



Agenda Date: 3/02/07
Agenda Item: 2A

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

DIVISION OF ENERGY

IN THE MATTER OF THE MOTION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF CHANGES IN ITS ELECTRIC AND)
GAS SOCIETAL BENEFITS CHARGE RATES;)
FOR A CHANGE IN ITS ELECTRIC NON-UTILITY)
GENERATION TRANSITION CHARGE RATE AND)
FOR CHANGES IN THE TARIFF FOR ELECTRIC)
SERVICE B.P.U.N.J. No.14 ELECTRIC AND)
CHANGES IN THE TARIFF FOR GAS SERVICE)
B.P.U.N.J. No.13 GAS PURSUANT TO N.J.S.A.)
48:2-21, N.J.S.A. 48:2-21.1 AND N.J.S.A. 48:3-60)

DECISION AND ORDER
ADOPTING INITIAL DECISION,
SETTLEMENT AND
JOINT POSITION

BPU DOCKET NO. GR05080686
OAL DOCKET NO. PUC-5342-06

(SERVICE LIST ATTACHED)

BY THE BOARD:

On August 12, 2005, Public Service Electric and Gas Company ("PSE&G" or "Company") submitted a filing requesting Board of Public Utilities' ("Board" or "BPU") approval for changes in its electric and gas societal benefits charge ("SBC") and its electric non-utility generation transition charge ("NTC") effective January 1, 2006.

The rates proposed for PSE&G's electric SBC components (excluding Remediation Adjustment Charge ("RAC"), permanent Universal Service Fund ("USF") and Lifeline) were designed to produce an annual increase in revenues of \$105.6 million from electric customers. This proposed revenue increase would be offset by a \$92.9 million decrease in its revenues from electric customers to recover the NTC costs. The net annual revenue change in rates for electric customers would be a \$12.7 million increase. The rates proposed for the gas SBC components (excluding RAC, permanent USF and Lifeline) were designed to produce an annual revenue increase of \$9.5 million.

Updates to PSE&G's original filing were made on October 31, 2005, May 5, 2006, and August 7, 2006 ("August 7 Update"). The August 7 Update, which included actual data through May 31, 2006 and proposed an effective date of January 1, 2007, contained electric SBC/NTC components designed to produce an annual increase in revenue of \$32.1 million, which corresponds to an annual bill increase of \$5.28 or 0.53%, including Sales and Use Tax ("SUT") for an average residential customer. The August 7 Update also contained gas SBC rates designed to produce an increase in annual revenue of \$12.0 million which corresponds to an annual bill increase of \$5.06 or 0.27%, including SUT, for an average residential customer.

The matter was subsequently transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Diana Sukovich.

Public hearings were conducted in Hackensack, New Brunswick, and Mount Holly, on November 27, 29, and 30, 2006, respectively. One member of the public spoke in opposition to the proposed increase.

Following an exchange of discovery and the holding of settlement conferences, the Company, the Public Advocate of New Jersey, Division of Rate Counsel ("Rate Counsel"), Gerdau Ameristeel Corporation ("Gerdau") and Board Staff (collectively, "the Parties") executed a settlement agreement ("Settlement") dated January 19, 2007. Among other things, the Settlement provides for electric SBC/NTC rates that would provide an increase in PSE&G's annual revenues of \$16.4 million. The Settlement also provides for a \$12.0 million increase in revenues for the gas SBC as contained in the Company's August 7, 2006 filing. In addition, the Company, Staff and Gerdau executed a Joint Position ("Joint Position"), dated January 18, 2007, which would revise the electric SBC rate for Rate Schedule HEP ("Hourly Energy Pricing"). Rate Counsel did not file any objection or other position regarding the Joint Position.

The terms of the Settlement of the Parties include the following¹

- Except for the amortization of the NTC overcollected balance as discussed below, the ALJ and the BPU should approve the Company's motion, as amended by its August 7, 2006 Update.
- The Company's actual costs and expenditures through May 31, 2006, as set forth in its motion and August 7 update, are reasonable and prudent, and appropriately recovered through the electric SBC/NTC and gas SBC.

¹ This is only a summary, as is the discussion infra as to the Joint Position. The full settlement documents control, subject to the Board's findings and conclusions contained herein.

- The forecasts of costs and revenues for the electric SBC/NTC and gas SBC and the actual results for these items, including the appropriateness of any claimed lost revenues from June 1, 2006 forward, will be reviewed in the Company's next SBC and NTC filing.
- Based on the actual NTC deferred balance through October 31, 2006 and the projected balance through December 31, 2006, the appropriate NTC deferred balance to amortize is \$184.3 million (including interest). PSE&G will amortize this \$184.3 million amount over a one year period.
- The Company's total electric SBC/NTC revenues will be increased by approximately \$16.4 million on an annual basis. For a typical residential customer using 6,960 kWh per year and 722 kWh in a summer month, the annual bill increase will be \$2.72 or 0.27% (including SUT).
- The Company's gas SBC revenues will be increased by approximately \$12 million on an annual basis. For a typical residential customer using 1,210 therms per year and 200 therms in a winter month, the annual bill increase will be \$4.86 or 0.28% (including SUT).
- The name of the Company's NTC will be changed to "Non-utility Generation Charge" or "NGC."
- The Company will file its electric SBC/NTC and gas SBC cases on an annual basis, without the RAC, USF and Lifeline filings, which will be filed separately. PSE&G's electric SBC/NTC and gas SBC cases will be filed by the later of April 1 of each year or two months after the issuance of the Board's final Order in PSE&G's then-current electric SBC/NTC and gas SBC case.
- Nothing in this Settlement shall preclude or limit the Board's ability to review and decide the matters that are currently pending in I/M/O the Deferred Balances Audit of Public Service Electric and Gas Company, Deferral Audit Phase II, August 2002 through July 31, 2003, BPU Docket Nos. EX02060363 and EX02060366.
- The rate changes will become effective on and after the date of the Board Order approving the Settlement.

The terms of the Joint Position include the following

- o The description of PSE&G's SBC for Rate Schedule HEP of the Company's Tariff for Electric Service will be changed from:

The SBC charge is applicable to the first 20 million kilowatthours in each month. The HTS-HV Energy Efficiency and Renewable Energy Program and Manufactured Gas Plant Remediation components of the SBC are also applicable to all kilowatthours in excess of 20 million kilowatthours in each month.

to:

The Manufactured Gas Plant Remediation component of the HTS-HV SBC is applicable to all kilowatthours in each billing month. The Energy Efficiency and Renewable Energy Program and Social Programs components of the HTS-HV SBC are applicable to one-half of the kilowatthours in each billing month. The remaining components of the HTS-HV SBC are applicable to the first 20 million kilowatthours in each billing month.

On January 31, 2007, ALJ Diana Sukovich issued her Initial Decision approving the Settlement and the Joint Position.

