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PSEG
Services Corporation

December 29, 2023

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Increase in Electric and Gas
Rates and for Changes in the Tariffs for
Electric and Gas Service, B.P.U.N.J. No. 17
Electric and B.P.U.N.J. No. 17 Gas,
and for Changes in Depreciation Rates,
Pursuant to *N.J.S.A.* 48:2-18,
N.J.S.A. 48:2-21 and *N.J.S.A.* 48:2-21.1, and
for Other Appropriate Relief

BPU Docket Nos. _____________

VIA BPU E-FILING SYSTEM & ELECTRONIC MAIL
Sherri Golden, Secretary
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Golden:

Enclosed for filing with the Board of Public Utilities ("Board" or "BPU") is the Verified Petition (Exhibit P-1) of Public Service Electric and Gas Company ("PSE&G," "Public Service," the "Company," or "Petitioner") in the above-entitled matter.

This is PSE&G's first comprehensive electric and gas base rate case in nearly six years, and is filed on schedule pursuant to prior orders of the BPU requiring PSE&G to file a base rate case before January 1, 2024. A main component of this case is the recovery of over $3 billion in capital investments made to strengthen and modernize the state's electric and gas infrastructure since PSE&G's base rates were last set in 2018. Those investments include:

- gas main replacements that reduce carbon emissions;
- electric life cycle replacements that improve reliability;
- Advanced Metering Infrastructure (AMI) that provides more customer insight into the electric bill and greater opportunity to save money; and
- electric vehicle ("EV") infrastructure programs to ease a customer's transition to EV use.

PSE&G is proud of its success in keeping its customers' bills affordable. Over the past 15 years, the affordability of PSE&G bills has improved by approximately 40%, as household income increased materially more than our electric and gas rates. A PSE&G combined electric and gas bill currently comprises less than 3% of New Jersey household income for median-income customers, and less than 2% of household income for low-income customers who take advantage of available payment support programs. With this filing, the percentage of household income will remain at about 3% for median-income and about 2% for low-income customers who take advantage of payment support programs.

While maintaining this level of affordability, PSE&G consistently receives accolades for its performance and customer service. Last month, PSE&G was awarded the 2023 ReliabilityOne® Award for Outstanding Metropolitan Service Area Reliability Performance in the Mid-Atlantic Region—for the 22nd consecutive year—and the national 2023 ReliabilityOne® Outstanding Customer Engagement Award. In 2022, J.D. Power named PSE&G number one in customer satisfaction for both Residential Electric and Natural Gas Service in the East among Large Utilities. In 2023, J.D. Power named PSE&G number one in customer satisfaction for both Residential Electric and Business Electric Service in the East among Large Utilities.

In addition to PSE&G's request to recover its traditional utility investments to modernize and improve the electric and gas systems, this filing also proposes programs that will provide customers with increased options that allow them to use electricity how and when they want to. PSE&G is proposing a new time-of-use rate that will allow customers to save on their bills by shifting usage to off-peak periods. This rate option provides benefits to all customers, including by encouraging residential customers to charge their electric vehicles during off-peak periods.

PSE&G also proposes several mechanisms that will mitigate the impacts of market volatility on customers, so that bills do not fluctuate for reasons beyond customers' or PSE&G's control. Those proposals include insulating customer rates from swings in interest rates, pension earnings, and the cost of severe weather events, providing a more predictable monthly bill.

Attached in support of the Company's petition are the Direct Testimonies of the following witnesses:

Exhibit	**Witness**	**Area of Responsibility**
Exhibit P-2	Michael McFadden, Director, Sales and Revenue Forecasting	Overall financial policy and revenue requirements
Exhibit P-3	Panel Testimony -- Michael Schmid, Vice President, Asset Management and Planning and Ricardo G. Fonseca, Senior Director, Utility Finance	Electric and gas operations, capital expenditures, and electric and gas distribution-related O&M expense
Exhibit P-4	Clifford Pardo, Vice President – Tax PSEG Services Company	Tax expense, accumulated deferred income tax and tax benefit flow-back; Consolidated Tax Adjustment
Exhibit P-5	Ann E. Bulkley, The Brattle Group	Return on equity, capital structure, financial environment

Exhibit P-6	Michael Adams, Concentric Energy Advisors	Benchmarking of PSE&G's financial and operational performance
Exhibit P-7	John J. Spanos, Gannett Fleming	Depreciation
Exhibit P-8	Michael Adams, Concentric Energy Advisors	Lead/lag study, cash working capital
Exhibit P-9E, Exhibit P-9G	Stephen Swetz, Senior Director – Rate and Regulation, PSE&G	Cost of service, rate design, and tariff submissions
Exhibit P-10	Ahmad Faruqui, Principal Emeritus, The Brattle Group	Time-of-Use Rates
Exhibit P-11	Karen Reif, Vice President Renewables & Energy Solutions	CEF-EV implementation
Exhibit P-12	David Johnson, Vice President Customer Care and Chief Customer Officer	Advanced Metering Infrastructure, CEF-EC implementation

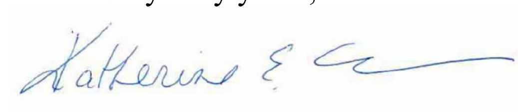
In his testimony concerning consolidated taxes (Exhibit P-4), Mr. Pardo refers to certain tax data that contain confidential financial information. This material will be furnished upon execution of a Confidentiality Agreement between the Company, BPU Staff, and the Division of Rate Counsel ("Rate Counsel") and its consultants. A Confidentiality Agreement in a form recently used by the BPU and Rate Counsel is attached hereto for review and execution.

PSE&G requests that the Board address the issues in this proceeding in as thorough and efficient a manner as possible. PSE&G is confident that its filing and the Board's review will support the fact that the Company's requested rate relief is essential to maintaining the necessary electric and gas distribution infrastructure and services required to serve our customers in a safe, adequate, proper and reliable manner.

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

Please be assured that the Company will work diligently with all parties to the proceeding to help bring this matter to closure in as timely and equitable a manner as is possible. We request that the Board, at its earliest convenience, establish a procedural schedule and/or transfer this proceeding to the Office of Administrative Law so as to render a final decision before the proposed rate effective date of January 29, 2024.

Very truly yours,



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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF AN INCREASE IN ELECTRIC AND GAS RATES AND FOR CHANGES IN THE TARIFFS FOR ELECTRIC AND GAS SERVICE, B.P.U.N.J. NO. 17 ELECTRIC AND B.P.U.N.J. NO. 17 GAS, AND FOR CHANGES IN DEPRECIATION RATES, PURSUANT TO *N.J.S.A. 48:2-18*, *N.J.S.A.* 48:2-21 AND *N.J.S.A.* 48:2-21.1, AND FOR OTHER APPROPRIATE RELIEF	)))))))))))	 PETITION BPU DOCKET NOS. ___________

Public Service Electric and Gas Company ("PSE&G," "Public Service," the "Company," or "Petitioner"), a corporation of the State of New Jersey that is subject to the jurisdiction of the Board of Public Utilities ("Board" or "BPU") and that has its principal offices at 80 Park Plaza, Newark, New Jersey, 07102, hereby petitions this Honorable Board for authority pursuant to *N.J.S.A.* 48:2-18, *N.J.S.A.* 48:2-21, *N.J.S.A.* 48:2-21.1, *N.J.A.C.* 14:1-5.7, and *N.J.A.C.* 14:1-5.12 to increase its tariff rates and charges for electric and gas service, to change its depreciation rates, and to implement certain other tariff revisions. In support of this Petition, PSE&G states as follows:

I. PETITIONER

1. Petitioner is engaged in the distribution of electricity and the provision of electric Basic Generation Service ("BGS"), and is engaged in the distribution of gas and the provision of Basic Gas Supply Service ("BGSS"), for residential, commercial, and industrial purposes within the State of New Jersey. PSE&G provides service to approximately 2.3 million electric and 1.9 million gas customers in an area having a population of approximately

6.5 million persons, and that extends from the Hudson River opposite New York City, southwest to the Delaware River at Trenton and south to Camden, New Jersey. Petitioner is subject to the Board's jurisdiction for the purposes of setting its retail distribution rates and to assure safe, adequate, and proper electric distribution and natural gas distribution service pursuant to *N.J.S.A.* 48:2-21, *et. seq*. and *N.J.S.A.* 48:2-23.

