Agenda Date: 11/30/16
Agenda Item: 8D

STATE OF NEW JERSEY

Board of Public Utilities
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Trenton, New Jersey 08625-0350
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DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A SECOND EXTENSION OF A SOLAR GENERATION INVESTMENT PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21, 48:2-21.1 AND N.J.S.A. 48:3-98.1	)	ORDER APPROVING STIPULATION DOCKET NO. EO16050412

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Matthew M. Weisman, Esq., Public Service Electric and Gas Company
Steven S. Goldenberg, Esq., New Jersey Large Energy Users Coalition
R. William Potter, Esq., Mid-Atlantic Solar Energy Industries
Philip J. Passanante, Esq., Atlantic City Electric Company
Michael Rato, Esq., McElroy, Deutsch, Mulvaney & Carpenter, LLP, on behalf of Vanguard Energy Partners, LLC
William Harla, Esq., Decotiis, Fitzpatrick & Cole, LLP, on behalf of the Solar Energy Industries Association
Richard D. McLaughlin, Esq., on behalf of J. Fletcher Creamer & Son, Inc.
Roger M. Schwarz, Esq., on behalf of of IBEW Local Union 94
Bradley M. Parsons, Esq., Kroll Heineman Carton, on behalf of New Jersey Laborers-Employers Cooperation and Education Trust

BY THE BOARD:[1]

BACKGROUND:

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law by former Governor Corzine based on the New Jersey Legislature's findings that energy efficiency and conservation

[1] Commissioners Solomon and Chivukula dissent from the decision and Order in this matter, and each have issued a separate dissent.

measures and increased use of renewable energy resources must be essential elements of the State's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the renewable energy, conservation and energy efficiency industries are essential to maximize efficiencies.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1(a)(2), an electric or gas public utility may, among other things, invest in Class I renewable energy resources or offer Class I renewable energy programs in its service territory on a regulated basis. Such investment in renewable energy, energy efficiency and conservation programs may be eligible for rate treatment approved by the New Jersey Board of Public Utilities ("Board"), including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any renewable energy, energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

By Order dated August 3, 2009,[2] the Board authorized Public Service Electric and Gas Company ("PSE&G" or "Company") to implement a solar generation program ("Solar 4 All Program"). The Solar 4 All Program incorporated one 40 megawatt ("MW") segment of large-scale solar installations[3] and one 40 MW segment of small solar units mounted upon utility and streetlight poles; the program was anticipated to have completed installation by the end of 2013. The Board authorized PSE&G to recover program costs through a new solar generation investment component ("SGIP") of the Company's electric Regional Greenhouse Gas Initiative Recovery Charge ("RRC").[4]

By Order dated May 31, 2013, the Board authorized PSE&G to extend the Solar 4 All Program and authorized the Company's installation of 42 MWdc on properly closed sanitary landfills and on brownfields, as well as three pilot programs of one MWdc each on underutilized government facilities, grid security/storm preparedness, and innovative parking lot applications[5] ("Solar 4 All Extension Program"). In addition, the May 2013 Order authorized the Company to reallocate capacity within the four segments, provided no capacity could be reallocated from the landfill/brownfield segment, and to recover program costs through a new Solar Generation Investment Extension Program ("SGIEP") component of its electric GPRC.

[2] In re the Petition of Public Service Electric and Gas Company for Approval of a Solar Generation Investment Program and Associated Cost Recovery Mechanism, BPU Docket No. EO09020125, Order dated August 3, 2009. ("August 2009 Order")

[3] The large scale segment approved in the August 2009 Order included three sub-segments: i) systems installed on PSE&G-owned sites; ii) systems installed on third-party owned sites; and iii) systems installed on sites in Urban Enterprise Zones, including publicly-owned sites.

[4] By Order dated February 19, 2014, in Docket Nos. ER13070603 and GR13070604, the RRC was renamed the Green Progams Recovery Charge ("GPRC").

