BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

I/M/O THE PUBLIC SERVICE ELECTRIC	**)**	
AND GAS COMPANY'S 2005/2006 ANNUAL	**)**	**BPU DKT NO. GR05050470**
BGSS COMMODITY CHARGES FILING	**)**	**OAL DKT NO. OAL PUCRA-11312-2005N**
FOR ITS RESIDENTIAL CUSTOMERS	**)**	

DIRECT TESTIMONY OF RICHARD W. LELASH
ON BEHALF OF THE
NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

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DOCKET NO. GR05050470
TESTIMONY OF RICHARD W. LELASH

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I. STATEMENT OF QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Richard W. LeLash and my business address is 18 Seventy Acre Road, Redding, Connecticut.

Q. WHAT IS YOUR CURRENT BUSINESS AFFILIATION?

A. I am an independent financial and regulatory consultant working on behalf of several state public utility commissions and consumer advocates.

Q. PRIOR TO YOUR WORK AS AN INDEPENDENT CONSULTANT, WHAT WAS YOUR BUSINESS AFFILIATION, AND WHAT WAS YOUR REGULATORY EXPERIENCE?

A. I was a principal with the Georgetown Consulting Group for twenty years. During my affiliation with Georgetown, and continuing to date, I testified on cost of service, rate of return, and regulatory policy issues in more than 275 regulatory proceedings. These testimonies were presented before the Federal Energy Regulatory Commission and in the following jurisdictions: Alabama, Arizona, Colorado, Delaware, District of Columbia, Georgia, Illinois, Kansas, Maine, Maryland, Minnesota, Missouri, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, U.S. Virgin Islands, and Vermont.

Q. MR. LELASH, WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated in 1967 from the Wharton School with a BS in Economics and in 1969 from the Wharton Graduate School with an MBA.

Q. DURING THE COURSE OF YOUR REGULATORY WORK, WHAT HAS BEEN YOUR EXPERIENCE WITH GAS POLICY AND PROCUREMENT?

A. Since 1980, I have worked extensively on gas policy and procurement issues. In my Appendix there is a listing of the recent cases in which I have sponsored testimony. In addition to these cases, I have reviewed and analyzed many other gas policy filings which were resolved through stipulation. Among other issues, my testimonies have involved gas service unbundling, physical and economic bypass, gas supply incentives, gas plant remediation costs, gas price hedging, demand and capacity planning, gas storage options, gas price forecasting, and least cost gas standards. In addressing these issues, I have analyzed gas regulatory filings involving about 30 different local distribution companies ("LDCs").

Q. WHAT HAS BEEN YOUR EXPERIENCE WITH RESPECT TO THE GAS OPERATIONS OF PUBLIC SERVICE ELECTRIC & GAS COMPANY ("PSE&G" OR "COMPANY")?

A. During the past several years, I have presented testimony in PSE&G proceedings involving its Gas Unbundling, Capacity Contract Transfer, annual BGSS gas cost filings, and most recently, its request for authorization for its merger with Exelon Corporation.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WOULD YOU PLEASE STATE THE SCOPE AND PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I was hired by the New Jersey Division of the Ratepayer Advocate ("Ratepayer Advocate") to review and evaluate the gas issues associated with the Company's BGSS Annual Filing. The purpose of my testimony is to present findings and recommendations to the Administrative Law Judge ("ALJ") and the New Jersey Board of Public Utilities ("BPU" or "Board") concerning issues that impact the Company's ability to provide safe and adequate service at reasonable rates.

Q. WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A. My testimony concerns the Requirements Contract under which the Company obtains its gas supply needs from its affiliate, Energy Resources & Trade

("ER&T"). With the potential change of ownership of PSE&G resulting from a Board approval of the pending Merger Case, the successor to ER&T could take advantage of the weaknesses in the Contract, to the benefit of Exelon and the detriment of PSE&G's BGSS customers. The Requirements Contract is vague or silent on many issues relating to the continued provision of gas supply to PSE&G's BGSS customers, and the successor to ER&T, affiliate of an Illinois corporation, would control PSE&G's gas supply.

