



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC	)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO	)	APPROVING INITIAL DECISION
MODIFY ITS MANUFACTURED GAS PLANT	)	AND STIPULATION
(MGP) REMEDIATION COMPONENT WITHIN ITS	)	
ELECTRIC SOCIETAL BENEFITS CHARGE (SBC)	)	
AND ITS GAS SBC; DURING THE REMEDIATION	)	
ADJUSTMENT CHARGE (RAC) 23 PERIOD,	)	BPU DOCKET NO. GR15111294
AUGUST 1, 2014 TO JULY 31, 2015	)	OAL DOCKET NO. PUC 86 42-15

**Parties of Record:**

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

BY THE BOARD:

The Manufactured Gas Plant Remediation Adjustment Clause ("RAC") allows recovery of reasonably incurred Manufactured Gas Plant ("MGP") Remediation Program Costs ("MGP Costs") plus carrying charges by Public Service Electric and Gas Company ("the Company"), amortized over a seven (7) year rolling average period. The Company's MGP Costs are allocated to gas and electric customers on a sixty (60)/forty (40) percent basis pursuant to prior Orders of the New Jersey Board of Public Utilities ("Board").

On November 5, 2015, the Company filed a petition with the Board requesting an Order finding that its RAC activities and net MGP costs incurred during the RAC 23 period, August 1, 2014 through July 31, 2015, of \$54.113 million were reasonable and appropriate for recovery, and that the Company is justified in increasing the electric and gas RAC remediation rates accordingly.

On November 18, 2015, this matter was filed with the Office of Administrative Law ("OAL") and assigned to Administrative Law Judge ("ALJ") Kimberly Moss.

After publication of notice in newspapers of general circulation in the Company's service territory, two public hearings were held in each location, Hackensack on March 17, 2016, New Brunswick on March 22, 2016 and Mount Holly on March 24, 2016. No members of the public appeared at the hearings or filed comments related to the filing.

## **STIPULATION OF SETTLEMENT**<sup>1</sup>

After review of discovery and subsequent settlement discussions, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff, (collectively, "Parties") reached a stipulation of settlement ("Stipulation") on the RAC 23 issues, and on April 8, 2016, stipulated as follows:

The Parties acknowledged that during the RAC 23 period, the Company incurred gross expenditures of \$61.558 million, which have been reduced by insurance proceeds of approximately \$6.785 million, miscellaneous recoveries of \$0.649 million, and natural resource damages ("NRD") related interest of \$10,642, resulting in net expenditures and recoverable costs of \$54.113 million for the RAC 23 period<sup>2</sup> and that the remediation work performed during the RAC 23 period was prudent and reasonable and do not include incentive compensation.

The Parties agreed that the current residential service ("RS") electric RAC rate should be increased from \$0.000464 per kilowatt hour ("kWh") to \$0.000505 per kWh (including SUT). The Parties also agreed that the current residential service ("RSG") gas RAC rate should be increased from \$0.009552 per therm to \$0.010366 per therm (including SUT).

The foregoing rates will allow recovery of one-seventh (1/7) of the RAC 17 through RAC 23 expenditures. Under these rates, the annual bill for a typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kWh on an annual basis would see an increase in the annual bill from \$1,243.60 to \$1,243.92 (\$0.32 or 0.03%), while a typical gas heating customer using 165 therms during a winter month and 1,010 therms on an annual basis would see their annual bill increase from \$869.53 to \$870.33 (\$0.80 or 0.09%).

The Company represented through the Stipulation that during the RAC 23 period there was one (1) sale of an easement totaling \$88,204 which was credited in April, 2015 to the benefit of the ratepayers.

The Company further represented that its RAC 23 filing does not include any administrative, legal, consulting or other costs associated with NRD claims, except for the \$10,642 discussed in the Stipulation. The Parties further agree that the Company will have deferred a total of \$719,324 of NRD-related MGP costs through the end of the RAC 23 period. The Company agreed to defer the above-indicated NRD-related MGP costs until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism.

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

The Parties agree that the Company's MGP remediation costs will remain subject to audit by the Board.

In her Initial Decision dated April 11, 2016, ALJ Moss found that the Parties voluntarily agreed to the Stipulation which resolved all issues in controversy and is consistent with the law.

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<sup>1</sup> Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

<sup>2</sup> Per Exhibit A attached to the Stipulation.

**DISCUSSION AND FINDINGS:**

The Board has reviewed the Stipulation and **FINDS** it to be reasonable and in the public interest being persuaded that the MGP Costs have been thoroughly reviewed. The Board **HEREBY FINDS** that the Company's MGP remediation work performed during the RAC 23 period of August 1, 2014 through July 31, 2015 was prudent, and the resulting MGP Costs for the RAC 23 period of \$54.113 million (net of insurance proceeds and other recoveries, and deferred NRD expenses) are reasonable and appropriate for recovery.

Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation in their entirety as if fully incorporated herein. The Board agrees that it is reasonable to increase the existing RAC rates, and therefore **HEREBY ORDERS** that the Company's existing gas RAC factor rate be increased to \$0.010366 per therm. The Board also **HEREBY ORDERS** that the Company's existing electric RAC factor rate be increased to \$0.000505 per kWh.

