STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY OFFERING AN ENERGY EFFICIENCY ECONOMIC STIMULUS PROGRAM IN ITS SERVICE TERRITORY ON A REGULATED BASIS AND ASSOCIATED COST RECOVERY MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1	)	STIPULATION OF SETTLEMENT BPU Docket No. EO09010058

APPEARANCES:

Frances I. Sundheim, Esq. Vice President and Corporate Rate Counsel, **Andrew K. Dembia**, Assistant Corporate Rate Counsel for the Petitioner, Public Service Electric and Gas Company

Felicia Thomas-Friel, Esq., Deputy Public Advocate, and **Kurt Lewandowski, Esq., Henry Ogden, Esq.,** Assistant Deputies Public Advocate, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen, Esq.**, Public Advocate, **Stefanie A. Brand, Esq.,** Director)

Jessica L. Campbell, Kerri Kirschbaum, and Alex Moreau, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram**, Attorney General of New Jersey)

Robert J. Shaughnessy, Jr., Deputy Attorneys General, for the New Jersey Housing and Mortgage Finance Agency (**Anne Milgram**, Attorney General of New Jersey)

Steven S. Goldenberg, (Fox Rothschild, LLP) and **Paul F. Forshay, Esq**. (Sutherland Asbill & Brennan, LLP, attorneys), for the Intervenor, New Jersey Large Energy Users Coalition

Richard Webster, Esq. (Eastern Environmental Law Center, attorneys) for Natural Resource Defense Council

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, as of the 26th day of June 2009, by and between Public Service Electric and Gas Company (PSE&G, Public Service or the Company), the

Staff of the Board of Public Utilities (Board Staff), the NJ Housing and Mortgage Finance Agency [1] (NJHMFA), and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (referred to as the Parties) to execute this Stipulation of Settlement (Stipulation) for Public Service's Energy Efficiency Economic Stimulus Program (EEE Program).

The Parties do hereby join in recommending that the Board of Public Utilities (Board or BPU) issue a Final Decision and Order approving this Stipulation, including the proposed sheets of PSE&G's Tariff for Electric Service and Gas Service as set forth herein.

BACKGROUND

1. Pursuant to N.J.S.A. 48:3-98.1 et seq., on January 14, 2009, Public Service held the required Regional Greenhouse Gas Initiative (RGGI) pre-filing meeting with Board Staff and Rate Counsel to discuss the nature of the EEE Program and describe the EEE Program cost recovery mechanism proposed by the Company. Public Service indicated that its anticipated filing was being made in response to Governor Jon Corzine's announced plans on October 16, 2008, to provide immediate assistance for New Jersey

[1] The HMFA Board authorized its Executive Director to enter into this Stipulation of Settlement on June 18, 2009. In accordance with N.J.S.A. 55:14K-4 (o), no action taken at such meeting by HMFA shall have force and effect until ten (10) days, Saturdays, Sundays and public holidays excepted, after such copy of the minutes shall have been so delivered to the Governor, unless during such ten (10) day period the Governor shall approve the same in which case such action shall become effective upon approval.

residents and long term economic growth through an "Economic Stimulus Plan." Governor Jon Corzine's Economic Stimulus Plan was made in response to the worldwide economic downturn and seeks to mitigate its effects on New Jersey. Governor Jon Corzine called upon the New Jersey Board of Public Utilities ("BPU" or "Board") and the State's public utilities to aid in that plan by implementing the policy changes to be proposed in the State's about to be released Energy Master Plan ("EMP") including actions promoting the creation of private sector "green collar" jobs and the reduction, over time, of the State's carbon footprint and of consumers' energy bills. Because of the urgency in the Governor's Economic Stimulus Plan, PSE&G held the pre-filing meeting in less than the required thirty days. PSE&G also discussed each applicable RGGI Minimum Filing Requirement as set forth in the Board's Order pursuant to *N.J.S.A.* 48:3-98.1(c).[2]

2. At the pre-filing meeting, it was agreed to by the Parties that the cost/benefit analysis as set forth in Section V of the RGGI Minimum Filing requirements would be performed by Rutgers University, Center for Energy, Economic and Environmental Policy (CEEEP).