DISCUSSION AND FINDINGS

The Board has carefully reviewed the record in this proceeding, including the ALJ's Initial Decision, the Settlement and the Joint Position. The Board **HEREBY FINDS** the Settlement and the Joint Position to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the ALJ's Initial Decision, the Settlement and the Joint Position in their entireties and **HEREBY INCORPORATES** the terms of the Settlement and Joint Position as if fully set forth herein. In approving the Settlement, the Board emphasizes that the rates approved herein shall not be automatically changed by the Company at the conclusion of the one-year amortization of the NTC provided for in the Settlement. Additionally, in the event that an electric SBC/NTC filing and/or a gas SBC filing is not required to be made by April 1, the Board's approval of the Settlement shall not preclude the Board from requiring that an electric SBC/NTC filing or a gas SBC filing be made sooner than the time frame otherwise provided by the Settlement.

The Board **HEREBY APPROVES** the attached tariff pages which reflect the changes set forth in the Settlement and Joint Position.

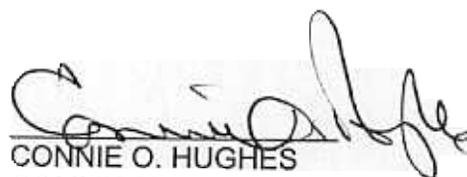
The Company's SBC and NTC expenses will remain subject to audit by the Board. The audit of the SBC and NTC shall not be limited to the currently pending audit in I/M/O the Deferred Balances Audit of Public Service Electric and Gas Company, Deferral Audit Phase II, August 2002 through July 31, 2003, BPU Docket Nos. EX02060363 and EX02060366. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any Board ordered audit.

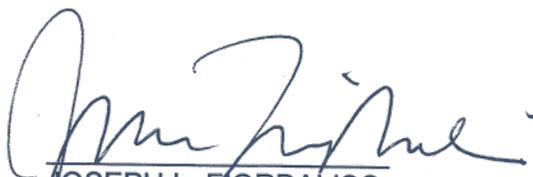
DATED: **3/6/07**

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

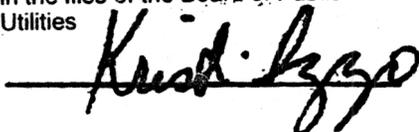

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
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 Motion of Public Service Electric and Gas Company for
Approval of Changes in its Electric and Gas Societal Benefits Charge
Rates; for a Change in its Electric Non-Utility Generation Transition Charge
Rate, and for Changes in the Tariff for Electric Service B.P.U.N.J. No. 14
Electric and Changes in the Tariff for Gas Service B.P.U.N.J. No. 13 Gas
Pursuant to N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1 and N.J.S.A. 48:3-60
BPU Docket No. GR05080686**

Gregory Eisenstark, Esq.
Assistant Corporate rate Counsel
Public Service Electric & Gas Co.
80 Park Plaza, T8C, T08C
P.O. Box 570
Newark, NJ 07101

Nusha Wyner, Director
Board of Public Utilities
Division of Energy
Two Gateway Center
Newark, NJ 07102

Dennis Moran, Assistant Director
Board of Public Utilities
Division of Energy
Two Gateway Center
Newark, NJ 07102

Sheila Iannaccone, Chief
Board of Public Utilities
Division of Energy
Two Gateway Center
Newark, NJ 07102

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

Vern Cumarasegaran
Board of Public Utilities
Division of Energy
Two Gateway Center
Newark, NJ 07102

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

Margaret Comes, DAG
Division of Law
124 Halsey St.
P.O. Box 45029
Newark, NJ 07102

Robert A. Weishaar, Jr., Esq.
McNees Wallace & Nurick LLC
777 North Capital Street, NE
Suite 401
Washington, DC 20002

Seema Singh, Esq.
Division of Rate Counsel
31 Clinton Street, 11th
P.O. Box 46005
Newark, NJ 07102

Bud Ubushin, Esq.
Division of the Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 810
Newark, NJ 07102

Suzana Loncar, DAG
Division of Law
124 Halsey St.
P.O. Box 45006
Newark, 07102

copy



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

RECEIVED
FEB - 2 2007
FRANCES I. SUNDHEIM, ESQ.
VP & CORPORATE RATE COUNSEL

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 5342-06

AGENCY DKT. NO. GR05080686

**I/M/O THE MOTION OF PUBLIC SERVICE
ELECTRIC & GAS COMPANY FOR
APPROVAL OF CHANGES IN ITS ELECTRIC
& SOCIETAL BENEFITS CHARGE; A
CHANGE IN ITS ELECTRIC NON-UTILITY
GENERATION TRANSITION CHARGE; &
FOR CHANGES THE TARIFFS FOR
ELECTRIC SERVICE & GAS SERVICE**

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

Badrhn M. Ubushin, Assistant Deputy Public Advocate, for the Division of Rate
Counsel, intervenor (Seema Singh, Director, attorney)

Stephen R. Kern, Esq., for Gerdau Ameristeel Corporation, intervenor (McNees
Wallace & Burick LLC, attorneys)

Robert A. Weishaar, Jr., Esq. and **Vasiliki Karandrikas, Esq.** appearing Pro
Hac Vice, for Gerdau Ameristell Corporation, intervenor

Suzana Loncar, Deputy Attorney General, for the Staff of the Board of Public
Utilities (Stuart Rabner, Attorney General, attorney)

Record Closed: January 19, 2007

Decided: January 31, 2007

BEFORE: **DIANA C. SUKOVICH, ALJ:**

OAL DKT. NO. PUC 5342-06

On August 12, 2005, Public Service Electric and Gas Company (petitioner) filed a petition with the Board of Public Utilities (BPU) for approval of changes in certain rates, its electric and gas Societal Benefits (SBC) and electric Non-Utility Generation Transition Charges, and tariff provisions. The BPU transmitted the matter to the Office of Administrative Law on April 27, 2006 for determination as a contested case pursuant to N.J.S.A. 52:14F-1 to -13.

Telephone conferences were conducted throughout the proceedings. On July 10, 2006, this judge issued an order granting a Motion to Intervene on behalf of Gerdau Ameristell Corporation (Gerdau). Public hearings were conducted, during the evening, on November 27, 29, and 30, 2006, in Hackensack, New Brunswick, and Mount Holly, New Jersey, respectively.

During the proceedings, petitioner and the Division of Rate Counsel (Rate Counsel), State Department of the Public Advocate, filed prepared testimony of their witnesses, and petitioner filed updates to its filing on October 31, 2005 and May 5 and August 7, 2006. Evidentiary hearings, which were scheduled on December 18 and 19, 2006, were adjourned at the requests of the parties, because they determined that cross-examination of the witnesses was not required. The deadlines for the submission of briefs were extended at the requests of the parties because of continuing settlement discussions.

The parties ultimately reached a resolution of the matter, reflected in two executed documents, a Settlement and Joint Position, which were filed on January 19, 2007, on which date the record was closed. The Settlement, which addresses the filing, generally, as amended by the August 7, 2006 updates, was executed by all the parties; and the Joint Position, which addresses petitioner's SBC for Rate Schedule HEP for electric service, by petitioner, the BPU's Staff (Staff), and Gerdau. Rate Counsel did not file any objections, or other communications, regarding the Joint Position. Attached herewith are copies of the Settlement and Joint Position. The parties are to be commended for their professionalism and efforts.

Having reviewed the Settlement and Joint Position, I **FIND** that the parties have voluntarily agreed to the Settlement, as evidenced by their signatures, or the signatures of their representatives; petitioner, Staff, and Gerdeau have voluntarily agreed to the Joint Position, as evidenced by their signatures, or the signatures of their representatives; Rate Counsel did not file any objections to the Joint Position; and the Settlement and Joint Position fully dispose of all issues in controversy and are consistent with the law.

