



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

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO)	ADOPTING INITIAL DECISION
MODIFY ITS MANUFACTURED GAS PLANT (MGP))	
REMEDIAION COMPONENT WITHIN ITS ELECTRIC)	AND
SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS)	
SBC; FOR A BOARD ORDER FINDING THAT ITS MGP)	APPROVING STIPULATION OF
REMEDIAION WORK PERFORMED DURING THE)	SETTLEMENT FOR RAC 17
REMEDIAION ADJUSTMENT CHARGE (RAC) 17)	
PERIOD, AUGUST 1, 2008 TO JULY 31, 2009 WAS)	
PRUDENT; THAT THE RESULTING RAC 17 COSTS)	
ARE REASONABLE AND AVAILABLE FOR)	
RECOVERY; AND TO MAKE CHANGES IN THE)	
TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 14)	
AND TO MAKE CHANGES IN THE TARIFF FOR GAS)	
SERVICE B.P.U.N.J. NO. 14, PURSUANT TO N.J.S.A.)	BPU DKT. NO. ER09110921
48:2-21 AND N.J.S.A. 48:2-21-1.)	OAL DKT.NO.PUCRL 01189-2010N

Gregory Eisenstark, Esq., Associate General Regulatory Counsel and **Frances I. Sundheim**, Esq., Vice President and Corporate Rate Counsel, for the Petitioner, Public Service Electric and Gas Company

Sarah H. Steindel, Esq., Assistant Deputy Public Advocate, and **Henry M. Ogden**, Esq., Assistant Deputy Public Advocate, Department of the Public Advocate, 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)

BY THE BOARD:

The Manufactured Gas Plant Remediation Adjustment Clause ("RAC") allows for recovery of Public Service Electric and Gas Company's ("Petitioner", "Public Service", "Company") reasonably incurred Manufactured Gas Plant Remediation Program Costs ("MGP Costs"), amortized over a seven-year rolling average period, and carrying charges tied to seven-year treasuries plus sixty basis points. PSE&G's MGP costs are allocated to electric and gas customers on a 60/40 percent basis pursuant to prior Board Orders.

On November 10, 2009, Public Service filed a petition with the New Jersey Board of Public Utilities ("Board") for an Order finding that Public Service's Manufactured Gas Plant ("MGP") Remediation work performed during the RAC period August 1, 2008 through July 31, 2009 ("RAC 17") was prudent, and that the resulting RAC 17 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 2009. The RAC is a component of the Societal Benefits Charge ("SBC").

The Company's 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 \$10.495 million, and increased annual RAC revenues from the Company's electric customers of approximately \$13.367 million. The Company's filing requested authority to (1) increase its Gas RAC factor rate from 0.7200 cents per therm (including Sales and Use Tax, "SUT") to 1.0915 cents per therm (including SUT); and (2) to increase its Electric RAC factor rate for secondary service from 0.0199 cents per kWh (including losses and SUT) to 0.0535 cents per kWh (including losses and SUT), with other voltage level services increased accordingly.

In addition, the Company has identified \$265,981 of Natural Resource Damage ("NRD") related MGP costs in the RAC 17 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 21, 2010 and assigned to Administrative Law Judge ("ALJ") Leland McGee.

Notice setting forth the Company's November 10, 2009 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 May 10, 11, and 13, 2010, respectively. No members of the public appeared and no member of the public commented on the filing in person or by filing comments with the Board.

The Company, Board Staff and the Department of the Public Advocate, Division of Rate Counsel ("Parties") entered into a settlement dated June 21, 2010, that provided for the following:

The Company's MGP Remediation work performed during the RAC 17 period, August 1, 2008 to July 31, 2009 was prudent and reasonable, and the resulting RAC 17 costs of \$33.550 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery. This \$33.550 million is net of the deferral of \$265,981 of Natural Resource Damage (NRD)-related MGP costs incurred during the RAC 17 period that the Company has deferred.

- The current gas RAC rates shall be increased by \$10.495 million on an annual basis, and the current electric RAC rates shall be increased by \$13.367 million on an annual basis, for a total increase of \$23.862 million on an annual basis.

The current secondary service electric RAC factor of 0.0199 cents per kWh (includes losses and sales and use tax or "SUT") would be increased to 0.0535 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 0.7200 cents per therm (including SUT) would be increased to 1.0915 cents per therm (including SUT).

