Agenda Date: 2/19/14
Agenda Item: 2A

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO MODIFY ITS MANUFACTURED GAS PLANT REMEDIATION (MGP) COMPONENT WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; FOR A BOARD ORDER FINDING THAT ITS MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATION ADJUSTMENT CHARGE 20 PERIOD, AUGUST 1, 2011 TO JULY 31, 2012 WAS PRUDENT; THAT THE RESULTING RAC 20 COSTS ARE REASONABLE AND AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 15 AND TO MAKE CHANGES IN THE TARIFF FOR GAS SERVICE B.P.U.N.J. NO. 15, PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21-1	DECISION AND ORDER APPROVING THE INITIAL DECISION AND THE STIPULATION BPU DOCKET NO. GR13040302 OAL DOCKET NO. PUC 8163-13

Parties of Record:

Martin Rothfelder Esq., for the Petitioner, Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

The Manufactured Gas Plant Remediation Adjustment Clause ("RAC") allows recovery of reasonably incurred Manufactured Gas Plant ("MGP") Remediation Program Costs ("MGP Costs") plus carrying charges by Public Service Electric & Gas Company ("Public Service", PSE&G or "Company"), amortized over a seven-year rolling average period. Public Service's MGP Costs are allocated to gas and electric customers on a 60/40 percent basis pursuant to prior Orders of the New Jersey Board of Public Utilities ("Board").

On April 5, 2013, Public Service filed a petition with the Board for an Order finding that Public Service's MGP remediation work performed during the RAC period August 1, 2011 through July 31, 2012 ("RAC 20") was prudent, and that the resulting RAC 20 MGP Costs are reasonable and appropriate for rate recovery.

The April 5, 2013 petition proposed to reduce the Company's RAC rates for both gas and electric service to recover $21.559 million ($29.842 million including carrying costs reduced by an $8.283 million over recovery due to a true-up relating to the RAC 19 period). The proposed RAC 20 rates were intended to reduce annual gas and electric revenues by $6.610 million, and $11.839 million, respectively.

The Company's filing requested authority to (1) decrease its gas RAC factor rate from $0.009280 per therm (including sales and use tax "SUT") to $0.006588 per therm (including SUT); and (2) to decrease its electric RAC factor rate for secondary service from $0.000403 per kWh (including losses and SUT) to $0.000110 per kWh (including losses and SUT). The annual impact of the proposed decrease for a typical residential gas customer who uses 1,050 therms annually would be a decrease of $0.43 or 0.25% and for a typical residential electric customer who uses 7,800 kWh annually would be a decrease of $0.24 or 0.16%.

On June 12, 2013, this matter was transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Irene Jones.

On November 14, 2013, the Company filed revised worksheets labeled as Attachments A-2 (Revised) through A-5 (Revised). Based on the revised attachments, the Company claimed that it incurred gross expenditures of $32.419 million in remediation costs during the RAC 20 period. According to the Company, this amount has been reduced by insurance proceeds and miscellaneous recoveries of $6.465 million, as well as by $0.184 million of Natural Resource Damages ("NRD") related MGP costs, resulting in net expenditures of $25.770 million for the RAC 20 period as illustrated on Attachment A-3 (Revised). The Company's filing also requested that the Board approve revised tariff sheets for the RAC components of its gas Societal Benefits Charge ("SBC") and electric SBC rates that would result in decreased annual RAC revenues from the Company's gas and electric customers. Based on the revised attachments, if the revised requests were approved, the Company's gas customer would see an approximate annual revenues decrease of $6.605 million, and decreased annual RAC revenues from the Company's electric customers of approximately $11.836 million, for a total decrease in RAC related revenues of $18.441 million per annum.

After an extensive discovery period the Company, Board Staff, and the New Jersey Division of Rate Counsel (collectively, "the Parties") entered into a stipulation of settlement ("Settlement")[1] dated January 6, 2014 that provides for the following:

STIPULATION OF AGREEMENT

Because of significantly higher expenditures realized for the subsequent RAC 21 period (August 1, 2012 through July 21, 2013), the Parties agree that the existing gas and electric RAC rates of $0.009280 per therm, including sales and use taxes ("SUT") and $0.000403 per kWh (including SUT), approved by the Board in Docket No. GR11110779 (RAC 19), should be maintained to minimize the true-up charges anticipated in the RAC 21 filing.

The Company incurred gross expenditures of $32.419 million in claimed MGP remediation costs during the RAC 20 period. This amount has been appropriately reduced by insurance proceeds and miscellaneous recoveries of $6.465 million and deferred NRD-related costs of $0.184 million, resulting in net RAC 20 expenditures of $25.770 million.

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

The Company's MGP Remediation work performed during the RAC 20 period and the resulting RAC 20 costs of $25.770 million are reasonable and appropriate for recovery.

The Company represents that the $0.184 million in deferred costs for the RAC 20 period and the prior period adjustments includes all administrative, legal, consulting and other costs identified as associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or the federal trustees incurred during the RAC 20 period.

In the PSE&G RAC 19 Stipulation, the Parties had agreed to review the New Jersey Department of Environmental Protection v. Occidental, et al. action during its RAC 20 filing. The Parties have now agreed to do so during the RAC 21 proceeding.

The Company represents that, during the RAC 20 period, it properly credited all net proceeds from the sale or lease of MGP properties to the RAC 20 balance, for the benefit of customers. Accordingly, the Company represents that it has not retained lease or sale proceeds for any remediation properties during the RAC 20 remediation period. In addition, the Parties agree that the issue of any transfers of property between PSE&G and its affiliates will be addressed in RAC 21.

The Parties further agree that PSE&G will have deferred a total of $0.683 million of NRD-related MGP costs through the end of the RAC 20 period. PSE&G agrees to defer the above-indicated NRD-related MGP expenditures until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism. The Parties accordingly agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC of NRD-related costs. The Parties expressly reserve their rights to argue their respective positions on NRD issues in future proceedings.

The Company agrees that it will include with its future RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to this Settlement and that in future RAC filings it shall not request any late fees or charges that are associated with legal costs recovered through the RAC.

The Parties agree that this Settlement is being entered into exclusively for the purpose of resolving the issues in this matter. The parties further agree that this Settlement resolves all issues regarding the Company's RAC 20 filing except as specifically provided within this stipulation to be responded to by the Company in its RAC 21filing.

On January 13, 2014, ALJ Irene Jones issued an Initial Decision approving the Settlement, finding that: (1) the Parties had voluntarily agreed to the settlement as evidence by their signatures or the signatures of their representatives and (2) the settlement fully disposes of all issued in controversy and is consistent with law.

DISCUSSION AND FINDINGS:

The Board has reviewed the attached Initial Decision and the Settlement and **FINDS** them to be reasonable and in the public interest. The Board **HEREBY FINDS** that the Company's MGP remediation work performed during the RAC 20 period of August 1, 2011 through July 31, 2012 was prudent, and the resulting MGP Costs for the RAC 20 period of $25.770 million (net of insurance proceeds and other recoveries, and deferred NRD expenses) are reasonable and appropriate for recovery.

Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the Settlement in their entirety as if fully incorporated herein. The Parties have agreed that to mitigate rate volatility in light of the increased costs incurred in the RAC 21 period and the minimal impact of the proposed decrease on customers' bills, it is reasonable to maintain the current RAC rates. The Board agrees and, and therefore **HEREBY ORDERS** that the Company's existing gas RAC factor rate be maintained at $0.009280 per therm (including SUT). The Board **HEREBY ORDERS** that the Company's existing electric RAC factor rate be maintained at $0.000403 per kWh (including SUT).

The Board **FURTHER ORDERS** that the NRD related costs of $0.184 million from the RAC 20 period and the deferred total of $0.683 million of NRD-related MGP Costs which have been removed from the Company's RAC rates, shall continue to be deferred until such time as the Board addresses the rate recoverability of NRD-related expenditures through the RAC mechanism.

The Company's RAC costs shall remain subject to audit by the Board. Additionally, the Company will periodically conduct audits of these expenses.

This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audits.

This Order shall be effective March 1, 2014.

DATED: 2/19/14

BOARD OF PUBLIC UTILITIES
BY:

DIANNE SOLOMON
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

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

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC & GAS COMPANY TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; FOR A BOARD ORDER FINDING THAT IT'S MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATIO ADJUSTMENT CHARGE (RAC) 20 PERIOD, AUGUST 1, 2011 TO JULY 31, 2012 WAS PRUDENT; THAT THE RESULTING RAC 20 COSTS ARE REASONABLE AND AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 15 AND TO MAKE CHANGES IN THE TARIFF FOR GAS SERVICE B.P.U.N.J. NO. 15, PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21-1

DOCKET NO. GR13040302

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
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A copy of the administrative law judge's decision is enclosed.

This decision was mailed to the parties on JAN 1 3 2014

State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO.: PUC 8163-13

AGENCY DKT. NO.: GR 13040302

IN THE MATTER OF THE MOTION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; FOR A BOARD ORDER FINDING THAT ITS MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATION ADJUSTMENT CHARGE (RAC) 13 AND 14 PERIODS WAS PRUDENT; THAT THE RESULTING RAC 13 AND 14 AND COSTS ARE REASONABLE AND AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 14 AND TO MAKE CHANGES \ IN THE TARIFF FOR GAS SERVICE B.P.U.N.J. NO. 14, PURSUANT TO N.J.S.A. 48:2021 AND N.J.S.A. 48:2-21-1.

Martin C. Rothfelder, Esq., Associate General Regulatory Counsel for the Petitioner, Public Service Electric and Gas Company

Henry M. Ogden, Esq. and **James W. Glassen**, Esq., Assistant Deputies Rate Counsel, New Jersey Division of Rate Counsel (Stephanie A. Brand, Director)

Alex Moreau and **T. David Wand**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey, attorney)

Record Closed: January 6, 2014 Decided: January 9, 2014

Before **IRENE JONES, ALJ**

STATEMENT OF THE CASE

On April 5, 2013, Public Service Electric and Gas ("Petitioner" or the "Company"), a public utility of the State of New Jersey filed a petition with the Board of Public Utilities ("BPU") pursuant to N.J.S.A. 48:2-21, and N.J.A.C. 14:1-5.12. Petitioner sought an order finding that its manufactured Gas Plant (MGP) Remediation work performed during the RAC 20 period, August 1, 2011 to July 31, 2012, was prudent and that the resulting RAC 20 costs are reasonable and appropriate for recovery. The company also requested approval of its revised tariff sheets for the RAC components of its gas Societal Benefits Charge (SBC) and electric SBC rates that would result in decreased annual RAC revenues from the Company's gas customers of approximately $6.605 million and decreased annual RAC revenues from the company's electric customer of approximately $11.836 million for a total decrease of $18.441 million per annum.

The matter was transmitted to the Office of Administrative Law ("OAL") on January 7, 2013, for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to 15 and N.J.S.A. 52:14F-1 to 13. After the prehearing conference on March 11, 2009, the matter was scheduled for hearing on September 24, 2013. Prior to the hearing date, the parties advised that the matter had settled. The Settlement Agreement was filed with the undersigned on or about January 6, 2013.

I have reviewed the record and the terms of the Stipulation of Settlement and I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidence by their signatures or the signatures of their representatives.
2. The settlement fully disposes of all issued in controversy and is consistent with the law.

OAL DKT. NO.: PUC 08163-13

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby **CONCLUDED**.

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

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

January 9, 2014

DATE

Irene Jones

IRENE JONES, ALJ

Date Received at Agency:

1-13-14

Laura Sanders

Date Mailed to Parties: JAN 13 2014

DIRECTOR AND CHIEF ADMINISTRATIVE LAW JUDGE

sej

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

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; FOR A BOARD ORDER FINDING THAT ITS MGP REMEDIATION WORK PERFORMED DURING THE REMEDIATION ADJUSTMENT CHARGE (RAC) 20 PERIOD, AUGUST 1, 2011 TO JULY 31, 2012 WAS PRUDENT; THAT THE RESULTING RAC 20 COSTS ARE REASONABLE AND AVAILABLE FOR RECOVERY; AND TO MAKE CHANGES IN THE TARIFF FOR ELECTRIC SERVICE B.P.U.N.J. NO. 15 AND TO MAKE CHANGES IN THE TARIFF FOR GAS SERVICE B.P.U.N.J. NO. 15, PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1	)	**SETTLEMENT** BPU DOCKET GR13040302 OAL DOCKET PUC 08163-13

APPEARANCES:

Martin C. Rothfelder, Esq., Associate General Regulatory Counsel for the Petitioner, Public Service Electric and Gas Company

Henry M. Ogden, Esq. and **James W. Glassen, Esq.**, Assistant Deputies Rate Counsel, New Jersey Division of Rate Counsel (Stefanie A. Brand, Director)

Alex Moreau and **T. David Wand**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey)

On April 5, 2013, Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition with the Board of Public Utilities (Board) for an Order finding that PSE&G's Manufactured Gas Plant (MGP) Remediation work, associated with the clean-up of

PSE&G's former MGP sites, performed during the Remediation Adjustment Charge (RAC) period August 1, 2011 through July 31, 2012 (RAC 20 period) was prudent, and that the resulting RAC 20 costs are reasonable and appropriate for rate recovery. PSE&G sought to establish rates to recover $21.559 million of which: (1) $(8.283) million represents the true up of RAC 19 costs, and (2) $28.190 million represents 1/7 of each of the RAC 14 thru RAC 20 expenditures. The Company also requested recovery of the carrying costs of $1.652 million on its unamortized remediation program balance.