II. THE CONTEXT OF THIS PETITION

2. This filing is being made, in part, to comply with the BPU's May 22, 2018 Order approving the second phase of PSE&G's Gas System Modernization Program ("GSMP II").[1] The GSMP II Order required the filing of a base rate case by no later than January 1, 2024.[2] In addition, the Board's approval of the Company's filing for a second Energy Strong program ("Energy Strong II") also required the Company to file a base rate case no later than December 31, 2023.[3] PSE&G submits this filing in compliance with those Orders.

3. PSE&G seeks approval to increase annual revenue requirements for both its electric and gas operations. The increase primarily is driven by:

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[1] *I/M/O the Petition of Public Service Electric and Gas Co. for Approval of the Next Phase of the Gas System Modernization Program and Associated Cost Recovery Mechanism ("GSMP II")*, BPU Docket No. GR17070776, "Decision and Order Approving Stipulation" (May 22, 2018) ("GSMP II Order").

[2] An identical requirement is present in the following Board orders: *I/M/O the Petition of Public Service Electric and Gas Co. for Approval of its Clean Energy Future – Energy Cloud ("CEF-EC") Program on a Regulated Basis*, BPU Docket No. EO18101115, Decision and Order Approving Stipulation (January 7, 2021) ("CEF-EC Order"); and *I/M/O the Petition of Public Service Gas and Electric Co. for Approval of its Clean Energy Future – Electric Vehicle and Energy Storage ("CEF-EVES") Program on a Regulated Basis*, BPU Docket No. EO18101111, Decision and Order Approving Stipulation (January 27, 2021) ("CEF-EV Order").

[3] *I/M/O the Petition of Public Service Electric and Gas Co. for Approval of the Second Energy Strong Program* ("Energy Strong II"), BPU Docket Nos. EO18060629 and GO18060630, "Final Decision and Order Approving Stipulation" (September 11, 2019) ("Energy Strong II Order").

- Board-approved and traditional utility investments to modernize the electric and gas system, maintain and improve reliability and customer satisfaction, and reduce carbon emissions; and
- Deferred costs related to major storm events.

PSE&G's customers have recognized the value of these investments and expenditures and of PSE&G's prudent operating practices, as shown in the Company's reliability results and customer satisfaction ratings from J.D. Power.[4]

4. In this filing PSE&G also seeks:

(a) a prudency determination and final rate recovery on the following programs:

i. NJ Transit Mason Substation ("Mason" or "Mason Station");[5]

ii. GSMP II;

iii. Energy Strong II; and

iv. Clean Energy Future – Energy Cloud ("CEF-EC").

(b) a prudency determination and recovery of investments and expenditures associated with the Company's Clean Energy Future – Electric Vehicles program ("CEF-EV") investments that are in-service;[6]

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[4] *See* Direct Testimony of Michael J. Adams, submitted herewith, at 30-32 and associated Schedules (demonstrating PSE&G's consistently high, generally first-quartile J.D. Power scores over the past ten years).

[5] *See I/M/O the Petition of Public Service Electric and Gas Company for Approval of the Construction of the Mason Substation Damaged During Superstorm Sandy*, BPU Docket No. EO16080788, Decision and Order Approving Stipulation (November 21, 2017).

[6] *See* CEF-EV Order.

(c) recovery of the investments in the Energy Strong II, GSMP II, and Infrastructure Advancement Program ("IAP") programs that are not subject to interim recovery (referred to as "Stipulated Base").[7]

For the Mason Station, CEF-EC, and CEF-EV programs, there was no interim recovery approved prior to this petition and recovery for all in-service expenditures will commence from this rate case proceeding. The CEF-EV and IAP programs will continue to have investment beyond the end of this proceeding that will require final prudency determination on all expenditures in a subsequent rate case.

5. PSE&G's most recent electric and gas distribution base rate case was resolved in October 2018.[8] Since that time, PSE&G has provided excellent service at reasonable rates, while making significant, long-lived investment in the system. During this time, PSE&G has been able to control costs and maximize the value of its prior investments. As a result, the distribution component of a residential electric customer bill for a typical customer has increased at a rate that is below the rate of inflation, well below the statewide average for PSE&G's peers.

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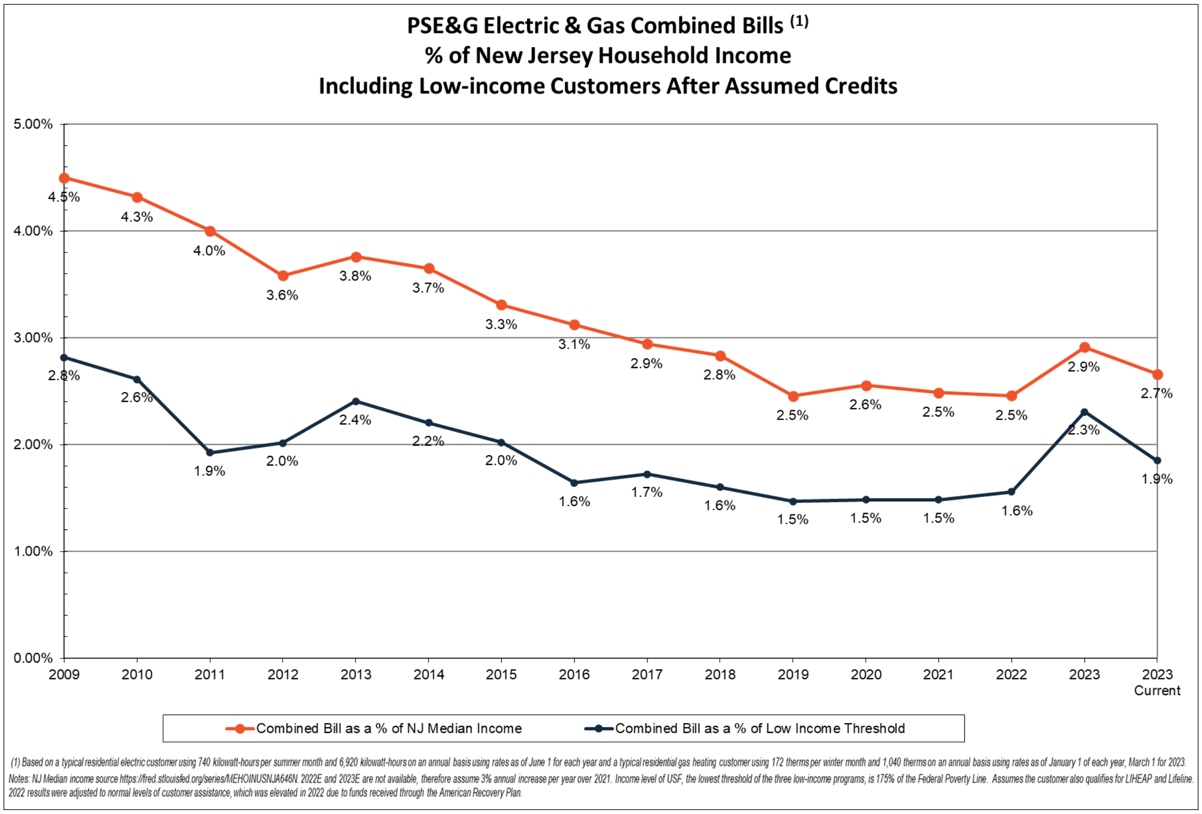
[7] *See I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP)*, BPU Docket Nos. EO21111211 and GO21111212, Decision and Order Approving Stipulation ("IAP Order") (June 29, 2022).