[5] In re the Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and For Changes in the Tariff for Electric Service, B.P.U.N.J. No. 15 Electric Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and N.J.S.A. 48:3-98.1, BPU Docket No. EO12080721, Order dated May 31, 2013. ("May 2013 Order")

PSE&G PETITION FOR A SECOND EXTENSION OF SOLAR 4 ALL ("S4AEII")

On May 11, 2016, PSE&G filed the instant petition with the Board. In the filing, the Company sought approval of a second extension of one of the segments of Solar 4 All Program Extension Program, which would consist of installing 100 MWdc upon landfills and brownfields over a five year period with a total proposed capital investment of approximately $276 million ($240 million for investment and $36 million for contingency and unforeseen site conditions). PSE&G proposed to recover costs associated with the program through a new Solar Generation Investment Extension II Program component of the electric GPRC set forth in the Company's electric tariff. By letter dated June 8, 2016, Board Staff ("Staff") notified PSE&G that the petition was administratively complete.[6]

By Order dated June 29, 2016 ("June 29, 2016 Order"), the Board determined that this matter should be retained by the Board for review and hearing, and, as authorized by N.J.S.A. 48:2-32, designated Commissioner Joseph L. Fiordaliso as the presiding officer who was authorized to rule on all motions that arise during the proceeding, and modify any schedule that may be set as necessary to secure just and expeditious determination of the issues. The June 29, 2016 Order also authorized Commissioner Fiordaliso to grant an extension of the 180 day review period.

By Order dated July 19, 2016, Commissioner Joseph L. Fiordaliso issued an Order setting the procedural schedule, granting the motions to intervene on behalf of the New Jersey Large Energy Users Coalition ("NJLEUC") and the Mid-Atlantic Solar Energy Industries Association ("MSEIA"), and granting the motion for admission *pro hac vice* of Mr. Paul F. Forshay, Esq. ("July 19, 2016 Order"). By Order dated August 3, 2016, Commissioner Fiordaliso granted the motions to intervene of the Solar Energy Industries Association ("SEIA"), the New Jersey Laborers-Employers Cooperation and Education Trust ("NJLECET"), J. Fletcher Creamer & Sons ("Creamer"), and Vanguard Energy Partners, LLC ("Vanguard") and the motions to participate of Atlantic City Electric Company ("ACE"), as well as Local Union 94 of the International Brotherhood of Electrical Workers ("IBEW"), with each new party (collectively "the Parties") agreeing to adhere to that schedule. By the same Order, Commissioner Fiordaliso approved a revised procedural schedule. By Order dated August 18, 2016, the Commissioner approved an extension of the 180-day time for a final decision to December 1, 2016 and a further revised procedural schedule. On September 23, 2016, the Board approved a stipulation agreeing to a second extension of the 180-day period to the date of the January 2017 Board agenda meeting.

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[6] N.J.S.A. 48:3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Board Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day period. I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.JS.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day period for a Board determination commenced on May 11, 2016 and absent waiver from the Company would have expired on November 7, 2016.

Public hearings were held in New Brunswick on August 2, 2016, in Hackensack on August 4, 2016, and in Mt. Holly on August 9, 2016. Several members of the public spoke in support of the S4AEII Program, including representatives from various labor unions, solar developers, contractors and environmental groups. Concerns about overall costs of the Program were expressed by Rate Counsel.

On October 20, 2016, the Parties, except for NJLEUC, executed a Stipulation, which was subsequently amended and re-executed on November 4, 2016. NJLEUC submitted comments regarding the Stipulation, but did not oppose it. In its letter, NJLEUC provided that it did not object to the settlement because of the reduced scale and scope of PSE&G's proposed second extension. However, the reason it declined to be a signatory to the Stipulation was due to its continuing opposition of the Solar 4 All Program. NJLEUC's primary objection was that the ratepayer-subsidized model PSE&G is using to finance its solar projects occurs only in New Jersey and is inconsistent with the competitive, unregulated affiliate model that PSE&G uses to develop all of its utility-scale solar projects located outside of New Jersey. Furthermore, there were no performance standards or operational requirements set for S4AEII that would obligate PSE&G to produce minimum amounts of solar electric generation or to operate the facilities efficiently. Finally, NJLEUC viewed Solar 4 All as granting PSE&G a high advantage against competitors that are denied the ability to compete for projects at the same level. NJLEUC chose not to object to the Stipulation but ultimately urges the Board to reject any future attempts for further expansion of the Solar 4 All Program.

