

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

<b>I/M/O THE PETITION OF PUBLIC</b>	)	
<b>SERVICE ELECTRIC AND GAS COMPANY</b>	)	
<b>FOR APPROVAL OF AN INCREASE IN GAS</b>	)	
<b>RATES, DEPRECIATION RATES FOR GAS</b>	)	<b>BPU DKT. NO. GR05100845</b>
<b>PROPERTY, AND FOR CHANGES IN THE</b>	)	<b>OAL DKT. NO. PUC-1747-06</b>
<b>TARIFF FOR GAS SERVICE, B.P.U.N.J. NO.</b>	)	
<b>13, GAS PURSUANT TO N.J.S.A. 48:2-18,</b>	)	
<b>48:2-21 AND 48:2-21.1</b>	)	

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**DIRECT TESTIMONY OF BRIAN KALCIC  
ON BEHALF OF THE  
NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE**

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Filed: June 21, 2006

**Direct Testimony of Brian Kalcic**

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**Q. Please state your name and business address.**

A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

**Q. What is your occupation?**

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

**Q. On whose behalf are you testifying in this case?**

A. I am testifying on behalf of the New Jersey Division of the Ratepayer Advocate ("Ratepayer Advocate").

**Q. What is the subject of your testimony?**

A. I have been retained by the Ratepayer Advocate to evaluate the rate structure proposals sponsored by Public Service Electric and Gas Company ("PSE&G" or "Company"), and to derive an appropriate rate design that reflects the Ratepayer Advocate's recommended revenue adjustment in this proceeding.

In addition, I will address the Company's proposed changes to its existing Third Party Supplier ("TPS") Nomination and Imbalance Cashout ("Cashout") procedures, and an issue involving the recovery of transaction fees at Western Union walk-in payment locations.

1 **Q. Please summarize your recommendations.**

2 A. Based upon my analysis of the Company's filing and existing rate structure, I recommend  
3 that Your Honor and the New Jersey Board of Public Utilities ("Board" or "BPU"):

- 4 • approve the Ratepayer Advocate's recommended class revenue distribution  
5 and rate design, which reflects an overall decrease of \$70.264 million in  
6 distribution revenues;
- 7
- 8 • reject the Company's proposed nomination procedure for TPSs serving  
9 customers with a maximum requirement of 7,500 therms per hour, or greater;
- 10
- 11 • modify the Company's proposed cashout procedure regarding overdeliveries  
12 for TPSs serving RSG, SLG, GSG and LVG customers;
- 13
- 14 • reject the Company's proposed changes to its cashout procedures for TPSs  
15 serving TSG-F and TSG-NF customers; and
- 16
- 17 • require PSE&G to eliminate transaction fees at authorized Western Union  
18 payment centers, and to reimburse its authorized payment agent directly for  
19 such processing fees.

20  
21 The specific details associated with my rate structure recommendations are discussed  
22 below.

23

24 **Cost of Service Study**

25

26 **Q. Mr. Kalcic, what type of cost-of-service analysis did the Company submit in this**  
27 **proceeding?**

28 A. Mr. Schirra prepared a fully allocated cost-of-service study ("COSS") reflecting weather  
29 normalized billing determinants for the twelve (12) months ending December 31, 2004.

30 The COSS is conducted in two stages. In the first stage, the Company's claimed revenue

1 requirement is separated into five (5) functional segments, *i.e.*, Distribution Access,  
2 Distribution Delivery, Streetlighting Fixtures, Customer Service, and Measurement. In the  
3 second stage, the functionalized costs are allocated to PSE&G's five (5) firm delivery rate  
4 classes. The firm delivery service classes include: a) Rate Schedule RSG – Residential  
5 Service; b) Rate Schedule GSG – General Service; c) Rate Schedule LVG – Large Volume  
6 Service; d) Rate Schedule SLG – Street Lighting Service; and e) Rate Schedule TSG-F –  
7 Firm Transportation Gas Service. It is these second stage class revenue requirement levels  
8 that are used as a guide in the development of the Company's proposed class revenue  
9 distribution.

10  
11 **Q. What types of cost comprise the above functional cost segments?**

12 A. In general, the Distribution Access segment is comprised of plant and Operation and  
13 Maintenance ("O&M") expense related to gas services and regulators. The Distribution  
14 Delivery segment includes all plant and O&M expense associated with the Company's  
15 operations between the City Gate and the physical location of its customers' service-line  
16 connections. The Streetlighting portion of the Company's claimed revenue requirement  
17 consists of the costs associated gas lamps, posts and services. The Company defines the  
18 Customer Service segment as all costs related to bill preparation, customer inquiries, sales,  
19 service calls and collection activity. Finally, the Measurement portion of the Company's  
20 functionalized revenue requirement includes the costs associated with meter reading, meter  
21 investment and related O&M expense.

22 Together, the functionalized Distribution Access, Customer Service and  
23 Measurement cost segments are used to derive the Company's customer charge cost  
24 benchmarks.

1 **Q. How does the Company allocate these functional cost segments to rate schedules?**

2 A. The primary allocation factor varies with each segment. In general, the costs associated  
3 with the Distribution Access segment are allocated to the Company's RSG, GSG and LVG  
4 rate classes based on an analysis of the average amount of investment associated with  
5 different types of customer installations. The majority of the costs associated with the  
6 Distribution Delivery segment are deemed to be demand-related, and are allocated to rate  
7 classes based upon each class's share of PSE&G's system design day requirement. All  
8 costs associated with Streetlighting Fixtures are directly assigned to the SLG class.

9 The Company's Customer Service costs are allocated to rate classes based upon a  
10 separate analysis of the cost of providing each customer service function. For example, the  
11 costs related to billing expense are allocated to rate classes based on a study of the relative  
12 costs of billing each class. Measurement costs such as metering reading expense are  
13 allocated in an analogous fashion, *i.e.*, based on a study of the relative cost of reading  
14 meters, across rate classes.

15

16 **Q. Based upon your review of PSE&G's COSS, do you recommend that any changes be**  
17 **incorporated in the Company's cost methodology at this time?**

18 A. No, I do not. Mr. Schirra employs the Company's COSS results only as a general guide to  
19 the development of PSE&G's proposed class revenue requirements. As discussed below, I  
20 also do not intend to place strict reliance upon class COSS results in this proceeding. As  
21 such, I have deemed PSE&G's COSS results to be adequate for the limited purpose for  
22 which the Ratepayer Advocate will use it in this proceeding.

23

1 **Q. Have you utilized PSE&G's COSS results as a general guide in allocating Mr.**  
2 **Henkes' recommended revenue adjustment to rate classes?**

3 A. Yes, I have. However, my general use of the Company's COSS results should not be  
4 interpreted as my agreeing with PSE&G's proposed apportionment of its claimed increase  
5 to rate classes. In particular, I note that the Ratepayer Advocate has determined that the  
6 Company's proposed rate increase is unjustified, and that a base rate *decrease* of \$70.264  
7 million is warranted. As such, the Company's proposed class revenue distribution was not  
8 utilized to derive the Ratepayer Advocate's recommended decreases to individual rate  
9 classes.