Therefore, I **CONCLUDE** that the Settlement and Joint Position meet the requirements of N.J.A.C. 1:1-19.1 and that they should be approved. Accordingly, it is **ORDERED** that the parties comply with the terms of the Settlement and Joint Position and that the proceedings in this matter be concluded.

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

This recommended decision may be adopted, modified or rejected by the BOARD OF PUBLIC UTILITIES, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) 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.

DATE July 21, 2007

Diana C. Sukovich
DIANA C. SUKOVICH, ALJ

Receipt Acknowledged:

DATE _____

BOARD OF PUBLIC UTILITIES

Mailed to Parties:

DATE _____

OFFICE OF ADMINISTRATIVE LAW

lf



State of New Jersey

DEPARTMENT OF THE PUBLIC ADVOCATE

DIVISION OF RATE COUNSEL

31 CLINTON STREET, 11TH FL

P. O. BOX 46005

NEWARK, NEW JERSEY 07101

JON S. CORZINE
Governor

RONALD K. CHEN
Public Advocate

January 19, 2007

SEEMA M. SINGH, ESQ.
Director

Via U.S. Regular Mail

Gregory Eisenstark, Esq.
Assistant Corporate Rate Counsel
Public Service Electric and Gas Company
80 Park Plaza, T8C
Newark, NJ 07101

**Re: In the Matter of the Motion of Public Service Electric and Gas Company for Approval of Changes in its Electric and Gas Societal Benefits Charge Rate; for a Change in its Electric Non-Utility Generation Transition Charge Rate, and for Changes in the Tariff For Electric Service BPU NJ No. 14 Electric and Changes in the Tariff for Gas Service BPU NJ No. 13 Gas
BPU Docket No.: GR05080686
OAL Docket No. PUC-5342-06**

Dear Mr. Eisenstark:

Enclosed please find the signature page for the Settlement document with my original signature on behalf of the Department of the Public Advocate, Division of Rate Counsel. A PDF version was emailed to you and the other parties today.

If you have any questions or concerns, please contact me at (973) 648-2690.

Very truly yours,

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY

Seema M. Singh, Esq.
Director, Rate Counsel

By: *Badrhn M. Ubushin*
Badrhn M. Ubushin, Esq.
Assistant Deputy Public Advocate

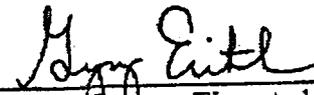
Enclosure
c: Service List

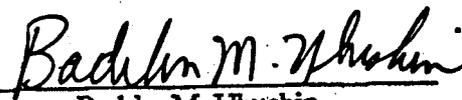
specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement.

Public Service Electric and Gas Company

RONALD K. CHEN
Public Advocate of New Jersey

SEEMA M. SINGH, DIRECTOR
Division of Rate Counsel

By: 
Gregory Eisenstark

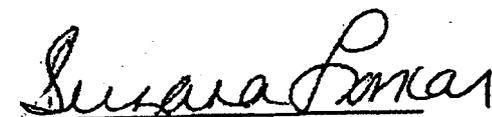
By: 
Badrin M. Ubushin
Assistant Deputy Public Advocate

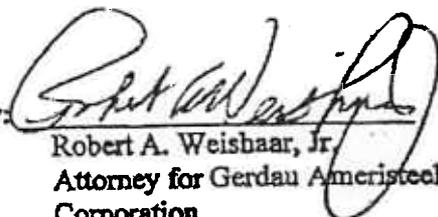
DATED: 1-16-07

DATED: 1-19-07

STUART RABNER
ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the
Board of Public Utilities

GERDAU AMERISTEEL CORPORATION

By: 
Suzana Longan, DAG

By: 
Robert A. Weishaar, Jr.
Attorney for Gerdau Ameristeel
Corporation

DATED: 1-16-07

DATED: 1-18-07

**I/M/O the Petition of PSE&G for Approval of
Changes in its Electric and Gas Societal
Benefits Charge Rates; for a Change in its
Electric Non-Utility Generation Transition
Charge Rate, No. 14 Electric and Changes in
the Tariff for Gas Service**

BPU Dkt. No. GR05080686

usha Wyner, Director
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Dennis Moran
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila Iannaccone, Bureau Chief
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Vern Cumarasegaran
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

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

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

Alex Stern, Legal Specialist
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Suzana Loncar, DAG
Dept of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
Newark, NJ 07101

Margaret Comes, DAG
Dept of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
Newark, NJ 07101

Seema M. Singh, Esq., Director
Division of Rate Counsel
31 Clinton Street- 11th Floor
P.O. Box 46005
Newark, NJ 07101

Ami Morita, Esq.
Division of Rate Counsel
31 Clinton Street- 11th Floor
P.O. Box 46005
Newark, NJ 07101

Badrhn M. Ubushin, Esq.
Division of Rate Counsel
31 Clinton Street- 11th Floor
P.O. Box 46005
Newark, NJ 07101

Christine M. Juarez, Esq.
Division of Rate Counsel
31 Clinton Street- 11th Floor
P.O. Box 46005
Newark, NJ 07101

Andrea Crane
The Columbia Group
One North Main Street
P.O. Box 810
Georgetown, CT 06829

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

Francis E. Delany, Esq.
Public Service Electric & Gas Co.
80 Park Plaza-T8C
Newark, NJ 07101

Robert A. Weishaar, Jr., Esq.
McNees Wallace & Nurick LLC
777 North Capital Street, NE
Suite 401
Washington, DC 20002

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

IN THE MATTER OF THE MOTION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY FOR APPROVAL OF CHANGES)
IN ITS ELECTRIC AND GAS SOCIETAL)
BENEFITS CHARGE RATES, FOR A)
CHANGE IN ITS ELECTRIC NON-UTILITY)
GENERATION TRANSITION CHARGE)
RATE, AND FOR CHANGES IN THE)
TARIFF FOR ELECTRIC SERVICE)
B.P.U.N.J. NO.14 ELECTRIC AND CHANGES)
IN THE TARIFF FOR GAS SERVICE)
B.P.U.N.J. NO.13 GAS PURSUANT TO)
N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1 and)
N.J.S.A. 48:3-60)

SETTLEMENT

BPU DOCKET NO. GR05080686
OAL DOCKET NO. PUC-5342-06

On August 12, 2005, Public Service Electric and Gas Company (PSE&G or Company) filed a motion with the Board of Public Utilities seeking approval of changes in its electric and gas societal benefits charge (SBC) rates and its electric non-utility generation transition charge (NTC) rates.

The rates proposed for the electric SBC components (excluding RAC, Permanent USF, and Lifeline) were designed to recover approximately \$105.6 million in additional annual revenues from electric customers beginning on January 1, 2006. This revenue increase would be offset by a \$92.9 million decrease in the revenues from electric

customers to recover the NTC-NUG costs. The resultant net annual revenue impact on the electric customers would have been a \$12.7 million increase.