3. On January 21, 2009, Public Service filed its Petition with the Board requesting approval of the proposed EEE Program and associated rate recovery mechanism pursuant to *N.J.S.A.* 48:3-98.1 *et seq.* Specifically, PSE&G sought Board

2 See BPU Order Pursuant to N.J.S.A. 48:3-98.1 (c) (120-Day RGGI Order), BPU Docket No. EO08030164.

approval to implement an EEE Program to offer energy efficiency projects across specific customer segments. Public Service proposed, through this regulated service, to target residential, industrial and commercial customers, as well as demonstrating new technology to its customers. PSE&G proposed to undertake a set of eight EEE sub-programs that would result in expenditures of approximately $190 million. These EEE sub-programs were selected from a menu that was developed through a collaborative effort among the State's electric and gas utilities, under the facilitation of the New Jersey Institute of Technology's Center for Architecture and Building Science Research. The EEE sub-programs were identified and developed while taking into consideration various factors such as potential for job creation, energy savings, and whether it would be complementary to the New Jersey Clean Energy Program (NJCEP) and other utility energy efficiency programs. PSE&G proposed the following EEE sub-programs:

A. Residential Segment	Expenditure
Residential Whole House Efficiency Sub-Program	$25,000,000
Residential Multifamily Housing Sub-Program	$25,000,000
B. Industrial and Commercial Segment	
Small Business Direct Install Sub-Program	$20,000,000
Municipal/Local/State Government Direct Install Sub-Program	$35,000,000
Hospital Efficiency Sub-Program	$35,000,000
Data Center Efficiency Sub-Program	$12,000,000
Building Commissioning/O&M Sub-Program	$2,000,000
Technology Demonstration Programs Sub-Program	$12,000,000
C. Admin, Sales, Training, Evaluation, IT	$24,000,000
Total Energy Efficiency Expenditures	$190,000,000

4. On February 20, 2009, PSE&G received a Notice from Board Staff finding the January 21, 2009 original filing (Original Filing), as supplemented by Public Service's February 4, 2009 filing to be deemed administratively complete. Accordingly, the Board's 180-day review period commenced on February 4, 2009.

5. A procedural schedule was established by the Board and President Fox was designated as the presiding officer.[3] See, Order Designating Commissioner dated February 19, 2009, BPU Docket No. EO09010056.

6. On January 28, 2009, the New Jersey Large Energy Users Coalition (NJLEUC) filed a Motion to Intervene in the proceeding. By letter dated February 9, 2009, PSE&G responded that it did not oppose NJLEUC's Motion to Intervene. On March 27, 2009, the Natural Resources Defense Council (NRDC) filed a Motion to Intervene with the Board. By letter dated, April 9, 2009, PSE&G responded that it opposed NRDC's Motion to Intervene but PSE&G did not oppose NRDC being granted Participant status. The Board granted NRDC's Motion to Intervene on April 28, 2009. See BPU Docket No. EO0901058. On April 28, 2009, the New Jersey Housing and Mortgage Financing Agency (HMFA) filed a Motion to Intervene with the Board. On May 1, 2009, the Company filed its response opposing HMFA's Motion to Intervene but not objecting to HMFA having Participant status. On May 8, 2009, HMFA responded to PSE&G's Letter of Objection. Public Service withdrew its objection based upon HMFA's May 8, 2009 response. Thus the

3 In anticipation of the filings by the utilities, the Board assigned a generic docket number, EO0910056, to facilitate the

Parties to this proceeding included: the Company, Rate Counsel, NJHMFA, Board Staff, NRDC, and NJLEUC.

7. Discovery questions in this matter were propounded by Board Staff and Rate Counsel and the Company responded timely thereto.

8. On April 6, 2009, an in-person discovery conference was conducted among Public Service, Board Staff and Rate Counsel. On April 22, 2009, a follow up discovery teleconference was conducted by Public Service, Board Staff and Rate Counsel.

9. Public Notice was provided and six public hearings on the Company's EEE Program filing were held on the following dates at three locations in Public Service's service territory: two hearings on March 5, 2009, in Mt. Holly, New Jersey; two hearings on March 9, 2009, in Hackensack, New Jersey; and two hearings on March 11, 2009, in New Brunswick, New Jersey. A total of 11 (eleven) members of the public appeared at the 6 (six) public hearings.

10. On June 3, 2009, an initial settlement conference was held among the Parties. Subsequently, several settlement conferences were held among the Parties. Following said settlement conferences, Board Staff, Rate Counsel, NJHMFA and Public Service agreed to submit this Stipulation, the terms of which are set forth below. Specifically, the Parties hereby **STIPULATE AND AGREE** to the following:

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issuance of procedural orders.