10

11 **Class Revenue Distribution / Rate Design**

12

13 **Q. Mr. Kalcic, how does PSE&G propose to recover its requested base revenue increase**  
14 **from ratepayers?**

15 A. Schedule BK-1 summarizes the Company's proposed class revenue distribution. Schedule  
16 BK-1, page 1 of 2, shows PSE&G's proposed revenue distribution on a delivery revenue  
17 basis, *i.e.*, after removing all non-distribution related revenues from column 1. On this  
18 basis, PSE&G's firm delivery classes would receive increases ranging from 10.46% for  
19 Rate LVG to 24.53% for Rate RSG. These results may be compared to the system-average  
20 firm delivery service increase of 20.92% shown on line 5.

21

22 **Q. What is shown in Schedule BK-1, page 2 of 2?**

23 A. Schedule BK-1, page 2 of 2 presents the Company's proposed class increases on a total  
24 revenue basis, assuming all customers choose BGSS commodity service from the

1 Company. The total increase to each rate class (*i.e.*, column 4) is comprised of two (2)  
2 components: a) the proposed distribution or delivery revenue increase in column 2; and b)  
3 the Margin Adjustment Clause (“MAC”) and/or BGSS credits, as applicable, which is  
4 shown in column 3. The Company’s proposed total increases to the firm delivery classes  
5 (*i.e.*, lines 1-4) would range from 1.33% for Rate LVG to 7.44% for Rate SLG. The  
6 proposed overall system average increase on a total revenue basis is 3.79% (per line 10,  
7 column 5 of Schedule BK-1, page 1 of 2).

8  
9 **Q. Please discuss column 3 of Schedule BK-1, page 2 of 2, in greater detail.**

10 A. Column 3 shows the credits that would flow back to rate classes under PSE&G’s proposed  
11 revenue distribution, via the Company’s MAC and BGSS clause. With limited exceptions,  
12 PSE&G retains none of the margins contributed by TSG-NF customers.<sup>1</sup> Instead, all such  
13 margins are credited to the RSG, GSG, LVG, SLG and TSG-F rate classes via the MAC.  
14 Similarly, all of the margins contributed by the TSG-F and CIG/CEG rate classes are  
15 credited to the Company’s BGSS clause.

16 Under the Company’s proposed revenue distribution, the TSG-F, TSG-NF and CIG  
17 rate classes would receive base rate revenue increases totaling \$5.784 million, per line 9,  
18 column 2 of Schedule BK-1, page 2 of 2. However, per the above discussion, none of this  
19 \$5.784 million would be retained by PSE&G. Rather, column 3 of Schedule BK-1, page 2  
20 of 2 depicts how this credit would be flowed back to rate classes.<sup>2</sup>

21  

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<sup>1</sup> Those exceptions apply to: a) Rate LVG customers who switch to Rate TSG-NF after the test year in this proceeding; and b) those instances where additional investment is necessary to serve new or existing TSG-NF customers after the end of the test year. See pages 60-61 of Statement P-8 R-1.

<sup>2</sup> The total credit shown in column 3 is slightly greater than \$5.784 million, which contributes to the rounding error identified in Schedule BK-1.

1 **Q. How did PSE&G arrive at the proposed revenue distribution shown in Schedule BK-**  
2 **1?**

3 A. As discussed by Mr. Schirra on page 33 of his revised direct testimony, the Company  
4 employs its COSS results to develop its proposed class revenue levels, but in a manner that  
5 recognizes customer impact considerations. Specifically, the Company chose to move rate  
6 classes toward the cost-of-service levels shown in its cost study, subject to the constraint  
7 that each class's increase in delivery service revenues should be no less than one-half of the  
8 system average increase of 20.92%, and no more than one and one-half times the system  
9 average increase. In addition, the Company determined that no class should receive an  
10 increase of more than two times the overall system average increase of 3.79% on a total  
11 revenue basis. Applying this methodology, the Company arrived at distribution revenue  
12 increases ranging from 10.46% to 24.53%, as shown in Schedule BK-1, page 1 of 2.

13

14 **Q. Have you utilized the proposed relative class increases shown in Schedule BK-1 to**  
15 **apportion the Ratepayer Advocate's recommended revenue adjustment in this**  
16 **proceeding?**

17 A. No. Since Mr. Henkes is recommending an overall decrease in base revenues, my  
18 recommended revenue distribution differs from that proposed by the Company.

19

20 **Q. What is your recommended class revenue distribution?**

21 A. I recommend that the Ratepayer Advocate's recommended decrease be distributed to rate  
22 classes as shown in column 2 of Schedule BK-2, page 1 of 2.

23

1 **Q. How did you derive your recommended decreases to rate classes?**

2 A. As shown on line 5 of Schedule BK-2, page 1 of 2, Mr. Henkes recommends a base rate  
3 decrease of \$70.264 million or 10.53%. Like PSE&G, I chose to limit the decrease in  
4 delivery revenue to any class to no more than 1.5 times the system average decrease in  
5 delivery revenues, or 15.8% (*i.e.*, 1.5 times 10.53%), and to no less than 0.5 times the  
6 system average decrease, or 5.3%. Consistent with the Company's COSS results, I  
7 assigned a 15.8% decrease (*i.e.*, 1.5 times the system average) to the LVS and TSG-F rate  
8 classes, and a 5.3% decrease (*i.e.*, 0.5 times the system average) to the SLG class. The  
9 GSG class was assigned a decrease of 13.7%, or 1.3 times the system average, since the  
10 class was targeted with a below-average increase under PSE&G's revenue distribution  
11 proposal. Finally, I assigned the RSG class with the residual decrease (*i.e.*, 8.7%) necessary  
12 to reach the Ratepayer Advocate's recommended revenue level.

13

14 **Q. Did you adjust the delivery rates applicable to either the TSG-NF or CIG rate classes?**

15 A. With one exception, no. In general, I have assigned no decrease to the TSG-NF and CIG  
16 rate classes since the delivery rates for these interruptible classes are based on value-of-  
17 service considerations.

18

19 **Q. What is the exception?**

20 A. The exception pertains to the Company's proposal to eliminate the administrative fee of  
21 \$100 now charged to TSG-NF customers for switching between gas suppliers.<sup>3</sup> I have

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<sup>3</sup> The Company's testimony states that this proposal is based upon an agreement between BPU Staff and other New Jersey gas utilities to eliminate the administrative charge for switching between gas suppliers. See page 43 of Statement P-8 R-1.

1 accepted this proposal, which results in a decrease of \$3,000 for the TSG-NF class, as  
2 reported on line 7 of Schedule BK-2.

3  
4 **Q. Mr. Kalcic, why are the present revenue levels shown on lines 1-3 of Schedule BK-2  
5 greater than those shown by the Company, i.e., lines 1-3 of Schedule BK-1?**

6 A. The Ratepayer Advocate's recommended level of pro forma revenue at present rates for the  
7 RSG, GSG and LVG rate classes reflect two (2) adjustments: 1) the elimination of the  
8 Company's proposed price elasticity adjustment, as recommended by Mr. Lelash; and 2)  
9 the inclusion of a customer growth adjustment, as recommended by Mr. Henkes.<sup>4</sup> These  
10 adjustments combine to produce an increase in pro forma *delivery* revenues at present rates  
11 of approximately \$13.1 million.<sup>5</sup>

12  
13 **Q. Would you please summarize your recommended revenue distribution?**

14 A. Yes. As shown in Schedule BK-2, page 1 of 2, my recommended revenue decreases, on a  
15 distribution revenue basis, range from 5.3% for the SLG class to 15.8% for the LVG and  
16 TSG-F classes. By design, these class revenue adjustments fall within a range of 0.5 to 1.5  
17 times the system average decrease of 10.53%.