[8] *I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in Tariffs for Electric and Gas Service, B.P.U.N.J. No. 16 Electric and B.P.U.N.J. No. 16 Gas, and for Changes in Depreciation Rates, Pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Other Appropriate Relief*, BPU Docket Nos. ER18010029 & GR18010030; *I/M/O the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*; BPU Docket No. AX18010001; *I/M/O Public Service Electric and Gas Company for Approval of Revised Rates (Effective on an Interim Basis April 1, 2018) to Reflect the Reduction Under the Tax Cuts and Jobs Act of 2017*, BPU Docket No. ER18030231, Decision and Order Adopting Initial Decision and Stipulation (October 29, 2018).

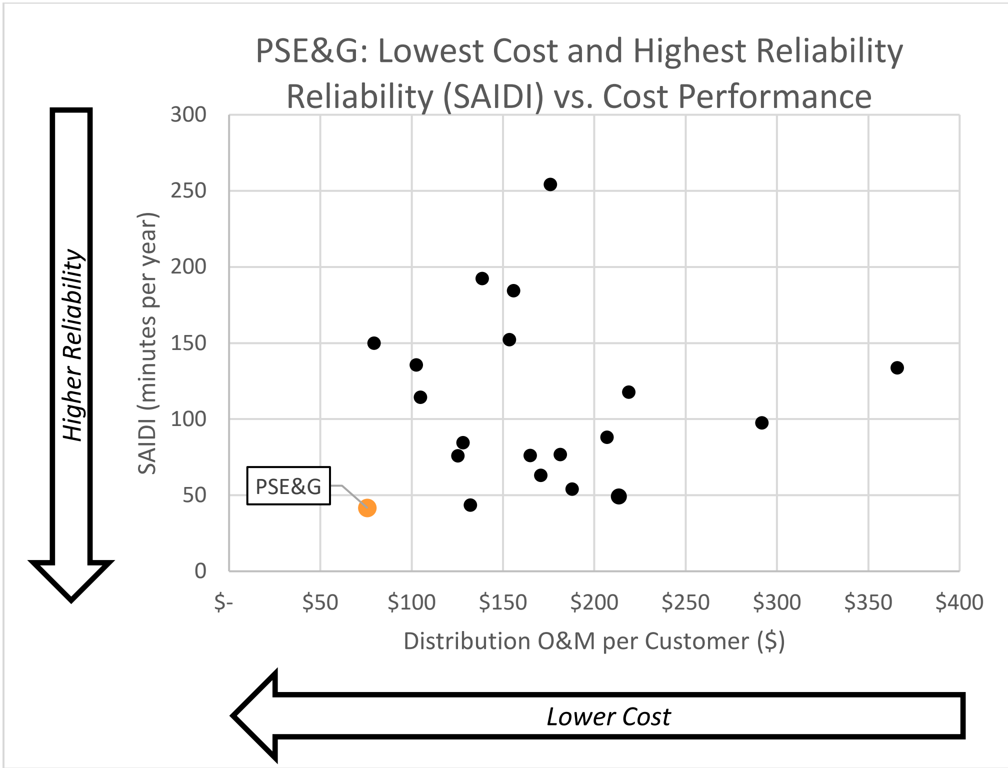
6. Similarly, the distribution component of a residential gas customer bill has increased since the previous base rate case, primarily as the result of GSMP II rate adjustments for work that provides both reliability and carbon emissions benefits. Despite the considerable investment to modernize the gas system, the percentage increase since PSE&G's most recent base rate case is less than half of the statewide average percentage increase for gas bills in that time period. Again, PSE&G's gas distribution rates are considerably less than the New Jersey average because the Company has been able to control costs and maximize the value of its prior investments.

7. In fact, the relative cost of PSE&G's services to a typical combined (*i.e.*, electric and gas) residential customer has dropped significantly since 2009. The chart below tracks the bill as a percentage of income for a typical combined residential customer relative to the State's median income (in the orange line), and the bill as a percentage of income for low-income customers (in the blue line):



For the average residential customer, the cost of service is less than 3% of median income - - far lower than in 2009. For low-income residents, the cost of the bill after receiving available grants, relative to an income threshold of 60% of State median income (the level at which a customer is eligible for these grants), is currently less than 2% today. So, even with the rate increase proposed herein, the cost of electricity and gas for all PSE&G customers, including low-income customers, remains a very small portion of overall income.

8. Even at these relatively low customer costs, PSE&G remains the most reliable electric utility among its peers, as demonstrated here:



III. PRIMARY DRIVERS OF THIS RATE REQUEST

9. As a result of the Company's execution of a very successful strategy of cost mitigation and expense control, PSE&G has operated for more than five years since its last request for a base rate increase. Since then, despite the Company's successful execution of cost mitigation and expense control strategies, a number of significant factors have driven the Company's financial results well below its authorized rate of return. These factors impact the rate increase sought in this filing, and are summarized below.

10. The Company has invested a substantial amount of capital to maintain, upgrade, and harden its system, incurring significant operating costs that are not reflected in rates. The key drivers of this rate request include recovery of Board-approved capital investments and deferrals, and resets of Board-approved cost recovery clauses such as

stipulated base program and deferred recovery on investments for Energy Strong II, GSMP II, IAP, the CEF-EC program for installation of advanced meter infrastructure or "AMI," the CEF-EV Program, and the Mason Station project, along with other significant capital expenditures.

11. Gross plant approved in PSE&G's last electric distribution base rate case has increased by approximately $2.6 billion through October 31, 2023, with an additional $1.1 billion of investment planned through November 30, 2024, inclusive of all accelerated infrastructure investments. The Petitioner's current electric rates do not reflect an adequate return on the Company's invested capital dedicated to the service of the Company's electric customers. This capital investment far exceeds the amount the Company is recovering in depreciation expense in current rates and increases the Company's rate base and the depreciation expense needed to recover this investment. PSE&G is seeking recovery of and on all prudent investment in this proceeding.

12. Similarly, gross plant approved in PSE&G's last gas distribution base rate case has increased by approximately $3.8 billion through October 31, 2023, with an additional $1.1 billion of investment planned through November 30, 2024, inclusive of all accelerated infrastructure investments. The Petitioner's current gas rates do not reflect an adequate return on the Company's invested capital dedicated to the service of the Company's gas customers. This capital investment far exceeds the amount the Company is recovering in depreciation expense in current rates and increases the Company's rate base and the depreciation expense needed to recover this investment. PSE&G is seeking recovery of and on all prudent investment in this proceeding.

13. Additionally, PSE&G's working capital needs have increased. The primary driver is an increase in the Company's cash working capital needs, as since the last base rate case, PSE&G has seen a significant increase in the collection lag from customers. The Company has also seen increased materials and supplies needs, because of preparation for planned increases for system maintenance and capital work, and in response to supply chain constraints that have led the Company to diversify suppliers and revamp material forecasting models.

14. Other drivers of the rate increase sought in this filing include the following: the insufficiency of the Company's current depreciation rates, including cost of removal; New Business investment with flat sales, as compared with sales at the time of the Company's prior base rate case in 2018; and PSE&G's unrecovered incremental storm costs of approximately $109 million.

15. PSE&G has taken steps to mitigate rate increases, including steps taken to control costs, including wages and pension costs. The Company also continues to provide customer benefits through PSE&G's Appliance Service Business. In addition, this filing includes a proposal to increase the flow-back of certain tax benefits to customers, which also mitigates the rate increase requested in this filing.

16. PSE&G has made substantial capital improvements to its electric and gas distribution infrastructure, with stable, competitive rates, while preserving operational performance.

