



Agenda Date: 7/14/11
Agenda Item: 2D

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF A CAPITAL ECONOMIC)
STIMULUS INFRASTRUCTURE INVESTMENT)
PROGRAM AND AN ASSOCIATED COST)
RECOVERY MECHANISM PURSUANT TO)
N.J.S.A. 48:2-21 AND 48:21.1) DOCKET NOS. EO09010049,
GO09010050 & ER09110936

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
THE CHANGES IN ITS CAPITAL ECONOMIC)
STIMULUS INFRASTRUCTURE INVESTMENT)
CHARGES AND ASSOCIATED CAPITAL)
ADJUSTMENT MECHANISMS AND FOR CHANGES)
IN ITS TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J) DOCKET NOS. EO10110823
NO. 15 ELECTRIC, AND THE TARIFF FOR GAS) & GO10110824
SERVICE, B.P.U.N.J. NO. 15 GAS) OAL Dkt. No PUC 01534-11

Stefanie A. Brand, Director, New Jersey Division of Rate Counsel
Matthew Weissman, Esq., Public Service Electric and Gas Company

BY THE BOARD:

Background

The Capital Infrastructure Investment Program

Public Service Electric and Gas Company (“PSE&G” or the “Company”) filed a petition in Docket Nos. EO09010049 and GO09010050, (“Petition”) on January 21, 2009, requesting that the Board approve a Capital Infrastructure Investment Program (“Infrastructure Program” or “CIP”) pursuant to N.J.S.A. 48:2-21.1 et seq., and simultaneously approve the recovery of costs for projects included within its proposed Infrastructure Program through the implementation of electric and gas Capital Adjustment Mechanisms (“CAMs”) and associated Capital Adjustment Charges (“CAC”). The Company supplemented the Petition on February 4, 2009 (collectively, the “2009 Filing”).

According to the Company, the projects proposed in the Infrastructure Program (“Qualifying Projects” or “QP”) were incremental to its planned fiscal 2009, 2010 and 2011 capital investments. Additionally, the Company represented that expediting the work on these projects would assist in mitigating the negative impact of the recession by creating additional job opportunities in the State while enhancing service and reliability for PSE&G’s existing customers. In the 2009 Filing, PSE&G also requested approval of a proposed method for recovering the investment costs associated with the Qualifying Projects.

Subsequent to discovery and public hearings, the Company, Board Staff and the Division of Rate Counsel (“Rate Counsel”) executed and submitted to the Board for consideration a stipulation dated April 9, 2009, specifying the agreed upon Qualifying Projects, their attendant costs and revenue requirements, applicable rate recovery mechanisms, anticipated job creation, and Company reporting and rate filing requirements.

By Order dated April 28, 2009, the Board adopted the April 9, 2009 Stipulation in its entirety, thereby approving the construction of thirty-eight Qualifying Projects, which were expected to create 933 additional jobs while enhancing the provision of safe, adequate and proper service in PSE&G’s service territory through capital investment in PSE&G’s distribution system (“the April 2009 Order”). The Board also directed the Company to make its first annual cost recovery filing no later than November 1, 2009.

PSE&G’s First Annual CIP Filing

On November 5, 2009, the Company submitted its first annual CIP filing in Docket Nos. EO09010049 and GO09010050, requesting a \$33.2 million increase in the Company’s electric and gas CACs, the rate mechanism used to recover the costs associated with the QPs. On December 22, 2009, the Board approved a stipulation for provisional CAC rates which had been entered into by PSE&G, Rate Counsel and Board Staff, with the rates effective January 1, 2010.

This matter was transmitted to the Office of Administrative Law on February 11, 2011, and assigned to Administrative Law Judge (“ALJ”) Richard McGill. On January 19, 2011, the Utility Workers Union of America, Local 601, (“Local 601”) filed with the Board a Motion for Leave to Intervene in this proceeding. On February 3, 2011, PSE&G submitted a Letter Reply in response to Local 601’s motion, opposing the motion. On March 4, 2011, Local 601 submitted a Letter Reply to PSE&G’s Reply of February 3, disputing the Company’s response.

PSE&G’s Base Rate Proceeding (Dkt. No. GR09050422)

On May 29, 2009, PSE&G filed a petition with the Board seeking to increase its electric and gas distribution base rates (“Base Rate Case”) which was assigned to Docket No. GR09050422. Among other things, the Company sought an expansion of the Infrastructure Program and a review of certain Qualified Projects for inclusion within the Company’s rate base as required by the April 2009 Order.

In accordance with the Company’s Base Rate Case stipulation, and as approved by Board Orders dated June 7, 2010 addressing the Company’s electric operations and July 9, 2010 addressing the Company’s gas operations, certain Qualifying Projects were rolled into the Company’s rate base. Additionally, in the Base Rate Case, the parties agreed that PSE&G would be permitted to continue the recovery of approximately \$11.5 million of Qualifying

Projects (approximately \$10.7 million for electric and approximately \$.7 million for gas) through the CACs, subject to a prudency review of costs associated with these projects in the forthcoming Phase II portion of the Base Rate Case.

PSE&G's Second Annual CIP Filing

On November 1, 2010, the Company submitted its second annual CIP filing in Docket Nos. EO10110823 and GO10110824 ("November 1, 2010 Annual Filing"), to be effective January 1, 2011. The petition seeks to reset PSE&G's CACs and includes an update on the status of the CIP and the Qualifying Projects as required by the April 2009 Order. The resultant revenue increase on the Company's electric and gas customers, if approved, would be an additional \$17.6 million. This matter was transmitted to the Office of Administrative Law on April 1, 2011, was assigned to ALJ Richard McGill, and was subsequently consolidated with the first annual CIP filing.

PSE&G's Request for an Extension of its Gas and Electric Capital Infrastructure Program Filings

Based on the continued need to stimulate the economy and further foster job retention or creation in PSE&G's service territory, the Company sought Board approval to continue the acceleration of incremental capital spending for additional capital projects. Accordingly, on November 23, 2010, PSE&G made a filing (Docket No. GO10110862) for approval of an extension of the Gas Infrastructure Program including eight proposed projects with overall anticipated construction costs of \$78 million over a period of three (3) years. On February 18, 2011, PSE&G made a filing (Docket No. EO11020088) for approval of an extension of the Electric Infrastructure Program including twenty-four proposed projects with overall anticipated construction costs of \$229 million over a period of three (3) years. These filings are collectively referred to as "CIP II," and are addressed in a separate Order.

Public Hearings

In connection with Docket Nos. EO09010049 and GO09010050, public hearings were held on March 5, 2009 in Mount Holly, March 9, 2009 in Hackensack, and March 11, 2009 in New Brunswick. In connection with Docket Nos. EO10110823 and GO10110824, public hearings were held on December 13, 2010 in Hackensack, December 14, 2010 in New Brunswick, and December 16, 2010 in Mount Holly. In connection with Docket Nos. EO11020088 and GO10110862, public hearings were held on April 25, 2011 in Hackensack, April 27, 2011 in New Brunswick, and April 28, 2011 in Mount Holly. A total of eleven members of the public appeared at the hearings in March 2009. Five people spoke on the record; mostly on issues unrelated to this petition. On December 13, 2010 a speaker from the UWUA stated that PSE&G was delivering substandard services in the community and outsourcing jobs to companies outside of the State of New Jersey.

The CIP I Stipulation

After engaging in settlement negotiations, on July 7, 2011 representatives of PSE&G, Board Staff, and Rate Counsel (collectively, the "Signatory Parties"), executed a stipulation¹ ("CIP I Stipulation").²

¹Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

The salient points of the CIP I Stipulation are as follows:

- 1) PSE&G's total minimum levels of base electric capital spending, including Utility Operating Support ("UOS") costs and excluding capital expenditures for New Business or monies spent under the CIP umbrella will be \$170.5 million in 2011; \$183.8 million in 2012; and \$188.8 million in 2013.
- 2) PSE&G's total minimum levels of base gas capital spending, excluding capital expenditures for New Business or monies spent under the CIP umbrella will be \$116.3 million in 2011 and \$133.9 million in 2012.
- 3) PSE&G will provide Board Staff and Rate Counsel with quarterly reports that reflect common industry wide engineering indices for PSE&G, until such time as PSE&G files its next base rate proceeding.
- 4) The CIP I Stipulation resolves the issue of whether PSE&G's 2009 and 2010 CIP spending was incremental.
- 5) If the Company meets its 2011 base spending commitments, the Signatory Parties will not contest the incremental nature of PSE&G's 2011 CIP spending.
- 6) PSE&G represents that it has satisfied the requirements of all previously issued Board Order's that address the CIP.
- 7) The Company represents that the Qualifying Projects addressed by this Order will assist the Company in providing safe, adequate and proper service, and would not have occurred under the current schedule if the CIP did not exist. The Company also represents that more jobs have been created than anticipated in the April 2009 Order, including 1,303 jobs through March 2011.³
- 8) The CAC rates proposed in PSE&G's November 2010 Annual Filing will be implemented. PSE&G will make a filing ("Final CIP Filing") following completion of the thirty-eight (38) Qualifying Projects.
- 9) The Signatory Parties agree that a prudency review will occur in the proceeding to evaluate the Final CIP Filing. The Parties agree that the terms of the Board's prior related Orders are incorporated by reference herein.
- 10) A change in the Company's CAC rates consistent with the November 2010 Annual Filing is reasonable at this time.

² Simultaneously with the submission of this CIP I Stipulation to the OAL, the Signatory Parties submitted to the Board, under separate cover, a CIP II Stipulation which addresses the CIP II issues.

³ In its 2009 Filing the Company anticipated that the design and construction work associated with the Qualifying Projects would generate approximately 933 incremental jobs in its service territory. The Company represents that its estimate of the workforce necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects. As intended under the April 2009 Order, the Company also represents that it has endeavored to employ contractors and engineering firms located in New Jersey.

- 11) The Qualifying Projects' costs are to be recovered through the electric and gas CACs.
- 12) The CIP approved in the Board's April 2009 Order addressed thirty-eight (38) QPs at an estimated cost of \$694 million. The Signatory Parties agree that \$693.8 million of actual CIP costs through May 31, 2011 should be approved. The remaining CIP costs will be addressed in the Final CIP Filing.
- 13) The Signatory Parties stipulate that the revenue requirements recovered through the electric and gas CACs are calculated to include a return on investment and a return of investment through depreciation, which investment includes capitalized costs related to the QPs. The specifics of this calculation are addressed in the CIP I Stipulation. PSE&G represents that the Cost Recovery Mechanism, the Minimum Filing Requirements submitted with the November 2009 and November 2010 Annual Filings, PSE&G's Quarterly Reporting, and the calculation of jobs created reflected in the attachments to the CIP I Stipulation are all compliant with the terms of the Board's April 2009, December 2009, June 2010, and July 2010 Orders.
- 14) PSE&G's CAC rates are to be set to recover an additional \$17.6 million over an annual period (\$7.9 million for electric and \$9.7 million for gas), as set forth in the tariff sheets submitted by PSE&G. The CAC rates set forth in Appendix D are to be implemented at the time of the Board Order approving these rates.

On July 5, 2011, ALJ Richard McGill issued an Order denying Local 601's motion to intervene in the consolidated proceedings, finding that the union had failed to show that the small rate increases proposed would have any likely impact on the safety and security of PSE&G's employees or that the union had any significant interest in the rates set in the proceeding.⁴

Subsequently on July 8, 2011 ALJ Richard McGill issued an Initial Decision approving the CIP 1 Stipulation, finding that the parties had voluntarily agreed to the settlement, and that the settlement resolved the issues in controversy and is consistent with law.

DISCUSSION AND FINDINGS

In the April 2009 Order, the Board recognized that the acceleration of utility infrastructure projects and the treatment of capital expenses on an expedited schedule outside the purview of a rate case is not part of the normal course of utility regulation. However, based on economic conditions at that time, the Board found that it was appropriate and within the Board's authority to allow infrastructure projects which had already been researched and planned by the companies to be accelerated, and that enhanced investments in infrastructure would both increase reliability and promote employment. The Board continues to find those conclusions valid.

As detailed above, the CIP I Stipulation sets the rates for certain of the Qualified Projects that have been constructed under the CIP which the Company has represented would not otherwise have been completed by this time. The Company has also represented that the CIP has created more jobs than was anticipated in the April 2009 Order. Under the terms of the CIP I Stipulation, the parties have agreed that a prudence review of the Qualifying Projects as constructed and of

⁴ PSE&G has represented that counsel for Local 601 was copied on e-mails setting a status conference with ALJ McGill, and was provided with information about the settlement and the terms of the stipulation.

the base rate adjustments for projects placed into service after December 31, 2009, will occur in connection with the Final CIP Filing. The Board **FINDS** that this filing will satisfy the requirements of the April 2009 Order for review of PSE&G's CIP project expenditures that were not rolled into base rates during phase I of the Base Rate Case.

The Board has carefully reviewed the record in this proceeding including the attached Initial Decision and CIP I Stipulation. The Board **HEREBY FINDS** that, subject to the terms and conditions set forth below, the attached Initial Decision and CIP I Stipulation are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the CIP Stipulation as its own, as if fully set forth herein.

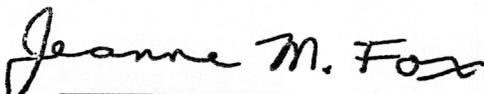
The new CAC rates approved by this Order shall become effective ten (10) days after the date of this Order. A typical residential electric customer using 7,800 kilowatt-hours per years will see an annual increase of \$5.74 or approximately .39%. A typical residential gas heating customer using 1,200 terms per year will see an annual increase of \$9.42 or approximately .62%. The Company is **HEREBY DIRECTED** to file revised tariff sheets conforming to the terms of this Order within five (5) days of the service of this Order.

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

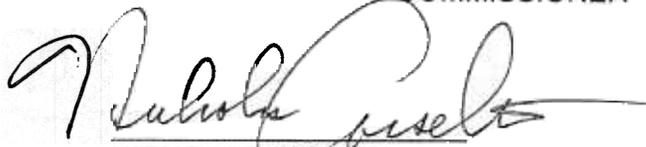
DATED: 7/14/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

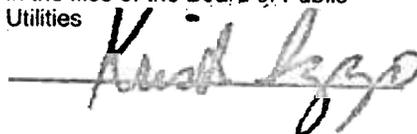

JOSEPH L. FIORDALISO
COMMISSIONER


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



I/M/O the Petition of PSE&G for Approval of a Capital Economic Stimulus Infrastructure Investment Charges and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 AND N.J.S.A. 48:21.1 BPU Docket Nos. EO09010049, GO09010050

I/M/O the PSE&G the Changes in its Capital Economic Stimulus Infrastructure Investment Charges and Associated Capital Adjustment Mechanisms and for Changes in its 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 BPU Docket Nos. EO10110823 EO10110824

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March 4, 2011

VIA ELECTRONIC MAIL & UPS OVERNIGHT MAIL

Kristi Izzo, Secretary
Office of the Secretary
Board of Public Utilities
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RE: IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY OF CHANGES IN ITS CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT CHARGES AND ASSOCIATED CAPITAL ADJUSTMENT MECHANISMS AND FOR CHANGES IN ITS TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. No. 15 ELECTRIC AND CHANGES IN ITS TARIFF FOR GAS SERVICE B.P.U.N.J. No. 15 GAS PURSUANT TO N.J.S.A. 48:2-21 et seq.

BPU Docket Nos.: EO 10110823 & GO10110824

Dear Secretary Izzo:

Please accept this letter Reply to Public Service Electric and Gas' ("PSE&G" or "the Company") Opposition to Utility Workers Union of America Local 601's ("Local 601" or "the Union") Petition to Intervene or, in the Alternative, to Participate, in the above-referenced matter. The Union will also set the record straight with respect to the inaccurate and untrue assertions made by PSE&G's Director of Marketing and Account Management, Gregory C. Dunlap.

1. **UWUA LOCAL 601'S MOTION TO INTERVENE IS UNRELATED TO ONGOING COLLECTIVE BARGAINING NEGOTIATIONS BETWEEN THE UNION AND THE COMPANY.**

First and foremost, PSE&G's opposition seeks to introduce a red-herring into this matter by alleging that the Union's Motion to Intervene is related to the ongoing collective bargaining negotiations between the Company and the Union and that the Union's motion "to intervene in this routine rate clause filing i[s] a transparent attempt to gain leverage at the bargaining table." PSE&G Opposition Letter at p. 3. This accusation is without merit.

The collective bargaining process between the Company and the Union began with an initial exchange of proposals on January 18, 2011. See Affidavit of Noel Christmas at ¶3, attached hereto as Exhibit A. The Union's Motion to Intervene was filed with the Board on January 19, 2011. However, the Union, by and through its Counsel, had been in the process of drafting said Motion since at least on or about January 3, 2011 when counsel for the Union received a copy of PSE&G's initial filing from the Board of Public Utilities. See Certification of Kevin D. Jarvis at ¶¶2-3, attached as Exhibit B. Moreover, Local 601 President Noel Christmas testified in opposition to PSE&G's initial filing at the December 13, 2010 public hearing in Hackensack, New Jersey. See Exhibit A at ¶4. The Union had, therefore, publicly expressed its opposition to the Company's filing a full month before the start of collective negotiations when it had absolutely no knowledge whatsoever of what the Company's negotiating proposals would be. See id. at ¶4. Additionally, this is not the first time that Local 601 has moved to intervene in a PSE&G petition for a rate increase as the Union has so moved on several prior occasions. See id. at ¶5.

The Company next relies on conclusory statements bereft of any factual support whatsoever for opposing the Union's Motion to Intervene. For example, the Company states that

“...the CAC update filing, with its proposed rate increases of about 0.39% for residential electric customers and 0.66% for gas, is not likely to have any impact on the volume of the calls.” PSE&G Opposition Letter at p. 4. The Company provides absolutely no evidence to support this conclusion. Moreover, such statements show how out of touch the Company is regarding the economic hardships currently facing the rate paying public. It also shows a callous disregard for the conditions under which the Company’s Customer Service Representatives (who are represented by Local 601) work. Local 601’s members deal with the public every single day and Company actions that increase utility rates and/or decrease services do, in fact, have a substantial, specific and direct impact on those Local 601 members.

For these reasons, as well as those cited by UWUA Local 601 in its Motion to Intervene or, in the Alternative, to Participate (which reasons are specifically and expressly incorporated by reference as if included herein), the Union has met its burden and should be granted Intervenor status or, in the alternative, should be granted Participant status.

2. PSE&G’S NUMEROUS INACCURATE ASSERTIONS AND ATTACKS ON UWUA LOCAL 601 PRESIDENT NOEL CHRISTMAS.

Finally, we are compelled to address the Company’s *ad hominem* attacks on Mr. Christmas by correcting the numerous inaccuracies contained in Mr. Dunlap’s Certification. In ¶4, Mr. Dunlap states that “...Mr. Christmas alleges that PSE&G is currently *proposing* cutting services to its customers and eliminating jobs currently held by New Jersey residents by using out of state contractors. This statement is not accurate. In fact, PSE&G has not *eliminated* jobs by using out of state contractors.” (Emphasis added) PSE&G has not *yet* eliminated jobs. However, the Company has published Requests for Proposals (“RFPs”) seeking outside contractors to perform work currently being performed by PSE&G employees (who are also

Local 601 members) or which could be performed by some of New Jersey's¹ many unemployed workers.

In ¶5 of his own Certification, Mr. Dunlap contradicts himself by first claiming that Mr. Christmas' assertion that PSE&G has outsourced jobs is inaccurate and then immediately following it up by noting that PSE&G did, in fact, hire a contractor to assist with a peak workload in the collections area. Outsourcing refers to a company which contracts with another company to provide services that might otherwise be performed by in-house employees. These jobs *could* have been performed by hiring additional employees (many of whom could have come off of New Jersey's unemployment rolls) or they could have been performed by existing, in-house employees. In fact, on March 9, 2010, PSE&G entered into an agreement with Local 601 to "address a peak in the collection workload *utilizing an internal workforce.*" See March 9, 2010 Correspondence attached as Exhibit C (emphasis added). However, on or about September 13, 2010, in contravention of that agreement, PSE&G unilaterally decided to utilize outside contractors to perform bargaining unit work, which is unquestionably within the work jurisdiction of Local 601, thereby resulting in Unfair Labor Practice charges being filed against PSE&G by Local 601. See Charge Against Employer, attached as Exhibit D.