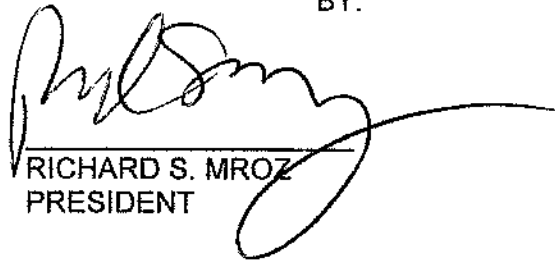
The Board **FURTHER ORDERS** that the NRD-related costs deferred through the end of the RAC 23 period of \$719,324 shall continue to be deferred until such time as the Board addresses the rate recoverability of NRD-related costs via the RAC mechanism.

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

The effective date of this Order is May 7, 2016.

DATED: 4/27/16

BOARD OF PUBLIC UTILITIES  
BY:

  
RICHARD S. MROZ  
PRESIDENT

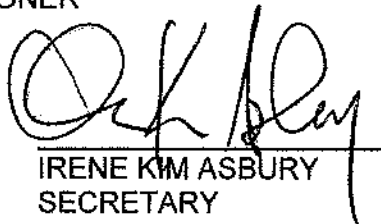
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

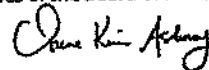
  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:

  
IRENE KIM ASBURY  
SECRETARY

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



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT  
WITHIN ITS ELECTRIC SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; DURING  
THE REMEDIATION ADJUSTMENT CHARGE (RAC) 23 PERIOD,  
AUGUST 1, 2014 TO JULY 31, 2015 - DOCKET NO. GR15111294

SERVICE LIST

Martin Rothfelder, Esq.  
Associate General Counsel  
Law Department  
PSEG Services Corporation  
80 Park Plaza-T5  
Newark, NJ 07102-4194  
[Martin.Rothfelder@pseg.com](mailto:Martin.Rothfelder@pseg.com)

Irene Kim Asbury, Esq.  
Secretary of the Board  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Irene.asbury@bpu.state.nj.us](mailto:Irene.asbury@bpu.state.nj.us)

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[sbrand@rpa.state.nj.us](mailto:sbrand@rpa.state.nj.us)

Jerome May, Director  
Division of Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Jerome.may@bpu.state.nj.us](mailto:Jerome.may@bpu.state.nj.us)

Henry M. Ogden, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[Hogden@rpa.state.nj.us](mailto:Hogden@rpa.state.nj.us)

Robert Schultheis  
Division of Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Robert.schultheis@bpu.state.nj.us](mailto:Robert.schultheis@bpu.state.nj.us)

Maura Caroselli, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[maroselli@rpa.state.nj.us](mailto:maroselli@rpa.state.nj.us)

Henry Rich  
Division of Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Henry.rich@bpu.state.nj.us](mailto:Henry.rich@bpu.state.nj.us)

Felicia Thomas-Friel, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[Fthomas-friel@rpa.state.nj.us](mailto:Fthomas-friel@rpa.state.nj.us)

Megan Lupo, Esq.  
Counsel's Office  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Megan.lupo@bpu.state.nj.us](mailto:Megan.lupo@bpu.state.nj.us)

Alex Moreau, Esq.  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029  
[Alex.moreau@dof.lps.state.nj.us](mailto:Alex.moreau@dof.lps.state.nj.us)

Geoffrey Gersten, Esq.  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029  
[Geoffrey.gersten@dol.lps.state.nj.us](mailto:Geoffrey.gersten@dol.lps.state.nj.us)

Patricia Krogman, Esq.  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029  
[Patricia.krogman@dol.lps.state.nj.us](mailto:Patricia.krogman@dol.lps.state.nj.us)

Martin C. Rothfelder  
Associate General Regulatory Counsel

Law Department  
PSEG Services Corporation  
80 Park Plaza – T5, Newark, New Jersey 07102-4194  
tel : 973-430-6479 fax: 973-430-5983  
email: [martin.rothfelder@pseg.com](mailto:martin.rothfelder@pseg.com)



April 11, 2016

In The Matter Of The Petition Of Public Service Electric And  
Gas Company To Modify Its Manufactured Gas Plant (MGP)  
Remediation Component Within Its Electric Societal Benefits  
Charge (SBC) and Its Gas SBC; During The Remediation  
Adjustment Charge (RAC) 23 Period, August 1, 2014, to  
July 31, 2015

BPU Docket No.: GR15111294

***VIA E-MAIL AND HAND- DELIVERY***

The Honorable Kimberly Moss, ALJ  
Office of Administrative Law  
33 Washington Street  
Newark, New Jersey 07102

Dear Judge Moss:

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

Thank you for your consideration in this matter.