The rates proposed for the gas SBC components (excluding RAC, Permanent USF, and Lifeline) were designed to recover approximately \$9.5 million in additional annual revenues from gas customers beginning on January 1, 2006.

Pursuant to the Board's Final Order in Docket Nos. ER02050303 and ER 02080604, *et al.* (Order dated 4/22/04), the Company's deferred balances for several of the aforementioned SBC components were to be refunded to customers and amortized over a 29-month period (August 2003 through December 2005). Consequently, the 29-month refunds or amortizations for Nuclear Decommissioning, Consumer Education, MTC Over Collection (MTC-OC), and Universal Service Fund – Interim were supposed to expire on December 31, 2005. Therefore, in order to account for the completion of these refunds and expiring amortizations, the Company requested that the Board issue an Order approving final, revised SBC/NTC rates for service effective January 1, 2006.

During September 2005, the Company provided additional data requested by Board Staff and the Division of the Ratepayer Advocate, now the Division of Rate Counsel (Rate Counsel).

On October 31, 2005, the Company filed an update to its August 12 filing (Update). The Update included actual data through September 30, 2005 and also addressed the impact of the BGS Year 4 deferred balance securitization, which was consummated in

September 2005. Based on this Update, the Company modified its requested changes to its electric SBC/NTC rates and its gas SBC rates effective January 1, 2006. The proposed rates would have resulted in a decrease in electric SBC/NTC rates of approximately \$15.5 million on an annual basis, which corresponded to an annual bill decrease of 0.30% on a class average residential customer. For the gas SBC, the proposed rates would have resulted in an approximate \$10.2 million increase on an annual basis, which corresponded to an annual bill impact of 0.27% on a class average residential customer.

On May 5, 2006, the Company filed a second update to its August 12 filing (Second Update). The Second Update included actual data through February 28, 2006 and proposed an effective date of July , 2006. Based on the Second Update, the Company modified its requested changes to its electric SBC/NTC rates and its gas SBC rates. The proposed rates would have resulted in a decrease in electric SBC/NTC rates of approximately \$7.4 million on an annual basis, which corresponded to an annual bill decrease of 0.15% on a class average residential customer. For the gas SBC, the proposed rates would have resulted in an approximate \$11.9 million increase on an annual basis, which corresponded to an annual bill impact of 0.27% on a class average residential customer.

On August 7, 2006, the Company filed a third update to its August 12 filing (Third Update). The Third Update included actual data through May 31, 2006 and proposed an effective date of January 1, 2007. Based on the Third Update, the Company modified its requested changes to its electric SBC/NTC rates and its gas SBC rates. The proposed rates

would result in an increase in electric SBC/NTC rates of approximately \$32.1 million on an annual basis, which corresponds to an annual bill increase of \$ 5.28 or 0.53% on a class average residential customer. For the gas SBC, the proposed rates would result in an approximate \$12.0 million increase on an annual basis, which corresponds to an annual bill impact of \$5.06 or 0.27% on a class average residential customer.

On October 25, 2006, Rate Counsel filed its direct testimony. On November 20, 2006, the Company filed its rebuttal testimony.

Public hearings were conducted in Hackensack, New Brunswick, and Mount Holly, on November 27, 29, and 30, 2006, respectively. At the November 27 hearing, the Company marked into the record copies of the affidavits of publication of the public notice of the proposed rate increase (Exhibit P-1), and the certification of mailing of the required notice to the clerks of municipalities and of the Boards of Chosen Freeholders in the Company's electric and gas service territories (P-2). One member of the public spoke in opposition to the proposed increase.

The Company has responded to discovery requests of Board Staff and Rate Counsel. In addition, the undersigned parties ("Parties") have conducted meetings and discussions concerning the Company's SBC/NTC filing in BPU Docket No. GR05080686, OAL Docket No. PUC-5342-06.

NOW, THEREFORE, THE UNDERSIGNED PARTIES AGREE AS FOLLOWS:

1. Except for the amortization of the NTC overcollected balance, as discussed herein below in Paragraph 3, the Parties agree that the Administrative Law Judge (ALJ) and the BPU should approve the Company's Motion, as amended by its August 7, 2006 Update.

2. The Parties agree that the Company's actual costs and expenditures through May 31, 2006, as set forth in its Motion and its Third Update, are reasonable and prudent, and appropriately recovered through the electric SBC/NTC and gas SBC. The Parties further agree that the forecasts of costs and revenues for the electric SBC/NTC and gas SBC and the actual results for these items, including the appropriateness of any claimed lost revenues, from June 1, 2006 forward, will be reviewed in the Company's next SBC and NTC filing.

3. With respect to the Company's NTC deferred balance, the Parties agree that, based on the actual balance through October 31, 2006 and the projected balance through December 31, 2006, the appropriate NTC deferred balance to amortize, for ratemaking purposes in this proceeding, is \$184.3 million (including interest). The Parties agree that PSE&G will amortize this \$184.3 million amount over a one-year period.

4. As a result of the Third Update, as modified by the amortization of the NTC deferred balance as discussed in Paragraph 3, the Parties agree that the Company's electric SBC/NTC rates will be changed so that the total electric SBC/NTC revenues are increased by approximately \$16.4 million on an annual basis, which corresponds to an annual bill increase of \$ 2.72 or 0.27 % on a class average residential customer using 6,960 kWh per year and 722 kWh in a summer month.

5. Schedule GWS-2-A-Settlement, which is in the same format as Schedule GWS-2-A to the Company witness Gerald W. Schirra's Direct Testimony, a copy of which is attached hereto as Exhibit A, provides the derivation and details of the proposed electric SBC/NTC rates.

6. The Parties also agree that the Company's gas SBC rates will be changed so that the gas SBC revenues are increased by approximately \$12.0 million on an annual basis, which corresponds to an annual bill increase of \$ 4.86 or 0.28 % on a class average residential heating customer using 1,210 therms per year and 200 therms in a winter month. Schedule GWS-2-B Settlement, attached hereto as Exhibit B, provides the derivation and details of the proposed gas SBC rates.

7. Also attached hereto as Exhibit C are draft Tariff pages setting forth the proposed electric SBC/NGC and gas SBC rates.

8. The Parties also agree that the Company will change the name of its NTC to the "Non-utility Generation Charge" or "NGC." Upon approval of this Settlement by the Board, the Company will file the additional electric rate schedule tariff sheets which currently reference the NTC to reference the NGC.

9. The Parties agree that PSE&G shall file its electric SBC/NTC and gas SBC cases on an annual basis, not including the Remediation Adjustment Charge (RAC), Universal Service Fund (USF) and Lifeline filings, which have been and will continue at this time to be filed separately. Therefore, the Company agrees that beginning April 1, 2007, it

will file annual electric SBC/NTC and gas SBC cases. PSE&G's electric SBC/NTC and gas SBC cases shall be filed by the later of April 1 of each year or two months after the issuance of the BPU's final Order in the then-current electric SBC/NTC and gas SBC case.

10. The Parties agree that nothing in this Settlement shall preclude or limit the Board's ability to review and decide the matters that are currently pending in *I/M/O the Deferred Balances Audit of Public Service Electric and Gas Company, Deferral Audit Phase II, August 2002 through July 31, 2003*, BPU Docket Nos. EX02060363 and EX02060366.