17. In fact, PSE&G has received numerous awards related to both its electric and gas distribution reliability and performance since its last rate case. PSE&G has been named

the most reliable utility in the Mid-Atlantic region/service area every year since 2002 by the PA Consulting Group. In 2022, PSE&G also achieved a first-place ranking from J.D. Power in the East among large utilities for both gas and electric utility residential customer satisfaction studies. PSE&G has also received additional awards, including recognition from both the Edison Electric Institute ("EEI") and the American Gas Association ("AGA"), which are detailed in the panel testimony of Company witnesses Mr. Michael A. Schmid and Mr. Ricardo G. Fonseca.

18. PSE&G achieves this performance while still maintaining a stellar safety record. According to the most recent results, PSE&G ranks in the top quartile in the Occupational Safety and Health Administration ("OSHA") measure for "Recordable Incidence Rate," and in the top decile for OSHA's "Days Away Rate." PSE&G also ranks in the top quartile of "Damages Per 1,000 Locate Requests," which calculates the number of overall damages to gas and electric facilities per 1,000 locate or "mark out" requests, demonstrating how PSE&G's safety culture benefits all individuals who live and/or work in PSE&G's service territory. More detail is provided in the panel testimony of Mr. Schmid and Mr. Fonseca.

19. This Petition, along with its supporting testimony and schedules, establishes that the proposed rates for electric and gas service are necessary to provide sufficient operating revenues to meet operating expenses, taxes and fixed charges, maintain its financial viability, and provide a reasonable rate of return on Petitioner's investment in its electric and gas property.

20. Petitioner's requests should be approved to maintain PSE&G's credit-worthiness at a level sufficient to cost-effectively raise capital to enable the provision of safe, adequate, proper and reliable service to its electric and gas customers.

IV. PETITIONER'S PROPOSAL IN THIS CASE

21. Petitioner requests the approval of electric and gas rates based upon the test year ending May 31, 2024, as adjusted for known and measurable costs with respect to rate base, Operations and Maintenance ("O&M") expenses, revenues, and capital structure. The table below illustrates the breakdown of the net rate increase sought in this proceeding. Beyond the proposed base rate increase, the Company also seeks: (1) recovery of storm costs through a new clause component rather than through base rates, (2) recovery of gas bad debt expense through a new component of the Societal Benefits Charge ("SBC") rather than through base rates, and (3) an adjustment to flow-back certain tax benefits to customers through the Tax Adjustment Credit ("TAC").

Table 1

Rate Case Net Impact to Customers

Overall Total Revenue Impact ($M)	**Electric**	**Gas**	**Total**
Base Rates	$522	$423	$945
Tax Adjustment Credit ("TAC")	-$98	-$102	-$200
Storm Recovery Mechanism	$38	$1	$39
Gas Bad Debt in SBC	$0	$42	$42
Net Total Revenue Impact $	$462	$364	$826
Net Total Bill Impact %	8%	11%	9%

22. The proposed Tariff for Electric Service (Schedule 1, supported by the testimony of Mr. Stephen Swetz), is designed to produce approximately $462 million in additional operating revenue on an annual basis, resulting in a total bill increase of

approximately 8% for all electric distribution customers.[9] The actual percentage increase applicable to specific customers will vary according to the applicable rate schedule.

23. The proposed Tariff for Gas Service (Schedule 3, also supported by Mr. Swetz), is designed to produce approximately $364 million in additional operating revenue on an annual basis, resulting in a total bill increase of approximately 11% for all gas distribution customers. The actual percentage increase applicable to specific gas customers will vary according to the applicable rate schedule.

24. The Company proposes to shape the TAC amortization to decline over an approximately five-year period to avoid a significant impact to customers after the final year of the amortization. These annual impacts are discussed in detail in the testimony of Mr. Swetz.

25. Petitioner proposes that the tariffs proposed in this filing go into effect no later than January 29, 2024, a date more than 30 days from the date of this filing.

V. COST CONTAINMENT AND OTHER MITIGATION TECHNIQUES, INCLUDING THE CONTINUING TAC BENEFIT AND OPERATIONS, PENSION, AND BENEFITS COST CONTROL

26. The Company has taken a number of steps to mitigate the proposed rate increases. First, the Company is proposing to flow back to customers significant tax benefits to replace expiration of the unprotected Excess Deferred Income Taxes ("EDIT") refunded to customers through the TAC as a result of the 2018 base rate case. Second, the Company has contained the growth of distribution-related O&M expenses, including electric and gas

[9] Schedules 1 and 2 to this Petition, listed below with all other Schedules, consist respectively of PSE&G's proposed electric tariff and a red-lined comparison of the proposed versus the present tariff. Schedules 3 and 4 are comparable tariff submissions for PSE&G's gas distribution service.

distribution operating costs, while reducing certain administrative and general ("A&G") costs, including pension and benefits. Third, PSE&G's cost of debt is relatively flat compared to the last rate case despite the significant recent increase in interest rates. Finally, the Company's Appliance Service Business has grown its net margins (revenues less expenses), which reduces the revenue request in this proceeding. These efforts have enabled the Company to reduce the rate request that it otherwise would have made, and each is described below.

Flow-Back of Tax Benefits Through the TAC

27. As detailed in the testimonies of PSE&G witnesses Mr. Michael McFadden, Mr. Clifford Pardo, and Mr. Swetz, the TAC is a mechanism approved in PSE&G's 2018 base rate case to refund certain tax benefits to customers. Mr. Pardo describes the various elements of the total available tax benefits that have been and are being passed back to customers. In this proceeding, PSE&G also proposes to flow back to customers benefits associated with tax deductions for what is referred to as Mixed Service costs, which are not subject to IRS normalization rules, resulting in a significant benefit to customers.

28. PSE&G also proposes changes to the TAC that will provide greater consistency in the flow-back to avoid rate swings as well as potentially mitigate future increases to customers when the amortization is complete and adjust the allocation of the TAC among customer classes so that for gas customers, all of the refund is attributed to firm customers. These changes are summarized in the testimony of Mr. McFadden; details on the TAC components are provided in the testimony of Mr. Pardo; and details on the calculation of the TAC, proposed rates, and bill impacts are provided in the testimony of Mr. Swetz.

Electric and Gas Distribution Operating Costs

29. PSE&G's successes in controlling its operating costs have mitigated the customer impacts of this base rate request. These cost control efforts have helped to offset increases in distribution-related O&M costs due to inflation, including cost increases to satisfy regulatory requirements, and other cost increases since the Company's last rate case. In this proceeding PSE&G provides examples of how the Company seeks to manage these costs while obtaining strong operating results. PSE&G will provide details on cost containment in the area of wages, for example, where the Company has controlled distribution-related O&M growth by regularly assessing its compensation levels to keep them competitive with the market while providing appropriate incentives to employees to focus on key operational metrics and critical business initiatives. This filing also discusses the Company's Voluntary Exit Incentive Program ("VEIP"), initiated in 2022 for non-represented employees, which is resulting in significant savings.

Pension and Benefits Costs

30. PSE&G's success in controlling pension costs is noteworthy as it has translated into a proposed revenue requirement reduction for Pension and Other Post-Employment Benefits ("P&OPEB") income of approximately $9 million. In this proceeding PSE&G will detail the steps it has taken to control pension costs. For example, this filing details how effective management of the returns on PSE&G's pension funds has lowered expenses, with annualized long-term returns that exceed the industry median. Additional steps taken to reduce the costs of the plan over prior decades include transitioning from a Final Average Pay Plan

("FAPP") to a cash balance pension plan and modifying the FAPP to consider the last seven years instead of the last five years for benefit purposes, materially reducing pension costs.

31. As a result of effective management, as well as present market conditions and other factors, P&OPEB is *reducing* the Company's request in this proceeding by approximately $9 million. In this proceeding PSE&G will explain why, considering the nature of this income, it would be appropriate to include the net pension asset as a component of working capital, as the Company does not have access to the cash associated with this income. If a working capital adjustment is not allowed, the pension income should be set to zero.