18 On a total revenue basis, my recommended class revenue adjustments produce  
19 decreases ranging from 1.6% to 3.1%, or approximately 0.8 to 1.6 times the overall system  
20 average decrease of 1.91%. These class results reflect the combined effect of my

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<sup>4</sup> See Schedule RJH-9.

<sup>5</sup> On a total revenue basis, the reported difference in revenues is on the order of \$76.7 million. (Compare page 2, line 5 of Schedule BK-1 with that of Schedule BK-2.) This amount includes the additional SBC and BGSS revenues associated with the Ratepayer's Advocate's recommended sales (i.e., therm) adjustments.

1 recommended changes to distribution margins and the associated impact on MAC/BGSS  
2 credits, as shown in columns 2 and 3 of Schedule BK-2, page 2 of 2.

3  
4 **Q. Have you designed a set of rates to implement your recommended revenue  
5 distribution?**

6 A. Yes, I have. Schedule BK-3 shows my recommended rate design and proof of revenue.

7  
8 **Q. Please discuss Schedule BK-3.**

9 A. Schedule BK-3 follows the general format of Schedule GWS-12 R-2. All customers are  
10 assumed to take BGSS commodity service at the commodity prices shown in Schedule  
11 GWS-12 R-2. Also, as previously noted, I have made changes to the Company's billing  
12 determinants to remove PSE&G's price elasticity adjustment, and to incorporate Mr.  
13 Henkes' recommended customer growth adjustment.

14 For each individual rate schedule, present rate revenue is derived in column 3 from  
15 the class billing determinants and present rates shown in columns 1 and 2, respectively.

16 The Ratepayer Advocate's recommended rates (without SUT) are shown in column 5.

17 Column 6 shows the annual class revenues produced by my recommended rates. Columns  
18 7 and 8 show the Ratepayer Advocate's recommended change in revenue and the resulting  
19 percentage increase, respectively. Finally, column 9 shows my recommended tariff charges  
20 including SUT.

21  
22 **Q. Please describe your recommended rate design for the RSG class.**

23 A. As shown in Schedule BK-3, page 1 of 8, I have reduced distribution charges to implement  
24 my recommended delivery revenue decrease of \$41.1 million. No decrease was applied to

1 the fixed service charge. In addition, I have maintained the current 2 to 1 ratio between  
2 PSE&G's standard distribution charges and off-peak distribution charges for natural gas air  
3 conditioning service.

4  
5 **Q. How did you develop your recommended GSG and LVG distribution charges?**

6 A. No decrease was applied to the fixed service charge of either rate schedule. Moreover, in  
7 order to prevent smaller Rate GSG customers from taking service under Rate LVG, the  
8 Company's existing LVG tariff is designed so that a Rate GSG customer using less than  
9 12,000 therms per year would experience a higher annual bill if the customer were to  
10 switch to Rate LVG.<sup>6</sup> My recommended distribution charge rate design is intended to  
11 maintain this tariff relationship.

12  
13 **Q. Please discuss your recommended SLG rate design.**

14 A. Rate SLG delivery charges cover the lamp, post, maintenance and firm delivery service.  
15 My recommended rate design assigns a system average decrease to a Triple-mantle lamp  
16 installation, and a residual decrease to all other installations, consistent with PSE&G's  
17 proposed rate design.

18  
19 **Q. How did you implement your recommended decrease to the TSG-F rate class?**

20 A. As shown in Schedule BK-3, page 5 of 8, I assigned a proportional decrease to the class's  
21 existing demand charge and distribution charge.

22  

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<sup>6</sup> In other words, Rate LVG is designed so as to prevent unintended or inappropriate customer migration between Rates GSG and LVG. See page 43 of Statement P-8 R-1.

1 **Q. Please explain how determined your recommended margin adjustment charge shown**  
2 **on page 8 of Schedule BK-3.**

3 A. My recommended MAC of  $-0.6909 \text{ ¢}$  per therm (before SUT) incorporates the proposed  
4 reduction of \$3,000 in TSG-NF margins shown in Schedule BK-2, page 2 of 2.

5  
6 **Q. Are the current level of PSE&G's balancing and SBC charges unchanged in your**  
7 **recommended rate design?**

8 A. Yes. I implemented my recommended class revenue distribution by modifying only the  
9 Company's proposed MAC and distribution charges. All other charges remain at current  
10 levels.

11  
12 **Q. Mr. Kalcic, have you provided a summary of your recommended Rate RSG delivery**  
13 **charges?**

14 A. Yes. Schedule BK-4 provides a comparison of present and recommended delivery charges  
15 for Rate RSG customers.

16

17 **Authorized Payment Centers**

18

19 **Q. Mr. Kalcic, does PSE&G operate any Customer Service Centers?**

20 A. Yes. The Company currently operates sixteen Customer Service Centers that offer  
21 customers a variety of services, including a walk-in bill payment option.<sup>7</sup>

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<sup>7</sup> The Company's response to RAR-RD-18 states that the Company's Elizabeth Customer Service Center, which currently does not accept bill payments, will accept bill payments when it relocates to a permanent location in the third quarter of 2006.

1 **Q. Are bill payments accepted at any other walk-in locations?**

2 A. Yes. In response to RAR-RD-18, PSE&G indicates that Western Union acts as the  
3 Company's authorized payment agent, with over 200 locations in PSE&G's service  
4 territory.

5  
6 **Q. Is there a processing fee or transaction charge imposed at any walk-in payment  
7 location?**

8 A. PSE&G does not charge a fee at Company-operated Customer Service Centers. However,  
9 Western Union charges a \$1.00 fee per transaction.

10

11 **Q. How many payments were processed by Western Union during the test year?**

12 A. According to the Company's response to RAR-RD-18 (d), Western Union processed  
13 234,981 payments during that period.

14

15 **Q. Would it be reasonable for PSE&G to compensate Western Union directly, at \$1.00  
16 per transaction, rather than require walk-in customers to pay the processing fee?**

17 A. I believe so. Since the cost of the sixteen Company-operated Customer Service Centers is  
18 currently recovered in base rates, I see no reason why PSE&G customers should have to  
19 pay the \$1.00 transaction fee at Western Union locations, particularly given the relatively  
20 modest number of transactions involved.

21

22 **Q. What is your recommendation in this area?**

23 A. I recommend that PSE&G require Western Union to eliminate the \$1.00 transaction fee for  
24 walk-in customers, and to recover the associated fees directly from the Company.

1        **TPS Nomination Procedures**

2

3        **Q. Mr. Kalcic, please describe the Company's proposed changes to its TPS nomination**  
4        **requirements.**

5        A. The Company's nomination requirements are contained in Sections 4.2 and 4.3 of the Third  
6        Party Supplier Requirements portion of its proposed tariff. Section 4.2 pertains to  
7        nomination requirements for TPSs serving customers with a maximum demand less than or  
8        equal to 7,500 therms per hour. The only substantive change in Section 4.2 pertains to the  
9        nomination deadline, which would provide an additional hour, *i.e.*, from 1:30 pm to 2:30  
10       pm EST, for TPSs to nominate any changes in gas deliveries for the next day.

11

12       **Q. Is the proposed one-hour extension acceptable to the Ratepayer Advocate?**

13       A. Yes, since the change would not appear to affect the integrity of the Company's gas  
14       distribution system.

