



Agenda Date: 07/29/09
Agenda Item: 2B

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

ENERGY

IN THE MATTER OF PUBLIC SERVICE ELECTRIC)	DECISION AND ORDER
AND GAS COMPANY'S PETITION TO RECOVER)	AUTHORIZING RECOVERY
THE DEFERRED COSTS OF THE ENERGY)	OF PILOT PROGRAM
INFORMATION AND CONTROL NETWORK)	COSTS
PILOT PROGRAM THROUGH A TEMPORARY)	
ELECTRIC SOCIETAL BENEFITS CHARGE)	
COMPONENT, SPECIFICALLY, "THE myPOWER)	DOCKET NOs. EO04060395,
PILOT PROGRAM CHARGE")	EO09060465

(SERVICE LIST ATTACHED)

BY THE BOARD:

By letter dated June 1, 2004, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a letter petition requesting that the New Jersey Board of Public Utilities ("Board") authorize deferred accounting treatment for costs that the Company would incur for undertaking a pilot program entitled the Energy Information and Control Network ("EICN"), that would study the benefits of employing new technology in several areas of its customer operations and delivery service. The stated purpose of the pilot was to create opportunities for changing customers' understanding of energy delivery and consumption, and make available tools to manage energy usage. Originally consisting of five program segments to be offered to residential and small commercial customers, the Company, by letter dated July 15, 2004, withdrew its request for two of the five segments after the Staff of the Board ("Staff") expressed concerns about the impact the proposals could have on customers if they were implemented as proposed. The pilot, as modified, was estimated by the Company to cost approximately \$3.8 million.

The segments, consisting mostly of residential customer participants, were later classified as the following:

myPower Link:

A utility activated load management segment for residential and commercial customers where the Company installed an internet based communicating thermostat, control software, and wireless two-way communications equipment on participating residential and small commercial customers' central air conditioning units and electric heat pumps. The technology enabled the Company to cycle customers' equipments during designated

periods of high electricity demand while allowing pilot participants to maintain full flexibility to override curtailment events.

myPower Sense:

A TOU/Critical Peak Pricing ("CPP") segment without technology where the participants were not given programmable thermostats. They were responsible for managing their usage based upon pricing information during specific periods during the day. The participants were however given interval meters with two way communication. Participants were provided with educational information about methods for saving energy during peak and critical peak hours and were also alerted by PSE&G the day before a CPP event was initiated.

myPower Connection:

A TOU/CPP segment with in-home technology where participants were given programmable thermostats that could automatically adjust to set points for CPP events, obviating the need for any customer action for each event. Participants were provided with interval meters with two way communication and educational information about methods for saving energy during peak and critical peak hours and were also alerted by PSE&G the day before a CPP event was initiated.

myPower Manager:

A Day-Ahead Hourly Pricing ("DAP") segment with technology (ultimately withdrawn)

myPower Control:

A control group was not given any in-home technology or education other than interval meters.

On August 24, 2004, the Board authorized deferred accounting treatment for the actual incremental costs associated with the development and implementation of the TOU pricing, load management and demand response program segments for a total estimated budget of \$3.77 million. The Board did not place a cap on the deferred amount but reserved for future review all deferred pilot program costs, if requested for recovery by the Company, for prudence, reasonableness and appropriate manner of recovery.

Also, on July 12, 2004, PSE&G requested that the Board authorize deferred accounting treatment for costs to be incurred for membership in the Consortium for Electric Infrastructure to Support a Digital Society ("CEIDS"). The Company stated that CEIDS could lend its expert advice during implementation of programs to test and deploy advanced infrastructure technology, and could possibly help fund such efforts. On August 24, 2004, by a separate Order, the Board authorized deferred accounting treatment for the costs of CEIDS membership for two years, at a total estimated budget of \$1 million. PSE&G states that it subsequently joined CEIDS and paid \$500,000 for a one year membership.

In June 2005, PSE&G notified Staff and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") that the original budget of \$3.8 million had increased to \$6.3 million. The Company stated that the increase was due to several factors unforeseen at the time the original budget was created.

Public notice was provided by publication in newspapers in general circulation in the Company's service territory, and six public hearings on the pilot program were held on the following dates at three locations in PSE&G's service territory: two hearings on September 4, 2008, in Mt. Holly, New Jersey; two hearings on September 9, 2008, in Hackensack, New Jersey; and two hearings on September 10, 2008, in Rahway, New Jersey. There were no appearances or comments at the public hearings.