STIPULATED MATTERS

11. The Company represents that the eight EEE sub-programs identified in Attachment 1, attached hereto and incorporated herein by reference, are in the public interest and will create jobs in support of the Governor's Economic Stimulus Plan. The total cost of the EEE Program is $190 million and the total estimated jobs to be created is 688 as set forth in Attachment 1. Based on these representations, the Parties agree that the EEE sub-programs appear to be prudent and consistent with the Governor's Economic Stimulus Plan and Public Service can administer these regulated utility services.

12. As part of this Stipulation, the incentive payments for the Hospital Efficiency Sub-Program, the Multi-Family Housing Sub-Program, and the Municipal/Local/State Government Direct Install Sub-Program (for facilities with annual peak demand in excess of 200 kW), and the Data Center Efficiency Sub-Program, have been modified from the Original Filing reflecting incentive payments to be provided in three stages. Specifically for the Multi-Family Housing Sub-Program; the full cost of energy efficiency upgrades (including engineering, energy audit and cost of construction) will be covered through a combination of PSE&G's buy-down/grant and zero-percent (0%), on-bill financing. The three stages are as follows (provided that pre-approval for the program was granted prior to any work done or expenditures made):

- Stage One: Execution of Contract: Investment Grade Audit (IGA) is complete and results and estimated buy-down amount was reviewed with customer. The customer then must commit to install the agreed upon Energy Conservation Measures (ECMs), select the contractor(s), and sign a contract with the contractor(s) to install the ECMs. At this point both the customer and the contractor(s) have a quantified financial commitment to the project. One-third of the agreed-upon financial commitment will be paid to the vendor to begin the project.

- Stage Two: Job 50% Complete: One half of the ECMs have been installed, verified in the field by the PSE&G program operations manager through visual inspection. One-third of the agreed-upon financial commitment will be paid to the vendor.
- Stage Three: Balance on Final Inspection: All ECMs have been installed and commissioned (fired up and operating according to manufacturer specifications). Post-commission, a third-party inspector (hired by PSE&G) will inspect the completed project. If the project passes the final inspection, the remaining one-third of project costs will be paid to the vendor. Project is now complete and customer repayments begin.

In the event the customer fails to complete Stage Three or fails the final inspection, the Stage Three progress-payment will not be paid and the customer will have six months to complete the project and/or pass the final inspection. If the customer fails to comply, the repayment of the amounts owed to PSE&G will become immediately due and payable.

13. As part of this stipulation, PSE&G notes that the Multifamily Efficiency Sub-Program was developed in cooperation with the NJHMFA to address the unique needs of NJHMFA's affordable housing multifamily projects and came out of a discussion facilitated by the Governor's Staff between BPU Staff, Rate Counsel, NJHMFA, and PSE&G. NJHMFA and PSE&G agreed to work together to develop an affordable housing multifamily program. The Carbon Abatement Hospital Efficiency sub-program was the model for the multifamily sub-program, but was customized to address the needs of this sector. During the development of the program, NJHMFA identified 75 affordable housing multifamily projects located in PSE&G electric and/or gas territory as candidates for the sub-program, including 18 that were identified as "projects in need." Subsequently all multifamily housing was made eligible for the sub-program services, however, PSE&G will continue working with, NJHMFA to ensure that the NJHMFA projects will be given priority and will be the initial targets for the sub-program. The details of this sub-program are as follows:

a. Customers will receive an investment grade audit of their building(s) at no cost. The cost of an up-front investment grade energy audit is seen as an impediment to sector participation.

b. There will not be a funding cap imposed per customer in order to encourage a whole building approach.

c. All measures that have a simple payback of 15 years or less will be targeted for retrofit or replacement opportunities. For NJHMFA financed projects, the energy efficiency upgrade plan will be reviewed and approved by PSE&G and NJHMFA. In these instances, NJHMFA will provide timely review and comments of plans and documents signed between the contractor and the project.

d. PSE&G will buy-down costs by seven years, but not to less than two years. Remaining costs will be provided by PSE&G at 0% and repaid through on-bill financing.

e. Customers will repay the 0% financing over the remaining time, plus two years. For example, if projects implement items with a 15-year payback, PSE&G will buy it down to eight years. The customer will have ten years to repay their contribution to the project. This will serve to guarantee immediate energy savings and utility bill relief to these most-in-need projects. NJHMFA-financed affordable housing projects are likely to be in operation for at least ten more years. Should the property be sold, the remaining balance shall be payable upon transfer of the property.

f. For NJHMFA's projects, PSE&G's 0% financing will be subordinate to NJHMFA's permanent mortgage(s). The form of documents perfecting PSE&G's lien must be reviewed and approved by NJHMFA. The affordable housing multifamily sector would benefit from this sub-program due to its high energy usage, the selected development's general lack of available capital for infrastructure improvements, and the need to preserve the affordability of these buildings and the housing they provide.