Key provisions of the Stipulation, particularly Paragraphs 1-31, are outlined below.[7]

STIPULATION

Program Size, Segments, Solicitation Process

1. The Signatory Parties agree that the Program will commence upon Board approval, and projects are anticipated to go into service during the three-year period Energy Year 2018 through Energy Year 2020. If the Company anticipates that the program build-out will not be complete until after the end of Energy Year 2020 (May 2020), it will provide 60-days advance notice to Board Staff and Rate Counsel with the reasons for delay. Program Size will be capped in total at 33 MW (dc) with an annual cap of 15 MW per Energy Year of grid-connected solar-projects interconnected to a utility's electrical distribution system under the terms and conditions of this settlement. The expected capital investment (excluding AFUDC) over the initial build-out period is estimated to be $79.2 million.
2. The Solar Photovoltaic Systems to be owned and operated by PSE&G under the S4AEII program ("Solar Systems") must be capable of generating solar renewable energy certificates ("SRECs") as defined under the Board's regulations.
3. The S4AEII program shall consist of a single segment consisting of landfills and brownfields, and PSE&G will seek Board certification of project locations pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51

[7] Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions contained in this Order.

subsection (t), by submitting an application to the Board for NJDEP review and approval by the Board.

4. PSE&G shall not transfer any costs from a canceled project to a new Solar4All Extension II project unless those costs directly benefit the new project.

Selection Process and Site Identification

5. PSE&G will be responsible for identifying and selecting suitable sites for the Solar Systems. Additionally, PSE&G may also request landfill or brownfield site owners to submit proposals for consideration. PSE&G will give favorable consideration to those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.
6. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.
7. PSE&G and a host site owner will enter into a suitable agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the site owner. All Leases between PSE&G and the site owner will have a 20 year term, unless applicable law requires a shorter term, and may contain options to extend the term as negotiated by the parties.
8. The determination of the lease payment will follow the methodology established in the current Solar 4 All Extension Program and will be set at a price per kWh of projected output in the first year. There will be no annual escalation of lease payments.
9. Additional payments may be made to site owners, which may also include pre- and post-commercial operation payments, and other option payments necessary to secure property rights for the site.
10. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions.

Construction and Interconnection of Projects

11. Developers will be hired through a competitive bid process to provide the engineering, permitting, procurement and construction services required to develop the projects, with preference for New Jersey providers, and with prevailing wages and use of union labor where required by law or the Company.
12. Upon the final acceptance of a proposal, PSE&G will enter into a contract with the developer to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.
13. Alternatively, PSE&G may procure the equipment directly, with preference for New Jersey providers, and hire developers through a competitive bid process as described in paragraph 11 to provide the engineering, permitting and construction services.
14. PSE&G will (a) initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.
15. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

Reporting

16. PSE&G will provide Project Milestone Reporting including but not limited to, SREC Registration Program ("SRP") Package submission data, SRP acceptance date, and construction initiation date. In addition, PSE&G will provide quarterly construction updates to the Board and Rate Counsel, including construction completion and authorization to energize dates.

Sale of SRECs

17. SRECs will be sold in the year generated or in the next available auction following the close of the Energy Year.
18. Projects developed under the Solar4All Extension II program will generate SRECs for a 15 year Qualification Life as provided for under N.J.A.C. 14:8-2.2. However, if in the future the Board changes its regulations to provide for a different time period, that change, along with any rules regarding the grandfathering of existing projects, will also apply to the S4AEII projects.

