Agenda Date: 11/21/25
Agenda Item: 2B

STATE OF NEW JERSEY

Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE NEXT PHASE OF THE GAS SYSTEM MODERNIZATION PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM (“GSMP III”)	)	ORDER APPROVING STIPULATION OF SETTLEMENT DOCKET NO. GR23030102

Parties of Record:

Danielle Lopez, Esq., Public Service Electric and Gas Company
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, Esq., Giordano, Halleran and Ciesla, P.C. for New Jersey Large Energy Users Coalition
Anthony R. Francioso, Esq., Fornaro Francioso LLC for Environmental Defense Fund
Murray E. Bevan, Esq., Bevan, Mosca & Giuditta P.C. for NRG Energy, Inc.

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities (“Board” or “BPU”) considers a stipulation of settlement (“Stipulation”) executed by Public Service Electric and Gas Company (“PSE&G” or “Company”), Board Staff (“Staff”), the New Jersey Division of Rate Counsel (“Rate Counsel”), the New Jersey Large Energy Users Coalition (“NJLEUC”), the Environmental Defense Fund (“EDF”), and NRG Energy, Inc. (“NRG”) (collectively, “Parties”) in the above-captioned matter.

BACKGROUND

On March 1, 2023, PSE&G filed a petition with the Board seeking approval of the next phase of its Gas System Modernization Program (“GSMP”) and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A (“Petition”).[1] The Company’s proposed program (“GSMP III” or “Program”) included a three (3)-year term with a total investment level of approximately $2.54

[1] On December 19, 2017, the Board adopted new regulations for utility “Infrastructure Investment and Recovery” supporting the implementation of an Infrastructure Investment Program (“IIP”), which allows a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency (“II&R Regulations”). The rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

billion, as an extension of the Company's original GSMP and second GSMP ("GSMP II") programs.

Via GSMP III, the Company proposed to replace 1,140 miles of gas main, consisting of 810 miles of low-pressure cast iron main, fifty (50) miles of high-pressure cast iron main, 200 miles of unprotected steel main, and eighty (80) miles of cathodically protected steel and plastic main ("Replacement Subprogram"). PSE&G estimated that, through the proposed Program, the Company would replace 380 miles of main annually over the three (3)-year period from 2024 to 2026, beginning January 1, 2024. The proposed Replacement Subprogram also included the abandonment of approximately 210 district regulators, replacement of approximately 92,100 unprotected steel services, and relocation of approximately 49,200 inside meter sets to the outside. The Company estimated that the Replacement Subprogram would cost approximately $2.39 billion and would reduce greenhouse gas emissions by approximately 59,000 metric tons of carbon dioxide equivalent ("CO2e") by the end of 2026.

Additionally, PSE&G proposed a hydrogen blending project that included the installation of a one (1)-megawatt power-to-gas facility to provide the Company's distribution system with a two percent (2%) blended supply of hydrogen ("Hydrogen Project"). The Company estimated that the Hydrogen Project would cost approximately $30 million and reduce greenhouse gas emissions by approximately 1,000 metric tons of CO2e.

The Company further proposed to conduct a renewable natural gas ("RNG") project to upgrade landfill gas to "pipeline quality" specifications before injection into the gas distribution system ("RNG Project"). According to the Company, the RNG Project would cost approximately $123 million and would result in quantified net reductions for nitrogen oxides, carbon monoxide, sulfur dioxide, particulate matter 2.5, and particulate matter 10 air pollutants.

PSE&G proposed to recover GSMP III costs via a new gas rate component of the Company's IIP charges with semi-annual rate adjustment filings. The Company proposed to include depreciation/amortization expense providing for the recovery of the invested capital over its useful book life, return on the net investment, and the impact of any tax adjustments applicable to the Program for recovery in its rates. PSE&G further proposed to base its return on net investment upon the weighted average cost of capital ("WACC") approved by the Board in PSE&G's most recent base rate case and that any change in the WACC authorized by the Board in any subsequent base rate case be reflected in the subsequent revenue requirement calculations.[2]

PSE&G also proposed to include an operations and maintenance ("O&M") expense adjustment to account for cost savings from leak reductions resulting from the Replacement Subprogram and

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[2] At the time the Petition was filed, PSE&G's most recent base rate had occurred in 2018. In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in Tariffs for Electric and Gas Service, B.P.U.N.J. No. 16 Electric and B.P.U.N.J. No. 16 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, BPU Docket Nos. ER18010029 and GR18010030, OAL Docket No. PUC 01151-18, Decision and Order Adopting Initial Decision and Stipulation dated October 29, 2018. PSE&G's 2024 base rate case was resolved via a stipulation approved by the Board in October 2024. In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 17 Electric and B.P.U.N.J. No. 17 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, BPU Docket Nos. ER23120924 and GR23120925, OAL Docket No. PUC 00926-24, Order Adopting Initial Decision and Stipulation dated October 9, 2024.

ongoing annual expenses related to the O&M of the proposed Hydrogen and RNG Projects. Additionally, the Company proposed to credit revenue associated with the sale of gas from the Hydrogen and RNG Projects and environmental attributes and net any selling expenses from the RNG Project to its Basic Gas Supply Service-Residential Service Gas deferral balance.

PROCEDURAL HISTORY

By Order dated April 12, 2023, the Board retained the Petition and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Dr. Zenon Christodoulou ("Commissioner Christodoulou") as the presiding officer authorized to rule on all motions that arise during the pendency of the proceedings and modify any schedules.[3] Additionally, the April 2023 Order directed that entities seeking to intervene or participate in this matter file the appropriate application with the Board by May 12, 2023, and that any party wishing to file a motion for admission of counsel *pro hac vice* should do so concurrently with any motion to intervene or participate.

By Order dated June 27, 2023, Commissioner Christodoulou issued a ruling on the motions to intervene and/or participate.[4] In the June 2023 Order, Commissioner Christodoulou granted intervenor status to NJLEUC, EDF, and NRG.[5] Additionally, Commissioner Christodoulou granted participant status to New Jersey Natural Gas Company, Waters & Bugbee, Inc., the Engineers Labor-Employer Cooperative, Ferreira Construction Company, Inc., Middlesex County Utilities Authority, South Jersey Gas Company and Elizabethtown Gas Company, the New Jersey Laborers-Employers Cooperation and Education Trust, AARP, Local 94 International Brotherhood of Electrical Workers, EmpowerNJ, UA Local 855, and Creamer-Sanzari Joint Venture.

Following proper notice, two (2) virtual public hearings were held on July 31, 2023. The public hearings were well attended by the public, the parties, and municipal officials. The majority of the attendees were supportive of the Program. The Board also received numerous written comments from constituents regarding the Program.

By Order dated October 11, 2023, the Board approved a two (2)-year extension of PSE&G's GSMP II program ("GSMP II Extension") commencing on January 1, 2024 and ending on December 31, 2025.[6] As noted in the October 2023 Order, the GSMP II Extension consisted of the investment of up to $752 million to replace a minimum of 400 miles of utilization pressure cast

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[3] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Recovery Mechanism ("GSMP III"), Order Designating Commissioner and Setting Manner of Service and Bar Date, BPU Docket No. GR23030102, Order dated April 12, 2023 ("April 2023 Order").

[4] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Recovery Mechanism ("GSMP III"), Order on Motions to Intervene or Participate, BPU Docket No. GR23030102, Order dated June 27, 2023 ("June 2023 Order").

[5] The motion filed by NRG Energy Inc. was also filed on behalf of its affiliates Reliant Energy Northeast, LLC, d/b/a NRG Home/NRG Business; Energy Plus Natural Gas LP; Xoom Energy New Jersey, LLC; Stream Energy New Jersey, LLC; Direct Energy Services, LLC; Direct Energy Business, LLC; Direct Energy Business Marketing, LLC; and Gateway Energy Services Corporation.

[6] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Recovery Mechanism ("GSMP II"), BPU Docket No. GR17070776; and In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Recovery Mechanism ("GSMP III"), BPU Docket No. GR23030102, Order dated October 11, 2023 ("October 2023 Order").

iron ("UPCI") and/or unprotected steel mains. Additionally, the Company was required to spend a total of $150.4 million within stipulated base spending that was not eligible for accelerated cost recovery. As further noted in the October 2023 Order, the proposed GSMP III projects were held in abeyance while Staff was engaged in a stakeholder process to implement Executive Order 317.

Pursuant to the stipulation approved by the October 2023 Order, the parties were to convene for a status conference, no later than January 31, 2025, to resume this proceeding. On January 23, 2025, a status conference was conducted by the parties for this purpose.