32. Finally, the Company is proposing that any difference between the P&OPEB income amount credited to customers in this proceeding and actual results for the utility be deferred for recovery or refund in a future rate case proceeding. Due to the size of PSE&G's pension asset, the Company's annual pension income is subject to meaningful volatility due to changes in the markets. In February 2023, the BPU approved a change in the Company's pension accounting that allowed for a five-year smoothing of the actuarial gains/(losses) associated with pension asset performance, which reduced the Company's pension expense in 2023 and 2024, lowering the Company's revenue request in this proceeding. The Pension Smoothing Order does help reduce volatility, but significant volatility in annual pension costs remains. The proposed mechanism would protect customers and the Company from significant swings in the pension income from short-term market fluctuations.

Appliance Service Business

33. PSE&G is the only utility in the State that continues to have an Appliance Service Business ("ASB") within the utility. Much of the pre-tax earnings of this business are

captured in the revenue requirement-setting process of each PSE&G base rate case, including this one. The Company is proposing in this proceeding to equalize retention of the gas ASB margins in the same manner as allowed for an electric utility under the New Jersey Administrative Code, as well as the sharing methodology for gains and losses on sales of land. Even with the Company's proposal, ASB would represent a significant benefit to electric and gas customers of approximately $46 million of margin (revenue less expenses) that will offset PSE&G's revenue requirement and is comparable to the margin returned to customers in the last base rate case.

<u>Interest Cost Containment</u>

34. Despite headwinds due to the inflationary environment, the Company has maintained the embedded cost of debt relatively comparable to the substantially reduced level set in the 2018 rate case. This result is primarily due to issuing long-dated debt during the historically low interest rate environment experienced over the past decade, strong PSE&G credit ratings, and solid execution of PSE&G's financing plan. Despite the Company's best efforts to contain the embedded cost of debt, the outlook for interest rates is expected to be higher for some time – and certainly during the first year when rates set in this case will go into effect – due to a variety of market factors. As a result, the Company is proposing an interest rate adjustment mechanism to defer the impact of changes in the Company's actual embedded cost of debt on the debt portion of its approved rate base in this proceeding as described in the testimony of Mr. McFadden.

VI. CAPITAL STRUCTURE AND THE COST OF CAPITAL

35. PSE&G proposes that the Company's overall Return on Equity ("ROE") should be set at 10.4%, reflecting current market and business conditions, PSE&G's consistently top level operating performance. The basis for this request is outlined in Mr. McFadden's testimony, and detailed support is provided in the testimony of Ms. Ann Bulkley of The Brattle Group and Mr. Michael Adams of Concentric Energy Advisors, Inc. PSE&G proposes to apply its ROE to a capital structure reflecting a common equity component of 55.5%, to realize targeted credit statistics and maintain a strong investment grade rating. While PSE&G was approved at a 54% common equity percentage in its 2018 base rate case, it has been maintaining a common equity percentage above 55% in recent years to support its credit rating. PSE&G is seeking an overall rate of return of 7.55% that is derived from a capital structure composed of 55.5% equity, 44.29% long-term debt, and 0.21% customer deposits. The embedded cost rate for the Company's long-term debt is estimated to be 4.02% by the end of the test year. Customer deposits are accumulated at a rate of 1.40% as of January 1, 2023. The proposed ROE is 10.4%, as discussed in Ms. Bulkley's testimony, and is also supported by Mr. Adams's testimony benchmarking PSE&G's performance across numerous metrics with that of its peers nationally as well as in New Jersey.

36. Ms. Bulkley considers numerous factors to support her conclusion. Ms. Bulkley observes that as the yields rise on risk-free investments - - such as U.S. Treasury bonds - - utility stocks can become less desirable as the premium needed to take on the additional risk declines, supporting an increase in utility ROE. Additionally, the Federal Funds

Rate and inflation rate are higher than during the Company's last base rate case, indicating more risk to investors, who will demand higher equity returns.

37. In addition to Ms. Bulkley's model-based testimony, Mr. McFadden testifies that clear state policy, supported by numerous legal requirements, dictates a significant expansion of electric vehicle adoption, increasing solar targets, and expanded electrification, and those same policy discussions have raised significant questions about the future of the natural gas business. PSE&G supports the State's goals, and they can present opportunities for growth for the Company. However, it also represents uncertainty and risk to investors. Electric business growth opportunities will involve significant capital investment to ensure the reliability of the distribution system as customers depend on it more than ever. The capital requirements of this transition, along with the uncertainties impacting PSE&G's businesses, particularly in the current inflationary and higher interest rate environment, strongly suggest that the electric and gas businesses are subject to meaningfully higher risk during the on-going energy transition than they were when PSE&G's cost of equity was established in 2018.

38. The Company's capital structure request also is supported by PSE&G's history of sound financial management and strong credit metrics, as described in the testimony of Mr. McFadden.

VII. PENSION COST RECOVERY

39. The Company's annual pension income is subject to meaningful volatility due to changes in the markets, which has a material impact on rates due to the size of PSE&G's pension asset. In February 2023 the Board authorized PSE&G to modify its pension accounting practices in a manner that would reduce the volatility of only one component of

the Company's annual pension expenses impacted by market fluctuations.[10] However, market volatility can still significantly impact other pension cost components including the expected return on assets component.

40. PSE&G is proposing that any volatility in the P&OPEB income (or expense) above or below the amount set for recovery in this proceeding be deferred for recovery or refund in a subsequent rate case proceeding.

41. The proposal would defer any variances between the required actuarial expense/income recorded on the FERC income statements and the amount refunded to customers as a result of this proceeding. This would ensure neither the customers nor the Company would win or lose based on market fluctuations outside of the amount refunded to customers in this case.

VIII. APPLIANCE SERVICE BUSINESS

42. PSE&G is the only utility in the State that continues to have an appliance service business ("ASB") within the utility structure. The margins produced by the ASB are used directly for the benefit of PSE&G's customers, reducing their cost of service. As a result of this structure, the majority of pre-tax margins of this business have been captured in the revenue requirement-setting process of PSE&G's base rate cases.

43. In addition to these direct, annual financial benefits through ratemaking, maintaining ASB in the utility also enables operational benefits to the utility, benefiting

[10] *I/M/O Public Service Electric and Gas Company's Request for an Accounting Order Authorizing the Company to Modify Its Pension Accounting for Ratemaking Purposes*, BPU Docket No. ER22090549, Decision and Order Approving Stipulation (February 17, 2023). The only component of pension expense addressed in that Order was the amortization of net gains and losses.

customers. Appliance service technicians are skilled labor that also perform emergency response duties as well as meter services, such as meter installations and replacements, and turn-on and shutoff services. If not for ASB, PSE&G would need to hire additional personnel to be available for emergency response that would not have work during non-peak periods, which would result in a material increase in costs to customers.

44. Notwithstanding these benefits, continuation of ASB presents business challenges, including declining numbers of customers purchasing Contract services, which is a significant element of ASB's business. The business also faces challenges in the supply chain, leading to cost increases and part shortages. Price increases can be a short-term fix but over the longer term, continual increases will hasten the decline in the number of customers, and they take at least a year to implement once contracts expire, creating more risk to retaining the current margin.

45. These issues are amplified by the practice, followed for ratemaking purposes pursuant to *N.J.A.C.* 14:4-3.6(r), which has 50% of Electric margins and 100% of Gas margins in the test year returned to customers. PSE&G is proposing to retain 50% of the total net margins from the provision of ASB services to its gas customers in the same manner as allowed for its electric customers. The basis for and benefits of this approach are detailed in Mr. McFadden's testimony.

46. PSE&G is proud of its ASB business, its skilled workforce, and the value that it generates for customers, through the financial benefits summarized above and detailed by Mr. McFadden, and through the important services and efficiencies it provides as discussed in the panel testimony of Mr. Schmid and Mr. Fonseca. However, if there is more risk than

reward potential associated with this business, as the Company believes there is under the existing, inequitable margin-sharing arrangement between electric and gas, PSE&G will consider restructuring or discontinuing this business in its current form.

