

**STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
BEFORE THE HONORABLE WALTER J. BRASWELL**

**I/M/O THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND)
GAS COMPANY FOR APPROVAL OF)
AN INCREASE IN ELECTRIC AND)
GAS RATES AND FOR CHANGES IN)
THE TARIFFS FOR ELECTRIC AND)
GAS SERVICE,)
B.P.U. N.J. NO. 14 ELECTRIC AND)
B.P.U. N.J. NO. 14 GAS PURSUANT TO)
N.J.S.A. 48: 2-21 AND N.J.S.A. 48: 2-21.1)
AND FOR APPROVAL OF GAS)
WEATHER NORMALIZATION;)
A PENSION EXPENSE TRACKER AND)
FOR OTHER APPROPRIATE RELIEF)**

**BPU DOCKET No. GR09050422
OAL DOCKET No. PUC-7559-09**

**DIRECT TESTIMONY OF BRIAN KALCIC
ON BEHALF OF THE
NEW JERSEY DEPARTMENT OF THE PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL**

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I. QUALIFICATIONS AND OVERVIEW

Q. Please state your name and business address.

A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

Q. What is your occupation?

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of the New Jersey Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”).

Q. What is the subject of your testimony?

A. Rate Counsel requested that I review the electric and gas class cost-of-service studies and rate design proposals sponsored by Public Service Electric and Gas Company (“PSE&G” or “Company”), and develop an appropriate rate design that reflects Rate Counsel witness Andrea C. Crane’s recommended (electric and gas) revenue adjustments in this proceeding.

In addition, I will sponsor a revised Margin Adjustment Clause (“MAC”) gas credit that reflects Rate Counsel witness Richard W. LeLash’s recommendation with respect to the amortization of the Company’s current MAC under-recovery.

1 **Q. Do you have any preliminary comments?**

2 A. Yes. Ms. Crane has utilized the Company's 6+6 update in the development of her
3 recommended electric and gas revenue adjustments of (negative) \$15.4 million and
4 (positive) \$13.7 million, respectively. However, the billing determinants used in the
5 Company's 6+6 update do not reflect 6+6 data (due to certain billing anomalies
6 associated with the installation of a new customer information system).¹ Moreover,
7 in developing her recommendations, Ms. Crane adopted a thirty-year weather
8 normalized revenue forecast (in place of the Company's twenty-year weather
9 normalization). However, the class billing determinants that tie to a thirty-year
10 weather normalized revenue forecast are not available at this time.² Since class
11 billing determinants are unavailable at this time, I am unable to provide a set of
12 recommended rates and/or an accurate proof of revenue corresponding to Rate
13 Counsel's 6+6 electric and gas revenue requirement positions.

14 Ms. Crane will be updating her recommended electric and gas revenue
15 adjustments based upon the Company's upcoming 12+0 update. Rate Counsel
16 reserves its right to submit its recommended (electric and gas) rate design and its
17 associated proof of revenue in supplemental direct testimony subsequent to the date
18 of the Company's 12+0 update. Such supplemental testimony will be distributed as
19 soon as practicable after receipt of all necessary information (including thirty-year
20 weather normalized billing determinants) from PSE&G.

¹ / See PSE&G's response to RCR-RDE-11 and RCR-RDG-14.

² / See PSE&G's response to RCR-RDE-9 and RCR-RDG-12.

1 **Q. How is your testimony organized?**

2 A. My direct testimony is organized as follows. Section I of my testimony contains my
3 qualifications and an overview of my testimony. Section II of my testimony
4 discusses the Company's electric cost-of-service study. Section III examines the
5 Company's proposed electric revenue allocation, and presents my recommended
6 revenue allocation and illustrative rate design for select classes. Section IV
7 critiques the Company's proposed Miscellaneous Service charges.

8 Section V of my testimony discusses the Company's gas cost-of-service
9 study. Section VI examines the Company's proposed gas revenue allocation, and
10 presents my recommended class revenue allocation and illustrative rate design.

11 Finally, Section VII discusses the Company's proposed MAC credit and presents
12 Rate Counsel's recommended credit, which would amortize the Company's current
13 MAC under-recovery over seven (7) years.

14
15 **Q. Please summarize your recommendations.**

16 A. Based upon my analysis of the Company's filing and discovery responses, I
17 recommend that Your Honor and the New Jersey Board of Public Utilities ("Board"
18 or "BPU"):

19 Electric

- 20 • approve Rate Counsel's recommended class revenue allocation;
- 21 • adopt Rate Counsel's rate design recommendations, which include no
22 change to the Company's fixed service charges;

- 1 • reject the Company’s proposed increases to its Reconnection and Field
2 Collection charges;
3 Gas
4 • approve Rate Counsel’s recommended class revenue allocation;
5 • adopt Rate Counsel’s rate design recommendations, which include
6 non-uniform increases to class distribution charges;
7 • approve Rate Counsel’s recommended MAC credit; and
8 • reject the Company’s proposed increases to its Reconnection and Field
9 Collection charges.

10
11 The specific details associated with my recommendations are discussed below.

12
13 **II. ELECTRIC COST OF SERVICE STUDY**

14
15 **Q. Mr. Kalcic, what type of cost-of-service analysis did the Company submit in**
16 **this proceeding?**

17 A. Mr. Swetz prepared a fully allocated cost-of-service study (“COSS”) based upon
18 weather normalized data for the twelve (12) months ending December 31, 2008. As
19 explained by Mr. Swetz, the COSS includes only the electric distribution portion of
20 the Company’s operations, and specifically excludes the cost of Basic Generation
21 Service (“BGS”) and the Company’s transmission business.

1 The COSS itself is used to both separate the costs of the Company's "wires
2 only" business into functional segments and to allocate these functionalized costs to
3 rate classes based upon each class's cost responsibility.

4

5 **Q. What are the functional cost segments that are included in PSE&G's electric**
6 **cost study?**

7 A. Briefly, the Company identifies six (6) such distribution-related segments: 1)
8 Access; 2) Local Delivery; 3) System Delivery; 4) Street Lighting; 5) Customer
9 Service; and 6) Measurement. The Access segment is primarily composed of
10 service drops. The Local Delivery segment includes all secondary wire (excluding
11 service drops and street lighting), line transformers and related equipment and
12 certain portions of higher voltage circuits and equipment. The System Delivery
13 segment targets the "bulk distribution system", i.e., those portions of the distribution
14 system intended to meet large / diversified loads from all types of customers.

15 The Company's Street Lighting segment contains all the investment and
16 expenses associated with street lighting luminaires, poles and related equipment.
17 The Customer Service segment includes all costs related to billing, payment
18 receipts, collection activity and other account maintenance (except meter reading).
19 Finally, the Measurement segment contains the costs associated with meters and
20 meter reading. Together, the Access, Customer Service and Measurement segments
21 comprise the total costs employed in the Company's service or customer charge
22 calculations.

1

2 **Q. How does the Company generally allocate these functional cost segments to**
3 **rate schedules?**

4 A. The primary allocation factor varies with each segment. In general, the costs
5 associated with the Access segment are allocated to rate classes based on an analysis
6 of current unit costs of service drops (as determined by typical service lengths and
7 wire types). The costs associated with the Local Delivery segment are deemed to be
8 related to the undiversified peak demand of individual customers, and are allocated
9 to rate classes using the sum of each customer's peak demand. The costs of System
10 Delivery facilities are deemed to be driven by the diversified loads imposed on the
11 system, and are thereby allocated to applicable rate classes based on each class's
12 relative contribution to PSE&G's system coincident peak.

13 The Company allocates all Street Lighting costs to its three (3) street
14 lighting rate schedules based upon the number and type of lights and poles billed
15 under each rate. PSE&G's Customer Service costs are allocated to rate classes
16 based upon a separate analysis of the cost of providing each customer service
17 function. For example, the costs related to billing expense are allocated to rate
18 classes based on an analysis of the relative costs of billing each class. Measurement
19 costs are allocated in a similar fashion.

20

21 **Q. Having reviewed the Company's COSS, do you recommend any changes be**
22 **incorporated in PSE&G's electric cost-of-service methodology at this time?**

1 A. No, since PSE&G's COSS results are only employed as a general guide in the
2 development of the Company's class revenue allocation. As discussed below, I find
3 the Company's general revenue allocation approach acceptable.
4

5 **III. ELECTRIC REVENUE ALLOCATION/RATE DESIGN**
6

7 **Q. Mr. Kalcic, how does PSE&G propose to recover its requested electric base**
8 **revenue increase of \$147.0 million from ratepayers?**

9 A. Schedule BK-1E summarizes the Company's proposed increase to class distribution
10 revenues.³ The Company's requested system average increase in distribution
11 revenues is 12.9% (per line 21 of Schedule BK-1E). Excluding the Company's
12 proposed increases in Other Revenues (i.e., from the Late Payment, Reconnection
13 and Field Collection charges), Schedule BK-1E shows that the Company's overall
14 requested increase from individual rate classes (line 16) is 12.1%. As shown on
15 lines 1-15 of Schedule BK-1E, PSE&G is proposing to limit its proposed increase to
16 individual rate classes to between 0.5 and 1.5 times the system average increase of

^{3/} Distribution revenues are limited to the revenues derived from the Company's tariff rates for distribution service, and exclude the following: 1) Basic Generation Service ("BGS"); 2) Societal Benefits Charge ("SBC"); 3) Non-Utility Generation Charge ("NGC"); 4) Securitization Transition Charges ("STC"); 5) Regional Greenhouse Gas Initiative Recovery Charge ("RGGI"); and 6) Capital Adjustment Charges ("CAC").

1 12.1%. As such, individual class increases would range from approximately 6.0%
2 to 18.0% under PSE&G's proposal.