On November 14, 2013 PSE&G supplied a response to RCR-A-25 in which the Company filed revised Attachments A-2 (Revised) through A-5 (Revised) (Attached hereto as Attachment A) to the Direct Testimony of Donna M. Powell, which are also attached to this Stipulation. The effect of this revision decreases the total Natural Resource Damages ("NRD") amount previously reflected on the original Attachment A-3 from $741,562 to $683,273. This change is reflected on all applicable revised attachments.

Specifically, based on the revised attachments, the Company incurred gross expenditures of $32.419 million in remediation costs during the RAC 20 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of $6.465 million, as well as $0.184 million of NRD-related MGP costs, resulting in net expenditures of $25.770 million for the RAC 20 period as illustrated on Attachment A-3 (Revised). The revised NRD-related MGP costs and associated carrying costs from RAC 11 through RAC 20 are reflected in Attachment A-3, Page 2 of 3 (Revised). In addition, Attachment A-6 has been added to this Stipulation to reflect the NRD costs by site and by RAC Period.

The RAC costs are allocated to gas and electric customers on a 60/40 percent basis pursuant to Board directives and are to be recovered over a rolling seven-year period.

The Company's filing also requested that the Board approve revised tariff sheets for the RAC components of its gas Societal Benefits Charge (SBC) and electric SBC rates that would result in decreased annual RAC revenues from the Company's gas customers. Based on the revised attachments the Company's gas customers would see an approximate annual revenue decrease of $6.605 million, and decreased annual RAC revenues from the Company's electric customers of approximately $11.836 million for a total decrease of $18.441 million per annum. The Company's filing requested authority to (1) decrease its Gas RAC factor rate from $0.009280 per therm (including Sales and Use Tax, "SUT") to $0.006588 per therm (including SUT); and (2) to decrease its Electric RAC factor rate for secondary service from $0.000403 per kWh (including losses and SUT) to $0.000110 per kWh (including losses and SUT), with other voltage level services decreased accordingly. The Company proposed a July 1, 2013 effective date for these tariff changes.

The Board Staff (Staff) and the Division of Rate Counsel (Rate Counsel), the only parties to this proceeding (the Parties), have propounded discovery requests, to which the Company has responded.

NOW, THEREFORE, THE UNDERSIGNED AGREE AS FOLLOWS:

1. During the review of the RAC 20 filing, the RAC 21 expenditure period (August 1, 2012 through July 31, 2013) was concluded. This increased level of expenditures, approximately $66.0 million net of insurance recoveries, may necessitate a rate increase when filed. As the Company has committed to file the requisite RAC 21 filing no later

than January 31, 2014 and in an effort to mitigate rate volatility for PSE&G's customers, the Parties agree to maintain the existing rates. The existing rates to be maintained are a gas RAC factor of $0.009280 per therm (including Sales and Use Tax, "SUT") and an electric RAC factor for secondary service of $0.000403 per kWh (including losses and SUT). The foregoing rates will allow recovery of 1/7 of the RAC 14 through RAC 20 expenditures. As a result of this Settlement, the annual bill for a typical residential customer will remain unchanged.

2. The Company incurred gross expenditures of $32.419 million in claimed MGP remediation costs during the RAC 20 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of $6.465 million, as well as $0.184 million of NRD-related MGP costs, resulting in net expenditures of $25.770 million for this remediation period as illustrated on Attachment A-3 (Revised). The Company represents that the rates agreed to in this Stipulation do not reflect recovery of incentive compensation costs.

3. The Company's MGP Remediation work performed during the RAC 20 period, August 1, 2011 to July 31, 2012, as described in Company witness Bruce A. Preston's testimony (Attachment B to the Company's Petition), was prudent and reasonable, and the resulting RAC 20 costs of $25.770 million (net of insurance proceeds and other recoveries) are reasonable and appropriate for recovery. The Company represents that the $0.184 million in deferred costs for the RAC 20 period and the prior period adjustments includes all administrative, legal, consulting and other costs identified as associated with NRD claims currently being investigated by the New Jersey Department of Environmental Protection or the federal trustees incurred during the RAC 20 period. The RAC 19 stipulation stated: "During the next RAC period (RAC 20), the parties agree to review the *NJDEP v. Occidental et al.* action mentioned on page 4 of the response to RAC-INF-8, Attachment B." As that review has not yet taken place, the parties agree to do so during the next RAC period (RAC 21).

4. The Company represents that, during the RAC 20 period, it properly credited all net proceeds from the sale or lease of MGP properties to the RAC 20 balance, for the benefit of

customers. Accordingly, the Company represents that it has not retained lease or sale proceeds for any remediation properties during the RAC 20 remediation period.

5. In addition, the Parties agree that the issue of any transfers of property between PSE&G and its affiliates will be addressed in RAC 21.

6. The Company represents that its RAC 20 filing does not include any administrative, legal, consulting or other costs associated with NRD claims, except for the $0.184 million discussed herein. The Parties agree that NRD-related MGP expenditures of $0.184 million included in the RAC 20 period and the prior period adjustments are not included in the net $25.770 million of RAC 20 costs described in Paragraphs 2 and 3 above. The Parties further agree that PSE&G will have deferred a total of $0.683 million of NRD-related MGP costs through the end of the RAC 20 period. PSE&G agrees to defer the above-indicated NRD-related MGP expenditures until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RAC, of NRD-related costs. The Parties expressly reserve their rights to argue their respective positions on NRD issues in future proceedings, as appropriate.

7. The NRD-related amounts have been excluded from the RAC factors set forth in Paragraph 3 of this Settlement.

8. The Company agrees that it will include with its future RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to this Settlement and that in future RAC filings it shall not request any late fees or charges that are associated with legal costs recovered through the RAC.

9. The Parties agree that this Settlement is being entered into exclusively for the purpose of resolving the issues in this matter. The parties further agree that this Settlement resolves all issues regarding the Company's RAC 20 filing except as specifically provided herein. The outstanding discovery questions RCR-A-27 through RCR-A-42 and RCR-P-19 through

RCR-P-40 transmitted to PSE&G on November 26, 2013 will be answered by PSE&G in RAC 21.

10. The Parties agree that this Settlement was negotiated and agreed to in its entirety with each section being mutually dependent on approval of all other sections. Therefore, if the Board modifies any of the terms of this Settlement, each party is given the option, before implementation of any different rate or terms in this case, to accept the change or to resume the proceeding as if no agreement had been reached. If these proceedings are resumed, each party is given the right to return to the position it was in before this settlement was executed.

11. The Parties agree that the Company's MGP remediation costs will remain subject to audit by the Board. Additionally, the Company periodically conducts audits of these expenses, similar to its other expenses.

12. It is specifically understood and agreed that this Settlement represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Company, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposedly underlying any agreement provided herein in total or by specific item. The Parties further agree that this Settlement Agreement is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement Agreement. All rates remain subject to audit by the Board.

PUBLIC SERVICE ELECTRIC
AND GAS COMPANY

By: Martin C Rothfelder
Martin C. Rothfelder, Esq.