11. The Parties recommend that the Board issue an Order approving this Settlement without modification, with the rate modifications set forth herein effective for service rendered on and after the date of the Board Order approving this Settlement.

12. The undersigned parties agree that this Stipulation is being entered into exclusively for the purpose of resolving the issues in these matters.

13. 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.

14. The undersigned parties hereby agree that this Settlement has been made exclusively for the purpose of this proceeding and that this Settlement, in total or by

specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement.

Public Service Electric and Gas Company

RONALD K. CHEN
Public Advocate of New Jersey

SEEMA M. SINGH, DIRECTOR
Division of Rate Counsel

By: Gregory Eisenstark
Gregory Eisenstark

By: Badrin M. Ubushin
Badrin M. Ubushin
Assistant Deputy Public Advocate

DATED: 1-16-07

DATED: 1-19-07

STUART RABNER
ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the
Board of Public Utilities

GERDAU AMERISTEEL CORPORATION

By: Suzana Longan
Suzana Longan, DAG

By: Robert A. Weishaar, Jr.
Robert A. Weishaar, Jr.
Attorney for Gerdau Ameristeel
Corporation

DATED: 1-16-07

DATED: 1-18-07

SCHEDULE GWS-2-A-Settlement

NTC-NUG CLAUSE
SBC CLAUSE COMPONENTS: SOCIAL PROGRAMS, NUCLEAR DECOMMISSIONING, ENERGY EFFICIENCY AND RENEWABLES
CONSUMER EDUCATION, MARKET TRANSITION CHARGE & USF-INTERIM

CALCULATION OF COST RECOVERY FACTOR 01/07 - 12/07
 (\$000)

ONE YEAR AMORTIZATION OF NTC-NUG BALANCE

	NTC-NUG	NTC-BGSYR4 **	SOCIAL	DECOM	EE&RE	CONS ED	MTC	USF INTERIM	TOTAL SBC	TOTAL INCLUDING NTC-NUG
BEGINNING BALANCE @ 8/1/03	\$155,557		\$23,772	\$20,361	\$49,160	(\$17,880)	\$245,600	(\$1,292)	\$319,721	\$475,278
ACTUAL REVENUES (8/1/03 - 05/31/06) update mth change ref	\$399,262		\$40,725	(\$23,856)	\$403,433	\$21,791	(\$309,420)	\$2,063	\$134,736	\$533,998
ACTUAL EXPENSES (8/1/03 - 05/31/06) update mth change ref	\$375,546		\$69,295	\$0	\$443,875	\$52	\$0	\$0	\$513,222	\$888,768
BALANCE AS OF MAY 2006 ***	\$166,218		(\$4,798)	(\$3,495)	\$8,718	\$3,859	(\$63,820)	\$771	(\$58,765)	\$107,453
INTEREST AS OF MAY 2006 update mth change ref	\$7,034		\$742	(\$7)	\$898	(\$311)	\$3,843	(\$6)	\$5,159	\$12,193
BALANCE INCLUDING INTEREST	\$173,252		(\$4,056)	(\$3,502)	\$9,616	\$3,548	(\$59,977)	\$765	(\$53,606)	\$119,646
PROJECTED REVENUES (06/01/06 - 12/31/06) (1)	\$93,032		\$8,941	(\$5,242)	\$88,587	\$4,786	(\$67,257)	\$453	\$30,268	\$123,300
PROJECTED EXPENSES (06/01/06 - 12/31/06) (1)	\$87,180		\$15,103	\$0	\$88,395	\$0	\$0	\$0	\$103,498	\$190,678
PROJECTED BALANCE @ 12/31/06 (2)	\$174,143		(\$10,960)	(\$8,737)	\$8,910	\$8,645	(\$131,077)	\$1,224	(\$131,995)	\$42,148
PROJECTED INTEREST	\$10,185		\$608	\$283	\$1,015	(\$210)	\$2,262	\$10	\$3,968	\$14,153
OVER(UNDER) RECOVERY WITH INTEREST 12/31/06	\$184,328		(\$10,352)	(\$8,454)	\$9,925	\$8,435	(\$128,815)	\$1,234	(\$128,027)	\$56,301
ESTIMATED EXPENSES TO BE COLLECTED (01/01/07-12/31/07)	\$114,549		\$23,030	\$0	\$139,855	\$0	\$0	\$0	\$162,885	\$277,434
MTC 12/31/06 OVER(UNDER) BALANCE	(\$128,815)									
DECOMMISSIONING, CONSUMER EDUCATION & USF-INTERIM 12/31/06 OVER(UNDER) BALANCES			\$1,215							
TOTAL TO BE COLLECTED	\$59,036		\$32,167	\$0	\$129,930	\$0	\$0	\$0	\$162,097	\$221,133
KWH OUTPUT (01/01/07-12/31/07)	48,103,761		48,103,761	48,103,761	48,324,813	48,103,761	48,103,761	48,103,761		
AVERAGE COST PER KILOWATTHOUR (CENTS/KWH)	0.1227		0.0669	0.0000	0.2689	0.0000	0.0000	0.0000		
CHARGE - Secondary (CENTS/KWH)	0.1327	0.0000	0.0724	0.0000	0.2908	0.0000	0.0000	0.0000		
LPL-Primary (CENTS/KWH)	0.1293	0.0000	0.0705	0.0000	0.2834	0.0000	0.0000	0.0000		
HTS Subtransmission (CENTS/KWH)	0.1264	0.0000	0.0689	0.0000	0.2770	0.0000	0.0000	0.0000		
HTS High Voltage (CENTS/KWH)	0.1245	0.0000	0.0679	0.0000	0.2729	0.0000	0.0000	0.0000		

EXHIBIT A

CALCULATION OF REVENUE IMPACT
 (\$000)

	NTC-NUG	NTC-BGSYR4	SOCIAL	DECOM	EE&RE	CONS ED	MTC	USF INTERIM	TOTAL SBC	TOTAL INCLUDING NTC-NUG
REVISED AVERAGE COST	0.1227		0.0669	0.0000	0.2689	0.0000	0.0000	0.0000		
CURRENT AVERAGE COST	0.3001		0.0311	(0.0182)	0.3063	0.0166	(0.2337)	0.0016		
DIFFERENCE	(0.1774)		0.0358	0.0182	(0.0374)	(0.0166)	-0.2337	(0.0016)		
KWH OUTPUT (01/01/07-12/31/07)	48,103,761		48,103,761	48,103,761	48,324,813	48,103,761	48,103,761	48,103,761		
REVENUE IMPACT (01/01/07-12/31/07) ****	(\$85,336)	\$ (9,807)	\$17,221	\$8,755	(\$18,073)	(\$7,965)	\$112,418	(\$770)	\$111,566	\$16,423

* Excludes RAC, Lifeline and Permanent USF
 ** BGS Year 4 securitization was approved per BPU Order dated July 12, 2005.
 The unsecuritized balance of \$3,032 was moved to the NTC balance effective October 2005.
 *** Includes the Amortization of the Excess Depreciation 12/31/05 under recovered balance of \$10,023.
 **** Refer to Schedule GWS-3-E for calculation of NTC-BGSYR4 revenue impact.

