Agenda Date: 07/14/11
Agenda Item: 2B

# STATE OF NEW JERSEY

**Board of Public Utilities**
**Two Gateway Center, Suite 801**
**Newark, NJ 07102**
**www.nj.gov/bpu/**

DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

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| IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR AN EXTENSION OF THREE SUB-COMPONENTS OF ITS ENERGY EFFICIENCY ECONOMIC STIMULUS PROGRAM IN ITS SERVICE TERRITORY ON A REGULATED BASIS AND ASSOCIATED COST RECOVERY AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC AND THE TARIFF FOR GAS SERVICE, B.P.U.N.J. NO. 15 GAS, PURSUANT TO N.J.S.A. 48:2-21, 48:2-21.1, AND N.J.S.A. 48:3-98.1 | ) DECISION AND ORDER<br><br>) DOCKET NO. EO11010030 |

APPEARANCES:

**Alexander C. Stern, Esq.**, Assistant General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas Company

**Felicia Thomas-Friel, Esq.**, **Kurt Lewandowski, Esq.**, **Sarah H. Steindel, Esq.**, Division of Rate Counsel, (**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel)

**Robert M. Purcell**, Deputy Attorney General, for the New Jersey Housing and Mortgage Finance Agency (**Paula, T. Dow**, Attorney General of New Jersey)

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a stipulation executed by Public Service Electric and Gas Company ("PSE&G" or "Company"), the Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "Signatory Parties"), which resolves the above-captioned matter and requests that the Board issue an Order approving the settlement.

## Background and Procedural History

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law based on the New Jersey Legislature's findings that energy efficiency and conservation measures must be essential elements of the State's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified in part as N.J.S.A. 48:3-98.1 (a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis. Such investment in energy efficiency and conservation programs may be eligible for rate treatment approved by the New Jersey Board of Public Utilities ("Board"), including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board.

An electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board. In determining the recovery of such program costs, the Board "...may take into account the potential for job creation from such programs, the effect on competition for such programs, existing market barriers, environmental benefits, and the availability of such programs in the marketplace." N.J.S.A. 48:3-98.1(b).

On July 16, 2009, the Board authorized PSE&G to implement eight (8) energy efficiency programs: 1) Residential Whole House Efficiency Sub-Program; 2) Residential Multi-Family Housing Sub-Program; 3) Small Business Direct Install Sub-Program; 4) Municipal/Local/State Government Direct Install Sub-Program; 5) Hospital Efficiency Sub-Program; 6) Data Center Efficiency Sub-Program; 7) Building Commissioning/O&M Sub-Program; and 8) Technology Demonstration Sub-Program (collectively, "E3 Sub-Programs").[1]

**January 2011 Filing**

On January 25, 2011, PSE&G filed the instant petition with the Board ("E3 Extension"). On February 24, 2011, Staff notified PSE&G that the filing was not administratively complete and described the items which were necessary to remedy the deficiencies. On March 1, 2011, PSE&G submitted additional information to address the deficiencies described in Staff's February 24, 2011 letter. On March 14, 2011, Staff notified PSE&G that the filing was deemed administratively complete.[2]

In the filing, the Company seeks approval to extend three of the E3 Sub-Programs: 1) Residential Multi-Family Housing; 2) Municipal/Local/State Government Direct Install; and 3) Hospital Efficiency (collectively, "E3 Extension Sub-Programs"). PSE&G proposes to extend

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[1] I/M/O the Petition of PSE&G 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, BPU Docket No. EO09010058, Order dated July 16, 2009. "E3 Order")

[2] N.J.S.A. 48:3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Staff must review a petition for completeness within 30 days and when a petition is determined to be complete, set the beginning of the 180-day period. I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day period for a Board determination in this matter commenced on March 1, 2011.

these sub-programs under the same process, terms, and conditions as currently approved by the Board, while seeking approval of additional expenditures of approximately $105.2 million over a twenty-four (24) month period. The Company proposes to recover the costs of the E3 Extension Sub-Programs through an EEE Extension Program Component ("EEEextC") of the Company's electric and gas RGGI Recovery Charge ("RRC").

By Order dated March 30, 2011, the Board retained this matter for review and hearing, and as authorized by N.J.S.A. 48:2-32, designated President Lee A. Solomon as the presiding officer who was authorized to rule on all motions that arise during the proceeding and modify any schedule(s) that may be set as necessary to secure just and expeditious determinations in this matter. Subsequently, President Solomon issued an Order setting the procedural schedule in this matter.

After notice in newspapers in general circulation within the service territory, public hearings were held on April 25, 2011, in Hackensack, New Jersey, on April 27, 2011 in New Brunswick, New Jersey, and on April 28, 2011 in Mt. Holly, New Jersey. A total of eight (8) members of the public appeared at the six public hearings. Most commenters opposed any rate increases at this time, stating that such increases imposed a hardship on customers whose incomes were reduced by current economic conditions.

Discovery requests in this matter were propounded by Staff and Rate Counsel, and were responded to by the Company. On June 3, 2011, Rate Counsel filed the testimony of its expert, Robert J. Henkes.

By letter dated May 25, 2011, the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") filed a Motion to Intervene. By Order dated June 15, 2011, President Solomon granted intervention to NJHMFA. None of the Signatory Parties objected, and NJHMFA agreed to abide by the previously adopted schedule.

## THE PROPOSED STIPULATION

PSE&G, Rate Counsel, Staff, and NJHMFA actively participated in settlement negotiations and ultimately the Signatory Parties agreed to certain modifications of the proposed programs and cost recovery mechanism and executed a stipulation ("Stipulation") on July 1, 2011.

Below are some of the key provisions of the Stipulation:[3]

13. The Company represents that the three E3 Extension Sub-Programs identified in Attachment 1 to the Stipulation, continue to be in the public interest and will sustain jobs in support of the state's paramount interests in sustaining economic development. The total cost of the E3 Extension is $103 million as set forth in Attachment 1 to the Stipulation.

    The budgets for each of the sub-programs are as follows:

[3] Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions contained in this Order.

| | | $Millions |
|---|---|---|
| **A.** | **Residential Segment** | |
| | Residential Multi-Family Housing Sub-Program | $20.0 |
| **B.** | **Industrial and Commercial Segment** | |
| | Municipal/Local/State Government Direct Install Sub-Program | $25.0 |
| | Hospital Efficiency Sub-Program | $50.0 |
| **C.** | **Administration, Program Management,** | |
| | **Quality Assurance/Quality Control Evaluation** | $8.0 |
| | **Total Energy Efficiency Expenditures** | $103.0 |

14. The Signatory Parties agree that with respect to Budget Item C in Paragraph 13 to the Stipulation, actual costs shall (i) not exceed $8 million; (ii) be subject to a review for reasonableness and prudency in annual cost recovery proceedings along with the costs set forth in Budget Items A. and B.; and (iii) be considered incremental to the level in base rates for purposes of cost recovery.

15. Based on these representations, the Signatory Parties agree that PSE&G can continue to administer these regulated utility services.

16. The Signatory Parties all agree that the E3 Extension Sub-Programs should continue under the same process, terms and conditions as currently approved by the Board in its July 16, 2009 Order approving a stipulation for the original E3 Programs. However, as part of the Stipulation, PSE&G has identified proposed changes to payment schedules based on experiences with the original Multi-Family Housing, Municipal Efficiency and Hospital Efficiency Sub-Programs. The current payment process for these sub-programs provides for three equal payments of the agreed financial commitment, i.e. one-third upon execution of the contract, one-third when the job is 50% complete and one-third upon satisfactory final inspection. Based on PSE&G's representation that a modification is required to better match the payments to the timing of customer payments to contractors, the parties hereby agree to the following adjustments to the three stages of the incentive payments to customers:

> 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. Thirty percent (30%) of the agreed-upon financial commitment will be paid to the vendor to begin the project.
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> Stage Two: A series of payments timed to better align the projects cash flow with project activities and based upon the appropriate monitoring and verification by the PSE&G program operations manager will be made. In total, the Step Two payments to the vendor will equal fifty percent (50%) of the agreed-upon financial commitment.

- 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 twenty percent (20%) of project costs will be paid to the vendor. Project is now complete and customer repayments begin.

Consistent with the original E3 Sub-Programs, 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.

17. As part of the Stipulation, PSE&G notes that the Multi-Family Efficiency Sub-Program was developed in cooperation with the NJHMFA to address the unique needs of NJHMFA's affordable housing multifamily projects. NJHMFA and PSE&G agreed to work together to develop an affordable housing multifamily program. 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 in the queue will be given priority and will remain the initial targets for the sub-program extension. The details of this sub-program remain 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. The remaining costs will be provided by PSE&G at 0% interest and repaid through on-bill financing. For example, in the case of a project having a simple payback of 10 years, under the terms of this sub-program, PSE&G will pay for 70% of the cost and the remaining 30% will be repaid through on-bill financing.

    **e.** The customers 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 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.

It remains the understanding of the Signatory Parties that N.J.A.C. 5:80-1 et seq. applies to NJHMFA projects, and sets forth the Agency's regulations regarding rent increases.

18. Should sub-program budgets allow, to further facilitate Multi-Family Efficiency Sub-Program participation by entities other than NJHMFA while enhancing overall E3 Extension consistency, the Signatory Parties agree that non-NJHMFA participants in the Multi-Family Efficiency Sub-Program shall have three years to repay their contribution to their projects. Non-NJHMFA participants who receive an Investment Grade Audit ("IGA") of their facilities, but elect to not proceed with the recommended project will be required to repay half of the cost of the IGA.

19. The Municipal/Local/State Government Direct Install Sub-Program, as originally proposed and approved by the Board, 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. The Signatory Parties agree that the program criteria should be modified to provide that this program will be available to address small buildings with annual peak demand use at or below 150kW, and, on a case by case basis, projects for customers with peak demand in excess of 150kW. This modification is in order to make the program criteria consistent with the maximum peak demand for customers taking service under the Company's Rate Schedule GLP-General Lighting and Power Service. Customers with annual peak demand in excess of 150 kW would be eligible for an investment grade audit if the complexity of the facility required that level of analysis. 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 billed as a single payment to the customer. 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) or Section 501(c)(19) of the Internal Revenue Code.

Green manufacturing minimizes waste and pollution, often by incorporating a three-step life cycle approach to product design that results in products that can be re-used, and then that can be easily taken apart, and the component parts 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 proposed as part of the settlement discussions concerning its original E3 Program filing to modify this sub-program to allow applications of this type on a case-by-case basis, and this modification was approved by the Board.

This sub-program would continue 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.

20. Recognizing the benefits associated with the wholesale electricity market coordinated by PJM Interconnection LLC ("PJM"), the Signatory Parties agree that, to the extent PSE&G's energy efficiency measures under both the original E3 Programs and the E3 Extension as approved by the Board are eligible and meet PJM requirements for inclusion in PJM's Reliability Pricing Model ("RPM") auctions, PSE&G should commence offering all ratepayer funded, eligible peak-load-reducing energy efficiency resources into the appropriate PJM Base Residual Auction and Incremental Auction capacity market as soon as is practicable.