SUMMARY OF REQUEST:

On February 29, 2008, PSE&G filed a petition with the Board requesting rate recovery of the deferred costs incurred to run the myPower pilot program. Specifically, PSE&G is requesting that the Board:

1. Find that the costs associated with all aspects of the myPower pilot program, approximately \$5.2 million, were prudently incurred, reasonable and in the interest of ratepayers;
2. Authorize PSE&G to recover all costs requested through a new, separate and temporary electric Societal Benefits Charge ("SBC") component, specifically, the myPower Pilot Program component;
3. Authorize PSE&G to make changes to its Tariff for Electric Service B.P.U.N.J. No. 14 pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and 48:3-60.
4. Find that the carrying charge for the pilot program be set based upon PSE&G's SBC interest rate currently authorized by the Board.
5. Allow at the end of the twelve-month recovery period, this temporary rate recovery component to automatically terminate without further action by the Board and any over or under collected balance be transferred to the Energy Efficiency and Renewable Energy Component of the electric SBC

In its petition, the Company states that the actual costs incurred for the program were approximately \$5.2 million. During the course of this proceeding, the Company updated its actual costs from \$5.2 million to \$5.7 million as a result of an adjustment for carrying costs. As stated in the petition, the Company's actual costs of \$5.7 million were \$1.6 million below the June 2005 estimate of \$7.3 million including the \$1 million for CEIDS membership.

STIPULATION:

On June 31, 2009 PSE&G, Staff, and Rate Counsel executed a Stipulation of Settlement ("Stipulation") recommending that the Board issue a Final Decision and Order approving the Stipulation which provides for the following:

1. The parties agree that PSE&G should be permitted to recover \$4.728 million of costs associated with the Pilot Program. The parties further recommend that the Board grant PSE&G the approval to recover \$4.728 million of deferred Pilot Program costs from its electric customers.

2. Recovery of the \$4.728 million would be achieved by charging the stipulated myPower Program cost amount of \$4.728 million to the System Control Charge (SCC) deferred balance. As of May 31, 2009, the SCC is over collected by approximately \$7.0 million including accumulated interest.

IMPACT TO RATES:

As a result of the over collection in the SCC, the effect on rates of the stipulated myPower cost recovery of \$4.728 million will be zero. Thus there will be no rate impact due to this settlement,

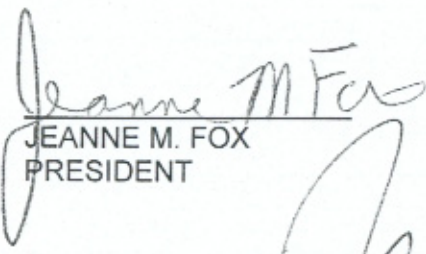
DISCUSSION AND FINDING:

The myPower Pilot has provided information that may prove useful to the Board and the other electric utilities as they continue to develop new solutions to the State's energy needs while meeting the mandates of the Energy Master Plan adopted in October 2008.

Therefore, the Board, having reviewed the previous Board Orders that approved PSE&G's myPower Pilot Program and associated request to defer the incremental costs, the petition and the attached Stipulation entered into by all the parties, **HEREBY FINDS** that the Stipulation is reasonable, is in the public interest and is in accordance with law. Accordingly, the Board **HEREBY APPROVES** the attached Stipulation in its entirety and **HEREBY INCORPORATES** its terms and conditions as if fully stated in this Order.

DATED: 7/31/09


BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

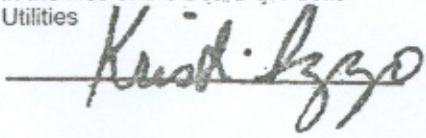

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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



Andrew K. Dembia
Assistant Corporate Rate Counsel

Public Service Electric and Gas Company
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June 30, 2009

In the Matter of Public Service Electric and Gas Company's
Request for Deferral Accounting Authority for the
Energy Information and Control Network Pilot Program
BPU Docket No. EO04060395

VIA ELECTRONIC MAIL & HAND DELIVERY

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

Dear Secretary Izzo:

Enclosed please find an original and ten copies of a Stipulation of Settlement (Stipulation) in the above referenced matter. The Stipulation was executed by Public Service Electric and Gas Company (Public Service), Board of Public Utilities (Board) Staff, and the Department of Public Advocate, Division of Rate Counsel. Public Service respectfully requests that this Stipulation be scheduled for consideration and decision at the Board's Agenda Meeting currently scheduled for July 1, 2009.