Mr. Christmas stated in ¶5 of his Affidavit accompanying Local 601's Motion to Intervene that "[t]hese actions on the part of PSE&G will take good careers, not just jobs, away from New Jersey residents (who are also ratepayers) thereby further adding to the number of unemployed New Jerseyans." He did not claim PSE&G had laid off employees. By failing to hire directly from New Jersey's own unemployed, the Company did add to the number of unemployed New Jerseyans while jeopardizing the jobs of existing PSE&G workers.

¹ As to Mr. Dunlap's point that 25 of Local 601's members are out of state residents, he neglects to mention that UWUA Local 601 has approximately 1,390 total members. Thus, 1,365 (98.2%) of Local 601's members live and pay taxes in New Jersey.

PSE&G has proposed installing 32 kiosks, two (2) at each of the 16 existing Customer Service Centers throughout New Jersey. See Exhibit A at ¶6. PSE&G will evaluate the effectiveness of these kiosks and report the results to the Union in June of 2011. See id. PSE&G has stated that while it is not currently declaring that it will lay off any employees, it may eliminate numerous positions based on the impact of the kiosks. See id. Furthermore, while many ratepayers currently use kiosks in other settings such as supermarkets, bank ATMs, etc., they do *not* use kiosks to set up Deferred Payment Arrangements (“DPAs”) or to reconnect service after being shut off for non-payment. These are services that can only be provided by trained, experienced Customer Service Representatives in PSE&Gs Customer Service Centers.

Mr. Christmas stands by his statements in his Affidavit attached to Local 601’s Motion to Intervene.

3. **CONCLUSION**

For all of the foregoing reasons, as well as those contained in Local 601’s Motion to Intervene or, in the Alternative, to Participate, UWUA Local 601 respectfully requests that the Board issue an Order granting its motion.

Very truly yours,

O’BRIEN, BELLAND & BUSHINSKY, LLC


Kevin D. Jarvis, Esquire

Cc: Attached Service List (e-mail only)
Gregory Eisenstark, Esq. (e-mail only)

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EXHIBIT A

O'BRIEN, BELLAND & BUSHINSKY, LLC
Attorneys for Intervenor, UWUA Local 601
1526 Berlin Road
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(856) 795-2181
By: Mark E. Belland, Esq.
Kevin D. Jarvis, Esq.

IN THE MATTER OF THE PETITION
OF PUBLIC SERVICE ELECTRIC AND
GAS COMPANY OF CHANGES IN ITS
CAPITAL ECONOMIC STIMULUS
INFRASTRUCTURE INVESTMENT
CHARGES AND ASSOCIATED CAPITAL
ADJUSTMENT MECHANISMS AND FOR
CHANGES IN ITS TARIFF FOR ELECTRIC
SERVICE, B.P.U.N.J. No. 15 ELECTRIC
AND CHANGES IN ITS TARIFF FOR GAS
SERVICE B.P.U.N.J. No. 15 GAS
PURSUANT TO *N.J.S.A. 48:2-21 et seq.*

STATE OF NEW JERSEY BOARD OF
PUBLIC UTILITIES

BPU DOCKET NOS.: EO09010049
GO09010050

AFFIDAVIT OF NOEL CHRISTMAS

I, Noel Christmas, of full age and of my own personal knowledge make the following statement by way of Affidavit:

1. I am a resident of the State of New Jersey, currently residing in Union, New Jersey where I have lived for the last year. As a Union resident, I am a ratepayer of Public Service Electric and Gas Company (hereinafter "PSE&G"), which provides my electric and gas service. I submit this Affidavit in further support of Intervenor's Motion for Leave to Intervene, or in the Alternative, to Participate, in the matter of the Petition of Public Service Electric and Gas Company of Changes In Its Capital Economic Stimulus Infrastructure Investment Charges and Associated Capital Adjustment Mechanisms and For Changes In Its Tariff For Electric Service, B.P.U.N.J. No. 15 Electric and Changes In Its Tariff For Gas Service B.P.U.N.J. No. 15 Gas Pursuant to *N.J.S.A. 48:2-21 et seq.*

2. I have been employed by PSE&G for twenty-two (22) years. I am a member of Utility Workers Union of America Local 601 (hereinafter "UWUA Local

601" or "Local 601"), of which I am also the President. I also am currently serving as the Chairman of the New Jersey State Council of Utility Workers Union of America.

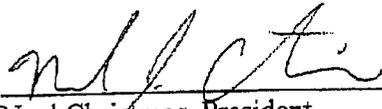
3. UWUA Local 601 is currently in collective bargaining negotiations with PSE&G. The existing Collective Bargaining Agreement ("CBA") between the parties is set to expire on April 30, 2011. The collective bargaining process between the Company and the Union began with an initial exchange of proposals on January 18, 2011.

4. Moreover, I testified in opposition to PSE&G's initial filing at the December 13, 2010 public hearing in Hackensack, New Jersey. As part of my testimony, I publicly expressed the Union's opposition to the Company's filing a full month before the start of collective negotiations. At the time of my testimony, I had absolutely no knowledge whatsoever of what the Company's negotiating proposals would be.

5. Additionally, this is not the first time that Local 601 has moved to intervene in a PSE&G petition for a rate increase as the Union has so moved on several prior occasions (copies of such motions are on file with the Board).

6. PSE&G recently proposed installing 32 kiosks, two (2) at each of the 16 existing Customer Service Centers throughout New Jersey. PSE&G informed me that it intends to evaluate the effectiveness of these kiosks and report the results to the Union in June of 2011. PSE&G has stated that while it is not currently declaring that it will lay off any employees, it may eliminate numerous positions based on the impact of the kiosks.

7. I hereby certify that the foregoing statements made by me are true. If any of the foregoing statements are willfully false, I am subject to punishment.



Noel Christmas, President

DATED: February 21, 2011

Sworn and subscribed before me on
this 21st day of February, 2011



Notary Public

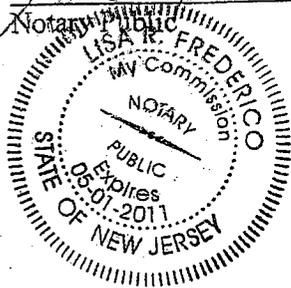


EXHIBIT B

O'BRIEN, BELLAND & BUSHINSKY, LLC

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By: Mark E. Belland, Esq.

Kevin D. Jarvis, Esq.

IN THE MATTER OF THE PETITION
OF PUBLIC SERVICE ELECTRIC AND
GAS COMPANY OF CHANGES IN ITS
CAPITAL ECONOMIC STIMULUS
INFRASTRUCTURE INVESTMENT
CHARGES AND ASSOCIATED CAPITAL
ADJUSTMENT MECHANISMS AND FOR
CHANGES IN ITS TARIFF FOR ELECTRIC
SERVICE, B.P.U.N.J. No. 15 ELECTRIC
AND CHANGES IN ITS TARIFF FOR GAS
SERVICE B.P.U.N.J. No. 15 GAS
PURSUANT TO *N.J.S.A. 48:2-21 et seq.*

STATE OF NEW JERSEY BOARD OF
PUBLIC UTILITIES

BPU DOCKET NOS.: EO09010049
GO09010050

CERTIFICATION OF COUNSEL

Kevin D. Jarvis, Esq., being duly sworn according to law upon his oath, hereby certifies as follows:

1. I represent Utility Workers Union of America, Local 601, ("Local 601"), and submit this Certification in further support of Local 601's Motion for Leave to Intervene, or in the alternative, to Participate, in the matter of the Petition of Public Service Electric and Gas Company of Changes In Its Capital Economic Stimulus Infrastructure Investment Charges and Associated Capital Adjustment Mechanisms and For Changes In Its Tariff For Electric Service, B.P.U.N.J. No. 15 Electric and Changes In Its Tariff For Gas Service B.P.U.N.J. No. 15 Gas Pursuant to *N.J.S.A. 48:2-21 et seq.*

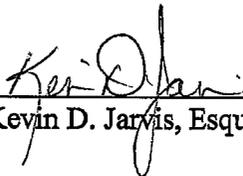
2. On Monday, January 3, 2011, I received from the Board of Public Utilities a copy of PSE&G's November 1, 2010, Petition For Approval of A Capital Economic Stimulus Infrastructure Investment Program And An Associated Cost Recovery Mechanism Pursuant.

3. On or about Monday, January 3, 2011, I began the process of drafting UWUA Local 601's Motion for Leave to Intervene, or in the alternative, to Participate, in this matter which was ultimately filed with the Board of Public Utilities on January 19, 2011.

I hereby certify that the foregoing statements made by me are true. If any of the foregoing statements are willfully false, I am subject to punishment.

Respectfully submitted,

O'BRIEN, BELLAND & BUSHINSKY, LLC
Attorneys for Intervenor, UWUA Local 601



Kevin D. Jarvis, Esquire

Dated: February 12, 2011

EXHIBIT C

Human Resources
80 Park Plaza, T21D, Newark, NJ 07102



March 9, 2010

Mr. Noel Christmas, President
Utility Co-Workers' Association
55 Washington Street, Suite 200
Bloomfield, NJ 07003

Dear Mr. Christmas:

Re: Field Collection Additional Support

This letter confirms our agreement regarding the provision of additional support for the field collection process. The parties arrived at this agreement in an attempt to adequately and efficiently address a peak in the collection workload utilizing an internal workforce. This one-time agreement does not modify any other agreements between the parties and will not be cited by either party as setting a precedent.

As soon as practicable, an interest list will be posted in the meter reading departments for meter readers to express their interest in receiving an upgrade to the Collection Representative position. A total of twenty eight (28) meter readers will be upgraded (four per field collection reporting location). These locations are Hackensack, Harmon Cove, Roseland, Cranford, Newark, Trenton and Audubon. The sign up list will be posted for five (5) business days. All meter readers in each of the respective District Offices will be included regardless of their reporting location. For example, meter readers who report to the New Brunswick office will be considered for the Trenton reporting location opportunities since both offices are within the Princeton District. During the period of the upgrading, employees will be compensated at the rate on the 368 progression chart that is the next higher rate to their rate as a meter reader with the additional understanding that the rate difference must be a minimum of fifty (50) cents per hour. Time upgraded will count toward progression including for scoring purposes. The upgrading will end on November 15, 2010. The twenty eight (28) vacancies created as a result of this upgrading will be temporarily filled by temporary employees. Accordingly, these employees will be separated on November 15, 2010.

In addition, fourteen (14) temporary additional 368M Collection Representative/Meter Reader positions will be posted. Two (2) positions will be filled at each field collection reporting location. The duration of these temporary assignments will also be until November 15, 2010. Once in the position and assigned to the field for ten (10) work days, these employees will be required to

remain in the collection representative position until the end of the assignment. The vacancies created as a result of employees moving in to these positions will be backfilled by temporary employees. Accordingly, these temporary employees will be separated on November 15, 2010.

The QFP subcommittee will meet in order to determine which employees are the successful bidders as well as to determine how the location assignments will be offered to the successful bidders.

It is understood that the transfer provisions of letter of agreement 56 in the Collective Bargaining Agreement shall apply to both the upgraded employees and the temporary additional 368M collection representative/meter readers.

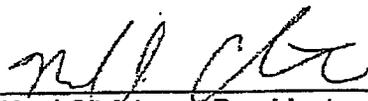
When required to read meters, the group of temporary additional 368M Collection Representative/Meter Readers will be assigned via a rotating list in reverse order of seniority within the location for the District. These employees must also have passed the meter reading test, per the collective bargaining agreement.

The parties agree to meet in June or July, 2010 to review and discuss the success of this initiative.

Respectfully,



William Dwyer
Manager - Industrial Relations



Noel Christmas, President
Local 601
Utility Workers Union of America

3/9/10
Date

ATTENTION - ALL METER READERS

The Company is soliciting your interest to perform field collection work.

Meter Readers (will be upgraded to a 368M for performing a field collector's job & receive training in shutting off gas meters only). They will be provided a list of unknown customers and they will attempt to sign up the person of occupancy or shut off gas service. During the period of the upgrading, employees will be compensated at the rate on the 368 progression chart that is the next higher rate to their rate as a meter reader with the additional understanding that the rate difference must be a minimum of fifty (50) cents per hour.

This sign up list will be posted for five (5) business days, from 6/16/10 to 6/22/10.

Please see your Supervisor as soon as possible if you have any questions regarding this opportunity.

| | Name (Print Clearly) | Signature | Date | |
|---|-------------------------|-----------------------|----------------|---------|
| ① | <u>Nathaniel Crump</u> | <u>[Signature]</u> | <u>6-16-10</u> | 4-7-03 |
| ③ | <u>Victor L. Prieto</u> | <u>[Signature]</u> | <u>6-16-10</u> | 7-25-04 |
| ② | <u>James Tiller</u> | <u>[Signature]</u> | <u>6-16-10</u> | 6-16-04 |
| ④ | <u>TERRANCE MOORE</u> | <u>[Signature]</u> | <u>6-16-10</u> | 6-11-07 |
| ⑥ | <u>Jame Tutt</u> | <u>[Signature]</u> | <u>6-16-10</u> | 5-17-10 |
| ⑤ | <u>DAVID ROZJABEL</u> | <u>David Rozjabel</u> | <u>6-18-10</u> | 4-22-10 |

*Removed 6-23-10 A.M. [Signature]

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EXHIBIT D

SEP-16-2010 THU 09:08 AM OBB LAW

FAX NO. 8567952182

P. 03

FORM EXEMPT UNDER 44 U.S.C. 3012

INTERNET
FORM NLRB 501
(11-90)

UNITED STATES OF AMERICA
NATIONAL LABOR RELATIONS BOARD
CHARGE AGAINST EMPLOYER

| DO NOT WRITE IN THIS SPACE | |
|----------------------------|------------|
| Case | Date Filed |

INSTRUCTIONS:

File an original and 4 copies of this charge with NLRB Regional Director for the region in which the alleged unfair labor practice occurred or is occurring.

1. EMPLOYER AGAINST WHOM CHARGE IS BROUGHT

| | |
|---|--|
| a. Name of Employer Public Service Electric & Gas ("PSE&G") | b. Number of Workers Employed 1000+ |
| c. Address (street, city, State, ZIP, Code) 80 Park Plaza, T-21B, Newark, NJ 07102 | d. Employer Representative William Nash |
| e. Telephone No. 973-430-5676 | f. Fax No. 973-430-7854 |
| f. Type of Establishment (factory, mine, wholesaler, etc.) Public Utility | g. Identify Principal Product or Service Providing Electric and Gas Service |

h. The above-named employer has engaged in and is engaging in unfair labor practices within the meaning of Section 8(a), subsections (1) and (5) of the National Labor Relations Act, and these unfair labor practices are unfair practices affecting commerce within the meaning of the Act.

2. Basis of the Charge (set forth a clear and concise statement of the facts constituting the alleged unfair labor practices.)

Public Service Electric & Gas (PSE&G) and the Utility Workers Union of America, AFL-CIO, Local 601 (Local 601) are parties to a Collective Bargaining Agreement ("CBA") as well as a Letter of Understanding dated March 9, 2010 concerning, amongst other things, the utilization of Local 601 members to perform collection work.

However, on or about September 8, 2010, PSE&G sent out a document entitled "Important Operational Announcement" indicating that effective September 13, 2010, a collection contractor named Contract Callers Incorporated (CCI) would be working in the Trenton and East Gate districts performing "the same functions as our collectors"; and further, that "the contractors will work the aforementioned districts until the end of Q4 '10". PSE&G's unilateral decision to utilize contractors to perform bargaining unit work, which is unquestionably within the work jurisdiction of Local 601, is anti-union in nature and, furthermore, is a complete and utter failure of PSE&G to engage in negotiations regarding a change in the terms and conditions of employment of Local 601 members.

By the above and other acts, the above-named employer has interfered with, restrained, and coerced employees in the exercise of the rights guaranteed in Section 7 of the Act.

| | |
|---|-----------------------------------|
| 3. Full name of party filing charge (if labor organization, give full name, including local name and number) Utility Workers Union of America AFL-CIO, Local 601 | 4b. Telephone No. 973-748-0233 |
| 4a. Address (street and number, city, State, and ZIP Code) 55 Washington Street, Ste. 200, Bloomfield, NJ 07003 | 4c. Fax No. 973-748-7881 |

5. Full name of national or international labor organization of which it is an affiliate or an affliant unit (to be filed if charge is filed by a labor organization)
Utility Workers Union of America, AFL-CIO

6. DECLARATION

I declare that I have read the above charge and that the statements are true to the best of my knowledge and belief.

 (Signature of representative of person making charge)
 Attorney
 1526 Berlin Road, Cherry Hill, NJ 08003
 Fax No. 973-748-7881
 856-795-2181
 (Telephone No.)
 9/14/10
 Date

WILLFUL FALSE STATEMENTS ON THIS CHARGE CAN BE PUNISHED BY FINE AND IMPRISONMENT (U.S. CODE, TITLE 18, SECTION 1001)

STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS COMPANY) **STIPULATION**
FOR CHANGES IN ITS CAPITAL ECONOMIC STIMULUS)
INFRASTRUCTURE INVESTMENT CHARGES AND)
ASSOCIATED CAPITAL ADJUSTMENT MECHANISMS)
AND FOR CHANGES IN ITS TARIFF FOR ELECTRIC) BPU DOCKET NOs. EO09010049,
SERVICE, B.P.U.N.J NO. 15 ELECTRIC, AND CHANGES) GO09010050 & ER09110936
IN ITS TARIFF FOR GAS SERVICE, B.P.U.N.J NO. 15 GAS) OAL Docket No. PUC 1534-11
PURSUANT TO N.J.S.A. 48:2-21, ET SEQ.)

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS COMPANY)
FOR CHANGES IN ITS CAPITAL ECONOMIC STIMULUS)
INFRASTRUCTURE INVESTMENT CHARGES AND)
ASSOCIATED CAPITAL ADJUSTMENT MECHANISMS)
AND FOR CHANGES IN ITS TARIFF FOR ELECTRIC) BPU DOCKET NOs. EO10110823
SERVICE, B.P.U.N.J NO. 15 ELECTRIC, AND CHANGES) and GO10110824
IN ITS TARIFF FOR GAS SERVICE, B.P.U.N.J NO. 15 GAS) OAL Docket No. PUC 4604-11
PURSUANT TO N.J.S.A. 48:2-21, ET SEQ.)

APPEARANCES:

Matthew M. Weissman, Esq., Associate General Regulatory Counsel, and **Gregory Eisenstark, Esq.**, Morgan, Lewis & Bockius, LLP, for the Petitioner Public Service Electric and Gas Company

Paul E. Flanagan, Esq., Litigation Manager; **Felicia Thomas-Friel, Esq.** and **Ami Morita, Esq.**, Deputy Rate Counsel, and **Kurt S. Lewandowski, Esq.** and **Henry M. Ogden, Esq.**, Assistant Deputy Rate Counsel, for the Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

Alex Moreau, Esq., Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Paula T. Dow**, Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

The Initial Capital Infrastructure Investment Program

1. As part of its ordinary capital spending planning cycle, Public Service Electric and Gas Company (“PSE&G” or the “Company”) continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its electric and gas distribution system and to ensure the continuation of safe, adequate, proper service. In late-2008/early-2009, consistent with the directive of then-Governor Corzine and in order to mitigate the local effects of the worldwide economic downturn, PSE&G determined to increase its planned infrastructure capital spending, to enhance the reliability of its system and to support economic development and job growth in New Jersey.

2. On January 21, 2009, and by supplement dated February 4, 2009, PSE&G filed a petition in Docket Nos. EO09010049 and EO09010050 seeking approval of its proposed Capital Economic Stimulus Infrastructure Investment Program, referred to herein as Capital Investment Program or “CIP.” In that filing PSE&G proposed to undertake capital infrastructure investments through forty-four CIP projects across PSE&G’s electric and gas businesses over a twenty-four (24) month period, and to recover the costs of that program through a Capital Adjustment Charge.