DATED: Dec 23, 2013

JOHN J. HOFFMAN, ACTING ATTORNEY
GENERAL OF NEW JERSEY
Attorney for the Staff of the
New Jersey Board of Public Utilities

By:
T. David Wand, DAG

DATED: 1/3/14

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

By: ______________________
Henry M. Ogden, Esq.
Assistant Deputy Rate Counsel

DATED: January 6, 2014

EXHIBIT A

PSE&G RAC Minimum Filing Requirements

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period.

1. The Company currently provides a vendor summary as part of its generic discovery responses to its annual RAC filing. This document provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through July 31 will be submitted with the Company's RAC Petition.

2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting work papers, charts and tables.

3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding July 31st of the most recent RAC period.

4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed $250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling $100,000 or more for the period.

5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.

6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company will provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing, but need not disclose any insurance company's identity.

7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.

8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.

9. Provide schedules and supporting work papers and documents which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.

10. Provide the Company's bid evaluation studies, reports, work papers or other material related to the two largest MGP remediation contracts awarded during the previous RAC

period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.

11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.

12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

13 Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including work papers and supporting documentation.

14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.

15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.

16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.

17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters;

18. The Company shall disclose all internal control deficiencies, significant deficiencies, or material weaknesses that are identified by the Sarbanes Oxley review process or by company internal control procedures that are related to RAC expenditures or cost recoveries during the applicable RAC period under review or the immediate prior RAC period. In addition, the Company will provide identification of remedial steps taken by management to correct such deficiencies, significant deficiencies, or material weaknesses; and the summarization of additions, deletions, or amendments to the company's Site Remediation Project Directives during the applicable RAC period under review. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards.

19. All legal bills sought to be paid by ratepayers. Said bills shall include the descriptions provided with such bills. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards. Material in legal bills that are legally privileged may be excluded from the filing, which parties may seek under the applicable standard for any claimed privilege.

RAC 20 SUMMARY SCHEDULE
FOR THE ANNUAL RAC PERIOD ENDED JULY 31, 2012
$000

	Workpaper Reference		TOTAL	RAC #20	RAC #19	RAC #18	RAC #17	RAC #16	RAC #15	RAC #14
COSTS ELIGIBLE FOR AMORTIZATION & RECOVERY OVER 7 YEARS										
Prior RAC Periods #14 - #19 - Actual Approved Expenditures - Net*	From Prior yr Approved RAC filings	(A)	$171,622		$17,773	$19,038	$33,550	$37,614	$35,811	$27,834
RAC 20 Period - Actual Expenditures, Net*	From Attachment A-3, pg 1	(B)	$25,770	$25,770						
ANNUAL RECOVERY SUMMARY										
Annual Amortization of Prior RAC Period Costs (seven years)	From Prior yr Approved RAC filings = (A) / 7		$24,517		$2,539	$2,720	$4,793	$5,373	$5,116	$3,976
RAC 20 Period - Annual Amortization (seven years)	(B) / 7		$3,681	$3,681						
Subtotal: RAC 14 through 20 Annual Amortization for Allocation between Gas & Electric			$28,198	*To Attachment A-2 pg 2*						
True up of RAC 19 Expenditures with RAC Recoveries- GAS	From Attachment A-3, pg 3		($671)							
True up of RAC 19 Expenditures with RAC Recoveries- ELECTRIC	From Attachment A-3, pg 3		($7,612)							
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-12 to June-14 per Dkt. No. ER02080604	From Attachment A-5, pg 2		$1,007							
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-12 to June-14 per DKT No. ER02080604	From Attachment A-5, pg 4		$645							
TOTAL - RAC 20 ANNUAL RECOVERY, PERIOD TO DATE			$21,567							

* NET represents "Net of Insurance Recoveries and NRD"

REMEDIATION PROGRAM COSTS-RAC 20
ELECTRIC AND GAS ALLOCATION DETAILS
$000

I. OVERALL ALLOCATION BETWEEN GAS & ELECTRIC CUSTOMERS:

	Workpaper Reference	Gas	Electric	Total
RAC 14 through 20 Expenditures [illegible] between Gas & Electric	From Attachment A-2, pg 1			$28,398 (A)
Allocation % between Gas & Electric Customers	See Note 1, below	60%	40%	100%
Allocation RAC 14 to 20 to Gas Customers	(A) X 60%	$[illegible]		
Allocation RAC 14 through 20 to Electric Customers	(A) X 40%		$[illegible]	
ADD:				
True up of RAC 19 Expenditures with RAC Recoveries GAS	From Attachment A-3, pg 3	($[illegible])		
True up of RAC 19 Expenditures with RAC Recoveries ELEC	From Attachment A-3, pg 3		($[illegible])	
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-12 to Jun-14 per Dkt No. ER02080604	From Attachment A-5 pg 2 of 4	$1,[illegible]		
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-12 to Jun-14 per DKT No. ER02080604	From Attachment A-5 pg 4 of 4		$64[illegible]	
Total Gas and Electric		$17,254	$4,312	$21,567

Agrees to Attachment A-2, pg 1 "Total RAC 20 Annual Recovery"

Note 1 Allocation of 60% of costs to Gas customers and 40% to Electric customers was determined per BPU Order dated November 4, 1994, Dkt. ER91111698J

II. ALLOCATION TO GAS CUSTOMER CLASSES

		2013-2014 Projected Therm Sales (000s)	$/Therm (Excl. SUT)	$/Therm (Incl. SUT)	$000 Recovery
Customer Classes	RSG	1,421,083	0.006158	0.006589	$8,751
	GSG	266,353	0.006158	0.006589	1,640
	LVG	681,290	0.006158	0.006589	4,195
	CIG	63,446	0.006158	0.006589	391
	TSG-F, NF	368,855	0.006158	0.006589	2,271
	SLG	680	0.006158	0.006589	4
		2,801,753			$17,252

III. ALLOCATION TO ELECTRIC CUSTOMER CLASSES

		Electric RAC
Amount To Be Recovered ($000)	$000	$4,312
Projected KWH Purchased July 2013 to June 2014 (000)	KWH (000)	45,416,797
Rate	$/000	0.000095

		Loss Factor	$/KWH (Excl. SUT)	$/KWH (Incl. SUT)
Customer Classes	Secondary Service	7.5377%	0.000103	0.000110
	LPL Primary	5.1232%	0.000100	0.000107
	HTS Subtransmission	2.9402%	0.000098	0.000105
	HTS High Voltage	1.4590%	0.000096	0.000103