IX. GAS BAD DEBT EXPENSE RECOVERY THROUGH THE SOCIETAL BENEFITS CHARGE ("SBC")

47. As PSE&G previously proposed in the COVID-19 proceeding,[11] PSE&G reiterates here its proposal to recover gas bad debt expenses through a new Social Programs component of the SBC, consistent with the recovery of electric bad debt expense.

48. Gas uncollectible expenses are currently recovered in base rates, and there is no true-up between the actual gas bad debt expense incurred and the recovery through base rates (and the TAC). It would be more appropriate for PSE&G to recover gas bad debt expenses through the SBC, as is done for the electric business. Recovery of gas bad debt expense through the SBC will ensure recovery of an accurate amount, with neither the Company nor its customers subject to under- or over-recovery or charge. This approach, which has worked well for electric bad debt for decades, also provides for periodic prudence review of the utility's bad debt cost.

[11] *I/M/O the New Jersey Board of Public Utilities Response to the COVID-19 Pandemic*, BPU Docket No. AO20060471, PSE&G filing titled *I/M/O the Petition of Public Service Electric and Gas Company for Approval of Incremental COVID-19 Costs for Recovery Through a New Special-Purpose Clause, and for Authorization to Recover Uncollectible Costs for Gas Through the Societal Benefits Charge* (filed July 17, 2023). This issue remains pending in the COVID-19 proceeding docket.

X. STORM COST RECOVERY – DEFERRED ACCOUNTING, ADJUSTMENT FOR EXPIRING AMORTIZATION, AND PROPOSED STORM COST RECOVERY MECHANISM

49. PSE&G has incurred significant incremental O&M expense for preparation and/or restoration efforts associated with five major storm events from July 2018 through the date of this filing. As it has done since 2010, the Company defers these costs for future recovery in a manner to be determined by the BPU. Following a *pro forma* adjustment to test year expense in PSE&G's 2018 base rate case, there is no base rate recovery of incremental O&M for post 2018 major storm events in the Company's current base rates.

50. In this case PSE&G proposes to continue the use of deferred accounting for incremental Major Storm Event costs, which ensures that customers will pay no more and no less than the Company's actual costs associated with events that are beyond the Company's control and impossible to predict. The Company should not profit from the absence of Major Storm Events, nor should it be penalized for prudently incurred incremental expenses associated with Major Storm Events.

51. PSE&G proposes to create a new clause, "the Storm Recovery Charge," to recover the $109 million in deferred storm costs incurred since the last rate case as well as any future prudently incurred storm costs. This will both ensure that customers pay only for actual, prudently incurred costs, and protect the Company from significant financial harm from major weather events outside of its control. Use of a clause for Major Storm Event cost recovery would also allow for more timely prudence review than the current method, benefit the Company's credit ratings (which benefits customers), mitigate rate shock, and provide a mechanism to stop the amortization when recovery of the deferral is completed.

52. Finally, PSE&G proposes that this clause permit recovery of mobilization, or "pre-staging" costs for predicted major storms that do not come to pass, in excess of a certain minimum cost level. Permitting the deferral and recovery of such pre-staging costs will encourage the Company to prudently prepare for future storms.

XI. CLEAN ENERGY FUTURE – ELECTRIC VEHICLE ("CEF-EV") COST RECOVERY AND RATE ADJUSTMENT TEMPLATE

Cost Recovery For CEF-EV Investments in Service

53. In its CEF-EV Order, the Board authorized PSE&G to invest up to $166.2 million in facilities associated with its CEF-EV programs and to incur up to $39 million of incremental O&M expenses, including administrative costs, to support the program. Those CEF-EV programs consist of the following three subprograms that provide incentives for EV charger installation: (i) a Residential Smart Charging program; (ii) a Level 2 Mixed Use Commercial Charging program; and (iii) a Public Direct Current ("DC") Fast Charging program. The CEF-EV Order also permitted the Company to establish two regulatory assets that allowed it to defer for recovery in this rate case the capital and O&M costs of the CEF-EV program.

54. Following the issuance of the CEF-EV Order, PSE&G undertook and completed program development, including development of the Information Technology architecture necessary to administer the program. PSE&G then launched the CEF-EV Program in a series of steps from June through September 2021, that included opening program enrollment applications, issuing demand charge rebates, and marketing and customer education activities.

55. As described in the testimony of Company witness Ms. Karen Reif, PSE&G's CEF-EV program has been very successful. Enrollment in each program has exceeded expected enrollment levels, reflecting PSE&G's successful marketing, education, and outreach. PSE&G has also administered the program on a "first come, first served" basis to encourage early participation and to eliminate the risk of bias or favoritism. PSE&G has required all customers or EV stations receiving an incentive to be "networked," and PSE&G has worked with numerous stakeholders to collect charging data to inform future programs. Finally, the Company has been cognizant of the need to offset costs, providing information about other publicly funded incentive programs, and regularly benchmarking costs of similar services in other utility-led EV programs.

56. PSE&G requests a prudency determination and recovery of CEF-EV investments and expenditures that the Company proposes to include in rates in this proceeding. The regulatory asset balances for CEF-EV capital and O&M costs have been established in accordance with the CEF-EV Order.

57. Finally, in accordance with the CEF-EV Order, PSE&G seeks approval of the Company's methodology for future rate adjustments for CEF-EV investments that are incurred after this rate case. This issue as well as the Company's proposed recovery methodology and timing of future rate adjustments are further discussed in the testimony of Mr. Swetz.

XII. AMI COST RECOVERY

58. In its January 2021 CEF-EC Order, the Board authorized the Company to install approximately 2.2 million Advanced Meter Infrastructure ("AMI") meters and an associated communication network, and to implement 22 AMI functionalities known as "Use Cases." The

CEF-EC Order permitted the Company to seek, in this base rate case, recovery of both the CEF-EC costs that the Company proposes to include in rates and the regulatory asset balances of CEF-EC Infrastructure Deferral, Stranded Cost Deferral, and Operation and Maintenance ("O&M") regulatory assets.

59. As described in the testimony of Company witness Mr. David Johnson, the Company began installing AMI meters during 2021 and 2022 and accelerated installations in 2023. The program is currently ahead of schedule and under budget, and PSE&G projects complete installation within six months of the end of the test year.

60. Numerous customer benefits already have been realized. Billing on actual usage transmitted by the AMI meters, instead of manual reads, is achieved after a three-day verification period following installation of each AMI meter. Additionally, remote move in/move out, and remote connect/disconnect functionalities are enabled and are being used via installed AMI meters.

61. The CEF-EC order committed PSE&G to use "best efforts" to implement 22 out of a total of 70 Use Cases. Several Use Cases already have been implemented, and the current schedule reflects that all 22 Use Cases, including Outage Detection & Analysis, will be deployed by the end of the second quarter of 2024.

62. PSE&G therefore requests a prudency determination and recovery of CEF-EC costs, and the associated regulatory asset balances.

XIII. EMBEDDED COST OF DEBT RATE RECOVERY

63. Currently, interest expense is recovered as the Company's electric and gas rate base multiplied by the long-term debt component of its capital structure and then by the embedded cost of long-term debt, and each component will be approved in this rate case.

64. PSE&G's long-term debt outstanding has grown significantly since the last rate case, and PSE&G expects the materiality of interest expense will continue to increase as debt grows to finance PSE&G's capital investment program needed to meet the State's clean energy targets and maintain safe and reliable service. In addition to financing new capital investments, approximately $1.1 billion of the existing long-term debt will come due in 2024 and 2025.

65. Recent history, however, has demonstrated that there can be significant movements in interest rates. The current interest rate environment and the need to refinance existing debt after the end of the test year will likely result in the Company's interest expense exceeding its revenue recovery within the first year that new rates go into effect.