It is appropriate to address this issue in this case for several reasons:

1) In the Merger proceeding, the Company, through the rebuttal testimony of its witness Frederick Lark, claimed that issues related to the Requirements Contract and gas supply were properly addressed as part of the Company's annual BGSS proceedings. *IMO Joint Petition of Public Service Electric & Gas Company and Exelon Corporation for Approval of a Change in Control and Related Authorizations, Docket No. EM05020106 ("Merger Case"), Lark Rebuttal Testimony at 8-9.* The Ratepayer Advocate litigated these issues in the Merger case; however, ALJ Richard McGill has not yet issued an Initial Decision in that case. Moreover, the Administrative Law Judge in the pending Public Service Base Rate Case has determined that this issue is not appropriate for litigation in the base rate case and should be litigated in the instant BGSS case. I am submitting this testimony to ensure that the issues addressed herein are given a full and fair

hearing and that these issues will be addressed in an administrative Initial Decision and a Board Order.

2) Even absent the merger, it is time to clarify the Requirements Contract. The Contract became effective in 2002, and weaknesses in the Contract have become evident in the ensuing four years. The Contract must be modified to ensure continued safe and reasonable provision of gas and for PSE&G and ER&T (or its successor) to acknowledge the Board's authority over the Contract.

Q. IN PERFORMING YOUR REVIEW AND ANALYSIS, WHAT DATA SOURCES DID YOU UTILIZE?

A. My review and analysis encompassed data from the Company's filing, responses to discovery requests, and informal discovery meetings. I also utilized information from PSE&G's previous proceedings, particularly the pending merger filing, and general data concerning its gas operations.

III. PSE&G'S GAS SUPPLY REQUIREMENTS

Q. WOULD YOU PLEASE EXPLAIN HOW PSE&G HAS HISTORICALLY OBTAINED GAS TO MEET ITS DEMAND REQUIREMENTS?

A. Historically, PSE&G contracted directly for its pipeline and storage capacity as well as its commodity gas requirements. These gas supply resources were used to meet firm requirements for tariffed services as well as for demand associated with PSEG's Electric Business Unit ("EBU") and special contract customers. However, effective May 1, 2002, all PSE&G's capacity and supply resources were transferred to its non-regulated affiliate, ER&T, and the Company entered into a Requirements Contract ("Contract") with ER&T, wherein ER&T provided gas to the utility. *Contract Transfer Order, Docket No. GM00080564; Ex. 1.*

The Current Requirements Contract and Provisions

Q. WHAT ARE THE BASIC PROVISIONS OF THE REQUIREMENTS CONTRACT?

A. Broadly, the Contract requires ER&T to provide delivered gas supply services needed by the Company to meet its specified retail load for as long as PSE&G is the Basic Gas Supply Service ("BGSS") supplier in its service territory. *Contract Order at 1*. The only exception to ER&T's total control over gas supply resources involves PSE&G's supplemental gas facilities such as LNG which the Company continues to own and operate with ER&T's input.

Under the Contract, ER&T must meet the Company's gas requirements by utilizing the transferred gas capacity contracts specified in the Contract. These gas capacity contracts are summarized on my Schedule 1, which shows the provider and the daily capacities. The Contract also allows ER&T to unilaterally amend, extend, replace or supersede any of the gas purchase contracts in order to meet its full requirements obligation to PSE&G. *Id. at 6.*

Q. WHAT IS THE TERM OF THE CONTRACT BETWEEN PSE&G AND ER&T?

A. The initial term of the Contract was from May 1, 2002 through March 31, 2004. As of that date, PSE&G exercised its optional right to extend the Contract until March 31, 2007. After that date the Contract will continue on a year-to-year basis unless modified by either ER&T or PSE&G, by giving written notice 12 months prior to the end of any subsequent contract year. If ER&T gives such notice, it must continue to provide PSE&G's requirements at the level existing as of the date of the notice, as long as PSE&G is still serving BGSS load. *Id. at 9-10.*

Q. WHAT OTHER CONTRACT PROVISIONS AFFECT THE COMPANY"S GAS SUPPLY?

A. Section 15.3 in the Contract specifies that PSE&G will make commercially reasonable efforts to curtail or interrupt loads as directed by ER&T based on its gas scheduling. This has been clarified to mean that, "The Requirements Contract provides that [ER&T] has the authority to direct [PSE&G] to curtail or interrupt non-firm customers consistent with the terms and conditions of all applicable rate schedules and service agreements." *Ex. 2*. This provision is relatively broad in that PSE&G's tariffs permit interruptions of supply to ensure operational reliability of supply or if the sales would not be economically justified.