Very truly yours,

A handwritten signature in dark ink, reading "Andrew K. Dembia". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

C Attached Service List

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION)	
OF PUBLIC SERVICE ELECTRIC AND)	STIPULATION OF
GAS COMPANY'S REQUEST FOR)	SETTLEMENT
DEFERRAL ACCOUNTING AUTHORITY)	
FOR THE ENERGY INFORMATION AND)	BPU DOCKET NO. EO04060395
CONTROL NETWORK PILOT PROGRAM)	

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, as of the 30th day of June 2009, by and between Public Service Electric & Gas Company (PSE&G, Public Service), the Staff of the Board of Public Utilities (Board Staff), and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (collectively referred to herein as the Parties) to execute this Stipulation of Settlement (Stipulation) for the Energy Information and Control Network (EICN) Pilot Program and to be bound according to its terms.

The Parties do hereby join in recommending that the Board of Public Utilities (Board) issue a Final Decision and Order approving this Stipulation.

BACKGROUND

1. On June 1, 2004, Public Service filed a letter petition requesting that the Board authorize approval of a pilot program and deferred accounting treatment of costs that the Company would incur for undertaking a pilot program that would study the benefits of employing new technology in several areas of its customer operations and delivery service territory. Public Service stated in the letter petition that one of

the purposes of the pilot program was to create opportunities for alternative ways for managing energy usage and changing the way customers think about energy delivery and consumption and to give customers more tools to manage their energy usage. At that time, Public Service's proposed pilot program was called the EICN pilot program. The pilot program was ultimately marketed to potential participants as myPower (hereinafter referred to as the myPower Pilot Program).

2. The EICN Pilot Program, as originally proposed by the Company, was comprised of five separate program segments, two of which were withdrawn pursuant to a July 15, 2004 letter by PSE&G. The three remaining programs for which approval and deferred accounting was sought were the following:
 - a. A Time of Use (TOU) pricing program in which approximately 1800 customers would receive two-way interval meters. One-half of these customers would be subject to TOU pricing and the other half would serve as a control group.
 - b. A Load Management Program in which approximately 100 customers would have utility-controlled load control equipment installed on specific types of customer equipment such as central air conditioning. The Company would use two-way communications to monitor and implement load reductions.
 - c. A Full Technology Demand Response Program in which in-home displays would be installed to provide price signals. Approximately 900 customers would be subject to TOU pricing and would also receive load control devices

that could be programmed by the customer or activated remotely by the Company.

3. By Order dated August 24, 2004, the Board found that each of the segments of the Pilot Program have the potential to improve electric customer service; increase customer satisfaction; reduce overall energy usage; and advance overall service reliability. The August 24, 2004 Order also recognized concerns that had been raised by the Ratepayer Advocate, including the amounts and types of the costs to be deferred, and the need to document the actual incremental costs incurred and evaluate such costs in light of the benefits actually accruing from the Pilot Program. See, I/M/O PSE&G's Request for Deferral Accounting Authority for the Energy Information and Control Network Pilot Program, BPU Dkt No.: EO04060395, August 24, 2004, pp. 4-5. The Board ordered that if PSE&G seeks rate recovery of any of the Pilot Program costs, Public Service shall submit all documentation supporting the accrued incremental costs associated with the segments of the Pilot Program for a review as to whether such costs are appropriate for inclusion in a future base rate or other appropriate proceeding, with potential cost recovery subject to a review of whether the incurred costs were prudent, reasonable and in the interest of ratepayers. See, Id., at p. 6. The Board directed that implementation of the program segments would be subject to prior Board review and approval of rates and tariffs associated with the program. On November 12, 2004, PSE&G filed for

approval of its proposed tariff sheets and associated revenue accounting treatment for the TOU pricing programs. At this point the EICN pilot program became known as the PSE&G myPower pilot programs.

4. The myPower Pilot Program divided the participants into the following groups:
 - a. myPower Link – This group included 100 residential and 100 small commercial customers participating in a utility activated load management segment. These customers received smart thermostats that could be controlled by the Company to implement direct load control.
 - b. myPower Sense – 379 residential customers participated in a TOU/Critical Peak Pricing (CPP) segment. These customers were subject to TOU/CPP pricing. This group of customers received educational materials, but did not receive automated load control devices.
 - c. myPower Connection – 319 residential customers participated in a TOU/CPP segment with in-home technology. These customers were subject to the same TOU/CPP tariffs as the myPower Sense group. This group received both educational materials and load-control devices that could be programmed by the customer.