Respectfully submitted,

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

C Attached Service List (E-Mail)

**BPU**

Jake Gertsman Esq.  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
jake.gertsman@bpu.state.nj.us

**BPU**

Henry Rich  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 341-5760  
henry.rich@bpu.state.nj.us

**DAG**

Geoffrey Gersten  
NJ Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Flr.  
P.O. Box 45029  
Newark NJ 07101  
(973) 648-3510  
geoffrey.gersten@dol.lps.state.nj.us

**PSE&G**

Michele Falcao  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark NJ 07102  
973-430-6119  
michele.falcao@pseg.com

**Rate Counsel**

Stefanie A. Brand  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
sbrand@rpa.state.nj.us

**Rate Counsel**

Shelly Massey  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
smassey@rpa.state.nj.us

**BPU**

Megan Lupo  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
megan.lupo@bpu.state.nj.us

**BPU**

Bethany Rocque-Romaine Esq.  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 292-1496  
bethany.rocque-romaine@bpu.state.nj.us

**DAG**

Patricia A. Krogman DAG  
NJ Dept of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Flr.  
P.O. Box 45029  
Newark NJ 07101  
(973) 648-3441  
patricia.krogman@dol.lps.state.nj.us

**PSE&G**

Martin C. Rothfelder Esq.  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark NJ 07102  
(973) 430-6479  
martin.rothfelder@pseg.com

**Rate Counsel**

Maura Caroselli Esq.  
Division of Rate Counsel  
140 East Front Street  
4th Floor  
Trenton NJ 08625  
mcaroselli@rpa.state.nj.us

**Rate Counsel**

Henry M. Ogden Esq.  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
hogden@rpa.state.nj.us

**BPU**

Jerome May  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 292-3960  
Jerome.may@bpu.state.nj.us

**BPU**

Robert Schultheis  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 984-9633  
robert.schultheis@bpu.state.nj.us

**DAG**

Alex Moreau DAG  
NJ Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Flr.  
P.O. Box 45029  
Newark NJ 07101  
(973) 648-3762  
Alex.Moreau@dol.lps.state.nj.us

**PSE&G**

Caitlyn White  
PSEG Services Corporation  
80 Park Plaza, T-8  
Newark New Jersey 07102  
973-430-5659  
Caitlyn.White@pseg.com

**Rate Counsel**

Brian O. Lipman  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
brian.lipman@rpa.state.nj.us

**Rate Counsel**

Felicia Thomas-Friel  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
fthomas@rpa.state.nj.us

04/08/2016

Public Service Electric and Gas Company  
RAC 23  
GR15111294

Page 2 of 2

**Rate Counsel Consultant**

Robert Henkes  
Henkes Consulting  
7 Sunset Road  
Old Greenwich CT 06870  
(203) 698-1989  
rhenkes@optonline.net



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

<b>In The Matter Of The Petition Of Public Service Electric And Gas Company To Modify Its Manufactured Gas Plant (MGP) Remediation Component Within Its Electric Societal Benefits Charge (SBC) and Its Gas SBC; During The Remediation Adjustment Charge (RAC) 23 Period, August 1, 2014, to July 31, 2015</b>	<b>OAL DOCKET NO. PUC 8642-15  BPU DOCKET NO. GR15111294</b>
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**APPEARANCES:**

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

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

**Alex Moreau and Patricia Krogman**, Deputy Attorneys General, for the Staff of the  
New Jersey Board of Public Utilities (Robert Lougy, Acting Attorney General of New  
Jersey)

On November 5, 2015, Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition with the Board of Public Utilities (Board) for an Order finding that PSE&G's Manufactured Gas Plant (MGP) Remediation work, associated with the clean-up of PSE&G's former MGP sites, performed during the Remediation Adjustment Charge (RAC) period August 1, 2014 through July 31, 2015 (RAC 23 period) was prudent, and that the resulting RAC 23 costs are reasonable and appropriate for rate recovery. Upon review of the PSE&G filing, conducting and reviewing responses to

discovery, telephone calls and e-mails, the Staff of the New Jersey Board of Public Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's Petition in this matter seeks authority to establish rates to recover the true up of RAC 22 costs, 1/7 of each of the RAC 17 through RAC 23 expenditures, and the carrying costs on its unamortized remediation program balance. The Company's filing further requested an Order finding that "its RAC activities conducted and Program Costs incurred during the RAC 23 period, August 1, 2014 through July 31, 2015, are reasonable and are appropriate for recovery" and that "such Order find that it is reasonable to increase the existing electric and gas Manufactured Gas Plant Remediation component of the Societal Benefits Charge," historically referred to as the Remediation Adjustment Charge (RAC).
2. The Company incurred gross expenditures of \$61,557,683 in remediation costs during the RAC 23 period. This amount has been reduced by insurance proceeds of \$6,785,000, miscellaneous recoveries of \$648,545, as well as \$10,642 (Interest only) of NRD-related MGP costs, resulting in net expenditures of \$54,113,496 for the RAC 23 period, as illustrated on Attachment A-3, page 1 to the Petition.
3. The PSE&G Petition allocates RAC costs to gas and electric customers on a 60/40 percent basis pursuant to Board directives, and said RAC costs are to be recovered over a rolling seven-year period.
4. Notice of the Company's Petition in this docket, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the

municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric and gas service territories. In accordance with that notice, public hearings on the Company's requests were held on the following dates at three locations in PSE&G's service territory: two hearings on March 17, 2016 in Hackensack, New Jersey, two hearings on March 22, 2016 in New Brunswick, New Jersey and two hearings on March 24, 2016 in Mt Holly, New Jersey. No members of the public appeared at these hearings.

