



Agenda Date: 2/11/15  
Agenda Item: 2A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC	)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO	)	APPROVING THE INITIAL
MODIFY ITS MANUFACTURED GAS PLANT (MGP)	)	DECISION AND THE STIPULATION
REMEDATION COMPONENT WITHIN ITS ELECTRIC	)	
SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS	)	
SBC: DURING THE REMEDIATION ADJUSTMENT	)	
CHARGE (RAC) 21 PERIOD, AUGUST 1, 2012 TO	)	DOCKET NO. GR14040375
JULY 31, 2013	)	OAL DOCKET NO. PUC 16085-2014N

**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<sup>1</sup>:

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 and Gas Company ("the Company") amortized over a seven-year rolling average period. The Company'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 ("the Board").

On April 18, 2014, the Company filed a petition ("April Petition") with the Board requesting an Order finding that its RAC activities and net MGP costs incurred during the RAC 21 period, August 1, 2012 through July 31, 2013, of \$65.896 million are reasonable and are appropriate for recovery.

Per the April Petition, although a slight decrease in the gas and electric RAC rates were justified in light of a reduced (gas + electric) revenue requirement of \$1.49 million, the Company requested to maintain the existing gas and electric RAC rates to partially offset an anticipated RAC 22 revenue requirement increase of \$4.5 million due to increased MGP spending during that period<sup>2</sup>.

<sup>1</sup> Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

<sup>2</sup> PSE&G RAC 22: Docket No. GR14121411, filed 12/15/14.

On December 4, 2014, this matter was filed with the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Gail Cookson.

The Company responded to Board Staff's and the Division of Rate Counsel's ("the Parties") discovery requests. After review and discussion, the Parties reached an agreement on the RAC 21 costs, and on January 8, 2015 stipulated as follows:

### **STIPULATION OF AGREEMENT<sup>3</sup>**

In an effort to mitigate rate volatility for the Company's customers, the Parties agree to maintain the existing RAC rates approved by the Board in Docket No. GR11110779 at 0.9280 cents per therm (including Sales and Use Tax, "SUT") and 0.0403 cents per kWh (including SUT).

The Parties acknowledge that during the RAC 21 period, the Company incurred gross expenditures of \$76.054 million, which reduced by insurance proceeds of \$9.525 million, miscellaneous recoveries of \$0.618 million, and \$0.015 million of NRD-related MGP costs, resulting in net expenditures and recoverable cost of \$65.896 million<sup>4</sup> for the RAC 21 period.

The Company represents that it has not retained lease or sale proceeds for any remediation properties during the RAC 21 remediation period, and there were no sales of remediated property during the RAC 21 expenditure period.

The Parties agree that the transfer of the property located at "Block 243, Lot 1, City of Camden, County of Camden, State of New Jersey" from New Jersey Properties, Inc. to PSE&G may proceed, and that such transfer shall result in a credit to the RAC of \$88,204 to be credited to ratepayers. Should the Company sell part or all of the property, 100% of all proceeds above the purchase price of \$88,204, net of post-remediation improvements, shall be credited to the benefit of the RAC ratepayers. The Company represents that its RAC 21 filing does not include any administrative, legal, consulting or other costs associated with NRD claims, except for the \$0.015 million discussed herein. The Parties further agree that the Company will have deferred a total of \$0.698 million of NRD-related MGP costs through the end of the RAC 21 period. The Company agrees to defer the above-indicated NRD-related MGP costs until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism.

The Company agrees that it will include with its future RAC filings responses to the minimum filing requirements ("MFRs") per Exhibit B to the Stipulation.

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 21 filing.

In her Initial Decision dated January 8, 2015, ALJ Cookson found that the Parties voluntarily agreed to the settlement which resolves all issues in controversy and is consistent with the law.

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

<sup>4</sup> Per Exhibit A attached to the Stipulation.

**DISCUSSION AND FINDINGS**

The Board has reviewed the Stipulation and **FINDS** it to be reasonable and in the public interest being persuaded that the MGP Costs have been thoroughly reviewed. The Board **HEREBY FINDS** that the Company's MGP remediation work performed during the RAC 21 period of August 1, 2012 through July 31, 2013 was prudent, and the resulting MGP Costs for the RAC 21 period of \$65.896 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 its entirety as if fully incorporated herein. The Board agrees that it is reasonable to maintain the existing RAC rates, and **HEREBY ORDERS** that the Company's existing gas RAC factor rate be maintained at \$0.9280 cents per therm. The Board also **HEREBY ORDERS** that the Company's existing electric RAC factor rate be maintained at 0.0403 cents per kWh. Accordingly, there is no rate impact on customers at this time.