14. Whole House Efficiency Sub-Program incentive levels have been modified to be consistent with the revised NJCEP income guidelines and the customer repayment period has been extended. The Tier 3 incentive will cover 80% of costs for customers between 225-400% of federal poverty guideline and 50% of the costs for customers with income greater than 400% of federal poverty guideline. Customers may repay their share of the cost through their energy bill over a period of up to 60 months. This stipulation will also correct the list of UEZ municipalities in PSE&G territory to also include Gloucester City and New Brunswick, which had not been identified in the original filing. The UEZ municipalities located in PSE&G's service territory include: Gloucester City, New Brunswick, Mount Holly, Pemberton, Camden, East Orange, Irvington, Newark, Orange, Bayonne, Guttenberg, Jersey City, Kearny, North Bergen, Union City, West New York, Trenton, Passaic, Paterson, Carteret, Perth Amboy, Elizabeth, Hillside, Roselle and Plainfield. PSE&G will exercise its best efforts to obtain Building Performance Institute (BPI) certification and accreditation

consistent with Home Performance with Energy Star within six months of the issuance of the Board's Order adopting this Stipulation.

15. The Municipal/Local/State Government Direct Install Sub-Program was designed with the ability to address both small buildings with annual peak demand use at or below 200 kW and, on a case-by-case basis projects for customers with annual peak demand in excess of 200 kW. Customers with annual peak demand in excess of 200 kW would be eligible for an investment grade audit if the complexity of the facility required that level of analysis. Customers who participate in this option will repay 20 percent of the costs over a period of two years through their PSE&G bill. Customers may also choose to cover the cost for the balance of the project without the PSE&G on-bill repayment, in which case the customer contribution will be deducted from the total cost of the project to determine PSE&G's payment to the customer.

Green manufacturing minimizes waste and pollution, often by incorporating a three-step life cycle approach to product design that designs products that can be re-used, that can be easily taken apart, and so that component parts can be used in different products. Since reducing energy consumption is the most common and simplest place to start when converting a standard manufacturing plant into a green facility, PSE&G proposes to accept applications of this type on a case-by-case basis. Accordingly, this sub-program would be modified to provide investment grade audits and incentives for green manufacturing projects that increase energy efficiency and reduce costs for manufacturing facilities that provide jobs in New Jersey communities. PSE&G will provide the audit free of charge to the participant and the sub-program will fund the approved energy savings measures at the start of the project. Municipal, Local and State government entities are subject to the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq. A customer claiming not-for-profit tax exempt status must meet the criteria set forth by Section 501(c)(3) of the Internal Revenue Code.

16. The Building Commissioning/O&M Sub-Program has been modified to operate as a pilot to determine the following: (1) market need for retro-commissioning services, (2) the scope, depth, and scale of the services that should be offered, and (3) the cost to deliver those services. During the pilot, funds from the program will provide funding for the complete service. PSE&G will develop a Measurement and Verification (M&V) Plan that is consistent with the 2008 Federal Energy Management Program (FEMP) M&V Guidelines Version 3.0 and the NJCEP measurement and verification procedures.

17. PSE&G proposes that energy savings estimates for economic stimulus programs reference customers' existing equipment as a baseline in addition to the standard efficiencies for new equipment embedded in current NJ Energy Savings Protocols.

18. Based on the Company's representations and the analysis performed on June 18th, 2009 by Rutgers Center for Energy, Economic and Environmental Policy (CEEEP) representations, the proposed EEE sub-programs appear to be cost effective and

consistent with the Governor's Economic Stimulus Plan. Future Program evaluation will include evaluation for all subprograms, and the scope of the program evaluation will include:

a. cost/benefit analysis, including a Participant Cost Test ("PCT"), program Administration Cost Test ("PAC"), Ratepayer Impact Measure ("RIM"), Total Resource Cost ("TRC"), and Societal Cost Test ("SCT"), to be performed by CEEEP to be retained by the Board; using a methodology consistent with the methodology used by the CEEEP and provided to the NJ Clean Energy Program by CEEEP.
b. customer and market acceptance, to be performed by an independent third party vendor hired by PSE&G;
c. process evaluation, to be performed by an independent third party vendor hired by PSE&G; and
d. Impact evaluation, to be performed by CEEEP or a subcontractor to be retained by CEEEP.