15

16       **Q. What is contained in Section 4.3 of the Company's proposed tariff?**

17       A. Section 4.3 contains new language pertaining to the Company's proposed nomination  
18       requirements for TPSs serving customers with a maximum demand greater than or equal to  
19       7,500 therms per hour. Section 4.3 reads, in pertinent part, as follows:

20                TPS will be required to nominate to Public Service using Public Service's  
21                electronic bulletin board, at least 24 hours prior to the start of each day, the  
22                total volume it intends to deliver to Public Service for subsequent delivery the  
23                next day for each customer with a maximum requirement of 7,500 therms per  
24                hour and greater. *Such daily nominations may be changed by the TPS at any*  
25                *time up to and during the day for which the daily nomination is applicable by*  
26                *notification to Public Service.* Public Service reserves the right to limit any  
27                revision to such daily nomination and shall not be obligated to accept any  
28                changes greater than one twenty-fourth (1/24) of the customer's maximum

1 daily usage requirements multiplied by the number of hours remaining for the  
2 day. (Emphasis supplied.)  
3

4 **Q. Would allowing a TPS to alter its daily nominations in the above manner undermine**  
5 **the function of a nomination requirement?**

6 A. Yes. Nomination requirements are imposed in order to facilitate the safe and efficient day-  
7 to-day operation of the gas system. If the TPS is allowed to alter its daily nominations up  
8 to, and throughout, the course of the applicable flow period, without penalty, a true  
9 nomination requirement would no longer exist.  
10

11 **Q. Could the Company's proposal to allow changes to daily nominations have any**  
12 **monetary impact on BGSS customers?**

13 A. Certainly. As discussed below, PSE&G may impose a cashout penalty on a TPS if the  
14 supplier's actual versus nominated deliveries differ by more than a designated amount.  
15 Such penalties accrue to the benefit of BGSS customers. If a TPS is allowed to alter its  
16 daily nominations per Section 4.3, the supplier might, in theory, *never* incur a cashout  
17 penalty.  
18

19 **Q. Does Mr. Schirra provide any specific rationale for the Company's proposed Section**  
20 **4.3 tariff language?**

21 A. No.

1 **Q. What is your recommendation with respect to Section 4.3?**

2 A. Since the Company has failed to justify its proposed nomination requirements for large  
3 customers, I recommend that the Board reject Section 4.3 and direct that all TPSs abide by  
4 the proposed nomination requirements contained in Section 4.2.

5

6 **TPS Cashout Procedures**

7

8 **Q. Mr. Kalcic, how does PSE&G propose to revise its TPS cashout procedures?**

9 A. The Company's cashout procedures are contained in Sections 6.1 through 6.3 of the Third  
10 Party Supplier Requirements portion of its proposed tariff. Section 6.1 pertains to the  
11 cashout procedures applicable to TPSs serving customers on Rates RSG, GSG, LVG and  
12 SLG. The primary change in Section 6.1 pertains to the cashout penalties applicable to: a)  
13 daily underdeliveries less than or equal to 5% of the TPS's Aggregate Daily Contract  
14 Quantity ("ADCQ"); and b) daily overdeliveries.<sup>8</sup>

15 In the case of underdeliveries, the cashout penalty would be changed **from** the  
16 Company's BGSS supplier's weighted average pipeline transportation cost ("WATC"),  
17 including fuel, plus gas cost equal to 110% of the highest *weekly* price posting for the  
18 applicable month as published in *Inside FERC's Gas Market Report* for the Texas Eastern  
19 East Louisiana Zone ("Texas Eastern"); **to** the WATC, including fuel, plus gas cost equal to  
20 110% of the average of the highest *daily* price postings during the applicable month for  
21 Texas Eastern and Transco Zone 3.

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<sup>8</sup> PSE&G has not proposed to change the following cashout procedures: a) TPS underdeliveries greater than 5% of the TPS's ADCQ; or b) TPS underdeliveries greater than 5% of the TPS's ADCQ during a Critical Period, *i.e.*, any day that PSE&G determines that its gas supply condition is in jeopardy.

1           In the case of overdeliveries, the cashout penalty would be changed **from** the  
2           WATC, including fuel, plus gas cost equal to 90% of the lowest *weekly* price posting as  
3           published in *Inside FERC's Gas Market Report* for Texas Eastern; **to** the WATC, including  
4           fuel, plus gas cost equal to 90% of the average of the postings for the *day* of overdelivery as  
5           published in Platt's *Gas Daily* for Texas Eastern and Transco Zone 3.

6  
7   **Q. Before discussing proposed Sections 6.2 and 6.3, do you have any comments on**  
8   **Section 6.1?**

9   A. Yes. In essence, the proposed cashout penalty in the case of underdeliveries would be  
10   based on 110% of the highest daily, rather than weekly, price. In the case of overdeliveries,  
11   the proposed cashout penalty would be based on 90% of the average daily price, rather than  
12   90% of the lowest weekly price.

13  
14   **Q. Does Mr. Schirra offer any support for the proposed changes in cashout penalties**  
15   **reflected in Section 6.1?**

16   A. Yes. Mr. Schirra states that the cashout penalties have been changed "to more appropriately  
17   recognize the actual cost of under- and overdelivery by basing the cashout price on the  
18   market price of gas on the day of the imbalance."

19  
20   **Q. Do you have any comment?**

21   A. Yes. Linking the proposed cashout price to the market price of gas on the *day* of the  
22   imbalance tightens the nexus between the penalty imposed for delivery imbalances and the  
23   actual cost such imbalances impose on the Company's system. However, one should not  
24   lose sight of the fact that the primary purpose of the Company's cashout provisions is to

1 discourage under- and overdeliveries by TPSs, and not simply to make BGSS customers  
2 whole. In order to discourage imbalances, there must be sufficient penalties associated  
3 with such under- and overdeliveries.

4  
5 **Q. Do you believe that the proposed Section 6.1 tariff language contains reasonable**  
6 **penalties?**

7 A. In the case of underdeliveries, yes. However, the proposed cashout penalty for  
8 overdeliveries is insufficient.

9  
10 **Q. Why?**

11 A. The proposed cashout penalty for overdeliveries would be insufficient due to the fact that  
12 the cashout price would be based on the average of the postings for the day of overdelivery  
13 as published in Platt's *Gas Daily* for Texas Eastern and Transco Zone 3. Instead, the  
14 penalty should be based on the average of the *lowest* postings for the day of overdelivery as  
15 published in Platt's *Gas Daily* for Texas Eastern and Transco Zone 3.

16  
17 **Q. What is your recommendation with respect to the Company's proposed cashout**  
18 **procedures for TPSs serving customers on Rates RSG, GSG, LVG and SLG?**

19 A. I recommend that Company's proposed cashout provisions for overdeliveries be revised to  
20 base the cashout penalty on 90% of the average of the lowest postings for the price of gas  
21 on the day of the imbalance, as published in Platt's *Gas Daily*, for Texas Eastern and  
22 Transco Zone 3.

23

1 **Q. Mr. Kalcic, how does PSE&G propose to revise its cashout procedures for TPSs**  
2 **servicing customers on Rate Schedules TSG-F and TSG-NF?**

3 A. The Company distinguishes between TPSs servicing TSG-F and TSG-NF customers with  
4 maximum gas requirements of less than 7,500 therms per hour (*i.e.*, Section 6.2), and those  
5 servicing customers with maximum gas requirements greater than or equal to 7,500 therms  
6 per hour (*i.e.*, Section 6.3). However, as the proposed cashout provisions are very similar  
7 across the two groups of customers, I will confine my discussion to the proposed changes  
8 reflected in Section 6.2.