5. Board Staff and Rate Counsel have propounded discovery requests, to which the Company has responded. Board Staff, Rate Counsel, and the Company have also engaged in discussions regarding the issues in this matter, leading to the development of this Stipulation.
6. The Parties agree that the current gas RAC of \$0.008927/therm, excluding sales and use tax (SUT), should be increased to \$0.009688/therm, excluding SUT (\$0.010366/therm, including SUT). The Parties also agree that the current electric RAC of \$0.000434/kilowatt-hour, excluding line losses and SUT, should be increased to \$0.000472/kilowatt-hour, excluding line losses and SUT (\$0.000505/kilowatt-hour excluding line losses and including SUT).
7. The foregoing rates will allow recovery of 1/7 of the RAC 17 through RAC 23 expenditures. Under these rates, the annual bill for a typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an increase in the annual bill from \$1,243.60 to \$1,243.92, or \$0.32 or approximately 0.03% based upon current Delivery and Basic Generation Service – Residential Small Commercial Pricing (BGS-RSCP) Supply rates in effect on March 1, 2016 and assumes that the customer receives BGS-RSCP service from Public Service. A residential gas heating customer using 100 therms per month during the winter months and 610 therms on an annual basis would see

an increase in the annual bill from \$552.89 to \$553.39, or \$0.50 or approximately 0.09%. Moreover, a typical gas heating customer using 165 therms during a winter month and 1,010 therms on an annual basis would see an increase in their annual bill from \$869.53 to \$870.33, or \$0.80 or approximately 0.09% based upon current Delivery and Basic Gas Supply Service (BGSS-RSG) Supply rates in effect on March 1, 2016 and assumes that the customer receives BGSS-RSG service from Public Service.

8. The Company's MGP Remediation work performed during the RAC 23 period, August 1, 2014 to July 31, 2015, as described in Company witness Richard A. Blackman's testimony (Attachment B to the Company's Petition), was prudent and reasonable. The Company represents that these expenditures and rates agreed to in this Stipulation do not include any incentive compensation costs.
9. The Company represents that it has not retained sale proceeds for any remediation properties during the RAC 23 remediation period and there was one transfer of remediated property during the RAC 23 expenditure period, with such transfer resulting in a credit to the RAC in April 2015 of \$88,204 to be credited to the benefit of the RAC ratepayers.
10. The Company represents that its RAC 23 filing does not include any administrative, legal, consulting, or other costs associated with NRD claims, except for the \$10,642 in interest discussed herein. The Parties further agree that PSE&G will have deferred a total of \$719,324, inclusive of applicable interest, of NRD-related MGP costs through the end of the RAC 23 period. PSE&G agrees to defer the above-indicated NRD-related MGP costs until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability

under the Company's RAC, of NRD-related costs. The Parties expressly reserve their rights to argue their respective positions on NRD issues in future proceedings, as appropriate.

11. Attached hereto as Exhibit A is Attachment A-2, page 1 of 2 from the Company's filing which reflects the expenditures to be approved for this RAC 23 period and the approved expenditures for RAC 17 through RAC 22.
12. The Company agrees that it will include with its future RAC filings, responses to the minimum filing requirements (MFRs) as set forth in Exhibit B to this Settlement and that in future RAC filings it shall not request any late fees or charges that are associated with legal costs recovered through the RAC.
13. The Parties agree that this Settlement is being entered into exclusively for the purpose of resolving the issues in this matter. The Parties further agree that this Settlement resolves all issues regarding the Company's RAC 23 filing except as specifically provided herein.
14. The Parties agree that this Settlement was negotiated and agreed to in its entirety with each section being mutually dependent on approval of all other sections. Therefore, if the Board modifies any of the terms of this Settlement, each party is given the option, before implementation of any different rate or terms in this case, to accept the change or to resume the proceeding as if no agreement had been reached. If this proceeding is resumed, each party is given the right to return to the position it was in before this Settlement was executed.
15. The Parties agree that the Company's MGP remediation costs will remain subject to audit by the Board. Additionally, the Company periodically conducts audits of these expenses, similar to its other expenses.

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

PUBLIC SERVICE ELECTRIC  
AND GAS COMPANY

ROBERT LOUGY, ACTING ATTORNEY  
GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

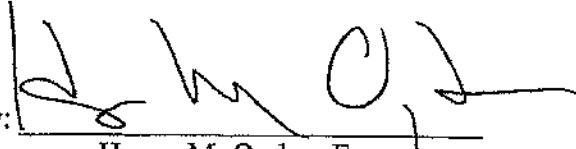
By:   
Martin C. Rothfelder, Esq.

By:   
Patricia Krogman  
Deputy Attorney General

DATED: April 7, 2016

DATED: 4/7/16

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

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

DATED: April 8, 2016

**EXHIBIT A**

**RAC 23 SUMMARY SCHEDULE  
FOR THE ANNUAL RAC PERIOD ENDED JULY 31, 2016**  
\$000

Worksheet Reference	TOTAL	RAC #23	RAC #22	RAC #21	RAC #20	RAC #19	RAC #18	RAC #17
Prior RAC Periods #17 - #22 - Actual Approved Expenditures - Net	(A) \$247,024	\$84,998	\$65,896	\$25,770	\$17,773	\$19,038	\$33,550	
RAC 23 Period - Actual Expenditures - Net*	(B) \$54,113	\$54,113						