3. On April 28, 2009, following execution of a Stipulation among PSE&G, Board Staff, and Rate Counsel (“April 2009 Stipulation”), the Board issued an Order approving the

Capital Infrastructure Program.¹ The April 2009 Order approved thirty-three (33) electric projects and five (5) gas projects (“Qualifying Projects”) that the Company states would provide safe, adequate and proper service to its customers; are incremental in nature; and would create jobs in support of the Governor’s Economic Stimulus Plan. The estimated cost of the electric program described in the April 2009 Order was approximately \$421 million, and the estimated cost of the gas program was approximately \$273 million. The Company anticipated that the thirty-eight CIP projects would generate approximately nine hundred thirty three jobs (933), based on the design and construction work associated with those projects.

4. In the April 2009 Order approving the CIP, the Board also approved the recovery of the costs of the thirty-eight (38) qualifying projects included within the CIP through the implementation of Electric and Gas Capital Adjustment Mechanisms (“CAMs”) and associated Capital Adjustment Charges (“CACs”). The Company is required to file an annual petition (“Annual Filing”) to adjust its electric and gas CACs no later than sixty (60) days prior to the date proposed for the implementation of the revised CACs, which is January 1 of each year. Each Annual Filing must contain a reconciliation of its projected CAC costs and recoveries and actual revenue requirements for the prior period, a forecast of revenue requirements for the upcoming period, and the items set forth in the minimum filing requirements (“MFRs”) listed in Appendix D of the April 2009 Stipulation.

¹ See I/M/O the Proceeding for Infrastructure Investment and a Cost Recovery Mechanism For All Gas and Electric Utilities; and I/M/O the Petition of Public Service Electric & Gas Company For Approval of a Capital Economic Stimulus Infrastructure Investment Program and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and 48:2-21.1, BPU Docket Nos. EO09010049 and GO09010050, Decision and Order Approving Stipulation (April 28, 2009) (“April 2009 Order”).

5. The April 2009 Order also provided that PSE&G would file a base rate case, between April 3, 2009 and April 1, 2011, to provide a forum for a prudency review of all Qualifying Projects and to provide for the net capitalized costs of Qualifying Projects that are found to be reasonable and prudent to be rolled into base rates and out of the CAC.

The Post-CIP Base Rate Filing and First CIP Annual Filing

6. On May 29, in accordance with the April 2009 Order, PSE&G filed a base rate case, I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 14 Electric and B.P.U.N.J. No. 14 Gas Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and for Approval of a Gas Weather Normalization Clause; a Pension Expense Tracker and for Other Appropriate Relief, which was assigned Docket No. GR09050422. Also in accord with the April 2009 Order, PSE&G proposed to roll the completed Qualifying Projects into base rates at the conclusion of the rate case.

7. On November 5, 2009, PSE&G made its first Annual Filing to adjust its CAC rates in accordance with the April 2009 Order. In a Decision and Order dated December 22, 2009 (“December 2009 Order”), pursuant to a stipulation entered into by PSE&G, Rate Counsel, and Board Staff, the Board approved the new CAC rates on an interim basis, effective January 1, 2010.²

8. Following negotiations in the Spring of 2010, the primary parties in PSE&G’s electric

² See I/M/O the Petition of Public Service Electric and Gas Company for Approval of a Capital Economic Stimulus Infrastructure Investment Program and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and 48:21.1, BPU Dkt. Nos. EO09010049, GO09010050, ER09110936, Decision and Order (Dec. 22, 2009) (“December 2009 Order”).

electric and gas base rate case executed a Stipulation of Settlement dated May 26, 2010 (“May 2010 Stipulation”), which was adopted in Board Orders dated June 7, 2010 (“June 2010 Order”) and July 9, 2010 (“July 2010 Order”). Pursuant thereto and under the April 2009 Order, PSE&G’s electric and gas Qualifying Projects placed in service through December 31, 2009 under the Capital Infrastructure Program were rolled into base rates as of the rate effective dates of June 7, 2010 and July 9, 2010 for electric and gas, respectively. The specific Qualifying Projects and associated dollar amounts that were rolled in to PSE&G’s electric and gas base rates are set forth in Attachment A, pages 1-2 of the May 2010 Stipulation approved in the June 2010 Order and the July 2010 Order.

9. Also at the time the base rate case was settled in the June-July 2010 timeframe, and in accordance with paragraphs 21-22 of the April 2009 Stipulation in the CIP matter, the CACs set in the Board’s December 2009 Order were reset on a provisional basis, net of the capitalized projects rolled into the Company’s base rates through December 31, 2009. Accordingly, pursuant to the June 2010 and July 2010 Orders, the Company’s CAC rates were provisionally revised to recover \$11.46 million for the period June 1, 2010 through December 31, 2010 (\$10.74 million for electric and \$0.72 million for gas), as set forth in the rate design detailed in Attachment A, pages 3-5 of the May 2010 Stipulation. The Company’s CAC rates were provisionally changed consistent with Attachment A, pages 6-9 of the May 2010 Stipulation, subject to refund with interest as defined in the April 2009 Board Order for any over/under collections.

10. The June 2010 and July 2010 Orders resolving the base rate case also provided that the ratemaking treatment of any Capital Infrastructure Program expenditures not rolled into

rate base at that time continued to be governed by the December 2009 Order and the April 2009 Order.

The Second CIP Annual Filing

11. On November 1, 2010, PSE&G made its second Annual Filing to adjust its CAC rates in accordance with the April 2009 Order. At that time, the initial Qualifying Projects were scheduled to be completed by the end of April 2011; however, because April 2011 financial data would not be finalized until May, PSE&G chose in the November 2010 Annual Filing to design the recovery period from January 1, 2011 through June 30, 2011. The Company requested changes to its CAC rate to collect revenues of approximately \$14.2 million (electric) and \$10.7 million (gas) over a six-month period from January 1, 2011 through June 30, 2011, for a combined electric and gas total of \$24.9 million.

12. Compared to the Company's existing, Board-approved CAC rates, which were approved in the settlement of the base rate case in Docket No. GR09050422, the resultant total net revenue impact of the request in the second Annual Filing on the Company's electric and gas customers is a \$17.6 million increase (\$7.9 million for electric and \$9.7 million for gas).

13. Notice setting forth the Company's November 1, 2010 request for an increase in its CAC rates, including the date, time and place of the public hearing, was placed in newspapers having a circulation within the Company's gas and electric service territory and was served on the county executives and clerks of all municipalities within the Company's gas and electric service territory. Public hearings were held in Hackensack on December 13, 2010 at 6 p.m. and 7 p.m.;

New Brunswick on December 14, 2010 at 4:30 p.m. and 5:30 p.m.; and Mount Holly on December 16, 2010 at 4:30 p.m. and 5:30 p.m.

14. On or about January 18, 2011, the Utility Workers Union of America, Local 601 (“UWUA”) filed a motion to intervene or, in the alternative, to participate in PSE&G’s November 1, 2010 annual filing. PSE&G filed a brief in opposition to UWUA’s motion on February 3, 2011, and UWUA filed a reply on March 4, 2011. The UWUA’s motion is currently pending before the Office of Administrative Law.

15. Through quarterly program reports, meetings, and correspondence dated October 12, 2010 and March 10, 2011, PSE&G has kept the Board, Board Staff, and Rate Counsel apprised of the status of the Qualifying Projects included in the CIP. The majority of the initial CIP Qualifying Projects were timely completed by the end of April 2011, in accordance with the estimated schedule submitted in 2009. In its letter dated March 10, 2011, PSE&G notified the Board, Board Staff, and Rate Counsel that due to severe weather during the winter of 2010-2011, certain of the Qualifying Projects would be completed by June 30, 2011. PSE&G represents that all of the Qualifying Projects were completed by June 30, 2011.

The Gas and Electric Capital Infrastructure Extension Filings (“CIP II”)

16. Based on the continued need, recognized by the Board, to stimulate the economy and further foster job retention or creation, PSE&G sought Board approval to continue the acceleration of incremental capital spending for additional capital projects. Accordingly, on November 23, 2010 and February 18, 2011, respectively, PSE&G filed petitions in Docket No. GO10110862 (“Gas Extension Petition”) and Docket No. E011020088 (“Electric Extension

Petition”) requesting that the Board approve extensions of the existing, Board-approved gas CIP pursuant to N.J.S.A. 48:2-21 et seq., to enable the Company to continue its stimulus construction programs and enhance the reliability of its gas and electric distribution systems (“CIP II”).

Discovery and Settlement Discussions

17. Discovery questions relating to PSE&G’s second CIP Annual Filing have been propounded by Board Staff and the Division of Rate Counsel, and the Company has responded thereto.

18. Following the completion and review of discovery and the public hearings listed above, representatives of PSE&G, Board Staff, and Rate Counsel (the “Parties”), the only Parties to these proceedings, met to discuss the issues and reached a comprehensive settlement of PSE&G’s CIP Annual Filings that are the subject of these proceedings and of the CIP II proceedings pending before the Board.

19. In that comprehensive settlement, the Parties agreed, subject to the resolution of these matters and submission of this Stipulation to the Board for approval at its July 14, 2011 agenda meeting, (1) that PSE&G would make certain commitments regarding its base level capital spending (that is, capital spending not included within the CIP or CIP II initiatives, and not including capital required to service new business) and regarding its reporting obligations; (2) to resolve the CIP Annual Filings in accordance with the terms set forth herein and in the Attachments hereto; and (3) that the gas and electric CIP II proposals and associated cost recovery mechanism, as modified in accordance with the Parties’ agreement, should be implemented.

20. Simultaneously with the submission of this Stipulation to the Office of Administrative Law, the Parties are submitting a separate stipulation to the Board reflecting the terms of their agreement that are relevant to the CIP II proceedings (the “CIP II Stipulation”).

21. Therefore, with respect to the CIP Annual Filings pending before the Office of Administrative Law, the Parties stipulate and HEREBY AGREE as follows:

STIPULATED MATTERS

PSE&G Commitments

22. As part of the comprehensive settlement of PSE&G’s CIP Annual Filings that are the subject of these proceedings and of the CIP II proceedings pending before the Board, PSE&G has made the commitments set forth below.

23. PSE&G will undertake the following total minimum levels of base electric capital spending, including Utility Operating Support (“UOS”) costs and not including capital expenditure for New Business or capital stimulus spending under either CIP or CIP II: 2011 - \$170.5 million; 2012 - \$183.8 million; and 2013 - \$188.8 million.

24. PSE&G will undertake the following total minimum levels of base gas capital spending, not including capital expenditure for New Business or capital stimulus spending under either CIP or CIP II: 2011 - \$116.3 million; 2012 - \$133.9 million. Additional detail regarding the total minimum levels of base gas and electric capital spending described in this paragraph and in paragraph 23 above is set forth in Appendix A attached hereto.

25. PSE&G will provide Board Staff and Rate Counsel with quarterly reports of its CAIDI (Customer Average Interruption Duration Index), SAIFI (System Average Interruption

Frequency Index), SAIDI (System Average Interruption Duration Index) and MAIFI (Momentary Average Interruption Frequency Index) results on a Company and Division basis identifying major events, and of its electric and gas base capital spending, until such time as PSE&G files its next base rate proceeding. The Parties agree that Rate Counsel and Staff may propound discovery, based on the quarterly reports, including but not limited to discovery on metrics and reliability data, including CAIDI, SAIDI, SAIFI and MAIFI, for each of the substations and circuits impacted by each project.

Resolution of the CIP Annual Filings and Agreement Regarding the Final CIP Filing

26. The Parties agree that in exchange for the commitments referenced in paragraphs 23 through 25 above, the issue of whether PSE&G's 2009 and 2010 CIP spending was incremental is resolved. The Parties further agree that if PSE&G meets its 2011 base spending commitments set forth in paragraphs 23 and 24 above, the Parties will not contest the incremental nature of PSE&G's 2011 CIP spending.

27. Recognizing that the thirty-eight (38) Qualifying Projects that comprise the initial CIP are either completed or near completion, the Parties agree that:

- (a) In implementing the thirty-eight (38) Qualifying Projects and making its related filings, including Quarterly Reports and Annual Filings, PSE&G represents that it has satisfied the requirements of the April 2009 Order, the December 2009 Order, and relevant portions of the June 2010 and July 2010 Orders entered in PSE&G's most recent base rate case.

(b) The Company states that the thirty-eight (38) Qualifying Projects identified in Appendix B attached hereto will assist the Company in providing safe, adequate and proper service, and would not have been undertaken in this time frame but for the CIP program. The Company also represents that more jobs have been created than anticipated in the April 2009 Order, including 1,303 jobs through March 2011.³

(c) The CAC rates proposed in PSE&G's November 2010 Annual Filing shall be implemented, and the Parties recognize that PSE&G will need to make a filing ("Final CIP Filing") following completion of the thirty-eight (38) Qualifying Projects containing final data on the CIP projects, including all information required in order to roll into rate base CIP investments not yet in base rates (that is, investments for Qualifying Projects placed into service after December 31, 2009) and truing-up final rates.

(d) The parties also agree that a prudency review of the Qualifying Projects as constructed and of the base rate adjustments for Qualifying Projects placed into service after December 31, 2009 will occur in the proceeding to evaluate the Final CIP Filing. The Parties also agree that the terms of the Board's prior related Orders are incorporated by reference herein.

³ In its original CIP Petition the Company anticipated that the design and construction work associated with the Qualifying Projects would generate approximately 933 incremental jobs in its service territory. The Company's estimate of the workforce necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects. As intended under the April 2009 Order, the Company has endeavored to employ contractors and engineering firms located in New Jersey.

Implementation of the Rates Proposed in PSE&G's November 2010 Annual Filing

28. The Parties agree that the implementation of the CAC rates proposed in PSE&G's November 2010 Annual Filing (the "CAC Rates") will be effective upon the issuance of the Board Order approving and adopting this Stipulation. The Parties agree that implementing a change in the Company's CAC rates consistent with the November 2010 Annual Filing is reasonable at this time.

29. The Parties agree that the costs associated with the Qualifying Projects are to be recovered through the electric and gas CACs. Appendix B reflects a detailed description of each Qualifying Project, the aggregate cost for each project (actual costs through May 31, 2011 and projections through CIP project end at June 30, 2011), the number of jobs created as a result of each Qualifying Project.

30. The CIP approved in the April 2009 Order consisted of thirty-eight (38) Qualifying Projects with an estimated cost of \$694 million. The Parties agree that the Board should approve cost recovery through the electric and gas CACs for the thirty-eight (38) Qualifying Projects listed in Appendix B, consisting of \$693.8 million of actual costs through May 31, 2011. The remaining costs will be addressed in the Final CIP Filing.

31. The Company represents that it has not eliminated or substituted any Qualifying Project agreed to by the Parties in the Board's April 2009 Order; however, the Parties acknowledge that PSE&G has modified the scope of certain of the Qualifying Projects as previously reflected in the Company's Quarterly Reports and correspondence with the Board regarding the CIP.

32. The Parties stipulate that the revenue requirements recovered through the electric and gas CACs are calculated to include a return on investment and a return of investment through depreciation, which investment includes capitalized costs related to the Qualifying Projects. The

Parties agree that the calculation uses the depreciation rates and methodologies in effect for both electric and gas assets as approved in PSE&G's most recent electric and gas distribution base rate cases. The calculation of the revenue requirement for the purpose of setting the CACs is set forth in Appendix C attached hereto and made a part of this Stipulation. The terms of the Board's April 2009 Order are incorporated herein by reference, as if set forth herein; however, the return on PSE&G's CIP investments will be amended to include the revised return for those periods after the effective date of the Board's most recent electric and gas base rate Orders in June 2010 and July 2010, respectively. The Company represents that the Cost Recovery Mechanism, the Minimum Filing Requirements submitted with the November 2009 and November 2010 Annual Filings, the Company's Quarterly Reporting, and the calculation of Jobs Created reflected in the attachments to this Stipulation are all compliant with the terms of the Board's April 2009, December 2009, June 2010, and July 2010 Orders.

33. The Parties agree that the Company's CAC rates shall be increased to recover an additional \$17.6 million over an annual period (\$7.9 million for electric and \$9.7 million for gas), as set forth in the tariff sheets appended hereto as Appendix C. The CAC rates set forth in Appendix D are to be implemented at the time of the Board Order approving these rates.

34. The bill impacts of the implementation of the new CAC rates to a residential electric customer that uses 7,800 kilowatt-hours per year and 803 kWh in a summer month will be:

Annual: present bill \$1,467; new bill \$1,472.74; increase of \$5.74 or approximately 0.39%.

Monthly (summer): present bill \$150.22, new bill \$150.77, increase of \$0.55 or approximately 0.37%

The bill impacts for a residential gas heating customer that uses 1,200 therms per year and 199 therms in a winter month will be:

Annual: present bill \$1,392.26; new bill \$1,401.68; increase of \$9.42 or approximately 0.68%.

Monthly (winter): present bill \$229.34, new bill \$230.77, increase of \$1.43 or approximately 0.62%

PSE&G's proposed tariff sheets reflecting the revised CACs in both the electric tariff and the gas tariff are set forth in Appendix D.

35. The Parties recognize that, in accordance with the April 2009 Order, in the Final CIP Filing submitted following completion of the thirty-eight (38) Qualifying Projects, PSE&G will submit final actual data on the Qualifying Projects and the Company's current base rates will be reopened solely for the purpose of considering a roll out of the net capitalized amounts of Qualifying Projects from the CAC, and a rate change related to the roll in of the net capitalized amounts of Qualifying Projects that have not previously been rolled into base rates. The sole issue before the Board in connection with the Final CIP Filing will be the prudence of PSE&G's CIP project expenditures that have not yet been rolled into rate base. All amounts found to be reasonable and prudent will be rolled into the Company's rate base, the related electric and gas CAC rates will be recalculated and tariffs will be updated to bring the balance to zero over a reasonable period of time, and those rates and tariffs will terminate when the balance is as close to zero as practicable. Any balance remaining at that time will be transferred to the EEE component of PSE&G's RGGI recovery clause, and the CAC rates and tariff will terminate.

FURTHER PROVISIONS

36. This Stipulation, in combination with the CIP II 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 or the CIP II 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 that either this Stipulation or the CIP II Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

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

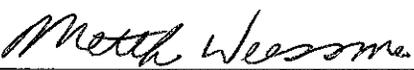
38. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Public Service, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, 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.

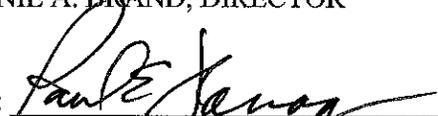
39. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

PUBLIC SERVICE ELECTRIC AND GAS

NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

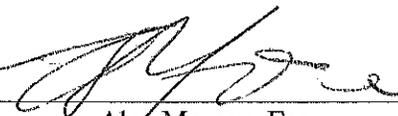
BY: 
Matthew M. Weissman, Esq.
Associate General Regulatory Counsel

BY: 
Paul E. Flanagan, Esq.

DATED: July 7, 2011

DATED: July 7, 2011

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

BY: 
Alex Moreau, Esq.
Deputy Attorney General

DATED: July 7, 2011

Gas Capital Plan

| Gas (\$M) | 2011 | 2012 |
|---|--------------|--------------|
| New Business Projects | 39.5 | 42.1 |
| Environmental/Regulatory Projects | 20.9 | 21.6 |
| System Reinforcement Projects | 20.8 | 23.8 |
| Replace Facilities Projects | 48.9 | 36.6 |
| Support Facilities Projects | 1.0 | 1.1 |
| Total | 131.1 | 125.2 |
| Total Net of New Business | 91.6 | 83.1 |
| Additional Base CapEx | 24.7 | 50.8 |
| Base Total (Net of New Business) | 116.3 | 133.9 |

Electric Capital Plan

| Electric (\$M) | 2011 | 2012 | 2013 |
|--|--------------|--------------|--------------|
| New Business Projects | 83.7 | 89.0 | 91.7 |
| System Reinforcement Projects | 46.8 | 34.9 | 48.1 |
| Replace Facilities Projects | 86.3 | 98.8 | 101.0 |
| Environmental/Regulatory Projects | 7.2 | 7.9 | 8.0 |
| Support Facilities Projects | 3.0 | 3.3 | 3.0 |
| Utility Operations Services (UOS) ¹ | 17.2 | 28.9 | 28.7 |
| Total w/ UOS | 244.2 | 262.8 | 280.5 |
| Total Net of New Business w/ UOS | 160.5 | 173.8 | 188.8 |
| Additional Base CapEx | 10.0 | 10.0 | - |
| Base Total (Net of New Business) | 170.5 | 183.8 | 188.8 |

¹ Utility Operations Services (UOS) manages projects common to the Utility (e.g. vehicles, computers, mobile data terminals, security upgrades, fuel management system, etc.). UOS is planned in electric and incurred across the utility on an actual basis. At the time of incurrence, the appropriate amounts will be posted to the correct utility division.