On July 24, 2025, Commissioner Christodoulou issued an Order approving the procedural schedule in this matter.[7] The procedural schedule was subsequently suspended.

STIPULATION

Following extensive discovery and settlement discussions, the Parties executed the Stipulation, which provides for the following:[8]

1. The Parties agree that, subject to Board approval of the Stipulation, PSE&G may implement GSMP III pursuant to the IIP rules in N.J.A.C. 14:3-2A with the modifications to the Program as filed, under the terms and conditions described in the Stipulation. The Program will include accelerated investment in the PSE&G gas distribution system, an accelerated rate recovery mechanism ("GSMP III Rate Mechanism") including scheduled rate adjustments for investments included in the GSMP III Rate Mechanism, required gas distribution base investments that are not recoverable through the GSMP III Rate Mechanism ("Stipulated Base"), an annual baseline capital expenditure, and other provisions as described in the Stipulation.

I. Program Term

2. The Program will be implemented over a three (3) year term, commencing on January 1, 2026, and ending December 31, 2028, except as provided in the Stipulation. The Company may undertake Program non-construction expenditures, such as planning and engineering, upon Board approval of the Program. For mains already installed, joined to a supplying line that contains gas, and pressurized with gas as of December 31, 2028, the Company may also engage in completion (including all work associated with such mains) and restoration work in the first six (6) months of 2029, such as tie-ins, uprates, excess flow valve installations, service transfers, service replacements, paving (and related restoration), lawn restoration/landscaping, and retirements.

[7] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Recovery Mechanism ("GSMP III"), Prehearing Order Setting Procedural Schedule, BPU Docket No. GR23030102, Order dated July 24, 2025.

[8] Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

II. GSMP III Accelerated Rate Recovery Mechanism

3. Project costs eligible for recovery under the GSMP III Rate Mechanism include: a) costs to replace PSE&G's UPCI mains and associated services and unprotected steel mains and associated services; b) costs required to uprate the UPCI systems (including the uprating of associated protected steel and plastic mains and associated services) to higher pressures; c) costs associated with the installation of excess flow valves and the elimination of district regulators, where applicable; and d) independent monitor costs as discussed in Paragraph 25 of the Stipulation.

4. The GSMP III Rate Mechanism will exclude: costs to replace elevated pressure cast iron ("EPCI"), plastic and cathodically protected steel mains; costs to reinforce EPCI joints; meters; and the additional costs associated with the relocation of inside meter sets to outdoor locations. The additional costs associated with the relocation of inside meter sets are the cost that such relocation work adds to the project compared to the project proceeding without relocation of the meters to outdoor locations. PSE&G agrees to take reasonable measures to relocate inside meter sets outdoors during the course of GSMP III.

5. The costs to replace EPCI, limited plastic and cathodically protected steel mains associated with the UPCI and unprotected steel replacement projects, the costs to reinforce EPCI joints, and the additional costs associated with the relocation of inside meter sets associated with main replacement in the Program may be a part of the Stipulated Base, as further provided in the Stipulation. The costs of replacement meters are not part of the Stipulated Base or the GSMP III Rate Mechanism. Expenditures related to leak repairs are not included in the Stipulated Base or the GSMP III Rate Mechanism.

6. Costs eligible for recovery under the GSMP III Rate Mechanism shall not exceed $1.05 billion—representing replacement of 525 miles of main—which excludes the cost associated with the Stipulated Base, Allowance for Funds Used During Construction ("AFUDC") and independent monitor costs. The maximum cost of $1.05 billion includes the costs to replace UPCI mains and associated services and unprotected steel mains and associated services, costs required to uprate the UPCI systems, the costs of excess flow valves, the costs of eliminating district regulators, and excludes costs associated with the Stipulated Base, AFUDC and independent monitor costs. Costs incurred by the Company in excess of the $1.05 billion on its replacements can be credited toward the baseline capital expenditure requirement provided in Paragraph 11 of the Stipulation for the year in which the cost is incurred, or may be used to satisfy the Stipulated Base requirement set forth in Paragraph 8 of the Stipulation. Recovery of costs in excess of $1.05 billion may be sought through a base rate case. Costs in excess of $1.05 billion that are allocated to Stipulated Base shall not be credited toward the minimum mileage outlined in Paragraph 8 of the Stipulation. If the Company completes the 525-mile minimum for an amount less than $1.05 billion, it may complete additional miles of main replacement up to the $1.05 billion level in the GSMP III Rate Mechanism.

III. Capital Structure/Return on Equity

7. PSE&G's capital structure and return on equity for GSMP III will be set based on the capital structure and return on equity level established in the Company's most recently approved base rate case, which will be updated following the approval of any future base rate cases. The current WACC based upon the approved 2023 base rate case is 7.07%, based upon a return on equity ("ROE") of 9.60% and a common equity percentage of 55%.

IV. Stipulated Base

8. The Company shall spend $360 million on certain capital projects during the three (3)-year Program that will not be recovered through the GSMP III Rate Mechanism, with no less than $35 million to be expended on UPCI and unprotected steel main replacements. In addition, the Company shall replace a minimum of seventy-five (75) miles of UPCI, EPCI, or unprotected steel main within Stipulated Base spending as detailed in Paragraph 9 of the Stipulation, equating to an average of twenty-five (25) miles per year based on work plan and other factors. Aside from the $35 million expended on UPCI and unprotected steel main, Stipulated Base expenditures can be spent at the Company's discretion on the work described in Paragraphs 4, 6, and 9 of the Stipulation. The total Stipulated Base expenditures shall be recovered in the Company's future base rate cases, subject to prudency review.

9. Stipulated Base expenditures may include all work described in Paragraphs 3 aboveof the Stipulation, as well as costs incurred to: replace EPCI mains; reinforce EPCI joints; replace plastic and cathodically protected steel main; replace UPCI and unprotected steel main and associated services; uprate the UPCI systems (including the uprating of associated protected steel and plastic mains and services) to higher pressures; eliminate district regulators, where applicable; install excess flow valves associated with the Stipulated Base expenditures; and relocate inside meter sets associated with GSMP III Rate Mechanism work or Stipulated Base main replacements to outside locations.

V. Total Program Expenditures

10. In total, the Company may spend up to $1.41 billion to complete the Program, with a maximum of $1.05 billion in costs, as detailed in Paragraph 6 of the Stipulation, to be recovered within the accelerated recovery portion of the Program, with recovery sought through the GSMP III Rate Mechanism, and $360 million to be completed within the Stipulated Base portion of the Program, with recovery sought through a base rate proceeding.

VI. Baseline Capital Expenditures

11. In addition, for each of the three (3) years, 2026 through 2028, the Company agrees to maintain a baseline capital expenditure level of at least $225 million.[9] The capital

[9] This level is consistent with the gas baseline capital expenditure level included in the Company's June 2022 stipulation in In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), BPU Docket Nos. EO21111211 and GO21111212, Order dated June 29, 2022.

investments made by the Company as part of its baseline capital expenditure requirements are within the discretion of the Company and may include, inter alia, costs incurred by the Company in excess of $1.05 billion on its replacements under the GSMP III Rate Mechanism. If the Company fails to maintain an annual baseline capital expenditure level prescribed in the Stipulation, the amount of investment eligible for recovery through the GSMP III Rate Mechanism for the subsequent year will be reduced by an amount equal to the difference between the applicable baseline and the actual annual capital expenditure made by the Company. However, if the Company fails to maintain, for more than one (1) year during the Program, an annual baseline capital expenditure of at least the applicable agreed level, no recovery of GSMP III Rate Mechanism eligible costs will be permitted during the second and any subsequent year for which the annual baseline expenditure is not met. If the annual baseline capital expenditure is not met for a second and any subsequent year, then traditional ratemaking practices will apply for that year and there will be no deferral of any GSMP III Rate Mechanism-related costs for that year. Instead, all GSMP III Rate Mechanism-related costs for the second and any subsequent year(s) in which the annual baseline capital expenditure level were not met will be reviewed in the Company's next base rate case and recovered through base rates, if reasonable and prudent. PSE&G may petition the Board seeking an exception from the requirements of this Paragraph based on extraordinary circumstances such as acts of war or terrorism, or other alleged *force majeure* extraordinary circumstances. The Parties reserve their rights to take any position on such a request.

12. Investments made by the Company to extend new or additional service to new/existing customers will not be included as part of the annual baseline capital expenditures required pursuant to the above Paragraph in the Stipulation.

VII. <u>Prioritization of Projects</u>

13. The replacement of mains in the Program shall follow the prioritization based on the grid-based Leak Hazard Indices developed by PSE&G, using its Hazard Assessment Model as described in the direct testimony of PSE&G Witness Wade E. Miller, dated March 1, 2023. Unprotected steel mains may also be selected for replacement based on additional factors such as age, size and pressure where insufficient leak hazard data exists.