9

10 **Q. Please describe the current cashout provisions applicable to TPSs servicing TSG-F and**  
11 **TSG-NF customers.**

12 A. Briefly, the Company's current tariff contains daily cashout provisions for the winter  
13 period, coupled with monthly cashout provisions that apply year round. For winter period  
14 underdeliveries, no daily cashout applies if deliveries are greater than 90% of actual usage.  
15 Deliveries less than 90% of actual usage are cashed out at 200% of the highest daily price  
16 posted in *Gas Daily* for any of three (3) delivery zones.<sup>9</sup> No daily cashout applies to  
17 overdeliveries.

18 Monthly cashout provisions apply to both under- and overdeliveries. All  
19 underdeliveries are cashed out at 110% of the monthly average of the daily postings  
20 published in *Gas Daily* for delivery in Transco Zone 6. Similarly, all overdeliveries are  
21 cashed out at 90% of the monthly average of the daily postings published in *Gas Daily* for  
22 delivery in Transco Zone 6.

---

<sup>9</sup> During Critical Winter Periods, all underdeliveries less than 90% of actual usage are cashed out at 10 times the daily price index.

1 **Q. How would the Company’s proposed cashout provisions applicable to TPSs serving**  
2 **TSG-F and TSG-NF customers differ from the above?**

3 A. In brief, all imbalances would be subject to a daily cashout, *i.e.*, TPSs would no longer be  
4 subject to a separate monthly cashout provision. All daily overdeliveries would be cashed  
5 out at 80% of the Daily Cashout Price. Daily underdeliveries between 80% and 100% of  
6 actual usage would be cashed out at the Daily Cashout Price. Daily underdeliveries that are  
7 less than 80% of actual usage would be cashed out at 200% of the Daily Cashout Price.<sup>10</sup>

8  
9 **Q. How is the Daily Cashout Price defined?**

10 A. The Daily Cashout Price would be set at the average of the “Midpoint” values stated in the  
11 “Citygates” section of the Daily Price Survey published in *Gas Daily*, for Texas Eastern M-  
12 3 and Transco Zone 6 New York.

13  
14 **Q. Would the Daily Cashout Price include any portion of the Company’s BGSS**  
15 **supplier’s WATC?**

16 A. No, it would not.

17  
18 **Q. Mr. Kalcic, are the proposed cashout provisions contained in Section 6.2 reasonable?**

19 A. No. On balance, I believe that the cashout provisions contained in Section 6.2 would not  
20 provide a sufficient incentive for TPSs to balance their daily deliveries.

21

---

<sup>10</sup> During a Critical Period, all underdeliveries would be cashed out at 10 times the Daily Cashout Price.

1 **Q. Please explain.**

2 A. While Section 6.2 would properly discourage daily overdeliveries, the same cannot be said  
3 for underdeliveries. Essentially, Section 6.2 provides that daily underdeliveries within 20%  
4 of a customer's actual usage would simply be cashed out at the market price of gas on that  
5 date, *i.e., without penalty*. If Section 6.2 were to be approved as filed, I would expect that  
6 all TSPs would consistently underdeliver gas to the Company's system, rather than risk an  
7 overdelivery cashout (*i.e., penalty*) at 80% of the Daily Cashout Price.

8 In summary, the Company's cashout provisions should be designed to discourage  
9 *both* under- and overdeliveries. As proposed, the cashout procedure for underdeliveries  
10 would give TPSs too much of a free ride.

11

12 **Q. What is your recommendation with respect to the cashout provisions contained in**  
13 **Sections 6.2 and 6.3 of the Company's proposed tariff?**

14 A. I recommend that the Board reject the Company's proposed cashout provisions and,  
15 instead, retain PSE&G's current cashout provisions for TSG-F and TSG-NF customers at  
16 this time.

17

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.

## **APPENDIX**

### Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December, 1974. In May, 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including such subjects as Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic joined the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In 1996, Mr. Kalcic founded Excel Consulting, a consulting practice which offers business and regulatory services.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas, and the Bonneville Power Administration.

# **Public Service Electric and Gas Company**

BPU Docket No. GR05100845

**Schedules BK-1 through BK-4**

**Public Service Electric and Gas Company**  
Company Proposed Distribution of its Requested Increase  
Basis: Distribution Revenue  
(Dollars in Thousands)

Line	Description	Present	Proposed Increase		
		Distribution Revenue	Amount	Percent	Index
		(1)	(2)	(3)	(4)
	<u>Firm</u>				
1	RSG	\$462,425	\$113,445	24.53%	117
2	GSG	\$80,157	\$11,708	14.61%	70
3	LVG	\$111,275	\$11,642	10.46%	50
4	SLG	<u>\$282.1</u>	<u>\$69</u>	24.46%	117
5	Subtotal	\$654,139	\$136,864	20.92%	100
	<u>Trans/Cogen</u>				
6	TSG-F	\$6,244	\$653	10.46%	50
7	TSG-NF	\$38,656	\$4,044	10.46%	50
8	CIG	<u>\$5,194</u>	<u>\$1,087</u>	20.92%	100
9	Subtotal	\$50,094	\$5,784		
10	Total Company	\$704,233	\$142,648	20.26%	

Source: 

Schedule GWS-8 R-2, pg. 2
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**Public Service Electric and Gas Company**  
Company Proposed Distribution of its Requested Increase  
Basis: Total Revenue  
(Dollars in Thousands)

Line	Description	Total* Present Revenue	Proposed Increase				Index
			Distribution	MAC/BGSS	Total	Percent	
		(1)	(2)	(3)	(4) = (2)+(3)	(5) = (4) / (1)	(6)
	<u>Firm</u>						
1	RSG	\$2,003,029	\$113,445	(\$3,590)	\$109,855	5.48%	145
2	GSG	\$349,961	\$11,708	(\$610)	\$11,098	3.17%	84
3	LVG	\$762,929	\$11,642	(\$1,502)	\$10,140	1.33%	35
4	SLG	<u>\$908.1</u>	<u>\$69</u>	<u>(\$1)</u>	<u>\$68</u>	7.44%	196
5	Subtotal	\$3,116,827	\$136,864	(\$5,703)	\$131,161	4.21%	111
	<u>Trans/Cogen</u>						
6	TSG-F	\$62,945	\$653	(\$104)	\$549	0.87%	23
7	TSG-NF	\$345,079	\$4,044	\$0	\$4,044	1.17%	31
8	CIG	<u>\$83,612</u>	<u>\$1,087</u>	<u>\$0</u>	<u>\$1,087</u>	1.30%	34
9	Subtotal	\$491,636	\$5,784	(\$104)	\$5,680	1.16%	30
10	Total Company	\$3,608,463	\$142,648	(\$5,807)	\$136,841	3.79%	100

\$136,864 Target  
(\$23) Rounding

Source: 

Schedule GWS-8 R-2, pg. 2
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Note: \* Includes BGSS, balancing charge, SBC & MAC revenues. All customers assumed to be on BGSS.