PSE&G Capital Stimulus Infrastructure Investment Program
Capital Stimulus I Gas Investments
In Thousands \$

| Item No. | Project | Description | Project Actual (May YTD) | Project Forecast (June YTD) | Jobs Created |
|--------------|---|---|-----------------------------|--------------------------------|----------------|
| GSTM-01A | Replacement Main (RF Blanket) | Blanket provides funding for the replacement of approximately 200 miles of aging cast iron and bare steel gas mains (due to active corrosion or high hazard index), and replacement of approximately 10500 bare steel gas services associated with main replacement. In addition provides funding for replacement of approximately 64 aging and obsolete gas pressure regulators and replacement of M&R equipment including 14 water bath heaters, pressure regulators, ancillary pressure control equipment such as scrubbers, gas chromatograph controllers, electronic measurement systems, and other appurtenances, and instruments at various M&R Station locations. | \$ 186,700 | \$ 188,100 | 435 |
| GSTM-01B | Replacement Service (RF Blanket) | | \$ 37,200 | \$ 37,500 | 119 |
| GSTM-01C | Replacement Regulator (RF Blanket) | | \$ 7,400 | \$ 7,500 | 16 |
| GSTM-01D | M&R Replacements (RF Blanket) | | \$ 6,200 | \$ 6,300 | 2 |
| | | | \$ - | | |
| GSTM-02 | BPU Gas Services (ER Blanket) | Blanket provides funding for the replacement of approximately 7600 bare steel gas services as mandated by the BPU and the 20% rule (NJAC 14:7-1.16 e) "An operator shall replace all bare and coated cathodically unprotected steel service lines within a definable area when records indicate that 20 percent or more of the bare and coated cathodically unprotected steel services within that definable area have exhibited leaks." Accelerated replacement of bare steel services from blocks that are identified during the annual service leakage study. | \$ 26,500 | \$ 26,500 | 80 |
| | | | \$ - | | |
| GSTM-03A | Bell Joint Encapsulation (SR Blanket) | Blanket provides funding for the installation of approximately 570 life extending cast iron bell joint encapsulations, a new lbs. to lbs. regulating station to support pressure in the Ewing Twp. area to meet existing loads Also includes the installation of various new reinforcement mains and regulating stations to improve system reliability in areas of the service territory identified by network analysis and actual pressures experienced and to provide secondary feeds into areas of the territory currently supplied by one way feeds. Enhances system reliability and integrity and ensures system pressures remain above design minimums. Upgrade of various M&R station regulators and piping to improve station deliverability and overall capacity improvements that minimize pressure losses during periods of high demand. | \$ 3,200 | \$ 3,200 | 6 |
| GSTM-03B | Hamilton lbs. to lbs. Regulator (SR Blanket) | | \$ 400 | \$ 400 | 1 |
| GSTM-03C | Distribution Reinforcements (SR Blanket) | | \$ 3,400 | \$ 3,400 | 5 |
| GSTM-03D | M&R Reinforcements (SR Blanket) | | \$ 2,800 | \$ 2,900 | 4 |
| | | | \$ - | \$ - | |
| GSTM-04 | M&R Station Emergency Generators (SF Blanket) | Funds provide for the installation of emergency generators at six M&R Stations. | \$ 100 | \$ 100 | 1 |
| | | | \$ - | \$ - | |
| GSTM-05 | East Rutherford M&R Station - Upgrade | Replacement of Meter & Regulator Station telemetric building, two water bath heaters, and instrumentation. | \$ 1,500 | \$ 1,500 | 5 |
| TOTAL | | | \$ 275,400 | \$ 277,400 | 674 (1) |

Note:

(1) The number of jobs created reflects updates through March, 2011.

PSE&G Capital Stimulus Infrastructure Investment Program
Capital Stimulus Electric Investments
In Thousands \$

| Item No. | Project | Description | Project Actual (May YTD) | Project Forecast (June YTD) | Jobs Created |
|----------|--|---|-----------------------------|--------------------------------|-----------------|
| ED-007 | Environmental/Regulatory Blanket- D | The Environmental Regulatory Blanket provides funds for indoor substation fire protection system upgrades. | 663 | 663 | 1.8 |
| ED-008 | Replace Facilities Blanket- D | This portion of the Replace Facilities Blanket provides for refurbishment of underground distribution networks. | 1,943 | 1,943 | 2.5 |
| ED-008A | Replace Facilities Blanket- D | This portion of the Replace Facilities Blanket provides for minor rebuilding and replacement of Distribution inside and outside plant facilities due to in service failures, preservation of asset function, and customer complaints. | 8,001 | 8,161 | 12.8 |
| ED-008B | Replace Facilities Blanket- D | This portion of the Replace Facilities Blanket provides for the replacement of capacitor banks and wood poles. | 4,767 | 4,767 | 10.8 |
| ED-009 | BUD Cable Replacements | The BUD (Buried Underground Distribution) Cable Replacement Blanket provides for replacement of Distribution outside plant BUD cable facilities due to age, and to preserve asset function and reliability. | 123,987 | 125,391 | 242.6 |
| ED-010 | Delta Star Replacements | The Delta Star Replacement Blanket provides for replacement of Distribution inside plant aging and outdated Delta Star potheads. These funds will help to maintain reliability levels by avoiding 26kV outages. | 7,743 | 7,763 | 17.7 |
| ED-011 | Network Equipment Replacements | The Network Equipment Replacement Program provides for the refurbishment and replacement of Distribution outside plant network protectors, transformers, and relays. | 26,984 | 27,019 | 24.0 |
| ED-012 | 26KV Oil Circuit Breaker Replacements | This program addresses the replacement of 26kV Oil Circuit Breakers. | 30,447 | 30,782 | 50.6 |
| ED-013 | Low Pressure Gas Filled Cable Replacements | This funding provides for the replacement of poorly performing Low Pressure Gas Filled (LPGF) cable throughout the underground distribution system with newer more reliable Ethylene Propylene Rubber (EPR) cable. | 28,538 | 28,963 | 36.8 |
| ED-014 | Street Lighting Blanket | This investment request provides for the replacement of aging street lighting and area lighting infrastructure. This work provides continuity of service to PSE&G customers. | 388 | 388 | 0.8 |
| ED-018 | Adv. Street Lighting Tech. Blanket | This investment request is in support of a program to replace mercury vapor street lights with a new lighting technology called induction fluorescent lighting. | 49,354 | 49,354 | 41.6 |
| ED-020 | Ridgefield 9th (Now 10th) Feeder | Install the 10th 13-kV feeder at Ridgefield II Substation and transfer 8 MVA from Leonia Substation to the new feeder to accommodate a changing load profile in the Leonia area. | 4,088 | 4,088 | 11.1 |
| ED-024 | Doremus I - 8th Feeder | Install the Doremus Substation 8th feeder to accommodate changing load profiles at Springfield Rd. Substation and on the feeder loops between Doremus and Springfield Rd. | 1,069 | 1,069 | 2.6 |
| ED-025 | Kilmer II 10th Feeder | Install the Kilmer II Substation 10th 13-kV feeder to accommodate changing load profiles in the Edison-Piscataway-South Plainfield area. | 260 | 260 | 0.6 |
| ED-026 | Minue St. 11th Feeder | Install the Minue Street Substation 6th feeder row and 11th feeder to accommodate changing load profiles in the Woodbridge-Carteret area. | 1,560 | 1,560 | 2.3 |

PSE&G Capital Stimulus Infrastructure Investment Program
Capital Stimulus Electric Investments
In Thousands \$

| Item No. | Project | Description | Project Actual (May YTD) | Project Forecast (June YTD) | Jobs Created |
|----------|--|---|-----------------------------|--------------------------------|-----------------|
| ED-027 | Westfield 9th (Now 8th) Feeder | Install the 8th 13-kV feeder to accommodate changing load profiles in Cranford & Clark townships. | 2,141 | 2,141 | 5.3 |
| ED-028 | Aldene-Schering 26KV Reinforcement | Install two new 26-kV circuits from Aldene to Schering to accommodate changing load profiles in Kenilworth & Union Townships. | 7,872 | 7,922 | 11.2 |
| ED-029 | Warinanco 9th (Now 8th) Feeder | Install the Warinanco Substation 8th 13-kV feeder to accommodate changing load profiles in the Roselle-Linden-Elizabeth area. | 3,474 | 3,474 | 8.0 |
| ED-030 | Yardville 8th Feeder | Install the Yardville Substation 8th feeder to accommodate changing load profiles in the Hamilton area. | 2,874 | 2,874 | 5.9 |
| ED-031 | Medford 9th (Now 8th) Feeder | Install the Medford Substation 8th 13-kV feeder to accommodate changing load profiles in the Medford-Marlton area. | 2,024 | 2,024 | 4.0 |
| ED-032 | Penns Neck 15th Feeder | Install the Penns Neck Substation 8th feeder row and 15th 13-kV circuit to accommodate changing load profiles in the Princeton area. | 3,610 | 3,610 | 5.4 |
| ED-033 | Lumberton 9th Feeder | Install the Lumberton Substation 5th feeder row and 9th 13-kV circuit to accommodate changing load profiles in the Lumberton area. | 2,483 | 2,483 | 3.2 |
| ED-034 | East Rutherford Collapsed Duct Line | Install a new manhole and conduit system and reroute a portion of the paired Q-329 circuit around the collapsed duct bank on Erie Ave in East Rutherford. | 1,739 | 1,739 | 2.0 |
| ED-035 | Bergen - Polk Street 26-kv circuit | Install a new 26-kV circuit from Bergen Switching Station to Polk Street Substation to accommodate changing load profiles in the North Bergen and West New York Areas. | 5,055 | 5,055 | 12.8 |
| ED-036 | Maywood 6th (Now 7th) Feeder | Install the Maywood Substation 4th 13kV feeder row and transfer load to accommodate changing load profiles in the Maywood and New Milford Areas. | 4,392 | 4,392 | 10.3 |
| ED-037 | Bayonne Peninsula Unit & Reinforce 26-kv | Install a main line 13-kV loop from Route 440 to the end of the Bayonne Peninsula to accommodate changing load profiles in the Bayonne Area. | 11,560 | 11,822 | 6.2 |
| ED-038 | Waldwick 10th Feeder | Install the Waldwick Substation 10th feeder to accommodate changing load profiles in Waldwick and Ridgewood areas. | 4,641 | 4,641 | 9.9 |
| ED-039 | Liberty State Park Reliability Improvement | Install a 13-kV cable and switches to improve the reliability in Liberty State Park Area. | 639 | 639 | 1.2 |
| ED-040 | Foundry Street 8th Feeder | Install the Foundry Street Substation 8th feeder to accommodate changing load profiles in the Ironbound section of Newark. | 1,861 | 1,861 | 3.6 |
| ED-041 | Essex - Harrison - Clay Street 26-kv circuit | Install a new 26-kV circuit from Essex Switching Station to Harrison Substation to accommodate changing load profiles in the Newark and Harrison Areas. | 8,543 | 8,543 | 6.0 |
| ED-042 | Trenton Network Monitoring | This project would provide for SCADA (Supervisory Control and Data Acquisition) equipment to each of the network locations and allow the receivers to communicate with our Operations Office in Division Headquarters. This will allow the Operations Department to remotely monitor the configuration and load on the network, manage out-of-configuration situations and proactively take steps to prevent network outages or failures. | 6,324 | 6,727 | 3.0 |

PSE&G Capital Stimulus Infrastructure Investment Program
Capital Stimulus Electric Investments
In Thousands \$

| Item No. | Project | Description | Project Actual (May YTD) | Project Forecast (June YTD) | Jobs Created |
|--------------|----------------------------------|---|-----------------------------|--------------------------------|------------------|
| ED-043 | Paterson Network Monitoring | This project would provide for SCADA (Supervisory Control and Data Acquisition) equipment to each of the network locations and allow the receivers to communicate with our Operations Office in Division Headquarters. This will allow the Operations Department to remotely monitor the configuration and load on the network, manage out-of-configuration situations and proactively take steps to prevent network outages or failures. | 3,822 | 4,095 | 1.9 |
| ED-044 | Newark Network Monitoring | This project would provide for SCADA (Supervisory Control and Data Acquisition) equipment to each of the network locations and allow the receivers to communicate with our Operations Office in Division Headquarters. This will allow the Operations Department to remotely monitor the configuration and load on the network, manage out-of-configuration situations and proactively take steps to prevent network outages or failures. | 4,442 | 4,801 | 1.9 |
| ED-045 | New Brunswick Network Monitoring | This project would provide for SCADA (Supervisory Control and Data Acquisition) equipment to each of the network locations and allow the receivers to communicate with our Operations Office in Division Headquarters. This will allow the Operations Department to remotely monitor the configuration and load on the network, manage out-of-configuration situations and proactively take steps to prevent network outages or failures. | 3,673 | 3,857 | 2.2 |
| ED-046 | Aerial Cable Replacement Program | The Aerial Cable Replacement Program provides for replacement of Distribution outside plant Aerial Cable facilities due to age, and to preserve asset function and reliability. | 47,344 | 48,335 | 68.6 |
| TOTAL | | | 418,305 | 423,206 | 631.2 (1) |

Note:

(1) The number of jobs created reflects updates through March, 2011.

PSE&G Capital Stimulus Infrastructure Investment Program I

Electric Revenue Requirements Calculation

Monthly Pre Tax WACC

| | | |
|-----------|----------------|----------|
| (Dollars) | Initial | 0.94243% |
| | Post Base Case | 0.98767% |

Reflects Actuals through May, 2011

| | Program Assumption | Prior + Col 1 | Refer to WP_SS-1.xls, sheet | Prior Month +Col 3 | Col 2 - Col 4 | Refer to WP_SS-1.xls, sheet 'Tax | Prior | Col 5 - Col 8 | (Prior Col 9 + Col 9) / 2 | Program Assumption | Col 3 + Col 10 + Col 11 | | |
|--|--------------------|---------------|-----------------------------|--------------------|-----------------------------|----------------------------------|------------------|-------------------------|---------------------------------|-----------------------|---------------------------|------------------------|--------------------------------------|
| | (1) | (2) | (3) | (4) | (5) | 2811.607814 | 3577086.263 | (8) | (9) | (10) | Col 3+co 9+col 11 (11) | | |
| | <u>Month</u> | <u>Year</u> | <u>Program Investment</u> | <u>Gross Plant</u> | <u>Depreciation Expense</u> | <u>Accumulated Depreciation</u> | <u>Net Plant</u> | <u>Deferred Tax Exp</u> | <u>Accumulated Deferred Tax</u> | <u>Net Investment</u> | <u>Return Requirement</u> | <u>O&M Expense</u> | <u>Calendar Revenue Requirements</u> |
| | April | 2009 | - | - | - | - | - | - | - | - | - | 4,653 | 4,653 |
| | May | 2009 | 3,034,561 | 3,034,561 | 4,433 | 4,433 | 3,030,128 | 387,119 | 387,119 | 2,643,009 | 12,454 | 51,476 | 68,363 |
| | Jun | 2009 | 4,568,480 | 7,603,041 | 12,269 | 16,703 | 7,586,338 | 637,561 | 1,024,679 | 6,561,659 | 43,374 | 46,961 | 102,604 |
| | Jul | 2009 | 4,425,684 | 12,028,725 | 19,557 | 36,259 | 11,992,465 | 631,775 | 1,656,454 | 10,336,011 | 79,624 | 260,829 | 360,010 |
| | Aug | 2009 | 8,190,807 | 20,219,532 | 33,341 | 69,601 | 20,149,931 | 1,172,318 | 2,828,772 | 17,321,159 | 130,325 | 289,894 | 453,560 |
| | Sept | 2009 | 11,644,518 | 31,864,050 | 54,254 | 123,855 | 31,740,195 | 1,788,874 | 4,617,647 | 27,122,548 | 209,425 | 206,673 | 470,353 |
| | Oct | 2009 | 17,993,347 | 49,857,397 | 84,766 | 208,621 | 49,648,777 | 2,626,971 | 7,244,617 | 42,404,159 | 327,620 | 139,526 | 551,912 |
| | Nov | 2009 | 22,195,222 | 72,052,619 | 122,561 | 331,182 | 71,721,437 | 3,308,360 | 10,552,978 | 61,168,460 | 488,050 | 57,073 | 667,684 |
| | Dec | 2009 | 25,151,800 | 97,204,419 | 163,124 | 494,306 | 96,710,114 | 3,695,980 | 14,248,957 | 82,461,156 | 676,804 | 40,869 | 880,797 |
| | Jan | 2010 | 15,674,202 | 112,878,622 | 189,757 | 684,063 | 112,194,559 | 715,854 | 14,964,812 | 97,229,747 | 846,730 | 28,384 | 1,064,872 |
| | Feb | 2010 | 12,888,781 | 125,767,402 | 212,926 | 896,989 | 124,870,414 | 223,416 | 15,188,227 | 109,682,186 | 975,000 | 54,943 | 1,242,869 |
| | Mar | 2010 | 14,817,396 | 140,584,798 | 236,574 | 1,133,563 | 139,451,235 | 755,154 | 15,943,381 | 123,507,854 | 1,098,826 | 57,245 | 1,392,646 |
| | Apr | 2010 | 19,880,588 | 160,465,386 | 268,316 | 1,401,879 | 159,063,507 | 509,765 | 16,453,146 | 142,610,361 | 1,253,989 | 42,461 | 1,564,766 |
| | May | 2010 | 24,430,310 | 184,895,695 | 313,821 | 1,715,700 | 183,179,995 | 692,783 | 17,145,929 | 166,034,066 | 1,454,379 | 60,010 | 1,828,210 |
| | Jun | 2010 | 24,812,514 | 123,801,753 | 198,750 | 604,562 | 123,197,191 | 656,048 | 3,330,461 | 119,866,729 | 1,411,878 | 188,968 | 1,799,596 |
| | Jul | 2010 | 20,543,737 | 144,345,490 | 241,359 | 845,921 | 143,499,569 | 634,740 | 3,965,201 | 139,534,367 | 1,281,013 | 55,630 | 1,578,002 |
| | Aug | 2010 | 21,729,149 | 166,074,639 | 281,621 | 1,127,542 | 164,947,097 | 1,100,115 | 5,065,316 | 159,881,780 | 1,478,622 | 48,591 | 1,808,833 |
| | Sept | 2010 | 23,517,537 | 189,592,176 | 316,262 | 1,443,804 | 188,148,372 | 15,136,916 | 20,202,232 | 167,946,140 | 1,618,929 | 393 | 1,935,584 |
| | Oct | 2010 | 17,411,085 | 207,003,261 | 339,087 | 1,782,890 | 205,220,371 | 5,205,841 | 25,408,073 | 179,812,298 | 1,717,353 | 3,135 | 2,059,575 |
| | Nov | 2010 | 17,738,376 | 224,741,637 | 382,647 | 2,165,537 | 222,576,100 | 7,071,445 | 32,479,518 | 190,096,581 | 1,826,740 | 969 | 2,210,356 |
| | Dec | 2010 | 25,046,912 | 249,788,549 | 427,400 | 2,592,937 | 247,195,612 | 22,880,471 | 55,359,989 | 191,835,623 | 1,886,115 | 737 | 2,314,252 |
| | Jan | 2011 | 13,875,009 | 263,663,558 | 450,115 | 3,043,052 | 260,620,507 | 774,565 | 56,134,554 | 204,485,952 | 1,957,175 | 2,366 | 2,409,655 |
| | Feb | 2011 | 17,650,328 | 281,313,887 | 485,477 | 3,528,529 | 277,785,357 | 1,328,498 | 57,463,052 | 220,322,305 | 2,097,852 | 1,452 | 2,584,781 |
| | Mar | 2011 | 25,330,978 | 306,644,864 | 525,477 | 4,054,006 | 302,590,858 | 2,567,076 | 60,030,128 | 242,560,730 | 2,285,878 | (522) | 2,810,833 |
| | Apr | 2011 | 16,813,635 | 323,458,500 | 573,494 | 4,627,500 | 318,831,000 | 2,939,098 | 62,969,226 | 255,861,774 | 2,461,385 | - | 3,034,879 |
| | May | 2011 | 9,402,249 | 332,860,749 | 622,983 | 5,250,482 | 327,610,266 | (7,972,705) | 54,996,521 | 272,613,745 | 2,609,797 | - | 3,232,780 |
| | Jun | 2011 | 4,452,911 | 337,313,660 | 633,492 | 5,883,975 | 331,429,685 | 3,579,898 | 58,576,419 | 272,853,266 | 2,693,707 | - | 3,327,199 |
| | Jul | 2011 | - | 337,313,660 | 633,492 | 6,517,467 | 330,796,193 | 3,829,936 | 62,406,355 | 268,389,837 | 2,672,848 | - | 3,306,340 |
| | Aug | 2011 | - | 337,313,660 | 633,492 | 7,150,960 | 330,162,700 | 3,829,936 | 66,236,291 | 263,926,409 | 2,628,764 | - | 3,262,256 |
| | Sep | 2011 | - | 337,313,660 | 633,492 | 7,784,452 | 329,529,208 | 3,829,936 | 70,066,228 | 259,462,980 | 2,584,680 | - | 3,218,172 |
| | Oct | 2011 | - | 337,313,660 | 633,492 | 8,417,945 | 328,895,715 | 3,829,936 | 73,896,164 | 254,999,552 | 2,540,596 | - | 3,174,089 |
| | Nov | 2011 | - | 337,313,660 | 633,492 | 9,051,437 | 328,262,223 | 3,829,936 | 77,726,100 | 250,536,123 | 2,496,512 | - | 3,130,005 |
| | Dec | 2011 | - | 337,313,660 | 633,492 | 9,684,930 | 327,628,730 | 3,829,936 | 81,556,036 | 246,072,694 | 2,452,428 | - | 3,085,921 |
| | Dec-09 Roll-In | | 85,906,456 | | | 1,309,888 | 84,596,568 | | 14,471,515 | 70,125,053 | | | |
| | Total | | 423,220,116 | | | | | | | | | | |
| | 2009 | | 97,204,419 | | 494,306 | | | 14,248,957 | | | 1,967,677 | 1,097,954 | 3,559,937 |
| | 2010 | | 238,490,586 | | 3,408,519 | | | 55,582,547 | | | 16,849,574 | 541,467 | 20,799,561 |
| | 2011 | | 87,525,111 | | 7,091,993 | | | 26,196,047 | | | 29,481,622 | 3,296 | 36,576,910 |
| | Total | | 423,220,116 | | 10,994,817 | | | 96,027,551 | | | 48,298,873 | 1,642,717 | 60,936,408 |