PSE&G accordingly agrees to examine the administrative requirements for, and, if necessary, then to evaluate the costs and benefits of, bidding the energy efficiency measures under both the original E3 Programs and the E3 Extension into future PJM RPM auctions.

PSE&G shall, to the extent energy efficiency measures under the E3 Programs and E3 Extension as approved by the Board are eligible and meet PJM requirements for inclusion in RPM: i) meet August 2011 deadlines associated with participation in the RPM First Incremental Auction for delivery year 2013/2014; (ii) meet January 2012 deadlines associated with participation in the RPM Third Incremental Auction for energy efficiency resources for delivery year 2012/2013, and iii) meet all subsequent deadlines for Incremental Auctions for delivery years 2013/14 and 2014/2015. PSE&G will also work to meet deadlines for participation in all subsequent Base Residual Auctions. To the extent its energy efficiency measures are eligible and meet PJM requirements, the Signatory Parties agree that PSE&G will only bid those projects expected to be in service for the relevant PJM delivery year into the applicable RPM auction.

In the event PSE&G determines that its E3 Programs and/or E3 Extension energy efficiency measures as approved by the Board would not be eligible and meet PJM requirements for inclusion in RPM or that such participation would not be cost beneficial, PSE&G shall immediately notify the parties to discuss further. In that event, PSE&G will not proceed with pursuing inclusion in RPM absent further discussion and agreement among the Signatory Parties to the Stipulation.

All auction proceeds will be credited to the appropriate RRC component(s) and the Company will have the opportunity to seek recovery of the reasonable and prudent costs associated with participation in the RPM auctions.

21 Based on the Company's representations and the analysis performed on January 21, 2011, by Rutgers Center for Energy, Economic and Environmental Policy ("CEEEP"), the proposed E3 Extension sub-programs appear to be cost effective. 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. 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. The Signatory Parties agree that once the analyses have been reviewed and accepted by the Signatory Parties, all reasonable and prudent costs of such program evaluations performed by or contracted for by PSE&G and determined to be in the best interest of ratepayers shall be fully recoverable by PSE&G. PSE&G is obligated to adhere to applicable affiliate standards. If the Board is unable to retain CEEEP to perform the evaluation services, PSE&G will retain CEEEP to perform the services identified in parts "a" and/or "b" above, pursuant to the standards of its current contract with the Board.

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.

22. PSE&G will recover the net revenue requirements associated with the E3 Extension via two new EEEextC of the Company's electric and gas RRC. The electric EEEextC will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of costs associated with the electric E3 Extension. The gas EEEextC will be applicable to all gas rate schedules on an equal cents per therm basis for recovery of costs associated with the gas E3 Extension. The initial EEEextCs will be based on estimated E3 Extension revenue requirements from August 1, 2011 to December 31, 2012. Thereafter, the electric and gas EEEextCs 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. The annual EEExtCs true-up filings will be made as part of the RRC annual true up petition ("Annual Filing").

23. The Signatory Parties stipulate that the revenue requirements recovered through the electric and gas EEEextCs 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 Signatory Parties agreed to this shorter recovery period to accelerate recovery of the Company's investment. The revenue requirements include reasonable estimated associated costs regarding administrative, marketing and sales, training, processing, inspections, and other quality control, and evaluation. The Signatory Parties further stipulate

that this initial calculation will use the overall cost of capital utilized to set rates in the Company's most recent base rate case, BPU Docket No. GR09050422, which was 8.21%, based on a return on equity ("ROE") of 10.3%. The Signatory Parties agree that any change in the Weighted Average Cost of Capital ("WACC") authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations. The Signatory 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 Signatory Parties stipulate that after the initial revenue requirements period, the electric and gas EEEextCs will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement as well as the rate calculation for the purpose of setting the initial EEEextCs for the period ending December 31, 2012 is set forth in Attachment 2 to the Stipulation.

24. 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 23 of the Stipulation. The interest amount charged to the EEEextC balances will be computed using the following methodology set forth in Attachment 3 of the 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 EEEextC 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 23.

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

26. The work associated with the E3 Extension will commence upon receipt of a written Board Order in this proceeding.

27. The EEEextCs 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 Signatory Parties stipulate that the Company will file annually, as part of the Annual Filing to adjust its electric and gas EEEextCs, commencing for the 2013 annual period on a calendar basis, with copies provided to the Signatory Parties no later than October 1, 2012 and annually thereafter for the implementation of the

proposed revised EEEextCs, on January 1 of the subsequent year. Each Annual Filing will contain a reconciliation of its projected EEEextC 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 to the Stipulation. The Annual Filing will be subject to review by the Signatory Parties with opportunity for discovery and filed comments and, if necessary, evidentiary hearings and briefing, prior to the issuance of a Board Order establishing the Company's revised EEEextCs. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings if required by law.

28. The Signatory Parties agree that the proposed rates, as set forth in the tariff sheets in Attachment 5 to the Stipulation should be implemented and PSE&G is authorized to implement the proposed rates as set forth in the written BPU Order approving the Stipulation, subject to the process specified in paragraph 27 of the Stipulation.

29. A typical residential electric customer using 780 kilowatthours per summer month and 7,360 kilowatthours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from $1,355.36 to $1,356.16 or $0.80 (0.06%), or about $0.07 per month. A typical residential gas customer using 160 therms per winter month and 1,050 therms on an annual basis and on BGSS service with PSE&G would see an initial increase in the annual bill from $1,215.04 to $1,215.96 or $0.92 (0.08%), or about $0.08 per month. As currently projected, the maximum rate impacts for residential customers from the electric and gas EEEextCs would occur in 2013. The expected maximum increase from the electric EEEextC for a residential customer would be $0.000297 per kWh (including sales and used tax [SUT]), for a typical annual residential bill impact of $2.20 (0.162%) or about $0.18 per month. The maximum rate impact from the gas EEEextC for residential customers would be $0.002451 per therm (including SUT), for a total typical annual residential bill impact of $2.60 (0.214%) or about $0.22 per month.

30. 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 Signatory Parties agree that any sub-program under-spending may be carried over into the next program calendar year. No such under-spending may be carried over beyond December 31, 2014 without the approval of the Board excluding any outstanding customer commitments. In addition, recognizing that the energy efficiency initiatives covered under the E3 Extension will typically be of substantial scale and scope, experience with the existing E3 Programs has confirmed that it is obviously difficult to precisely budget each project initiative. Sometimes one sub-program will be more successful in the near term and require additional budget in order to respond to the market need and to continue operations. Accordingly, the Signatory Parties all agree that a process enabling

the Company to make adjustments to sub-program budgets in response to real market conditions experienced is justified. The process shall be as follows:

> For minor changes in the cumulative amount 5% or less of the E3 Extension overall program budget for each program year, PSE&G shall be authorized to make the adjustment on an immediate basis. PSE&G shall notify Board Staff and Rate Counsel of the changes within 30 days following the change.
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> PSE&G shall not make changes exceeding 5% of the E3 Extension program budget in any program year without prior BPU review and approval. Prior to BPU action, the Signatory Parties to the Stipulation shall be provided no less than ten (10) business days to provide comments on a proposed budget change exceeding 5%.
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> All transfers/changes shall be included in the Annual Filing to the BPU for review and approval.

31. The Company has purchased and installed an energy efficiency data management system and is in the process of migrating program data into the system. The data management system will contain data consistent with the data requirements of the BPU's Clean Energy Program. The Company will commence testing and validation with the Clean Energy Program's data management system as each sub-program in the PSE&G data management system becomes fully populated with actual program data. In the interim, the Company will continue to provide and report summary sub-program data to the Board Staff's Office of Clean Energy ("OCE") until such time as all sub-programs are able to upload data to the OCE's data management system, which shall be no later than December 31, 2011.

NJHMFA filed a letter on July 5, 2011, stating that the agency has no objection to the entry of an Order approving the Stipulation of Settlement.

**DISCUSSION AND FINDINGS**

Although much has changed since the Board initially approved PSE&G's E3 Sub-Programs on July 16, 2009, the Board remains committed to the principals stated in that Order. Energy efficiency investments, if properly implemented, serve to help the State meet its environmental needs, serve the need to provide jobs in the short term, and can enhance the State's competitiveness, business climate, and economic prospects in the long term. As indicated by the public response to the Company's current program, PSE&G has been able to build on its relationships with customers to help those customers improve the energy efficiency of existing buildings and is committed to continuing that effort.

The Board **FINDS** that these programs assist in achieving the State's energy efficiency goals by addressing underserved markets and through the achievement of incremental savings. PSE&G has reported that 38,717 MWh and 83,236 DTh of annual savings have been achieved overall since the inception of the E3 Programs.

According to the Company, through July 2010, approximately 208 full time equivalents ("FTEs") supported the Multi-Family, Municipal and Hospital sub-programs of the E3 Programs. As part of the E3 Extension, PSE&G estimates that 373 FTEs will support these sub-programs. The Board **FINDS** that approval of the E3 Extension will have a positive impact on the employment in the State. The Board further **FINDS** that since the programs included in the E3 Extension were part of the original E3 Programs, the FTE reporting requirements approved in the E3 Order should be carried over to the extension and the Board therefore **ORDERS** PSE&G to include this information with the other MFRs in the Annual Filing.

However, it is important that programs not only be effective but that they be cost effective. Based on the Company's representations and the analysis performed on January 21, 2011, by CEEEP, the proposed E3 Extension sub-programs appear to be cost effective.

The Board **FINDS** that it is important to continue to monitor costs, and that the Stipulation satisfies this need by requiring future program evaluations for all subprograms, including a cost/benefit analysis applying a variety of tests such as the PCT, PAC, RIM, TRC and SCT.

The Board **AGREES** that the Company should bid eligible peak-load-reducing energy efficiency resources into available PJM markets so that proceeds from market participation can be used to offset costs to ratepayers for the E3 Sub-programs, provided that the participation is cost beneficial. The Signatory Parties have provided for monitoring of costs and benefits through future evaluations of the E3 Sub-programs, for the bidding of eligible energy efficiency into the PJM markets, and for a cap on administrative type costs so they will not exceed $8 million. Therefore, the Board is **SATISFIED** that the Stipulation sufficiently addresses the interests of ratepayers while seeking to accomplish the goals of the E3 Extension.

The Board, having carefully reviewed the record in this matter, including the petition, testimony and the stipulation, **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with law. Accordingly, the Board **HEREBY APPROVES** the attached Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein.

As a result of this Stipulation, typical residential electric customers using 7,360 kWh annually will see an increase in their annual bills from $1355.36 to $1356.16, a $0.80 or 0.059% increase. Based on projected information, the expected maximum annual increase for the same residential electric customers would occur in 2013 and be $2.20 or 0.162% over current rates. As a result of the Stipulation, typical residential gas customers using 1,050 therms annually will see an increase in their annual bills from $1215.04 to $1215.96, a $0.92 or 0.76% increase. Based on projected information, the expected maximum annual increase for the same residential gas customer would occur in 2013 and be $2.60 or 0.214% over current rates.