14. Factors such as construction efficiencies and logistics will be taken into account in the scheduling of the grids. If permitting constraints or other issues (e.g., municipal/county specific paving costs, traffic control costs, etc.) make work within a grid impossible, impracticable, or significantly more expensive, PSE&G may bypass that grid and proceed to work in subsequent prioritized grids. PSE&G may return to do the work in the bypassed grid after resolution of the issues with that grid. PSE&G acknowledges that bypassing grids due to these considerations may result in diminished methane emission reduction efficiencies. PSE&G will identify any grids that it has bypassed due to the reasons referred to above and describe factors contributing to each decision to bypass a grid.

VIII. Leak Metrics

15. The Company agrees to reduce its year-end open leak inventory by one percent (1%) for each year of the Program. PSE&G may petition the Board seeking an exception from the requirements of this Paragraph based on extraordinary circumstances including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged force majeure extraordinary circumstances. This open leak reduction metric includes all post-approval open leaks subject to a cap for each year of the Program. The cap for the first year following the date of Board approval is set at the average number of year-end open leaks the Company has experienced during the past five (5) calendar years. Thereafter, the cap will be reduced by one (1) percent for each of the remaining two (2) years of the Program as follows:

	Year End Open Leaks
2021	808
2022	637
2023	501
2024	392
2025	nnnn
5 Year Average	xxxx

Year End Open Leaks

Program Year	CAP
2026	xxxx
2027	xxxx - 1%
2028	xxxx - 2%

16. If the Company exceeds the open-leak performance cap in the first two (2) years of the Program, the Company will notify Staff and Rate Counsel and schedule a conference within thirty (30) days to discuss the matter. If the Company exceeds the cap for a third consecutive year, the Company will reduce its ROE under the Program by fifty (50) basis points until it achieves the leak reduction target. PSE&G may petition the Board for an exception from the requirements of Paragraphs 15 and 16 of the Stipulation based on extraordinary circumstances, including but not limited to extreme weather, labor disputes, acts of war or terrorism, and/or other alleged force majeure extraordinary circumstances. The Parties reserve their rights to take any position on such a request. Any such petition shall provide the reason and supporting evidence for the Company's failure to meet the open-leak performance cap and a plan to bring the Company back into compliance.

IX. Cost Recovery

17. The Company may seek recovery through the GSMP III Rate Mechanism for the costs covered under Paragraph 3 of the Stipulation via a rate adjustment request with schedules, procedures, and filings as detailed in subsequent Paragraphs in the Stipulation. Pursuant to the IIP rules in N.J.A.C. 14:3-2A.6(d), the Company proposes to recover its costs associated with the GSMP III Rate Recovery Mechanism through a new component of the Company's Infrastructure Investment Recovery Charges in its Tariff for Gas Service. Following completion of the Program, the estimated average monthly bill impact from the accelerated Program investments on a typical residential gas customer using 172 therms per month during the winter months, and 1,040 therms on an annual basis, is expected to be an increase from $102.49 to $106.81, or $4.32, which is approximately 4.2%, based upon current Delivery Rates and Basic Gas Supply Service charges in effect as of October 1, 2025.[10]

18. The Company may file up to three (3) rate adjustments for this Program in accordance with the parameters set forth below. In accordance with the IIP rules, each rate adjustment made by the Company must include a minimum investment level of ten percent (10%) of the total amount authorized to be recovered via the GSMP III Rate Mechanism (i.e. $105 million). The Company must also meet the earnings test as specified in the IIP rules.

19. The Parties agree that GSMP III Rate Mechanism investments will result in O&M savings from leak reductions by replacing 525 miles of main. To flow these savings to customers, an O&M expense reduction of $2,895/mile will be incorporated to each rate adjustment based upon the miles of main in service related to each rate roll-in.

20. To effectuate the cost recovery process for the GSMP III Rate Mechanism investments, the Company shall provide Staff and Rate Counsel with not less than sixty (60) days' notice prior to the filing of a rate recovery petition. PSE&G shall be the sole determinant of the date of the filing of each rate adjustment request, but such rate adjustments shall not include less than six (6) months of investments.[11]

21. Once filed, PSE&G shall proceed on the below schedule and implement new rates following public notice and public hearing, recognizing that the prudency of the GSMP III investments will be determined in the base rate case following the placement of the GSMP III investments into service. The effective dates for the adjustments may be revised by agreement of the Parties.

[10] Estimated bill impacts do not include incremental independent monitor costs.

[11] To the extent the final rate adjustment only includes closeout work trailing charges, this rate adjustment is not subject to this six (6) month minimum investment provision.

22. An illustrative timing for a rate recovery petition and related activities are set forth in the Stipulation, however, rates will not be effective until the Board issues an Order. This schedule will not preclude any continued review of the proposed recovery before the Board issues its Order:

Event	Timing	Example
Notification of Filing Date	Not less than 60 days prior to Filing Date	As early as 7/1/2026
Filing Date	First day of calendar month	As early as 9/1/2026
Net Investment in Service as of	Net investment in service as of the last day of the third month from "Filing Date"	11/30/2026
Update Filing for Actual Data	No later than 21 days following "Net Investment in Service as of" date	No later than 12/21/2026
Rates Effective	No earlier than the 1st day of the fourth month following the "Net Investment in Service as of" date. After the completion of discovery and upon Board approval.	As early as 3/1/2027, but after the Board Order.

23. The Parties acknowledge that although the work for the GSMP III is scheduled to be complete by December 31, 2028, closeout work such as the work noted in Paragraph 2 of the Stipulation is expected to be completed up to six (6) months following completion of the main replacements. The Company's final rate adjustment may include any Program work placed into service by December 31, 2028 as well as all program closeout work.[12]

24. In the rate adjustment proceedings provided for above in the Stipulation, the revenue requirement associated with the GSMP III investments recovered through the GSMP III Rate Mechanism shall be calculated as summarized below in the Stipulation:

<u>GSMP III Rate Mechanism Costs</u> - All capital expenditures recoverable through the GSMP III Rate Mechanism, including actual costs of engineering and construction, including actual labor, materials, and capitalized AFUDC associated with the project work ("GSMP III Rate Mechanism Costs"), will be recovered through rate adjustments for each of the time periods described above in the Stipulation. The GSMP III Rate Mechanism Costs capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and

[12] To the extent the final roll-in only includes closeout work trailing charges, it is not subject to the 10% minimum investment provision.

practices with regard to capitalizing costs. The revenue requirement will not include an expense for the recovery of the Cost of Removal (unless embedded in the depreciation rates); however, the revenue requirement will include the return on the Cost of Removal investment.

Net Investment - Is equal to the GSMP III Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

WACC – PSE&G shall earn a return on its net investment in GSMP III based upon the authorized WACC including income tax effects decided by the Board in the Company's most recently approved base rate case.

The rate adjustments will be calculated using the following formula:

Revenue Requirement = ((GSMP III Rate Mechanism Rate Base * After Tax Cost of Capital) + Depreciation Expense (net of tax) + Expense Adjustments + Tax Adjustments) * Revenue Factor

i. GSMP III Rate Mechanism Rate Base – The GSMP III Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.

ii. Depreciation Expense - Depreciation expense will be calculated as the GSMP III Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.

iii. Expense Adjustment - The pipe replacement savings, based upon Mr. Wade Miller's Testimony, are expected to save $2,895/mile and will be incorporated to each rate adjustment based upon the miles of main in service related to each rate adjustment period.

iv. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

v. Revenue Factor - The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments and Gas Revenue Uncollectibles. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized. The percentage used to calculate the uncollectible expense will be based upon the percentage determined in the Company's most recently approved base rate case.

Attached as Attachment A to the Stipulation is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

25. PSE&G, following consultation with Staff and Rate Counsel, will retain an independent monitor to review and provide a quarterly report to Staff and Rate Counsel on the cost effectiveness and efficiency of work performed under the Program; appropriate cost assignment; PSE&G's compliance with the requirements of N.J.A.C. 14:3-2.9 and 2.10; and other information deemed appropriate by Staff and Rate Counsel, including, but not limited to program management oversight, project cost controls, safety and compliance monitoring and reporting requirements. The independent monitor may continue until one (1) quarter following the completion of the GSMP III investments unless Staff and Rate Counsel agree that the services of the independent monitor should continue or are no longer necessary. Independent monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles and shall be included as part of the GSMP III Rate Mechanism Costs, incremental to the maximum investment levels for accelerated recovery set forth in Paragraph 6 of the Stipulation. The independent monitor cost will not be subject to AFUDC. The Company will employ reasonable efforts to have monitor reporting expedited so that the first report is issued no more than sixty (60) days following the close of the first quarter of the Program, and continuing with this schedule until Program end.