3

4 **Q. How did PSE&G arrive at the proposed revenue allocation shown in Schedule**
5 **BK-1E?**

6 A. As discussed by Mr. Swetz on pages 43 and 44 of his direct (electric) testimony, the
7 Company used its COSS results as a guide in its proposed rate design, but in a
8 manner that recognized customer impact considerations. Generally, the Company
9 chose to move rate classes toward the cost-of-service levels shown in its cost study,
10 but subject to the constraint that each class's change in distribution revenues would
11 be no less than 50% of the system average distribution increase, and no more than
12 150% of the system average increase. In addition, the Company states no class was
13 assigned more than 200% of the overall system average increase, as measured on a
14 *total bill* basis.

15

16 **Q. Do you believe that the Company's revenue allocation proposal provides an**
17 **appropriate balance between the traditional goals of moving rate classes**
18 **toward cost of service and gradualism?**

19 A. Yes, I do. For example, in my experience, Mr. Swetz's decision to restrict changes
20 in class distribution revenues to between 0.5 and 1.5 times the system average is
21 within the typical bounds established in normal ratemaking practice.

22

1 **Q. Did you use the previously discussed customer impact guidelines to develop a**
2 **class revenue allocation for Ms. Crane’s recommended revenue adjustment?**

3 A. Yes. However, since Rate Counsel is recommending an overall *decrease* in electric
4 distribution revenues in this proceeding, it was necessary to modify the relative
5 revenue adjustments shown in column 4 of Schedule BK-1E, as discussed below.

6

7 **Q. What is your recommended 6+6 electric revenue allocation?**

8 A. My recommended class revenue allocation is shown in Schedule BK-2E.

9

10 **Q. Please discuss Schedule BK-2E.**

11 A. Ms. Crane is recommending an overall decrease in electric distribution revenues of
12 \$15.439 million. However, after allowing for the \$0.633 million increase in Late
13 Payments Charge revenue shown on line 17, the required decrease to class
14 distribution revenues is \$16.072 million (per line 16 of Schedule BK-2E). As
15 shown in column 4 of Schedule BK-2E, this decrease in rate revenue is allocated to
16 rate classes in a manner similar to the Company. In other words, the change in each
17 rate class’s revenues was restricted to between 0.5 and 1.5 times the recommended
18 system average decrease of 1.41%. Generally speaking, the relative decreases
19 assigned to rate classes in Schedule BK-2E are the reverse or “mirror image” of
20 those shown in Schedule BK-1E.

21 In other words, Schedule BK-2E assigns below average rate decreases to
22 classes than are under-contributing (i.e., below cost of service), and above average

1 decreases to classes that are over-contributing (as measured by the Company's cost
2 study).

3

4 **Q. Unlike Schedule BK-1E, lines 18-19 of Schedule BK-2E do not include any**
5 **increases to the Company's Reconnection charge or Field Collection charge**
6 **revenues. Do you oppose the Company's proposed increases to those service**
7 **charges?**

8 A. Yes, I do. I discuss the Company's proposed Reconnection and Field Collection
9 charges later in my testimony.

10

11 **Q. How did you arrive at the present distribution revenues shown in column 1 of**
12 **Schedule BK-2E?**

13 A. The present distribution revenues are the sum of the Company's 6+6 distribution
14 revenues shown in column 1 of Schedule BK-1E and Ms. Crane's recommended
15 pro forma revenue adjustments (as provided in Schedules ACC-15E and ACC-16E).

16

17 **Q. Do you have formal billing determinants that tie to the revenues shown in**
18 **column 1 of Schedule BK-2E?**

19 A. No, I do not. As previously mentioned, the Company did not develop 6+6 billing
20 determinants, and has not provided billing determinants that tie to a thirty-year
21 weather normalized revenue forecast. As such, I did not prepare a recommended

1 rate design to implement Rate Counsel's recommended 6+6 revenue allocation
2 shown in Schedule BK-2E.

3

4 **Q. Mr. Kalcic, have you prepared an *illustrative* rate design for any rate classes at
5 this time?**

6 A. Yes, for the Rate Schedule RS – Residential Service and Rate Schedule GLP –
7 General Lighting and Power Service classes.

8

9 **Q. Please review the Company's proposed rate design for Rate RS.**

10 A. At present, Rate RS contains a fixed service charge and a seasonally differentiated
11 per kWh distribution charge. In addition, the summer distribution charge consists
12 of an inclining block rate, with a higher charge for usage in excess of 600 kWhs per
13 month.

14 PSE&G is proposing to retain the current RS rate structure, but would apply
15 non-uniform increases to the RS service charge and distribution charges.

16 Specifically, the Company proposes to increase the service charge by 1.5 times the
17 system average increase in distribution revenues (i.e., from \$2.27 to \$2.68 per
18 month, excluding tax), in order to move the service charge closer to cost. The
19 balance of the proposed Rate RS increase would be recovered solely from the
20 summer distribution charges, since such charges are currently *lower* than the RS
21 winter delivery charge.

22

1 **Q. What do you recommend with respect to RS rate design?**

2 A. In light of the overall decrease assigned to Rate RS in Schedule BK-2E, I
3 recommend that the current Rate RS service charge remain unchanged. In addition,
4 I recommend that the required decrease in Rate RS distribution revenues be
5 assigned solely to the winter distribution charge, so as to better align the levels of
6 the Rate RS winter and summer distribution charges.

7
8 **Q. Mr. Kalcic, have you provided an illustrative Rate RS rate design that reflects**
9 **your recommendations?**

10 A. Yes, I have. Page 1 of Schedule BK-3E employs the Company's 6+6 billing
11 determinants (adjusted for Ms. Crane's recommended revenue adjustments) to
12 illustrate my recommended rate design approach.⁴

13
14 **Q. Please discuss the Company's proposed rate design for Rate GLP.**

15 A. Rate GLP contains a fixed service charge, two (2) demand charges (annual and
16 summer) and a seasonally differentiated distribution (usage) charge. The primary
17 focus of the Company's proposed rate design is to move the GLP service charge
18 closer to cost, and to keep the current relative (i.e., percentage) recovery of GLP
19 distribution costs constant across KW and kWh charges.

^{4/} I would note that Schedule BK-3E, page 1 of 2 eliminates the current Base Rate Distribution Kilowatthour Adjustment ("BRDKA") credit (at line 11), as proposed by the Company

1 **Q. What do you recommend with respect to GLP rate design?**

2 A. As in the case of Rate RS, I recommend that the current Rate GLP service charge
3 remain unchanged. In addition, I recommend that the required decrease in Rate
4 GLP distribution revenues be assigned proportionally to the class's kW and kWh
5 charges, so as to maintain the current split between demand- and energy-charge
6 recovery of the class's non-customer charge related revenue requirement.
7 Maintaining the current split (between demand and energy charge recovery) will
8 result in more uniform intra-class rate impacts.

9

10 **Q. Have you provided an illustrative Rate GLP rate design that reflects your**
11 **recommendations?**

12 A. Yes. Page 2 of Schedule BK-3E employs the Company's 6+6 billing determinants
13 (adjusted for Ms. Crane's recommended revenue adjustments) to illustrate my
14 recommended rate design approach.

15

16 **Q. Mr. Kalcic, do you have any general rate design recommendations at this time**
17 **regarding the Company's other electric rate classes?**

18 A. Yes. As discussed in the context of the previous discussion of Rates RS and GLP, I
19 would generally recommend that: a) no decrease be applied to any class's service
20 charge; and b) energy and demand charges (where applicable) be reduced so as to
21 maintain the current relationship in the recovery of distribution costs between such

1 charges. Rate Counsel reserves its right to submit a formal rate design for *all* of
2 PSE&G's electric rate classes in supplemental testimony.

3

4 **IV. MISCELLANEOUS SERVICE CHARGES**

5

6 **Q. Mr. Kalcic, what increase is PSE&G proposing to its Reconnection charge?**

7 A. The Company proposes to increase the Reconnection charge in both its electric and
8 gas tariffs from \$20 to \$80 or 300%.

9

10 **Q. What is the basis for the Company's requested increase in its Reconnection**
11 **charge?**

12 A. In his direct testimony, Mr. Swetz claims that the actual cost to the Company per
13 shut off for non-payment (and subsequent reconnection) is \$99.30, and that the
14 Company's requested increase is intended to move the current Reconnection charge
15 to approximately 80% of actual cost.

16

17 **Q. Do you believe it is appropriate to increase the Company's Reconnection**
18 **charge 300% in this proceeding?**

19 A. No. I find that a 300% increase would be excessive, particularly in light of current
20 economic conditions which could cause a greater than normal number of customers
21 to experience a shut off for non-payment.

22

1 **Q. What is your recommendation in this area?**

2 A. Given that the Company's Reconnection charge applies to both electric and gas
3 service, and that Rate Counsel is recommending an overall decrease in PSE&G's
4 combined electric and gas revenues, I recommend that the current Reconnection
5 charge remain unchanged at \$20.

6

7 **Q. Mr. Kalcic, please describe the PSE&G's proposal with respect to its Field
8 Collection charge.**

9 A. PSE&G is proposing to increase its current electric and gas Field Collection charge
10 from \$16.00 to \$30.00 or 87.5%. This charge is currently applied to non-residential
11 customers in the case where a Company representative visits a customer's premise
12 in order to terminate service for nonpayment, but instead receives a bill payment of
13 sufficient size to retain service. Under the Company's proposal, the applicability of
14 the Field Collection charge would be expanded to all customer classes (i.e.,
15 including residential).

16

17 **Q. How did the Company determine its proposed Field Collection charge of
18 \$30.00?**

19 A. Schedule SS-E14 indicates that the actual cost to the Company per field collection
20 stop is \$36.92, which the Company rejected in favor of its proposed \$30.00 charge.