Section 2.2 in the Contract provides that PSE&G will pay ER&T for delivered gas volumes at PSE&G's currently effective tariff or contract rate for each respective service. PSE&G and subsequently its ratepayers will thus pay all associated gas supply and capacity charges since these costs form the basis for PSE&G's tariffed rates.

Finally, the Contract is silent concerning the capacity management function of ER&T with respect to non-jurisdictional transactions that utilize capacity paid for by PSE&G's customers. There is no specification as to the types of transactions that generate margins or credits, the methodology for determining such margins or credits, or ER&T's obligation to pay such margins or provide such credits to PSE&G.

<u>Requirements Contract Regulatory Concerns</u>

Q. WOULD YOU PLEASE ADDRESS ANY ISSUES REGARDING THE GAS SUPPLY PORTFOLIO MAINTAINED BY ER&T TO MEET PSE&G'S REQUIREMENTS?

A. Given that ER&T has full discretion concerning the composition and extent of the gas supply portfolio related to the Contract, there are both regulatory and cost concerns. During a July 14, 2005 discovery meeting in the Merger case, the Company acknowledged that, although ER&T consults PSE&G as to the utility's capacity needs and proposed modifications to the capacity portfolio, ER&T has the ultimate authority concerning such matters. The relevant provisions of the Contract are troubling for several reasons. For example, the Board has no explicit authority over any changes to the capacity portfolio. Were ER&T to maintain excess capacity levels, the associated charges would be paid by PSE&G, and, ultimately, by the BGSS customers. If the charges were to be disallowed by the Board, it is unclear whether PSE&G or ER&T would incur the economic consequences.

Additionally, the Company acknowledges that capacity retained to meet future peak day requirements may be excess or surplus in some years. This will be all the more likely if the merger is approved. Under the proposed generation mitigation plan in the Merger case, the Company would divest some of its gas fired generation without contracting to provide the associated gas supply or requiring gas capacity assignment to the buyer. To the degree such divested facilities are gas fired plants, ER&T could end up with more capacity than is required for BGSS needs.

The prospect of excess capacity is troubling because it burdens ratepayers with unnecessary costs, and it rewards PSE&G's parent company, PSEG, with incremental profits if such capacity can be used for secondary market transactions.

Thus, PSEG has a potential conflict of interest in matters relating to the matching of demand and supply for ER&T's gas supply and capacity portfolio.

My Schedule 2 provides a perspective on this capacity related issue. The schedule shows ER&T's portfolio modifications since the inception of the Contract. During this period, ER&T has increased the total portfolio's overall transportation capacity by 168,010 Dth and reduced its storage capacity by 75,000 Dth. Transportation capacity to the Company's city gate has increased by 168,010 Dth, while storage has decreased by 11,581 Dth.

The cost impact of these capacity changes is shown on Schedule 3. As indicated, PSE&G's total annual capacity costs increased by about $9.1 million. Such an increase in capacity costs is a concern because it relates to the inherent conflict of interest involved when a utility has an affiliate managing utility assets. Conceptually, a utility can obtain excess capacity, recover related capacity costs from its customers, and have its affiliate benefit from increased margins or credits associated with the utilization of the incremental capacity.

Q. WHAT OTHER PROVISIONS OF THE CONTRACT PRESENT REGULATORY CONCERNS IN LIGHT OF A POTENTIAL MERGER?

A. With a merger, the year-to-year nature of the Contract causes additional concern. At a minimum, this situation gives ER&T the right to give notice and thereby negate the full requirements provision of the Contract. With such notice, ER&T

would no longer be responsible to meet PSE&G's gas requirements in excess of those existing on the date of the notice. If the merged entity were to decide it no longer wanted to continue the Contract, it could direct its subsidiaries to terminate the Contract.

Moreover, the fact that ER&T, as a gas supplier, has the authority to dictate when PSE&G will not supply its interruptible customers is not typical or reasonable in full requirements agreements. Whether interruptible load is served under certain conditions can have a material impact on interruptible margin credits. From a gas supply perspective, elimination of interruptible sales can increase the potential for high margin non-jurisdictional transactions. From a utility perspective, providing interruptible sales service on a consistent basis contributes toward overall gas costs. Given that tariffs permit PSE&G considerable latitude concerning both operational and economic interruption, the ultimate decision on interruption should not be delegated to ER&T.