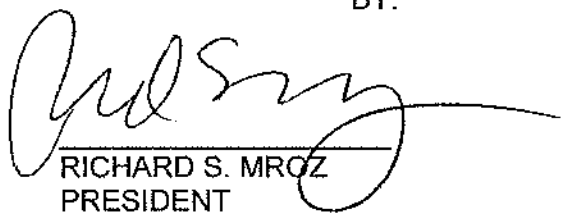
The Board **FURTHER ORDERS** that the NRD-related costs deferred through the end of the RAC 21 period of \$0.698 million shall continue to be deferred until such time as the Board addresses the rate recoverability of NRD-related costs via the RAC mechanism.

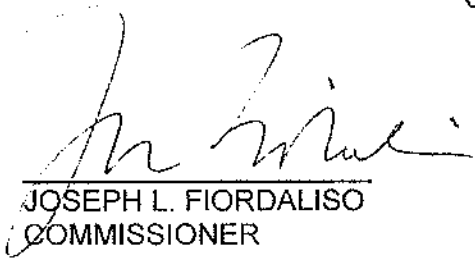
The Company's RAC costs shall remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audits.

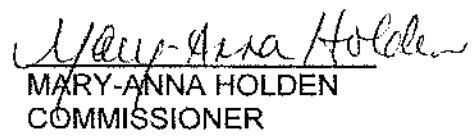
The effective date of this Order is February 23, 2015.

DATED: 2/11/15

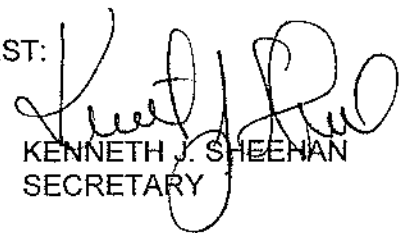
BOARD OF PUBLIC UTILITIES  
BY:

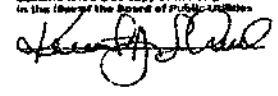
  
RICHARD S. MROZ  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

ATTEST:   
KENNETH J. SHEEHAN  
SECRETARY

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


IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO  
MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS  
ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; DURING THE REMEDIATION  
ADJUSTMENT CHARGE (RAC) 21 PERIOD, AUGUST 1, 2012 TO JULY 31, 2013  
DOCKET NO. GR14040375

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**State of New Jersey**

OFFICE OF ADMINISTRATIVE LAW

**INITIAL DECISION SETTLEMENT**

OAL DKT. NO. PUC 16085-14

AGENCY DKT. NO. GR14040375

**I/M/O THE PETITION OF PUBLIC  
SERVICE ELECTRIC AND GAS CO.  
TO MODIFY ITS MANUFACTURED GAS  
PLANT (MGP) REMEDIATION COMPONENT  
WITHIN ITS ELECTRICAL SOCIETAL BENEFITS  
CHARGE (SBC) AND ITS GAS SBC DURING  
THE REMEDIATION ADJUSTMENT CHARGE  
(RAC) 21 PERIOD, AUGUST 1, 2012 TO  
JULY 31, 2013.**

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**Martin C. Rothfelder, Esq.**, for petitioner Public Service Electric & Gas Company  
(PSE&G Services Corp., attorneys)

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

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

Record Closed: January 8, 2015

Decided: January 8, 2015

BEFORE **GAIL M. COOKSON**, ALJ:

This matter was filed by Public Service Electric and Gas Company (PSE&G) on  
April 18, 2014, seeking approval from the Board of Public Utilities (BPU) 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, 2012 through July 31, 2013 (RAC 21 period) was prudent, and that the resulting RAC 21 costs are reasonable and appropriate for rate recovery.

The file was transmitted to the Office of Administrative Law (OAL), on or about December 4, 2014, 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. The case was assigned to the undersigned on December 23, 2014. A prehearing conference was convened telephonically on January 8, 2015. During that conference call, the parties reported that they were in the process of circulating a stipulation resolving all the issues before me.

On January 8, 2015, I received electronically a Settlement fully-executed by all parties to this matter with a request that I enter an Initial Decision Settlement and transmit same to the Board. The agreement more completely sets forth the terms and conditions of the settlement of all issues raised by the filing of the Company but in sum, and in consideration of a review of the next RAC period 22, the RAC factors will remain unchanged.