21

1 **Q. Mr. Kalcic, should the Board approve PSE&G's proposal with respect to the**
2 **Field Collection charge?**

3 A. No. I find that a 87.5% increase would be excessive, particularly in light of current
4 economic conditions which could cause an increase in the number of customers that
5 are threatened with a shut off for non-payment. In light of Rate Counsel's overall
6 recommended decrease in combined electric and gas revenues, I recommend that
7 the current provisions of the Company's Field Collection charge remain unchanged.

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V. GAS COST OF SERVICE STUDY

Q. Mr. Kalcic, please provide a general description of the cost-of-service analysis submitted by the Company in this proceeding.

A. Mr. Swetz prepared a fully allocated cost-of-service study (“COSS”) based upon weather normalized data for the twelve (12) months ending December 31, 2008. The COSS includes only the gas distribution portion of the Company’s operations.

The COSS itself is used to both separate the costs of the Company’s “pipes only” business into functional segments and to allocate these functionalized costs to rate classes based upon each class’s cost responsibility.

Q. What rate classes are included in the Company’s gas COSS?

A. Five (5) rate classes are included in the COSS: 1) Rate Schedule RSG – Residential Service; 2) Rate Schedule GSG – General Service; 3) Rate Schedule LVG – Large Volume Service; 4) Rate Schedule SLG – Street Lighting Service; and 5) Rate Schedule TSG-F – Firm Transportation Gas Service.⁵

In addition, the Company serves two (2) other rate classes: a) Rate Schedule TSG-NF – Non-Firm Transportation Gas Service; and b) Rate Schedule CIG – Cogeneration Interruptible Service.⁶ The rates for TSG-NF and CIG customers are generally based on value-of-service (rather than cost-of-service) considerations.

⁵ Rate TSG-F is closed to new customers.
⁶ Rate CIG is also closed to new customers.

1 **Q. What are the functional cost segments that are included in PSE&G's gas cost**
2 **study?**

3 A. Briefly, the Company identifies five (5) such distribution-related segments: 1)
4 Distribution Access; 2) Distribution Delivery; 3) Street Lighting Fixtures; 4)
5 Customer Service; and 5) Measurement. The Distribution Access segment is
6 primarily composed of the plant and expenses related to gas service lines and
7 regulators. The Distribution Delivery segment includes all plant and related
8 expenses from the City Gate up to the connection with gas service lines.

9 The Street Lighting Fixtures segment contains all the investment and
10 expenses associated with gas street lighting lamps, poles and services. The
11 Customer Service segment includes all costs related to billing, payment receipts,
12 collection activity and other account maintenance. Finally, the Measurement
13 segment contains the costs associated with meters and meter reading.

14

15 **Q. How does the Company allocate these functional cost segments to rate**
16 **schedules?**

17 A. The primary allocation factor varies with each segment. In general, the costs
18 associated with the Delivery Access segment are allocated to rate classes based on
19 an analysis of the relative cost of customer installations. The costs associated with
20 the Distribution Delivery segment (including distribution mains) are allocated to
21 applicable rate classes based on each class's share of the amount of gas transported
22 during PSE&G's system design peak hour.

1 The Company directly assigns all Street Lighting Fixtures costs to Rate
2 SLG. The Company's Customer Service costs are allocated to rate classes based
3 upon a separate analysis of the cost of providing each customer service function.
4 For example, the costs related to billing expense are allocated to rate classes based
5 on an analysis of the relative costs of billing each class. Measurement costs are
6 allocated in a similar fashion.

7
8 **Q. What does the Company's gas COSS indicate with respect to the relative**
9 **contribution toward allocated cost of PSE&G's firm rate classes?**

10 A. In general, the Company's COSS shows that Rates TSG-F, RSG and SLG are
11 under-contributing (i.e., require larger than average increases), and that Rates GSG
12 and LVG are over-contributing (i.e., require smaller than average increases).

13
14 **Q. Having reviewed the Company's COSS, do you recommend that any changes**
15 **be incorporated in PSE&G's gas cost-of-service methodology at this time?**

16 A. No, since PSE&G's COSS results are only employed as a general guide in the
17 development of the Company's class revenue allocation. As discussed below, I find
18 the Company's general revenue allocation approach acceptable.

19

1 **VI. GAS REVENUE ALLOCATION/RATE DESIGN**

2

3 **Q. Mr. Kalcic, how does PSE&G propose to recover its requested gas base**
4 **revenue increase of \$105.9 million from ratepayers?**

5 A. Schedule BK-1G summarizes the Company’s proposed increase in class distribution
6 revenues.⁷ The Company’s requested system average increase in distribution
7 revenues is 15.8% (per line 10 of Schedule BK-1G). Excluding the Company’s
8 proposed increases in Other Revenues, Schedule BK-1G shows that the Company’s
9 overall requested increase in revenues from individual rate classes (line 5) is 15.1%.
10 As shown in column 4 of Schedule BK-1G, PSE&G is proposing to limit its
11 proposed increase to individual rate classes to between 0.5 and 1.5 times the system
12 average increase of 15.1%. As such, individual class increases would range from
13 approximately 7.5% (Rate LVG) to 22.6% (Rate TSG-F) under PSE&G’s proposal.

14

15 **Q. Please explain lines 11-19 of Schedule BK-1G.**

16 A. Column 2 of lines 11-15 shows the Company’s proposed increases to the TSG-NF,
17 TSG-F and CIG classes. These “non-margin” rate schedules are segregated from
18 the “margin” rate schedules shown in lines 1-5 because the Company does *not*
19 retain the margins from TSG-NF, TSG-F or CIG customers. For example, with
20 limited exceptions, PSE&G retains none of the margins contributed by TSG-NF

⁷ Distribution revenues are limited to the revenues derived from the Company’s tariff rates for distribution service, and exclude the following: 1) Basic Gas Supply Service (“BGSS”); 2) Balancing Charges; 3) Societal Benefits Charge (“SBC”); 4) Margin Adjustment Charge (“MAC”); 5) Regional Greenhouse Gas Initiative Recovery Charge (“RGGI”); and 6) Capital Adjustment Charges (“CAC”).

1 customers.⁸ Instead, all such margins are credited to the RSG, GSG, LVG, SLG
2 and TSG-F rate classes via the MAC. Similarly, all of the margins contributed by
3 the TSG-F and CIG rate classes are flowed back to the Company's sales customers
4 via a credit to the (Non-Gulf Coast Cost of Gas component of the) BGSS clause.

5 Under the Company's proposed revenue allocation, the TSG-F, TSG-NF and
6 CIG rate classes would receive base rate revenue increases totaling \$3.274 million,
7 per line 15, column 2 of Schedule BK-1G. However, per the above discussion,
8 none of this \$3.274 million would be retained by PSE&G. Rather, column 2, lines
9 16-18 of Schedule BK-1G depicts how these margins would be flowed back to rate
10 classes in the form of MAC or BGSS credits. As shown on line 19 of Schedule BK-
11 1G, the net impact to the Company from the proposed increases to Rates TSG-F,
12 TSG-NF and CIG and the proposed MAC and BGSS credits is zero.

13

14 **Q. How did PSE&G arrive at the proposed revenue allocation shown in Schedule**
15 **BK-1G?**

16 A. As discussed by Mr. Swetz on pages 33-36 of his direct gas testimony, the
17 Company used its COSS results as a guide in its proposed rate design, but in a
18 manner that recognized customer impact considerations. Generally, the Company
19 chose to move rate classes toward the cost-of-service levels shown in its cost study,

^{8/} The limited exceptions apply in the case of: a) Rate LVG customers who switch to Rate TSG-NF after the test year in this proceeding; and b) instances where additional investment is necessary to serve new or existing TSG-NF customers after the end of the test year.

1 but subject to the constraint that each class's change in distribution revenues would
2 be no less than 50% of the system average distribution increase, and no more than
3 150% of the system average increase. In addition, the Company indicates that no
4 class was assigned more than 200% of the overall system average increase, as
5 measured on a *total bill* basis. Finally, PSE&G assigned a system average
6 distribution increase to the value-of-service based TSG-NF and CIG classes.

7

8 **Q. Do you believe that the Company's revenue allocation proposal provides an**
9 **appropriate balance between the traditional goals of moving rate classes**
10 **toward cost of service and gradualism?**

11 A. Yes, I do. For example, in my experience, Mr. Swetz's decision to restrict changes
12 in class distribution revenues to between 0.5 and 1.5 times the system average is
13 within the typical bounds established in normal ratemaking practice.

14

15 **Q. Have you used the Company's customer impact guidelines to develop a class**
16 **revenue allocation for Ms. Crane's recommended 6+6 gas revenue adjustment?**

17 A. Yes, I have. My recommended 6+6 revenue allocation is shown in Schedule BK-
18 2G.

19

20 **Q. Please discuss Schedule BK-2G.**

21 A. Ms. Crane is recommending an overall increase in gas distribution revenues of
22 \$13.723 million. After allowing for the increase in Late Payments Charge revenue

1 of \$0.112 million shown on line 6, the required increase to the margin rate classes is
2 \$13.611 million (per line 5 of Schedule BK-2G). As previously discussed, Rate
3 Counsel opposes the Company's proposed increases to its Reconnection and Field
4 Collection charges. As a result, lines 7-8 of Schedule BK-2G reflect a zero
5 increase. As shown in column 4 of Schedule BK-2G, Rate Counsel's increase in
6 rate revenue is allocated to the margin rate classes in a fashion similar the
7 Company. In other words, the change in each rate class's revenues was restricted to
8 between 0.5 and 1.5 times the recommended system average increase of 2.01%.
9 Generally speaking, the relative increases assigned to the margin rate classes in
10 Schedule BK-2G are the same as those shown in Schedule BK-1G, except for Rate
11 SLG (which was assigned the same percentage increase as Rate RSG).