66. To account for these conditions, PSE&G proposes a new interest cost reconciliation mechanism to defer the difference between the actual embedded cost of debt and the rate approved by the Board in this proceeding. As described in the testimony of Mr. McFadden, this mechanism will avoid the need for a *pro forma* adjustment that would increase costs to customers in this proceeding and will provide the Company an opportunity to earn its allowed return. The mechanism would also ensure the Company recovers no more or less than its allowed interest expense and can be reevaluated in a future base rate case.

67. The deferral mechanism would apply only to the debt component of rate base approved by the Board. It would also operate symmetrically and allow for potential refunds to

customers when interest rates decline and the embedded cost of debt declines below the amount approved for rate recovery.

68. Finally, PSE&G proposes that for the Company's future infrastructure investment program ("IIP") rate adjustment filings, such as GSMP II Extension and IAP, the embedded cost of long-term debt should be the actual rate at the time the Company submits its update for actual results in the associated proceeding. In addition, the Weighted Average Cost of Capital ("WACC") in the Company's Green Program Recovery Charge ("GPRC") and TAC should be updated monthly, consistent with the monthly return calculation for each program with a return component.

XIV. CONSERVATION INCENTIVE PROGRAM ("CIP")

69. Historically, the State's electric and gas utilities were incented to increase sales volumes, as increasing sales volume increases revenues and therefore earnings. That incentive, however, is directly contrary to State policy to reduce usage, expressly set forth in the State's Energy Master Plan, which in turn reduces overall emissions and customer bills.

70. On September 23, 2020, the Board approved a stipulation resolving all matters associated with PSE&G's Clean Energy Future – Energy Efficiency ("CEF-EE") petition, which included approval of the CIP mechanism.[12] This mechanism provides a rate adjustment related to changes in the average use per customer when compared to a baseline use (and for electric, demand) per customer, removing the Company's disincentive to encourage customers

[12] *I/M/O the Petition of Public Service Electric and Gas Company for Approval of Its Clean Energy Future-Energy Efficiency ("CEF-EE") Program on a Regulated Basis*, BPU Docket Nos. GO18101112 and EO10121113, Order Adopting Stipulation (September 23, 2020).

to conserve energy that existed historically. The current baselines per customer are based on the approved billing determinants from the Company's 2018 base rate case.

71. PSE&G proposes two adjustments that must be made in a base rate case proceeding associated with the CIP. First, the Company establishes new baseline use (gas) or revenue (electric) per-customer figures that will go into effect upon approval of this proceeding. Second, a *pro forma* adjustment must be made to the test year income statement to remove the CIP accrual to account for the reset of the CIP baseline. As a result of these two adjustments, base rates and the CIP accrual baseline use (gas) or revenue (electric) per customer will be based on the approved billing determinants for this test year of June 1, 2023 through May 31, 2024. Therefore, PSE&G is requesting the establishment of new Electric and Gas baselines that will go into effect upon approval of this proceeding.

XV. DEPRECIATION

72. PSE&G presents a detailed evaluation of the Company's assets and new depreciation rates based on that evaluation. Properly set depreciation rates allow the Company to recover its investments timely, charge those costs to the customers who benefited from their use, and fund new capital construction. Company witness Mr. John Spanos has conducted a detailed evaluation of PSE&G's assets, and applied it to develop new depreciation rates to recover the costs of replacing aging infrastructure over its useful life and account for the cost to remove assets in the future. Consistent with *N.J.A.C.* 14:1-5.7, the Company's existing and proposed depreciation rates are included with this filing and set forth in the testimony of Mr. John Spanos.

XVI. INCENTIVE COMPENSATION

73. PSE&G maintains a compensation structure designed to attract and retain a talented and diverse workforce to operate safely, reliably, and cost-effectively. The Company's compensation structure (salary ranges, incentive compensation targets, and related factors) is regularly benchmarked and is aligned with industry standards to enable the Company to attract and retain its management team and overall workforce.

74. PSE&G's test year expenses in this case include approximately $36 million associated with incentive compensation. Similar to industry peers and the vast majority of companies, PSE&G has implemented a compensation program that is composed of a mix of fixed base pay and incentive pay. The incentive compensation is dependent upon achieving goals that are primarily operational and customer focused, with metrics focused on Reliability (*e.g.*, SAIDI, gas leaks per mile, damages per locate requests), Customer Satisfaction (J.D. Power scores and other metrics), and other operational metrics.

75. For a variety of reasons, including the operational and customer-focused goals underlying the program, PSE&G's incentive compensation is a prudent cost, and therefore PSE&G is seeking to recover its $36 million incentive compensation expense in this proceeding.

XVII. DEFERRAL REQUESTS – CREDIT AND DEBIT CARD FEES AND IMPLEMENTATION COSTS FOR TIME OF USE RATES

76. PSE&G requests deferral authority for two costs that will occur outside the test year.

Credit and Debit Card Fees

77. Currently, credit card and debit card processing fees are not allowed to be recovered through rates, while all other payment transaction fees are allowed recovery. Credit card and debit card processing fees are instead charged as a pass-through fee to customers at the time of payment.

78. As discussed in the testimony of Mr. McFadden, the Company proposes removing this disparity for customers, by assuming the cost for credit and debit card transactions rather than requiring the payment from individuals using a credit or debit card.

79. Since it is unknown at this time how many customers will pay via credit card once the transaction fee is removed, the Company is proposing to defer those incremental expenses until the next base rate case.

Implementation Costs for Time-of-Use Rates

80. As discussed in the Direct Testimonies of Mr. Swetz and Company witness Mr. Ahmad Faruqui, the Company is proposing a Residential Time-of-Use ("TOU") Rate that encourages customers, especially EV users, to shift their usage to off-peak periods. To encourage participation, PSE&G proposes that during the first year of the enrollment, PSE&G would refund the difference to customers if the TOU rate yields a bill higher than the customer

otherwise would have been charged on their current residential rate. This hold harmless provision will be offered to customers enrolling within the first 24 months of the program.

81. Implementing TOU rates and the ability to compare those rates to existing residential rates and issue a refund will require significant changes to the existing billing system, resulting in incremental capital and O&M costs. The Company seeks approval to defer these costs and to place them in a regulatory asset for review and recovery in the Company's next base rate case.

XVIII. TESTIMONY AND EXHIBITS INCORPORATED HEREIN

82. To support this case, the Company is presenting the Direct Testimony of eleven witnesses:

Exhibit	**Witness**	**Area of Responsibility**
Exhibit P-2	Michael McFadden, Director, Sales and Revenue Forecasting	Overall financial policy and revenue requirements
Exhibit P-3	Panel Testimony -- Michael Schmid, Vice President, Asset Management and Planning, PSE&G and Ricardo G. Fonseca, Senior Director, Utility Finance	Electric and gas operations, capital expenditures, and electric and gas distribution-related O&M expense
Exhibit P-4	Clifford Pardo, Vice President – Tax PSEG Services Company	Tax expense, accumulated deferred income tax and tax benefit flow-back; Consolidated Tax Adjustment
Exhibit P-5	Ann E. Bulkley, The Brattle Group	Return on equity, capital structure, financial environment
Exhibit P-6	Michael Adams, Concentric Energy Advisors	Benchmarking of PSE&G's financial and operational performance
Exhibit P-7	John J. Spanos, Gannett Fleming	Depreciation
Exhibit P-8	Michael Adams, Concentric Energy Advisors	Lead/lag study, cash working capital

Exhibit P-9E, Exhibit P-9G	Stephen Swetz, Senior Director – Rate and Regulation, PSE&G	Cost of service, rate design, and tariff submissions
Exhibit P-10	Ahmad Faruqui, Principal Emeritus, The Brattle Group	Time-of-Use Rates
Exhibit P-11	Karen Reif, Vice President Renewables & Energy Solutions	CEF-EV implementation
Exhibit P-12	David Johnson, Vice President Customer Care & Chief Customer Officer PSE&G	Advanced Metering Infrastructure, CEF-EC implementation