PSE&G Capital Stimulus Infrastructure Investment Program I

Gas Revenue Requirements Calculation

(Dollars)

Monthly Pre Tax WACC

Initial

Post Base Case

Reflects Actuals through May, 2011

| | | Property Accounting | Prior Col 2 + Col 1 | Refer to WP_SS-1.xls, sheet 'gas book and tax', Row 32 | Prior Month +Col 3 | Col 2 - Col 4 | Refer to WP_SS-1.xls, sheet 'Tax Depreciation', Col E + WP_SS-2.xls, sheet 'MonthlyRevReqG', Col Q | Prior + Col 7 | Col 5 - Col 8 | (Prior Col 9 + Col 9) / 2 * Monthly Pre Tax WACC | Program Assumption | Col 3 + Col 10 + Col 11 |
|----------------------|------|---------------------|---------------------------|--|--------------------------|---------------|--|--------------------------|----------------|--|--------------------|-------------------------------|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | Col 3+col 9+col 11 (11) |
| Month | Year | Program Investment | Gross Plant | Depreciation Expense | Accumulated Depreciation | Net Plant | Deferred Tax Exp | Accumulated Deferred Tax | Net Investment | Return Requirement | O&M Expense | Calendar Revenue Requirements |
| April | 2009 | - | - | - | - | - | - | - | - | - | 2,565 | 2,565 |
| May | 2009 | 2,075,916 | 2,075,916 | 2,827 | 2,827 | 2,073,089 | 352,686 | 352,686 | 1,720,402 | 8,107 | 26,761 | 37,695 |
| June | 2009 | 5,122,564 | 7,198,480 | 9,409 | 12,237 | 7,186,243 | 884,530 | 1,237,216 | 5,949,027 | 36,139 | 62,401 | 107,950 |
| July | 2009 | 10,086,489 | 17,284,969 | 22,590 | 34,826 | 17,250,142 | 1,739,192 | 2,976,408 | 14,273,734 | 95,293 | 117,371 | 235,253 |
| Aug | 2009 | 10,729,596 | 28,014,565 | 36,810 | 71,636 | 27,942,928 | 1,898,403 | 4,874,811 | 23,068,117 | 175,960 | 154,766 | 367,536 |
| Sept | 2009 | 11,198,151 | 39,212,716 | 51,417 | 123,054 | 39,089,662 | 1,964,998 | 6,839,809 | 32,249,853 | 260,667 | 73,989 | 386,073 |
| Oct | 2009 | 16,335,788 | 55,548,504 | 72,820 | 195,874 | 55,352,630 | 2,918,125 | 9,757,934 | 45,594,696 | 366,815 | 35,793 | 475,428 |
| Nov | 2009 | 12,553,352 | 68,101,856 | 89,155 | 285,029 | 67,816,827 | 2,314,829 | 12,072,763 | 55,744,064 | 477,523 | 45,300 | 611,979 |
| Dec | 2009 | 14,898,527 | 83,000,384 | 113,078 | 398,107 | 82,602,277 | 2,798,221 | 14,870,984 | 67,731,293 | 581,834 | 19,603 | 714,515 |
| Jan | 2010 | 5,074,403 | 88,074,787 | 114,428 | 512,535 | 87,562,251 | 204,877 | 15,075,861 | 72,486,391 | 660,727 | 14,253 | 789,408 |
| Feb | 2010 | 3,907,410 | 91,982,197 | 119,386 | 631,921 | 91,350,276 | 166,662 | 15,242,523 | 76,107,753 | 700,198 | 35,308 | 854,892 |
| Mar | 2010 | 6,093,739 | 98,075,936 | 127,204 | 759,125 | 97,316,811 | 191,782 | 15,434,304 | 81,882,506 | 744,474 | 26,402 | 898,080 |
| Apr | 2010 | 13,275,318 | 111,351,254 | 144,421 | 903,546 | 110,447,709 | 271,908 | 15,706,212 | 94,741,496 | 832,279 | 35,906 | 1,012,605 |
| May | 2010 | 17,478,126 | 128,829,380 | 167,203 | 1,070,748 | 127,758,632 | 313,534 | 16,019,746 | 111,738,886 | 972,967 | 32,769 | 1,172,939 |
| Jun | 2010 | 16,438,129 | 145,267,509 | 188,741 | 1,259,490 | 144,008,020 | 360,888 | 16,380,634 | 127,627,385 | 1,127,930 | 86,335 | 1,403,006 |
| Jul | 2010 | 14,336,499 | 77,467,794 | 99,326 | 312,845 | 77,154,949 | 344,363 | 1,219,786 | 75,935,163 | 1,005,263 | 66,101 | 1,170,690 |
| Aug | 2010 | 18,345,997 | 95,813,791 | 123,431 | 436,276 | 95,377,515 | 355,977 | 1,575,763 | 93,801,752 | 838,220 | 77,376 | 1,039,027 |
| Sept | 2010 | 19,186,933 | 115,000,723 | 148,587 | 584,863 | 114,415,860 | 10,031,026 | 11,606,789 | 102,809,072 | 970,933 | 59,708 | 1,179,228 |
| Oct | 2010 | 21,032,355 | 136,033,079 | 176,543 | 761,406 | 135,271,673 | 4,723,803 | 16,330,592 | 118,941,080 | 1,095,080 | 17,981 | 1,289,604 |
| Nov | 2010 | 19,105,097 | 155,138,175 | 200,898 | 962,304 | 154,175,871 | 6,479,912 | 22,810,504 | 131,365,367 | 1,236,101 | 36,511 | 1,473,510 |
| Dec | 2010 | 15,522,382 | 170,660,558 | 223,344 | 1,185,648 | 169,474,910 | 21,870,934 | 44,681,438 | 124,793,472 | 1,265,002 | 820,674 | 2,309,020 |
| Jan | 2011 | 5,441,730 | 176,102,288 | 230,316 | 1,415,964 | 174,686,324 | 373,638 | 45,055,076 | 129,631,248 | 1,256,438 | 9,636 | 1,496,390 |
| Feb | 2011 | 3,967,836 | 180,070,124 | 235,373 | 1,651,337 | 178,418,787 | 476,255 | 45,531,331 | 132,887,456 | 1,296,409 | 9,202 | 1,540,984 |
| Mar | 2011 | 5,140,002 | 185,210,126 | 241,967 | 1,893,303 | 183,316,823 | 975,404 | 46,506,735 | 136,810,088 | 1,331,861 | 13,322 | 1,587,150 |
| Apr | 2011 | 5,522,428 | 190,732,554 | 248,958 | 2,142,262 | 188,590,292 | 812,715 | 47,319,449 | 141,270,843 | 1,373,261 | 5,977 | 1,628,196 |
| May | 2011 | 2,172,790 | 192,905,344 | 251,676 | 2,393,937 | 190,511,407 | (10,600,382) | 36,719,067 | 153,792,340 | 1,457,125 | (45) | 1,708,755 |
| Jun | 2011 | 2,035,000 | 194,940,344 | 254,272 | 2,648,209 | 192,292,135 | 1,081,202 | 37,800,269 | 154,491,865 | 1,522,415 | | 1,776,687 |
| Jul | 2011 | - | 194,940,344 | 254,272 | 2,902,481 | 192,037,863 | 1,040,352 | 38,840,622 | 153,197,241 | 1,519,477 | | 1,773,748 |
| Aug | 2011 | | 194,940,344 | 254,272 | 3,156,753 | 191,783,591 | 1,040,352 | 39,880,974 | 151,902,617 | 1,506,690 | | 1,760,962 |
| Sep | 2011 | | 194,940,344 | 254,272 | 3,411,024 | 191,529,320 | 1,040,352 | 40,921,327 | 150,607,993 | 1,493,903 | | 1,748,175 |
| Oct | 2011 | | 194,940,344 | 254,272 | 3,665,296 | 191,275,048 | 1,040,597 | 41,961,924 | 149,313,124 | 1,481,115 | | 1,735,387 |
| Nov | 2011 | | 194,940,344 | 254,272 | 3,919,568 | 191,020,776 | 1,040,597 | 43,002,521 | 148,018,255 | 1,468,326 | | 1,722,598 |
| Dec | 2011 | | 194,940,344 | 254,272 | 4,173,840 | 190,766,504 | 1,040,597 | 44,043,119 | 146,723,386 | 1,455,537 | | 1,709,809 |
| Dec-09 Roll-In Total | | | 82,136,214 277,076,559 | | 1,045,971 | 81,090,244 | | 15,505,211 | 65,585,033 | | | |
| 2009 | | 83,000,384 | | 398,107 | | | 14,870,984 | | | 2,002,339 | 538,548 | 2,938,994 |
| 2010 | | 169,796,388 | | 1,833,512 | | | 45,315,665 | | | 11,449,173 | 1,309,325 | 14,592,010 |
| 2011 | | 24,279,786 | | 2,988,192 | | | (638,319) | | | 17,162,559 | 38,091 | 20,188,842 |
| Total | | 277,076,559 | | 5,219,811 | | | 59,548,329 | | | 30,614,071 | 1,885,965 | 37,719,846 |

PSE&G Capital Stimulus Infrastructure Investment Program I
Weighted Average Cost of Capital (WACC)

Post 2009 Base Case Rate Implementation

| | <u>Percent</u> | <u>Cost</u> | <u>WACC</u> | <u>Tax Gross- up</u> | <u>PreTax WACC</u> |
|---------------|----------------|-------------|-------------|--------------------------|------------------------|
| Equity | 51.20% | 10.30% | 5.2736% | 5.2736% | 8.9156% |
| Other Capital | | | 2.9364% | 1.7369% | 2.9364% |
| Annual | | | 8.2100% | 7.0105% | 11.8520% |
| Monthly | | | | | 0.98767% |
| | | Tax Rate | 40.850% | | |

Initial Program

| | <u>Percent</u> | <u>Cost</u> | <u>WACC</u> | <u>Tax Gross- up</u> | <u>PreTax WACC</u> |
|-------------------|----------------|-------------|-------------|--------------------------|------------------------|
| Long-term Debt | 50.6434% | 6.1900% | 3.1348% | | |
| Customer Deposits | 0.6831% | 2.9400% | 0.0201% | | |
| Sub-total | 51.3265% | | 3.1549% | | 3.1549% |
| Preferred Stock | 1.2708% | 5.0300% | 0.0639% | 1.6973 | 0.1085% |
| Common Equity | 47.4027% | 10.0000% | 4.7403% | 1.6973 | 8.0458% |
| Total | 100.0000% | | 7.9591% | | 11.3092% |
| Monthly WACC | | | 0.6633% | | 0.94243% |
| | | Tax Rate | 41.084% | | |

**PSE&G Capital Stimulus Infrastructure Investment
Program I
Electric & Gas CAC Under/(Over) Calculations
(Dollars)**

| | <u>Nov-10</u> | <u>Dec-10</u> | <u>Jan-11</u> | <u>Feb-11</u> | <u>Mar-11</u> | <u>Apr-11</u> | <u>May-11</u> | <u>Jun-11</u> | <u>Jul-11</u> |
|---|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| <u>Electric CAC Under/(Over) Calculation</u> | | | | | | | | | |
| (1) Grand Total CAC Revenue | 973,060 | 1,068,838 | 1,143,728 | 1,029,071 | 1,005,956 | 951,685 | 948,546 | 2,136,370.00 | 2,136,370.00 |
| (2) Revenue Requirements | 2,210,355.97 | 2,314,252.05 | 2,409,655.38 | 2,584,781.18 | 2,810,833.09 | 3,034,878.52 | 3,232,779.68 | 3,327,199.49 | 3,306,340.36 |
| (3) Monthly Under/(Over) Recovery | 1,237,295.89 | 1,245,414.05 | 1,265,927.38 | 1,555,710.18 | 1,804,877.09 | 2,083,193.52 | 2,284,233.68 | 1,190,829.49 | 1,169,970.36 |
| (4) Deferred Balance | (5,837,756.09) | (4,592,342.04) | (3,326,414.66) | (1,770,704.48) | 34,172.61 | 2,117,366.13 | 4,401,599.81 | 5,592,429.30 | 6,762,399.66 |
| (5) Average Daily Balance | (6,456,404) | (5,215,049) | (3,959,378) | (2,548,560) | (868,266) | 1,075,769 | 3,259,483 | 4,997,015 | 6,177,414 |
| (6) Monthly Interest Rate | 0.0275% | 0.0275% | 0.0275% | 0.0267% | 0.0250% | 0.0250% | 0.0200% | 0.0200% | 0.0200% |
| (7) Monthly Interest Expense/(Credit) - Net of Tax | 1,046.06 | 844.94 | 641.49 | 400.40 | 127.89 | (158.45) | (384.07) | (588.81) | (727.90) |
| (8) Cumulative Interest | 6,238.10 | 7,083.04 | 7,724.53 | 8,124.93 | 8,252.82 | 8,094.37 | 7,710.30 | 7,121.49 | 6,393.59 |
| (9) Balance Added to Subsequent Period Revenue Requirements | | | | | | | | | |
| (10) Total Subsequent Period Revenue Requirement | | | | | | | | | |
| <u>Gas CAC Under/(Over) Calculation</u> | | | | | | | | | |
| (1) Grand Total CAC Revenue | 181,183.01 | 285,155.34 | 322,329.16 | 259,648.00 | 228,779.53 | 112,756.45 | 71,582.77 | 55,951.88 | 40,321.00 |
| (2) Revenue Requirements | 1,473,509.99 | 2,309,020.37 | 1,496,390.15 | 1,540,983.94 | 1,587,149.73 | 1,628,196.24 | 1,708,755.48 | 1,776,687.05 | 1,773,748.25 |
| (3) Monthly Under/(Over) Recovery | 1,292,326.98 | 2,023,865.03 | 1,174,060.99 | 1,281,335.94 | 1,358,370.20 | 1,515,439.79 | 1,637,172.71 | 1,720,735.17 | 1,733,427.25 |
| (4) Deferred Balance | (1,709,438.74) | 314,426.30 | 1,488,487.29 | 2,769,823.24 | 4,128,193.44 | 5,643,633.23 | 7,280,805.94 | 9,001,541.11 | 10,734,968.35 |
| (5) Average Daily Balance | (2,355,602) | (697,506) | 901,457 | 2,129,155 | 3,449,008 | 4,885,913 | 6,462,220 | 8,141,174 | 9,868,255 |
| (6) Monthly Interest Rate | 0.0275% | 0.0275% | 0.0275% | 0.0267% | 0.0250% | 0.0250% | 0.0200% | 0.0200% | 0.0200% |
| (7) Monthly Interest Expense/(Credit) - Net of Tax | 383.17 | 113.46 | (146.63) | (335.84) | (510.02) | (722.50) | (764.48) | (963.10) | (1,167.41) |
| (8) Cumulative Interest | 2,813.43 | 2,926.89 | 2,780.25 | 2,444.41 | 1,934.39 | 1,211.89 | 447.41 | (515.69) | (1,683.11) |
| (9) Balance Added to Subsequent Period Revenue Requirements | | 317,353 | | | | | 7,281,253 | | |
| (10) Total Subsequent Period Revenue Requirement | | 317,353 | | | | | 7,281,253 | | |

PSE&G Capital Stimulus Infrastructure Investment
Program I
Electric & Gas CAC Under/(Over) Calculations
(Dollars)

| <u>Electric CAC Under/(Over) Calculation</u> | <u>Aug-11</u> | <u>Sep-11</u> | <u>Oct-11</u> | <u>Nov-11</u> | <u>Dec-11</u> | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| (1) Grand Total CAC Revenue | | | | | | |
| (2) Revenue Requirements | | | | | | Appendix C Pg 1, Col 12 |
| (3) Monthly Under/(Over) Recovery | | - | - | - | - | Row 2 - Row 1 |
| (4) Deferred Balance | 6,762,399.66 | 6,762,399.66 | 6,762,399.66 | 6,762,399.66 | 6,762,399.66 | Prev Row 4 + Row 3 |
| (5) Average Daily Balance | 6,762,400 | 6,762,400 | 6,762,400 | 6,762,400 | 6,762,400 | (Prev Row 4 + Row 4) / 2 |
| (6) Monthly Interest Rate | 0.0200% | 0.0200% | 0.0200% | 0.0200% | 0.0200% | [Prev Mth Annualized Wghtd Avg STD/CP Rate]/12 |
| (7) Monthly Interest Expense/(Credit) - Net of Tax | (796.83) | (796.83) | (796.83) | (796.83) | (796.83) | - Row 5 * (1 - Tax Rate) * Row 6 |
| (8) Cumulative Interest | 5,596.77 | 4,799.94 | 4,003.11 | 3,206.28 | 2,409.46 | Prev Row 8 + Row 7 |
| (9) Balance Added to Subsequent Period Revenue Requirements | | | | | 6,764,809.11 | Row 4 + Row 8 |
| (10) Total Subsequent Period Revenue Requirement | | | | | \$ 6,764,809 | |

| <u>Gas CAC Under/(Over) Calculation</u> | <u>Aug-11</u> | <u>Sep-11</u> | <u>Oct-11</u> | <u>Nov-11</u> | <u>Dec-11</u> | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| (1) Grand Total CAC Revenue | | | | | | |
| (2) Revenue Requirements | | | | | | Appendix C Pg 2, Col 12 |
| (3) Monthly Under/(Over) Recovery | | - | - | - | - | Row 2 - Row 1 |
| (4) Deferred Balance | 10,734,968.35 | 10,734,968.35 | 10,734,968.35 | 10,734,968.35 | 10,734,968.35 | Prev Row 4 + Row 3 |
| (5) Average Daily Balance | 10,734,968 | 10,734,968 | 10,734,968 | 10,734,968 | 10,734,968 | (Prev Row 4 + Row 4) / 2 |
| (6) Monthly Interest Rate | 0.0200% | 0.0200% | 0.0200% | 0.0200% | 0.0200% | [Prev Mth Annualized Wghtd Avg STD/CP Rate]/12 |
| (7) Monthly Interest Expense/(Credit) - Net of Tax | (1,269.95) | (1,269.95) | (1,269.95) | (1,269.95) | (1,269.95) | - Row 5 * (1 - Tax Rate) * Row 6 |
| (8) Cumulative Interest | (2,953.06) | (4,223.00) | (5,492.95) | (6,762.90) | (8,032.84) | Prev Row 8 + Row 7 |
| (9) Balance Added to Subsequent Period Revenue Requirements | | | | | 10,726,936 | Row 4 + Row 8 |
| (10) Total Subsequent Period Revenue Requirement | | | | | \$ 10,726,936 | |