12 In other words, Schedule BK-2G assigns below average rate increases to the
13 margin classes that are over-contributing (i.e., above cost of service), and above
14 average increases to such classes that are under-contributing (as measured by the
15 Company's cost study).

16
17 **Q. Please discuss your non-margin rate class increases shown on lines 11-15 of**
18 **Schedule BK-2G.**

19 A. Consistent with the Company's COSS results, I assigned a 3.0% increase (i.e., 1.5
20 times the system average) to Rate TSG-F. Rates TSG-NF and CIG were assigned a
21 system average increase of 2.0% (except for those TSG-NF customers served under
22 special contract agreements). As shown on line 15 of Schedule BK-2G, the overall

1 6+6 recommended increase to the non-margin classes is \$0.435 million. The same
2 \$0.435 million would flow back to ratepayers via the MAC and BGSS credits
3 shown on lines 16-18 of Schedule BK-2G.
4

5 **Q. Mr. Kalcic, why are the present distribution revenues of the RSG, GSG and**
6 **LVG classes in Schedule BK-2G greater than those shown by the Company**
7 **(i.e., lines 1-3 of Schedule BK-1G)?**

8 A. The present RSG, GSG and LVG distribution revenues shown in Schedule BK-2G
9 are the sum of the Company's 6+6 distribution revenues shown in column 1 of
10 Schedule BK-1G and Ms. Crane's recommended pro forma revenue adjustments (as
11 provided in Schedules ACC-14G and ACC-15G).
12

13 **Q. Do you have formal billing determinants that tie to the revenues shown in**
14 **column 1 of Schedule BK-2G?**

15 A. No. As previously mentioned, the Company did not develop 6+6 billing
16 determinants, and has not provided billing determinants that tie to a thirty-year
17 weather normalized revenue forecast. As such, I did not prepare a formal rate
18 design to implement Rate Counsel's recommended 6+6 revenue allocation shown in
19 Schedule BK-2G.

1 **Q. Mr. Kalcic, have you prepared an illustrative rate design for any gas rate**
2 **classes at this time?**

3 A. Yes. Pages 1-7 of Schedule BK-3G contain an illustrative rate design and proof of
4 revenue for all of the Company's gas rate schedules. Note that Schedule BK-3E
5 employs the Company's 6+6 billing determinants (adjusted for Ms. Crane's
6 recommended revenue adjustments) to illustrate my recommended rate design
7 approach.

8

9 **Q. How did you develop your illustrative rate design in Schedule BK-3G?**

10 A. For all classes except Rate SLG, I assigned a 1.5 times the system average increase
11 (approximately 3%) to the fixed service charge in order to move such charges
12 toward cost. The balance of each class's assigned distribution increase (from
13 column 2 of Schedule BK-2G) was recovered via a proportional increase to the
14 class's distribution and demand charges (as applicable). I note that by assigning a
15 proportional (residual) increase to class distribution and/or demand charges,
16 intraclass bill impacts are minimized.

17 In the case of Rate SLG, I assigned 100% of my recommended increase to
18 the newly created distribution charge, so as to provide for the unbundling of
19 distribution service.⁹

20

⁹ At the present time, Rate SLG customers pay only a fixed monthly charge per unit/lamp installed for distribution service, i.e., there is no separate (per therm) distribution charge. PSE&G is proposing to unbundle the cost of distribution service for Rate SLG customers in this proceeding.

1 **Q. Do you have any other comment regarding your illustrative rate design in**
2 **Schedule BK-3G?**

3 A. Yes. I would note that Schedule BK-3G reflects my recommended MAC credit of
4 \$0.002238 per therm, which is discussed in detail below.

5

6 **VII. RECOMMENDED MARGIN ADJUSTMENT CLAUSE (“MAC”)**

7

8 **Q. Mr. Kalcic, would you please briefly describe the Company’s Margin**
9 **Adjustment Charge (“MAC”)?**

10 A. As I note above, the Company does not retain margins from certain customer
11 classes, including the TSG-NF (Non-Firm Transportation Gas Service) class. As
12 explained in more detail in Mr. LeLash’s testimony on behalf of Rate Counsel, the
13 MAC was established in Docket No. GR01050328, to credit the Company’s firm
14 rate classes with net revenues associated with the TSG-NF class.

15

16 **Q. Mr. Kalcic, what is the current value of the Company’s MAC credit?**

17 A. All firm gas service rate schedules currently receive a MAC credit of \$0.007341 per
18 therm (before tax), resulting in total annual credits to these classes of approximately
19 \$17.0 million.

20

1 **Q. What is the Company's proposal with regard to the MAC?**

2 A. The Company reports that, due to declines in TSG-NF volumes, the amounts
3 credited to firm rate classes since its last base rate proceeding have exceeded the net
4 revenues associated with the TSG-NF classes. In other words, since its last base
5 rate proceeding PSE&G has provided ratepayers with total MAC credits that
6 significantly exceed the amount of margins obtained from TSG-NF customers over
7 the same period. As noted in Mr. LeLash's testimony, the Company asserts that it
8 will have a cumulative MAC under-recovery of \$47.5 million (including interest) by
9 February 2010

10 In order to amortize the Company's MAC under-recovery as quickly as
11 possible, PSE&G proposes to apply 100% of its available TSG-NF margins to the
12 MAC under-recovery, rather than continue to share TSG-NF margins with firm
13 service customers. Thus PSE&G is proposing to set the MAC credit to \$0.00.

14
15 **Q. Does Rate Counsel agree with the Company's MAC proposal?**

16 A. No. Testifying on behalf of Rate Counsel, Mr. LeLash recommends, in part, that
17 the Company's MAC under-recovery be amortized over seven (7) years, without
18 further interest. This would allow the Company to share a portion of the TSG-NF
19 margins with firm service customers.

20
21 **Q. Have you developed a recommended MAC credit that is consistent with Mr.
22 LeLash's MAC recommendations?**

1 A. Yes, I have. Schedule BK-4G shows the derivation of my recommended MAC
2 credit.

3

4 **Q. Please explain Schedule BK-4G.**

5 A. Lines 1-3 of Schedule BK-4G show the total available TSG-NF (or MAC) margins
6 available under Rate Counsel's recommended revenue allocation. Lines 4-6 derive
7 the total amount of annual TSG-NF margins needed to amortize the Company's
8 projected MAC under-recovery over seven (7) years. Line 7 shows the *net* amount
9 of TSG-NF margins available to be shared with ratepayers (via the MAC credit),
10 after allowing for the required amortization shown in line 6. Line 8 reports the
11 annual number of therms used by the Company's firm service rate classes. Finally,
12 line 9 divides the available net margins in line 7 by the projected therms in line 8 to
13 arrive at Rate Counsel's recommended MAC credit of \$0.002238 per therm (before
14 tax).

15

16 **Q. Mr. Kalcic, what would be the combined impact of the Company's proposed**
17 **distribution increase and MAC credit reduction on ratepayers?**

18 A. Schedule BK-5G shows the combined impact of the Company's proposals on class
19 delivery revenues (i.e., total revenues excluding BGSS costs). As shown in column
20 3 of Schedule BK-5G, reducing the MAC credit from \$0.007341 to \$0.000000 per
21 therm would result in a \$17.0 million increase for the Company's firm service rate

1 classes. The overall combined increase (i.e., distribution plus MAC) to delivery
2 revenues would be 12.57%, per line 10 of column 5.

3

4 **Q. What would be the combined impact of Rate Counsel's recommended**
5 **distribution increase and MAC credit reduction on ratepayers?**

6 A. Schedule BK-6G shows the combined impact of Rate Counsel's proposals on class
7 delivery revenues. Per column 3 of Schedule BK-6G, reducing the MAC credit
8 from \$0.007341 to \$0.002227 per therm would result in a \$12.0 million increase for
9 the Company's firm service rate classes. In other words, Rate Counsel's
10 recommended MAC credit would save ratepayers \$5.0 million over the first year of
11 its implementation.

12 The overall Rate Counsel recommended increase (i.e., distribution plus
13 MAC) to class delivery revenues would be 2.67%, per line 10 of column 5.

14 **Q. Does this conclude your direct testimony at this time?**

15 A. Yes.

ELECTRIC SCHEDULES

Public Service Electric and Gas Company
Summary of Company Proposed Increases
in Class Distribution Revenues
(\$000)

Schedule BK-1E

Line	Class	Present Distribution Revenue 1/ (1)	Proposed Increase		
			Amount (2)	% (3)	Index (4)
1	RS	\$ 488,745	\$ 88,503	18.11%	150
2	RHS	4,820	873	18.11%	150
3	RLM	7,860	1,423	18.10%	150
4	WH	116	17	14.66%	121
5	WHS	0.2	0.040	18.18%	151
6	HS	926	56	6.05%	50
7	BPL	41,712	2,518	6.04%	50
8	BPL-POF	305	55	18.03%	149
9	PSAL	27,464	3,315	12.07%	100
10	GLP	259,746	15,678	6.04%	50
11	LPL-S	221,736	14,400	6.49%	54
12	LPL-P	48,016	4,369	9.10%	75
13	HTS-S	31,768	5,753	18.11%	150
14	HTS-HV	2,274	137	6.02%	50
15	EHEP	369	22	5.96%	49
16	Subtotal	\$ 1,135,857	\$ 137,119	12.07%	100
Other Revenues					
17	Late Payment Charge	633	633	100.00%	
18	Reconnection Charge	1,859	5,577	299.99%	
19	Field Collection Charge	584	3,687	630.93%	
20	Subtotal	3,077	9,897		
21	Total Distribution	\$ 1,138,934	\$ 147,016	12.91%	

Source: Sch.SS-E9 R-1
pg. 2 of 2

Notes:

1/ Excludes BGS, SBC, NGC, STC, RGGI & CAC revenues.