26. The Company will require that the independent monitor offer to schedule a virtual meeting and present its findings to the Company, Staff, Rate Counsel, and any other parties to the Stipulation who request to be invited, within a reasonable time after each independent monitor report is issued.

27. The Parties agree that the review of the prudency of all project work undertaken in the Program will not take place prior to, or in connection with, the rate adjustments established in the Stipulation. PSE&G therefore agrees that the rate adjustments established in the rate adjustment proceedings [assuming the ten percent (10%) minimum threshold noted above has been met] shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred capital expenditures under the Program. Such prudency review shall take place in a future base rate case. Nothing in the Stipulation will preclude any party from raising in the base rate case prudency review any objection that could have been raised in a prior IIP rate filing.

X. Rate Design

28. The rate design for the rate adjustments agreed upon in the Stipulation will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recently concluded base rate case. To the extent the Company proposes to utilize more current weather normalized billing determinants for any future rate adjustment filings subsequent to the most recently approved base rate case, or to change the methodology used to weather normalize billing determinants, PSE&G shall provide those updated billing determinants and supporting data to Staff and Rate Counsel a minimum of sixty (60) days prior to any

GSMP III rate adjustment filing for review and approval. Staff and Rate Counsel retain all rights with respect to any proposed changes in methodology.

XI. Base Rate Case Filing Requirement

29. Consistent with the IIP rules and with the Board Order approving changes to the Company's electric and gas rates in PSE&G's settlement agreement in the Company's 2023 base rate case, approved by the Board effective October 9, 2024, the Company will file a base rate case no later than October 9, 2029.[13] The prudency of any GSMP III investments not reviewed and determined by the Board in the next base rate case shall be reviewed and determined in a subsequent base rate case, to be filed within five (5) years of the 2029 rate case.

XII. Infrastructure Investment Program Minimum Filing and Reporting Requirements

30. Minimum Filing Requirements ("MFRs") - Each rate change filing will be accompanied by the MFRs that are set forth in Attachment B to the Stipulation.

31. PSE&G will provide monthly reports on the Program to Staff and Rate Counsel ("Monthly Report") setting forth the information for the Program as set forth in Attachment C to the Stipulation, beginning with the January 2026 report to be filed by April 1, 2026, with reports due on the first of the month two (2) months after the end of the month that is reflected in the report, and continue month-to-month until the GSMP III Rate Mechanism and Stipulated Base expenditures are complete.

32. The investments recovered through the GSMP III Rate Mechanism and Stipulated Base shall be broken out between internal labor, material, and other costs. Also, PSE&G will report internal labor regular hours and internal labor overtime hours.

33. While not required by regulation, the Company agrees to add a supplemental Contractor Oversight Fundamentals course to its training for the Company's street inspectors.

34. To the extent the Company uses or expands the use of a digital construction management application in conjunction with the execution of the Program, PSE&G will provide a semi-annual account—within its June and December monthly reports—of how the application has been and will be used, total costs incurred to date, timing of expected changes and costs of any such changes.

35. With each True-up Filing, the Company will also provide: a) additional monthly reports covering all remaining investment for which a rate adjustment is being sought, pursuant to the "Investment as of" schedule shown in Paragraph 22 of the Stipulation; and b) a semi-annual report reconciling the applicable monthly reports with the rate adjustment being claimed in the True-up Filing.

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[13] In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 17 Electric and B.P.U.N.J. No. 17 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, BPU Docket Nos. ER23120924 and GR23120925, OAL Docket No. PUC 00926-24, Order Adopting Initial Decision and Stipulation dated October 9, 2024.

XIII. Withdrawal of RNG and Hydrogen Projects Without Prejudice

36. The Company agrees to withdraw its requests for approval and cost recovery of the proposed hydrogen and RNG projects as part of the GSMP III Program. PSE&G reserves the right to seek approval or cost recovery for these, or other similar projects, separately from the GSMP III Program. The Parties agree that nothing in the Stipulation is intended as a statement of any Party's position either supporting or opposing the prudency of utility investment in any specific hydrogen or RNG project or such investments generally. All Parties reserve the right to take any and all positions in future proceedings related to hydrogen or RNG projects.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable a public utility to provide its customers in this State with safe, adequate, and proper service at just and reasonable rates.[14]

The Board enacted the II&R Regulations to provide a rate recovery mechanism that encourages and supports necessary accelerated construction, installation, and rehabilitation of certain non-revenue producing utility plant and equipment.[15] IIPs are important for continued system safety, reliability, resiliency, and sustained economic growth. After carefully considering the record in this proceeding and the terms of the Stipulation, the Board is persuaded that the current settlement satisfies these goals.

With respect to the proposed cost recovery mechanism, the Stipulation provides that the Company may recover expenditures related to the utility plant placed in service, but on a provisional basis, subject to refund. These costs will be subject to a prudence review in PSE&G's next base rate case(s). The Board believes that the cost recovery mechanism adopted in the Stipulation strikes an effective balance between giving the Company a reasonable opportunity to earn its allowed rate of return over the life of the investment while still protecting ratepayers from paying more than is reasonably necessary. No rates will be charged to customers until the facilities for which the rates are being charged are in service. The Stipulation also mandates the Company to maintain certain reporting requirements, which provides additional protection to ratepayers.

Based upon the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Christodoulou during the pendency of this proceeding for the reasons stated in his decisions and Orders.

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[14] In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997).

[15] N.J.A.C. 14:3-2A.1(b).

The Company's costs, including those related to the Program, will 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 audit.

This Order shall be effective November 28, 2025.

DATED: November 21, 2025

BOARD OF PUBLIC UTILITIES
BY:

CHRISTINE GUHL-SADOVY
PRESIDENT

DR. ZENON CHRISTODOULOU
COMMISSIONER

MICHAEL BANGE
COMMISSIONER

ATTEST:

SHERRI L. LEWIS
BOARD SECRETARY

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

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE NEXT PHASE OF THE GAS SYSTEM MODERNIZATION PROGRAM AND ASSOCIATED RECOVERY MECHANISM ("GSMP III")

DOCKET NO. GR23030102

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November 5, 2025

In The Matter of the Petition of
Public Service Electric and Gas Company
for Approval of The Next Phase of the Gas System
Modernization Program and Associated Recovery Mechanism
("GSMP III")
BPU Docket No. GR23030102

VIA ELECTRONIC MAIL
Sherri Lewis, Secretary
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
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Dear Secretary Lewis:

Attached is a fully executed Stipulation regarding the above-referenced matter. The following entities, who are parties to both above-referenced matter, have signed the Stipulation: Public Service Electric and Gas Company, the Staff of the New Jersey Board of Public Utilities, the New Jersey Division of Rate Counsel, New Jersey Large Energy Users Coalition, NRG Energy, Inc, and The Environmental Defense Fund.

Consistent with the Order issued by the New Jersey Board of Public Utilities ("BPU or Board") in connection with In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Order dated March 19, 2020, this filing is being electronically filed with the Secretary of the Board and the New Jersey Division of Rate Counsel. No paper copies will follow.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Very truly yours,

Danielle Lopez, Esq.

cc: Attached service list

Public Service Electric and Gas
Company for Approval of the Next
Phase of the Gas System Modernization
Program and Associated Cost Recovery
Mechanism (“GSMP III”)
BPU Docket No. GR23030102

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE NEXT PHASE OF THE GAS SYSTEM MODERNIZATION PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM ("GSMP III")	:	BPU DOCKET NO. GR23030102

STIPULATION OF SETTLEMENT

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BACKGROUND

GSMP II

On July 27, 2017, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking approval to implement and administer the next phase of the Gas System Modernization Program ("GSMP II") and an associated cost recovery mechanism.[1] GSMP II was an extension of PSE&G's original

[1] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP II"), BPU Docket No. GR17070776.

Gas System Modernization Program.[2] By Order dated May 22, 2018, the Board approved a stipulation resolving all issues in the GSMP II proceeding ("GSMP II Stipulation").[3] Paragraph 14 of the GSMP II Stipulation provides "The Company will have the option of seeking Board approval to extend the Program beyond the term provided above. Any such extension proposal shall be supported by the results of activities from the first three and one-half years under this Program."