CEEEP will follow its internal procurement process in retaining such subcontractor in accordance with the terms of the contract between CEEEP and the Board. PSE&G will present the scope of work for program evaluation to Board Staff and Rate Counsel for review and comment prior to issuing an RFP for parts b. and c. The Parties agree that once the analyses have been reviewed and accepted by the Parties, all reasonable and prudent costs of such program evaluations performed by or contracted for by PSE&G are in the best interest of ratepayers and shall be fully recoverable by PSE&G. PSE&G is obligated to adhere to applicable affiliate standards.

All customers of record in PSE&G's electric or gas service territory who meet the individual sub-program criteria will be eligible for these sub-programs, including both gas and electric measures. Customers including those who are protected by the BPU's Winter Moratorium rules will be eligible to participate in this sub-program. However, should any customer fail to repay his or her portion of the costs associated with the measures installed, all such costs will be recovered within the rate recovery mechanism set forth herein.

19. PSE&G will recover the net revenue requirements associated with this EEE Program via two new EEE Stimulus Components (EEESC) of the Company's electric and gas RGGI Recovery Charges (RRC). The electric EEESC will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of costs associated with the electric EEE Program. The gas EEESC will be applicable to all gas rate schedules on an equal cents per therm basis for recovery of costs associated with the gas EEE Program. The initial EEESCs will be based on estimated EEE Program revenue requirements from July 1, 2009 or date of the written BPU Order to December 31, 2010. Thereafter, the electric and gas EEESCs will be changed nominally on an annual basis

incorporating a true-up for actuals and an estimate of the revenue requirements for the upcoming year.

20. The Parties stipulate that initial electric and gas EEESCs will include recovery of IT costs of $1.0 million in the setting of initial rates. The Parties further stipulate that PSE&G may request recovery of additional IT costs in a subsequent EEESC annual filing if necessary.

21. The Parties stipulate that the revenue requirements recovered through the electric and gas EEESCs will be calculated to include a return on investment and a return of investment through amortization of the associated regulatory asset over 60 months. Although the five-year amortization does not match the life of the measures installed and the associated benefits, the parties agreed to this shorter recovery period to accelerate recovery of the Company's investment. The revenue requirements include reasonable and prudent associated costs regarding administrative, sales, training, evaluation and IT capital. The Parties further stipulate that this initial calculation will use the overall cost of capital utilized to set rates in the Company's most recent gas base rate case, BPU Docket No. GR05100845, which was 7.9591%, (11.3092% on a pre-tax basis) based on a return on equity of 10.0 The parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations. The parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly

interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the electric and gas EEESCs will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial EEESCs for the period ending December 31, 2010 is set forth in Attachment 2 attached hereto and made a part of this Stipulation.

22. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board in PSE&G's pre-tax WACC as identified in Paragraph 20 above. The interest amount charged to the EEESC balances will be computed using the following methodology set forth in Attachment 3 attached hereto and made a part of this Stipulation. The calculation of monthly interest shall be based on the net of tax average monthly balance, consistent with the methodology set forth in Attachment 3. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred electric and gas EEESC

balance at the end of each reconciliation period. The true-up calculation of over- and under- recoveries shall be included in the Company's Annual Filing. This interest calculation in this paragraph is subject to the condition set forth in paragraph 21.

23. The Parties request that the Board set the effective date of the initial electric and gas EEESCs as August 1, 2009.

24. The work associated with the EEE Program will commence upon receipt of a written Board Order in this proceeding.

25. The EEESCs will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. The Parties stipulate that the Company will file an annual petition (Annual Filing) to adjust its electric and gas EEESCs, commencing for the 2011 annual period on a calendar basis, with copies provided to the Parties no later than September 1, 2010 and annually thereafter for the implementation of the proposed revised EEESCs, on January 1 of the subsequent year. Each Annual Filing will contain a reconciliation of its projected EEESC costs and recoveries and actual revenue requirements for the prior period, a forecast of revenue requirements for the upcoming 12-month period which shall be based upon the Company's most current

authorized ROE and capital structure. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudency. The Annual Filing will also provide information set forth in the Minimum Filing Requirements (MFRs) attached hereto as Attachment 4 and made a part of this Stipulation. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised EEESCs. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings if required by law.