Public Service Electric and Gas Company
Summary of Rate Counsel Recommended Adjustments
in Class Distribution Revenues
(\$000)

Schedule BK-2E

Line	Class	Present Distribution Revenue 1/ (1)	Recommended Increase		
			Amount (2)	% (3)	Index (4)
1	RS	\$ 491,066	\$ (3,474)	-0.71%	50
2	RHS	4,829	(34)	-0.70%	50
3	RLM	7,847	(56)	-0.71%	50
4	WH	116	(1.0)	-0.85%	60
5	WHS	0.2	(0.002)	-0.71%	50
6	HS	926	(20)	-2.12%	150
7	BPL	41,712	(885)	-2.12%	150
8	BPL-POF	305	(2)	-0.71%	50
9	PSAL	27,464	(389)	-1.42%	100
10	GLP	261,045	(5,541)	-2.12%	150
11	LPL-S	221,736	(4,541)	-2.05%	145
12	LPL-P	48,016	(849)	-1.77%	125
13	HTS-S	31,768	(225)	-0.71%	50
14	HTS-HV	2,274	(48)	-2.11%	150
15	EHEP	369	(8)	-2.12%	150
16	Subtotal	\$ 1,139,473	\$ (16,072)	-1.41%	100
Other Revenues					
17	Late Payment Charge	633	633	100.00%	
18	Reconnection Charge	1,859	0	0.00%	
19	Field Collection Charge	584	0	0.00%	
20	Subtotal	3,076	633		
21	Total Distribution	\$ 1,142,549	\$ (15,439)		

Source: Schedules
ACC-15E &
ACC-16E

Notes:

1/ Excludes BGS, SBC, NGC, STC, RGGI & CAC revenues.

**RATE SCHEDULE RS
RESIDENTIAL SERVICE
12 Months Ended December 31, 2009
(Units & Revenue in Thousands)**

	Annualized Weather Normalized			Illustrative			Difference		Tariff Charges Incl. SUT (9=5*1.07)
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	
1 Delivery									
2 Service Charge	21,929,682	2.27	\$49,780	21,929,682	2.27	\$49,780	\$0	0.00	2.43
3 Distribution 0-600 June - September	3,697,358	0.028590	105,707	3,697,358	0.028590	105,707	0	0.00	0.030591
4 Distribution 0-600 October - May	5,904,710	0.036234	213,951	5,904,710	0.034901	206,080	-7,871	-3.68	0.037344
5 Distribution over 600 June - September	2,051,688	0.032411	66,497	2,051,688	0.032411	66,497	0	0.00	0.034680
6 Distribution over 600 October - May	1,697,682	0.036234	61,514	1,697,682	0.034901	59,251	-2,263	-3.68	0.037344
7 SBC	13,351,438	0.007187	95,957	13,351,438	0.007187	95,957	0	0.00	
8 NGC	13,351,438	0.002325	31,042	13,351,438	0.002325	31,042	0	0.00	
9 STC-TBC	13,351,438	0.006744	90,042	13,351,438	0.006744	90,042	0	0.00	
10 STC-MTC-Tax	13,351,438	0.002933	39,160	13,351,438	0.002933	39,160	0	0.00	
11 BRDKA	13,351,438	(0.000499)	(6,662)	13,351,438	0.000000	0	6,662	(100.00)	
12 System Control Charge	13,351,438	0.000000	0	13,351,438	0.000000	0	0	0.00	
13 Solar Pilot Recovery Charge	13,351,438	0.000000	0	13,351,438	0.000000	0	0	0.00	
14									
15 RGGI Recovery Charge	13,351,438	0.000614	8,198	13,351,438	0.000614	8,198	0	0.00	
16 Capital Adjustment Charge									
17 Service Charge	21,929,682	0.08	1,754	21,929,682	0.08	1,754	0	0.00	
18 Distribution 0-600, June-September	3,697,358	0.000930	3,439	3,697,358	0.000930	3,439	0	0.00	
19 Distribution 0-600, October-May	5,904,710	0.001206	7,121	5,904,710	0.001206	7,121	0	0.00	
20 Distribution over 600, June-September	2,051,688	0.001068	2,191	2,051,688	0.001068	2,191	0	0.00	
21 Distribution over 600, October-May	1,697,682	0.001206	2,047	1,697,682	0.001206	2,047	0	0.00	
22 BRDKA	13,351,438	0.000000	0	13,351,438	0.000000	0	0	0.00	
23									
24 Facilities Chg.			0			0	0	0.00	
25 Minimum			0			0	0	0.00	
26 Miscellaneous			(47)			(47)	0	0.00	
27 Delivery Subtotal	13,351,438		\$771,691	13,351,438		\$768,219	-\$3,472	-0.45	
28 Unbilled Delivery			512			510	-2	-0.39	
29 Delivery Subtotal w unbilled			\$772,203			\$768,729	-\$3,474	-0.45	

Tot Distribution Revenue							
30 Service Charge		\$	49,780		\$	49,780	
31 Distribution 0-600 June - September			105,707			105,707	
32 Distribution 0-600 October - May			213,951			206,080	
33 Distribution over 600 June - September			66,497			66,497	
34 Distribution over 600 October - May			61,514			59,251	
35 BRDKA			(6,662)			-	
36 Miscellaneous			(47)			(47)	
37 Unbilled Distribution			326			323	
38 Total Distribution Revenue		\$	491,066		\$	487,591	\$ (3,474) -0.71

RATE SCHEDULE GLP
GENERAL LIGHTING AND POWER SERVICE
12 Months Ended December 31, 2009
(Units & Revenue in Thousands)

	Annualized Weather Normalized			Illustrative			Difference		Tariff Charges Incl. SUT (9=5*1.07)
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	
1 Delivery									
2 Service Charge	2,927,192	3.96	\$11,592	2,927,192	3.96	\$11,592	\$0	0.00	4.24
3 Service Charge-unmetered	205,120	1.83	375	205,120	1.83	375	0	0.00	1.96
4 Service Charge-Night Use	0,958	347.77	333	0,958	347.77	333	0	0.00	372.11
5 Distrib. KW Annual	30,810	3.6393	112,127	30,810	3.3821	104,203	(7,924)	(7.07)	3,6188
6 Distrib. KW Summer	11,490	6,7542	77,606	11,490	6,7531	77,593	(13)	(0.02)	7,2258
7 Distribution kWhr, June-September	3,193,318	0.011267	35,979	3,193,318	0.011219	35,826	(153)	(0.43)	0.012004
8 Distribution kWhr, Night use, June-September	5,181,447	0.005725	29,664	5,181,447	0.005410	28,032	(1,632)	(5.50)	0.005789
9 Distribution kWhr, Night use, June-September	10,693	0.005725	61	10,693	0.005410	58	(3)	(4.92)	0.005789
10 Distribution kWhr, Night use, October-May	19,959	0.005725	114	19,959	0.005410	108	(6)	(5.26)	0.005789
11 SBC	8,405,417	0.007187	60,410	8,405,417	0.007187	60,410	0	0.00	
12 NGC	8,405,417	0.002506	21,064	8,405,417	0.002506	21,064	0	0.00	
13 STC-TBC	8,405,417	0.006744	56,686	8,405,417	0.006744	56,686	0	0.00	
14 STC-MTC-Tax	8,405,417	0.002933	24,653	8,405,417	0.002933	24,653	0	0.00	
15 BRDKA	8,405,417	(0.000499)	(4,194)	8,405,417	0.000000	0	4,194	(100.00)	
16 System Control Charge	8,405,417	0.000000	0	8,405,417	0.000000	0	0	0.00	
17 Solar Pilot Recovery Charge	8,405,417	0.000000	0	8,405,417	0.000000	0	0	0.00	
18									
19 RGGI Recovery Charge	8,405,417	0.000614	5,161	8,405,417	0.000614	5,161	0	0.00	
20 Capital Adjustment Charge									
21 Service Charge	2,927,192	0.14	410	2,927,192	0.14	410	0	0.00	
22 Service Charge-Unmetered	205,120	0.07	14	205,120	0.07	14	0	0.00	
23 Service Charge-Night Use	0,958	12.58	12	0,958	12.58	12	0	0.00	
24 Annual Demand	30,810	0.1317	4,058	30,810	0.1317	4,058	0	0.00	
25 Summer Demand, June-September	11,490	0.2444	2,808	11,490	0.2444	2,808	0	0.00	
26 Distribution kWhr, June-September	3,193,318	0.000309	987	3,193,318	0.000309	987	0	0.00	
27 Distribution kWhr, October-May	5,181,447	0.000109	565	5,181,447	0.000109	565	0	0.00	
28 Distribution kWhr, Night use, June-September	10,693	0.000109	1	10,693	0.000109	1	0	0.00	
29 Distribution kWhr, Night use, October-May	19,959	0.000109	2	19,959	0.000109	2	0	0.00	
30 BRDKA	8,405,417	0.000000	0	8,405,417	0.000000	0	0	0.00	
31									
32 Duplicate Svc (Same Sub/Different Sub)		\$2.22/\$3.20	2		\$2.22/\$3.20	2	0	0.00	
33 Facilities Chg.		1.45%	18		1.45%	18	0	0.00	
34 Minimum			1			1	0	0.00	
35 Distrib. Miscellaneous			(2,538)			(2,544)	(6)	0.24	
36 Unbilled Delivery			\$437,971			\$432,428	(\$5,543)	-1.27	
37 Delivery subtotal			(161)			(159)	2	-1.24	
38 Delivery subtotal w unbilled			\$437,810			\$432,269	-\$5,541	-1.27	
Tot. Distribution Revenue									
39 Service Charge			\$ 11,592			\$ 11,592			
40 Service Charge-unmetered			375			375			
41 Service Charge-Night Use			333			333			
42 Distrib. KW Annual			112,127			104,203			
43 Distrib. KW Summer			77,606			77,593			
44 Distribution kWhr, June-September			35,979			35,826			
45 Distribution kWhr, October-May			29,664			28,032			
46 Distribution kWhr, Night use, June-September			61			58			
47 Distribution kWhr, Night use, October-May			114			108			
48 BRDKA			(4,194)			0			
49 Miscellaneous/Other			(2,517)			(2,523)			
50 Unbilled Delivery			(96)			(94)			
51 Total Distribution Revenue			\$ 261,044			\$ 255,503	\$ (5,541)		-2.12