Capital Adjustment Charge (CAC)
Electric CAC - Calculation Example
6 Months January - June 2010

Target>> \$14,193 2011
Capital Adjustment Factor>> 3.3605%

| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | | | |
|---------------|--|-------------|--------------------------|------------|-----------------------|------------|--|----------------|--|------------------|------------------|--|---------|----------------------------------|--------------------------------|----------------|
| Rate Schedule | | Units (000) | Rates as of Sept 1, 2010 | | Present Revenue (000) | TEFA | Rates as of Sept 1, 2010 w/ SUT, w/ TEFA | | Proposed Capital Adjustment Charges (w/ SUT) | | Proposed Revenue | Proposed Capital Adjustment Charge Revenue (000) | | CAC Rates Effective June 7, 2010 | CAC Revenue June 7, 2010 Rates | Revenue Change |
| | | | wo SUT | wo SUT | | | wo SUT, w/ CAC | wo SUT, w/ CAC | Proposed Revenue | Proposed Revenue | | | | | | |
| 1 | RS Service Charge | per month | 10,669,143 | \$2.27 | \$24,219 | | \$2.27 | \$0.08 | \$2.35 | \$25,072 | \$853 | \$0.03 | \$320 | \$533 | | |
| 2 | Distribution 0-600, June-September | \$/kWhr | 817,123 | \$0.032809 | 26,809 | \$0.002890 | \$0.029919 | \$0.001005 | \$0.033814 | 27,630 | 821 | \$0.000450 | 368 | 453 | | |
| 3 | Distribution 0-600, October-May | \$/kWhr | 3,527,480 | \$0.036234 | 127,815 | \$0.002890 | \$0.033344 | \$0.001121 | \$0.037355 | 131,769 | 3,954 | \$0.000502 | 1,771 | 2,183 | | |
| 4 | Distribution over 600, June-September | \$/kWhr | 276,551 | \$0.036630 | 10,130 | \$0.002890 | \$0.033740 | \$0.001134 | \$0.037764 | 10,444 | 314 | \$0.000508 | 140 | 174 | | |
| 5 | Distribution over 600, October-May | \$/kWhr | 1,214,586 | \$0.036234 | 44,009 | \$0.002890 | \$0.033344 | \$0.001121 | \$0.037355 | 45,371 | 1,362 | \$0.000502 | 610 | 752 | | |
| 6 | BRDKA | \$/kWhr | 5,835,740 | \$0.000000 | 0 | | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | | |
| 7 | Total | | | | \$232,982 | | | | | \$240,286 | \$7,304 | | \$3,209 | \$4,095 | | |
| 8 | | | | | | | | | | | | | | | | |
| 9 | RHS Service Charge | per month | 72,723 | \$2.27 | \$165 | | \$2.27 | \$0.08 | \$2.35 | \$171 | \$6 | \$0.03 | \$2 | \$4 | | |
| 10 | Distribution 0-600, June-September | \$/kWhr | 6,339 | \$0.048184 | 305 | \$0.002890 | \$0.045294 | \$0.001522 | \$0.049706 | 315 | 10 | \$0.000681 | 4 | 6 | | |
| 11 | Distribution 0-600, October-May | \$/kWhr | 31,912 | \$0.032149 | 1,026 | \$0.002890 | \$0.029259 | \$0.000983 | \$0.033132 | 1,057 | 31 | \$0.000440 | 14 | 17 | | |
| 12 | Distribution over 600, June-September | \$/kWhr | 2,992 | \$0.053314 | 160 | \$0.002890 | \$0.050424 | \$0.001694 | \$0.055008 | 165 | 5 | \$0.000758 | 2 | 3 | | |
| 13 | Distribution over 600, October-May | \$/kWhr | 61,316 | \$0.013724 | 842 | \$0.002890 | \$0.010834 | \$0.000364 | \$0.014088 | 864 | 22 | \$0.000163 | 10 | 12 | | |
| 14 | Common Use | \$/kWhr | 0 | \$0.053314 | 0 | \$0.002890 | \$0.050424 | \$0.001694 | \$0.055008 | 0 | 0 | \$0.000758 | 0 | 0 | | |
| 15 | BRDKA | \$/kWhr | 102,559 | \$0.000000 | 0 | | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | | |
| 16 | Total | | | | \$2,498 | | | | | \$2,572 | \$74 | | \$32 | \$42 | | |
| 17 | | | | | | | | | | | | | | | | |
| 18 | RLM Service Charge | per month | 78,050 | \$13.07 | \$1,020 | | \$13.07 | \$0.44 | \$13.51 | \$1,054 | \$34 | \$0.20 | \$16 | \$18 | | |
| 19 | Distribution, June-September, On-Peak | \$/kWhr | 10,288 | \$0.055190 | 568 | \$0.002000 | \$0.053190 | \$0.001787 | \$0.056977 | 586 | 18 | \$0.000800 | 8 | 10 | | |
| 20 | Distribution, June-September, Off-Peak | \$/kWhr | 12,768 | \$0.014450 | 184 | \$0.002000 | \$0.012450 | \$0.000418 | \$0.014868 | 190 | 6 | \$0.000187 | 2 | 4 | | |
| 21 | Distribution, October-May, On-Peak | \$/kWhr | 40,412 | \$0.014450 | 584 | \$0.002000 | \$0.012450 | \$0.000418 | \$0.014868 | 601 | 17 | \$0.000187 | 8 | 9 | | |
| 22 | Distribution, October-May, Off-Peak | \$/kWhr | 53,175 | \$0.014450 | 768 | \$0.002000 | \$0.012450 | \$0.000418 | \$0.014868 | 791 | 23 | \$0.000187 | 10 | 13 | | |
| 23 | BRDKA | \$/kWhr | 116,643 | \$0.000000 | 0 | | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | | |
| 24 | Total | | | | \$3,124 | | | | | \$3,222 | \$98 | | \$44 | \$54 | | |
| 25 | | | | | | | | | | | | | | | | |
| 26 | WH Distribution Sum | \$/kWhr | 249 | \$0.043285 | \$11 | \$0.001580 | \$0.041705 | \$0.001401 | \$0.044686 | \$11 | \$0 | \$0.000627 | \$0 | \$0 | | |
| 27 | Distribution Win | \$/kWhr | 1,355 | \$0.043285 | 59 | \$0.001580 | \$0.041705 | \$0.001401 | \$0.044686 | 61 | 2 | \$0.000627 | 1 | 1 | | |
| 28 | BRDKA | \$/kWhr | 1,604 | \$0.000000 | 0 | | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | | |
| 29 | Total | | | | \$70 | | | | | \$72 | \$2 | | \$1 | \$1 | | |
| 30 | | | | | | | | | | | | | | | | |
| 31 | WHS Service Charge | per month | 0.177 | \$0.52 | \$0.092 | | \$0.52 | \$0.02 | \$0.54 | \$0.096 | \$0.004 | \$0.01 | \$0.002 | \$0.002 | | |
| 32 | Distribution Sum | \$/kWhr | 5.057 | \$0.001457 | 0.007 | \$0.001580 | (\$0.000123) | \$0.000000 | \$0.001457 | 0.007 | 0.000 | \$0.000000 | 0.000 | 0.000 | | |
| 33 | Distribution Win | \$/kWhr | 19.843 | \$0.001457 | 0.029 | \$0.001580 | (\$0.000123) | \$0.000000 | \$0.001457 | 0.029 | 0.000 | \$0.000000 | 0.000 | 0.000 | | |
| 34 | BRDKA | \$/kWhr | 24.9 | \$0.000000 | 0.000 | | \$0.000000 | \$0.000000 | \$0.000000 | 0.000 | 0.000 | \$0.000000 | 0.000 | 0.000 | | |
| 35 | Total | | | | \$0.128 | | | | | \$0.132 | \$0.004 | | \$0.002 | \$0.002 | | |
| 36 | | | | | | | | | | | | | | | | |
| 37 | | | | | | | | | | | | | | | | |
| 38 | HS Service Charge | per month | 9.956 | \$3.11 | \$31 | | \$3.11 | \$0.10 | \$3.21 | \$32 | \$1 | \$0.05 | \$0 | \$1 | | |
| 39 | Distribution, June-September | \$/kWhr | 1,123 | \$0.080487 | 90 | \$0.002720 | \$0.077767 | \$0.002613 | \$0.083100 | 93 | 3 | \$0.001170 | 1 | 2 | | |
| 40 | Distribution, October-May | \$/kWhr | 12,735 | \$0.031365 | 399 | \$0.002720 | \$0.028645 | \$0.000963 | \$0.032328 | 412 | 13 | \$0.000431 | 5 | 8 | | |
| 41 | BRDKA | \$/kWhr | 13,858 | \$0.000000 | 0 | | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | | |
| 42 | Total | | | | \$520 | | | | | \$537 | \$17 | | \$6 | \$11 | | |
| 43 | | | | | | | | | | | | | | | | |
| 44 | GLP Service Charge | per month | 1,455.104 | \$3.96 | \$5,762 | | \$3.96 | \$0.13 | \$4.09 | \$5,951 | \$189 | \$0.06 | \$87 | \$102 | | |
| 45 | Service Charge-Unmetered | per month | 83.837 | \$1.83 | 153 | | \$1.83 | \$0.06 | \$1.89 | 158 | 5 | \$0.03 | 3 | 2 | | |
| 46 | Service Charge-Night Use | per month | 0.45 | \$347.77 | 156 | | \$347.77 | \$11.69 | \$359.46 | 162 | 6 | \$5.23 | 2 | 4 | | |
| 47 | Annual Demand | \$/kW | 14,784 | \$3.8307 | 56,633 | | \$3.8307 | \$0.1287 | \$3.9594 | 58,536 | 1,903 | \$0.0576 | 852 | 1,051 | | |
| 48 | Summer Demand, June-September | \$/kW | 3,021 | \$7.1094 | 21,478 | | \$7.1094 | \$0.2389 | \$7.3483 | 22,199 | 721 | \$0.1069 | 323 | 398 | | |
| 49 | Distribution kWhr, June-September | \$/kWhr | 723,138 | \$0.011717 | 8,473 | \$0.002720 | \$0.008997 | \$0.000302 | \$0.012019 | 8,691 | 218 | \$0.000135 | 98 | 120 | | |
| 50 | Distribution kWhr, October-May | \$/kWhr | 3,136,694 | \$0.005883 | 18,453 | \$0.002720 | \$0.003163 | \$0.000106 | \$0.005989 | 18,786 | 333 | \$0.000048 | 151 | 182 | | |
| 51 | Distribution kWhr, Night use, June-September | \$/kWhr | 2,383 | \$0.005883 | 14 | \$0.002720 | \$0.003163 | \$0.000106 | \$0.005989 | 14 | 0 | \$0.000048 | 0 | 0 | | |
| 52 | Distribution kWhr, Night use, October-May | \$/kWhr | 10,923 | \$0.005883 | 64 | \$0.002720 | \$0.003163 | \$0.000106 | \$0.005989 | 65 | 1 | \$0.000048 | 1 | 0 | | |
| 53 | BRDKA | \$/kWhr | 3,873,138 | \$0.000000 | 0 | | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | | |
| 54 | Total | | | | \$111,186 | | | | | \$114,562 | \$3,376 | | \$1,517 | \$1,859 | | |

Capital Adjustment Charge (CAC)
Electric CAC - Calculation Example
6 Months January - June 2010

| | | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | |
|---------------|------------------|----------------------------------|--------------------------|------------|-----------------------|----------|--------------------------|---------------|--------------------------|------------------------|--|----------------|------------|-------------|---------|
| Rate Schedule | | Units (000) | Rates as of Sept 1, 2010 | | Present Revenue (000) | TEFA | Rates as of Sept 1, 2010 | | Rates as of Sept 1, 2010 | | Proposed Capital Adjustment Charge Revenue (000) | | CAC Rates | CAC Revenue | |
| | | | wo SUT | TEFA | | | Charges (wo SUT) | wo SUT, w CAC | Proposed Revenue | Effective June 7, 2010 | June 7, 2010 Rates | Revenue Change | | | |
| 1 | LPL-Sec | Service Charge | per month | 50,147 | \$347.77 | \$17,440 | | \$347.77 | \$11.69 | \$359.46 | \$18,026 | \$586 | \$5.23 | \$262 | \$324 |
| 2 | | Annual Demand | \$/kW | 14,379 | \$3,1526 | 45,331 | | \$3,1526 | \$0.1059 | \$3,2585 | 46,854 | 1,523 | \$0.0474 | 682 | 841 |
| 3 | | Summer Demand, June-September | \$/kW | 1,641 | \$7,5002 | 12,308 | | \$7,5002 | \$0.2520 | \$7,7522 | 12,721 | 413 | \$0.1128 | 185 | 228 |
| 4 | | Distribution | \$/kWhr | 5,676,865 | \$0.002110 | 11,978 | \$0.002110 | \$0.000000 | \$0.000000 | \$0.002110 | 11,978 | 0 | \$0.000000 | 0 | 0 |
| 5 | | BRDKA | \$/kWhr | 5,676,865 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 6 | | Total | | | | \$87,057 | | | | \$89,579 | \$2,522 | | \$1,129 | \$1,393 | |
| 7 | | | | | | | | | | | | | | | |
| 8 | LPL- Pri | Service Charge | per month | 4,688 | \$347.77 | \$1,630 | | \$347.77 | \$11.69 | \$359.46 | \$1,685 | \$55 | \$5.23 | \$25 | \$30 |
| 9 | | Service Charge-Primary Alternate | per month | 0,282 | \$17.88 | 5 | | \$17.88 | \$0.60 | \$18.48 | 5 | 0 | \$0.27 | 0 | 0 |
| 10 | | Annual Demand | \$/kW | 4,030 | \$1,4978 | 6,036 | | \$1,4978 | \$0.0503 | \$1,5481 | 6,239 | 203 | \$0.0225 | 91 | 112 |
| 11 | | Summer Demand, June-September | \$/kW | 544 | \$8,3148 | 4,523 | | \$8,3148 | \$0.2794 | \$8,5942 | 4,675 | 152 | \$0.1251 | 68 | 84 |
| 12 | | Distribution | \$/kWhr | 1,815,066 | \$0.002020 | 3,666 | \$0.002020 | \$0.000000 | \$0.000000 | \$0.002020 | 3,666 | 0 | \$0.000000 | 0 | 0 |
| 13 | | BRDKA | \$/kWhr | 1,815,066 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 14 | | Total | | | | \$15,860 | | | | \$16,270 | \$410 | | \$184 | \$226 | |
| 15 | | | | | | | | | | | | | | | |
| 16 | | | | | | | | | | | | | | | |
| 17 | HTS-Subtr | Service Charge | per month | 1,123 | \$1,911.39 | \$2,146 | | \$1,911.39 | \$64.23 | \$1,975.62 | \$2,219 | \$73 | \$28.75 | \$32 | \$41 |
| 18 | | Annual Demand | \$/kW | 6,313 | \$0.9464 | 5,975 | | \$0.9464 | \$0.0318 | \$0.9782 | 6,175 | 200 | \$0.0142 | 90 | 110 |
| 19 | | Summer Demand, June-September | \$/kW | 328 | \$3,4215 | 1,122 | | \$3,4215 | \$0.1150 | \$3,5365 | 1,160 | 38 | \$0.0515 | 17 | 21 |
| 20 | | Distribution | \$/kWhr | 2,077,738 | \$0.001470 | 3,054 | \$0.001470 | \$0.000000 | \$0.001470 | 3,054 | 0 | \$0.000000 | 0 | 0 | 0 |
| 21 | | BRDKA | \$/kWhr | 2,077,738 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 22 | | Total | | | | \$12,297 | | | | \$12,608 | \$311 | | \$139 | \$172 | |
| 23 | | | | | | | | | | | | | | | |
| 24 | HTS-HV | Service Charge | per month | 0,051 | \$1,720.25 | \$88 | | \$1,720.25 | \$57.81 | \$1,778.06 | \$91 | \$3 | \$25.88 | \$1 | \$2 |
| 25 | | Annual Demand | \$/kW | 1,413 | \$0.5941 | 839 | | \$0.5941 | \$0.0200 | \$0.6141 | 868 | 29 | \$0.0089 | 13 | 16 |
| 26 | | Distribution | \$/kWhr | 252,125 | \$0.001470 | 371 | \$0.001470 | \$0.000000 | \$0.001470 | 371 | 0 | \$0.000000 | 0 | 0 | |
| 27 | | BRDKA | \$/kWhr | 252,125 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 28 | | Total | | | | \$1,298 | | | | \$1,330 | \$32 | | \$14 | \$18 | |
| 29 | | | | | | | | | | | | | | | |
| 30 | HEP | Fixed Charge | per month | 0,006 | \$0.00 | \$0 | | \$0.00 | \$0.00 | \$0.00 | \$0 | \$0 | \$0.00 | \$0 | \$0 |
| 31 | | Distribution | \$/kWhr | 21,217,000 | \$0.000000 | 0 | \$0.001470 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 |
| 32 | | BRDKA | \$/kWhr | 0,000 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 33 | | Total | | | | \$0 | | | | \$0 | \$0 | | \$0 | \$0 | |
| 34 | | | | | | | | | | | | | | | |
| 35 | BPL | Distribution Sum | \$/kWhr | 20,053 | \$0.007036 | \$141 | \$0.001680 | \$0.005356 | \$0.000180 | \$0.007216 | \$145 | \$4 | \$0.000081 | \$2 | \$4 |
| 36 | | Distribution Win | \$/kWhr | 137,641 | \$0.007036 | 968 | \$0.001680 | \$0.005356 | \$0.000180 | \$0.007216 | 993 | 25 | \$0.000081 | 11 | 12 |
| 37 | | BRDKA | \$/kWhr | 157,694 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 38 | | Total | | | | \$1,109 | | | | \$1,138 | \$29 | | \$13 | \$16 | |
| 39 | | | | | | | | | | | | | | | |
| 40 | BPL-POF | Distribution Sum | \$/kWhr | 869 | \$0.007068 | \$6 | \$0.001680 | \$0.005388 | \$0.000181 | \$0.007249 | \$6 | \$0 | \$0.000081 | \$0 | \$0 |
| 41 | | Distribution Win | \$/kWhr | 5,970 | \$0.007068 | 42 | \$0.001680 | \$0.005388 | \$0.000181 | \$0.007249 | 43 | 1 | \$0.000081 | 0 | 1 |
| 42 | | BRDKA | \$/kWhr | 6,839 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 43 | | Total | | | | \$48 | | | | \$49 | \$1 | | \$0 | \$1 | |
| 44 | | | | | | | | | | | | | | | |
| 45 | PSAL | Distribution Sum | \$/kWhr | 10,907 | \$0.007417 | \$81 | \$0.001680 | \$0.005737 | \$0.000193 | \$0.007610 | \$83 | \$2 | \$0.000086 | \$1 | \$1 |
| 46 | | Distribution Win | \$/kWhr | 74,868 | \$0.007417 | 555 | \$0.001680 | \$0.005737 | \$0.000193 | \$0.007610 | 570 | 15 | \$0.000086 | 6 | 9 |
| 47 | | BRDKA | \$/kWhr | 85,775 | \$0.000000 | 0 | \$0.000000 | \$0.000000 | \$0.000000 | 0 | 0 | \$0.000000 | 0 | 0 | |
| 48 | | Total | | | | \$636 | | | | \$653 | \$17 | | \$7 | \$10 | |
| 49 | | | | | | | | | | | | | | | |
| 50 | | | | | | | | | | | | | | | |
| 51 | | Grand Total CAC Revenue | | | | | | | | | | \$14,193 | | \$6,295 | \$7,898 |