**Public Service Electric and Gas Company**  
Ratepayer Advocate Distribution of its Recommended Revenue Adjustment  
Basis: Distribution Revenue  
(Dollars in Thousands)

<u>Line</u>	<u>Description</u>	Present	Recommended Increase		
		Distribution Revenue	Amount	Percent	Index
		(1)	(2)	(3)	(4)
	<u>Firm</u>				
1	RSG	\$471,726	(\$41,111)	-8.72%	83
2	GSG	\$81,263	(\$11,123)	-13.69%	130
3	LVG	\$114,065	(\$18,015)	-15.79%	150
4	SLG	<u>\$282.1</u>	<u>(\$15)</u>	-5.32%	50
5	Subtotal	\$667,336	(\$70,264)	-10.53%	100
	<u>Trans/Cogen</u>				
6	TSG-F	\$6,244	(\$985)	-15.78%	150
7	TSG-NF	\$38,656	(\$3)	-0.01%	0
8	CIG	<u>\$5,194</u>	<u>\$0</u>	0.00%	0
9	Subtotal	\$50,094	(\$988)		
10	Total Company	\$717,430	(\$71,252)	-9.93%	

Source: 

Sch. BK-3
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**Public Service Electric and Gas Company**  
Ratepayer Advocate Distribution of its Recommended Revenue Adjustment  
Basis: Total Revenue  
(Dollars in Thousands)

Line	Description	Total* Present Revenue (1)	Recommended Increase				Index (6)
			Distribution (2)	MAC/BGSS (3)	Total (4) = (2)+(3)	Percent (5) = (4) / (1)	
	<u>Firm</u>						
1	RSG	\$2,047,836	(\$41,111)	\$697	(\$40,414)	-1.97%	104
2	GSG	\$355,268	(\$11,123)	\$83	(\$11,040)	-3.11%	163
3	LVG	\$789,510	(\$18,015)	\$208	(\$17,807)	-2.26%	118
4	SLG	<u>\$908.1</u>	<u>(\$15.0)</u>	<u>\$0.2</u>	<u>(\$14.8)</u>	-1.63%	86
5	Subtotal	\$3,193,522	(\$70,264)	\$988	(\$69,276)	-2.17%	114
	<u>Trans/Cogen</u>						
6	TSG-F	\$62,945	(\$985)	\$0	(\$985)	-1.56%	82
7	TSG-NF	\$345,079	(\$3)	\$0	(\$3)	0.00%	0
8	CIG	<u>\$83,612</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%	0
9	Subtotal	\$491,636	(\$988)	\$0	(\$988)	-0.20%	11
10	Total Company	\$3,685,158	(\$71,252)	\$988	(\$70,264)	-1.91%	100

(\$70,264) Target  
\$0 Rounding

Source:

Schedules GWS-8 R-2, pg. 2; RJH-4 & RJH-9; BK-3	Schedule BK-3
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Note: \* Includes BGSS, balancing charge, SBC & MAC revenues. All customers assumed to be on BGSS.

**RATE SCHEDULE RSG  
RESIDENTIAL SERVICE  
12 Months Ended September 30, 2005**  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges Including SUT
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	(9=5*1.06)
<b>Delivery</b>									
1 Service Charge	18,654,291	5.46	\$101,852	18,654,291	5.46	\$101,852	\$0	0.00	5.79
2 Distribution Charge	1,456,897	0.254203	370,348	1,456,897	0.226058	329,343	-41,005	-11.07	0.239621
3 Off-Peak Dist	86	0.127102	11	86	0.113029	10	-1	-9.09	0.119811
4 Balancing Charge	866,896	0.081633	70,767	866,896	0.081633	70,767	0	0.00	0.086531
5 SBC	1,456,983	0.033788	49,229	1,456,983	0.033788	49,229	0	0.00	0.035815
6 Realignment Adjustment	1,456,983	0.000000	0	1,456,983	0.000000	0	0	0.00	0.000000
7 Margin Adjustment	1,456,983	-0.006910	-10,068	1,456,983	-0.006909	-10,066	2	-0.02	-0.007324
8 Facilities Charges			0			0	0	0.00	
9 Minimum			0			0	0	0.00	
10 Miscellaneous			-1,686			-1,686	0	0.00	
11 Delivery Subtotal			580,453			539,449	-41,004	-7.06	
12 Unbilled Delivery			1,481			1,376	-105	-7.09	
13 Delivery Subtotal w unbilled			581,934			540,825	-41,109	-7.06	
14									
<b>Supply</b>									
16 BGSS-RSG	1,456,897	1.003402	1,461,853	1,456,897	1.003402	1,461,853	0	0.00	1.064112
17 BGSS-RSGM	0	0.000000	0	0	0.000000	0	0	0.00	
18 Emergency Sales Service	0	0.000000	0	0	0.000000	0	0	0.00	
19 BGSS Contrib. from TSG-F, TSG-NF & CIG	0	0.000000	0	1,456,983	0.000477	695	695	0.00	
20 Off-Peak Comm. Charge	86	0.822815	71	86	0.822815	71	0	0.00	0.872184
21 Miscellaneous			-3			-3	0	0.00	
22 Supply subtotal			1,461,921			1,462,616	695	0.05	
23 Unbilled Supply			3,981			3,981	0	0.00	
24 Supply Subtotal w unbilled			1,465,902			1,466,597	695	0.05	
25									
26 Total Delivery + Supply	1,456,983		<u>\$2,047,836</u>	1,456,983		<u>\$2,007,422</u>	<u>-\$40,414</u>	-1.97	

Notes:

All customers assumed to be on BGSS.

Annualized Weather Normalized Revenue reflects Delivery rates in effect 9/1/05 (reflects expiration of Shopping Incentives).

Supply rates from GWS-11.

No Price Elasticity adjustment; units include RA customer growth adjustment.

**RATE SCHEDULE GSG**  
**GENERAL SERVICE**  
**12 Months Ended September 30, 2005**  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	Including SUT (9=5*1.06)
<b>Delivery</b>									
1 Service Charge	1,665,652	8.50	\$14,158	1,665,652	8.50	\$14,158	\$0	0.00	9.01
2 Distribution Charge - Pre 7/14/97	4,670	0.215631	1,007	4,670	0.176406	824	-183	-18.17	0.186990
3 Distribution Charge - All Others	278,127	0.236923	65,895	278,127	0.197698	54,985	-10,910	-16.56	0.209560
4 Off-Peak Dist Charge - Pre 7/14/97	0	0.107816	0	0	0.088203	0	0	0.00	0.093495
5 Off-Peak Dist Charge - All Others	47	0.118462	6	47	0.098849	5	-1	-16.67	0.104780
6 Balancing Charge	176,290	0.081633	14,391	176,290	0.081633	14,391	0	0.00	0.086531
7 SBC	282,844	0.033788	9,557	282,844	0.033788	9,557	0	0.00	0.035815
8 Realignment Adjustment	282,844	0.000000	0	282,844	0.000000	0	0	0.00	0.000000
9 Margin Clause	282,844	-0.006910	-1,954	282,844	-0.006909	-1,954	0	0.00	-0.007324
10 Facilities Charges			1			1	0	0.00	
11 Minimum			9			9	0	0.00	
12 Miscellaneous			-20			-21	-1	5.00	
13 Delivery Subtotal			103,050			91,955	-11,095	-10.77	
14 Unbilled Delivery			263			235	-28	-10.65	
15 Delivery Subtotal w unbilled			103,313			92,190	-11,123	-10.77	
16									
<b>Supply</b>									
18 BGSS	282,844	0.880619	249,078	282,844	0.880619	249,078	0	0.00	0.933765
19 Emergency Sales Service	0	0.000000	0	0	0.000000	0	0	0.00	
20 BGSS Contrib. from TSG-F, TSG-NF & CIG	0	0.000000	0	282,844	0.000291	82	82	0.00	
21 Miscellaneous			0			0	0	0.00	
22 Supply subtotal			249,078			249,160	82	0.03	
23 Unbilled Supply			2,877			2,878	1	0.03	
24 Supply Subtotal w unbilled			251,955			252,038	83	0.03	
25									
26 Total Delivery + Supply	282,844		\$355,268	282,844		\$344,228	-\$11,040	-3.11	

Notes:

All customers assumed to be on BGSS.