EO317

On February 15, 2023, Governor Philip J. Murphy issued Executive Order 317 directing the BPU to initiate a formal stakeholder process regarding the development of natural gas utility plans that reduce emissions from the natural gas sector to levels that are consistent with the State's 50 percent reduction in greenhouse gas emissions below 2006 levels by 2030.[4] The BPU initiated a gas planning stakeholder proceeding in Docket No. GO23020099 that is pending.[5]

GSMP III

On March 1, 2023, the Company filed a petition and supporting documentation with the Board seeking approval to implement and administer the next phase of its Gas System Modernization Program ("GSMP III" or "Program") and associated cost recovery, pursuant to N.J.A.C. 14:3-2A, for a three (3)-year period as an extension of GSMP II ("GSMP III Petition").[6]

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[2] In re the Petition of Public Service Electric and Gas Company for Approval of a Gas System Modernization Program and Associated Cost Recovery Mechanism, BPU Docket No. GR15030272, Order dated November 16, 2015.

[3] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP II"), BPU Docket No. GR17070776, Order dated May 22, 2018.

[4] Executive Order 317 (Feb. 15, 2023), available at https://nj.gov/infobank/eo/056murphy/pdf/EO-317.pdf.

[5] In re the Implementation of Executive Order 317 Requiring the Development of Natural Gas Utility Plans, BPU Docket No. GO23020099, Order dated March 6, 2023 ("March 2023 Order").

[6] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP III"), BPU Docket No. GR23030102.

By the GSMP III Petition, PSE&G proposed a three (3)-year term with a total investment level of approximately $2.54 billion, as an extension of the Company's GSMP II. In the GSMP III Petition, PSE&G proposed the replacement of 1,140 miles of leak-prone gas main, a hydrogen blending project, and a renewable natural gas ("RNG") project.

By Order dated April 12, 2023, the Board determined that the GSMP III Petition should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Zenon Christodoulou as the presiding officer authorized to rule on all motions that arise during the pendency of the proceedings and modify any schedules ("April 2023 Order").[7] Additionally, the April 2023 Order directed that entities seeking to intervene or participate in this matter file the appropriate application with the Board by May 12, 2023, and that any party wishing to file a motion for admission of counsel pro hac vice should do so concurrently with any motion to intervene or participate.

On June 27, 2023, Commissioner Christodoulou issued an Order ruling on the motions to intervene and/or participate.[8] In the June 2023 Order, Commissioner Christodoulou granted intervenor status to the New Jersey Large Energy Users Coalition ("NJLEUC"), the Environmental Defense Fund ("EDF"), and NRG Energy, Inc ("NRG"). Additionally, Commissioner Christodoulou granted participant status to New Jersey Natural Gas Company, Waters & Bugbee, Inc., the Engineers Labor-Employer Cooperative, Ferreira Construction Company, Inc., Middlesex County Utilities Authority, South Jersey Gas Company and Elizabethtown Gas Company, the New

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[7] <u>In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP III"), Order Designating Commissioner and Setting Manner of Service and Bar Date,</u> BPU Docket No. GR23030102, dated April 12, 2023.

[8] <u>In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP III"), Order on Motions to Intervene or Participate</u>, BPU Docket No. GR23030102, Order dated June 27, 2023 ("June 2023 Order").

Jersey Laborers-Employers Cooperation and Education Trust, AARP, Local 94 International Brotherhood of Electrical Workers, EmpowerNJ, UA Local 855, and Creamer-Sanzari Joint Venture.

Following proper notice, two (2) virtual public hearings were held on July 31, 2023. The public hearings were well attended by the public, the parties, and municipal officials. The Board also received numerous written comments from constituents regarding the GSMP III Petition.

On October 11, 2023, recognizing that Board Staff was engaged in a stakeholder process examining the future of natural gas in accordance with the March 2023 Order, the Board approved a stipulation whereby GSMP III was held in abeyance and PSE&G was authorized to implement a two (2)-year extension of GSMP II, commencing January 1, 2024 and ending on December 31, 2025 ("GSMP II Extension").[9] The GSMP II Extension consisted of accelerated cost recovery for the replacement of a minimum of 400 miles of PSE&G's Utilization Pressure Cast Iron ("UPCI") mains (and associated services) and/or unprotected steel (and associated services), with a maximum accelerated investment of $752 million. Additionally, the Company was required to spend a total of $150.4 million within Stipulated Base spending that was not eligible for accelerated cost recovery.

Pursuant to the stipulation approved by the October 2023 Order, the parties were to convene for a status conference, no later than January 31, 2025, to resume the GSMP III proceeding that was held in abeyance. On January 23, 2025, a status conference was conducted by the parties for this purpose. On May 15, 2025, PSE&G submitted a proposed procedural schedule and

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[9] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP II"), BPU Docket No. GR17070776; and In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP III"), BPU Docket No. GR23030102, Order dated October 11, 2023 ("October 2023 Order").

Commissioner Christodoulou issued a Prehearing Order approving the procedural schedule on July 24, 2025.[10] PSE&G did not submit an amended petition.

Substantial discovery has been issued and responded to in this proceeding both prior to the case being held in abeyance and after the case was resumed in 2025, pursuant to the procedural schedule issued by Commissioner Christodoulou. The parties met on several occasions to facilitate further information gathering and to discuss settlement of this matter.

In light of the foregoing, the Company, Board Staff, the New Jersey Division of Rate Counsel ("Rate Counsel"), NJLEUC, NRG and EDF the undersigned intervenors (collectively, "Parties" or "Signatories") hereby STIPULATE AND AGREE to the following:

STIPULATED MATTERS

1. The Signatories agree that, subject to Board approval of this Stipulation of Settlement and Agreement ("Stipulation"), PSE&G may implement GSMP III pursuant to the Infrastructure Investment Program ("IIP") rules in N.J.A.C. 14:3-2A with the modifications to the Program as filed, under the terms and conditions described herein. The Program will include accelerated investment in the PSE&G gas distribution system, an accelerated rate recovery mechanism ("GSMP III Rate Mechanism") including scheduled rate adjustments for investments included in the GSMP III Rate Mechanism, required gas distribution base investments that are not recoverable through the GSMP III Rate Mechanism ("Stipulated Base"), an annual baseline capital expenditure, and other provisions as described herein.

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[10] In re the Petition of Public Service Electric and Gas Company for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP III"), Prehearing Order Setting Procedural Schedule, BPU Docket No. GR23030102, Order dated July 24, 2025.

I. **Program Term**

2. The Program will be implemented over a three (3) year term, commencing on January 1, 2026, and ending December 31, 2028, except as provided herein. The Company may undertake Program non-construction expenditures, such as planning and engineering, upon Board approval of the Program. For mains already installed, joined to a supplying line that contains gas, and pressurized with gas as of December 31, 2028, the Company may also engage in completion (including all work associated with such mains) and restoration work in the first six (6) months of 2029, such as tie-ins, uprates, excess flow valve installations, service transfers, service replacements, paving (and related restoration), lawn restoration/landscaping, and retirements.

II. **GSMP III Accelerated Rate Recovery Mechanism**

3. Project costs eligible for recovery under the GSMP III Rate Mechanism include: a) costs to replace PSE&G's "UPCI" mains and associated services and unprotected steel mains and associated services; b) costs required to uprate the UPCI systems (including the uprating of associated protected steel and plastic mains and associated services) to higher pressures; c) costs associated with the installation of excess flow valves and the elimination of district regulators, where applicable; and d) independent monitor costs as discussed in Paragraph 25 below.

4. The GSMP III Rate Mechanism will exclude: costs to replace elevated pressure cast iron ("EPCI"), plastic and cathodically protected steel mains; costs to reinforce EPCI joints; meters; and the additional costs associated with the relocation of inside meter sets to outdoor locations. The additional costs associated with the relocation of inside meter sets are the cost that such relocation work adds to the project compared to the project proceeding without relocation of the meters to outdoor locations. PSE&G agrees to take reasonable measures to relocate inside meter sets outdoors during the course of GSMP III.

5. The costs to replace EPCI, limited plastic and cathodically protected steel mains associated with the UPCI and unprotected steel replacement projects, the costs to reinforce EPCI joints, and the additional costs associated with the relocation of inside meter sets associated with main replacement in the Program may be a part of the Stipulated Base, as further provided below. The costs of replacement meters are not part of the Stipulated Base or the GSMP III Rate Mechanism. Expenditures related to leak repairs are not included in the Stipulated Base or the GSMP III Rate Mechanism.

