No.	Project	Description	Estimated Cost	Estimated Start Date	Estimated Completion Date	Estimated FTE Impact
ED2-015	Jersey City 26kV Network Optimization and Network Monitoring	This project provides funding for the optimization of the South Waterfront underground network including reconfiguration of primary cables and the installation of a monitoring system. The cable plan calls to separate the network load from the Morgan St 26-kv radial grid and form a pure three circuit network directly supplied from South Waterfront Switching Station. The present configuration is subject to mis-operations which could shut down critical financial institutions. The rearrangements would greatly increase area reliability by simplifying and reinforcing the network design, and replacing aged cables. Due to water infusion in the network locations along the Hudson waterfront and high density urban area, the reconfiguration of the network cables will need to occur concurrently with the network monitoring project in order to maximize the synergies created by Network Monitoring project. The installation of a state of the art network monitoring system will allow for real time monitoring and operation of the network equipment located in manholes and vaults throughout the South Waterfront network	\$ 20,000	Mid-2011	Late-2012	32
ED2-016	Jersey City 13kV Network Optimization	This project provides funding for the optimization of the Jersey City underground network. The rearrangements would greatly increase area reliability by simplifying the network, reinforcing it, upgrading manhole and conduit systems, and replacing aged cables.	\$ 8,250	Mid-2011	Late-2012	13
ED2-017	New Brunswick 26kV Network Optimization	This project provides funding for the optimization of the New Brunswick underground network. The rearrangements would greatly increase area reliability by simplifying the network, reinforcing it and replacing aged cables. This includes replacement of 26kV Cable, installation of new manhole, conduit and transformers.	\$ 5,000	Mid-2011	Late-2012	8
ED2-019	Hawthorne 5th Feeder	Install the Hawthorne Substation 5th feeder to accommodate changing load profiles in the Hawthorne-Ridgewood-Wyckoff area. This includes the installation of outlet cable, poles and overhead wire and hardware.	\$ 3,900	Late-2011	Late-2012	6
ED2-021	Runnemedede 5th and 6th Feeders	Install the Runnemedede Substation 5th and 6th feeders to accommodate changing load profiles in the Runnemedede-Gloucester area. This includes the installation of outlet cable, poles and overhead wire & hardware.	\$ 4,500	Mid-2011	Late-2012	7

PSE&G Capital Stimulus Infrastructure Investment Program

Capital Extension Electric Project Descriptions

In Thousands \$

Item No.	Project	Description	Estimated Cost	Estimated Start Date	Estimated Completion Date	Estimated FTE Impact
ED2-023	St Peters New Brunswick Upgrade	Improve reliability to the Hospital by reducing momentary interruptions. This includes installation of poles, and all overhead wire & hardware, UG cable, manhole and conduit, and 26-13kV step down transformer.	\$ 2,200	Mid-2011	Late-2012	3
ED2-024	South River Upgrade	Improve reliability and accessibility for restoration of two 26kv supply lines. This includes installation of poles and all overhead wire & hardware.	\$ 2,750	Mid-2011	Late-2012	4
TOTAL			\$ 195,400			310