**COSTS ELIGIBLE FOR AMORTIZATION & RECOVERY OVER 7 YEARS:**

Prior RAC Periods #17 - #22 - Actual Approved Expenditures - Net	From Prior Yr. Approved RAC filings	(A)	\$247,024	\$84,998	\$65,896	\$25,770	\$17,773	\$19,038	\$33,550
RAC 23 Period - Actual Expenditures - Net*	From Attachment A-3, pg. 1 (B)	(B)	\$54,113	\$54,113					

**ANNUAL RECOVERY SUMMARY:**

Annual Amortization of Prior RAC Period Costs (seven years)	From Prior Yr. Approved RAC filings = (A) / 7	\$35,290	\$12,143	\$9,414	\$3,681	\$2,539	\$2,720	\$4,793
Annual Amortization (seven years)	(B) / 7	\$7,730	\$7,730					
RAC 17 through 23 Expenditures for Allocation between Gas & Electric		\$43,070	To Attachment A-2 pg. 2					
True up of RAC 22 Expenditures with RAC Recoveries - GAS	From Attachment A-3, pg. 2	(\$1,642)						
True up of RAC 22 Expenditures with RAC Recoveries - ELEC	From Attachment A-3, pg. 2	\$2,041						
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-15 to Jun-17 per Dkt. No. ER02080604	From Attachment A-5, pg. 2	\$3,005						
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-15 to Jun-17 per DKT No. ER02080604	From Attachment A-5, pg. 4	\$2,014						
<b>TOTAL - RAC 23 ANNUAL RECOVERY, PERIOD TO DATE</b>		<b>\$48,439</b>						

\* NET represents Net of Insurance Recoveries, Miscellaneous Recoveries and NRD\*  
Numbers may not add due to rounding

## **EXHIBIT B**

### **PSE&G RAC Minimum Filing Requirements**

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

1. The Company currently provides a vendor summary as part of its generic discovery responses to its annual RAC filing. This document provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through July 31 will be submitted with the Company's RAC Petition.
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting work papers, charts and tables.
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding July 31st of the most recent RAC period.



## **EXHIBIT B**

4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.
6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company will provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing, but need not disclose any insurance company's identity.
7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the

## **EXHIBIT B**

previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.

8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.
9. Provide schedules and supporting work papers and documents which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.
10. Provide the Company's bid evaluation studies, reports, work papers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.

## **EXHIBIT B**

12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.
13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including work papers and supporting documentation.
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.
16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.

## **EXHIBIT B**

17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.
18. The Company shall disclose all internal control deficiencies, significant deficiencies, or material weaknesses that are identified by the Sarbanes Oxley review process or by company internal control procedures that are related to RAC expenditures or cost recoveries during the applicable RAC period under review or the immediate prior RAC period. In addition, the Company will provide identification of remedial steps taken by management to correct such deficiencies, significant deficiencies, or material weaknesses; and the summarization of additions, deletions, or amendments to the company's Site Remediation Project Directives during the applicable RAC period under review. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards.
19. All legal bills sought to be paid by ratepayers. Said bills shall include the descriptions provided with such bills. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards. Material in legal bills that are legally

## **EXHIBIT B**

privileged may be excluded from the filing, which parties may seek under the applicable standard for any claimed privilege.



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 18642-15N

AGENCY DKT. NO. GR15111294

IN THE MATTER THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY TO MODIFY ITS MANUFACTURED GAS PLANT (MGP) REMEDIATION COMPONENT WITHIN ITS ELECTRICAL SOCIETAL BENEFITS CHARGE (SBC) AND ITS GAS SBC; DURING THE REMEDIATION ADJUSTMENT CHARGE (RAC)23 PERIOD, AUGUST 1, 2014, TO JULY 31, 2015.

---

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

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

**Alex Moreau**, and **Patricia Krogman**, Deputy Attorneys General, for the Staff of  
the New Jersey Board of Public Utilities (Robert Lougy, Acting Attorney  
General of New Jersey, attorney)

Record Closed: April 11, 2016

Decided: April 11, 2016

BEFORE: **KIMBERLY A. MOSS, ALJ:**

On November 19, 2015, this matter was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F 1 to- 13. The matter was scheduled for a telephone prehearing during which time public and evidentiary hearings were scheduled. Prior to the evidentiary hearing the parties submitted a fully executed Settlement Agreement which resolves all issues in dispute. Attached herewith is a copy of the Stipulation.

I have reviewed the record and the settlement terms and I **FIND** that the parties have voluntarily agreed to the Stipulation as evidenced by their signatures and the Stipulation fully disposes of all issues in controversy and is consistent with the law.

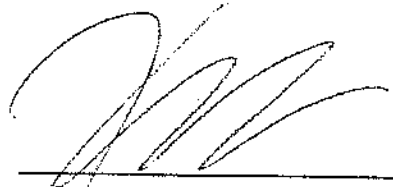
I **CONCLUDE** that the Stipulation meets the requirements of N.J.A.C. 1:1-19.1 and that it should be approved. It is hereby **ORDERED** that the Stipulation be and is hereby **APPROVED**, the rates reflected therein be effective on the effective date of approval by the BPU of the pertinent tariff sheets, and these proceedings be concluded.