There also is a concern associated with future revisions to the Contract. In September 2003, ER&T and the Company entered into an agreement which supplemented and clarified provisions of the Contract in order to facilitate its implementation. *Ex. 3 at 5.* To my knowledge, the resulting Supplemental Operating Agreement was not submitted to the Board for approval or even review. This highlights two issues. First, the Requirement Contract can be modified as recommended in this testimony, particularly in order to clarify the Contract's intent. Second, any such modifications should be subject to Board approval. If ER&T and the Company continue to be allowed to alter the Requirements Contract without any regulatory oversight, then the Contract effectively offers ratepayers no real protection in terms of gas supply reliability or cost. Given that ER&T and the Company are currently under common control and would continue to be after the pending merger, with common control in Illinois not New Jersey, there can be no presumption of arms length bargaining or ratepayer protections.

Q. PREVIOUSLY, IT WAS NOTED THAT THE CONTRACT DOES NOT PROVIDE ANY GUIDANCE CONCERNING THE MARGINS OR CREDITS REALIZED ON SECONDARY MARKET TRANSACTIONS THAT UTILIZE UNUSED UTILITY CAPACITY. PLEASE EXPLAIN THIS ISSUE IN GREATER DETAIL.

A. Traditionally, the margins and credits associated with secondary market transactions were shared 85% to ratepayers and 15% to the Company. *Final Stipulation, Docket No. GR97110839 at 10.* After the transfer of PSE&G's gas supply portfolio to ER&T, the Board issued an Order in Docket No. GR01110768 that adopted a stipulation requiring that residential customers receive 100% of such margins and credits. However, neither this Order nor the Board's Contract Transfer Order fully set forth the mechanics and sharing of capacity margins obtained by ER&T. Absent specification in the Contract, the margin issue could be subject to interpretation should the merger be approved.

It is useful at this point to put the capacity margins into perspective. Since the contract transfer became effective May 1, 2002, ER&T has achieved an average of about $38.5 million per year of capacity margins which is allocated between BGSS-RSG customers and the Company. These margin levels are well above the margins obtained during the three years prior to the contract transfer. The monthly and annual amounts for capacity margins, principally associated with off-system sales, are set forth in my Schedule 4. As shown, the annual margins increased by more than 80% from the year prior to the transfer to the first year under ER&T control.

From PSEG's perspective, this higher level of capacity margins is quite beneficial since it retains, through ER&T, about 30% of total margins. This margin retention stems from the fact that only the residential customers'("BGSS-RSG") allocated portion of the margins is returned to gas ratepayers. My Schedule 5 shows the derivation of the total capacity margins and the allocation factors, along with the BGSS-RSG portion of the margins. On this basis, ER&T and, ultimately, PSEG have received over $35 million in capacity related margins.

Accordingly, what is needed is a clear specification of which ER&T transactions will generate margins or credits, how such margins or credits will be determined and the mechanism for allocation of the margins or credits among various customers that pay for and receive the associated gas supply.

Q. ARE THERE ISSUES CONCERNING THE BOARD'S REGULATORY AUTHORITY AND REGULATORY OVERSIGHT CONCERNING THE CONTRACT TRANSFER, AND IF SO, WOULD YOU PLEASE DISCUSS THEM?

A. In the Contract Transfer Order, the Board conceded that, "The gas contracts transfer would mean that the Board would not have the ability to delve into the gas procurement practices of [ER&T]. Nor will it have the ability to alter the pricing agreements between PSE&G and [ER&T] or any contractual terms of the PSE&G/[ER&T] agreement." *Contract Transfer Order at 10*. Moreover, these limitations were noted in the context of entities owned and controlled by an entity headquartered in New Jersey. If the merger is approved, the successor entity, based potentially in Pennsylvania and owned by an Illinois company, would control the portfolio management and gas supply procurement.

With respect to a successor entity to ER&T, the Petitioners have asserted that "The Merger will not affect the existing authority of the Board over the Requirements Contract." *Ex. 4*. Unfortunately, the authority of the Board regarding the Contract has never been specifically established, and, as discussed, the Contract is vague or silent on many aspects of the provision of gas supply. For example, when asked whether the current residential/C&I allocation methodology for portfolio costs would be retained and subject to modification only with Board approval, the Petitioners responded that, "There is no intention or expectation that the current allocation methodology will be modified." *Ex. 5.* However, there is a question regarding the Board's authority over PSE&G's gas procurement program. The Board has acknowledged that it would not have the ability to delve into the gas procurement practices of ER&T. *Contract Transfer Order at 10.* The Company has made conflicting statements regarding this authority. It has stated that, "The Board will continue to have authority over gas procurement by ER&T or any comparable successor entity." *Ex. 6.* However, in another response it responded that "The Board does not have jurisdiction over ER&T's operations as such." *Ex. 7.* These conflicting statements are particularly troubling because the Contract is neither clear nor comprehensive on procurement matters, and there is a need to fully define and obtain commitments concerning the Board's prospective authority over procurement and the Contract provisions if the pending merger is approved.