(1) NTC-NUG projected revenues and expenses have been updated with actual data through October 2006.
 (2) Includes the BGS Year 4 securitization excess upfront transaction costs of \$322 and the interest adjustment of \$657. Also includes an adjustment for the St. Lawrence credit already reflected in the May update balance.

SCHEDULE GWS-2-B-Settlement

GAS SOCIETAL BENEFITS CLAUSE (SBC)
SBC CLAUSE COMPONENTS: ENERGY EFFICIENCY and RENEWABLES,
UNIVERSAL SERVICE FUND - INTERIM PROGRAM and CONSUMER EDUCATION

CALCULATION OF COST RECOVERY FACTOR
01/07 - 12/07

	<u>EE&RE</u>	<u>USF-INTERIM</u>	<u>*CONS ED</u>	<u>**TOTAL SBC</u>
BALANCE AS OF MAY 2006	(\$25,492)	\$5,829		(\$19,663)
INTEREST AS OF MAY 2006	(\$1,698)	(\$3)		(\$1,701)
BALANCE INCLUDING INTEREST	(\$27,190)	\$5,826		(\$21,364)
PROJECTED REVENUES (06/01/06 - 12/31/06)	\$18,064	\$2,945		\$21,009
PROJECTED EXPENSES (06/01/06 - 12/31/06)	\$13,822	\$0		\$13,822
PROJECTED BALANCE @ 12/31/06	(\$21,250)	\$8,774		(\$12,476)
PROJECTED INTEREST	(\$2,079)	\$106		(\$1,973)
OVER/(UNDER) RECOVERY WITH INTEREST 12/31/06	(\$23,329)	\$8,880		(\$14,449)
ESTIMATED EXPENSES TO BE COLLECTED (01/01/07-12/31/07)	\$45,563	\$0		\$45,563
TRANSFER OF REMAINING USF-INTERIM BALANCE	\$8,880			\$8,880
TOTAL TO BE COLLECTED	\$60,012	\$0		\$60,012
THERM SALES (01/01/07-12/31/07)	3,218,968	3,218,968		
RATE PER THERM	1.8643	0.0000		

CALCULATION OF REVENUE IMPACT

	<u>EE&RE</u>	<u>USF-INTERIM</u>	<u>CONS ED</u>	<u>**TOTAL SBC</u>
REVISED RATE PER THERM	1.8643	0.0000		1.8643
CURRENT RATE PER THERM	1.2824	0.2091		1.4915
DIFFERENCE	0.5819	(0.2091)		
THERM SALES (01/01/07-12/31/07)	3,218,968	3,218,968		
ANNUAL REVENUE IMPACT (01/01/07-12/31/07)	\$18,731	(\$6,731)		\$12,000

*Consumer Education component became zero effective July 1, 2004.
 **Excludes RAC, Lifeline and Permanent USF

EXHIBIT C

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

First Revised Sheet No. 41

~~Superseding~~

B.P.U.N.J. No. 14 GAS

Original Sheet No. 41

SOCIETAL BENEFITS CHARGE

CHARGE APPLICABLE TO
RATE SCHEDULES RSG, GSG, LVG, SLG,
TSG-F, TSG-NF, CIG
(Per Therm)

Social Programs.....	0.0000 ¢
Energy Efficiency and Renewables Programs.....	1.8643 ¢
Manufactured Gas Plant Remediation.....	0.5973 ¢
Consumer Education.....	0.0000 ¢
Universal Service Fund - Interim.....	0.0000 ¢
Universal Service Fund - Permanent.....	2.1600 ¢
Universal Service Fund - Lifeline.....	<u>0.4300 ¢</u>
Societal Benefits Charge	5.0516 ¢
Societal Benefits Charge including New Jersey Sales and Use Tax (SUT).....	<u>5.4052 ¢</u>

Societal Benefits Charge

This mechanism is designed to insure recovery of costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government. Actual costs incurred by the Company for each of these cost components will be subject to deferred accounting. Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under-over recovered balances for all components other than Manufactured Gas Plant Remediation. Interest at the seven-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances for the Manufactured Gas Plant Remediation.

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. GR05080636

Effective:

SOCIETAL BENEFITS CHARGE

(Continued)

SOCIAL PROGRAMS

This factor shall recover costs associated with existing social programs.

ENERGY EFFICIENCY AND RENEWABLES (EE&R) PROGRAMS

This factor is a recovery mechanism which will operate in accordance with the Demand Side Management (DSM) conservation incentive regulations and successor regulations. The factor shall recover Core and Performance Program Costs and Performance Program Payments, payments for Large-Scale Conservation Investments, and all recoverable costs associated with the Board's Comprehensive Resource Analysis Orders.

Core and Performance Program Costs of BPU-approved DSM/EE&R programs consist of, but are not limited to, rebates, grants, payments to third parties for program implementation, direct marketing costs, DSM/EE&R hardware, administration, measurement and evaluation of DSM/EE&R programs, customer communication and education, market research, costs associated with developing, implementing and obtaining regulatory approval, costs of research and development activities associated with DSM/EE&R, applicable Lost Revenues, utility incentives, and DSM/EE&R advertising costs.

Performance Program Payments are based upon a standard price offer for general applications or for particular DSM measures, which establishes a per unit price for energy and capacity savings which Public Service will pay to third parties for DSM projects which meet viability, technological, measurement and verification criteria.

Large-Scale Conservation Investments are payments for measured and verified energy savings from contracts executed in response to Public Service's Request for Proposals under the Stipulation of Settlement in Docket No. GR010503288010-687B dated July 1, 1988.

MANUFACTURED GAS PLANT REMEDIATION

This factor shall recovery costs associated with addressing and resolving claims by and or requirements of governmental entities and private parties related to activities necessary to perform investigations and the remediation of environmental media.

CONSUMER EDUCATION

~~This factor shall recover restructuring costs such as educating residential, small business, and special needs consumers about the implications for consumers of the restructuring of the gas industry. The consumer education program shall include, but need not be limited to, the dissemination of information to enable consumers to make informed choices among gas services and suppliers, and the communication to consumers of consumer protection provisions.~~

UNIVERSAL SERVICE FUND

These factors shall recover costs associated with new or expanded social programs.

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. GR05080686

Effective:

SOCIETAL BENEFITS CHARGE

**Cost Recovery
(cents per kilowatthour)**

Component:

Social Programs.....	0.0669
Nuclear Decommissioning Funding Requirements.....	0.0000
Energy Efficiency and Renewable Energy Programs.....	0.2689
Manufactured Gas Plant Remediation.....	0.0366
Consumer Education.....	0.0000
Universal Service Fund (USF) Interim.....	0.0000
Market Transition Charge over collection.....	0.0000
Sub-total per kilowatthour.....	0.3724

Charge including losses, USF and Lifeline:

		Sub-total Including Losses	USF	Lifeline	Total Charge
Secondary Service	(Loss Factor = 7.5377%)	0.4028	0.0601	0.0636	0.5265
LPL Primary	(Loss Factor = 5.1232%)	0.3925	0.0601	0.0636	0.5162
HTS Subtransmission	(Loss Factor = 2.9402%)	0.3837	0.0601	0.0636	0.5074
HTS High Voltage	(Loss Factor = 1.4590%)	0.3779	0.0601	0.0636	0.5016

Charges including New Jersey Sales and Use Tax (SUT)

Secondary Service.....	0.5634
LPL Primary.....	0.5523
HTS Subtransmission.....	0.5429
HTS High Voltage.....	0.5367

SOCIETAL BENEFITS CHARGE

This mechanism is designed to insure recovery of costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government. Actual costs incurred by the Company for each of these cost components will be subject to deferred accounting. Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances for all components other than Manufactured Gas Plant Remediation. Interest at the seven-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances for the Manufactured Gas Plant Remediation. These interest rates shall change each August 1.