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

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

4-16-14

\_\_\_\_\_  
DATE



\_\_\_\_\_  
KIMBERLY A. MOSS, ALJ

Date Received at Agency: \_\_\_\_\_

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



Martin C. Rothfelder  
Associate General Regulatory Counsel

Law Department  
PSEG Services Corporation  
80 Park Plaza - T5, Newark, New Jersey 07102-4194  
tel : 973-430-6479 fax: 973-430-5983  
email: [martin.rothfelder@pseg.com](mailto:martin.rothfelder@pseg.com)



April 11, 2016

In The Matter Of The Petition Of Public Service Electric And  
Gas Company To Modify Its Manufactured Gas Plant (MGP)  
Remediation Component Within Its Electric Societal Benefits  
Charge (SBC) and Its Gas SBC; During The Remediation  
Adjustment Charge (RAC) 23 Period, August 1, 2014, to  
July 31, 2015

BPU Docket No.: GR15111294

***VIA E-MAIL AND HAND- DELIVERY***

The Honorable Kimberly Moss, ALJ  
Office of Administrative Law  
33 Washington Street  
Newark, New Jersey 07102

Dear Judge Moss:

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

Thank you for your consideration in this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Martin C. Rothfelder".

C Attached Service List (E-Mail)

2016 APR 11 4 41 PM

**BPU**

Jake Gertsman Esq.  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
jake.gertsman@bpu.state.nj.us

**BPU**

Henry Rich  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 341-5760  
henry.rich@bpu.state.nj.us

**DAG**

Geoffrey Gersten  
NJ Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Flr.  
P.O. Box 45029  
Newark NJ 07101  
(973) 648-3510  
geoffrey.gersten@dol.lps.state.nj.us

**PSE&G**

Michele Falcao  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark NJ 07102  
973-430-6119  
michele.falcao@pseg.com

**Rate Counsel**

Stefanie A. Brand  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
sbrand@rpa.state.nj.us

**Rate Counsel**

Shelly Massey  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
smassey@rpa.state.nj.us

**BPU**

Megan Lupo  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
megan.lupo@bpu.state.nj.us

**BPU**

Bethany Rocque-Romaine Esq.  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 292-1496  
bethany.rocque-romaine@bpu.state.nj.us

**DAG**

Patricia A. Krogman DAG  
NJ Dept of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Flr.  
P.O. Box 45029  
Newark NJ 07101  
(973) 648-3441  
patricia.krogman@dol.lps.state.nj.us

**PSE&G**

Martin C. Rothfelder Esq.  
PSEG Services Corporation  
80 Park Plaza, T5  
P.O. Box 570  
Newark NJ 07102  
(973) 430-6479  
martin.rothfelder@pseg.com

**Rate Counsel**

Maura Caroselli Esq.  
Division of Rate Counsel  
140 East Front Street  
4th Floor  
Trenton NJ 08625  
mcaroselli@rpa.state.nj.us

**Rate Counsel**

Henry M. Ogden Esq.  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
hogden@rpa.state.nj.us

**BPU**

Jerome May  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 292-3960  
jerome.may@bpu.state.nj.us

**BPU**

Robert Schultheis  
Board of Public Utilities  
44 South Clinton Avenue  
3rd Floor, Suite 314  
P.O. Box 350  
Trenton NJ 08625-0350  
(609) 984-9633  
robert.schultheis@bpu.state.nj.us

**DAG**

Alex Moreau DAG  
NJ Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Flr.  
P.O. Box 45029  
Newark NJ 07101  
(973) 648-3762  
Alex.Moreau@dol.lps.state.nj.us

**PSE&G**

Caitlyn White  
PSEG Services Corporation  
80 Park Plaza, T-8  
Newark New Jersey 07102  
973-430-5659  
Caitlyn.White@pseg.com

**Rate Counsel**

Brian O. Lipman  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
brian.lipman@rpa.state.nj.us

**Rate Counsel**

Felicia Thomas-Friet  
Division of Rate Counsel  
140 East Front Street, 4th Flr.  
P.O. Box 003  
Trenton NJ 08625  
(609) 984-1460  
fthomas@rpa.state.nj.us

04/08/2016

Public Service Electric and Gas Company  
RAC 23  
GR15111294

Page 2 of 2

**Rate Counsel Consultant**

Robert Henkes  
Henkes Consulting  
7 Sunset Road  
Old Greenwich CT 06870  
(203) 698-1989  
rhenkes@optonline.net

2016 APR 11 A 9 16

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

<p><b>In The Matter Of The Petition Of Public Service Electric And Gas Company To Modify Its Manufactured Gas Plant (MGP) Remediation Component Within Its Electric Societal Benefits Charge (SBC) and Its Gas SBC; During The Remediation Adjustment Charge (RAC) 23 Period, August 1, 2014, to July 31, 2015</b></p>	<p><b>OAL DOCKET NO. PUC 18642-15  BPU DOCKET NO. GR15111294</b></p>
--	--

**APPEARANCES:**

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

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

**Alex Moreau and Patricia Krogman**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Robert Lougy, Acting Attorney General of New Jersey)