The Board **HEREBY RATIFIES** all provisional rulings by President Solomon for the reasons stated in his Orders.

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

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

DATED: 7/14/11

BOARD OF PUBLIC UTILITIES
BY:

LEE A. SOLOMON
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

In the Matter of the Petition of Public Service Electric and Gas Company for an Extension of Three Sub-Program Components of its Energy Efficiency Economic Stimulus Program in its Service Territory on a Regulated Basis and Associated Cost Recovery and for Changes in the Tariff for Electric Service, B.P.U.N.J. No. 15 Electric and the Tariff for Gas Service, B.P.U.N.J. No. 15 Gas, Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and N.J.S.A. 48:3-98.1
DOCKET NO. EO11010030

NOTIFICATION LIST

| | | |
|---|---|---|
| | **BOARD OF PUBLIC UTILITIES** | |
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| Stacy Peterson<br>Board of Public Utilities<br>Two Gateway Center<br>Suite 801<br>Newark, NJ 07102 | Mona Mosser<br>Board of Public Utilities<br>44 S. Clinton Street<br>P.O. Box 350<br>Trenton, NJ 08625 | Kristi Izzo, Secretary<br>Board of Public Utilities<br>Two Gateway Center<br>Suite 801<br>Newark, NJ 07102 |
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PSEG
*Services Corporation*

July 1, 2011

In the Matter of the Petition of
Public Service Electric and Gas Company
Offering an Extension of Three Subprogram Components of Its
Energy Efficiency Economic Stimulus Program
in its Service Territory on a Regulated
Basis and Associated Cost Recovery
And for Changes in the Tariff for Electric Service, B.P.U.N.J. NO.15 Electric,
and the Tariff for Gas Service, B.P.U.N.J. NO.15 Gas,
Pursuant to N.J.S.A. 48:2-21, 48:2-21.1, and N.J.S.A. 48:3-98.1
(Multi-Family, Hospitals and Municipal/Non-Profit Direct Install)

BPU Docket No. EO11010030

***VIA ELECTRONIC & REGULAR MAIL***

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

Dear Secretary Izzo:

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

Thank you for your consideration.

Respectfully submitted,

Alexander C. Stern

Alexander C. Stern

C: Service List (E-mail Only)

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

| | | |
|---|---|---|
| IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR AN EXTENSION OF THREE SUBPROGRAM COMPONENTS OF ITS ENERGY EFFICIENCY ECONOMIC STIMULUS PROGRAM IN ITS SERVICE TERRITORY ON A REGULATED BASIS AND ASSOCIATED COST RECOVERY AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO.15 ELECTRIC, AND THE TARIFF FOR GAS SERVICE, B.P.U.N.J. NO.15 GAS PURSUANT TO N.J.S.A. 48:2-21, 48:2-21.1, AND N.J.S.A. 48:3-98.1 (Multi-Family, Hospitals and Municipal/Non-Profit Direct Install) | ) | STIPULATION OF SETTLEMENT<br><br>BPU Docket No. E011010030 |

APPEARANCES:

**Alexander C. Stern, Esq.,** Assistant General Regulatory Counsel for the Petitioner, Public Service Electric and Gas Company

**Felicia Thomas-Friel, Esq.** Deputy Rate Counsel, and **Kurt Lewandowski, Esq., Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director)

**Alex Moreau, Esq. and Caroline Vachier, Esq.,** Deputy Attorneys General on behalf of Staff of the New Jersey Board of Public Utilities (**Paula T. Dow**, Esq., Attorney General of New Jersey)

**Robert M. Purcell**, **Esq.** Deputy Attorney General on behalf of the New Jersey Housing and Mortgage Finance Agency (**Paula T. Dow**, Esq., Attorney General of New Jersey)

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, as of the 30th day of June 2011, 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), and the New Jersey Division of Rate Counsel (Rate Counsel) (referred to as the Parties) to execute this Stipulation of Settlement (Stipulation) to extend three central sub-programs of Public Service's Energy Efficiency Economic Stimulus Program (Residential Multi-Family Housing Sub-Program ("Multi-Family"), Municipal/Local/State Government Direct Install Sub-Program ("Municipal") and Hospital Efficiency Sub-Program ("Hospital"), hereinafter collectively referred to as "EEE Extension").

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 November 5, 2010, 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 Extension and describe the EEE Extension cost recovery mechanism proposed by the Company. Public Service indicated that its anticipated filing was to extend three central EEE sub-programs, Multi-Family, Municipal and Hospital, which are fully subscribed with a backlog of customer applications. The objective of the proposed filing was simply to add funding and extend the time frame for a twenty-four month period for three previously approved sub-programs already in the marketplace in order to allow PSE&G to continue offering energy efficiency assistance to the relevant customer segments.

2. Consistent with the original EEE program, 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 25, 2011, Public Service filed its Petition with the Board requesting approval of the proposed EEE Extension and associated rate recovery mechanism pursuant to *N.J.S.A.* 48:3-98.1 *et seq.* Specifically, PSE&G sought Board approval to extend the Multi-Family, Municipal and Hospital segments of its EEE Program in order to continue to offer energy efficiency projects across these specific customer segments. Public Service proposed, through this regulated service, to continue to target energy efficiency initiatives for these customers. The EEE Extension would result in expenditures of approximately $105.2 million. The EEE Extension sub-programs that are the subject of the Petition have fully committed their approved funding, and there remains significant customer interest in taking advantage of the offerings. Extension of these subprograms will allow additional customers to participate in these subprograms. PSE&G proposed to extend these three sub-program offerings under the same process, terms and conditions as currently approved by the Board, with proposed changes to payment schedules that were specified in the Petition, while seeking approval of additional expenditures as follows:

| | | $Millions |
|---|---|---|
| **A.** | **Residential Segment** | |
| | Residential Multi-Family Housing Sub-Program | $20.0 |
| **B.** | **Industrial and Commercial Segment** | |
| | Municipal/Local/State Government Direct Install Sub-Program | $25.0 |
| | Hospital Efficiency Sub-Program | $50.0 |
| **C.** | **Administration, Program Management, Quality Assurance/ Quality Control Evaluation** | $10.2 |
| **Total Energy Efficiency Expenditures** | | $105.2 |

4. On February 24, 2011, Board Staff notified the Company that it had reviewed the petition for completeness in accordance with the Board's May 12, 2008 Order in Docket No. E008030164 (May 12 Order) and determined that the petition was not administratively complete and enclosed with the letter a list of the deficiencies in the petition, and the items required to remedy the deficiencies.

5. By letter dated March 1, 2011, PSE&G addressed the deficiencies in its petition.

6. On March 14, 2011, PSE&G received a Notice from Board Staff finding the January 24, 2011 original filing (Original Filing), as supplemented by Public Service's March 1, 2011 filing to be deemed administratively complete. Accordingly, the Board's 180-day review period commenced on March 1, 2011.

7. President Solomon was designated as the presiding officer by Board Order dated March 30, 2011. A procedural schedule was subsequently adopted by President Solomon. See, Order Designating Commissioner, and Order Adopting Schedule, BPU Docket No. E011010030

8. On May 25, 2011, the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") filed a Motion to Intervene with the Board. None of the Parties opposed the intervention. On June 15, 2011 President Solomon granted NJHMFA's intervention request.

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

10. On May 4, 2011, May 23, 2011 and June 16, 2011 discovery conferences were conducted among Public Service, Board Staff, Rate Counsel and NJHMFA. On June 3, 2011, Rate Counsel submitted the testimony of Robert J. Henkes.

11. Public Notice was provided and six public hearings on the Company's EEE Extension Program filing were held on the following dates at three locations in Public Service's service territory: two hearings on April 25, 2011, in Hackensack, New Jersey; two hearings on April 27, 2011, in New Brunswick, New Jersey; and two hearings on April 28, 2011, in Mt. Holly, New Jersey. A total of 8 (eight) members of the public appeared and made statements at the 6 (six) public hearings.

12. Several settlement discussions were held among the Parties. Following said settlement discussions, Board Staff, Rate Counsel and Public Service agreed to submit this Stipulation, the terms of which are set forth below.[1] Specifically, the Parties hereby **STIPULATE AND AGREE** to the following:

## STIPULATED MATTERS

13. The Company represents that the three EEE Extension sub-programs identified in Attachment 1, attached hereto and incorporated herein by reference, continue to be in the public interest and will sustain jobs in support of the state's paramount interests in sustaining economic development. The total cost of the EEE Extension Program is $103 million as set forth in Attachment 1.

The budgets for each of the sub-programs are as follows:

**$Millions**

[1] NJHMFA has participated in all settlement discussions, has been fully involved in this proceeding and has represented to the Parties that it will be sending correspondence to the Board reflecting that it has no objections to the terms of this Stipulation of Settlement.

| | | |
|---|---|---|
| **A.** | **Residential Segment** | |
| | Residential Multi-Family Housing Sub-Program | $20.0 |
| **B.** | **Industrial and Commercial Segment** | |
| | Municipal/Local/State Government Direct Install Sub-Program | $25.0 |
| | Hospital Efficiency Sub-Program | $50.0 |
| **C.** | **Administration, Program Management, Quality Assurance/ Quality Control Evaluation** | $8.0 |
| | **Total Energy Efficiency Expenditures** | $103.0 |

14. The Parties agree that with respect to Budget Item C in Paragraph 13 above, actual costs shall (i) not exceed $8 million; (ii) be subject to a review for reasonableness and prudency in annual cost recovery proceedings along with the costs set forth in Budget Items A. and B.; and (iii) be considered incremental to the level in base rates for purposes of cost recovery.

15. Based on these representations, the Parties agree that Public Service can continue to administer these regulated utility services.

16. The parties all agree that the three sub-program offerings of the EEE Extension should continue under the same process, terms and conditions as currently approved by the Board in its July 16, 2009 Order approving a stipulation for the original EEE program. However, as part of this Stipulation, Public Service has identified proposed changes to payment schedules based on experiences with the original Multi-Family Housing, Municipal Efficiency and Hospital Efficiency Sub-Programs. The current payment process for these sub-programs provides for three equal payments of the agreed financial commitment, i.e. one-third upon execution of the contract, one-third when the job is 50% complete and one-third upon satisfactory final inspection. Based on PSE&G's representation that a modification is required

to better match the payments to the timing of customer payments to contractors, the parties hereby agree to the following adjustments to the three stages of the incentive payments to customers:

- 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. Thirty percent (30%) of the agreed-upon financial commitment will be paid to the vendor to begin the project.

- Stage Two: A series of payments timed to better align the projects cash flow with project activities and based upon the appropriate monitoring and verification by the PSE&G program operations manager will be made. In total, the Step Two payments to the vendor will equal fifty percent (50%) of the agreed-upon financial commitment.