Annualized Weather Normalized Revenue reflects Delivery rates in effect 9/1/05 (reflects expiration of Shopping Incentives).

Supply rates from GWS-11.

No Price Elasticity adjustment; units include RA customer growth adjustment.

**RATE SCHEDULE LVG**  
**LARGE VOLUME SERVICE**  
**12 Months Ended September 30, 2005**  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges Including SUT (9=5*1.06)
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	
<b>Delivery</b>									
1 Service Charge	222,519	78.66	\$17,503	222,519	78.66	\$17,503	\$0	0.00	83.38
2 Demand Charge	20,313	3.1800	64,596	20,313	2.6787	54,413	-10,183	-15.76	2.8394
3 Distribution Charge 0-1,000 pre 7/14/97	19,055	0.038136	727	19,055	0.029231	557	-170	-23.38	0.030985
4 Distribution Charge over 1,000 pre 7/14/97	114,687	0.036576	4,195	114,687	0.025133	2,882	-1,313	-31.30	0.026641
5 Distribution Charge 0-1,000 post 7/14/97	142,245	0.047278	6,725	142,245	0.038373	5,458	-1,267	-18.84	0.040675
6 Distribution Charge over 1,000 post 7/14/97	436,223	0.045718	19,943	436,223	0.034275	14,952	-4,991	-25.03	0.036332
7 Balancing Charge	361,423	0.081633	29,504	361,423	0.081633	29,504	0	0.00	0.086531
8 SBC	712,209	0.033788	24,064	712,209	0.033788	24,064	0	0.00	0.035815
9 Realignment Adjustment	712,209	0.000000	0	712,209	0.000000	0	0	0.00	0.000000
10 Margin Clause	712,209	-0.006910	-4,921	712,209	-0.006909	-4,921	0	0.00	-0.007324
11 Facilities Charges			109			109	0	0.00	
12 Minimum			141			141	0	0.00	
13 Administrative Charge			73			0	-73	-100.00	
14 Miscellaneous			-66			-66	0	0.00	
15 Delivery Subtotal	712,209		162,593	712,209		144,596	-17,997	-11.07	
16 Unbilled Delivery			171			152	-19	-11.11	
17 Delivery Subtotal w unbilled			162,764			144,748	-18,016	-11.07	
18									
19									
<b>Supply</b>									
21 BGSS	712,209	0.871119	620,419	712,209	0.871119	620,419	0	0.00	0.923695
22 Emergency Sales Service	0	0.000000	0	0	0.000000	0	0	0.00	
23 BGSS Contrib. from TSG-F, TSG-NF & CIG	0	0.000000	0	712,209	0.000291	207	207	0.00	
24 Miscellaneous			0			0	0	0.00	
25 Supply Subtotal			620,419			620,626	207	0.03	
26 Unbilled Supply			6,327			6,328	1	0.02	
27 Supply Subtotal w unbilled			626,746			626,954	208	0.03	
28									
29 Total Delivery + Supply	712,209		<u>\$789,510</u>	712,209		<u>\$771,702</u>	<u>-\$17,808</u>	-2.26	

Notes:

All customers assumed to be on BGSS.

Annualized Weather Normalized Revenue reflects Delivery rates in effect 9/1/05 (reflects expiration of Shopping Incentives).

Supply rates from GWS-11.

No Price Elasticity adjustment; units include RA customer growth adjustment.

**RATE SCHEDULE SLG  
STREET LIGHTING SERVICE  
12 Months Ended September 30, 2005**  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges Including SUT (9=5*1.06)
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	
<b>Delivery</b>									
1 Service Charge	0.000	0.00	\$0.000	0.000	0.00	\$0.000	\$0.000	0.00	0.00
2 Lamp Chg. (Del&Lamp)									
3 Single	10.392	9.4857	98.575	10.392	9.0010	93.538	-5.037	-5.11	9.5411
4 Double	0.612	9.4857	5.805	0.612	9.0010	5.509	-0.296	-5.10	9.5411
5 Triple prior to 1/1/93	18.144	9.4857	172.109	18.144	9.0010	163.314	-8.795	-5.11	9.5411
6 Triple on and after 1/1/93	0.144	57.5900	8.293	0.144	51.5278	7.420	-0.873	-10.53	54.6195
7 Balancing Charge	0.000	0.000000	0.000	0.000	0.000000	0.000	0.000	0.00	0.000000
8 SBC	667.094	0.033788	22.540	667.094	0.033788	22.540	0.000	0.00	0.035815
9 Realignment Adjustment	667.094	0.000000	0.000	667.094	0.000000	0.000	0.000	0.00	0.000000
10 Margin Clause	667.094	-0.006910	-4.610	667.094	-0.006909	-4.609	0.001	-0.02	-0.007324
11 Facilities Charges			0.000			0.000	0.000	0.00	
12 Minimum			0.000			0.000	0.000	0.00	
13 Miscellaneous			-2.641			-2.640	0.001	-0.04	
14 Delivery Subtotal			300.071			285.072	-14.999	-5.00	
15 Unbilled Delivery			0.000			0.000	0.000	0.00	
16 Delivery Subtotal w unbilled			300.071			285.072	-14.999	-5.00	
17									
<b>Supply</b>									
19 BGSS	667.094	0.911416	608.000	667.094	0.911416	608.000	0.000	0.00	0.966409
20 Emergency Sales Service	0.000	0.000000	0.000	0.000	0.000000	0.000	0.000	0.00	
21 BGSS Contrib. from TSG-F, TSG-NF & CIG	0.000	0.000000	0.000	667.094	0.000291	0.194	0.194	0.00	
22 Miscellaneous			0.000			0.000	0.000	0.00	
23 Supply Subtotal			608.000			608.194	0.194	0.03	
24 Unbilled Supply			0.000			0.000	0.000	0.00	
25 Supply Subtotal w unbilled			608.000			608.194	0.194	0.03	
26									
27 Total Delivery + Supply	667.094		<u>\$908.071</u>	667.094		<u>\$893.266</u>	<u>-\$14.805</u>	-1.63	
28									

Notes:

All customers assumed to be on BGSS.

SLG units and revenues shown to 3 decimals.

Annualized Weather Normalized Revenue reflects Delivery rates in effect 9/1/05 (reflects expiration of Shopping Incentives).

Supply rates from GWS-11.