GAS SCHEDULES

Public Service Electric and Gas Company
 Company Proposed Allocation of its
 Requested Increase in Distribution Revenue
 (\$000)

Line	Description	Present Distribution Revenue 1/ (1)	Proposed Increase		
			Amount (2)	Percent (3)	Index (4)
	<u>Margin Rates</u>				
1	RSG	\$481,512	\$84,221	17.49%	116
2	GSG	\$79,559	\$8,525	10.72%	71
3	LVG	\$107,481	\$8,107	7.54%	50
4	SLG	\$322	\$54	16.77%	112
5	Subtotal	\$668,874	\$100,907	15.09%	100
	<u>Other Revenue</u>				
6	Late Payment	\$112	\$112	100.00%	
7	Reconnection	\$596	\$1,788	300.00%	
8	Field Collection	\$498	\$3,141	630.90%	
9	Subtotal	\$1,206	\$5,041		
10	Total Margin (Lines 5 + 9)	<u>\$670,080</u>	<u>\$105,948</u>	15.81%	
	<u>Non-Margin Rates</u>				
11	TSG-F	\$3,582	\$811	22.64%	150
12	TSG-NF	\$13,299	\$2,006	15.08%	100
13	TSG-NF (Agreement)	\$6,600	\$15	0.23%	2
14	CIG	<u>\$2,933</u>	<u>\$442</u>	15.07%	100
15	Subtotal	\$26,414	\$3,274	12.39%	82
	<u>Less</u>				
16	Change in MAC Credit 2/		\$2,021		
17	Change in BGSS Credit 3/		<u>\$1,253</u>		
18	Subtotal		\$3,274		
19	Total Non-Margin (Net to Company) (Lines 15 - 18)		<u>\$0</u>		
20	Total Requested Increase (Lines 10 + 19)		<u>\$105,948</u>		

Source: Sch. SS-G8 R-1, pg. 2 of 2, and
 Sch. SS-E14, pgs. 1-3.

Notes:

1/ Excludes BGSS, balancing charge, SBC, MAC, RGGI & CAC revenues.

2/ Increase to TSG-NF (lines 12 & 13) applied to MAC credit.

3/ Increase to TSG-F & CIG (lines 11+14) applied to BGSS credit.

Public Service Electric and Gas Company
Rate Counsel Allocation of its
Recommended Increase in Distribution Revenue
(\$000)

Line	Description	Present Distribution Revenue 1/ (1)	Recommended Increase		
			Amount (2)	Percent (3)	Index (4)
	<u>Margin Rates</u>				
1	RSG	\$489,849	\$11,388	2.32%	116
2	GSG	\$80,989	\$1,137	1.40%	70
3	LVG	\$107,643	\$1,079	1.00%	50
4	SLG	\$322	\$7.4	2.30%	116
5	Subtotal	\$678,803	\$13,611	2.01%	100
	<u>Other Revenue</u>				
6	Late Payment	\$112	\$112	100.00%	
7	Reconnection	\$596	\$0	0.00%	
8	Field Collection	\$498	\$0	0.00%	
9	Subtotal	\$1,206	\$112		
10	Total Margin (Lines 5 + 9)	<u>\$680,009</u>	<u>\$13,723</u>	2.02%	
	<u>Non-Margin Rates</u>				
11	TSG-F	\$3,582	\$108	3.01%	150
12	TSG-NF	\$13,299	\$267	2.01%	100
13	TSG-NF (Agreement)	\$6,600	\$2.0	0.03%	2
14	CIG	\$2,933	\$59	2.00%	100
15	Subtotal	\$26,414	\$435	1.65%	82
	<u>Less</u>				
16	Change in MAC Credit 2/		\$269		
17	Change in BGSS Credit 3/		\$167		
18	Subtotal		\$435		
19	Total Non-Margin (Net to Company) (Lines 15 - 18)		<u>\$0</u>		
20	Total Requested Increase (Lines 10 + 19)		<u>\$13,723</u>		

Source: Schedules
ACC-14G &
ACC-15G

Notes:

- 1/ Excludes BGSS, balancing charge, SBC, MAC, RGGI & CAC revenues.
2/ Increase to TSF-NF (lines 12 & 13) applied to MAC credit.
3/ Increase to TSG-F & CIG (lines 11+14) applied to BGSS credit.

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	Billing Units		Present Delivery Rates		Illustrative Delivery Rates		Increase	
	(1)	(2)	Rate	Revenue	Rate	Revenue	Amount	Percent
			(2)	(3)	(4)	(5)	(6)	(7)
MARGIN CLASSES								
Residential - RSG								
Service Charge	19,274		\$ 5.46	\$ 105,235		\$ 5.62	\$ 3,084	2.93%
Distribution Service								
All terms	1,425,801		\$ 0.277530	395,703		0.283533	8,559	2.16%
Off-Peak	35		\$ 0.138765	5		0.141766	0.1	2.16%
Balancing Charge	775,486		\$ 0.089679	69,545		0.089679	-	0.00%
SBC	1,425,836		\$ 0.056012	79,864		0.056012	-	0.00%
Margin Adjustment Charge	1,425,836		\$ (0.007341)	(10,467)		(0.002238)	7,276	-69.51%
RGGI Recovery Charge	1,425,836		\$ 0.002749	3,920		0.002749	-	0.00%
CAC								
Service Charge	19,274		\$ 0.19	\$ 3,662		0.19	-	0.00%
Distribution Charge	1,425,801		\$ 0.008701	12,406		0.008701	-	0.00%
Off-Peak	35		\$ 0.004178	0		0.004178	-	0.00%
MAC	1,425,801		\$ (0.000493)	(703)		(0.000493)	-	0.00%
Subtotal CAC Revenues								
			\$	\$ 15,365		\$	\$ 15,365	0.00%
Miscellaneous				(121)		(121)	-	0.00%
Total Delivery Revenues								
			\$	\$ 659,048		\$	\$ 677,967	2.87%
Unbilled Delivery				(14,439)		(14,853)	(414)	2.87%
Total Delivery & Unbilled Revenues								
			\$	\$ 644,609		\$	\$ 663,114	2.87%
Tot Distribution Revenue								
Service Charge			\$	\$ 105,235		\$	\$ 108,319	
Distribution Service				395,703		404,262		
All terms				5		5		
Off-Peak				(121)		(121)		
Miscellaneous				(10,972)		(11,227)		
Unbilled Distribution								
Tot Distribution Revenue								
			\$	\$ 489,849		\$	\$ 501,237	2.32%

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	Billing Units (1)	Present Delivery Rates		Illustrative Delivery Rates		Increase	
		Rate (2)	Revenue (3)	Rate (4)	Revenue (5)	Amount (6)	Percent (7)
General Service - GSG		GSG		GSG			
Service Charge	1,692	\$ 9.28	\$ 15,701	\$ 9.56	\$ 16,173	\$ 472	3.01%
Distribution Service							
Pre 7/14/97	2,887	\$ 0.222848	643	\$ 0.225118	650	7	1.02%
All Others	265,991	\$ 0.244140	64,939	\$ 0.246627	65,600	662	1.02%
Off-Peak - Pre 7/14/97	1	\$ 0.111424	0	\$ 0.112559	0	0	1.02%
Off-Peak - All Others	24	\$ 0.122070	3	\$ 0.123313	3	0	1.02%
Balancing Charge	149,328	\$ 0.089679	13,392	\$ 0.089679	13,392	-	0.00%
SBC	268,903	\$ 0.056012	15,062	\$ 0.056012	15,062	-	0.00%
Margin Adjustment Charge	268,903	\$ (0.007341)	(1,974)	\$ (0.002238)	(602)	1,372	-69.51%
RGGI Recovery Charge	268,903	\$ 0.002749	739	\$ 0.002749	739	-	0.00%
CAC							
Service Charge	1,692	\$ 0.32	\$ 541	\$ 0.32	\$ 541	-	0.00%
Distribution - Pre 7/14/97	2,887	\$ 0.007565	22	\$ 0.007565	22	-	0.00%
Distribution - All Others	265,991	\$ 0.007565	2,012	\$ 0.007565	2,012	-	0.00%
Off-Peak - Pre 7/14/97	1	\$ 0.003746	0	\$ 0.003746	0	-	0.00%
Off-Peak - All Others	24	\$ 0.004101	0	\$ 0.004101	0	-	0.00%
MAC	268,903	\$ (0.000493)	(133)	\$ (0.000493)	(133)	-	0.00%
Subtotal CAC Revenues			\$ 2,443		\$ 2,443	-	0.00%
Minimum & Miscellaneous			(67)		(67)	-	0.00%
Total Delivery Revenues			\$ 110,880		\$ 113,393	2,512	2.27%
Unbilled Delivery			\$ (314)		\$ (321)	(7)	2.23%
Total Delivery & Unbilled Revenues			\$ 110,566		\$ 113,072	2,505	2.27%