Q. ARE THERE ANY OTHER ISSUES THAT YOU BELIEVE SHOULD BE CONSIDERED BY THE BOARD WITH RESPECT TO THE REQUIREMENTS CONTRACT?

A. Yes, there are three related issues. The first involves a provision within the Stipulation of Settlement in the Contract Transfer proceeding. Section 4 of the

Stipulation states that PSE&G and ER&T are obligated to adhere to all relevant legal requirements regarding affiliate standards, including those standards approved by the FERC and the Board. In the Contract, the only related provision is a narrow requirement that ER&T will not provide any undue preferences to retail gas supplier affiliates. *Contract Article 19.10*. It appears that the Contract must be modified to reflect the Stipulation's full intent.

The second issue involves a clarification of the Force Majeure provision of the Contract. As written, ER&T can be excused for a failure to perform by a Force Majeure claim which includes causes beyond the reasonable control of ER&T. In discovery, the Company stated that weather could be the cause of a Force Majeure event. *Ex. 8.* During the July 14, 2005 discovery meeting in the Merger case, the Company clarified that ER&T's responsibility to provide gas supply would not be excused as long as heating degree days did not exceed those specified in the determination of the Company's demand requirements. This clarification should be formalized in the Contract.

And finally, the Stipulation contains two provisions concerning capacity release to Third Party Suppliers. *Contract Transfer Order, Stipulation of Settlement, at 4*. The first requires an Initial Firm Transportation ("FT") Capacity Release Program for Third Party Suppliers ("TPSs") who supply gas to customers that switch to third party suppliers after the date of the contract transfer. The second involves a Permanent Capacity Release/Assignment Program which was to also be made available to TPSs after the effective date of the contract transfer. At the current time, the status of these two programs and ER&T's or any successor's requirement to make such releases is unknown and therefore should also be clarified in this proceeding. With the potential of Exelon ownership, should the merger be approved, the Company and ER&T will have a TPS affiliate and thus existing capacity release provisions may be inappropriate.

Necessary Modifications and Regulatory Protections

Q. BASED UPON THE VARIOUS FACTORS THAT YOU HAVE DISCUSSED, WHAT ARE YOUR SPECIFIC RECOMMENDATIONS IN THE EVENT THE PROPOSED MERGER IS AUTHORIZED?

A. The Board should require clear assurances that the post-merger Exelon entities will be subject to the Board's oversight relative to their activities and transactions with the New Jersey regulated utility. For example, ER&T or any successor entity must agree to provide relevant data and documentation and submit to audits concerning its dealings with PSE&G's gas operations. Additionally, ER&T or any successor in interest must provide the information necessary to show that its transactions are reasonable and do not violate any applicable affiliate interest regulations. The FERC has stated that, "The merger is subject to review by the NJBPU, who can therefore protect its jurisdictional interests." *FERC Merger*

Order, Section 217. Thus, it is important that the Board establish its regulatory authority and have Petitioners provide positive assurance concerning their acquiescence to such requirements.

Q. WITH RESPECT TO THE EXISTING REQUIREMENTS CONTRACT, WHAT PROVISIONS NEED TO BE ADDED OR REVISED IN ORDER TO ENSURE ADEQUATE GAS SUPPLY AT A REASONABLE COST?

A. The most important revision needs to address the on-going availability of PSE&G's gas requirements. The Contract must therefore be modified to include a provision requiring Board approval for any material modification to the level or cost of the gas capacity required by PSE&G. Such material modifications would include Contract termination, capacity enhancements or substitutions, and any changes to the nature or scope of operations of ER&T or its successor.

A second revision involves the codification of the treatment for capacity related margins or credits. The Contract should specify all transactions related to the PSE&G capacity, the determination of margins and credits, and the allocation of such margins to gas ratepayers. The revision should incorporate all relevant margin provisions as set forth in applicable Board Orders, and the Board should require that both Exelon and ER&T agree to all revisions.