- 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 twenty percent (20%) of project costs will be paid to the vendor. Project is now complete and customer repayments begin.

Consistent with the original EEE Program, 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.

17. As part of this stipulation, PSE&G notes that the Multi-Family Efficiency Sub-Program was developed in cooperation with the NJHMFA to address the unique needs of

NJHMFA's affordable housing multifamily projects. NJHMFA and PSE&G agreed to work together to develop an affordable housing multifamily program. 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 in the queue will be given priority and will remain the initial targets for the sub-program extension. The details of this sub-program remain 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. The remaining costs will be provided by PSE&G at 0% interest and repaid through on-bill financing. For example, in the case of a project having a simple payback of 10 years, under the terms of this sub-program, PSE&G will pay for 70% of the cost and the remaining 30% will be repaid through on-bill financing.

e. 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 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.

It remains the understanding of the Parties that N.J.A.C. 5:80-1 et seq. applies to NJHMFA projects and sets forth the Agency's regulations regarding rent increases.

18. Should sub-program budgets allow, to further facilitate Multi-Family Efficiency Sub-Program participation by entities other than NJHMFA while enhancing overall EEE Extension Program consistency, the Parties agree that non-NJHMFA participants in the Multi-Family Efficiency Sub-Program shall have three years to repay their contribution to their projects. Non-NJHMFA participants who receive an Investment Grade Audit (IGA) of their facilities, but elect to not proceed with the recommended project will be required to repay half of the cost of the IGA.

19. The Municipal/Local/State Government Direct Install Sub-Program, as originally proposed and approved by the Board, 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. The parties agree that the program criteria should be modified to provide that this program will be available to address small buildings with annual peak demand use at or below 150kW, and, on a case by case basis, projects for customers with peak demand in excess of 150kW. This modification is in order to make the program criteria consistent with the maximum peak demand for customers taking service under the Company's Rate Schedule GLP-General Lighting and Power Service. Customers with annual peak demand in excess of 150 kW would be eligible for an investment grade audit if the complexity of the facility required that level of analysis. 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 billed as a single payment to the customer. 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) or Section 501(c)(19) of the Internal Revenue Code.

Green manufacturing minimizes waste and pollution, often by incorporating a three-step life cycle approach to product design that results in products that can be re-used, and then that can be easily taken apart, and the component parts 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 proposed as part of the settlement discussions concerning its original EEE program filing to modify this sub-program to allow applications of this type on a case-by-case basis, and this modification was approved by the Board. This sub-program would continue 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.

20. Recognizing the benefits associated with the wholesale electricity market coordinated by PJM Interconnection LLC ("PJM") the Parties agree that, to the extent PSE&G's energy efficiency measures under both the original EEE program and the EEE Extension as approved by the Board are eligible and meet PJM requirements for inclusion in PJM's Reliability Pricing Model ("RPM") auctions, PSE&G should commence offering all ratepayer funded, eligible peak-load-reducing energy efficiency resources into the appropriate PJM Base Residual Auction and Incremental Auction capacity market as soon as is practicable.

PSE&G accordingly agrees to examine the administrative requirements for, and, if necessary, then to evaluate the costs and benefits of, bidding the energy efficiency measures under both the original EEE program and EEE Extension into future PJM RPM auctions.

PSE&G shall, to the extent energy efficiency measures under the EEE program and EEE Extension as approved by the Board are eligible and meet PJM requirements for inclusion in RPM: i) meet August 2011 deadlines associated with participation in the RPM First Incremental Auction for delivery year 2013/2014; (ii) meet January 2012 deadlines associated with participation in the RPM Third Incremental Auction for energy efficiency resources for delivery year 2012/2013, and iii) meet all subsequent deadlines for Incremental Auctions for delivery years 2013/14 and 2014/2015. PSE&G will also work to meet deadlines for participation in all subsequent Base Residual Auctions. To the extent its energy efficiency measures are eligible and meet PJM requirements, the Parties agree that PSE&G will only bid those projects expected to be in service for the relevant PJM delivery year into the applicable RPM auction.

In the event PSE&G determines that its EEE program and/or EEE Extension program energy efficiency measures as approved by the Board would not be eligible and meet PJM requirements for inclusion in RPM or that such participation would not be cost beneficial PSE&G shall immediately notify the parties to discuss further. In that event, PSE&G will not proceed with pursuing inclusion in RPM absent further discussion and agreement among the Parties to this Stipulation.

All auction proceeds will be credited to the appropriate RGGI Recovery Charge component(s) and the Company will have the opportunity to seek recovery of the reasonable and prudent costs associated with participation in the RPM auctions.

21. Based on the Company's representations and the analysis performed on January 21, 2011, by Rutgers Center for Energy, Economic and Environmental Policy (CEEEP), the proposed EEE Extension sub-programs appear to be cost effective. 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. 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. 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 and determined to be in the best interest of ratepayers shall be fully recoverable by PSE&G. PSE&G is obligated to adhere to applicable affiliate standards. If the Board is unable to retain CEEEP to perform the evaluation services, PSE&G will retain CEEEP to perform the services identified in parts "a" and/or "b" above, pursuant to the standards of its current contract with the Board.

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.

22. PSE&G will recover the net revenue requirements associated with this EEE Extension Program via two new EEE Extension Components (EEEextC) of the Company's electric and gas RGGI Recovery Charges (RRC). The electric EEEextC 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 Extension Program. The gas EEEextC will be applicable to all gas rate schedules on an equal cents per therm basis for recovery of costs associated with the gas EEE Extension Program. The initial EEEextCs will be based on estimated EEE Extension Program revenue requirements from August 1, 2011 to December 31, 2012. Thereafter, the electric and gas EEEextCs 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. The annual EEExtCs true-up filings will be made as part of the RRC annual true up petition.

23. The Parties stipulate that the revenue requirements recovered through the electric and gas EEEextCs 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 estimated associated costs regarding administrative, marketing and sales, training, processing, inspections, and other quality control, and evaluation. 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 base rate case, BPU Docket No. GR09050422, which was 8.21%, based on a return on equity of 10.3%. 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 EEEextCs will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement as well as the rate calculation for the purpose of setting the initial EEEextCs for the period ending December 31, 2012 is set forth in Attachment 2 attached hereto and made a part of this Stipulation.

24. 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 23 above. The interest amount charged to the EEEextC 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 EEEextC 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 23.

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

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

27. The EEEextCs 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 annually, as part of the annual true-up petition for the RRC (Annual Filing) to adjust its electric and gas EEEextCs, commencing for the 2013 annual period on a calendar basis, with copies provided to the Parties no later than October 1, 2012 and annually thereafter for the implementation of the proposed revised EEEextCs, on January 1 of the subsequent year. Each Annual Filing will contain a reconciliation of its projected EEEextC 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 and, if necessary, evidentiary hearings and briefing, prior to the issuance of a Board Order establishing the Company's revised EEEextCs. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings if required by law.

28. The Parties agree that the proposed rates, as set forth in the tariff sheets in Attachment 5, attached hereto should be implemented and PSE&G is authorized to implement the proposed rates as set forth in the written BPU Order approving this Stipulation, subject to the process specified in paragraph 27 above.

29. A typical residential electric customer using 780 kilowatthours per summer month and 7,360 kilowatthours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from $1,355.36 to $1,356.16 or $0.80 (0.06%), or about $0.07 per month. A typical residential gas customer using 160 therms per winter month and 1,050 therms on an annual basis and on BGSS service with PSE&G would see an initial increase in the annual bill from $1,215.04 to $1,215.96 or $0.92 (0.08%), or about $0.08 per month. As currently projected, the maximum rate impacts for residential customers from the electric and gas EEEextCs would occur in 2013. The expected maximum increase from the electric EEEextC for a residential customer would be $0.000297 per kWh (including sales and used tax [SUT]), for

a typical annual residential bill impact of $2.20 (0.162%) or about $0.18 per month. The maximum rate impact from the gas EEEextC for residential customers would be $0.002451 per therm (including SUT), for a total typical annual residential bill impact of $2.60 (0.214%) or about $0.22 per month.

30. 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 into the next program calendar year. No such under-spending may be carried over beyond December 31, 2014 without the approval of the Board excluding any outstanding customer commitments. In addition, recognizing that the energy efficiency initiatives covered under EEE Extension will typically be of substantial scale and scope, experience with the existing EEE Program has confirmed that it is obviously difficult to precisely budget each project initiative. Sometimes one sub-program will be more successful in the near term and require additional budget in order to respond to the market need and to continue operations. Accordingly, the parties all agree that a process enabling the Company to make adjustments to sub-program budgets in response to real market conditions experienced is justified. The process shall be as follows:

- For minor changes in the cumulative amount 5% or less of the EEE Extension overall program budget for each program year, PSE&G shall be authorized to make the adjustment on an immediate basis. PSE&G shall notify Board Staff and Rate Counsel of the changes within 30 days following the change.
- PSE&G shall not make changes exceeding 5% of the EEE Extension program budget in any program year without prior BPU review and approval. Prior to BPU action, the Parties to this Stipulation shall be provided no less than ten

(10) business days to provide comments on a proposed budget change exceeding 5%.

- All transfers/changes shall be included in the Annual Filing to the BPU for review and approval.

31. The Company has purchased and installed an energy efficiency data management system and is in the process of migrating program data into the system. The data management system will contain data consistent with the data requirements of the BPU's Clean Energy Program. The Company will commence testing and validation with the Clean Energy Program's data management system as each sub-program in the PSE&G data management system becomes fully populated with actual program data. In the interim, the Company will continue to provide and report summary sub-program data to the Board Staff's Office of Clean Energy (OCE) until such time as all sub-programs are able to upload data to the OCE's data management system, which shall be no later than December 31, 2011.

32. 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.

33. 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.

34. 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, Board Staff, the Interveners, 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.

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

By: ______________________
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STEFANIE A. BRAND, ESQ, DIRECTOR,
DIVISION OF THE RATE COUNSEL

By: Stefanie A. Brand
Stefanie A. Brand, Esq.

**ATTACHMENT 1**

## 2011 Residential Multi-Family Housing Sub-Program

### *Target Market and Eligibility – RGGI Section II-F(i)*

The Multi-Family Sub-Program targets the following where natural gas and/or electricity are provided by PSE&G:

1. Multifamily housing with five or more units;
2. NJHMFA Multifamily Housing projects;
3. Non-NJHMFA Affordable and Market Rate housing projects;
4. Urban rehabilitation projects identified by municipalities in PSE&G's service territory.

