



June 15, 2018

In The Matter of the Petition of
Public Service Electric and Gas Company
for Approval of Electric Base Rate
Adjustments Pursuant to the Energy Strong Program

BPU Docket Nos. ER18040358 and GR18040359

VIA ELECTRONIC MAIL & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 3rd Flr.
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

Enclosed please find an original and ten copies of this letter and of Public Service Electric and Gas Company's (PSE&G, the Company) updated schedules in the above-referenced matter providing actual historical data through May 31, 2018.

Specifically, enclosed please find:

1. Schedules SS-ESAM8-2E (Update) and SS-ESAM8-2G (Update) Revenue Requirement Calculations Summaries (Updated for actual results through May 31, 2018);
2. Schedule SS-ESAM8-3 (Update) ES WACC Calculation (Unchanged from original filing); and
3. Schedule SS-ESAM8-4 (Update) Revenue Factor Calculation (Unchanged from original filing).

In addition, while not included with this hard-copy filing, parties on the service list will receive the electronic workpapers WP-SS-ESAM8-1E (Update).xlsx and WP-SS-ESAM8-1G (Update).xlsx supporting the calculation of the updated revenue requirements with the e-mail of this letter and the other enclosed materials.

Please note that the gas data supports rates higher than the rates as proposed in the March 2018 filing, as the expenditures in the subprograms exceeded the forecasts. Nevertheless, PSE&G is

not seeking rates higher than proposed in the March 2018 filing. Thus, PSE&G is not providing any new electric or gas proof of revenue schedules in this update. The Energy Strong revenue requirement in excess of the public notice request will be addressed in PSE&G's pending base rate case, BPU Docket Nos. ER18010029 and GR18010030.

The Board Order approving the Energy Strong program provides that Revenue Requirements associated with Energy Strong program investments that are placed into service through and including 5/31/18 shall go into base rates effective 9/1/18.¹ PSE&G suggests that to implement these provisions, this matter would need to be addressed at a Board open public meeting no later than sometime in August 2018.

Please feel to contact me with any questions on this matter.

Sincerely,

Respectfully submitted,



C Attached Service List (E-Mail Only)

¹ The Energy Strong Program was approved in a Board Order dated May 21, 2014 in Docket Nos. EO13020155 & GO13020156. Paragraphs 41 and 42 of the Stipulation adopted by that order addresses this rate filing and the provisions discussed herein.

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**PSE&G Energy Strong Program
Electric Roll-in Calculation
Roll-in Filing**

Schedule SS-ESAM8-2E (Update)

Plant In Service as of Date
in (\$000)

5/31/2018

RATE BASE CALCULATION

	Total
1 Gross Plant	\$5,066
2 Accumulated Depreciation	\$366
3 Net Plant	\$5,431
4 Accumulated Deferred Taxes	(\$318)
5 Rate Base	\$5,113
6 Rate of Return - After Tax (Schedule WACC)	6.61%
7 Return Requirement (After Tax)	\$338
8 Depreciation Exp, net	\$91
9 Tax Adjustment	(\$3)
10 Revenue Factor	1.3944
11 Roll-in Revenue Requirement	\$594

**PSE&G Energy Strong Program
Gas Roll-in Calculation
Roll-in Filing**

Schedule SS-ESAM8-2G (Update)

Plant In Service as of Date
in (\$000)

5/31/2018

RATE BASE CALCULATION

	Total
1 Gross Plant	\$1,013
2 Accumulated Depreciation	\$521
3 Net Plant	\$1,534
4 Accumulated Deferred Taxes	(\$386)
5 Rate Base	\$1,148
6 Rate of Return - After Tax (Schedule WACC)	6.61%
7 Return Requirement (After Tax)	\$76
8 Depreciation Exp, net	\$10
9 Revenue Factor	1.41
10 Total Revenue Requirement	\$121
12 Public Notice Revenue Requirement	\$120
13 Proposed Revenue Requirement	\$120

PSE&G Energy Strong Program
Weighted Average Cost of Capital (WACC)

Schedule SS-ESAM8-3 (Update)

	<u>Percent</u>	<u>Embedded Cost</u>	<u>Weighted Cost</u>	<u>Pre-Tax Weighted Cost</u>	<u>After Tax Weighted Cost</u>
Common Equity	51.20%	9.75%	4.99%	6.94%	4.99%
Other Capital	<u>48.80%</u>	4.60%	<u>2.25%</u>	<u>2.25%</u>	<u>1.61%</u>
Total	100.00%		<u><u>7.24%</u></u>	<u><u>9.19%</u></u>	<u><u>6.61%</u></u>
Federal Income Tax	35.00%	21.00%			
State NJ Business Incm Tax	9.00%	9.00%			
Tax Rate	<u>40.85%</u>	<u>28.11%</u>			

PSE&G Energy Strong Program
Revenue Factor Calculation

Schedule SS-ESAM8-4 (Update)

	<u>ELECTRIC</u>	<u>GAS</u>	
Revenue Increase	100.0000	100.0000	
Uncollectible Rate		1.2514	From 2009 Rate Case
BPU Assessment Rate	0.1924	0.1924	2018 BPU Assessment
Rate Counsel Assessment Rate	<u>0.0528</u>	<u>0.0528</u>	2018 RC Assessment
Income before State of NJ Bus. Tax	99.7548	98.5034	
State of NJ Bus. Income Tax @ 9.00%	<u>8.9779</u>	<u>8.8653</u>	
Income Before Federal Income Taxes	90.7769	89.6381	
Federal Income Taxes @ 21%	<u>19.0631</u>	<u>18.8240</u>	
Return	<u>71.7137</u>	<u>70.8141</u>	
Revenue Factor	<u>1.3944</u>	<u>1.4121</u>	