RATE SCHEDULE TSG-F  
FIRM TRANSPORTATION GAS SERVICE  
12 Months Ended September 30, 2005  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges Including SUT (9=5*1.06)
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	
<b>Delivery</b>									
1 Service Charge	1,119	403.94	\$452	1,119	403.94	\$452	\$0	0.00	428.18
2 Demand Charge	1,222	1.5905	1,944	1,222	1.3216	1,615	-329	-16.92	1,4009
3 Distribution Charge	63,743	0.062879	4,008	63,743	0.052225	3,329	-679	-16.94	0.055359
4 SBC	63,743	0.033788	2,154	63,743	0.033788	2,154	0	0.00	0.035815
5 Margin Adjustment	63,743	-0.006910	-440	63,743	-0.006909	-440	0	0.00	-0.007324
6 Facilities Charges			0			0	0	0.00	
7 Minimum			0			0	0	0.00	
8 Administrative Charge			1			0	-1	-100.00	
9 Miscellaneous			<u>-6</u>			<u>-6</u>	<u>0</u>	0.00	
10 Delivery Subtotal			8,113			7,104	-1,009	-12.44	
11 Unbilled Delivery			<u>-195</u>			<u>-171</u>	<u>24</u>	-12.31	
12 Delivery Subtotal w unbilled			7,918			6,933	-985	-12.44	
13									
<b>Supply</b>									
15 Commodity Charge, BGSS-F	63,743	0.873508	55,680	63,743	0.873508	55,680	0	0.00	0.925918
16 Emergency Sales Service	0	0.000000	0	0	0.000000	0	0	0.00	
17 Miscellaneous			<u>0</u>			<u>0</u>	<u>0</u>	0.00	
18 Supply Subtotal			55,680			55,680	0	0.00	
19 Unbilled Supply			<u>-653</u>			<u>-653</u>	<u>0</u>	0.00	
20 Supply Subtotal w unbilled			55,027			55,027	0	0.00	
21									
22 Total Delivery + Supply	63,743		<u>\$62,945</u>	63,743		<u>\$61,960</u>	<u>-\$985</u>	-1.56	

Notes:

All customers assumed to be on BGSS.

Annualized Weather Normalized Revenue reflects Delivery rates in effect 9/1/05.

Supply rates from GWS-11.

**RATE SCHEDULE TSG-NF**  
**NON-FIRM TRANSPORTATION GAS SERVICE**  
**12 Months Ended September 30, 2005**  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges Including SUT
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	(9=5*1.06)
<b>Delivery</b>									
1 Service Charge	3,364	403.94	\$1,359	3,364	403.94	\$1,359	\$0	0.00	428.18
2 Dist Charge 0-50,000	290,625	0.062879	18,274	290,625	0.062878	18,274	0	0.00	0.066651
3 Dist Charge over 50,000	220,775	0.062879	13,882	220,775	0.062878	13,882	0	0.00	0.066651
4 SBC	511,400	0.033788	17,279	511,400	0.033788	17,279	0	0.00	0.035815
5 Facilities Charges			430			430	0	0.00	
6 Minimum			0			0	0	0.00	
7 Administrative Charge			3			0	-3	-100.00	
8 Miscellaneous			97			97	0	0.00	
9 Delivery Subtotal			51,324			51,321	-3	-0.01	
10 Unbilled Delivery			6,957			6,957	0	0.00	
11 Delivery Subtotal w unbilled			58,281			58,278	-3	-0.01	
12									
<b>Supply</b>									
14 Commodity Charge, BGSS-I	511,334	0.783048	400,399	511,334	0.783048	400,399	0	0.00	0.830031
15 Emergency Sales Service	0	0.000000	0	0	0.000000	0	0	0.00	
16 Pilot Use	16	1.00	16	16	1.00	16	0	0.00	1.06
17 Penalty Use	50	2.200000	110	50	2.200000	110	0	0.00	
18 Miscellaneous			-121			-121	0	0.00	
19 Supply Subtotal			400,404			400,404	0	0.00	
20 Unbilled Supply			-113,606			-113,606	0	0.00	
21 Supply Subtotal w unbilled			286,798			286,798	0	0.00	
22									
23 Total Delivery + Supply	511,400		\$345,079	511,400		\$345,076	-\$3	0.00	

Notes:

All customers assumed to be on BGSS.

Annualized Weather Normalized Revenue reflects Delivery rates in effect 9/1/05.

Supply rates from GWS-11.

**RATE SCHEDULE CIG**  
**COGENERATION INTERRUPTIBLE SERVICE**  
**12 Months Ended September 30, 2005**  
(Units, Revenue, Thousands)

	Annualized Weather Normalized			Recommended			Increase		Tariff Charges Including SUT (9=5*1.06)
	Units (1)	Rate (2)	Revenue (3=1*2)	Units (4)	Rate (5)	Revenue (6=4*5)	Revenue (7=6-3)	Percent (8=7/3)	
<b>Delivery</b>									
1 Service Charge	0.360	115.43	\$42	0.360	115.43	\$42	\$0	0.00	122.36
2 Margin 0-600,000	64,649	0.054747	3,539	64,649	0.054742	3,539	0	0.00	0.058027
3 Margin over 600,000	36,521	0.044747	1,634	36,521	0.044742	1,634	0	0.00	0.047427
4 Extended Gas Service	615	0.100813	62	615	0.100813	62	0	0.00	
5 SBC	101,170	0.033788	3,418	101,170	0.033788	3,418	0	0.00	0.035815
6 Facilities Charges			0			0	0	0.00	
7 Minimum			0			0	0	0.00	
8 Miscellaneous			4			4	0	0.00	
9 Delivery Subtotal	101,170		8,699	101,170		8,699	0	0.00	
10 Unbilled Delivery			-142			-142	0	0.00	
11 Delivery Subtotal w unbilled			8,557			8,557	0	0.00	
12									
<b>Supply</b>									
14 Commodity Component	101,170	0.747860	75,661	101,170	0.747860	75,661	0	0.00	0.792732
15 Pilot Use	0	1.00	0	0	1.00	0	0	0.00	1.06
16 Penalty Use	0		0	0		0	0	0.00	
17 Extended Gas Service	615		682	615		682	0	0.00	
18 Miscellaneous			0			0	0	0.00	
19 Supply Subtotal			76,343			76,343	0	0.00	
20 Unbilled Supply			-1,288			-1,288	0	0.00	
21 Supply Subtotal w unbilled			75,055			75,055	0	0.00	
22									
23 Total Delivery + Supply	101,170		<u>\$83,612</u>	101,170		<u>\$83,612</u>	<u>\$0</u>	0.00	

Notes:

All customers assumed to be on BGSS.

Annualized Weather Normalized Revenue reflects Delivery component and rates in effect 9/1/05.

Supply rates from GWS-11.



**Public Service Electric and Gas Company**  
 Comparison of Rate Schedule RSG  
 Present and Recommended Delivery Rates  
 (w/o SUT)

<u>Line</u>	<u>Description</u>	Present Rate	Recommended Rate	Increase	
				Amount	Percent
		(1)	(2)	(3)	(4)
1	Service Charge	\$5.46	\$5.46	\$0.00	0.00%
2	Distribution	\$0.254203	\$0.226058	(\$0.028145)	-11.07%
3	Balancing	\$0.081633	\$0.081633	\$0.000000	0.00%
4	SBC	\$0.033788	\$0.033788	\$0.000000	0.00%
5	Margin Adjustment	(\$0.006910)	(\$0.006909)	\$0.000001	-0.01%
6	Off-Peak Distribution	\$0.127102	\$0.113029	(\$0.014073)	-11.07%

Source:

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