Cost Recovery and Bill Impacts

19. PSE&G will recover the net revenue requirements for the Solar4All Extension II Program via a new Solar Generation Investment Extension II Program ("SGIEIIP") component of the Company's electric Green Program Recovery Charge ("GPRC"). The SGIEIIP component will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar4All Extension II Program. The initial SGIEIIP component will be based on revenue requirements from October 1, 2016, or the date of the written Board Order through September 30, 2017. Thereafter, the SGIEIIP component will be changed nominally on an annual basis in conjunction with the annual filing for all other existing GPRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.
20. The revenue requirements for the initial SGIEIIP component shall not include risk and contingency and the investment projection shall be based on a construction cost of $2.40 per watt. Costs incurred between the date of the BPU approval and the rate-effective period will be deferred until rates go into effect. Any costs incurred prior to BPU approval will not be included in the revenue requirement. See Attachment B to the Stipulation for the revenue requirements over the life of the Program based on a construction cost of $2.40 per watt. The Signatories recognize that the installation of solar on landfills/brownfields will be difficult to precisely budget and accordingly, the Signatories agree that a process enabling the Company to make adjustments to the budget in response to real market and site conditions experienced is justified. For prudent changes in investment up to 15% greater than the cumulative investment amount for the Program of $79.2 million, PSE&G shall be authorized to make the change with notice to BPU Staff and Rate Counsel of the changes within 30 days following the change. PSE&G shall not make changes exceeding 15% of the cumulative investment amount for the Program of $79.2 million without 30 days prior written and electronic notification to Board Staff (Director, Division of Energy or designee) and Rate Counsel providing them with the opportunity to object within that time period. If there is no objection by

Board Staff or Rate Counsel within 30 days of receipt of the electronic notice, the Company may move forward with the change.

21. The Signatory Parties stipulate that the revenue requirements recovered through the SGIEIIP component will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

    *Revenue Requirements = (Pre-Tax Cost of Capital * Net Investment) + Amortization and/or Depreciation + Operation and Maintenance Costs – Revenues from Solar Output – ITC Amortization w/ Tax Gross Up + Tax Associated with ITC Basis Reduction*

22. The details of each of the above terms are described as follows:

Cost of Capital – This is PSE&G's overall weighted average cost of capital ("WACC"). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 6.9894% (10.4370% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 9.75%, the Company's embedded long-term cost of debt of 4.1439%, and the Customer Deposit rate of 0.11%. See Attachment A to the Stipulation.

Net Investment – This is the Gross Plant-in-Service less associated accumulated depreciation and/or amortization less Accumulated Deferred Income Tax ("ADIT").

Depreciation/Amortization – The depreciation or amortization of the Program assets will vary depending on its asset class. The table below summarizes the book recovery and associated base tax depreciation applied to the corresponding asset classes. The base tax depreciation is calculated on the total amount of the asset less any bonus depreciation and any applicable tax credits.

<table>
<tr><th>Asset Class</th><th>Book Recovery</th><th>Base Tax Depreciation</th></tr>
<tr><td>Solar Panels, acquisition and installation costs</td><td>20 year dep.</td><td rowspan="3">5 year MACRS</td></tr>
<tr><td>Inverters</td><td rowspan="2">5 year dep.</td></tr>
<tr><td>Communications Equipment</td></tr>
<tr><td>Meters</td><td>20 year dep.</td><td>20 year MACRS</td></tr>
</table>

The amortization/depreciation would be based on a monthly vintaging methodology instead of the mass property accounting typically used for utility property.

Operations and Maintenance Costs – Operations and Maintenance Costs will include:

- PSE&G labor and other related on-going costs required to manage the physical assets
- Administrative costs related to the management of the Program

- Rent/lease or other payments or bill credits made to non-PSE&G host sites/facilities and the fair values of rents for use of electric transmission sites/facilities
- Insurance Expense

Revenues from Solar Output – PSE&G will pursue generating revenues from solar output from the following sources:

- Sales of energy in the applicable PJM wholesale markets
- Capacity payments from the PJM capacity market, if solar once again becomes a viable capital resource
- Sales of SRECs through an auction process

PSE&G will apply all net revenues it receives from the energy and capacity sales in the PJM markets and the sale of SRECs to customers to offset the Extension II Program revenue requirements.