NRD-related MGP expenditures of \$265,981 incurred during the RAC 17 period are not included in the net \$33.550 million of RAC 17 costs. PSE&G will have deferred a total of \$399,900 of NRD-related MGP costs through the end of the RAC 17 period.

- The RAC factors agreed to in this filing are set to recover \$32.387 million through the gas SBC and \$21.294 million through the electric SBC or a total of \$53.681 million.
- The Company agrees to file its next annual RAC petition within either ninety (90) days of the completion of each RAC recovery year, or within ninety days (90) days after the date of the Board's final written Order in the Company's previous RAC proceeding, whichever is later. Reconciliation will include the calculation of actual volumes that recovered the RA factor and the resultant net expense or credit amount which is to be carried over to the next recovery year. Recovery and adjustment of the RA factor is subject to the Parties' review of PSE&G's RA expenditures and reconciliation thereof in PSE&G's 2010 SBC proceeding.
- 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.

On June 22, 2010, ALJ McGee issued an Initial Decision finding that the Parties had voluntarily agreed to the settlement and that the settlement fully disposes of all issues in controversy and is consistent with 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 17 period of August 1, 2008 through July 31, 2009 was prudent, and the resulting RAC 17 costs of \$33.550 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 herein. The Board HEREBY ORDERS that the Petitioner's gas RAC factor for gas customers other than contract customers be increased from 0.7200 cents per therm (including SUT) would be increased to 1.0915 cents per therm (including SUT). The Board HEREBY ORDERS that the Petitioner's electric RAC factor for gas customers other than contract customers be increased from 0.0199 cents per kWh (including losses and SUT) to 0.0535 cents per kWh (including losses and SUT).

The annual bill for a typical electric residential customer using 780 kWh per summer month and 7,360 kWh annually will increase from \$1,376.52 to \$1379.00, or \$2.48 or approximately 0.18%. The annual bill for a typical gas residential customer using 160 therms per winter month and

1,050 therms annually will increase from \$1,369.48 to \$1,373.34, or \$3.86 or approximately 0.28%.

The Board FURTHER ORDERS that the NRD related costs of \$265,981 from the RAC 17 period and the deferred total of \$399,900 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 as of the date of this Order.

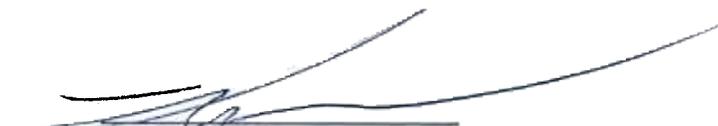
The Board HEREBY DIRECTS the Company to submit revised tariff sheets that conform to the terms and conditions of this Order within seven (7) days from the effective dates of the rates contained on this Order.

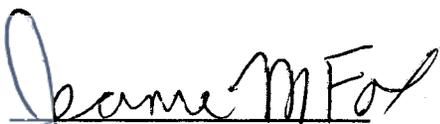
The Company's RAC costs shall remain subject to on-going audit by the Board. Additionally, the Company will periodically conduct audits of these expenses.

The Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 8/4/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

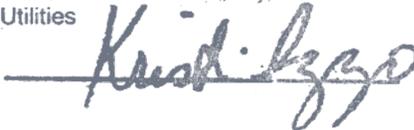

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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) 17 PERIOD, AUGUST 1,
2008 TO JULY 31, 2009 WAS PRUDENT; THAT THE
RESULTING RAC 17 COSTS ARE REASONABLE AND
AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES
IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 14
AND TO MAKE CHANGES IN THE TARIFF FOR GAS
SERVICE B.P.U.N.J. NO. 14, PURSUANT TO N.J.S.A.
48:2-21 AND N.J.S.A. 48:2-21-1.

Docket No. ER09110921

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jerome May, Director
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila DeLucia
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Edward Beslow, Esq.
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Henry Rich
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Victoria Fisher
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

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

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

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

Sarah H. Steindel, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Fl
Newark, NJ 07101

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

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

Frances I. Sundheim, Esq.
Public Service Electric & Gas Co.
80 Park Plaza, T8C, PO Box 570
Newark, NJ 07101

Gregory Eisenstark, Esq.
Public Service Electric & Gas Co.
80 Park Plaza, T8C, PO Box 570
Newark, NJ 07101



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, NJ 07102
(973) 648-6008

A copy of the administrative law
judge's decision is enclosed.