83. Information required by the Rules of Practice of the Board, (*N.J.A.C.* 14:1-5.12), is attached hereto, made part hereof and designated as follows:

<u>Table of Schedules</u>

Schedule 1 - Proposed Tariff for Electric Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 17, Electric

Schedule 2 - Comparison of Present and Proposed Electric Rates, using redlined Schedule 1 and Guide to Tariff Changes

Schedule 3 - Proposed Tariff for Gas Service, Public Service Electric and Gas Company, B.P.U.N.J. No 17, Gas

Schedule 4 - Comparison of Present and Proposed Gas Rates, using redlined Schedule 3 and Guide to Tariff Changes

Schedule 5 - Copy of billing notice to be mailed to all electric and gas customers

Schedule 6 - Copy of draft text for legal notice in the public press

Schedule 7 - Copy of letter to notice all county and municipal clerks of counties and municipalities served by Public Service

Schedule 8 - Balance Sheet at the most recent date available as of October 31, 2023, and Balance Sheets for the calendar years 2020, 2021, and 2022

Schedule 9	-	Statement of Income Account for the calendar years 2020, 2021 and 2022
Schedule 10	-	Statement of Operating Revenues for calendar year 2022
Schedule 11	-	*Pro forma* statements for the 12-month period ended May 31, 2024 on an estimated basis as follows: Income Account Sales by Class of Business Operating Revenues by Class of Business Operating Expenses Adjustments – Present Rates *Pro Forma* Statement of Income Year-end Net Investment Rate Base Average Net Investment Rate Base
Schedule 12	-	Schedule of Payments or Accruals to Affiliates for calendar year 2022.

XIX. MISCELLANEOUS

84. Petitioner, pursuant to *N.J.A.C.* 14:1-5.12, will provide notice of the filing of this petition to all of its customers as part of the regular monthly service billing. A sample copy of the billing notice is attached and designated as Schedule 5.

85. Petitioner's customers will also be notified of this Petition through the medium of a legal notice in the public press. A copy of the draft text of the aforesaid legal notice is attached hereto, made part hereof and designated as Schedule 6.

86. The municipalities and counties served by Petitioner, as enumerated in Schedules 1 and 3, will be notified of the filing of this Petition pursuant to *N.J.A.C.* 14:1-5.12 by letter, a copy of which is attached hereto, made part hereof and designated as Schedule 7.

87. Notice of this filing and the Petition will be served electronically upon the Department of Law and Public Safety, and upon the Director, New Jersey Division of Rate

Counsel. Copies of the Petition and supporting testimony and attachments will also be sent via e-mail to the persons identified on the service list provided with this filing.

88. It is understood that any final rate relief found by the Board to be just and reasonable may be allocated by the Board for consistency with the provisions of *N.J.S.A.* 48:2-21 and for other good and legally sufficient reasons, to any class or classes of customers of the Company. Therefore, the percentage changes in final electric and/or gas rates may increase or decrease based upon the Board's decision.

89. Communications and correspondence related to this Petition should be sent as follows:

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WHEREFORE, Petitioner requests that the Board find and determine that pursuant to *N.J.S.A.* 48:2-21 and *N.J.S.A.* 48:2-21.1:

1. The present rates and charges for electric service set forth in the present Tariff for Electric Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 16, Electric, on file with the Board, are unjust and unreasonable and are insufficient to permit the Company to maintain its financial integrity and provide safe, adequate, proper, and reliable electric service to its customers pursuant to *N.J.S.A.* 48:2-23.

2. The present rates and charges for gas service set forth in the present Tariff for Gas Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 16, Gas, on file with the Board, are unjust and unreasonable and are insufficient to permit the Company to maintain its financial integrity and provide safe, adequate, proper, and reliable gas service to its customers pursuant to *N.J.S.A.* 48:2-23.

3. The proposed rates and charges for electric service, set forth in the proposed tariff for Electric Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 17, Electric, reflected in Schedule 1, will provide electric distribution operating revenues sufficient to meet operating expenses, taxes and fixed charges and provide a reasonable rate of return on the fair value of the Petitioner's electric property.

4. The proposed rates and charges for gas service, set forth in the proposed tariff for Gas Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 17, Gas, reflected in Schedule 3, will provide gas distribution operating revenues sufficient to meet operating expenses,

taxes and fixed charges and provide a reasonable rate of return on the fair value of the Petitioner's gas property.

5. The proposed rates and charges for electric distribution service set forth in the proposed Tariff for Electric Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 17 Electric, referred to herein as Schedule 1, are approved as just and reasonable.

6. The proposed rates and charges for gas distribution service set forth in the proposed Tariff for Gas Service, Public Service Electric and Gas Company, B.P.U.N.J. No. 17 Gas, referred to herein as Schedule 3, are approved as just and reasonable.

7. Investments in the Mason Station, GSMP II, Energy Strong II, and CEF-EC programs, including any associated regulatory assets, were reasonable and prudent and eligible for final rate recovery.

8. The CEF-EV investments and expenditures are prudent and eligible for rate recovery.

9. The recovery of the investments in the Energy Strong II, GSMP II, and IAP programs that are not subject to interim recovery ("Stipulated Base") is approved.

10. The adjustment to flow-back certain tax benefits to customers through the TAC is approved.

11. The proposal to either include PSE&G's net pension asset as a component of working capital, or, if a working capital adjustment is not allowed, the pension income should be set to zero, is approved.

12. The proposal that any volatility in the P&OPEB income (or expense) above or below the amount set for recovery in this proceeding be deferred for recovery or refund in a subsequent rate case proceeding is approved.

13. The proposal to retain 50% of the total net margins from the provision of ASB services to its gas customers in the same manner as allowed for its electric customers is approved.

14. The Company's overall ROE be set at 10.4%.

15. A capital structure composed of 55.5% equity, 44.29% long-term debt, and 0.21% customer deposits is approved.

16. The proposal to recover gas bad debt expense through a new component of the SBC is approved.

17. The proposal to continue the use of deferred accounting for incremental Major Storm Event costs, and to recover storm costs, including pre-staging costs for predicted major storms that do not come to pass, through a new clause component rather than through base rates is approved.

18. The proposed methodology and timing for the recovery of CEF-EV costs incurred subsequent to this rate case is approved.

19. The proposal for a new interest cost reconciliation mechanism to defer the difference between the actual embedded cost of debt and the rate approved by the Board in this proceeding is approved.

20. The proposal that for the Company's future IIP rate adjustment filings, the embedded cost of long-term debt should be the actual rate at the time the Company submits its

update for actual results in the associated proceeding and would be adjusted monthly in the Company's GPRC and TAC is approved.

21. The proposed depreciation rates set forth in the testimony of Mr. John Spanos, attached hereto as Exhibit P-7, are approved.

22. The proposal to assume the cost of credit and debit card transactions and defer those incremental expenses until the next base rate case is approved.

23. The costs of implementing the TOU rates described herein are deferred until the next base rate case is approved.

24. The proposed tariff changes are approved as just and reasonable, and may become effective on the date proposed herein.

25. Petitioner be granted such other and further relief as the Board may deem reasonable and proper.

Respectfully submitted,

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By Katherine E. Smith
Katherine E. Smith

DATED: December 29, 2023
Newark, New Jersey

STATE OF NEW JERSEY)
: ss
COUNTY OF ESSEX)

KATHERINE E. SMITH, of full age, being duly sworn according to law, on his oath deposes and says:

1. I am Managing Counsel of the New Jersey State Regulatory Legal Group of PSEG Services Company.

2. In my role I represent Public Service Electric and Gas Company, the Petitioner in the foregoing Petition.

3. I have read the annexed Petition, and the matters and things contained therein are true to the best of my knowledge and belief.

Katherine E. Smith

Katherine E. Smith

Sworn to and subscribed to)
Before me this 29th day)
of December, 2023)

Caitlyn M. White

CAITLYN M. WHITE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 9/19/2024