RAC 20 EXPENDITURES

	Gross Expenditures	Miscellaneous Recoveries*	Expenditures Eligible for Insurance	Insurance Recoveries & NRD Exp.**	Net Expenditures***	Net Expenditures allocated to Gas & Electric and included in Attachment A-4, pages 1 and 2: Gas allocation @ 60%	Electric Allocation @ 40%
Aug-11	$ 557,950	$ 12,760	$ 545,191		$ 545,191	$ 327,114	$ 218,076
Sep-11	1,582,517	20,327	1,562,191		$ 1,562,191	$ 937,314	$ 624,876
Oct-11	1,051,230	10,915	1,040,315		$ 1,040,315	$ 624,189	$ 416,126
Nov-11	4,053,902	18,285	4,035,617	3,018	$ 4,032,599	$ 2,419,559	$ 1,613,040
Dec-11	3,568,231	9,236	3,558,995	25,177	$ 3,533,818	$ 2,120,291	$ 1,413,527
Jan-12	2,724,352	5,200	2,719,152	6,000,000	$ (3,280,848)	$ (1,968,509)	$ (1,312,339)
Feb-12	2,997,047	85,147	2,911,899		$ 2,911,899	$ 1,747,140	$ 1,164,760
Mar-12	3,350,923	4,255	3,346,669		$ 3,346,669	$ 2,008,001	$ 1,338,668
Apr-12	2,067,075	15,328	2,051,747		$ 2,051,747	$ 1,231,048	$ 820,699
May-12	3,084,723	108,399	2,976,324	113,833	$ 2,862,491	$ 1,717,495	$ 1,144,997
Jun-12	4,405,778	4,609	4,401,169		$ 4,401,169	$ 2,640,702	$ 1,760,468
Jul-12	2,975,371	28,403	2,946,968		$ 2,946,968	$ 1,768,181	$ 1,178,787
Deferred RAC 20 NRD Expense; From Attachment A-3, pg 2				184,137	$ (184,137)	N/A	N/A
TOTAL	$ 32,419,100	$ 322,863	$ 32,096,238	$ 6,326,165	$ 25,770,072	$ 15,572,525	$ 10,381,684
					Agrees to Attachment A-2, pg 1	Agrees to Attachment A-4, pg 1 "Total" column	Agrees to Attachment A-4, pg 2 "Total" column

** - Miscellaneous Recoveries*		
Invoice Discount	23,383	
Leases/Rents	99,106	
Third Party Settlements	184,340	
Misc. (e.g., scrap credit)	3,034	
Easement	13,000	
Total Miscellaneous Recoveries	$ 322,863	(A)
*** - NRD Exp /Insurance*		
NRD from RAC 20 Period (incl true-up adj)	184,137	From Attachment A-3, pg 2
Insurance Recovery	6,142,028	
Total NRD Expense/Insurance	$ 6,326,165	(B)
Total Reductions Applied to RAC 20 Expenditures	$ 6,649,028	(A) + (B)

*** The total of this column is net expenditures less deferred RAC 20 NRD-related MGP costs

RAC 20 DEFERRED NRD COSTS
(Restated for RAC 15-20)

	NRD MGP Costs	Interest	Total	Adjustment to NRD MGP Costs	Adjustment to Interest	Total Revised Costs	Total Revised Interest	Total Revised Costs, including Interest
RAC 15	71,880	4,702	76,582	19,050	607	90,930	5,309	96,239
RAC 16	53,505	3,832	57,337	(13,531)	(548)	39,974	3,284	43,258
RAC 17	259,455	5,794	265,249	(15,282)	(122)	244,173	5,672	249,845
RAC 18	57,260	9,631	66,891	(3,873)	(259)	53,387	9,372	62,759
RAC 19	25,011	8,066	33,077	(1,467)	(258)	23,544	7,808	31,353
Subtotal RAC's 15-19	467,111	32,025	499,136	(15,103) **(A)**	(579) **(B)**	452,008	31,446	483,453
RAC 20	194,119	9,418	203,537	(2,834)	(883)	191,285 **(C)**	8,535 **(D)**	199,820 **(E)**
Subtotal RAC 15-20	661,230	41,443	702,673	(17,938) **(F)**	(1,462) **(G)**	643,292	39,981	683,273
True up adj from RAC's 15-20, above	(17,938) **(F)**	(1,462) **(G)**	(19,400)					
Total All RAC Periods	**$ 643,292**	**$ 39,981**	**$ 683,273**					**$ 683,273**
RAC 20 - Adjusted:								
RAC 20 period costs	191,285 **(C)**	8,535 **(D)**	199,820 **(E)**					
RAC 15-19 Adjustments	(15,103) **(A)**	(579) **(B)**	(15,683)					
Total RAC 20 Adjusted	**$ 176,181**	**$ 7,956**	**$ 184,137**					

To Attachment A-3, page 1

TRUE-UP OF RAC 19 EXPENDITURES WITH RAC RECOVERIES
AUGUST 2010 THROUGH JULY 2011
$ 000

			GAS	ELECTRIC
Expenditures Eligible for Recovery - RAC 19 Including Interest		From Prior yr Approved RAC filings	$ 23,858	$ 16,148
Less:	Gas Recoveries*	Details below	24,530	
Less:	Electric Recoveries**	Details below		23,760
Total (Over)/under-recovered RAC 19 Expenditures for True-Up			$ (671)	$ (7,612)

To Attachment A-2, pg 1 & pg 2

RAC 19 RECOVERIES
(Actuals through September 2012)

	GAS*	ELECTRIC**	TOTAL
Oct-11	$1,249,509	$1,738,241	$2,987,750
Nov-11	$2,295,535	$1,707,557	$4,003,092
Dec-11	$3,438,582	$1,846,009	$5,284,591
Jan-12	$4,338,637	$2,001,661	$6,340,298
Feb-12	$3,737,039	$1,814,811	$5,551,850
Mar-12	$2,600,082	$1,792,533	$4,392,616
Apr-12	$1,603,088	$1,677,994	$3,281,082
May-12	$886,564	$1,916,864	$2,803,429
Jun-12	$915,838	$2,096,769	$3,012,607
Jul-12	$1,697,072	$2,620,025	$4,317,097
Aug-12	$885,746	$2,527,422	$3,413,168
Sep-12	$882,098	$2,020,346	$2,902,444
TOTAL	$ 24,529,790	$ 23,760,232	$ 48,290,023

Attachment A-4 (Revised)
Page 1 of 2

MANUFACTURED GAS PLANT REMEDIATION (RAC 20) SUMMARY (DEBIT/CREDIT)