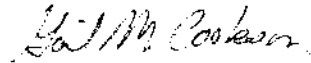
I have reviewed the record and terms of the Stipulations and **FIND**:

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

I **CONCLUDE** that the Stipulation meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the matter be deemed dismissed with prejudice 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 8, 2015  
DATE

\_\_\_\_\_  
**GAIL M. COOKSON, ALJ**

Date Received at Agency: \_\_\_\_\_ 1/8/15

Date Mailed to Parties: \_\_\_\_\_

id

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January 8, 2015

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; During The Remediation  
Adjustment Charge (RAC) 21 Period, August 1, 2012, to  
July 31, 2013

BPU Docket No.: GR14040375

***VIA E-MAIL AND OVERNIGHT DELIVERY***

Honorable Gail M. Cookson, ALJ  
Office of Administrative Law  
33 Washington Street  
Newark, New Jersey 07102

Dear Judge Cookson:

Attached please find a Settlement executed by all parties to the above-referenced matter which addresses and settles all issues therein.

Thank you for your consideration in this matter.

Respectfully submitted,

A handwritten signature in blue ink that reads "Martin C. Rothfelder".

C Attached Service List (E-Mail)



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**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	)	<b>SETTLEMENT</b>
GAS PLANT (MGP) REMEDIATION	)	
COMPONENT WITHIN ITS ELECTRIC	)	BPU DOCKET GR14040375
SOCIETAL BENEFITS CHARGE (SBC) AND ITS	)	
GAS SBC; FOR A BOARD ORDER FINDING	)	
THAT ITS MGP REMEDIATION WORK	)	OAL Docket PUC16085-2014N
PERFORMED DURING THE REMEDIATION	)	
ADJUSTMENT CHARGE (RAC) 21	)	
PERIOD, AUGUST 1, 2012 TO JULY 31, 2013	)	
WAS PRUDENT; THAT THE RESULTING RAC	)	
21 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 <u>N.J.S.A.</u>	)	
48:2-21 AND <u>N.J.S.A.</u> 48:2-21.1	)	

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 18, 2014, 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, 2012 through July 31, 2013 (RAC 21 period) was prudent, and that the resulting RAC 21 costs are reasonable and appropriate for rate recovery. Upon review of the PSE&G filing, conducting and reviewing responses to discovery, and discussing the facts and issues in settlement meetings, telephone calls, and e-mails, the Staff of the New Jersey Board of Public Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's petition in this matter seeks authority to establish rates to recover \$38.242 million of which: (1) \$0.985 million represents the true up of RAC 20 costs; (2) \$33.636 million represents 1/7 of each of the RAC 15 through RAC 21 expenditures; and (3) \$3.621 million represents recovery of the carrying costs on its unamortized remediation program balance. The Company's filing further requested an Order finding that "its RAC activities conducted and Program Costs incurred during the RAC 21 period, August 1, 2012 through July 31, 2013, are reasonable and are appropriate for recovery" and that such Order "find that it is reasonable to maintain the existing electric and gas RAC rates in an effort to mitigate rate shock in the forthcoming RAC periods due to increased spending on MGP projects for the RAC 22 period and beyond."
2. Specifically, the Company's petition stated that it incurred gross expenditures of \$76.054 million in remediation costs during the RAC 21 period. This amount has been reduced by insurance proceeds of \$9.525 million, miscellaneous recoveries of \$0.618 million, as well as \$0.015 million of NRD-related MGP costs, resulting in net expenditures of \$65.896 million for the RAC 21 period as illustrated on Attachment A-3, page 1 to the Petition. The Company represents that the rates agreed to in this Stipulation do not reflect recovery of incentive compensation costs.
3. The PSE&G petition allocated RAC costs to gas and electric customers on a 60/40 percent basis pursuant to Board directives, and said RAC costs are to be recovered over a rolling seven-year period.

4. Board Staff and Rate Counsel have propounded discovery requests, to which the Company has responded.
5. During the review of the RAC 21 filing, the RAC 22 expenditure period (August 1, 2013 through July 31, 2014) was concluded. The increased level of expenditures during that period will necessitate a rate increase request in the Company's RAC 22 filing. 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 \$0.008673 per therm (excluding Sales and Use Tax, "SUT") and \$0.009280 per therm (including SUT) and an electric RAC factor of \$0.000349 (excluding losses as well as SUT) and \$0.000403 per kWh (including losses and SUT) for secondary service. The foregoing rates will allow recovery of 1/7 of the RAC 15 through RAC 21 expenditures. As a result of this Settlement, the annual bill for a typical residential customer will remain unchanged.
6. The Company incurred gross expenditures of \$76.054 million in claimed MGP remediation costs during the RAC 21 period. This amount has been reduced by insurance proceeds and miscellaneous recoveries of \$ 10.144 million, as well as \$0.015 million of NRD-related MGP costs, resulting in net expenditures of \$65.896 million for this remediation period. The Company's MGP Remediation work performed during the RAC 21 period, August 1, 2012 to July 31, 2013, as described in Company witness Richard A. Blackman's testimony (Attachment B to the Company's Petition), was prudent and reasonable.
7. The Company represents that, during the RAC 21 period, it properly credited all net proceeds from the sale or lease of MGP properties to the RAC 21 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 21 remediation period and there were in fact no sales of remediated property during the RAC 21 expenditure period.
8. In addition, the Parties agree that the transfer of the property located at "Block 243, Lot 1, City of Camden, County of Camden, State of New Jersey" from New Jersey