A related modification should address the continuation of the current BGSS service and its pricing provisions. The Board should require that residential customers continue to have the right to receive cost-based gas supply that is subject to annual reconciliation. This modification should expressly prohibit PSE&G from adopting any monthly indexed price procedure for its residential (BGSS-RSG) service.

Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS CONCERNING THE PROVISIONS OF THE REQUIREMENTS CONTRACT?

A. Yes. There are three other Contract provisions that need clarification or modification. First, as discussed previously, only PSE&G should have the authority to control service interruptions.

Second, Force Majeure provisions should only allow weather related claims if the average daily mean temperature is below the level incorporated into the Company's latest design day requirements determination.

Third, the Board should terminate all TPS transportation or storage capacity release provisions currently in effect. Subsequently, PSE&G could propose prospective release programs subject to Board approval.

Q. FINALLY, ARE THERE ANY OTHER GAS POLICY MATTERS THAT THE BOARD SHOULD ADDRESS IN THIS PROCEEDING?

A. Yes, the Board should require that ER&T's (or any successor in interest) gas management operations or trading should continue to be based in Newark unless otherwise expressly authorized by the Board. There appears to be no operational need to remove ER&T's gas operations from New Jersey when its primary activities are conducted predominantly for PSE&G. Indeed, maintaining ER&T's gas operations in Newark would lessen some regulatory oversight concerns and would appropriately separate gas and electric operations and trading, thereby averting potential conflict of interest and affiliate interest issues.

Q. MR. LELASH, DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS MATTER?

A. Yes, it does.

IV. SUPPORTING SCHEDULES

Schedule 1

PSEG-Exelon Merger
Appendix A Capacity Resources

	Provider	Capacity
Transportation Capacity		Dth Per Day
	Transcontinental	812,508
	Texas Eastern	735,363
	Dominion	333,764
	Texas Gas	124,616
	Gulf South	37,000
	Equitrans	25,689
	Tennessee	93,636
	Trunkline	89,264
	Panhandle Eastern	88,498
	Columbia	12,500
	National Fuel	48,400
	Total Daily Capacity	2,401,238
Storage Capacity		Dth W/D
	Transcontinental	746,050
	Texas Eastern	94,629
	Dominion	342,974
	Equitrans	25,689
	Tennessee	57,222
	Steuban	42,066
	Hattiesburg	65,000
	Total Storage Capacity	1,373,630

SOURCE: Requirements Contract Appendix A.

PSEG-Exelon Merger
Appendix B Net Capacity Changes

	Provider	Capacity Changes	City Gate Changes
Transportation Capacity		Dth Per Day	Dth Per Day
	Transcontinental	190,800	168,010
	Texas Eastern	10,508	
	Dominion	108,520	
	Texas Gas	(25,721)	
	Gulf South	(37,000)	
	Equitrans	(25,689)	
	ANR	50,000	
	Total Net Increase	271,418	168,010
Storage Capacity		Dth W/D	Dth W/D
	Transcontinental	(48,706)	
	Texas Eastern	(11,581)	(11,581)
	Dominion	10,976	
	Equitrans	(25,689)	
	Total Net Decrease	(75,000)	(11,581)

SOURCE: Exhibit 9

Schedule 3

PSEG-Exelon Merger
Changes in Capacity Costs
($000's)

	Provider	Capacity Cost Change
Transportation Capacity		
	Transcontinental	$11,388
	Texas Eastern	653
	Dominion	4,362
	Texas Gas	(1,831)
	Gulf South	(2,431)
	Equitrans	(1,321)
	ANR	1,095
	Total Net Increase	$11,915
Storage Capacity		
	Transcontinental	$ (664)
	Texas Eastern	(940)
	Dominion	440
	Equitrans	(1,701)
	Total Net Decrease	$(2,865)
Total Incremental Cost		$ 9,050

SOURCE: Exhibit 10

Schedule 4

PSEG-Exelon Merger
Comparative Capacity Margins
($000's)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
May	$ 294	$ 544	$ 923	$ 1,966	$ 567	$ 841
June	163	685	1,303	825	1,253	671
July	761	328	2,430	1,315	726	902
August	394	61	1,275	1,952	1,157	781
September	161	(182)	953	840	1,087	844
October	568	1,221	1,267	901	479	618
November	2,011	2,471	1,871	3,508	4,257	3,796
December	2,667	3,882	3,676	4,151	4,221	6,048
January	3,864	3,776	2,982	6,355	7,408	13,943
February	2,867	2,977	2,442	6,799	7,720	7,437
March	2,682	3,180	1,925	8,208	4,067	6,366
April	252	941	367	2,030	901	606
Totals	$16,684	$19,884	$21,414	$38,850	$33,843	$42,853