PSE&G Capital Stimulus Infrastructure Investment Program

Capital Extension Gas Project Descriptions

In Thousand \$

Item No.	Project	Description	Estimated Cost	Estimated Start Date	Estimated Completion Date	Estimated FTE Impact
GD2-001A	Replacement Main (RF Blanket)	Blanket provides funding for the replacement of approximately 47 miles of aging cast iron and bare steel gas mains (due to active corrosion or high hazard index), and replacement of approximately 2300 bare steel gas services associated with main replacement. In addition provides funding for replacement of approximately 20 aging and obsolete gas pressure regulators and replacement of M&R equipment including water bath heaters pressure regulators, ancillary pressure control equipment such as scrubbers, gas chromatograph controllers, electronic measurement systems, piping and other appurtenances, and instruments at various M&R Station locations.	43,400	Mid-2011	Mid-2012	85
GD2-001B	Replacement Service (RF Blanket)		8,300	Mid-2011	Mid-2012	25
GD2-001C	Replacement Regulator (RF Blanket)		2,500	Mid-2011	Mid-2012	5
GD2-001D	M&R Replacements (RF Blanket)		2,000	Mid-2011	Mid-2012	1
			-			
GD2-002A	BPU Gas Services (ER Blanket)	Blanket provides funding for the replacement of approximately 1900 bare steel gas services as mandated by the BPU and the 20% rule (NJAC 14:7-1.16 e) "An operator shall replace all bare and coated cathodically unprotected steel service lines within a definable area when records indicate that 20 percent or more of the bare and coated cathodically unprotected steel services within that definable area have exhibited leaks." Accelerated replacement of bare steel services from blocks that are identified during the annual service leakage study. In addition provides funding for the abandonment of 6000 active stubs that have not been used for 12 months or more.	6,900	Mid-2011	Mid-2012	19
GD2-002B	Stub Abandonment (ER Blanket)		10,100	Mid-2011	Mid-2012	25
			-			
GD2-003A	Bell Joint Encapsulation (SR Blanket)	Blanket provides funding for the installation of approximately 570 life extending cast iron bell joint encapsulations. Also includes the installation of various new reinforcement mains and regulating stations to improve system reliability in areas of the service territory identified by network analysis and actual pressures experienced, and overall capacity improvements that minimize pressure losses during periods of high demand. Enhances system reliability and integrity and ensures system pressures remain above design minimums.	3,800	Mid-2011	Mid-2012	6
GD2-003B	Distribution Reinforcements (SR Blanket)		1,000	Mid-2011	Mid-2012	1
TOTAL			\$ 78,000			167

MINIMUM FILING REQUIREMENTS

- 1) Public Service Electric and Gas Company's (the Company's) income statement for the most recent 12 month period, as filed with the New Jersey Board of Public Utilities ("BPU").
- 2) The Company's balance sheet for the most recent 12 month period, as filed with the BPU.
- 3) The Company's overall approved capital budget broken down by major categories, including distribution and incremental capital expenditures for the Qualifying Projects, both budgeted and actual amounts.
- 4) For each Qualifying Project or proposed new project:
 - a. The original project summary for each Qualifying Project;
 - b. Capital expenditures incurred to date.
 - c. Appropriate metric (e.g., poles replaced, linear feet of installed cable, etc.)
- 5) Anticipated project timeline with updates and expected changes.
- 6) A spending schedule detailing the Qualifying Projects and Non-Qualifying Projects to date as compared to the Company's original approved capital spending plans.
- 7) A summary of expenditures for each of the Qualifying Projects that identify each expenditure from project inception through the end of the current quarter.
- 8) A calculation of the proposed rate adjustment based on details related to Qualifying Projects included in Plant in Service.
 - a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
- 9) A list of FTE equivalent jobs in accordance with paragraph 57 of the Stipulation.
- 10) A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the Qualifying Projects, such as relocation, reimbursement or stimulus money.
 - a. An explanation of the financial treatment associated with the receipt of the government funds or credits.
- 11) A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.
- 12) Actual revenues, by month, collected from the ratepayers pursuant to the tariff(s).

Public Service Electric and Gas Company

Quarterly Report on Capital Expenditures and Job Creation Related to Qualifying Projects

<u>Proposed Infrastructure Project</u>	<u>Project Type</u>	<u>Estimated Quantity</u>	<u>Major Tasks</u>	<u>Tasks Completed To Date</u>	<u>Quantity Completed To Date</u>	<u>Percent of Quantity/Tasks Completed To Date</u>	<u>Total Estimated Cost</u>	<u>Actual Cost To Date</u>	<u>Percent of Cost To Date</u>	<u>Project Completion Date</u>	<u>Total Jobs To Be Created</u>	<u>Jobs Created To Date</u>	<u>Non-Qualifying Project Actual Spending For The Budget Year</u>	<u>Project Budgeted Spending For The Budget Year</u>	<u>Qualifying Project Actual Spending For The Rate Period</u>	<u>Project Forecast Spending For The Rate Period</u>
(a)	(b)	(c)	(d)*	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)*	(m)*	(n)*	(o)*	(p)*	(q)*

Notes: 1. For column c & d-If the project cannot be quantified with numbers then it should be broken down into major tasks to be completed.
e.g. design phase, material procurement, permit gathering, phases of construction etc.

2. For column N & O the amounts includes only normal spending for the budget year and do not include any spending associated with the qualified projects in Attachments A and B. The Board of Directors of PSEG has only approved the current year (2011) budget and years beyond 2011 in the Business Plan have not been approved by the BOD

3. See Attached Gantt Charts for each project

4. For columns P & Q, the "Rate Period" is a calendar year.

5. For columns L & M, calculated in accordance with paragraph 54 of the Stipulation