### *Sub-Program Offerings and Customer Incentives - RGGI Section II-F(ii)*

Building owners receive an IGA of their building(s) at no cost, incentives, and up-front financing for the cost of eligible energy efficiency installations. Non-NJHMFA participants who receive an Investment Grade Audit (IGA) of their facilities, but elect to not proceed with the recommended project will be required to repay half of the cost of the IGA. All cost-effective ECMs identified by the IGA as having a simple customer payback of 15 years or less may be eligible for installation under the sub-program. The ECMs recommended by the IGA may include lighting, HVAC, humidification, ventilation, windows, doors, motors, and other energy consuming equipment. The sub-program will buy-down the simple payback of project costs for approved measures by seven years, but to not less than two years. Remaining costs will be provided by PSE&G and will be repaid by the owner, interest free, on their PSE&G utility bill after the final true-up and inspection.

The repayment period will be ten years for NJHMFA financed projects and five years for non-NJHMFA projects, or in one payment if the customer chooses. Should the property be sold before the end of the repayment period, the remaining balance shall be payable upon transfer of the property.

***Delivery Mechanisms - RGGI Section II-F(v) and Section II-I***

The Multi-Family Sub-Program services are provided through qualified audit and engineering professionals employed by PSE&G and hired through a competitive bid process. The sub-program delivery typically occurs in four steps:

- Step One: IGA of Multifamily Building(s). The PSE&G sub-program contractors perform a detailed IGA and prepare a customized audit report that includes a list of recommended ECM upgrade options. PSE&G and NJHMFA review the potential ECM upgrades with the customer.
- Step Two: Engineering Analysis of Project. Based on the IGA results, an engineering analyses is performed, measures payback and project cost effectiveness screening is conducted, and a set of approved ECMs is selected for the project. The sub-program contractor then prepares bid-ready

documents for the customer to facilitate the preparation of a project Scope of Work, which will be used by the customer to obtain contractor cost estimates for ECM installation.

- Step Three: Scope of Work/Contractor Bids. The project owner prepares a Scope of Work for contractor bids. NJHMFA projects will follow NJHMFA bidding practices. PSE&G/NJHMFA and the customer review the contractor bids/costs and select the contractor(s). At this time, the first progress payment equal to approximately 30% of the estimated total project cost can be issued to the customer.
- Step Four: Measures Installation and Inspections. PSE&G monitors the project progress, verifies equipment ordering and receipt, and monitors project cash flows. When the project is approximately 50% complete or approximately 50% of the ECMs have been ordered, received, or installed, PSE&G may conduct an on-site inspection(s). Upon verification of the project progress, a series of second progress payments up to 50% of total project commitment can be issued. When the project is 100% complete, a final project true-up and final inspection takes place. If the inspection is successful and approved, the final payment based on the results of project true-up is determined and issued. If the final costs are less than the estimated project commitment, the final payment will be adjusted down to reflect the actual costs. If the final costs are more

than the estimated project commitment, the final payment will not be adjusted and will be paid according to the original estimate. Project is now complete and customer repayments begin.

In order to ensure that building owners are able to pay their contractors on a timely basis, the initial Step One progress payment will be equal to approximately 30% of the estimated total project cost. The Step Two progress payment can be a series of smaller, multiple payments timed to match the cash flow needs of the project. Project progress and the project cash flow needs will be monitored and verified by PSE&G's sub-program operations manager. In total, the multiple Step Two payments will equal approximately 50% of the total project financial commitment. The Step Three progress payment is the final payment to the customer of approximately 20% of the total project financial commitment. In summary, the sub-program progress payment pattern will be Step One - 30%, Step Two - multiple payments totaling 50%, and Step Three 20%.

***Quality Assurance Provisions - RGGI Section II-F(iii)***

PSE&G reviews and approves all projects and will conduct an on-site visual inspection of each project when approximately 50% of the project is complete or approximately 50% of the ECMs have been installed. PSE&G will also conduct a post-implementation inspection of each completed project and a true-up of project costs prior to paying the final financial incentive payment. Inspections will be conducted by the audit firm that conducted the original IGA or a third-party inspector hired by PSE&G.

***Budgets, Administrative Costs, Savings, Benefits Section II-H***

An investment of $20 million with estimated administrative expenses of $1.95 million have been allotted to this sub-program.

**2011 Hospital Efficiency Sub-Program**

***Target Market and Eligibility – RGGI Section II-F(i)***

The Hospital Efficiency Sub-program is targeted to health care facilities located in PSE&G's electric and/or gas service territory. The sub-program is targeted specifically to in-patient hospitals and other in-patient medical facilities that operate 24-7.

***Sub-Program Offerings and Customer Incentives - RGGI Section II-F(ii)***

Healthcare entities receive an IGA of their facilities at no cost, incentives, and up-front financing for the cost of eligible energy efficiency installations. Energy savings measures identified by the IGA as having a simple customer payback of 15 years or less may be eligible for installation under the sub-program. The energy efficiency measures recommended by the IGA may include lighting, HVAC, humidification, ventilation, motors, energy management systems, and other energy consuming equipment. The sub-program will buy-down the simple payback of project costs for approved measures by seven years, but to not less than two years. Remaining costs will be provided by PSE&G and may be repaid by the participant, interest free, on their PSE&G utility bill over a three-year period, (or in one payment if the customer chooses) after the final true-up and inspection.

***Delivery Mechanisms - RGGI Section II-F(v) and Section II-I***

The Hospital Sub-Program services are provided through qualified audit and engineering professionals employed by PSE&G and hired through a competitive bid process. The sub-program delivery typically occurs in four steps:

- Step One: IGA of Healthcare Facility Building(s). The PSE&G sub-program contractors perform a detailed IGA and prepare a customized audit report that includes a list of recommended ECM upgrade options. PSE&G reviews the potential ECM upgrades with the customer. (In the case of new construction projects, the audit professionals employed by PSE&G will perform a design review.)
- Step Two: Engineering Analysis of Project. Based on the IGA results, an engineering analyses is performed, measures payback and project cost

effectiveness screening is conducted, and a set of approved ECMs is selected for the project. The sub-program contractor then prepares bid-ready documents for the customer to facilitate the preparation of a project Scope of Work, which will be used by the customer to obtain contractor cost estimates for ECM installation.

- Step Three: Scope of Work/Contractor Bids. The customer prepares a Scope of Work for contractor bids. PSE&G and the customer review the contractor bids/costs and select the contractor(s). At this time, the first progress payment equal to approximately 30% of the estimated total project cost can be issued to the customer.
- Step Four: Measures Installation and Inspections. PSE&G monitors the project progress, verifies equipment ordering and receipt, and monitors project cash flows. When the project is approximately 50% complete or approximately 50% of the ECMs have been ordered, received or installed, PSE&G may conduct an on-site inspection(s). Upon verification of the project progress, a series of second progress payments up to 50% of total project commitment can be issued. When the project is 100% complete, a final project true-up and final inspection takes place. If the inspection is successful and approved, the final payment based on the results of project true-up is determined and issued. If the final costs are less than the estimated project commitment, the final payment

will be adjusted down to reflect the actual costs. If the final costs are more than the estimated project commitment, the final payment will not be adjusted and will be paid according to the original estimate. Project is now complete and customer repayments begin.

In order to ensure that the healthcare facilities are able to pay their contractors on a timely basis, the initial Step One progress payment will be equal to approximately 30% of the estimated total project cost. The Step Two progress payment can be a series of smaller, multiple payments timed to match the cash flow needs of the project. Project progress and the project cash flow needs will be monitored and verified by PSE&G's sub-program operations manager. In total, the multiple Step Two payments will equal approximately 50% of the total project financial commitment. The Step Three progress payment is the final payment to the customer of approximately 20% of the total project financial commitment. In summary, the sub-program progress payment pattern will be Step One - 30%, Step Two - multiple payments totaling 50%, and Step Three 20%.

***Quality Assurance Provisions - RGGI Section II-F(iii)***

PSE&G reviews and approves all projects and will conduct an on-site visual inspection of each project when approximately 50% of the project is complete or approximately 50% of the ECMs have been installed. PSE&G will also conduct a post-implementation inspection of each completed project and a true-up of projects costs prior to paying the final financial incentive payment. Final inspections will be conducted by the audit firm that conducted the original IGA or a third-party inspector hired by PSE&G.

***Budgets, Administrative Costs, Savings, Benefits Section II-H***

An investment of $50 million with estimated administrative expenses of $4.15 milllion will be allotted to this sub-program.

**2011 Municipal Direct Install Sub-Program**

***Target Market and Eligibility – RGGI Section II-F(i)***

The Municipal Sub-Program will target all government and non-profit entities who receive natural gas and/or electricity from PSE&G.

Eligible facilities include municipal, local, state, and federal government offices, courtrooms, town halls, police and fire stations, sanitation department buildings, transportation department structures, regional authorities, correctional facilities, schools, community centers, and non-profit facilities. County or regionally structured bodies such as county colleges and regional utility authorities (water/sewer) also are included. Green manufacturing facilities will also be eligible on a case-by-case basis. The primary target is buildings with annual peak demand use at or below

150 kW, but on a case-by-case basis, projects for customers with annual peak demand in excess of 150 kW are eligible. In addition, participants in the NJCEP Local Government Audit program will be eligible for installation benefits under this sub-program.

***Sub-Program Offerings and Customer Incentives - RGGI Section II-F(ii)***

The Municipal Sub-Program will offer a walk-through energy evaluation to eligible facilities and provide a report of recommended energy-savings improvements. Customers with annual peak demand in excess of 150 kW would be eligible for an investment grade audit if the complexity of the facility required that level of analysis.

The sub-program will initially provide 100% of the cost to install the recommended energy-savings improvements. Upon completion of the work, the customer must repay 20% of the total cost to PSE&G over two years, (or in one payment if the customer prefers), interest free on the PSE&G utility bill.

Energy-savings improvements available through this sub-program will be primarily through lighting upgrades. Insulation, refrigeration upgrades and HVAC upgrades and other energy-saving measures may be considered where appropriate.

Customers participating in this sub-program may not have received or applied for incentives under the NJCEP program for the same measures.

***Delivery Mechanisms - RGGI Section II-F(v) and Section II-I***

PSE&G will provide program administration functions and will manage all activities required to support the delivery of services to customers, and to oversee the sub-program operation, coordination with the NJCEP, other utilities' programs, contractor oversight and trade ally relations. The current sub-program hired a primary contractor through a competitive RFP to market and to deliver sub-program services and coordinate a network of sub-contractors.

***Quality Assurance Provisions - RGGI Section II-F(iii)***

Quality assurance is affected in two steps. First, the primary contractor samples and inspects its work and that of its sub-contractors. Second, PSE&G hired a third-party engineering firm to perform inspections on 10% of all completed projects.

***Budgets, Administrative Costs, Savings, Benefits Section II-H***

An investment of $25 million with estimated administrative expenses of $1.9 million will be allotted to this sub-program.