This decision was mailed to the parties
on JUN 24 2010



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 01189-10

AGENCY DKT. NO. ER09110921

IN THE MATTER OF THE PETITION OF
PUBLIC SERVICE ELECTRIC AND GAS
COMPANY—REMEDICATION ADJUSTMENT
CHARGE (RAC) 17 PERIOD.

Gregory Einsenstark, Assistant Corporate Rate Counsel, for petitioner Public
Service Electric and Gas

Alex Moreau, Deputy Attorney General, for respondent Board of Public Utilities
(Anne Milgram, Attorney General of New Jersey, attorney)

Sarah H. Steindel and Judith Appel, Assistant Deputy Advocates (Stephanie A.
Brand, Director)

Record Closed: June 21, 2010

Decided June 22, 2010

BEFORE LELAND S. MCGEE, ALJ:

On November 10, 2009, Public Service Electric and Gas ("Petitioner" or the
"Company"), a public utility of the State of New Jersey filed a petition with the 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

performed during the RAC 17 period, August 1, 2008 to July 31, 2009 was prudent and that the resulting RAC 17 costs are reasonable and appropriate for 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 \$10.495 million and increased annual RAC revenues from the company's electric customer of approximately \$13.367 million.

The matter was transmitted to the Office of Administrative Law ("OAL") on January 21, 2010, for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to 15 and N.J.S.A. 52:14F-1 to 13. After the prehearing conference on March 11, 2010, the matter was scheduled for hearing on June 21, 2010. Prior to the hearing date, the parties advised that the matter had settled. An electronic copy of the Settlement Agreement was filed on or about June 21, 2010

have reviewed the record and terms of the Stipulation of Settlement and **FIND**

The parties have voluntarily agreed to the settlement as evidenced by the signatures of the parties or their representatives.

- 2 The settlement fully disposes of all issues in controversy and is consistent with law.

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby concluded.

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.

June 22, 2010

DATE



LELAND S. MCGEE, ALJ

Date Received at Agency:

6-24-10
[Handwritten signature]

Date Mailed to Parties:

JUN 24 2010

attachment

LSM/ir

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. ER09110921
SOCIETAL BENEFITS CHARGE (SBC) AND ITS)
GAS SBC; FOR A BOARD ORDER FINDING) OAL DOCKET NO. PUCRL 01189-
THAT ITS MGP REMEDIATION WORK) 2010N
PERFORMED DURING THE REMEDIATION)
ADJUSTMENT CHARGE (RAC) 17)
PERIOD, AUGUST 1, 2008 TO JULY 31, 2009)
WAS PRUDENT; THAT THE RESULTING RAC)
17 COSTS ARE REASONABLE AND)
AVAILABLE FOR RECOVERY; AND TO MAKE)
CHANGES IN THE TARIFF FOR ELECTRIC)
SERVICE B.P.U.N.J. NO. 14 AND TO MAKE)
CHANGES IN THE TARIFF FOR GAS SERVICE)
B.P.U.N.J. NO. 14, PURSUANT TO N.J.S.A.)
48:2-21 AND N.J.S.A. 48:2-21.1)

APPEARANCES

Gregory Eisenstark, Esq., Associate General Regulatory Counsel and Frances I. Sundheim, Esq., Vice President and Corporate Rate Counsel, for the Petitioner, Public Service Electric and Gas Company

Sarah H. Steindel, Esq., Assistant Deputy Public Advocate, and Henry M. Ogden, Esq., Assistant Deputy Public Advocate, Department of the Public Advocate, Division of Rate Counsel (Stefanie A. Brand, Acting Public Advocate and 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 10, 2009, Public Service Electric and Gas Company (Public Service, the Company) filed a Petition with the Board of Public Utilities (Board) for an Order finding that Public Service's Manufactured Gas Plant (MGP) Remediation work performed during the Remediation Adjustment Charge (RAC) period August , 2008 through July 31, 2009 (RAC 17) was prudent, and that the resulting RAC 17 costs are reasonable and appropriate for rate recovery. 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 \$10.495 million, and increased annual RAC revenues from the Company's electric customers of approximately \$13.367 million. The Company's filing requested authority to (1) increase its Gas RAC factor rate from 0.7200 cents per therm (including Sales and Use Tax, "SUT") to .0915 cents per therm (including SUT); and (2) to increase its Electric RAC factor rate for secondary service from 0.0199 cents per kWh (including losses and SUT) to 0.0535 cents per kWh (including losses and SUT), with other voltage level services increased accordingly. The Company proposed an April , 2010 effective date for these tariff changes.