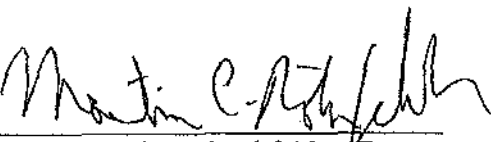
Properties, Inc. to PSE&G may proceed with the type of journal entries reflected in the Company's response to S-PRAC-26, and that such transfer shall result in a credit to the RAC of \$88,204 to be credited to the benefit of RAC ratepayers. The Parties further agree that if PSE&G sells part or all of that property in the future, then 100% of all proceeds from such sale above the purchase price of \$88,204, net of post-remediation improvements, shall be credited to the benefit of the RAC ratepayers.

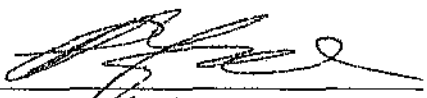
9. The Company represents that its RAC 21 filing does not include any administrative, legal, consulting, or other costs associated with NRD claims, except for the \$0.015 million discussed herein. The Parties further agree that PSE&G will have deferred a total of \$0.698 million of NRD-related MGP costs through the end of the RAC 21 period. PSE&G agrees to defer the above-indicated NRD-related MGP costs 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.
10. Attached hereto as Exhibit A is Attachment A-2, page 1 of 2 from the Company's filing which reflects the expenditures to be approved for this RAC 21 period and the approved expenditures for RAC 15 through RAC 20.
11. The Company agrees that it will include with its future RAC filings responses to the minimum filing requirements ("MFRs") as set forth in Exhibit B to this Settlement and that in future RAC filing it shall not request any late fees or charges that are associated with legal costs recovered through the RAC.
12. 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 21 filing except as specifically provided herein.

13. 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 this proceeding is resumed, each party is given the right to return to the position it was in before this Settlement was executed.
14. 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.
15. 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

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

By:   
Martin C. Rothfelder, Esq.

By:   
Alex Moreau  
Deputy Attorney General

DATED: 1/7/15

DATED: 1/7/15

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

By: Henry M. Ogden / F.T.-F.  
Henry M. Ogden, Esq.  
Assistant Deputy Rate Counsel

DATED: 1/8/15

# EXHIBIT A

## RAC 21 SUMMARY SCHEDULE FOR THE ANNUAL RAC PERIOD ENDED JULY 31, 2013 \$'000

Worksheet Reference	TOTAL	RAC #21	RAC #20	RAC #19	RAC #18	RAC #17	RAC #16	RAC #15	RAC #14
Prior RAC Periods #15 - #20 - Actual Approved Expenditures, Net	(A) \$169,555	\$25,770	\$17,773	\$19,038	\$33,550	\$37,514	\$35,811		
RAC 21 Period - Actual Expenditures, Net*	(B) \$65,896	\$65,896							
<b>ANNUAL RECOVERY SUMMARY:</b>									
Annual Amortization of Prior RAC Period Costs (seven years)	\$24,222	\$3,681	\$2,539	\$2,720	\$4,793	\$5,373	\$5,116		
RAC 21 Period - Annual Amortization (seven years)	(B) / 7	\$9,414							
Subtotal: RAC 15 through 21 Annual Amortization for Allocation between Gas & Electric		\$33,636	To Attachment A-2, Pg. 2						
True up of RAC 20 Expenditures with RAC Recoveries- GAS	\$528								
True up of RAC 20 Expenditures with RAC Recoveries- ELECTRIC	\$957								
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-13 to June-15 per Dkt. No. ER02080604	\$2,237								
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-13 to June-15 per DKT No. ER02080604	\$1,385								
<b>TOTAL - RAC 21 ANNUAL RECOVERY, PERIOD TO DATE</b>		<b>\$38,242</b>							

\* NET represents "Net of Insurance Recoveries, Miscellaneous Recoveries and NRD"



## **EXHIBIT B**

### 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.

## **EXHIBIT B**

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

## **EXHIBIT B**

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.

## **EXHIBIT B**

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.