# PSE&G Economic Energy Efficiency Extension Program
## Electric Revenue Requirements Calculation

| | |
|---|---|
| Monthly WACC effective 07/01/2010 | 0.987670% |
| Inc. tax rate effective 07/01/2010 | 40.850% |

**Monthly Calculations**

| | (1) Program Investment | (2) Capitalized IT Costs[1] | (3) Gross Plant | (4) Program Investment Amortization | (5) IT Cost Amortization[1] | (6) Accumulated Amortization | (7) Net Plant | (8) Tax Depreciation | (9) Deferred Income Tax | (10) Accumulated Deferred Income Tax | (11) Net Investment | (12) Return Requirement | (13) Program Investment Repayments | (14) Administrative costs | (15) Lost Distribution Margin Revenue[2] | (16) Revenue Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Feb-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Mar-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Apr-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| May-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Jun-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Jul-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Aug-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | 171,260 | - | 171,260 |
| Sep-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | 171,260 | - | 171,260 |
| Oct-11 | 158,620 | - | 158,620 | 2,644 | - | 2,644 | 155,976 | 158,620 | 63,716 | 63,716 | 92,260 | 456 | - | 171,260 | - | 174,360 |
| Nov-11 | 453,344 | - | 611,964 | 10,199 | - | 12,843 | 599,121 | 453,344 | 181,025 | 244,741 | 354,380 | 2,206 | - | 171,260 | - | 183,665 |
| Dec-11 | 983,732 | - | 1,595,697 | 26,595 | - | 39,438 | 1,556,259 | 983,732 | 390,991 | 635,732 | 920,527 | 6,296 | - | 171,260 | - | 204,151 |
| Jan-12 | 986,936 | - | 2,582,633 | 43,044 | - | 82,482 | 2,500,151 | 986,936 | 385,580 | 1,021,312 | 1,478,839 | 11,849 | (2,688) | 147,957 | - | 200,162 |
| Feb-12 | 1,906,428 | - | 4,489,061 | 74,818 | - | 157,300 | 4,331,761 | 1,906,428 | 748,213 | 1,769,524 | 2,562,237 | 19,956 | (8,065) | 147,957 | - | 234,666 |
| Mar-12 | 1,643,079 | - | 6,132,139 | 102,202 | - | 259,502 | 5,872,637 | 1,643,079 | 629,448 | 2,398,972 | 3,473,665 | 29,807 | (13,603) | 147,957 | - | 266,364 |
| Apr-12 | 1,946,504 | - | 8,078,644 | 134,644 | - | 394,146 | 7,684,498 | 1,946,504 | 740,145 | 3,139,117 | 4,545,380 | 39,601 | (19,141) | 147,957 | - | 303,062 |
| May-12 | 2,392,904 | - | 10,471,548 | 174,526 | - | 568,672 | 9,902,876 | 2,392,904 | 906,208 | 4,045,325 | 5,857,551 | 51,373 | (24,679) | 147,957 | - | 349,178 |
| Jun-12 | 2,096,159 | - | 12,567,707 | 209,462 | - | 778,134 | 11,789,573 | 2,096,159 | 770,716 | 4,816,041 | 6,973,533 | 63,364 | (32,985) | 147,957 | - | 387,798 |
| Jul-12 | 2,150,398 | - | 14,718,105 | 245,302 | - | 1,023,435 | 13,694,669 | 2,150,398 | 778,232 | 5,594,272 | 8,100,397 | 74,440 | (41,292) | 147,957 | - | 426,407 |
| Aug-12 | 3,465,478 | - | 18,183,582 | 303,060 | - | 1,326,495 | 16,857,087 | 3,465,478 | 1,291,848 | 6,886,120 | 9,970,967 | 89,243 | (49,599) | 147,957 | - | 490,661 |
| Sep-12 | 2,701,612 | - | 20,885,195 | 348,087 | - | 1,674,582 | 19,210,613 | 2,701,612 | 961,415 | 7,847,535 | 11,363,078 | 105,355 | (57,906) | 147,957 | - | 543,493 |
| Oct-12 | 2,689,260 | - | 23,574,455 | 392,908 | - | 2,067,489 | 21,506,966 | 2,689,260 | 938,060 | 8,785,595 | 12,721,370 | 118,937 | (66,213) | 147,957 | - | 593,590 |
| Nov-12 | 3,696,971 | - | 27,271,425 | 454,524 | - | 2,522,013 | 24,749,412 | 3,696,971 | 1,324,540 | 10,110,135 | 14,639,277 | 135,116 | (75,231) | 147,957 | - | 662,367 |
| Dec-12 | 2,745,491 | - | 30,016,916 | 500,282 | - | 3,022,295 | 26,994,621 | 2,745,491 | 917,168 | 11,027,303 | 15,967,318 | 151,146 | (84,960) | 147,957 | - | 714,425 |
| | Program Assumption | Program Assumption | Prior Month + (Col 1 + Col 2) | 1/60 of each Prior 60 Months from Col 1 (5 year amortization) | 1/60 of Each Prior 60 Months of Col 2 (5 year amortization) | Prior Month + (Col 4 + Col 5) | Col 3 - Col 6 | See WP_SS-1.xls 'AmortE' wksht | -(Col 4 + Col 5 - Col 8) * Income Tax Rate | Prior Month + Col 9 | Col 7 - Col 10 | (Prior Col 11 + Col 11) / 2 * Monthly Pre Tax WACC | Program Assumption | Program Assumption | See WP_SS-1.xls 'InputE' wksht | Col 4 + Col 5 + Col 12 + Col 13 + Col 14 + Col 15 |

**Annual Summary**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2011 | 1,595,697 | - | 1,595,697 | 39,438 | - | 39,438 | 1,556,259 | 1,595,697 | 635,732 | 635,732 | 920,527 | 8,957 | - | 856,301 | - | 904,696 |
| 2012 | 28,421,219 | - | 30,016,916 | 2,982,857 | - | 3,022,295 | 26,994,621 | 28,421,219 | 10,391,571 | 11,027,303 | 15,967,318 | 890,189 | (476,362) | 1,775,489 | - | 5,172,173 |
| 2013 | 31,563,254 | - | 61,580,170 | 9,862,494 | - | 12,884,788 | 48,695,382 | 31,563,254 | 8,864,761 | 19,892,063 | 28,803,318 | 2,844,290 | (2,581,471) | 1,875,551 | - | 12,000,863 |
| 2014 | 2,719,830 | - | 64,300,000 | 12,753,788 | - | 25,638,576 | 38,661,424 | 2,719,830 | (4,098,872) | 15,793,192 | 22,868,232 | 3,114,871 | (4,859,148) | 799,106 | - | 11,808,616 |
| 2015 | - | - | 64,300,000 | 12,860,000 | - | 38,498,576 | 25,801,424 | - | (5,253,310) | 10,539,882 | 15,261,542 | 2,259,578 | (4,006,668) | - | - | 11,112,910 |
| 2016 | - | - | 64,300,000 | 12,820,562 | - | 51,319,138 | 12,980,862 | - | (5,237,200) | 5,302,682 | 7,678,180 | 1,358,236 | (2,626,323) | - | - | 11,552,475 |
| 2017 | - | - | 64,300,000 | 9,877,143 | - | 61,196,281 | 3,103,719 | - | (4,034,813) | 1,267,869 | 1,835,849 | 528,837 | (588,391) | - | - | 9,817,589 |
| 2018 | - | - | 64,300,000 | 2,997,506 | - | 64,193,788 | 106,212 | - | (1,224,481) | 43,388 | 62,824 | 75,489 | (259,548) | - | - | 2,813,447 |
| 2019 | - | - | 64,300,000 | 106,212 | - | 64,300,000 | - | - | (43,388) | 0 | (0) | 1,080 | (259,548) | - | - | (152,256) |
| 2020 | - | - | 64,300,000 | - | - | 64,300,000 | - | - | - | 0 | (0) | (0) | (259,548) | - | - | (259,548) |
| 2021 | - | - | 64,300,000 | - | - | 64,300,000 | - | - | - | 0 | (0) | (0) | (259,548) | - | - | (259,548) |
| 2022 | - | - | 64,300,000 | - | - | 64,300,000 | - | - | - | 0 | (0) | (0) | (256,703) | - | - | (256,703) |
| 2023 | - | - | 64,300,000 | - | - | 64,300,000 | - | - | - | 0 | (0) | (0) | (119,540) | - | - | (119,540) |
| **Total** | 64,300,000 | - | | 64,300,000 | - | | | 64,300,000 | 0 | | | 11,081,527 | (16,552,800) | 5,306,447 | - | 64,135,173 |

[1] No Capitalized IT Costs are being requested in this filing
[2] No Lost Distribution Margin Revenues are being requested

**PSE&G Economic Energy Efficiency Extension Program**
**Gas Revenue Requirements Calculation**

| | |
|---|---|
| Monthly WACC effective 07/01/2010 | 0.987670% |
| Inc. Tax rate effective 07/01/2010 | 40.850% |