26. The Parties agree that the proposed rates, as set forth in the tariff sheets in Attachment 5, attached hereto are just and reasonable and PSE&G is authorized to implement the proposed rates on August 1, 2009 as set forth in the written BPU Order approving this Stipulation.

27. As currently projected, the maximum rate impacts for residential customers from the electric and gas EEESCs would occur in 2014. The expected maximum increase from the electric EEESC for a residential customer would be $0.000563 per kWh (including sales and used tax [SUT]), for a typical annual residential bill impact of $3.92 (0.309%) or about $0.33 per month. The maximum rate impact from the gas EEESC for residential customers would be $0.003628 per therm (including SUT), for a total typical annual residential bill impact of $4.40 (0.232%) or about $0.37 per month.

28. Based on market response, spending on the program or any sub-program may be accelerated and completed sooner than the proposed period. To provide flexibility in responding to market conditions and customer demand during the term of the program, the Parties agree that any sub-program under-spending may be carried over from 2009 into 2010. No such under-spending may be carried over beyond December 31, 2010 without the approval of the Board excluding any outstanding customer commitments. In addition, based upon market conditions and the level of market response to each sub-program, after January 1, 2010 the Company may transfer Program funding between sub-programs in order to maximize energy savings and Program resources, subject to the following procedures. No proposed transfers shall be made until at least sixty (60) days after the Company has submitted to the Parties, a written description of the proposed transfers, the rationale for the proposed transfers, and a narrative and schedules showing the effect of the proposed transfers on the costs and benefits of the affected sub-programs. If any Party objects in writing to one or more proposed transfers within forty-five (45) days after the Company has submitted the required information to the Parties, then no transfer that is a subject of the objection will take effect until after the Board has approved the transfer. Board Staff shall advise the Board of all proposed transfers of Program funding between sub-programs. Board approval will be required when proposed transfers in the aggregate (i) increase or decrease any sub-program's budget by more than 20 percent, or (ii) involve more than 10 percent of the Program's budget. For any

proposed transfer which does not require Board approval under the parameters described in the preceding sentence, if there has been no objection to the propose transfer and no notification from Board Staff indicating that a Commissioner wants the Board to review the proposed transfer, then a Secretary's letter will be issued permitting the Company to make the requested change. The Company will also report on this acceleration in its Annual Filing and the monthly reporting described below.

29. The Company will provide monthly reports ("Monthly Activity Reports") to the Board Staff's Office of Clean Energy (OCE) on EEE Program activity and estimated impacts for each calendar month commencing in November 2009 through December 2010, or such later date as the Board approves for the end of the program. The Company will include data in these reports consistent with the data reported from the BPU's Clean Energy Program with respect to energy efficiency. The Company will submit its Monthly Activity Reports in a format that can be electronically uploaded to the Clean Energy Program's reporting system. The Company will submit each Monthly Activity Report within thirty (30) days after the end of the calendar month covered by the report. The Company will provide BPU Staff and Rate Counsel with a cost estimate of any information technology modifications needed to report the data in the required format. If Board Staff and/or Rate Counsel inform the Company to proceed with the necessary IT modifications then all reasonable and prudent costs to provide such electronic data

transfer are in the best interest of ratepayers and shall be fully recoverable by the Company.

30. Based on market response, the Company may propose to modify sub-programs during the term of the EEE Program. No such modification shall take effect without approval by the Board. To propose a modification, the Company shall submit to the Parties, in writing, a description of its proposed modifications, the rationale for its proposed modifications, and a narrative and schedules showing the effect of its proposed modifications on the costs and benefits of the affected sub-programs. The Company shall present the proposed modifications to the Board for approval if no objections to the proposed modifications are received within forty-five (45) days after that filing. The Company will also report on these modifications in its Annual Filing and the monthly reporting described above. The Company will work with BPU OCE Staff to develop the appropriate processes to meet OCE reporting requirements.