6. Costs eligible for recovery under the GSMP III Rate Mechanism shall not exceed \$1.05 billion—representing replacement of 525 miles of main—which excludes the cost associated with the Stipulated Base, Allowance for Funds Used During Construction ("AFUDC") and independent monitor costs. The maximum cost of \$1.05 billion includes the costs to replace UPCI Mains and associated services and unprotected steel mains and associated services, costs required to uprate the UPCI systems, the costs of excess flow valves, the costs of eliminating district regulators, and excludes costs associated with the Stipulated Base, AFUDC and independent monitor costs. Costs incurred by the Company in excess of the \$1.05 billion on its replacements can be credited toward the baseline capital expenditure requirement provided in Paragraph 11 of this Stipulation for the year in which the cost is incurred, or may be used to satisfy the Stipulated Base requirement set forth in Paragraph 8 of this Stipulation. Recovery of costs in excess of \$1.05 billion may be sought through a base rate case. Costs in excess of \$1.05 billion that are allocated to Stipulated Base shall not be credited toward the minimum mileage outlined in Paragraph 8. If the Company completes the 525-mile minimum for an amount less than \$1.05 billion, it may complete additional miles of main replacement up to the \$1.05 billion level in the GSMP III Rate Mechanism.

III. Capital Structure/ Return on Equity

7. PSE&G's capital structure and return on equity for GSMP III will be set based on the capital structure and return on equity level established in the Company's most recently approved base rate case, which will be updated following the approval of any future base rate cases. The current Weighted Average Cost of Capital ("WACC") based upon the approved 2023 base rate case is 7.07%, based upon a return on equity ("ROE") of 9.60% and a common equity percentage of 55%.

IV. Stipulated Base

8. The Company shall spend $360 million on certain capital projects during the three (3)-year Program that will not be recovered through the GSMP III Rate Mechanism, with no less than $35 million to be expended on UPCI and unprotected steel main replacements. In addition, the Company shall replace a minimum of seventy-five (75) miles of UPCI, EPCI, or unprotected steel main within Stipulated Base spending as detailed in Paragraph 9, equating to an average of twenty-five (25) miles per year based on work plan and other factors. Aside from the $35 million expended on UPCI and unprotected steel main, Stipulated Base expenditures can be spent at the Company's discretion on the work described in Paragraphs 4, 6, and 9 of this Stipulation. The total Stipulated Base expenditures shall be recovered in the Company's future base rate cases, subject to prudency review.

9. Stipulated Base expenditures may include all work described in Paragraphs 4 and 6 above, as well as costs incurred to: replace EPCI mains; reinforce EPCI joints; replace plastic and cathodically protected steel main; replace UPCI and unprotected steel main and associated services; uprate the UPCI systems (including the uprating of associated protected steel and plastic mains and services) to higher pressures; eliminate district regulators, where applicable; install

excess flow valves associated with the Stipulated Base expenditures; and relocate inside meter sets associated with GSMP III Rate Mechanism work or Stipulated Base main replacements to outside locations.

V. Total Program Expenditures

10. In total, the Company may spend up to $1.41 billion to complete the Program, with a maximum of $1.05 billion in costs, as detailed in Paragraph 6 above, to be recovered within the accelerated recovery portion of the Program, with recovery sought through the GSMP III Rate Mechanism, and $360 million to be completed within the Stipulated Base portion of the Program, with recovery sought through a base rate proceeding.

VI. Baseline Capital Expenditures

11. In addition, for each of the three (3) years, 2026 through 2028, the Company agrees to maintain a baseline capital expenditure level of at least $225 million.[11] The capital investments made by the Company as part of its baseline capital expenditure requirements are within the discretion of the Company and may include, inter alia, costs incurred by the Company in excess of $1.05 billion on its replacements under the GSMP III Rate Mechanism. If the Company fails to maintain an annual baseline capital expenditure level prescribed herein, the amount of investment eligible for recovery through the GSMP III Rate Mechanism for the subsequent year will be reduced by an amount equal to the difference between the applicable baseline and the actual annual capital expenditure made by the Company. However, if the Company fails to maintain, for more than one (1) year during the Program, an annual baseline capital expenditure of at least the applicable agreed level, no recovery of GSMP III Rate Mechanism eligible costs will be permitted

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[11] This level is consistent with the gas baseline capital expenditure level included in the Company's June 2022 stipulation in In re the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP), BPU Docket Nos. EO21111211 and GO21111212, Order dated June 29, 2022.

during the second and any subsequent year for which the annual baseline expenditure is not met. If the annual baseline capital expenditure is not met for a second and any subsequent year, then traditional ratemaking practices will apply for that year and there will be no deferral of any GSMP III Rate Mechanism-related costs for that year. Instead, all GSMP III Rate Mechanism-related costs for the second and any subsequent year(s) in which the annual baseline capital expenditure level were not met will be reviewed in the Company's next base rate case and recovered through base rates, if reasonable and prudent. PSE&G may petition the Board seeking an exception from the requirements of this Paragraph based on extraordinary circumstances such as acts of war or terrorism, or other alleged *force majeure* extraordinary circumstances. The Signatories reserve their rights to take any position on such a request.

12. Investments made by the Company to extend new or additional service to new/existing customers will not be included as part of the annual baseline capital expenditures required pursuant to the above Paragraph.

VII. Prioritization of Projects

13. The replacement of mains in the Program shall follow the prioritization based on the grid-based Leak Hazard Indices developed by PSE&G, using its Hazard Assessment Model as described in the direct testimony of PSE&G Witness Wade E. Miller, dated March 1, 2023. Unprotected steel mains may also be selected for replacement based on additional factors such as age, size and pressure where insufficient leak hazard data exists.

14. Factors such as construction efficiencies and logistics will be taken into account in the scheduling of the grids. If permitting constraints or other issues (e.g., municipal/county specific paving costs, traffic control costs, etc.) make work within a grid impossible, impracticable, or significantly more expensive, PSE&G may bypass that grid and proceed to work in subsequent

prioritized grids. PSE&G may return to do the work in the bypassed grid after resolution of the issues with that grid. PSE&G acknowledges that bypassing grids due to these considerations may result in diminished methane emission reduction efficiencies. PSE&G will identify any grids that it has bypassed due to the reasons referred to above and describe factors contributing to each decision to bypass a grid.

VIII. Leak Metrics

15. The Company agrees to reduce its year-end open leak inventory by one percent (1%) for each year of the Program. PSE&G may petition the Board seeking an exception from the requirements of this Paragraph based on extraordinary circumstances including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged force majeure extraordinary circumstances. This open leak reduction metric includes all post-approval open leaks subject to a cap for each year of the Program. The cap for the first year following the date of Board approval is set at the average number of year-end open leaks the Company has experienced during the past five (5) calendar years. Thereafter, the cap will be reduced by one (1) percent for each of the remaining two (2) years of the Program as follows:

	Year End Open Leaks
2021	808
2022	637
2023	501
2024	392
2025	nnnn
5 Year Average	xxxx

	Year End Open Leaks
Program Year	CAP
2026	xxxx
2027	xxxx - 1%
2028	xxxx - 2%

16. If the Company exceeds the open-leak performance cap in the first two (2) years of the Program, the Company will notify Board Staff and Rate Counsel and schedule a conference within thirty (30) days to discuss the matter. If the Company exceeds the cap for a third consecutive year, the Company will reduce its ROE under the Program by fifty (50) basis points until it achieves the leak reduction target. PSE&G may petition the Board for seeking an exception from the requirements of Paragraphs 15 and 16 based on extraordinary circumstances, including but not limited to extreme weather, labor disputes, acts of war or terrorism, and/or other alleged force majeure extraordinary circumstances. The Signatories reserve their rights to take any position on such a request. Any such petition shall provide the reason and supporting evidence for the Company's failure to meet the open-leak performance cap and a plan to bring the Company back into compliance.

IX. **Cost Recovery**

17. The Company may seek recovery through the GSMP III Rate Mechanism for the costs covered under Paragraph 3 via a rate adjustment request with schedules, procedures, and filings as detailed in subsequent Paragraphs herein. Pursuant to the IIP rules in N.J.A.C. 14:3-2A.6(d), the Company proposes to recover its costs associated with the GSMP III Rate Recovery Mechanism through a new component of the Company's Infrastructure Investment Recovery Charges in its Tariff for Gas Service. Following completion of the Program, the estimated average monthly bill impact from the accelerated Program investments on a typical residential gas customer using 172 therms per month during the winter months, and 1,040 therms on an annual basis, is expected to be an increase from 102.49 to 106.81, or $4.32, which is approximately 4.2%, based upon current Delivery Rates and Basic Gas Supply Service charges in effect as of October1, 2025.[12]

18. The Company may file up to three (3) rate adjustments for this Program in accordance with the parameters set forth below. In accordance with the IIP rules, each rate adjustment made by the Company must include a minimum investment level of ten percent (10%) of the total amount authorized to be recovered via the GSMP III Rate Mechanism (i.e. $105 million). The Company must also meet the earnings test as specified in the IIP rules.