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. GR05080686

Effective:

SOCIETAL BENEFITS CHARGE

(Continued)

SOCIAL PROGRAMS

This component shall recover costs associated with existing social programs. This includes but is not limited to uncollectible customers' accounts.

~~**NUCLEAR DECOMMISSIONING FUNDING REQUIREMENTS**~~

~~This component shall no longer recover costs associated with nuclear decommissioning funding requirements necessary to meet Federal or State requirements to decommission the nuclear units. This component shall return over-recovered balances as of July 31, 2003 and will expire December 31, 2005.~~

ENERGY EFFICIENCY AND RENEWABLE ENERGY PROGRAMS

This component is a recovery mechanism that will operate in accordance with the Demand Side Management (DSM) conservation incentive regulations, N.J.A.C. 14:12, and Board Orders implementing N.J.S.A. 48:3-60(a)(3) (formerly referred to as Section 12 (3) of the Energy Competition and Electric Discount Act). On a current basis, this component shall recover Core and Performance Program Costs, Performance Program Payments, payments for Large-Scale Conservation Investments, and costs for all New Jersey Clean Energy Program energy efficiency and renewable energy programs (formerly referred to as Comprehensive Resource Analysis (CRA) Programs).

Core and Performance Program Costs of BPU-approved DSM programs consist of, but are not limited to, rebates, grants, payments to third parties for program implementation, direct marketing costs, DSM hardware, administration, measurement and evaluation of DSM programs, customer communication and education, market research, costs associated with developing, implementing and obtaining regulatory approval, costs of research and development activities associated with DSM, applicable Lost Revenues, and DSM advertising costs.

Performance Program Payments are based upon a standard price offer for general applications or for particular DSM measures, which establishes a per unit price for energy and capacity savings which Public Service will pay to third parties for DSM projects which meet viability, technological, measurement and verification criteria.

Large-Scale Conservation Investments are payments for measured and verified energy savings from contracts executed in response to Public Service's Request for Proposals under the Stipulation of Settlement in Docket No. ER02050303 8010-687B dated July 1, 1988.

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. GR05080686

Effective:

SOCIETAL BENEFITS CHARGE

(Continued)

The New Jersey Clean Energy Program energy efficiency and renewable energy programs (formerly CRA Programs) are approved by the Board pursuant to N.J.S.A. 48:3-60(a)(3). They include energy efficiency programs, customer-sited renewable energy programs, grid supply renewable energy programs and any other programs the BPU may approve. These programs may be administered and or implemented by Public Service, the BPU, or a third party appointed by the BPU. New Jersey Clean Energy Program Costs consist of, but are not limited to, rebates, grants, payments to third parties for program implementation, direct marketing costs, energy efficiency and renewable energy hardware, administration, measurement and evaluation of energy efficiency and renewable energy programs, customer communication and education, market research, costs associated with developing, implementing and obtaining regulatory approval, costs of research and development activities associated with energy efficiency and renewable energy programs, applicable Lost Revenues, and New Jersey Clean Energy Program advertising costs.

MANUFACTURED GAS PLANT REMEDIATION

This component shall recovery costs associated with addressing and resolving claims by and or requirements of governmental entities and private parties related to activities necessary to perform investigations and the remediation of environmental media.

CONSUMER EDUCATION

~~This component shall recover restructuring costs such as educating residential, small business, and special needs consumers about the implications for consumers of the restructuring of the electric power industry. The consumer education program shall include, but need not be limited to, the dissemination of information to enable consumers to make informed choices among electricity services and suppliers, and the communication to consumers of consumer protection provisions.~~

UNIVERSAL SERVICE FUND

This component shall recover costs associated with new or expanded social programs.

MARKET TRANSITION CHARGE OVER-COLLECTION

~~This component shall provide a credit for the over-recovery of the Market Transition Charge that occurred during the transition period, August 1, 1999 through July 31, 2003. This component will expire December 31, 2005.~~

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. GR05080686

Effective:

NON-UTILITY GENERATION TRANSITION CHARGE

	Cost Recovery (cents per kilowatthour)			
		<u>NTCNGC-NUG</u>	<u>NTC-BGS</u>	
	St Lawrence NYPA Credit RS, RSP, RHS and <u>RLM</u>	Non-Utility Generation above <u>market costs</u>	Basic Generation Service Year <u>4 deferral</u>	Total <u>NTCNGC</u>
Total Cost per kilowatthour		0.1227		
Amount per kilowatthour of cost recovery after application of losses for <u>NTCNGC-NUG</u> and <u>NTC-BGS</u>:				
RS, RSP, RHS & RLM (Loss Factor =7.5377%)	(0.0130)	0.1327	0.0225	0.1197
Other Secondary (Loss Factor =7.5377%)		0.1327	0.0225	0.1327
LPL Primary (Loss Factor =5.1232%)		0.1293	0.0208	0.1293
HTS Subtransmission (Loss Factor =2.9402%)		0.1264	0.0193	0.1264
HTS High Voltage (Loss Factor =1.4590%)		0.1245	0.0183	0.1245
Charges including New Jersey Sales and Use Tax (SUT)				
RS, RSP, RHS & RLM	(0.0139)	0.1420	0.0244	0.1281
Other Secondary Service		0.1420	0.0244	0.1420
LPL Primary		0.1384	0.0223	0.1384
HTS Subtransmission		0.1352	0.0207	0.1352
HTS High Voltage		0.1332	0.0196	0.1332

NON-UTILITY GENERATION TRANSITION CHARGE

This mechanism is designed to insure recovery of costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government. This charge shall recover: 1) above market costs associated with non-regulated generation costs which are related to long-term contractual power purchase arrangements approved by the Board and/or established under requirements of the Public Utility Regulatory Policies Act of 1978; and 2) other generation costs as may be approved by the Board; and 3) Basic Generation Service (BGS) deferral from Year 4 of the transition period. Actual costs incurred by the Company will be subject to deferred accounting. The St. Lawrence New York Power Authority (NYPA) Annual Benefit Allocation credit reflects the annual Economic Benefit allocation for New Jersey's investor owned utilities to supply residential customers' load.

Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered NTCNGC-NUG balances. This interest rate shall change each August 1.