Capital Adjustment Charge (CAC)
Gas CAC - Calculation
6 Months Jan-June

Target>> \$10,698 2010
Capital Adjustment Factor>> 2.5618%

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
|--|-------------|-------------------------|--------------------------|------------|--|--|----------------------------------|---------------------|--|------------------------------------|--|-----------------------------|
| Rate Schedule | Units (000) | Present Rates wo SUT | Present Revenue (000) | TEFA | Present Rates wo SUT, wo TEFA | Capital Adjustment Charges (wo SUT) | Proposed Rates wo SUT +CAC | Proposed Revenue | Capital Adjustment Charge Revenue (000) | CAC Rates Effective 7/9/2010 | CAC Revenue using 7/9/2010 Rates | Change in CAC Revenue |
| RSG Service Charge per month | 9,319.884 | \$5.46 | \$50,887 | | \$5.46 | \$0.14 | \$5.60 | \$52,191 | \$1,304 | 0.01 | \$93 | \$1,211 |
| Distribution Charge \$/Therm | 956,063 | \$0.290528 | \$277,763 | \$0.023625 | \$0.266903 | \$0.006838 | \$0.297366 | \$284,301 | \$6,538 | 0.000733 | \$701 | \$5,837 |
| Off-Peak Use \$/Therm | 31 | \$0.145264 | \$5 | \$0.016845 | \$0.128419 | \$0.003290 | \$0.148554 | \$5 | \$0 | 0.000353 | \$0 | \$0 |
| Margin Adjustment Charge \$/Therm | 956,094 | \$0.000000 | \$0 | | See Note 1 - Pg. 2 below (\$0.000252) | (\$0.000252) | (\$241) | (\$241) | (\$241) | (0.000075) | (\$72) | (\$169) |
| BGSS-RSG \$/Therm | 956,094 | \$0.681095 | \$651,191 | | See Note 2 - Pg. 2 below (\$0.000066) | \$0.681029 | \$651,128 | (\$63) | (\$63) | (0.000011) | (\$11) | (\$52) |
| Total | | | \$979,846 | | | | \$987,384 | \$7,538 | | | \$711 | \$6,827 |
| GSG Service Charge per month | 822.414 | \$9.80 | \$8,060 | | \$9.80 | \$0.25 | \$10.05 | \$8,265 | \$205 | 0.03 | \$25 | \$180 |
| Distribution Charge - Pre July 14, 1997 \$/Therm | 1,964 | \$0.230753 | \$453 | \$0.002108 | \$0.228645 | \$0.005857 | \$0.236610 | \$465 | \$12 | 0.000628 | \$1 | \$11 |
| Distribution Charge - All Others \$/Therm | 181,992 | \$0.252045 | \$45,870 | \$0.023400 | \$0.228645 | \$0.005857 | \$0.257902 | \$46,936 | \$1,066 | 0.000628 | \$114 | \$952 |
| Off-Peak Use Dist Charge - Pre July 14, 1997 \$/Therm | 0 | \$0.115377 | \$0 | \$0.002108 | \$0.113269 | \$0.002902 | \$0.118279 | \$0 | \$0 | 0.000311 | \$0 | \$0 |
| Off-Peak Use Dist Charge - All Others \$/Therm | 12 | \$0.126023 | \$2 | \$0.002396 | \$0.123627 | \$0.003167 | \$0.129190 | \$2 | \$0 | 0.000340 | \$0 | \$0 |
| Margin Adjustment Charge \$/Therm | 183,968 | \$0.000000 | \$0 | | See Note 1 - Pg. 2 below (\$0.000252) | (\$0.000252) | (\$46) | (\$46) | (\$46) | (0.000075) | (\$14) | (\$32) |
| BGSS-F \$/Therm | 183,968 | \$0.707324 | \$130,125 | | See Note 2 - Pg. 2 below (\$0.000066) | \$0.707258 | \$130,113 | (\$12) | (\$12) | (0.000011) | (\$2) | (\$10) |
| Total | | | \$184,510 | | | | \$185,735 | \$1,225 | | | \$124 | \$1,101 |
| LVG Service Charge per month | 106.905 | \$90.67 | \$9,693 | | \$90.67 | \$2.32 | \$92.99 | \$9,941 | \$248 | 0.25 | \$27 | \$221 |
| Demand Charge \$/Demand Therm | 10,815 | \$3.4000 | \$36,771 | | \$3.4000 | \$0.0871 | \$3.4871 | \$37,713 | \$942 | 0.0093 | \$101 | \$841 |
| Distribution Charge 0-1,000 pre July 14, 1997 \$/Therm | 6,967 | \$0.069855 | \$487 | \$0.002108 | \$0.067747 | \$0.001736 | \$0.071591 | \$499 | \$12 | 0.000186 | \$1 | \$11 |
| Distribution Charge over 1,000 pre July 14, 1997 \$/Therm | 43,409 | \$0.028532 | \$1,239 | \$0.002108 | \$0.026424 | \$0.000677 | \$0.029209 | \$1,268 | \$29 | 0.000073 | \$3 | \$26 |
| Distribution Charge 0-1,000 post July 14, 1997 \$/Therm | 83,507 | \$0.078997 | \$6,597 | \$0.011250 | \$0.067747 | \$0.001736 | \$0.080733 | \$6,742 | \$145 | 0.000186 | \$16 | \$129 |
| Distribution Charge over 1,000 post July 14, 1997 \$/Therm | 290,373 | \$0.037674 | \$10,940 | \$0.011250 | \$0.026424 | \$0.000677 | \$0.038351 | \$11,136 | \$196 | 0.000073 | \$21 | \$175 |
| Margin Adjustment Charge \$/Therm | 424,256 | \$0.000000 | \$0 | | See Note 1 - Pg. 2 below (\$0.000252) | (\$0.000252) | (\$107) | (\$107) | (\$107) | (0.000075) | (\$32) | (\$75) |
| BGSS-F \$/Therm | 424,256 | \$0.706051 | \$299,546 | | See Note 2 - Pg. 2 below (\$0.000066) | \$0.705985 | \$299,518 | (\$28) | (\$28) | (0.000011) | (\$5) | (\$23) |
| Total | | | \$365,273 | | | | \$366,710 | \$1,437 | | | \$132 | \$1,305 |
| SLG Distribution Therm Charge | 237.552 | \$0.060000 | \$14,253 | \$0.023443 | \$0.036557 | \$0.000937 | \$0.060937 | \$14,476 | \$0.223 | 0.000100 | \$0.024 | \$0.199 |
| Margin Adjustment Charge \$/Therm | 237.552 | \$0.000000 | \$0.000 | | See Note 1 - Pg. 2 below (\$0.000252) | (\$0.000252) | (\$0.060) | (\$0.060) | (\$0.060) | (0.000075) | (\$0.018) | (\$0.042) |
| BGSS-F \$/Therm | 237.552 | \$0.680219 | \$161,587 | | See Note 2 - Pg. 2 below (\$0.000066) | \$0.680153 | \$161,572 | (\$0.015) | (\$0.015) | (0.000011) | (\$0.003) | (\$0.012) |
| Total | | | \$175,840 | | | | \$175,988 | \$0.148 | | | \$0.003 | \$0.145 |

**Capital Adjustment Charge (CAC)
Gas CAC - Calculation
6 Months Jan-June**

| Rate Schedule | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
|---------------|---|--------------------|---------------------------------|----------------------------------|-------------|--|--|---|-----------------------------|--|---|---|--------------------------------------|
| | | <u>Units (000)</u> | <u>Present Rates wo SUT</u> | <u>Present Revenue (000)</u> | <u>TEFA</u> | <u>Present Rates wo SUT, wo TEFA</u> | <u>Capital Adjustment Charges (wo SUT)</u> | <u>Proposed Rates wo SUT +CAC</u> | <u>Proposed Revenue</u> | <u>Capital Adjustment Charge Revenue (000)</u> | <u>CAC Rates Effective 7/9/2010</u> | <u>CAC Revenue using 7/9/2010 Rates</u> | <u>Change in CAC Revenue</u> |
| 1 | TSG-F Service Charge | per month | 0.351 | \$465.59 | \$163 | | | | | | | | |
| 2 | Demand Charge | \$/Demand Therm | 537.345 | \$1.6887 | \$907 | | | | | | | | |
| 3 | Demand Charge, Agreements | \$/Demand Therm | 20.883 | \$1.6178 | \$34 | | | | | | | | |
| 4 | Distribution Charge | \$/Therm | 18,319.588 | \$0.066655 | \$1,221 | \$0.002108 | \$0.064547 | \$0.001654 | \$0.068309 | \$1,251 | \$30 | 0.000177 | \$3 |
| 5 | Distribution Charge, Agreements | \$/Therm | 952.063 | \$0.032165 | \$31 | \$0.002108 | \$0.030057 | \$0.001654 | \$0.033819 | \$32 | \$1 | 0.000177 | \$0 |
| 6 | Margin Adjustment Charge | \$/Therm | 19,271.651 | \$0.000000 | \$0 | | See Note 1 below | (\$0.000252) | (\$0.000252) | (\$5) | (\$5) | (0.000075) | (\$1) |
| 7 | Total | | | \$2,356 | | | | | \$2,412 | \$56 | | \$4 | \$52 |
| 10 | TSG-NF Service Charge | per month | 1.444 | \$465.59 | \$672 | | | | | | | | |
| 11 | Dist Charge 0-50,000 | \$/Therm | 45,105 | \$0.066710 | \$3,009 | \$0.001786 | \$0.064924 | \$0.001663 | \$0.068373 | \$3,084 | \$75 | 0.000178 | \$8 |
| 12 | Dist Charge 0-50,000, Agreements | \$/Therm | 124,009 | \$0.009581 | \$1,188 | \$0.001786 | \$0.007795 | \$0.001379 | \$0.010960 | \$1,359 | \$171 | (3) 0.000146 | \$18 |
| 13 | Dist Charge over 50,000 | \$/Therm | 59,762 | \$0.066710 | \$3,987 | \$0.001786 | \$0.064924 | \$0.001663 | \$0.068373 | \$4,086 | \$99 | 0.000178 | \$11 |
| 14 | Dist Charge over 50,000, Agreements | \$/Therm | 26,076 | \$0.025976 | \$677 | \$0.001786 | \$0.024190 | \$0.001379 | \$0.027355 | \$713 | \$36 | (3) 0.000146 | \$4 |
| 15 | Total | | 254,952 | \$9,533 | | | | | \$9,932 | \$399 | (3) | \$43 | \$356 |
| 19 | CIG Service Charge | per month | 0.132 | \$127.04 | \$17 | | | | | | | | |
| 20 | Distribution Charge 0-600,000 | \$/Therm | 24,332 | \$0.057754 | \$1,405 | | \$0.057754 | \$0.001480 | \$0.059234 | \$1,441 | \$36 | 0.000159 | \$4 |
| 21 | Distribution Charge over 600,000 | \$/Therm | 5,688 | \$0.047391 | \$270 | | \$0.047391 | \$0.001214 | \$0.048605 | \$276 | \$6 | 0.000130 | \$1 |
| 22 | Extended Gas Service, Special Delivery Charge | \$/Therm | 123 | \$0.150000 | \$18 | | \$0.150000 | \$0.003843 | \$0.153843 | \$19 | \$1 | 0.000412 | \$0 |
| 23 | Total | | 30,143 | \$1,710 | | | | | \$1,753 | \$43 | | \$5 | \$38 |
| 26 | Grand Total CAC Revenue | | | | | | | | | \$10,698 | | \$1,019 | \$9,679 |

Redistribution of Revenue Calculations

(1) MAC Calc

| | <u>Therms</u> | <u>TSG-NF CAC Revenue Adjustment</u> | <u>Differential Rate</u> |
|-------|---------------|--|---------------------------------|
| RSG | 956,094 | | |
| GSG | 183,968 | | |
| LVG | 424,256 | | |
| SLG | 237,552 | | |
| TSG-F | 19,272 | | |
| | 1,583,827 | (\$399) | (0.000252) To POR CAC cell O107 |

(2) BGSS Offset Calc

| | <u>Therms</u> | <u>BGSS CAC Revenue Adjustment</u> | <u>Allocated CAC Revenue</u> | <u>BGSS Adjustment Rate</u> |
|------------------------|---------------|--|----------------------------------|-------------------------------------|
| BGSS Adjustment Amount | TSG-F | (\$61) | 956,094.000 | (\$63.554) |
| | CIG | (\$43) | 608,461.552 | (\$40.446) |
| | | (\$104) | 1,564,555.552 | (\$104.000) |

(3) TSG-NF Agreement Adjustment

| | <u>Therms</u> | <u>Rate</u> | <u>Revenue</u> |
|------------------------|---------------|-------------|----------------|
| Dist Charge Agreements | 0.66 | 99,056 | 0.001663 |
| Dist Charge Agreements | 0.34 | 51,029 | 0.000832 |
| | | 150,085 | 0.001379 |

Therm allocation from Proof of Revenue workpapers; see TSGNF Tab, Row 323 and following.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

**XXX Revised Sheet No. 66
Superseding
XXX Sheet No. 66**

B.P.U.N.J. No. 15 ELECTRIC

CAPITAL ADJUSTMENT CHARGES

| <u>Rate Schedule</u> | | <u>Charges</u> | <u>Charges Including SUT</u> |
|--|-----------|----------------|------------------------------|
| <u>RS</u> | | | |
| Service Charge | per Month | \$ 0.08 | \$ 0.09 |
| Distribution 0-600, June-September | per kWhr | 0.001005 | 0.001075 |
| Distribution 0-600, October-May | per kWhr | 0.001121 | 0.001199 |
| Distribution over 600, June-September | per kWhr | 0.001134 | 0.001213 |
| Distribution over 600, October-May | per kWhr | 0.001121 | 0.001199 |
| <u>RHS</u> | | | |
| Service Charge | per Month | 0.08 | 0.09 |
| Distribution 0-600, June-September | per kWhr | 0.001522 | 0.001629 |
| Distribution 0-600, October-May | per kWhr | 0.000983 | 0.001052 |
| Distribution over 600, June-September | per kWhr | 0.001694 | 0.001813 |
| Distribution over 600, October-May | per kWhr | 0.000364 | 0.000389 |
| Common Use | per kWhr | 0.001694 | 0.001813 |
| <u>RLM</u> | | | |
| Service Charge | per Month | 0.44 | 0.47 |
| Distribution, June-September, On-Peak | per kWhr | 0.001787 | 0.001912 |
| Distribution, June-September, Off-Peak | per kWhr | 0.000418 | 0.000447 |
| Distribution, October-May, On-Peak | per kWhr | 0.000418 | 0.000447 |
| Distribution, October-May, Off-Peak | per kWhr | 0.000418 | 0.000447 |
| <u>WH</u> | | | |
| Distribution | per kWhr | 0.001401 | 0.001499 |
| <u>WHS</u> | | | |
| Service Charge | per Month | 0.02 | 0.02 |
| Distribution | per kWhr | 0.000000 | 0.000000 |

Date of Issue:

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
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Effective:

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

**XXX Revised Sheet No. 67
Superseding
XXX Sheet No. 67**

B.P.U.N.J. No. 15 ELECTRIC

**CAPITAL ADJUSTMENT CHARGES
(Continued)**

| <u>Rate Schedule</u> | | <u>Charges</u> | <u>Charges Including SUT</u> |
|---|-----------|----------------|------------------------------|
| <u>HS</u> | | | |
| Service Charge | per Month | \$ 0.10 | \$ 0.11 |
| Distribution, June-September | per kWhr | 0.002613 | 0.002796 |
| Distribution, October-May | per kWhr | 0.000963 | 0.001030 |
| <u>GLP</u> | | | |
| Service Charge | per Month | 0.13 | 0.14 |
| Service Charge-Unmetered | per Month | 0.06 | 0.06 |
| Service Charge-Night Use | per Month | 11.69 | 12.51 |
| Annual Demand | per kW | 0.1287 | 0.1377 |
| Summer Demand, June-September | per kW | 0.2389 | 0.2556 |
| Distribution kWhr, June-September | per kWhr | 0.000302 | 0.000323 |
| Distribution kWhr, October-May | per kWhr | 0.000106 | 0.000113 |
| Distribution kWhr, Night Use, June-September | per kWhr | 0.000106 | 0.000113 |
| Distribution kWhr, Night Use, October- May | per kWhr | 0.000106 | 0.000113 |
| <u>LPL-Secondary</u> | | | |
| Service Charge | per Month | 11.69 | 12.51 |
| Annual Demand | per kW | 0.1059 | 0.1133 |
| Summer Demand, June-September | per kW | 0.2520 | 0.2696 |
| Distribution | per kWhr | 0.000000 | 0.000000 |
| <u>LPL- Primary</u> | | | |
| Service Charge | per Month | 11.69 | 12.51 |
| Service Charge-Primary Alternate | per Month | 0.60 | 0.64 |
| Annual Demand | per kW | 0.0503 | 0.0538 |
| Summer Demand, June-September | per kW | 0.2794 | 0.2990 |
| Distribution | per kWhr | 0.000000 | 0.000000 |

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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 68

B.P.U.N.J. No. 15 ELECTRIC

Superseding
XXX Sheet No. 68

CAPITAL ADJUSTMENT CHARGES
(Continued)

| <u>Rate Schedule</u> | | <u>Charges</u> | <u>Charges Including SUT</u> |
|-----------------------------------|-----------|----------------|------------------------------|
| <u>HTS-Subtransmission</u> | | | |
| Service Charge | per Month | \$ 64.23 | \$ 68.73 |
| Annual Demand | per kW | 0.0318 | 0.0340 |
| Summer Demand, June-September | per kW | 0.1150 | 0.1231 |
| Distribution | per kWhr | 0.000000 | 0.000000 |
| <u>HTS-High Voltage</u> | | | |
| Service Charge | per Month | 57.81 | 61.86 |
| Annual Demand | per kW | 0.0200 | 0.0214 |
| Distribution | per kWhr | 0.000000 | 0.000000 |
| <u>BPL</u> | | | |
| Distribution | per kWhr | 0.000180 | 0.000193 |
| <u>BPL-POF</u> | | | |
| Distribution | per kWhr | 0.000181 | 0.000194 |
| <u>PSAL</u> | | | |
| Distribution | per kWhr | 0.000193 | 0.000207 |

CAPITAL ADJUSTMENT CHARGE

These charges are designed to recover the revenue requirements associated with the acceleration of electric capital expenditures in the areas of distribution infrastructure related to improvement in reliability and operation of the system and capital expenditures related to energy efficiency infrastructure improvements.