19. The Parties agree that GSMP III Rate Mechanism investments will result in Operations and Maintenance ("O&M") savings from leak reductions by replacing 525 miles of main. To flow these savings to customers, an O&M expense reduction of $2,895/mile will be

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[12] Estimated bill impacts do not include incremental independent monitor costs.

incorporated to each rate adjustment based upon the miles of main in service related to each rate roll-in.

20. To effectuate the cost recovery process for the GSMP III Rate Mechanism investments, the Company shall provide Board Staff and Rate Counsel with not less than sixty (60) days' notice prior to the filing of a rate recovery petition. PSE&G shall be the sole determinant of the date of the filing of each rate adjustment request, but such rate adjustments shall not include less than six (6) months of investments.[13]

21. Once filed, PSE&G shall proceed on the below schedule and implement new rates following public notice and public hearing, recognizing that the prudency of the GSMP III investments will be determined in the base rate case following the placement of the GSMP III investments into service. The effective dates for the adjustments may be revised by agreement of the Parties.

22. An illustrative timing for a rate recovery petition and related activities are set forth hereinafter, however, rates will not be effective until the Board issues an Order. This schedule will not preclude any continued review of the proposed recovery before the Board issues its Order:

Event	Timing	Example
Notification of Filing Date	Not less than 60 days prior to Filing Date	As early as 7/1/2026
Filing Date	First day of calendar month	As early as 9/1/2026
Net Investment in Service as of	Net investment in service as of the last day of the third month from "Filing Date"	11/30/2026

[13] To the extent the final rate adjustment only includes closeout work trailing charges, this rate adjustment is not subject to this six (6) month minimum investment provision.

Update Filing for Actual Data	No later than 21 days following "Net Investment in Service as of" date	No later than 12/21/2026
Rates Effective	No earlier than the 1st day of the fourth month following the "Net Investment in Service as of" date. After the completion of discovery and upon Board approval.	As early as 3/1/2027, but after the Board Order.

23. The Signatories acknowledge that although the work for the GSMP III is scheduled to be complete by December 31, 2028, closeout work such as the work noted in Paragraph 2 of this Stipulation is expected to be completed up to six (6) months following completion of the main replacements. The Company's final rate adjustment may include any program work placed into service by December 31, 2028 as well as all program closeout work. [14]

24. In the rate adjustment proceedings provided for above, the revenue requirement associated with the GSMP III investments recovered through the GSMP III Rate Mechanism shall be calculated as summarized below:

GSMP III Rate Mechanism Costs - All capital expenditures recoverable through the GSMP III Rate Mechanism, including actual costs of engineering and construction, including actual labor, materials, and capitalized AFUDC associated with the project work ("GSMP III Rate Mechanism Costs"), will be recovered through rate adjustments for each of the time periods described above. The GSMP III Rate Mechanism Costs capital expenditures will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project work being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs. The revenue requirement will not include an expense for the recovery of the Cost of Removal (unless embedded in the depreciation rates); however, the revenue requirement will include the return on the Cost of Removal investment.

Net Investment - Is equal to the GSMP III Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

[14] To the extent the final roll-in only includes closeout work trailing charges, it is not subject to the 10% minimum investment provision.

WACC – PSE&G shall earn a return on its net investment in GSMP III based upon the authorized WACC including income tax effects decided by the Board in the Company's most recently approved base rate case.

The rate adjustments will be calculated using the following formula:

Revenue Requirement = ((GSMP III Rate Mechanism Rate Base * After Tax Cost of Capital) + Depreciation Expense (net of tax) + Expense Adjustments + Tax Adjustments) * Revenue Factor

i. GSMP III Rate Mechanism Rate Base – The GSMP III Rate Mechanism Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis.

ii. Depreciation Expense - Depreciation expense will be calculated as the GSMP III Rate Mechanism Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax.

iii. Expense Adjustment - The pipe replacement savings, based upon Mr. Wade Miller's Testimony, are expected to save $2,895/mile and will be incorporated to each rate adjustment based upon the miles of main in service related to each rate adjustment period.

iv. Tax Adjustments - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

v. Revenue Factor - The Revenue Factor adjusts the Revenue Requirement Net of Tax for federal and state income taxes and the costs associated with the Board and Rate Counsel Annual Assessments and Gas Revenue Uncollectibles. The then-current statutory state and federal income tax rates and the then-current Board/Rate Counsel Assessment rates will be utilized. The percentage used to calculate the uncollectible expense will be based upon the percentage determined in the Company's most recently approved base rate case.

Attached as Attachment A is a sample revenue requirement calculation based on the estimated revenue requirement for the first rate adjustment.

25. PSE&G, following consultation with Board Staff and Rate Counsel, will retain an independent monitor to review and provide a quarterly report to Board Staff and Rate Counsel on the cost effectiveness and efficiency of work performed under the Program; appropriate cost assignment; PSE&G's compliance with the requirements of N.J.A.C. 14:3-2.9 and 2.10; and other information deemed appropriate by Board Staff and Rate Counsel, including, but not limited to program management oversight, project cost controls, safety and compliance monitoring and reporting requirements. The independent monitor may continue until one (1) quarter following the completion of the GSMP III investments unless Board Staff and Rate Counsel agree that the services of the independent monitor should continue or are no longer necessary. Independent monitor expenses shall be capitalized to the extent consistent with Generally Accepted Accounting Principles and shall be included as part of the GSMP III Rate Mechanism Costs, incremental to the maximum investment levels for accelerated recovery set forth in Paragraph 6 of this Stipulation. The independent monitor cost will not be subject to AFUDC. The Company will employ reasonable efforts to have monitor reporting expedited so that the first report is issued no more than 60 days following the close of the first quarter of the Program, and continuing with this schedule until Program end.

26. The Company will require that the independent monitor offer to schedule a virtual meeting and present its findings to the Company, Staff, Rate Counsel, and any other parties to this stipulation who request to be invited, within a reasonable time after each independent monitor report is issued.

27. The Signatories agree that the review of the prudency of all project work undertaken in the Program will not take place prior to, or in connection with, the rate adjustments established herein. PSE&G therefore agrees that the rate adjustments established in the rate adjustment proceedings [assuming the ten percent (10%) minimum threshold noted above has been met] shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred capital expenditures under the Program. Such prudency review shall take place in a future base rate case. Nothing herein will preclude any party from raising in the base rate case prudency review any objection that could have been raised in a prior IIP rate filing.

X. <u>Rate Design</u>

28. The rate design for the rate adjustments agreed upon herein will be structured consistent with the rate design methodology used to set rates in the Company's most recently concluded base rate case. Specifically, the Company will utilize the corresponding billing determinants, including the weather normalized billing determinants approved in the most recently concluded base rate case. To the extent the Company proposes to utilize more current weather normalized billing determinants for any future rate adjustment filings subsequent to the most recently approved base rate case, or to change the methodology used to weather normalize billing determinants, PSE&G shall provide those updated billing determinants and supporting data to Board Staff and Rate Counsel a minimum of sixty (60) days prior to any GSMP III rate adjustment filing for review and approval. Board Staff and Rate Counsel retain all rights with respect to any proposed changes in methodology.

XI. <u>Base Rate Case Filing Requirement</u>

29. Consistent with the IIP rules and with the Board Order approving changes to the Company's electric and gas rates in PSE&G's settlement agreement in the Company's 2023 base

rate case, approved by the Board effective October 9, 2024, the Company will file a base rate case no later than October 9, 2029.[15] The prudency of any GSMP III investments not reviewed and determined by the Board in the next base rate case shall be reviewed and determined in a subsequent base rate case, to be filed within five (5) years of the 2029 rate case.

XII. Infrastructure Investment Program Minimum Filing and Reporting Requirements

30. Minimum Filing Requirements ("MFRs") - Each rate change filing will be accompanied by the MFRs that are set forth in Attachment B hereto.

31. PSE&G will provide monthly reports on the Program to Board Staff and Rate Counsel ("Monthly Report") setting forth the information for the Program as set forth in Attachment C, beginning with the January 2026 report to be filed by April 1, 2026, with reports due on the first of the month two (2) months after the end of the month that is reflected in the report, and continue month-to-month until the GSMP III Rate Mechanism and Stipulated Base expenditures are complete.

32. The investments recovered through the GSMP III Rate Mechanism and Stipulated Base shall be broken out between internal labor, material, and other costs. Also, PSE&G will report internal labor regular hours and internal labor overtime hours.

33. While not required by regulation, the Company agrees to add a supplemental Contractor Oversight Fundamentals course to its training for the Company's street inspectors.