Notice setting forth the Company's November 10, 2009 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.

hearings were scheduled and conducted in Hackensack, New Brunswick, and Mount Holly on May 10, 11, and 13, 2010, respectively. No members of the public appeared and no member of the public commented on the filing in person or by filing comments with the Board of Public Utilities.

Board Staff (Staff) and the Department of the Public Advocate, 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 settlement and discovery conferences concerning this matter.

NOW, THEREFORE, THE UNDERSIGNED AGREE AS FOLLOWS:

- 1) The Company's MGP Remediation work performed during the RAC 17 period, August , 2008 to July 31, 2009, 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 17 costs of \$33.550 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery. This \$33.550 million is net of a deferral of \$265,981 of Natural Resource Damage (NRD)-related MGP costs incurred during the RAC 17 period that the Company has deferred. The Company represents that the \$265,981 in deferred costs for the RAC 17 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

- 2) The Parties agree that the current electric and gas RAC rates, approved by the Board on July 31, 2009, should be changed as follows. The current gas RAC rates shall be increased by \$10.495 million on an annual basis, and the current electric RAC rates shall be increased by \$13.367 million on an annual basis, for a total increase of \$23.862 million on an annual basis. The current secondary service electric RAC factor of 0.0199 cents per kWh (includes losses and sales and use tax or "SUT" would be increased to 0.0535 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 0.7200 cents per therm (including SUT) would be increased to .0915 cents per therm (including SUT). The foregoing rates will allow recovery of 1/7 of the RAC through RAC 17 expenditures. The undersigned agree that the foregoing RAC factors are set so that Public Service may recover \$32.387 million through the gas SBC and \$21.294 million through the electric SBC, for a total of \$53.681 million. As a result of this Settlement, the annual bill for a typical electric residential customer using 780 kWh per summer month and 7,360 kWh annually based upon rates in effect 6/07/10 will increase from \$1,376.52 to \$1379.00, or \$2.48 or approximately

0.18%. The annual bill for a typical gas residential customer using 160 therms per winter month and 1,050 therms annually based upon rates expected to be in effect 6/18/10 will increase from \$1,369.48 to \$1,373.34, or \$3.86 or approximately 0.28%.

- 3) 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 2 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.
- 4) 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.
- 5) The Parties agree that during the RAC 17 period, the Company properly credited all net proceeds from the sale or lease of MGP properties to the RAC 17 balance, for the benefit of customers.
- 6) The Parties agree that NRD-related MGP expenditures of \$265,981 incurred during the RAC 17 period are not included in the net \$33.550 million of RAC 17

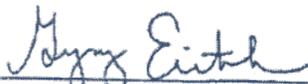
costs described in Paragraph above. The Parties further agree that PSE&G shall defer the \$265,981 of NRD-related MGP costs from the RAC 7 period. The Parties further agree that PSE&G will have deferred a total of \$399,900 of NRD-related MGP costs through the end of the RAC 17 period. PSE&G agrees to 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.

- 7) The deferred NRD-related amounts have been excluded from in the new RAC factors set forth in Paragraph 2 of this Settlement.
- 8) 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.
- 9) The Company agrees to file its next annual RAC Petition within either ninety (90) days after the completion of each RAC recovery year (i.e., within ninety days after July 31), or within ninety (90) days after the date of the Board's final, written Order in the Company's previous RAC proceeding, whichever is later.

- 10) 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 17 filing
- 11) 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.
- 12) 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.
- 13) 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: 
Gregory Eisenstark, Esq.

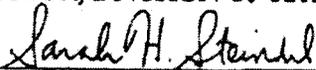
DATED: 6-21-2010

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

BY: 
Alex Moreau, DAG

DATED: June 21, 2010

STEFANIE A. BRAND, ACTING PUBLIC ADVOCATE
OF NEW JERSEY AND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Sarah H. Steindel, Esq.
Assistant Deputy Public Advocate

DATED: June 21, 2010

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.

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.
4. 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.
7. 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.