On November 5, 2015, Public Service Electric and Gas Company (PSE&G, the Company) filed a Petition with the Board of Public Utilities (Board) for an Order finding that PSE&G's Manufactured Gas Plant (MGP) Remediation work, associated with the clean-up of PSE&G's former MGP sites, performed during the Remediation Adjustment Charge (RAC) period August 1, 2014 through July 31, 2015 (RAC 23 period) was prudent, and that the resulting RAC 23 costs are reasonable and appropriate for rate recovery. Upon review of the PSE&G filing, conducting and reviewing responses to

discovery, telephone calls and e-mails, the Staff of the New Jersey Board of Public Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's Petition in this matter seeks authority to establish rates to recover the true up of RAC 22 costs, 1/7 of each of the RAC 17 through RAC 23 expenditures, and the carrying costs on its unamortized remediation program balance. The Company's filing further requested an Order finding that "its RAC activities conducted and Program Costs incurred during the RAC 23 period, August 1, 2014 through July 31, 2015, are reasonable and are appropriate for recovery" and that "such Order find that it is reasonable to increase the existing electric and gas Manufactured Gas Plant Remediation component of the Societal Benefits Charge," historically referred to as the Remediation Adjustment Charge (RAC).
2. The Company incurred gross expenditures of \$61,557,683 in remediation costs during the RAC 23 period. This amount has been reduced by insurance proceeds of \$6,785,000, miscellaneous recoveries of \$648,545, as well as \$10,642 (Interest only) of NRD-related MGP costs, resulting in net expenditures of \$54,113,496 for the RAC 23 period, as illustrated on Attachment A-3, page 1 to the Petition.
3. The PSE&G Petition allocates RAC costs to gas and electric customers on a 60/40 percent basis pursuant to Board directives, and said RAC costs are to be recovered over a rolling seven-year period.
4. Notice of the Company's Petition in this docket, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's electric service territory, and was served on the Clerks of the

municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's electric and gas service territories. In accordance with that notice, public hearings on the Company's requests were held on the following dates at three locations in PSE&G's service territory: two hearings on March 17, 2016 in Hackensack, New Jersey, two hearings on March 22, 2016 in New Brunswick, New Jersey and two hearings on March 24, 2016 in Mt Holly, New Jersey. No members of the public appeared at these hearings.

5. Board Staff and Rate Counsel have propounded discovery requests, to which the Company has responded. Board Staff, Rate Counsel, and the Company have also engaged in discussions regarding the issues in this matter, leading to the development of this Stipulation.
6. The Parties agree that the current gas RAC of \$0.008927/therm, excluding sales and use tax (SUT), should be increased to \$0.009688/therm, excluding SUT (\$0.010366/therm, including SUT). The Parties also agree that the current electric RAC of \$0.000434/kilowatt-hour, excluding line losses and SUT, should be increased to \$0.000472/kilowatt-hour, excluding line losses and SUT (\$0.000505/kilowatt-hour excluding line losses and including SUT).
7. The foregoing rates will allow recovery of 1/7 of the RAC 17 through RAC 23 expenditures. Under these rates, the annual bill for a typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an increase in the annual bill from \$1,243.60 to \$1,243.92, or \$0.32 or approximately 0.03% based upon current Delivery and Basic Generation Service – Residential Small Commercial Pricing (BGS-RSCP) Supply rates in effect on March 1, 2016 and assumes that the customer receives BGS-RSCP service from Public Service. A residential gas heating customer using 100 therms per month during the winter months and 610 therms on an annual basis would see

an increase in the annual bill from \$552.89 to \$553.39, or \$0.50 or approximately 0.09%. Moreover, a typical gas heating customer using 165 therms during a winter month and 1,010 therms on an annual basis would see an increase in their annual bill from \$869.53 to \$870.33, or \$0.80 or approximately 0.09% based upon current Delivery and Basic Gas Supply Service (BGSS-RSG) Supply rates in effect on March 1, 2016 and assumes that the customer receives BGSS-RSG service from Public Service.

8. The Company's MGP Remediation work performed during the RAC 23 period, August 1, 2014 to July 31, 2015, as described in Company witness Richard A. Blackman's testimony (Attachment B to the Company's Petition), was prudent and reasonable. The Company represents that these expenditures and rates agreed to in this Stipulation do not include any incentive compensation costs.
9. The Company represents that it has not retained sale proceeds for any remediation properties during the RAC 23 remediation period and there was one transfer of remediated property during the RAC 23 expenditure period, with such transfer resulting in a credit to the RAC in April 2015 of \$88,204 to be credited to the benefit of the RAC ratepayers.
10. The Company represents that its RAC 23 filing does not include any administrative, legal, consulting, or other costs associated with NRD claims, except for the \$10,642 in interest discussed herein. The Parties further agree that PSE&G will have deferred a total of \$719,324, inclusive of applicable interest, of NRD-related MGP costs through the end of the RAC 23 period. PSE&G agrees to defer the above-indicated NRD-related MGP costs until such future time as the Board specifically addresses the rate recoverability of NRD-related expenditures through the RAC mechanism. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability

under the Company's RAC, of NRD-related costs. The Parties expressly reserve their rights to argue their respective positions on NRD issues in future proceedings, as appropriate.