SOURCES: Exhibit 11

PSEG-Exelon Merger
Allocation of Capacity Margins
($000's)

	2002-2003	2003-2004	2004-2005	Totals
Total Capacity Margins	$38,850	$33,843	$42,853	$115,546
BGSS-RSG Margins	$26,864	$23,489	$29,961	$ 80,314
BGSS-RSG Allocation %	69.15%	69.41%	69.92%	69.51%
PSE&G Margins	$11,986	$10,354	$12,892	$ 35,232

SOURCE: Exhibit 12

V . APPENDIX: PRIOR R.W. LELASH TESTIMONIES

R. W. LELASH'S REGULATORY TESTIMONIES
(2001 to Present)

232. Rhode Island, Providence and Valley Gas Companies (Docket Nos. 1673 and 1736) Gas Price Mitigation Testimony for the Rhode Island Division of Public Utilities (January, 2001).

233. Delaware, Delmarva Power & Light Company (Docket No. 00-463F) Gas Price Hedging Testimony for the Delaware Public Service Commission (February, 2001).

234. Pennsylvania, Philadelphia Gas Works (Docket No. R-00006042) Base Rate and Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2001).

235. Pennsylvania, Philadelphia Gas Works (Docket No. R-00006042) Base Rate and Policy Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May, 2001).

236. New Jersey, Public Service Electric & Gas Company (Docket No. GM00080564) Capacity Contract Transfer Testimony for the New Jersey Division of the Ratepayer Advocate (June, 2001).

237. Vermont, Vermont Gas Systems (Docket No. 6495) Rate Stabilization Plan Testimony for the Vermont Department of Public Service (June, 2001).

238. Pennsylvania, Philadelphia Gas Works (Docket No. R-00016378) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (July, 2001).

239. Pennsylvania, PECO Energy Company (Docket No. R-00016366) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (July, 2001).

240. Pennsylvania, Philadelphia Gas Works (Docket No. R-00016378) Gas Cost Rate Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (August, 2001).

241. Vermont, Vermont Gas Systems (Docket No. 6495) Rate Stabilization Plan Rebuttal Testimony for the Vermont Department of Public Service (August, 2001)

242. Georgia, Atlanta Gas Light Company (Docket No. 14060-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2001).

243. Rhode Island, New England Gas Company (Docket No. 3401) Earnings Sharing and Gas Policy Testimony for the Rhode Island Division of Public Utilities (March, 2002).

244. Pennsylvania, Philadelphia Gas Works (Docket No. R00017034F002) Extraordinary Rate Relief Testimony for the Pennsylvania Office of Consumer Advocate (March, 2002).

245. New Jersey, Public Service Electric & Gas Company (Docket No. GR01110773) Remediation Adjustment Clause Testimony for the New Jersey Division of the Ratepayer Advocate (April, 2002).

246. Rhode Island, New England Gas Company (Docket No. 3401) Earnings Sharing and Gas Policy Surrebuttal Testimony for the Rhode Island Division of Public Utilities (April, 2002).

247. Pennsylvania, Philadelphia Gas Works (Docket No. R-00027133) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (April, 2002).

248. Pennsylvania, Philadelphia Gas Works (Docket No. R-00017034) Base Rate Testimony for the Pennsylvania Office of Consumer Advocate (May, 2002).

249. Georgia, Atlanta Gas Light Company (Docket No. 15527-U) Lost and Unaccounted For Gas Testimony for the Georgia Public Service Commission (July, 2002).

250. Pennsylvania, PECO Energy Company (Docket No. R-00027391) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2002).

251. Georgia, Atlanta Gas Light Company (Docket No. 15527-U) Lost and Unaccounted For Gas Rebuttal Testimony for the Georgia Public Service Commission (August, 2002).

252. Pennsylvania, Philadelphia Gas Works (Docket No. M-00021612) Gas Restructuring Testimony for the Pennsylvania Office of Consumer Advocate (September, 2002).

253. Georgia, EDC Generic Rulemaking (Docket No. 15295-U) Service Quality Standards Testimony for the Georgia Public Service Commission (October, 2002).