GAS	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul 12	TOTAL
BEGINNING BALANCE	$(63,014,254)	$(62,137,799)	$(62,047,503)	$(61,422,183)	$(61,546,208)	$(60,227,916)	$(53,920,770)	$(51,930,869)	$(51,338,789)	$(50,966,750)	$(51,797,680)	$(53,522,543)	
REVENUE RECOVERIES	$1,203,569	$1,027,612	$1,249,509	$2,295,535	$3,438,582	$4,338,637	$3,737,039	$2,600,082	$1,603,088	$886,564	$915,838	$1,697,072	
PROGRAM COST EXPENDITURES from Attachment A-3, pg 1	($327,114)	($937,315)	($624,189)	($2,419,559)	($2,120,291)	$1,968,509	($1,747,138)	($2,008,001)	($1,231,049)	($1,717,495)	($2,640,701)	($1,768,181)	($15,572,525) Agrees to Attachment A-3, pg 1
OVER/(UNDER) COLLECTED	$ 876,455	$ 90,297	$ 625,320	$ (124,025)	$ 1,318,291	$ 6,307,147	$ 1,989,900	$ 592,081	$ 372,039	$ (830,930)	$ (1,724,863)	$ (71,108)	
CUMULATIVE BALANCE	$(62,137,799)	$(62,047,503)	$(61,422,183)	$(61,546,208)	$(60,227,916)	$(53,920,770)	$(51,930,869)	$(51,338,789)	$(50,966,750)	$(51,797,680)	$(53,522,543)	$(53,593,651)	
INTEREST CALCULATION: PRIOR BALANCE	($63,014,254)	$(62,137,799)	$(62,047,503)	$(61,422,183)	$(61,546,208)	$(60,227,916)	$(53,920,770)	$(51,930,869)	$(51,338,789)	$(50,966,750)	$(51,797,680)	$(53,522,543)	
CURRENT BALANCE	$(62,137,799)	$(62,047,503)	$(61,422,183)	$(61,546,208)	$(60,227,916)	$(53,920,770)	$(51,930,869)	$(51,338,789)	$(50,966,750)	$(51,797,680)	$(53,522,543)	$(53,593,651)	
(PRIOR BAL + CURRENT BAL)/2	$(62,576,027)	$(62,092,651)	$(61,734,843)	$(61,484,195)	$(60,887,062)	$(57,074,343)	$(52,925,820)	$(51,634,829)	$(51,152,769)	$(51,382,215)	$(52,660,111)	$(53,558,097)	
EXPENSE/(REVENUE) MONTHLY INTEREST	$ (81,739)	$ (81,107)	$ (80,640)	$ (80,312)	$ (79,532)	$ (74,552)	$ (69,133)	$ (67,447)	$ (66,817)	$ (67,117)	$ (68,786)	$ (69,959)	
INTEREST RATE	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	
CUMULATIVE INTEREST	$ (81,739)	$ (162,846)	$ (243,486)	$ (323,798)	$ (403,331)	$ (477,883)	$ (547,016)	$ (614,463)	$ (681,280)	$ (748,397)	$ (817,183)	$ (887,142)	

MANUFACTURED GAS PLANT REMEDIATION (RAC 20) SUMMARY
(DEBIT)/CREDIT

ELECTRIC	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	TOTAL
BEGINNING BALANCE	$(47,572,297)	$(45,383,160)	$(43,948,357)	$(42,626,243)	$(42,531,725)	$(42,099,244)	$(38,785,244)	$(38,135,192)	$(37,681,326)	$(36,824,031)	$(36,052,164)	$(35,715,862)	
REVENUE RECOVERIES	$ 2,407,214	$ 2,059,679	$ 1,738,241	$ 1,707,557	$ 1,846,009	$ 2,001,661	$ 1,814,811	$ 1,792,533	$ 1,677,994	$ 1,916,864	$ 2,096,769	$ 2,620,025	
PROGRAM COST EXPENDITURES from Attachment A-3, pg 1	$ (218,076)	$ (624,877)	$ (416,126)	$ (1,613,040)	$ (1,413,527)	$ 1,312,339	$ (1,164,759)	$ (1,338,668)	$ (820,699)	$ (1,144,997)	$ (1,760,467)	$ (1,178,787)	$ (10,381,684) Agrees to Attachment A-3 pg 1
OVER/(UNDER) COLLECTED	$ 2,189,137	$ 1,434,803	$ 1,322,115	$ 94,517	$ 432,481	$ 3,314,000	$ 650,052	$ 453,866	$ 857,295	$ 771,866	$ 336,302	$ 1,441,238	
CUMULATIVE BALANCE	$(45,383,160)	$(43,948,357)	$(42,626,243)	$(42,531,725)	$(42,099,244)	$(38,785,244)	$(38,135,192)	$(37,681,326)	$(36,824,031)	$(36,052,164)	$(35,715,862)	$(34,274,624)	
INTEREST CALCULATION:													
PRIOR BALANCE	$(47,572,297)	$(45,383,160)	$(43,948,357)	$(42,626,243)	$(42,531,725)	$(42,099,244)	$(38,785,244)	$(38,135,192)	$(37,681,326)	$(36,824,031)	$(36,052,164)	$(35,715,862)	
CURRENT BALANCE	$(45,383,160)	$(43,948,357)	$(42,626,243)	$(42,531,725)	$(42,099,244)	$(38,785,244)	$(38,135,192)	$(37,581,326)	$(36,824,031)	$(36,052,164)	$(35,715,862)	$(34,274,624)	
(PRIOR BAL + CURRENT BAL)/2	$(46,477,729)	$(44,665,759)	$(43,287,300)	$(42,578,984)	$(42,315,485)	$(40,442,244)	$(38,460,218)	$(37,908,259)	$(37,252,679)	$(36,438,098)	$(35,884,013)	$(34,995,243)	
EXPENSE/(REVENUE) MONTHLY INTEREST	$ (60,711)	$ (58,344)	$ (56,543)	$ (55,618)	$ (55,274)	$ (52,827)	$ (50,238)	$ (49,517)	$ (48,661)	$ (47,597)	$ (46,873)	$ (45,712)	
INTEREST RATE	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	
CUMULATIVE INTEREST	$ (60,711)	$ (119,054)	$ (175,597)	$ (231,215)	$ (286,489)	$ (339,316)	$ (389,554)	$ (439,071)	$ (487,731)	$ (535,328)	$ (582,200)	$ (627,912)	

MANUFACTURED GAS PLANT REMEDIATION (RAC 20) SUMMARY
(DEBIT)/CREDIT

GAS RAC INTEREST CALCULATION	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
BEGINNING BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
REVENUE RECOVERIES												
PROGRAM COST EXPENDITURES												
OVER/(UNDER) COLLECTED	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CUMULATIVE BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
INTEREST CALCULATION:												
PRIOR BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
CURRENT BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
(PRIOR BAL + CURRENT BAL)/2	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
EXPENSE/(REVENUE)												
MONTHLY INTEREST	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)
INTEREST RATE	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
CUMULATIVE INTEREST	$ (43,773)	$ (87,546)	$ (131,318)	$ (175,091)	$ (218,864)	$ (262,637)	$ (306,410)	$ (350,183)	$ (393,955)	$ (437,728)	$ (481,501)	$ (525,274)

$ (887,142.47)
Int. Roll Forward

MANUFACTURED GAS PLANT REMEDIATION (RAC 19) SUMMARY
(DEBIT)/CREDIT

GAS RAC INTEREST CALCULATION	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
BEGINNING BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
REVENUE RECOVERIES											
PROGRAM COST EXPENDITURES											
OVER/(UNDER) COLLECTED	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CUMULATIVE BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,489,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
INTEREST CALCULATION:											
PRIOR BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
CURRENT BALANCE	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
(PRIOR BAL + CURRENT BAL)/2	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)	$ (54,480,794)
EXPENSE/(REVENUE)											
MONTHLY INTEREST	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)	$ (43,773)
INTEREST RATE	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
CUMULATIVE INTEREST	$ (569,047)	$ (612,819)	$ (656,592)	$ (700,365)	$ (744,138)	$ (787,911)	$ (831,684)	$ (875,456)	$ (919,229)	$ (963,002)	$ (1,006,775)