34. To the extent the Company uses or expands the use of a digital construction management application in conjunction with the execution of the Program, PSE&G will provide a

[15] In re the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 17 Electric and B.P.U.N.J. No. 17 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief, BPU Docket Nos. ER23120924 and GR23120925, OAL Docket No. PUC 00926-24, Order Adopting Initial Decision and Stipulation dated October 9, 2024.

semi-annual account—within its June and December monthly reports—of how the application has been and will be used, total costs incurred to date, timing of expected changes and costs of any such changes.

35. With each True-up Filing, the Company will also provide: a) additional monthly reports covering all remaining investment for which a rate adjustment is being sought, pursuant to the "Investment as of" schedule shown in Paragraph 22; and b) a semi-annual report reconciling the applicable monthly reports with the rate adjustment being claimed in the True-up Filing.

XIII. Withdrawal of RNG and Hydrogen Projects Without Prejudice

36. The Company agrees to withdraw its requests for approval and cost recovery of the proposed hydrogen and RNG projects as part of the GSMP III Program. PSE&G reserves the right to seek approval or cost recovery for these, or other similar projects, separately from the GSMP III Program. The Parties agree that nothing herein is intended as a statement of any Party's position either supporting or opposing the prudency of utility investment in any specific hydrogen or RNG project or such investments generally. All Parties reserve the right to take any and all positions in future proceedings related to hydrogen or RNG projects.

FURTHER PROVISIONS

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

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

38. The Signatories agree that they consider the Stipulation to be binding on them for all purposes herein.

39. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Nothing in this Stipulation is intended to prohibit or endorse a future PSE&G petition for continuation of or new IIPs. Except as expressly provided herein, PSE&G, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Signatories further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

40. Additionally, Signatories agree that the Company may petition to the Board to determine its continued obligations under this Stipulation due to circumstances beyond its control, including but not limited to: acts of God, fire, flood, earthquake, war, terrorism, riot, governmental action, strikes, or other labor disputes, and good faith inability to obtain necessary materials. Any such petition shall set forth the specific obligations the Company seeks to alter, the specific circumstances that the Company necessitates such an alteration, and a plan on how the Company will meet its obligations going forward. The Signatories further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Signatories hereto respectfully submit this Stipulation to the BPU and recommend that the Board issue an Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

BY: Danielle Lopez

Danielle Lopez, Esq.
Associate Counsel, Regulatory

DATED: November 4, 2025

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities

BY: Matko Ilic

Matko Ilic
Deputy Attorney General

DATED: November 5, 2025

NEW JERSEY DIVISION OF RATE COUNSEL

BY: Maura Caroselli

Maura Caroselli Esq.
Managing Attorney

DATED: 11/5/25 GR23030102

NEW JERSEY LARGE ENERGY USERS COALITION

BY: ______________________________

Steven S. Goldenberg, Esq.
Giordano, Halleran and Ciesla, P.C.

DATED: November 5, 2025

NRG ENERGY, INC.

BY: ______________________________

Murray E. Bevan, Esq.
Bevan, Mosca & Giuditta P.C.

DATED:

THE ENVIRONMENTAL DEFENSE FUND

BY: ______________________________

Anthony R. Francioso, Esq.
Fornaro Francioso, LLC

DATED:

NEW JERSEY LARGE ENERGY USERS COALITION

BY: ________________________________

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DATED:

THE ENVIRONMENTAL DEFENSE FUND

BY: ________________________________

Anthony R. Francioso, Esq.
Fornaro Francioso, LLC

DATED: 11-5-2025

PSE&G Gas System Modernization Program III
Gas Rate Adjustment Calculation
Sample Calculation

ATTACHMENT A

in ($000)

Rate Effective Date	**11/1/2026**	
Plant In Service as of Date	7/31/2026	
Rate Base Balance as of Date	10/31/2026	

RATE BASE CALCULATION

		Total	Notes
1	Gross Plant	$96,921	= ln 17
2	Accumulated Depreciation	$6,658	= ln 20
3	Net Plant	$103,579	= ln 1 + ln 2
4	Accumulated Deferred Income Taxes	($2,610)	= See Schedule SS-GSMPIII-2
5	Rate Base	$100,969	= ln 3 + ln 4
6	Rate of Return - After Tax (Schedule WACC)	6.57%	See Schedule SS-GSMPIII-3
7	Return Requirement (After Tax)	$6,633	= ln 5 * ln 6
8	Depreciation Exp, net	$1,117	= ln 26
9	Expense Adjustment (After Tax)	($142)	= ln 34
10	ITC and Tax Basis Adjustment	$0	= ln 27 + ln 28
11	Revenue Factor	1.3948	See Schedule SS-GSMPIII-4
12	**Roll-in Revenue Requirement**	**$10,612**	= (ln 7 + ln 8 + ln 9 + ln 10) * ln 11

SUPPORT

Gross Plant

13	Plant in-service	$96,921	= See Schedule SS-GSMPIII-2
14	CWIP Transferred into Service	$0	= See Schedule SS-GSMPIII-2
15	AFUDC on CWIP Transferred Into Service - Debt	$0	= See Schedule SS-GSMPIII-2
16	AFUDC on CWIP Transferred Into Service - Equity	$0	= See Schedule SS-GSMPIII-2
17	**Total Gross Plant**	$96,921	= ln 13 + ln 14 + ln 15 + ln 16

Accumulated Depreciation

18	Accumulated Depreciation	($637)	= See Schedule SS-GSMPIII-2
19	Cost of Removal	$7,295	= See Schedule SS-GSMPIII-2
20	**Net Accumulated Depreciation**	$6,658	= ln 18 + ln 19

Depreciation Expense (Net of Tax)

21	Depreciable Plant (xAFUDC-E)	$96,921	= ln 13 + ln 14 + ln 15
22	AFUDC-E	$0	= ln 16
23	Depreciation Rate	1.60%	= See Schedule SS-GSMPIII-2
24	Depreciation Expense	$1,554	= (ln 21 + ln 22) * ln 23
25	Tax @28.11%	$437	= ln 21 * ln 23 * Tax Rate
26	**Depreciation Expense (Net of Tax)**	**$1,117**	= ln 24 - ln 25

Tax Adjustment

27	ITC Amortization	$0	= See Schedule SS-GSMPIII-2
28	Tax Assoc. w/50% ITC Basis Reduction (net)	$0	= See Schedule SS-GSMPIII-2

Expense Adjustments

29	Miles of Main Replaced	68	= See Schedule SS-GSMPIII-2
30	O&M Savings/ Mile	-2.895	= See Schedule SS-GSMPIII-2
31	O&M Savings	($197)	= ln 29 * ln 30
32	Expense Adjustment	($197)	= ln 31
33	Tax @28.11%	($55)	= ln 32 * Tax Rate
34	Expense Adjustment (Net of Tax)	**($142)**	= ln 32 - ln 33

ATTACHMENT B

MINIMUM FILING REQUIREMENTS

1. PSE&G's income statement for the most recent 12 month period, as filed with the BPU.
2. PSE&G's balance sheet for the most recent 12 month period, as filed with the BPU.
3. A calculation of the proposed rate adjustment based on details related to Program projects included in Plant in Service.
   a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
4. A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.
5. Copies of the current and all previously filed Monthly Reports.

ATTACHMENT C - MONTHLY REPORTING REQUIREMENTS

1. PSE&G's overall approved GSMP III Rate Mechanism and Stipulated Base capital budget broken down by major categories, both budgeted and actual amounts.
2. For the GSMP III Rate Mechanism and for the Stipulated Base:
   a. Descriptions of projects (main replacement, service replacement, and regulator elimination) funded through the GSMP III Rate Mechanism and through Stipulated Base spending.
   b. Expenditures incurred to date and amounts transferred to plant in service, by project. Expenditures shall be broken down by materials, internal labor, and other costs. Internal labor hours broken down by regular hours and overtime hours.
   c. Projected miles of mains installed and actual miles of mains installed and placed in service), broken down by size and type of material being installed.
   d. Projected number of services installed and actual number of services installed and placed in service, broken down by size and type of material being installed.
3. Anticipated GSMP III Rate Mechanism and Stipulated Base timeline with updates and expected changes.
4. A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to the Program, as well as an explanation of the financial treatment associated with the receipt of the government funds or credits.
5. Explanations of differences of over 5% between budgeted and actual amounts in GSMP III Rate Mechanism Costs as reflected in data provided in response to 1 above (calendar year end monthly report only), including a detailed explanation of each cause and breakdown of the amount of the deviation by cause.
6. Number of street inspectors given the Company’s Contractor Oversight Fundamentals course. This metric will appear in the first monthly report for June 2026 and will be updated semi-annually.