The charges 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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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

**XXX Revised Sheet No. 48
Superseding
XXX Sheet No. 48**

B.P.U.N.J. No. 15 GAS

CAPITAL ADJUSTMENT CHARGES

| <u>Rate Schedule</u> | | <u>Charges</u> | <u>Charges Including SUT</u> |
|---|------------------|----------------|------------------------------|
| <u>RSG</u> | | | |
| Service Charge | per Month | \$ 0.14 | \$ 0.15 |
| Distribution Charge | per Therm | 0.006838 | 0.007317 |
| Off-Peak Use | per Therm | 0.003290 | 0.003520 |
| <u>GSG</u> | | | |
| Service Charge | per Month | 0.25 | 0.27 |
| Distribution Charge-pre July 14, 1997 | per Therm | 0.005857 | 0.006267 |
| Distribution Charge-All Others | per Therm | 0.005857 | 0.006267 |
| Off-Peak Use Distribution Charge - pre July 14, 1997 | per Therm | 0.002902 | 0.003105 |
| Off-Peak Use Distribution Charge - All Others | per Therm | 0.003167 | 0.003389 |
| <u>LVG</u> | | | |
| Service Charge | per Month | 2.32 | 2.48 |
| Demand Charge | per Demand Therm | 0.0871 | 0.0932 |
| Distribution Charge 0-1,000 - pre July 14, 1997 | per Therm | 0.001736 | 0.001858 |
| Distribution Charge over 1,000 - pre July 14, 1997 | per Therm | 0.000677 | 0.000724 |
| Distribution Charge 0-1,000 - All Others | per Therm | 0.001736 | 0.001858 |
| Distribution Charge over 1,000 - All Others | per Therm | 0.000677 | 0.000724 |
| <u>SLG</u> | | | |
| Distribution Therm Charge | per Therm | 0.000937 | 0.001003 |

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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 49

B.P.U.N.J. No. 15 GAS

Superseding
XXX Sheet No. 49CAPITAL ADJUSTMENT CHARGES
(Continued)

| <u>Rate Schedule</u> | | <u>Charges</u> | <u>Charges Including SUT</u> |
|---|------------------|----------------|------------------------------|
| <u>TSG-F</u> | | | |
| Service Charge | per Month | \$11.93 | \$12.77 |
| Demand Charge | per Demand Therm | 0.0433 | 0.0463 |
| Distribution Charge | per Therm | 0.001654 | 0.001770 |
| <u>TSG-NF</u> | | | |
| Service Charge | per Month | 11.93 | 12.77 |
| Distribution Charge | per Therm | 0.001663 | 0.001779 |
| <u>CIG</u> | | | |
| Service Charge | per Month | 3.25 | 3.48 |
| Distribution Charge 0-600,000 | per Therm | 0.001480 | 0.001584 |
| Distribution Charge over 600,000 | per Therm | 0.001214 | 0.001299 |
| Extended Gas Service, Special Delivery Charge | per Therm | 0.003843 | 0.004112 |
| <u>Other Delivery Charge and Commodity Charges</u> | | | |
| Margin Adjustment Charge | per Therm | 0.000000 | 0.000000 |
| Basic Gas Supply Service-RSG | per Therm | (0.000066) | (0.000071) |
| Basic Gas Supply Service-Firm | per Therm | (0.000066) | (0.000071) |

CAPITAL ADJUSTMENT CHARGE

These charges are designed to recover the revenue requirements associated with the acceleration of gas capital expenditures in the areas of distribution infrastructure related to improvement in reliability and operation of the system and capital expenditures related to energy efficiency infrastructure improvements.

The charges 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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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 54

B.P.U.N.J. No. 15 GAS

Superseding

XXX Revised Sheet No. 54

**BGSS-RSG
BASIC GAS SUPPLY SERVICE-RSG
COMMODITY CHARGES APPLICABLE TO RATE SCHEDULE RSG
(Per Therm)**

| | |
|--|------------------------|
| Estimated Non-Gulf Coast Cost of Gas | \$ 0.096517 |
| Capital Adjustment Charge (See Tariff Sheet Nos. 48 to 49) | <u>(0.000066)</u> |
| Adjusted Non-Gulf Coast Cost of Gas | 0.096451 |
| Estimated Gulf Coast Cost of Gas | 0.619800 |
| Adjustment to Gulf Coast Cost of Gas | (0.057290) |
| Prior period (over) or under recovery | <u>(0.038610)</u> |
| Adjusted Cost of Gas | 0.620351 |
| Commodity Charge after application of losses: (Loss Factor = 0.5%) | \$ 0.623453 |
| Commodity Charge including New Jersey Sales and Use Tax (SUT) | \$ <u>0.667095</u> |

The above Commodity Charge will be established on a level annualized basis immediately prior to the winter season of each year for the succeeding twelve-month period. The estimated average Non-Gulf and Gulf Coast Cost of Gas will be adjusted for any under- or over-recovery together with applicable interest thereon which may have occurred during the operation of the Company's previously approved Commodity Charge filing. Further, the Company will be permitted a limited self-implementing increase to the Commodity Charge on December 1 and February 1 of each year. These limited self-implementing increases, if applied, are to be in accordance with a Board of Public Utilities approved methodology. Commodity Charge decreases would be permitted at any time if applicable.

The difference between actual costs and Public Service's recovery of these costs shall be determined monthly. If actual costs exceed the recovery of these costs, an underrecovery or a negative balance will result. If the recovery of these costs exceeds actual costs, an overrecovery or a positive balance will result. Interest shall be applied monthly to the average monthly cumulative deferred balance, positive or negative, from the beginning to the end of the annual period. Monthly interest on negative deferred balances (underrecoveries) shall be netted against monthly interest on positive deferred balances (overrecoveries) for the annual period. A cumulative net positive interest balance at the end of the annual period is owed to customers and shall be returned to customers in the next annual period. A cumulative net negative interest balance shall be zeroed out at the end of the annual period. The sum of the calculated monthly interests shall be added to the overrecovery balance or subtracted from the underrecovery balance at the end of the annual period. The positive interest balance shall be rolled into the beginning under- or over-recovery balance of the subsequent annual period.

Date of Issue:

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

Effective:



February 3, 2011

In the Matter of the Petition of
Public Service Electric and Gas Company
for Changes in Its Capital Economic Stimulus Infrastructure
Investment Charges and Associated Capital Adjustment Mechanisms
and for Changes in Its Tariffs for Electric Service B.P.U.N.J. No. 15 Electric
and Changes in Its Tariff for Gas Service B.P.U.N.J. No. 15 Gas
Pursuant to N.J.S.A. 48:2-21 et seq.

BPU Docket Nos. EO10110823 and GO10110824

VIA ELECTRONIC MAIL & HAND DELIVERY

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

Dear Secretary Izzo:

Please accept, on behalf of Public Service Electric and Gas Company (PSE&G), this letter reply in lieu of a more formal filing in response to the Motion to Intervene (“Motion”) of the Utility Workers Union of America, Local 601 (“UWUA”) in the above-captioned matter.¹

¹ The UWUA Motion listed the old, 2009 docket numbers in its caption. The Board of Public Utilities (“Board” or “BPU”) has since assigned Docket Nos. EO10110823 and GO10110824 to PSE&G’s November 1, 2010 Petition.

INTRODUCTION

PSE&G opposes the UWUA's intervention in this matter. The movant has not satisfied the criteria for intervention under the applicable regulations. Moreover, the UWUA's participation in this matter will likely lead to confusion and delay.

STANDARDS FOR INTERVENTION

The regulations governing intervention in BPU cases are codified in the Uniform Administrative Procedure Rules. *N.J.A.C. 1:1-16.1 et seq.* sets forth the standards for intervention, *N.J.A.C. 1:1-16.1(a)* provides that “[a]ny person or entity not initially a party, who has a statutory right to intervene or who will be substantially, specifically and directly affected by the outcome of a contested case, may on motion, seek leave to intervene.” Intervenors “shall have all the rights and obligations of a party to the proceeding.” *N.J.A.C. 1:1-16.1(b)*.

In determining whether to grant intervention, *N.J.A.C. 1:1-16.3(a)* requires that the decision-maker take into consideration the following:

- the nature and extent of the movant's interest in the outcome of the case;
- whether that interest is sufficiently different from that of any other party so as to add measurably and constructively to the scope of the case;
- the prospect for confusion and delay arising from the movant's inclusion; and
- other appropriate matters.

PSE&G Response to the UWUA's Motion

The UWUA has failed to meet its burden of proof supporting its request to be granted intervenor status; therefore, PSE&G objects to the UWUA's intervention in this proceeding. This matter is PSE&G's annual filing to update its Capital Adjustment Clause ("CAC") rates. The CACs recover costs associated with PSE&G's Capital Infrastructure Investment Program ("CIP"), which the Board approved in early 2009. As the Board is well-aware, the CIP program was implemented to help spur the State's economy and create jobs via accelerating utility capital construction projects.

The UWUA's Motion fails to identify a single issue in the CAC cost recovery filing that will "substantially, specifically and directly" impact it or its members. Rather, the UWUA's Certification of Counsel and affidavit of Noel Christmas contain nothing more than a litany of factually inaccurate statements concerning issues that the union has raised in the context of ongoing collective bargaining negotiations.² It is particularly inappropriate that the UWUA has apparently moved to intervene in this routine rate clause filing in a transparent attempt to gain leverage at the bargaining table.

In an attempt to justify its intervention, the UWUA argues that its members "will be tasked with taking the angry phone calls from ratepayers and attempting to explain to these ratepayers why their rates are going up in the midst of a recession" UWUA Motion, Certification of Counsel, ¶ 6. Even if that fact were true, it does not

² The current collective bargaining agreement between the Company and the UWUA Local 601 will expire on April 30, 2011 and the parties are currently in negotiations regarding a new agreement.

raise to the level of “substantially, specifically, and directly” impacting the UWUA, as required by *N.J.A.C.* 1:1-16.1(a). Customers contact the call center with various questions and complaints, and the CAC update filing, with its proposed rate increases of about 0.39% for residential electric customers and 0.66% for gas, is not likely to have any impact on the volume of calls

Similarly, there is no credible, factual basis for the UWUA’s allegation that this CAC rate proceeding will impact the safety and security of its members. Motion, Certification of Counsel, ¶ 7. Likewise the UWUA’s claim that the instant Petition does not take into account PSE&G “efforts to reduce costs in the Customer Service Centers . . .”, even if it were true, is completely unrelated to this CAC rate filing. Certification of Counsel, ¶ 9. The CACs recover costs associated only with the CIP, which has nothing to do with Customer Service Centers or other customer service-related issues.

It is clear that the UWUA has not established that it or its members “will be substantially, specifically and directly affected by the outcome of a contested case” as required by *N.J.A.C.* 1:1-16.1(a). Moreover, it is also clear from the off-topic and factually inaccurate statements in the UWUA’s Motion that, if allowed to intervene, the union will seek to introduce a number of issues that have absolutely no relevance to this CAC rate filing. Therefore, the UWUA’s Motion also fails another of the requirements for intervention, namely that it would “add measurably and constructively” to the case without “causing undue delay or confusion.” *Id.* In fact, because the UWUA seeks to

raise irrelevant issues, its intervention would likely cause undue delay and confusion. Granting the UWUA intervenor status would cloud the record and confuse the issues before the Board and will in no way aid the Board in rendering a decision. Therefore, PSE&G respectfully requests that the UWUA's Motion To Intervene in this Supplemental Proceeding be denied.

The UWUA also requests, in the alternative, that it be granted "participant" status. Motion, Certification of Counsel, ¶¶ 10-11. The standards for participation are set forth in N.J.A.C. 1:1-16.6(a) and (b): "Any person or entity with a significant interest in the outcome of a case may move for permission to participate. . . . In deciding whether to permit participation, the judge shall consider whether the participant's interest is likely to add constructively to the case without causing undue delay or confusion." Here, for the foregoing reasons, it is evident that the UWUA has not identified a single, legitimate issue in this proceeding that will impact it or its members, so it has clearly not demonstrated that the union has a significant interest in the outcome of the case. Its inaccurate allegations of job reductions notwithstanding,³ the UWUA's members are not involved in the capital construction projects under the CIP. Moreover, as is the case with intervention, allowing the UWUA to participate in this matter will likely cause undue delay and confusion, since the union has already made clear that it would interpose irrelevant issues. Accordingly, the Board should deny the UWUA participant status.

³ PSE&G's CIP program has created over 1,000 incremental jobs, as reported in the Company's most recent quarterly report to the BPU.

Response to the UWUA's Certification and Affidavit

In addition to failing to sustain its burden of proof for its motion to intervene or participate, the UWUA has compounded its failures by filing both a Certification of Counsel and Affidavit of Noel Christmas that contain statements that are not based in fact. While these inaccurate statements are not relevant to the instant case for the reasons discussed above, PSE&G is compelled to correct them. Accordingly, PSE&G is filing the Certification of Gregory C. Dunlap, which responds to and corrects the allegations in the Certification and Affidavit of the UWUA.

CONCLUSION

For all the foregoing reasons, PSE&G respectfully requests that the Board issue an order denying the UWUA's motion to intervene or to participate in this matter.

Respectfully submitted,

*Original Signed by
Gregory Eisenstark, Esq.*

Encl.

C Attached Service List (E-mail Only)
Kevin D. Jarvis, Esq. (E-mail Only)

certain inaccurate allegations in the Affidavit of Noel Christmas that accompanied the UWUA's Motion.

4. In Paragraph 4 of his affidavit, Mr. Christmas alleges that PSE&G is currently proposing cutting services to its customers and eliminating jobs currently held by New Jersey residents by using out of state contractors. This statement is not accurate. In fact, PSE&G has not eliminated jobs by using out of state contractors. Similarly, no employee has been laid off due to the use of a contractor that was retained to manage the peak workload within the collections area. In addition, it is interesting to note that there are 25 members of UWUA that are out of state residents.

5. In Paragraph 5 of his affidavit, Mr. Christmas alleges that "[t]his is not the first time, however, that this New Jersey Company has outsourced jobs away from its own ratepayers." This statement is not accurate. As I clarified in Paragraph 4, above, PSE&G has not outsourced any jobs. A contractor was hired to assist with a peak workload in the collections area. There has been no layoff of collectors; therefore there has been no addition to the number of "unemployed New Jerseyans" as a result of the retention of the contractor as Mr. Christmas claims.

6. In Paragraph 6 of his affidavit, Mr. Christmas alleges that PSE&G's recently announced plans to put kiosks in walk-in customer service centers "would have the affect of eliminating all cashiers and tellers who help customers pay bills and make partial payment arrangements." This statement is also inaccurate. In fact, PSE&G

announced a plan to phase in the use of kiosks at several customer service centers. In conjunction with this initiative, PSE&G specifically announced that while fewer tellers and cashiers would be needed, there would be no layoffs due to the implementation of kiosks. Impacted associates will be reassigned within other areas of PSE&G and the customer service department.

7. Also in Paragraph 6, Mr. Christmas states that “[t]hese New Jersey ratepayers tend to require more labor intensive, hands on customer service; service that an automated kiosk cannot provide and which many ratepayers may find confusing.” There is simply no factual basis for this statement, nor can the UWUA demonstrate the source of these contentions. Many of PSE&G’s ratepayers currently use "kiosks" everyday in supermarkets, Home Depot or Lowes, bank ATMs, to purchase N.J. Transit rail and bus tickets, or to pay their Verizon and Verizon Wireless bills.

8. In Paragraph 7 of his affidavit, Mr. Christmas alleges that “Additionally, contractors perform shut-offs only without knocking on doors to alert customers, which is against the BPU tariff (sic).” The contract with Contract Callers, which was provided to the UWUA, addresses this issue and the requirements of the BPU’s regulations and the Company’s tariff. There was one incident in the early stages of using the vendor where this may have occurred and it was immediately addressed with the employee of the contractor.

9. In this certification I have addressed several of the inaccurate statements in Mr. Christmas' affidavit; however, the fact that I have not responded to each and every statement in that affidavit should not be construed to mean that I agree with any of Mr. Christmas' allegations.

10. The foregoing statements are true to the best of my knowledge and belief. I am aware that if any of the foregoing statements are willfully false, I may be subject to punishment.

*Original Signed by
Gregory C. Dunlap*

GREGORY C. DUNLAP

Sworn and subscribed to)
before me this 3rd day)
of February, 2011)

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CAPITAL INFRASTRUCTURE INVESTMENT - 2010/2011
BPU DOCKET NO. EO10110823 AND GO10110824**

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

ORDER

**IN THE MATTER OF THE PETITION
OF PUBLIC SERVICE ELECTRIC
AND GAS COMPANY FOR APPROVAL
OF A CAPITAL ECONOMIC STIMULUS
INFRASTRUCTURE INVESTMENT
PROGRAM AND AN ASSOCIATED COST
RECOVERY MECHANISM PURSUANT TO
N.J.S.A. 48:2-21 AND 48:2-21.1.**

OAL DKT. NO. PUC 01534-11
BPU DKT. NOS. EO09010049,
GO09010050 and ER09110936

**IN THE MATTER OF THE PETITION
OF PUBLIC SERVICE ELECTRIC
AND GAS COMPANY FOR APPROVAL
OF A CAPITAL ECONOMIC STIMULUS
INFRASTRUCTURE INVESTMENT
PROGRAM AND AN ASSOCIATED COST
RECOVERY MECHANISM PURSUANT TO
N.J.S.A. 48:2-21 AND 48:2-21.1.**

OAL DKT. NO. PUC 04604-11
BPU DKT. NOS. EO10110823
and GO10110824

(CONSOLIDATED)

This matter having been opened before the Office of Administrative Law by O'Brien, Belland & Bushinsky (Mark E. Belland, Esq., and Kevin D. Jarvis, Esq., appearing), attorneys for the Utility Workers Union of America, Local 601 ("movant"), on motion to intervene, or in the alternative to participate, in the above-mentioned matter,

specifically, OAL Dkt. No. PUC 04604-11, and papers in opposition to the motion having been filed by Gregory Eisenstark, Esq., attorney for Public Service Electric and Gas Company ("PSE&G"), and it appearing that:

1. Any person or entity that will be substantially, specifically and directly affected by the outcome of a contested case may seek leave to intervene. N.J.A.C. 1:1-16.1.
2. Factors to consider include the nature and extent of the movant's interest in the outcome of the case, whether or not the movant's interest is sufficiently different from that of any party so as to add measurably and constructively to the scope of the case, the prospect of confusion or undue delay arising from the movant's inclusion, and other appropriate matters. N.J.A.C. 1:1-16.3.
3. This consolidated proceeding involves two petitions by PSE&G to set Capital Adjustment Charge rates under its Capital Economic Stimulus Infrastructure Investment Program ("Program").
4. The purpose of the Program is to improve the reliability, safety and security of utility service while having a positive effect on the New Jersey economy including a stimulus for job creation.
5. Movant is a union representing customer service representatives, cashiers, tellers, and collection personnel of PSE&G.
6. Movant is concerned that the requested rate increase may impact the safety and security of PSE&G's employees who deal face-to-face with angry ratepayers.
7. Movant also maintains that PSE&G is subverting the purposes of the Program by eliminating jobs in other areas.
8. The proposed rate increases are a fraction of one percent.

9. Movant's presentation in support of the motion is not persuasive that the small rate increases proposed in this proceeding will have any impact of the safety and security of PSE&G's employees.
10. Movant's claim that PSE&G is eliminating jobs in other areas is disputed by PSE&G.
11. Irrespective of this factual question, there is no claim that the Program will not produce jobs in accordance with its intent.
12. Movant makes no claim that the Program itself will lead to the elimination of jobs.
13. Movant has no real interest in the rates set in this proceeding.
14. The concerns raised by movant are irrelevant to this proceeding, and consideration thereof can only leave to confusion or undue delay.
15. Movant will not be substantially, specifically or directly affected by the outcome of this contested case.
16. It follows that movant does not meet the standards for intervention in this proceeding.
17. Every motion for leave to intervene shall be treated, in the alternative, as a motion for permission to participate. N.J.A.C. 1:1-16.5.
18. Any entity with a significant interest in the outcome of a case may move for permission to participate. N.J.A.C. 1:1-16.6(a).
19. The rates set in this proceeding are not likely to have any effect on the safety and security of PSE&G's employees or jobs in other areas.

20. It follows that movant does not have a significant interest in the outcome of this proceeding and therefore does not meet the standards for participation.

Accordingly, it is **ORDERED** that the motion for leave to intervene, or in the alternative to participate, in this proceeding is denied.

This matter may be reviewed by the Board of Public Utilities, either upon interlocutory review pursuant to N.J.A.C. 1:1-14.10 or at the end of the contested case pursuant to N.J.A.C. 1:1-18.6.

July 5, 2011
DATE
jb

Richard McGill
RICHARD MCGILL, ALJ