31. The Company agrees to report, on a Quarterly basis, , as required in the Minimum Filing Requirements, Attachment 4 (i) the number of full-time equivalents that the Company hires to perform work associated with the EEE program, (ii) the number of full-time equivalents that entities under contract with the Company hire to perform such work, and (iii) will contain the number of Green Job Training Partnership Program (GJTP) graduates that have been hired. For the purpose of reporting jobs associated with the Company's EEE programs, "full-time equivalent" means one or more individuals

collectively working a total of 1820 hours annually in connection with the Company's EEE program.

32. The New Jersey Department of Labor and Workforce Development (LWD) oversees the GJTP, which will provide graduates of its training program to be considered for employment in occupations needed for implementation of the EEE Program. The Company will conduct the following program activities to support and promote the GJTP:

a. Serve on at least one GJTP Employer Council.

b. Post information on the Company's website regarding the GJTP and a link to LWD's website. Information on the GJTP can be found at: http://lwd.dol.state.nj.us/labor/employer/training/Apprenticeship.html

c. Post all vacancies for New Jersey-based jobs through the local One-Stop Career Center. A listing of the local One-Stop Career Centers is located at: http://lwd.dol.state.nj.us/labor/wnjpin/findjob/onestop/services.html

33. Within twelve (12) months after the Board issues a written Order approving this stipulation, the Company and/or its contractors will hire a minimum of 100 GJTP graduates in the following occupations:

a. Air sealers;

b. Assistant building analysts;

c. Building analysts; and

d. Insulation installers.

The Company's commitment to hire 100 GJTP graduates is subject, but not limited to, the following conditions: market response to the program; number of actual program participants; mix of installed measures; and, meeting PSE&G's minimum hiring qualifications, passing the background check and drug screening. The Parties agree that the compensation of these GJTP employees will be charged to the EEE Program and will be included in the Company's revenue requirements. The Parties further agree that these GJTP graduates will not initially be BPI certified and the Company and/or its contractors is under no obligation to guarantee that these GJTP graduates attain BPI certification. However, the Company and/or its contractors will provide these GJTP graduates the appropriate experience to become BPI certified. The Parties also agree that GJTP graduates already hired by the Company and/or its contractors prior to execution of this Stipulation will be counted towards fulfilling the 100-graduate requirement. Upon completion of the internship period, the Company and/or its contractors is not obligated to continue employment of any GJTP graduate. GJTP graduates who have been hired by the Company and/or its contractors and subsequently resign from employment with PSE&G and/or its contractors will still be counted toward fulfilling the 100-graduate requirement.

34. On February 17, 2009, the federal American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits directly related to any of the EEE sub-programs

through the ARRA, the Company agrees to utilize that money to offset the respective EEE sub-programs' costs. If funding or credits from the ARRA or any subsequent state or federal action becomes available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the any of the EEE sub-programs will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

However, in no case shall the combination of 1.) federal ARRA funding, 2.) NJCEP incentive funding and 3.) incentives provided as part of this approved program (excluding program incentive financing) fund 100% of a project's costs through rebates or other direct incentives. If it is determined that a project would be funded through 100% rebates or incentives the parties agree that, subject to any restrictions set forth in the ARRA and other applicable law, incentive funding approved as part of this program shall be reduced to bring the total rebates and incentives under 100% of the program costs.

35. With respect to cost recovery granted by the Board for energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1, NJLEUC has proposed three alternative provisions for large commercial and industrial ("C&I") customers: an opt-out provision, to allow a large C&I customer to opt out of a utility-sponsored energy efficiency program based on the customer's investments or plans to invest in energy

efficiency measures of its own; a surcharge phase-out provision, to establish usage-based tiers with the surcharge amount decreasing as consumption increases; and a hard cap provision, to place an annual cap on charges payable by large C&I customers for the utility-sponsored energy efficiency programs.

BPU Staff and Rate Counsel hereby state their support for the establishment of a separate, generic Board proceeding to address the NJLEUC proposals. This statement of support for a generic proceeding does not represent the expression of a position by any party to this Stipulation with respect to the merits of any of the NJLEUC proposals. Aside from this statement of support, the parties reserve all of their rights in any subsequent proceeding to take any position they deem appropriate, to make any arguments they deem appropriate, to offer any alternative proposals, or to seek to expand the scope of a proceeding. The Company takes no position regarding this issue.

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

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

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

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

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Attorney for the Staff of the New Jersey
Board of Public Utilities

By: ___________________________
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ATTORNEY GENERAL OF NEW JERSEY
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Robert Shaughnessy
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