Tot Distribution Revenue

Service Charge		\$ 15,701	\$ 16,173		
Distribution Service					
Pre 7/14/97		643	650		
All Others		64,939	65,600		
Off-Peak - Pre 7/14/97		0	0		
Off-Peak - All Others		3	3		
Minimum & Miscellaneous		(67)	(67)		
Unbilled Distribution		(230)	(233)		
Tot Distribution Revenue		\$ 80,989	\$ 82,126	\$ 1,137	1.40%

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	Billing Units (1)	Present Delivery Rates		Illustrative Delivery Rates		Increase Amount (6)	Percent (7)
		Rate (2)	Revenue (3)	Rate (4)	Revenue (5)		
Large Volume Service - LVG							
Service Charge	217	\$ 85.88	\$ 18,598	\$ 88.46	\$ 19,157	\$ 559	3.01%
Demand Charge	18,384	\$ 3.2795	60,290	3.2987	60,643		
Distribution Service							
0-1000 Pre 7/14/97	13,609	\$ 0.053325	726	0.053638	730	4	0.59%
> 1000 Pre 7/14/97	72,615	\$ 0.032017	2,325	0.032205	2,339	14	0.59%
0-1000 Post 7/14/97	147,160	\$ 0.062467	9,193	0.062834	9,247	54	0.59%
> 1000 Post 7/14/97	425,452	\$ 0.041159	17,511	0.041401	17,614	103	0.59%
Balancing Charge	297,796	\$ 0.089679	26,706	0.089679	26,706	-	0.00%
SBC	658,837	\$ 0.056012	36,903	0.056012	36,903	-	0.00%
Margin Adjustment Charge	658,837	\$ (0.007341)	(4,837)	(0.002238)	(1,474)	3,362	-69.51%
RGGI Recovery Charge	658,837	\$ 0.002749	1,811	0.002749	1,811	-	0.00%
CAC							
Service Charge	217	\$ 2.94	\$ 637	2.94	\$ 637	-	0.00%
Demand Charge	18,384	\$ 0.1124	2,066	0.1124	2,066	-	0.00%
Distribution <1000 Pre 7/14/97	13,609	\$ 0.001755	24	0.001755	24	-	0.00%
Distribution >1000 Pre 7/14/97	72,615	\$ 0.001025	74	0.001025	74	-	0.00%
Distribution <1000 Pst 7/14/97	147,160	\$ 0.001755	258	0.001755	258	-	0.00%
Distribution >1000 Pst 7/14/97	425,452	\$ 0.001025	436	0.001025	436	-	0.00%
MAC	658,837	\$ (0.000493)	(325)	(0.000493)	(325)	-	0.00%
Subtotal CAC Revenues			\$ 3,171		\$ 3,171	-	0.00%
Minimum & Miscellaneous			(48)		(48)	-	0.00%
Total Delivery Revenues			\$ 172,349		\$ 176,798	4,449	2.58%
Unbilled Delivery			(1,510)		(1,549)	(39)	2.58%
Total Delivery & Unbilled Revenues			\$ 170,839		\$ 175,249	4,410	2.58%
Tot Distribution Revenue			\$ 18,598		\$ 19,157		
Service Charge			60,290		60,643		
Demand Charge							
Distribution Service							
0-1000 Pre 7/14/97			726		730		
> 1000 Pre 7/14/97			2,325		2,339		
0-1000 Post 7/14/97			9,193		9,247		
> 1000 Post 7/14/97			17,511		17,614		
Minimum & Miscellaneous			(48)		(48)		
Unbilled Distribution			(951)		(961)		
Tot Distribution Revenue			\$ 107,643		\$ 108,721	\$ 1,078	1.00%

Tot Distribution Revenue

Service Charge	\$ 18,598
Demand Charge	60,290
Distribution Service	
0-1000 Pre 7/14/97	726
> 1000 Pre 7/14/97	2,325
0-1000 Post 7/14/97	9,193
> 1000 Post 7/14/97	17,511
Minimum & Miscellaneous	(48)
Unbilled Distribution	(951)
Tot Distribution Revenue	\$ 107,643

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	Billing Units (1)		Present Delivery Rates Rate (2) Revenue (3)		Illustrative Delivery Rates Rate (4) Revenue (5)		Increase Amount (6) Percent (7)	
Street Light Service -SLG								
Single	10.392		\$ 10.4975	\$ 109.09	\$ 10.4975	\$ 109.09	\$ -	0.00%
Double Inverted	0.108		\$ 10.4975	1.13	\$ 10.4975	1.13	-	0.00%
Double Upright	0.553		\$ 10.4975	5.81	\$ 10.4975	5.81	-	0.00%
Triple prior to 1/1/93	18.144		\$ 10.4975	190	\$ 10.4975	190	-	0.00%
Triple on/after 1/1/93	0.156		\$ 61.1111	10	\$ 61.1111	10	-	0.00%
Distribution Charge	674.375		\$ -	-	\$ 0.010973	7	7	-
Balancing Charge	0		\$ -	-	\$ -	-	-	-
SBC	674.375		\$ 0.056012	38	\$ 0.056012	38	-	0.00%
Margin Adjustment Charge	674.375		\$ (0.007341)	(5)	\$ (0.002238)	(2)	3.4	-69.51%
RGGI Recovery Charge	674.375		\$ 0.002749	2	\$ 0.002749	2	-	0.00%
CAC								
Service Charge	10.392		\$ 0.34	4	\$ 0.34	4	-	0.00%
Double Inverted	0.108		\$ 0.3413	0	\$ 0.3413	0	-	0.00%
Double Upright	0.553		\$ 0.326000	0	\$ 0.326000	0	-	0.00%
Triple prior to 1/1/93	18.144		\$ 0.341300	6	\$ 0.341300	6	-	0.00%
Triple on/after 1/1/93	0.156		\$ 2.075800	0	\$ 2.075800	0	-	0.00%
Distribution Charge	674.375		\$ -	-	\$ -	-	-	-
MAC	674.375		\$ (0.000493)	(0)	\$ (0.000493)	(0)	-	0.00%
Subtotal CAC Revenues			\$ 9.96	9.96	\$ 9.96	9.96	-	0.00%
Miscellaneous			\$ 5.50	5.50	\$ 5.50	5.50	-	0.00%
Total Delivery Revenues			\$ 366.17	366.17	\$ 377.01	377.01	11	2.96%
Unbilled Delivery			\$ -	-	\$ -	-	-	-
Total Delivery & Unbilled Revenues			\$ 366.17	366.17	\$ 377.01	377.01	11	2.96%
Tot Distribution Revenue								
Single			\$ 109.09	109.09	\$ 109.09	109.09	-	-
Double Inverted			\$ 1.13	1.13	\$ 1.13	1.13	-	-
Double Upright			\$ 5.81	5.81	\$ 5.81	5.81	-	-
Triple prior to 1/1/93			\$ 190.47	190.47	\$ 190.47	190.47	-	-
Triple on/after 1/1/93			\$ 9.53	9.53	\$ 9.53	9.53	-	-
Distribution Charge			\$ -	-	\$ 7.40	7.40	7.4	2.30%
Miscellaneous			\$ 5.50	5.50	\$ 5.50	5.50	-	-
Unbilled Distribution			\$ -	-	\$ -	-	-	-
Tot Distribution Revenue			\$ 321.53	321.53	\$ 328.93	328.93	7.4	2.30%

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	Billing Units		Present Delivery Rates		Illustrative Delivery Rates		Increase	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
NON-MARGIN CLASSES								
Firm Transportation Service - TSG-F								
Service Charge	0.755	\$ 441.0100	\$ 332.96	\$ 454.28	\$ 342.98	\$ 10	3.01%	
Demand Charge	693	\$ 1,127.37	\$ 1,127.37	\$ 1,676.4	\$ 1,161.75	-	0.00%	
Demand Charge Agreements	27	\$ 1,585.2	\$ 42.80	\$ 1,585.200	\$ 42.80	65	3.05%	
Distribution Charge	33,382	\$ 0.064289	\$ 2,146.10	\$ 0.066250	\$ 2,211.56	-	0.00%	
Distribution Charge Agreements	1,657	\$ 0.033898	\$ 56.17	\$ 0.033898	\$ 56.17	-	0.00%	
SBC	33,382	\$ 0.056012	\$ 1,869.79	\$ 0.056012	\$ 1,869.79	-	0.00%	
SBC Agreements	1,657	\$ 0.054218	\$ 89.84	\$ 0.054218	\$ 89.84	-	0.00%	
Margin Adjustment Charge	33,382	\$ (0.007341)	\$ (245.06)	\$ (0.002238)	\$ (74.71)	170	-69.51%	
MAC Agreements	1,657	\$ (0.007216)	\$ (11.96)	\$ (0.007216)	\$ (11.96)	-	0.00%	
RGGI Recovery Charge	33,382	\$ 0.002749	\$ 91.77	\$ 0.002749	\$ 91.77	-	0.00%	
RGGI Agreements	1,657	\$ 0.000359	\$ 0.59	\$ 0.000359	\$ 0.59	-	0.00%	
CAC								
Service Charge	0.755	\$ 15.11	\$ 11.41	\$ 15.11	\$ 11.41	-	0.00%	
Demand Charge	693,000	\$ 0.0557	\$ 38.60	\$ 0.0557	\$ 38.60	-	0.00%	
Demand Charge Agreements	27,000	\$ 0.055700	\$ 1.50	\$ 0.055700	\$ 1.50	-	0.00%	
Distribution Charge	33,382,000	\$ 0.002131	\$ 71.14	\$ 0.002131	\$ 71.14	-	0.00%	
Distribution Charge Agreements	1,657,000	\$ 0.002131	\$ 3.53	\$ 0.002131	\$ 3.53	-	0.00%	
Margin Adjustment Charge	33,382,000	\$ (0.000493)	\$ (16.46)	\$ (0.000493)	\$ (16.46)	-	0.00%	
MAC Agreements	1,657,000	\$ (0.000493)	\$ (0.82)	\$ (0.000493)	\$ (0.82)	-	0.00%	
Subtotal CAC Revenues		\$ 108.91	\$ (0.82)	\$ 108.91	\$ (0.82)	-	0.00%	
Miscellaneous		\$ (23.32)	\$ (23.32)	\$ (23.32)	\$ (23.32)	-	0.00%	
Total Delivery Revenues		\$ 5,585.37	\$ 5,585.37	\$ 5,865.57	\$ 5,865.57	280	5.02%	
Unbilled Delivery		\$ (151.10)	\$ (151.10)	\$ (159.00)	\$ (159.00)	(8)	5.23%	
Total Delivery & Unbilled Revenues		\$ 5,434.28	\$ 5,434.28	\$ 5,706.57	\$ 5,706.57	272	5.01%	
Tot Distribution Revenue								
Service Charge		\$ 332.96	\$ 332.96	\$ 342.98	\$ 342.98			
Demand Charge		\$ 1,127.37	\$ 1,127.37	\$ 1,676.4	\$ 1,161.75			
Demand Charge Agreements		\$ 42.80	\$ 42.80	\$ 42.80	\$ 42.80			
Distribution Charge		\$ 2,146.10	\$ 2,146.10	\$ 2,211.56	\$ 2,211.56			
Distribution Charge Agreements		\$ 56.17	\$ 56.17	\$ 56.17	\$ 56.17			
Miscellaneous		\$ (23.32)	\$ (23.32)	\$ (23.32)	\$ (23.32)			
Unbilled Distribution		\$ (99.61)	\$ (99.61)	\$ (102.79)	\$ (102.79)			
Tot Distribution Revenue		\$ 3,582.47	\$ 3,582.47	\$ 3,689.14	\$ 3,689.14	107	2.98%	