The myPower Sense and myPower Connection segments are hereinafter collectively referred to as the "Pricing Segments."

- d. myPower Control Group – 450 residential customers with characteristics comparable to the customers participating in the Pricing Segments served as a control group. These customers remained subject to the Company's existing tariffs and received no in-home technology and no education.
 - e. The myPower Pilot Program as developed by the Company also included a "myPower Manager" segment. The proposed 450 participants in this segment were to have been subject to Day-Ahead Hourly Pricing (DAP) and CPP, and were to have received load control equipment that could be programmed to respond to price signals. The myPower Manager segment was subsequently eliminated pursuant to Board Order in this docket dated April 27, 2006 and the enrolled participants were re-assigned to the myPower Connection segment.
5. By letter dated July 12, 2004, Public Service requested that the Board authorize deferred accounting treatment for costs to be incurred for membership in the Consortium for Electric Infrastructure to Support a Digital Society (CEIDS). By Order dated August 18, 2004, the Board authorized deferred accounting treatment for the cost of CEIDS membership for two years, at a total estimated budget of \$1 million. That Board Order provided that the final determination of the appropriateness and prudence of the costs of CEIDS membership would be made at the conclusion of the Pilot Program if Public Service were to seek rate recovery of

such costs. Public Service subsequently joined CEIDS and paid \$500,000 for membership for one year.

6. The Pilot was commenced during the summer of 2005 and concluded at the end of the summer of 2007.
7. The Company filed with the Board a Final Evaluation Report dated December 27, 2006 for the myPower Link Utility Activated Load Management Pilot Program (myPower Link Final Report) as well as the Final Report For The myPower Pricing Segments Evaluation (myPower Final Pricing Segment Report) dated December 21, 2007.
8. On February 29, 2008, Public Service filed a Petition and accompanying exhibits requesting recovery of all costs associated with the Pilot Program.
9. Public Notice was provided and six public hearings on the Pilot Program filing were held on the following dates at three locations in Public Service's service territory: two hearings on September 4, 2008, in Mt. Holly, New Jersey; two hearings on September 9, 2008, in Hackensack, New Jersey; and two hearings on September 10, 2008, in Rahway, New Jersey. No members of the public appeared.
10. On August 11, 2008, an initial settlement conference was held among Public Service, Board Staff and Rate Counsel. Subsequently, several settlement conferences were held among the Company, Board Staff and Rate Counsel. Following said settlement conferences, Board Staff, Rate Counsel and Public

Service agreed to submit this Stipulation, the terms of which are set forth below.

Specifically, the Parties hereby **STIPULATE AND AGREE** to the following:

STIPULATED MATTERS

11. The parties agree that PSE&G should be permitted to recover \$4.728 million of costs associated with the Pilot Program. The parties further recommend that the Board grant PSE&G the approval to recover \$4.728 million of deferred Pilot Program costs from its electric customers.
12. Recovery of the \$4.728 million would be achieved by charging the stipulated myPower Program cost amount of \$4.728 million to the System Control Charge (SCC) deferred balance. As of May 31, 2009, the SCC is overcollected by approximately \$7.0 million including accumulated interest.
13. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to

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

14. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.
15. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Public Service, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

IN WITNESS WHEREOF, Board Staff, Rate Counsel and PSE&G have caused this Stipulation of Settlement to be duly executed on its behalf by its duly authorized counsel or other representative, as of the date set forth above.

Anne Milgram
Attorney General of New Jersey
Attorney for the Staff of the New Jersey
Board of Public Utilities

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Jessica L. Campbell
Deputy Attorney General

By: Andrew K. Dembia
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Assistant Corporate Rate Counsel

Department of the Public Advocate
Ronald K. Chen, Public Advocate
Division of Rate Counsel
Stephanie A. Brand, Director

By: Sarah H. Steindel
Sarah H. Steindel
Assistant Deputy Public Advocate

In the matter of Public Service Electric and Gas Company's Request for Deferral Accounting
Authority for the Energy Information and Control Network Pilot Program
BPU Docket No. EO04060395

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