11. Attached hereto as Exhibit A is Attachment A-2, page 1 of 2 from the Company's filing which reflects the expenditures to be approved for this RAC 23 period and the approved expenditures for RAC 17 through RAC 22.
12. The Company agrees that it will include with its future RAC filings, responses to the minimum filing requirements (MFRs) as set forth in Exhibit B to this Settlement and that in future RAC filings it shall not request any late fees or charges that are associated with legal costs recovered through the RAC.
13. The Parties agree that this Settlement is being entered into exclusively for the purpose of resolving the issues in this matter. The Parties further agree that this Settlement resolves all issues regarding the Company's RAC 23 filing except as specifically provided herein.
14. The Parties agree that this Settlement was negotiated and agreed to in its entirety with each section being mutually dependent on approval of all other sections. Therefore, if the Board modifies any of the terms of this Settlement, each party is given the option, before implementation of any different rate or terms in this case, to accept the change or to resume the proceeding as if no agreement had been reached. If this proceeding is resumed, each party is given the right to return to the position it was in before this Settlement was executed.
15. The Parties agree that the Company's MGP remediation costs will remain subject to audit by the Board. Additionally, the Company periodically conducts audits of these expenses, similar to its other expenses.



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

PUBLIC SERVICE ELECTRIC  
AND GAS COMPANY

ROBERT LOUGY, ACTING ATTORNEY  
GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

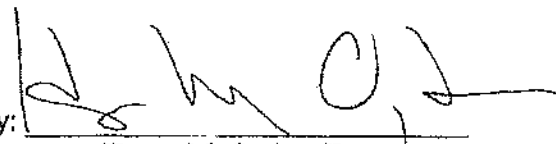
By:   
Martin C. Rothfelder, Esq.

By:   
Patricia Krogman  
Deputy Attorney General

DATED: April 7, 2016

DATED: 4/7/16

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

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

DATED: April 8, 2016

**EXHIBIT A**

**RAC 23 SUMMARY SCHEDULE  
FOR THE ANNUAL RAC PERIOD ENDED JULY 31, 2015**  
\$000

Worksheet Reference	TOTAL	RAC 22	RAC 21	RAC 20	RAC 19	RAC 18	RAC 17	RAC 16
From Prior Year Approved RAC Filings	\$247,024	\$84,993	\$66,829	\$28,779	\$10,773	\$19,038	\$33,554	
From Attachment A-2, pg. 1 (B)	\$64,113	\$64,113						

**COSTS ELIGIBLE FOR AMORTIZATION & RECOVERY OVER 7 YEARS:**

Prior RAC Periods - net - actual approved expenditures - net  
RAC 23 Period - actual expenditures - net

**ANNUAL RECOVERY SUMMARY:**

Annual Amortization of Prior RAC Period Costs (seven years)	\$35,290	\$12,143	\$5,414	\$3,887	\$2,538	\$2,720	\$4,793	
Annual Amortization (seven years)	\$7,730	\$7,730						
RAC 17 through 23 Expenditures for Allocation between Gas & Electric	\$43,020	To Attachment A-2 pg. 2						
Tie up of RAC 22 Expenditures with RAC Recoveries - GAS	(\$1,642)	From Attachment A-2, pg. 2						
Tie up of RAC 22 Expenditures with RAC Recoveries - ELEC	\$2,014	From Attachment A-2, pg. 2						
Cumulative Interest (Carrying Charges) on Gas Deferred Balances Aug-15 to Jun-17 per Dkt. No. ER02080604	\$3,005	From Attachment A-3, pg. 2						
Cumulative Interest (Carrying Charges) on Electric Deferred Balances Aug-15 to Jun-17 per DKT No. ER02080604	\$2,014	From Attachment A-3, pg. 4						
<b>TOTAL - RAC 23 ANNUAL RECOVERY, PERIOD TO DATE</b>	<b>\$48,439</b>							

\* NET represents Net of Insurance Recoveries, Miscellaneous Recoveries and NRCJ\*  
Numbers may not add due to rounding

## **EXHIBIT B**

### PSE&G RAC Minimum Filing Requirements

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

1. The Company currently provides a vendor summary as part of its generic discovery responses to its annual RAC filing. This document provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through July 31 will be submitted with the Company's RAC Petition.
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting work papers, charts and tables.
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding July 31st of the most recent RAC period.

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4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.
6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company will provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing, but need not disclose any insurance company's identity.
7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the

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previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.

8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.
9. Provide schedules and supporting work papers and documents which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.
10. Provide the Company's bid evaluation studies, reports, work papers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.

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12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.
13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including work papers and supporting documentation.
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.
16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.

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17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.
18. The Company shall disclose all internal control deficiencies, significant deficiencies, or material weaknesses that are identified by the Sarbanes Oxley review process or by company internal control procedures that are related to RAC expenditures or cost recoveries during the applicable RAC period under review or the immediate prior RAC period. In addition, the Company will provide identification of remedial steps taken by management to correct such deficiencies, significant deficiencies, or material weaknesses; and the summarization of additions, deletions, or amendments to the company's Site Remediation Project Directives during the applicable RAC period under review. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards.
19. All legal bills sought to be paid by ratepayers. Said bills shall include the descriptions provided with such bills. The Company may seek confidential treatment of materials prior to submitting the portion of such materials it considers confidential under applicable standards. Material in legal bills that are legally

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privileged may be excluded from the filing, which parties may seek under the applicable standard for any claimed privilege.