254. Georgia, Marketer Generic Rulemaking (Docket No. 15296-U) Service Quality Standards Testimony for the Georgia Public Service Commission (October, 2002).

255. Pennsylvania, Philadelphia Gas Works (Docket No. M-00021612) Gas Restructuring Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (October, 2002).

256. Pennsylvania, Philadelphia Gas Works (Docket No. M-00021612) Gas Restructuring Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (November, 2002).

257. Georgia, EDC Generic Rulemaking (Docket No. 15295-U) Service Quality Standards Rebuttal Testimony for the Georgia Public Service Commission (November, 2002).

258. Georgia, Marketer Generic Rulemaking (Docket No. 15296-U) Service Quality Standards Rebuttal Testimony for the Georgia Public Service Commission (November, 2002).

259. Rhode Island, New England Gas Company (Docket No. 3476) Service Quality Testimony for the Division of Public Utilities (November, 2002).

260. New Jersey, Jersey Central Power and Light Company (Docket No. ER02030173) Recovery of Deferred Remediation Cost Testimony for the New Jersey Division of the Ratepayer Advocate (December, 2002).

261. Rhode Island, New England Gas Company (Docket No. 3476) Service Quality Surrebuttal Testimony for the Division of Public Utilities (February, 2003).

262. Pennsylvania, Philadelphia Gas Works (Docket No. R-00038173) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2003).

263. New Jersey, Elizabethtown Gas Company (Docket No. GA02020099) Comments Concerning Affiliate Audit for the New Jersey Division of the Ratepayer Advocate (June, 2003).

264. Maine, Northern Utilities (Docket No. 2002-140) Management Audit and Service Quality Report for the Maine Public Utilities Commission (June, 2003).

265. New Jersey, Public Service Electric & Gas Company (Docket No. GR03050400) Pipeline Refund Allocation Testimony for the New Jersey Division of the Ratepayer Advocate (August, 2003).

266. Ohio, Vectren Energy Delivery of Ohio (Case No. 02-220-GA-GCR) Gas Procurement and Policy Testimony for the Ohio Consumers' Counsel (November, 2003).

267. Delaware, Delmarva Power & Light Company (Docket No. 03-378F) Evaluation of Gas Procurement and Price Hedging Testimony for the Delaware Public Service Commission (February, 2004).

268. Pennsylvania, Philadelphia Gas Works (Docket Nos. R-00049157 and P-00042090) Purchased Gas Cost Testimony for the Pennsylvania Office of Consumer Advocate (May, 2004)

269. Pennsylvania, Philadelphia Gas Works (Docket Nos. R-00049157 and P-00042090) Purchased Gas Cost Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May, 2004)

270. Delaware, Chesapeake Utilities Corporation (Docket No. 02-287F) Gas Supply Plan Review for Chesapeake Utilities and the Delaware Public Service Commission (July, 2004).

271. Georgia, Atmos Energy Corporation (Docket No. 18509-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2004).

272. Georgia, Atlanta Gas Light Company (Docket Nos. 18437-U and 8516-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2004).

273. New Jersey, NUI Utilities and AGL Resources (Docket No. GM04070721) Terms and Conditions of Merger Testimony for the New Jersey Ratepayer Advocate (September, 2004).

274. Georgia, Atlanta Gas Light Company (Docket No. 18638-U) Business Risk Testimony for the Georgia Public Service Commission (February, 2005).

275. Pennsylvania, Philadelphia Gas Works (Docket No. R-00050264) Purchase Gas Cost Testimony for the Pennsylvania Office of Consumer Advocate (April, 2005).

276. Federal Energy Regulatory Commission, Exelon and Public Service Enterprise Group (Docket No. EC05-43-000) Market Power Testimony by Affidavits for the New Jersey Division of the Ratepayer Advocate (April and May, 2005).

277. Pennsylvania, PECO Energy Company (Docket No. R-00050537) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2005).

278. Georgia, Atmos Energy Corporation (Docket No. 20528-U) Gas Supply Plan Testimony for the Georgia Public Service Commission (August, 2005).

279. New Jersey, Public Service Electric & Gas Company and Exelon Corporation (Docket No. EM05050470) Merger Related Testimony for the New Jersey Ratepayer Advocate (November, 2005).

280. New Jersey, Public Service Electric & Gas Company and Exelon Corporation (Docket No. EM05050470) Merger Related Surrebuttal Testimony for the New Jersey Ratepayer Advocate (December, 2005).