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Investment | Capitalized IT Costs[1] | Gross Plant | Program Investment Amortization | IT Cost Amortization[1] | Accumulated Amortization | Net Plant | Tax Depreciation | Deferred Income Tax | Accumulated Deferred Income Tax | Net Investment | Return Requirement | Program Investment Repayments | Administrative costs | Lost Distribution Margin Revenue[2] | Revenue Requirements |
| **Monthly Calculations** | | | | | | | | | | | | | | | | |
| Jan-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Feb-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Mar-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Apr-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| May-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Jun-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Jul-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Aug-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | 71,853 | - | 71,853 |
| Sep-11 | - | - | - | - | - | - | - | - | - | - | - | - | - | 71,853 | - | 71,853 |
| Oct-11 | 98,880 | - | 98,880 | 1,648 | - | 1,648 | 97,232 | 98,880 | 39,719 | 39,719 | 57,513 | 284 | - | 71,853 | - | 73,785 |
| Nov-11 | 150,751 | - | 249,631 | 4,161 | - | 5,809 | 243,822 | 150,751 | 59,882 | 99,601 | 144,221 | 996 | - | 71,853 | - | 77,010 |
| Dec-11 | 306,858 | - | 556,488 | 9,275 | - | 15,083 | 541,405 | 306,858 | 121,563 | 221,164 | 320,241 | 2,294 | - | 71,853 | - | 83,422 |
| Jan-12 | 302,778 | - | 859,267 | 14,321 | - | 29,404 | 829,862 | 302,778 | 117,835 | 338,999 | 490,864 | 4,006 | (299) | 73,129 | - | 91,157 |
| Feb-12 | 841,010 | - | 1,700,277 | 28,338 | - | 57,742 | 1,642,535 | 841,010 | 331,977 | 670,975 | 971,559 | 7,222 | (896) | 73,129 | - | 107,793 |
| Mar-12 | 768,290 | - | 2,468,567 | 41,143 | - | 98,885 | 2,369,682 | 768,290 | 297,040 | 968,015 | 1,401,667 | 11,720 | (1,511) | 73,129 | - | 124,481 |
| Apr-12 | 790,348 | - | 3,258,916 | 54,315 | - | 153,200 | 3,105,715 | 790,348 | 300,669 | 1,268,685 | 1,837,031 | 15,994 | (2,127) | 73,129 | - | 141,312 |
| May-12 | 1,027,978 | - | 4,286,894 | 71,448 | - | 224,649 | 4,062,245 | 1,027,978 | 390,743 | 1,659,427 | 2,402,818 | 20,938 | (2,742) | 73,129 | - | 162,773 |
| Jun-12 | 938,054 | - | 5,224,948 | 87,082 | - | 311,731 | 4,913,217 | 938,054 | 347,622 | 2,007,049 | 2,906,168 | 26,218 | (3,665) | 73,129 | - | 182,764 |
| Jul-12 | 1,028,940 | - | 6,253,888 | 104,231 | - | 415,963 | 5,837,925 | 1,028,940 | 377,743 | 2,384,792 | 3,453,133 | 31,404 | (4,588) | 73,129 | - | 204,177 |
| Aug-12 | 1,706,405 | - | 7,960,293 | 132,672 | - | 548,634 | 7,411,659 | 1,706,405 | 642,870 | 3,027,663 | 4,383,996 | 38,702 | (5,511) | 73,129 | - | 238,992 |
| Sep-12 | 1,365,298 | - | 9,325,591 | 155,427 | - | 704,061 | 8,621,530 | 1,365,298 | 494,232 | 3,521,895 | 5,099,635 | 46,833 | (6,434) | 73,129 | - | 268,955 |
| Oct-12 | 1,426,068 | - | 10,751,658 | 179,194 | - | 883,255 | 9,868,403 | 1,426,068 | 509,348 | 4,031,243 | 5,837,161 | 54,010 | (7,357) | 73,129 | - | 298,976 |
| Nov-12 | 1,959,215 | - | 12,710,873 | 211,848 | - | 1,095,103 | 11,615,770 | 1,959,215 | 713,799 | 4,745,042 | 6,870,728 | 62,756 | (9,185) | 73,129 | - | 338,548 |
| Dec-12 | 1,476,725 | - | 14,187,598 | 236,460 | - | 1,331,563 | 12,856,035 | 1,476,725 | 506,648 | 5,251,690 | 7,604,345 | 71,483 | (11,919) | 73,129 | - | 369,154 |
| | Program Assumption | Program Assumption | Prior Month + (Col 1 + Col 2) | 1/60 of each Prior 60 Months from Col 1 (5 year amortization) | 1/60 of Each Prior 60 Months of Col 2 (5 year amortization) | Prior Month + (Col 4 + Col 5) | Col 3 - Col 6 | See WP_SS-1.xls 'AmortG' wksht | -(Col 4 + Col 5 - Col 8) * Income Tax Rate | Prior Month + Col 9 | Col 7 - Col 10 | (Prior Col 11 + Col 11) / 2 * Monthly Pre Tax WACC | Program Assumption | Program Assumption | See WP_SS-1.xls 'InputG' wksht | Col 4 + Col 5 + Col 12 + Col 13 + Col 14 |
| **Annual Summary** | | | | | | | | | | | | | | | | |
| 2011 | 556,488 | - | 556,488 | 15,083 | - | 15,083 | 541,405 | 556,488 | 221,164 | 221,164 | 320,241 | 3,574 | - | 359,267 | - | 377,924 |
| 2012 | 13,631,110 | - | 14,187,598 | 1,316,480 | - | 1,331,563 | 12,856,035 | 13,631,110 | 5,030,526 | 5,251,690 | 7,604,345 | 391,286 | (56,234) | 877,553 | - | 2,529,084 |
| 2013 | 15,111,278 | - | 29,298,876 | 4,716,689 | - | 6,048,252 | 23,250,624 | 15,111,278 | 4,246,190 | 9,497,880 | 13,752,744 | 1,367,760 | (767,003) | 953,668 | - | 6,271,114 |
| 2014 | 1,401,124 | - | 30,700,000 | 6,085,285 | - | 12,133,536 | 18,566,464 | 1,401,124 | (1,913,479) | 7,584,401 | 10,982,063 | 1,492,992 | (1,981,510) | 503,065 | - | 6,099,832 |
| 2015 | - | - | 30,700,000 | 6,140,000 | - | 18,273,536 | 12,426,464 | - | (2,508,190) | 5,076,211 | 7,350,253 | 1,086,377 | (2,020,490) | - | - | 5,205,886 |
| 2016 | - | - | 30,700,000 | 6,124,917 | - | 24,398,453 | 6,301,547 | - | (2,502,028) | 2,574,182 | 3,727,365 | 656,021 | (1,549,582) | - | - | 5,231,356 |
| 2017 | - | - | 30,700,000 | 4,823,521 | - | 29,221,973 | 1,478,027 | - | (1,970,408) | 603,774 | 874,253 | 255,845 | (499,738) | - | - | 4,579,627 |
| 2018 | - | - | 30,700,000 | 1,423,311 | - | 30,645,285 | 54,715 | - | (581,423) | 22,351 | 32,364 | 36,459 | (330,334) | - | - | 1,129,436 |
| 2019 | - | - | 30,700,000 | 54,715 | - | 30,700,000 | (0) | - | (22,351) | (0) | (0) | 557 | (330,334) | - | - | (275,062) |
| 2020 | - | - | 30,700,000 | - | - | 30,700,000 | (0) | - | - | (0) | (0) | (0) | (330,334) | - | - | (330,334) |
| 2021 | - | - | 30,700,000 | - | - | 30,700,000 | (0) | - | - | (0) | (0) | (0) | (330,334) | - | - | (330,334) |
| 2022 | - | - | 30,700,000 | - | - | 30,700,000 | (0) | - | - | (0) | (0) | (0) | (326,713) | - | - | (326,713) |
| 2023 | - | - | 30,700,000 | - | - | 30,700,000 | (0) | - | - | (0) | (0) | (0) | (152,142) | - | - | (152,142) |
| **Total** | 30,700,000 | - | | 30,700,000 | - | | | 30,700,000 | (0) | | | 5,290,869 | (8,674,749) | 2,693,553 | - | 30,009,673 |

[1] No Capitalized IT Costs are being requested in this filing

[2] No Lost Distribution Margin Revenues are being requested

# PSE&G Economic Energy Efficiency Extension Program
# Proposed Rate Calculations

($'s Unless Specified) SUT Rate 7%

| Line | | | Electric | Gas | Source/Description |
|---|---|---|---|---|---|
| 1 | 2012 | Revenue Requirements (Aug 11 - Dec 12) | 6,076,869 | 2,907,008 | Attachment 2, Page 1 / 2 , Col 16 |
| 2 | Aug 2011 - Dec 2012 | Forecasted kWh / Therms (000) | 61,171,392 | 3,683,239 | |
| 3 | | Proposed Rate w/o SUT ($/kWh or $/Therm) | 0.000099 | 0.000789 | (Line 1 / (Line 2*1,000)) [Rnd 6] |
| 4 | | Proposed Rate w/ SUT ($/kWh or $/Therm) | 0.000106 | 0.000844 | (Line 3 * (1 + SUT Rate)) [Rnd 6] |
| 5 | | Existing Rate w/o SUT ($/kWh or $/Therm) | - | - | |
| 6 | | Difference in Proposed and Existing Rate | 0.000099 | 0.000789 | (Line 3 - Line 5) |
| 7 | | Resultant EEE Revenue Increase | 6,055,968 | 2,906,076 | (Line 2 * Line 6 * 1,000) |

# PSE&G Economic Energy Efficiency Extension Program
## Electric Over/(Under) Calculation

Tax Rate effective 07/01/10 40.850%

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Over / (Under) Recovery Beginning Balance | Electric Revenues | Revenue Requirement Excluding WACC Cost | Over / (Under) Recovery | Over / (Under) Recovery Ending Balance | Over / (Under) Average Monthly Balance | Interest Rate (Annualized) | Interest On Over / (Under) Average Monthly Balance | Interest Roll-In | Cumulative Interest |
| **Monthly Calculations** | | | | | | | | | | |
| Jan-11 | | | - | | | | | | | |
| Feb-11 | | | - | | | | | | | |
| Mar-11 | | | - | | | | | | | |
| Apr-11 | | | - | | | | | | | |
| May-11 | | | - | | | | | | | |
| Jun-11 | | | - | | | | | | | - |
| Jul-11 | | | - | | | | | | | - |
| Aug-11 | - | 436,941 | 171,260 | 265,681 | 265,681 | 132,841 | 0.24% | 16 | | 16 |
| Sep-11 | 265,681 | 369,733 | 171,260 | 198,473 | 464,154 | 364,917 | 0.24% | 43 | | 59 |
| Oct-11 | 464,154 | 321,678 | 174,360 | 147,318 | 611,472 | 537,813 | 0.24% | 64 | | 123 |
| Nov-11 | 611,472 | 315,499 | 183,665 | 131,834 | 743,306 | 677,389 | 0.24% | 80 | | 203 |
| Dec-11 | 743,306 | 340,742 | 204,151 | 136,591 | 879,897 | 811,602 | 0.24% | 96 | | 299 |
| Jan-12 | 879,897 | 364,184 | 200,162 | 164,022 | 1,043,919 | 961,908 | 0.24% | 114 | | 412 |
| Feb-12 | 1,043,919 | 336,008 | 234,666 | 101,342 | 1,145,261 | 1,094,590 | 0.24% | 129 | | 542 |
| Mar-12 | 1,145,261 | 338,795 | 266,364 | 72,430 | 1,217,691 | 1,181,476 | 0.24% | 140 | | 682 |
| Apr-12 | 1,217,691 | 308,988 | 303,062 | 5,926 | 1,223,618 | 1,220,654 | 0.24% | 144 | | 826 |
| May-12 | 1,223,618 | 329,334 | 349,178 | (19,844) | 1,203,773 | 1,213,696 | 0.24% | 144 | | 970 |
| Jun-12 | 1,203,773 | 371,749 | 387,798 | (16,050) | 1,187,724 | 1,195,749 | 0.24% | 141 | | 1,111 |
| Jul-12 | 1,187,724 | 434,276 | 426,407 | 7,869 | 1,195,593 | 1,191,658 | 0.24% | 141 | | 1,252 |
| Aug-12 | 1,195,593 | 438,232 | 490,661 | (52,428) | 1,143,164 | 1,169,379 | 0.24% | 138 | | 1,390 |
| Sep-12 | 1,143,164 | 368,610 | 543,493 | (174,883) | 968,282 | 1,055,723 | 0.24% | 125 | | 1,515 |
| Oct-12 | 968,282 | 324,650 | 593,590 | (268,940) | 699,342 | 833,812 | 0.24% | 99 | | 1,614 |
| Nov-12 | 699,342 | 314,211 | 662,367 | (348,155) | 351,186 | 525,264 | 0.24% | 62 | | 1,676 |
| Dec-12 | 351,186 | 342,338 | 714,425 | (372,088) | (20,901) | 165,143 | 0.24% | 20 | | 1,696 |
| | (Prior Col 5) + (Col 9) | 2011 Forecasted kWh * Proposed Rate | See Revenue Requirements Schedule for Details | Col 2 - Col 3 | Col 1 + Col 4 | (Col 1 + Col 5) / 2 | PSE&G CP/STD Wght Avg Rate from Previous Month | (Col 6 * (Col 7) / 12)*net of tax rate | | Prior Month + Col 8 · Col 9 |