~~Securitization of the year four BGS under recovery provides for a separate transition bond charge and a related MTC tax charge. These securitization charges are combined as the STC-BGS on the Securitization Transition Charges sheet of this tariff. The above NTC-BGS component of the NTC charge has been reduced by the amount of the STC-BGS charge. When the NTC is next reset, the NTC-BGS component will be eliminated and the NTC-BGS deferred balance will be combined with the NTC-NUG balance.~~

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. GR05080686

Effective:

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

IN THE MATTER OF THE MOTION OF)	
PUBLIC SERVICE ELECTRIC AND GAS)	
COMPANY FOR APPROVAL OF CHANGES)	JOINT POSITION
IN ITS ELECTRIC AND GAS SOCIETAL)	
BENEFITS CHARGE RATES, FOR A)	BPU DOCKET NO. GR05080686
CHANGE IN ITS ELECTRIC NON-UTILITY)	OAL DOCKET NO. PUC-5342-06
GENERATION TRANSITION CHARGE)	
RATE, AND FOR CHANGES IN THE)	
TARIFF FOR ELECTRIC SERVICE)	
B.P.U.N.J. NO.14 ELECTRIC AND CHANGES)	
IN THE TARIFF FOR GAS SERVICE)	
B.P.U.N.J. NO.13 GAS PURSUANT TO)	
<u>N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1 and</u>)	
<u>N.J.S.A. 48:3-60</u>)	

On August 12, 2005, Public Service Electric and Gas Company (PSE&G or Company) filed a motion with the Board of Public Utilities seeking approval of changes in its electric and gas societal benefits charge (SBC) rates and its electric non-utility generation transition charge (NTC) rates. Updates to the filing were made on October 31, 2005, May 5, 2006 and August 7, 2006. Subsequent to numerous settlement discussions, the parties have reached a settlement pertaining to the Company's most recently updated filing. In addition to executing that settlement, PSE&G, the Staff of the Board of Public Utilities (Board Staff) and Gerdau Ameristeel Corporation (Gerdau) have agreed to simultaneously execute this Joint Position and agree as follows:

1. The description of the Societal Benefits Charge for Rate Schedule HEP¹ of the Company's currently approved Tariff for Electric Service will be changed from:

The SBC charge is applicable to the first 20 million kilowatthours in each month. The HTS-HV Energy Efficiency and Renewable Energy Program and Manufactured Gas Plant Remediation components of the SBC are also applicable to all kilowatthours in excess of 20 million kilowatthours in each month.

to:

The Manufactured Gas Plant Remediation component of the HTS-HV SBC is applicable to all kilowatthours in each billing month. The Energy Efficiency and Renewable Energy Program and Social Programs components of the HTS-HV SBC are applicable to one-half of the kilowatthours in each billing month. The remaining components of the HTS-HV SBC are applicable to the first 20 million kilowatthours in each billing month.

Attached as Exhibit A is a draft modified tariff sheet for Rate Schedule HEP setting forth the above changes in the applicability of the electric SBC.

2. The Company shall implement the electric SBC/NTC rates as set forth in a separate Settlement they are executing simultaneously herewith in the instant docket, BPU Docket GR05080686.

3. The Parties recommend that the Board issue an Order approving this Joint Position without modification, simultaneously with the separate Settlement in the instant docket, BPU Docket No. GR05080686, with the tariff modifications set forth herein effective for service rendered on and after the date of the Board Order approving this Joint Position.

¹ Rate Schedule HEP was approved by the Board in Docket No. ER02050303, Summary Order dated July 31, 2003.

4. The undersigned Parties agree that this Joint Position is being entered into

exclusively for the purpose of resolving the issues set forth herein.

5. The Parties agree that this Joint Position was negotiated and agreed to in its

entirety with each section being mutually dependent on approval of all other sections and

with this Joint Position being mutually dependent on approval of the Settlement entered into

in BPU Docket GR05080686. Therefore, if the Board modifies any of the terms of this

Joint Position or any terms of the Settlement, each Party is given the option, before

implementation of any different rate or terms in this case, to accept the changes to the Joint

Position or the Settlement or to resume the proceeding as if no agreement on the Joint

Position or the Settlement had been reached. If these proceedings are resumed, each Party

is given the right to return to the position it was in before this Joint Position and the

Settlement were executed.

6. The undersigned Parties hereby agree that this Joint Position has been made

exclusively for the purpose of this proceeding and that this Joint Position, in total or by

~~specific item, is in no way binding upon them in any other proceeding, except to enforce the~~

terms of this Joint Position.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By: Gregory Eisenstark
Gregory Eisenstark

DATED: 1-16-07

STUART RABNER
ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the
Board of Public Utilities

By: Suzana Loncar
Suzana Loncar, DAG

DATED: 1-16-07

GERDAU AMERISTEEL CORPORATION

By: Robert A. Weishaar, Jr.
Robert A. Weishaar, Jr.
Attorney for Gerdau Ameristeel
Corporation

DATED: 1-18-07

EXHIBIT A

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Second Revised Sheet No. 149

Superseding

B.P.U.N.J. No. 14 ELECTRIC

First Revised Sheet No. 149

RATE SCHEDULE HEP HOURLY ENERGY PRICE

APPLICABLE TO USE OF SERVICE FOR:

This rate schedule is only available to service locations served under Rate Schedule EHEP on August 1, 2003. Delivery service for general purposes at high voltages. Customers may either purchase electric supply from a Third Party Supplier (TPS) or from Public Service's Basic Generation Service default service as detailed in this rate schedule.

DELIVERY CHARGES:

Distribution Fixed Charge:

Charge	Charge Including SUT	
\$25,416.66	\$27,195.83	in each month

Distribution Kilowatthour Charges:

Charge	All Use Charge	Charge Including SUT	
0.1470¢		0.1573¢	per kilowatthour

The applicable delivery charges below are equal to the corresponding Rate Schedule HTS-HV Delivery Charges.

Societal Benefits Charge:

This charge shall recover costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government. Refer to the Societal Benefits Charge (SBC) sheet of this Tariff for the current charge. ~~The SBC charge is applicable to the first 20 million kilowatthours in each month. The HTS-HV Energy Efficiency and Renewable Energy Program and Manufactured Gas Plant Remediation components of the SBC are also applicable to all kilowatthours in excess of 20 million kilowatthours in each month. The Manufactured Gas Plant Remediation component of the HTS-HV SBC is applicable to all kilowatthours in each billing month. The Energy Efficiency and Renewable Energy Program and Social Programs components of the HTS-HV SBC are applicable to one-half of the kilowatthours in each billing month. The remaining components of the HTS-HV SBC are applicable to the first 20 million kilowatthours in each billing month.~~

Non-Utility Generation Transition Charge:

This charge shall recover above market costs associated with non-utility generation costs and other generation related costs as may be approved by the Board. Refer to the Non-Utility Generation Transition Charge (NTC) sheet of this Tariff for the current charge. The NTC charge is applicable to the first 20 million kilowatthours in each month. Any remaining Basic Generation Service (BGS) cost recovery related to the BGS amounts deferred from the twelve-month period ending July 31, 2003, are not applicable.

Securitization Transition Charges:

These charges include the Transition Bond Charge and the MTC-Tax charge and shall recover costs and associated taxes for transition bonds collected by PSE&G as servicer on behalf of PSE&G Transition Funding LLC. Refer to the Securitization Transition Charges (STC) sheet of this Tariff for the current charges. The STC charges are applicable to the first 20 million kilowatthours in each month.

Date of Issue:

Issued by FRANCIS E. DELANY, Jr., Vice President and Corporate Rate Counsel
80 Park Plaza, Newark, New Jersey 07102

Effective:

Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