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MANUFACTURED GAS PLANT REMEDIATION (RAC 20) SUMMARY
(DEBIT)/CREDIT

ELECTRIC RAC INTEREST CALCULATION	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
BEGINNING BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)
REVENUE RECOVERIES											
PROGRAM COST EXPENDITURES											
OVER/(UNDER) COLLECTED	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CUMULATIVE BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)
INTEREST CALCULATION:											
PRIOR BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)
CURRENT BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)
(PRIOR BAL + CURRENT BAL)/2	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)
EXPENSE/(REVENUE)											
MONTHLY INTEREST	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)
INTEREST RATE	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
CUMULATIVE INTEREST	$ (28,043)	$ (56,085)	$ (84,128)	$ (112,170)	$ (140,213)	$ (168,256)	$ (196,298)	$ (224,341)	$ (252,383)	$ (280,426)	$ (308,468)

$(627,912.00)
Interest Roll Forward

MANUFACTURED GAS PLANT REMEDIATION (RAC 19) SUMMARY
(DEBIT)/CREDIT

ELECTRIC RAC INTEREST CALCULATION	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
BEGINNING BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$ (34,902,536)	$ (34,902,536)	$ (34,902,536)
REVENUE RECOVERIES												
PROGRAM COST EXPENDITURES												
OVER/(UNDER) COLLECTED	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CUMULATIVE BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$ (34,902,536)	$ (34,902,536)	$ (34,902,536)
INTEREST CALCULATION:												
PRIOR BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$ (34,902,536)	$ (34,902,536)	$ (34,902,536)
CURRENT BALANCE	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$ (34,902,536)	$ (34,902,536)	$ (34,902,536)
(PRIOR BAL + CURRENT BAL)/2	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$(34,902,536)	$ (34,902,536)	$ (34,902,536)	$ (34,902,536)
EXPENSE/(REVENUE)												
MONTHLY INTEREST	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)	$ (28,043)
INTEREST RATE	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
CUMULATIVE INTEREST	$ (336,511)	$ (364,554)	$ (392,596)	$ (420,639)	$ (448,681)	$ (476,724)	$ (504,767)	$ (532,809)	$ (560,852)	$ (588,894)	$ (616,937)	$ (644,980)

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NRD SUMMARY - BY SITE, BY RAC YEAR

PSE&G NRD COST SUMMARY

Site	RAC 11-15	RAC 16	RAC 17	RAC 18	RAC 19	RAC 20	Total
Bordentown Gas Works	$ 252.56	$ 7,090.00	$ -	$ -	$ -	$ -	$ 7,342.56
Camden Coke Plant	$ -	$ 30,488.56	$ 28,381.48	$ 6,217.35	$ 2,667.99	$ 179,946.47	$ 247,701.86
Front Street Gas Works	$ 20,729.61	$ 798.48	$ 71,930.46	$ 14,859.59	$ 6,738.27	$ 3,779.47	$ 118,835.88
Gloucester Gas Works	$ 317.34	$ -	$ -	$ -	$ -	$ -	$ 317.34
Hackensack Gas Works	$ 191.06	$ -	$ -	$ 1,295.30	$ 330.75	$ -	$ 1,817.11
Harrison Gas Plant	$ 47,564.28	$ 798.48	$ 71,930.46	$ 14,859.59	$ 6,738.27	$ 3,779.47	$ 145,670.55
Hobart Avenue Gas Works	$ 191.06	$ -	$ -	$ -	$ -	$ -	$ 191.06
Market Street Gas Works	$ 20,777.37	$ 798.48	$ 71,930.46	$ 14,859.59	$ 6,738.27	$ 3,779.47	$ 118,883.64
Morristown Gas Works	$ 252.56	$ -	$ -	$ -	$ -	$ -	$ 252.56
Mount Holly Gas Works	$ 191.06	$ -	$ -	$ -	$ -	$ -	$ 191.06
Paterson Gas Plant/Memorial Dr	$ 176.19	$ -	$ -	$ -	$ -	$ -	$ 176.19
Paulsboro Gas Works	$ 191.04	$ -	$ -	$ -	$ -	$ -	$ 191.04
Ridgewood Gas Works	$ 95.53	$ -	$ -	$ -	$ -	$ -	$ 95.53
West End Gas Plant	$ -	$ -	$ -	$ 1,295.30	$ 330.75	$ -	$ 1,626.05
Total	**$ 90,929.66**	**$ 39,974.00**	**$ 244,172.87**	**$ 53,386.72**	**$ 23,544.30**	**$ 191,284.88**	**$ 643,292.44**
Per the Original RAC 20 Filing (exc interest)	$ 71,880.00	$ 53,505.00	$ 259,455.00	$ 57,260.00	$ 25,011.00	$ 194,119.00	$ 700,036.00
Delta	$ 19,049.66	$ (13,531.00)	$ (15,282.13)	$ (3,873.28)	$ (1,466.70)	$ (2,834.12)	$ (56,743.56)

ATTACHMENT B

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

LEGAL COSTS

QUESTION:
With regard to your response to RCR-A-2, please provide supplemental information explaining why legal costs have risen in this current RAC 19 period.

ANSWER:
Activity related to MGP plants in the Passaic River and Newark Bay and Hackensack River became very active in this period generating the primary difference in such costs. The three areas of activity responsible for this increase in costs are described below (after an introductory section).

OVERVIEW OF GREATER PASSAIC RIVER/NEWARK BAY SITUATION

- This urban river Complex has been damaged by hundreds of municipal, commercial and industrial sources of contamination over two centuries.
- Federal and State environmental agencies have alleged that hundreds of companies, including PSEG, discharged hazardous substances into the Complex, resulting in administrative actions and litigation by government agencies and private parties seeking funding for studies and remediation of impacted areas as well as natural resource damages.
- Diamond Shamrock and its successors and indemnitors (Occidental, Maxus, Tierra, YPF and Repsol) are the most significant potentially responsible parties ("PRPs") within the Complex. Diamond Shamrock's DDT and Agent Orange manufacturing operations discharged 2,3,7,8 TCDD, an extremely toxic dioxin congener, to the Complex from the Lister Avenue facility on the bank of the Passaic River in Newark.
- PSEG's large number of facilities (including generating stations: Essex, Hudson, Kearny, and former MGP sites: Front Street, Harrison, Market Street, East Newark, and West End), its long years of operation and its alleged discharges of hazardous substances to the Complex are alleged by the Governmental Agencies and private parties to make PSEG a significant Potential Responsible Party ("PRP").