**Annual Summary**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2011 | | 1,784,594 | 904,696 | 879,897 | | | | 299 | | |
| 2012 | | 4,271,374 | 5,172,173 | (900,798) | | | | 1,397 | | |

# PSE&G Economic Energy Efficiency Extension Program
## Electric Over/(Under) Calculation

Tax Rate effective 07/01/10 40.850%

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Over / (Under) Recovery Beginning Balance | Gas Revenues | Revenue Requirement Excluding WACC Cost | Over / (Under) Recovery | Over / (Under) Recovery Ending Balance | Over / (Under) Average Monthly Balance | Interest Rate (Annualized) | Interest On Over / (Under) Average Monthly Balance | Interest Roll-In | Cumulative Interest |
| **Monthly Calculations** | | | | | | | | | | |
| Jan-11 | | | - | | | | | | | |
| Feb-11 | | | - | | | | | | | |
| Mar-11 | | | - | | | | | | | |
| Apr-11 | | | - | | | | | | | |
| May-11 | | | - | | | | | | | |
| Jun-11 | | | - | | | | | | | |
| Jul-11 | | | - | | | | | | | |
| Aug-11 | - | 68,923 | 71,853 | (2,930) | (2,930) | (1,465) | 0.24% | (0) | | (0) |
| Sep-11 | (2,930) | 67,913 | 71,853 | (3,940) | (6,870) | (4,900) | 0.24% | (1) | | (1) |
| Oct-11 | (6,870) | 107,661 | 73,785 | 33,876 | 27,006 | 10,068 | 0.24% | 1 | | 0 |
| Nov-11 | 27,006 | 193,594 | 77,010 | 116,584 | 143,590 | 85,298 | 0.24% | 10 | | 11 |
| Dec-11 | 143,590 | 308,150 | 83,422 | 224,728 | 368,318 | 255,954 | 0.24% | 30 | | 41 |
| Jan-12 | 368,318 | 371,325 | 91,157 | 280,168 | 648,486 | 508,402 | 0.24% | 60 | | 101 |
| Feb-12 | 648,486 | 330,262 | 107,793 | 222,469 | 870,955 | 759,721 | 0.24% | 90 | | 191 |
| Mar-12 | 870,955 | 285,426 | 124,481 | 160,945 | 1,031,900 | 951,428 | 0.24% | 113 | | 303 |
| Apr-12 | 1,031,900 | 163,785 | 141,312 | 22,473 | 1,054,373 | 1,043,137 | 0.24% | 123 | | 427 |
| May-12 | 1,054,373 | 104,205 | 162,773 | (58,568) | 995,805 | 1,025,089 | 0.24% | 121 | | 548 |
| Jun-12 | 995,805 | 84,072 | 182,764 | (98,693) | 897,113 | 946,459 | 0.24% | 112 | | 660 |
| Jul-12 | 897,113 | 70,232 | 204,177 | (133,945) | 763,168 | 830,140 | 0.24% | 98 | | 758 |
| Aug-12 | 763,168 | 68,616 | 238,992 | (170,376) | 592,791 | 677,979 | 0.24% | 80 | | 838 |
| Sep-12 | 592,791 | 67,508 | 268,955 | (201,448) | 391,344 | 492,067 | 0.24% | 58 | | 897 |
| Oct-12 | 391,344 | 107,650 | 298,976 | (191,326) | 200,017 | 295,680 | 0.24% | 35 | | 932 |
| Nov-12 | 200,017 | 193,013 | 338,548 | (145,535) | 54,482 | 127,249 | 0.24% | 15 | | 947 |
| Dec-12 | 54,482 | 313,740 | 369,154 | (55,414) | (932) | 26,775 | 0.24% | 3 | | 950 |
| | (Prior Col 5) + (Col 9) | 2011 Forecasted Therms * Proposed Rate | See Revenue Requirements Schedule for Details | Col 2 - Col 3 | Col 1 + Col 4 | (Col 1 + Col 5) / 2 | PSE&G CP/STD Wght Avg Rate from Previous Month | (Col 6 * (Col 7) / 12)*net of tax rate | | Prior Month + Col 8 · Col 9 |
| **Annual Summary** | | | | | | | | | | |
| 2011 | | 746,242 | 377,924 | 368,318 | 529,113 | 344,954 | | 41 | | |
| 2012 | | 2,159,834 | 2,529,084 | (369,251) | 7,499,501 | 7,684,127 | | 909 | | |

**Minimum Filing Requirements**

1. A monthly revenue requirement calculation based on program expenditures, showing the actual monthly revenue requirement for each of the past twelve months or clause-review period, as well as supporting calculations, including the information related to the tax rate and revenue multiplier used in the revenue requirement calculation.
2. For the review period, actual revenues, by month and by rate class recorded under the programs.
3. Monthly beginning and ending clause balances, as well as the average balance net of tax for the 12-month period.
4. The interest rate used each month for over/under recoveries, and all supporting documentation and calculations for the interest rate.
5. The interest expense to be charged or credited to ratepayers each month.
6. A schedule showing budgeted versus actual program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives, including inspections and quality control, program implementation (all contract costs), evaluation, and any other costs.
7. The monthly journal entries relating to regulatory asset and O&M expenses for the 12 month review period.
8. Supporting details for all administrative costs included in the revenue requirement.
9. Information supporting the carrying cost used for the unamortized costs.
10. Number of program participants, including a breakdown by sub-program.
11. Estimated demand and energy savings, including a breakdown by sub-program.
12. Emissions reductions from the Program, including a breakdown by sub-program.
13. Estimated free ridership and spillover.
14. Participant costs (net of utility incentives), including a breakdown by sub-program.
15. Results of program evaluations, including a breakdown by sub-program.

## Additional Minimum Filing Requirements

RE: Incremental Employees

i. Please provide a list of incremental employees and their title working on the programs recovered through the RRC.
ii. Identify whether the employee is union or non-union.
iii. Please provide their associated titles and salaries.
iv. Please provide a list of other RGGI, SBC, or other programs (including Solar Loan 1) and other utility/non utility responsibilities that these employees work on and the percentage of their time spent on each program/area.

RE: Employee Labor Costs

v. Please identify, by title, all employees whose labor costs are included, in whole or in part, in the RRC costs for which the Company is seeking recovery.
vi. Identify whether the employee is union or non-union.
vii. For each such employee, please provide (i) their annual total salary, (ii) the amount being charged or allocated to each RRC program, by year, (iii) the amount being charged or allocated to any other SBC, Solar Loan 1 or other utility program, by year.

RE: Labor vs. Non-Labor costs

Please provide, for each cost category, the amount of labor vs. non-labor costs.

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY** **XXX Revised Sheet No. 65**
**Superseding**
**B.P.U.N.J. No. 15 ELECTRIC** **XXX Sheet No. 65**

## RGGI RECOVERY CHARGE

| **Component:** | **Charge (per kilowatthour)** |
|---|---|
| Carbon Abatement Program | $ 0.000039 |
| Demand Response Working Group Modified Program | $ 0.000000 |
| Energy Efficiency Economic Stimulus Program | $ 0.000350 |
| Demand Response Program | $ 0.000067 |
| Solar Generation Investment Program | $ 0.000177 |
| Solar Loan II Program | $ 0.000039 |
| Energy Efficiency Economic Extension Program | $ 0.000099 |
| Sub-total per kilowatthour | $ 0.000771~~0.000672~~ |
| | |
| Charge including New Jersey Sales and Use Tax (SUT) | $ 0.000825~~0.000719~~ |

**RGGI RECOVERY CHARGE**

This charge is designed to recover the revenue requirements associated with the PSE&G Regional Greenhouse Gas Initiative (RGGI) programs. The charge will be reset nominally on an annual basis. For the Demand Response Working Group Modified Program. Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances. For all other programs, interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rates shall be reset each month.

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY** **XXX Revised Sheet No. 44**
**Superseding**
**B.P.U.N.J. No. 15 GAS** **XXX Sheet No. 44**

**RGGI RECOVERY CHARGE**

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

**Component:**

Carbon Abatement Program........................................................................... $0.000731
Energy Efficiency Economic Stimulus Program ......................................................... 0.002390
Energy Efficiency Economic Extension Program ...................................................... 0.000789

RGGI Recovery Charge ...............................................................................$0.003910~~0.003121~~

RGGI Recovery Charge including New Jersey Sales and Use Tax (SUT)................ $0.004184~~0.003339~~

RGGI Recovery Charge

This charge is designed to recover the revenue requirements associated with the PSE&G Regional Greenhouse Gas Initiative (RGGI) programs. The charge will be reset nominally on an annual basis. Interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rate shall be reset each month.

Date of Issue: Effective:
Issued by Issued by ROSE M. CHERNICK, Vice President Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. EO11010030

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY** | **XXX Revised Sheet No. 65**
**Superseding**
**B.P.U.N.J. No. 15 ELECTRIC** | **XXX Sheet No. 65**

## RGGI RECOVERY CHARGE

| | Charge (per kilowatthour) |
|---|---|
| **Component:** | |
| Carbon Abatement Program | $ 0.000039 |
| Demand Response Working Group Modified Program | $ 0.000000 |
| Energy Efficiency Economic Stimulus Program | $ 0.000350 |
| Demand Response Program | $ 0.000067 |
| Solar Generation Investment Program | $ 0.000177 |
| Solar Loan II Program | $ 0.000039 |
| Energy Efficiency Economic Extension Program | $ 0.000099 |
| Sub-total per kilowatthour | $ 0.000771 |
| Charge including New Jersey Sales and Use Tax (SUT) | $ 0.000825 |

**RGGI RECOVERY CHARGE**

This charge is designed to recover the revenue requirements associated with the PSE&G Regional Greenhouse Gas Initiative (RGGI) programs. The charge will be reset nominally on an annual basis. For the Demand Response Working Group Modified Program. Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances. For all other programs, interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rates shall be reset each month.

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**RGGI RECOVERY CHARGE**

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

**Component:**

| | |
|---|---|
| Carbon Abatement Program | $0.000731 |
| Energy Efficiency Economic Stimulus Program | 0.002390 |
| Energy Efficiency Economic Extension Program | 0.000789 |
| RGGI Recovery Charge | $0.003910 |
| RGGI Recovery Charge including New Jersey Sales and Use Tax (SUT) | $0.004184 |

RGGI Recovery Charge

This charge is designed to recover the revenue requirements associated with the PSE&G Regional Greenhouse Gas Initiative (RGGI) programs. The charge will be reset nominally on an annual basis. Interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rate shall be reset each month.

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