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Delivery Rates</u>		<u>Illustrative Delivery Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
Non-Firm Transportation Service - TSG-NF			TSG-NF		TSG-NF		
Service Charge	3,086	\$ 441.01	\$ 1,361	\$ 454.28	\$ 1,401.89	\$ 41	3.01%
Dist Charge 0-50,000	81,341	\$ 0.064456	5,243	\$ 0.065661	5,341	-	0.00%
Dist Chrg. 0-50,000 Agreements	195,180	\$ 0.011010	2,149	\$ 0.011010	2,149	-	0.00%
Dist Charge > 50,000	106,636	\$ 0.064456	6,873	\$ 0.065661	7,002	128	1.87%
Dist Chrg. > 50,000 Agreements	191,577	\$ 0.020681	3,962	\$ 0.020681	3,962	-	0.00%
SBC	187,977	\$ 0.056012	10,529	\$ 0.056012	10,529	-	0.00%
SBC Agreements	386,757	\$ 0.014753	5,706	\$ 0.014753	5,706	-	0.00%
RGGI Recovery Charge	187,977	\$ 0.002749	517	\$ 0.002749	517	-	0.00%
RGGI Agreements	386,757	\$ 0.000295	114	\$ 0.000295	114	-	0.00%
CAC							
Service Charge	3,086	\$ 15.11	47	\$ 15.11	47	-	0.00%
Dist Charge 0-50,000	81,341	\$ 0.002148	175	\$ 0.0021	175	-	0.00%
Dist Chrg. 0-50,000 Agreements	195,180	\$ 0.001719	336	\$ 0.001719	336	-	0.00%
Dist Charge > 50,000	106,636	\$ 0.002148	229	\$ 0.002148	229	-	0.00%
Dist Chrg. > 50,000 Agreements	191,577	\$ 0.001719	329	\$ 0.001719	329	-	0.00%
Subtotal CAC Revenues			1,115		1,115	-	0.00%
Facil. Chrgs. / Miscellaneous			224		224	-	0.00%
Total Delivery Revenues			\$ 37,793		\$ 38,060	267	0.71%
Unbilled Delivery			\$ 170		171	1	0.59%
Total Delivery & Unbilled Revenues			\$ 37,963		\$ 38,231	268	0.71%
Tot Distribution Revenue							
Service Charge			\$ 1,360.96		\$ 1,401.89		
Dist Charge 0-50,000			5,242.92		5,340.93		
Dist Chrg. 0-50,000 Agreements			2,148.93		2,148.93		
Dist Charge > 50,000			6,873.33		7,001.83		
Dist Chrg. > 50,000 Agreements			3,962.00		3,962.00		
Facil. Chrgs. / Miscellaneous			224.00		224.00		
Unbilled Distribution	1		89.12		90.21		
Tot Distribution Revenue			\$ 19,901.26		\$ 20,169.80	\$ 269	1.35%

Public Service Electric & Gas Company
Rate Counsel Illustrative Gas Rates
and Proof of Revenue

	Billing Units (1)		Present Delivery Rates Rate (2) Revenue (3)		Illustrative Delivery Rates Rate (4) Revenue (5)		Increase Amount (6) Percent (7)	
Cogeneration Interr. Service - CIG								
Service Charge	0,308		\$ 122.49	\$ 38	\$ 126.17	\$ 38.86	\$ 1	3.01%
Dist Charge 0-600,000	45,952		\$ 0.055730	2,561	\$ 0.056841	2,612		
Dist Chrg. > 600,000	6,906		\$ 0.045730	316	\$ 0.046642	322	6	1.99%
Extended Gas Service	0		\$ 0.1500	-	\$ 0.150000	-	-	-
SBC	52,981		\$ 0.056012	2,968	\$ 0.056012	2,968	-	0.00%
RGGI Recovery Charge	52,981		\$ 0.002749	146	\$ 0.002749	146	-	0.00%
CAC								
Service Charge	0,308		\$ 4.20	1	\$ 4.20	1	-	0.00%
Dist Charge 0-600,000	45,952		\$ 0.001910	88	\$ 0.0019	88	-	0.00%
Dist Chrg. > 600,000	6,906		\$ 0.001567	11	\$ 0.001567	11	-	0.00%
Extended Gas Service	0		\$ 0.003455	-	\$ 0.003455	-	-	0.00%
Subtotal CAC Revenues				100		100		0.00%
Miscellaneous				3		3		0.00%
Total Delivery Revenues			\$ 6,131		\$ 6,189		58	0.95%
Unbilled Delivery				31		31		0.00%
Total Delivery & Unbilled Revenues			\$ 6,162		\$ 6,220		58	0.95%
Tot Distribution Revenue								
Service Charge			\$ 37.73		\$ 38.86			
Dist Charge 0-600,000			2,560.90		2,611.96			
Dist Chrg. > 600,000			315.81		322.11			
Extended Gas Service			-		-			
Miscellaneous			3.00		3.00			
Unbilled Distribution			14.75		14.91			
Tot Distribution Revenue			\$ 2,932.20		\$ 2,990.83		59	2.00%

Public Service Electric and Gas Company
Derivation of Rate Counsel Recommended MAC Credit
(\$000)

<u>Line</u>	<u>Description</u>	<u>MAC Margin Revenue (1)</u>	<u>Source:</u>
1	Projected MAC Margin Revenues at Current Rates	\$11,862	Sch. SS-G9 R-1, pg. 2 of 5
2	Recommended TSG-NF Increase	<u>269</u>	Sch. BK-3G
3	Total Available MAC Margins	<u>\$12,131</u>	Lines 1 + 2
4	Cumulative MAC Under-Recovery	-\$47,477	Sch. SS-G9 R-1, pg. 2 of 5
5	Recommended Amortization Period (yrs.)	<u>7</u>	Per RC Witness Lelash
6	Required Amortization Payment	-\$6,782	Line 4 divided by line 5
7	Net Margins Available for MAC Credit	\$5,348	Lines 3 + 6
8	Applicable Therms 1/	2,389,289	Sch. BK-4G
9	Recommended MAC Credit	\$0.002238	Line 7 divided by line 8

Notes:

1/ Projected RSG, GSG, LVG, SLG and TSG-F therms.

Public Service Electric and Gas Company
 Summary of Rate Counsel Recommended
 Delivery Revenue Increases
 (\$000)

Line	Description	Total Delivery Revenue 1/ (1)	Distribution (2)	MAC 2/ (3)	Recommended Increase		Percent (5) = (4) / (1)
					Total	(4) = (2)+(3)	
Margin Rates							
1	RSG	\$644,609	\$11,388	\$7,117	\$18,505		2.87%
2	GSG	\$110,566	\$1,137	\$1,368	\$2,505		2.27%
3	LVG	\$170,839	\$1,079	\$3,333	\$4,412		2.58%
4	SLG	\$366.2	\$7.4	\$3.4	\$11		2.96%
5	Subtotal	\$926,380	\$13,611	\$11,821	\$25,432		2.75%
Non-Margin Rates							
6	TSG-F	\$5,434	\$108	\$166	\$273		5.03%
7	TSG-NF	\$37,963	\$269	\$0	\$269		0.71%
8	CIG	\$6,161.5	\$59	\$0	\$59		0.95%
9	Subtotal	\$49,559	\$435	\$166	\$601		1.21%
10	Total Company	\$975,939	\$14,046	\$11,987	\$26,033		2.67%

Source: Sch. BK-3G Sch. BK-2G Sch. BK-3G

Notes:

- 1/ Excludes BGSS revenues.
- 2/ Impact of reducing current MAC credit from (\$0.007341) to (\$0.002227) per therm.

APPENDIX

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Illinois Benedictine College with a Bachelor of Arts degree in Economics in December, 1974. In May, 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic joined the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.