Activity Area #1: USEPA PASSAIC RIVER ACTION

- On September 15, 2003, USEPA served notice on over 70 companies that it intended to study a 6 -mile stretch of the Passaic River. The scope of the study was later expanded to the lower 17 miles of the Passaic.

- On September 19, 2003, NJDEP issued a directive that demanded that the companies perform an assessment of natural resource damages and interim compensatory restoration measures along the Passaic River.

- The companies that received these notices, including PSEG, formed a Cooperating Parties Group ("CPG") group to share administrative costs and costs of response to USEPA's Notice and NJDEP's Directive.

- The CPG negotiated an agreement (the 'Cooperation Agreement") with USEPA pursuant to which the member companies agreed to complete the Remedial Investigation/Feasibility Study ("RI/FS") that USEPA commenced under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA" commonly known as Superfund) on the Lower Passaic River Study Area.

- Although 72 parties, including PSEG and Maxus/Tierra, executed the Cooperation Agreement with USEPA, there is a divergence of interests within the CPG. PSEG and 52 other companies who believe that contaminants from the Lister Avenue site are the principal risk and cost drivers of the cleanup formed a sub-group within the CPG, the Small Parties Group (the "SPG"), to advocate for that position within the CPG and with NJDEP and USEPA. Tierra very recently withdrew from the CPG.

- The allocation for sharing costs among CPG members resulted in a share of approximately 5.98% to the PSEG companies.

- In 2006, at the start of this activity, a decision was made to allocate this activity 20% to Power and 80% to PSE&G corresponding with the split of relevant significant facilities on the waterway. Power has one large generating station in this area (Essex) and there are four Manufactured Gas Plants (Market Street, Harrison, East Newark and Front Street) on the relevant part of the Passaic River.

Activity Area #2: USEPA NEWARK BAY STUDY AREA ACTION

- The Newark Bay Study Area (the "NB Study Area") is a separate CERCLA site but can be viewed as an extension of the Passaic River Study Area - it encompasses Newark Bay and portions of the Hackensack River, the Kill Van Kull, and the Arthur Kill.

- In February 2004, Tierra entered into an Administrative Consent Order ("AOC") with USEPA to conduct an RI/FS for the NB Study Area.

- On August 24, 2006, USEPA sent a General Notice Letter ("GNL") to PSE&G and to PSEG Fossil (together "PSEG") identifying PSEG as a PRP with respect to the NB Study Area and requesting that it join Tierra in conducting the RI/FS. The PSEG notice letters specifically referred to the West End Manufactured Gas Plant, Kearny Generating Station, and Hudson Generating Station. .

PSEG is participating in a Joint Defense Group (the "NBJDG") with other GNL recipients, BASF, Bayer, Chevron, Exxon and Dupont.

In 2006, at the start of this activity, a decision was made to allocate this activity 65% to Power and 35% to PSE&G corresponding with the split of relevant significant facilities on the waterway. Power has two generating stations (Hudson and Kearney) on Newark Bay and there is one MGP (West End).

Activity area #3: NJDEP V. OCCIDENTAL ET AL. ACTION

In 2005 The State of New Jersey sued 5 Companies related to Diamond Shamrock (Tierra, Maxus, Occidental, YPF and Repsol) for approximately $180 million in damages related to past costs incurred in investigating and remediating contamination generated by Diamond Shamrock's Lister Avenue Plant and for an unspecified sum for societal economic damages. The Court allowed the State to reserve its claims with respect to future costs. Judge Sebastian Lombardi, Essex County, is presently assigned to the case.

In 2009, Tierra and Maxus brought 328 Third Party Defendants, including PSEG, into the litigation, seeking contribution for the State's claims for past costs and economic impacts, as well as for contribution for Tierra's past and future costs for the Complex as a result of operations at the former Diamond Shamrock Site.

PSEG is alleged to be associated with eleven "sites" that discharged potentially hazardous substances to the Complex.

These sites include the Essex, Hudson, Kearny, and Coal Street Generating Stations; the City Dock substation; the former MGP sites at Harrison, Front Street, Market Street, West End and East Newark; and the Bayonne Barrel & Drum and Borne Chemical site, an industry drum recycling site.

PSEG is a member of a Joint Defense Group ("JDG"), which has engaged common counsel (O'Melveny & Myers LLP) to represent the JDG before the Court in matters of common interest. There are approximately 120 Third Party Defendants that are members of the JDG. Most members, including PSEG, have also selected OMM to serve as their formal Liaison Counsel.

A Special Master was appointed to manage discovery prior to PSEG's entry into the case. Each individual defendant was required to file an answer and any special defenses particular to that individual defendant. PSEG filed answers on June 21, 2010, and initial disclosures on August 10, 2010.

Tierra has demanded access to 30 Third Party Defendant properties, including PSEG's Harrison Gas Plant, and the Essex, Kearny, and Hudson Generating Stations, to perform on-site sampling. The Special Master issued Final Site

Inspection Guidelines in March 2011. No on-site sampling of such sites has yet been undertaken.

- De bene depositions of certain key witnesses who are aged or infirm commenced in summer 2010; PSEG's witnesses have not yet been deposed or noticed for deposition.

- The State proposed that it be permitted to engage in an Alternative Dispute Resolution ("ADR") process to attempt to settle with the Third Party Defendants. An effort was undertaken to involve all litigants in a universal settlement process utilizing an independent, neutral party hired by the litigants. Eric Green, a recognized leader in the resolution of these types of disputes, was consulted and engaged. Settlement discussions were commenced but stalled in late 2010.

- On June 28, 2010, Judge Lombardi entered a case management order that required all Third Party Defendants to produce certain categories of documents relating to their sites within specified timeframes. The documents included all documents regarding hazardous substances at their site, all pathways by which these hazardous substances might impact the Complex, and all documents relating to operations, manufacturing, and/or production processes used on their site. To comply with this order, PSEG has to date reviewed over 3000 boxes of documents. In September 2011, PSEG made a large subset of these boxes available for inspection by the Third Party Plaintiffs, and produced over 250,000 pages of readily accessible electronic documents at the specific request of the Special Master.

- The Court has not yet required the parties to produce electronically stored information (e.g., emails, word and excel files, and databases) ("ESI"), but it has issued an ESI Production Protocol to govern the manner in which ESI is produced.

- On May 5, 2011, Judge Lombardi entered a trial plan dividing the claims and issues among the various parties into several sequenced phases. Pre-trial actions and the trial of claims asserted against PSEG and other Third Party Defendants are scheduled to commence in April 2013.

- Subject to further proceedings and the entry of future Orders by the Court, and the Court's ability to maintain the scheduled disposition of other claims between other litigants prior to April 2013, it is anticipated that PSEG and other Third Party Defendants will continue to be obliged to participate in extensive discovery (ESI; depositions, production of records, etc) and motion practice with other litigants commencing this fall and continuing through, and potentially long after, April, 2013.

- In 2009, when this litigation began, a decision was made to allocate the costs 50% to Power and 50% to PSE&G. This was a top level estimate that will be refined when more information is available.