Investment Tax Credit ("ITC") –The Company will return all of the ITC it utilizes to ratepayers in accordance with federal income tax law. The return of the ITC to ratepayers must be amortized over the book life of the assets. The ITC benefit is partially offset by the tax impact associated with the tax basis reduction equal to fifty percent of the ITC. This tax basis reduction is prescribed by federal income tax law governing the ITC. The impact on revenue requirements is generated by applying the book depreciation method to the difference between the book basis and the tax basis multiplied by the tax rate, and then multiplied by the revenue conversion factor.

23. The Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 6.9894% (10.4370% on a pre-tax basis) as defined above. In addition, the AFUDC rate will reflect the ROE agreed upon by the parties as reflected in the weighted average cost of capital for investment in the Extension II Program. The Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SGIEIIP component will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SGIEIIP component for the period ending September 30, 2017 is set forth in Attachment B to the Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment C to the stipulation.
24. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor

bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SGIEIIP balance will be computed using the methodology set forth in Attachment B to the Stipulation, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SGIEIIP balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

25. The Parties agree that PSE&G has the right to request Board approval to roll the net, unrecovered Program investment balance into base rates at the time of a future electric base rate case filing.
26. The Parties request that the Board set the effective date of the initial SGIEIIP component as the first day of the month following the effective date of the written Board Order.
27. The SGIEIIP component will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. The Signatory Parties stipulate that the Company will file an annual petition ("Annual Filing") to adjust its SGIEIIP component in conjunction with the annual filing for the existing components of the electric GPRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2017 for rates effective October 1, 2017 through September 30, 2018.
28. Each Annual Filing will contain a reconciliation of PSE&G's actual SGIEIIP recoveries (which were based on PSE&G's projected SGIEIIP costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing S4A Extension Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and an evidentiary hearing, if necessary, prior to the issuance of a Board Order establishing the Company's revised SGIEIIP component. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.
29. The Parties agree that the proposed SGIEIIP rate, as set forth in the tariff sheets in Attachment D attached to the Stipulation, are just and reasonable and PSE&G is authorized to implement the proposed rates on the first day of the month following the effective date of the written BPU Order approving the Stipulation.
30. A typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an initial increase in their annual bill from $1,272.40 to $1,272.44 or $0.04 or approximately 0.00% based on delivery rates and Basic Generation Service Residential Small Commercial Pricing ("BGS-RSCP") charges in effect October 1, 2016 and assuming that the customer receives BGS-RSCP service from PSE&G. See Attachment E to the Stipulation for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SGIEIIP over the first

fifteen years would occur in the October 2019 through September 2020 cost recovery period. The expected maximum increase from the SGIEIIP over the first 15 years of the Program for a typical residential customer in the October 2018 through September 2019 cost recovery period would be $0.000056 per kilowatt-hour (including sales and used tax ("SUT")), for a typical annual residential bill impact of $0.44 (0.03%) or about $0.04 per month.

Program Rules

31. The Signatory Parties agree that the Program Rules for S4AEII ("S4AEII Program Rules") shall be as set forth in Attachment F to the Stipulation. PSE&G shall have the right to amend the S4AEII Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay Program implementation.

DISCUSSION AND FINDING

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997).

In considering the merits of the Stipulation, the Board is mindful of its role in providing regulatory supervision to New Jersey's solar market, a role which entails monitoring the supply of SRECs in light of the demand for them to avoid or mitigate situations of oversupply which tend to drive down the value of these commodities pending the time when the solar market no longer requires these subsidies.

The Stipulation contains several provisions to moderate any adverse impact on the SREC market should the S4AE Program be approved in any form. First, as filed, PSE&G's petition proposed to invest $276 million over five years in solar photovoltaic installations totaling at least 100 MW. The Stipulation now before the Board provides for a reduced program size of 33 MW, a reduction of approximately two thirds. The reduced size of the S4AEII Program will result in a far lower number of SRECs entering the market and reflects recognition of the current market conditions. In addition, the Stipulation provides that no more than 15 MWs will be placed in service in any one energy year. (Stipulation at para 1.) This annual cap, together with the provision that SRECs will be sold in the year generated or in the next available auction following the close of the Energy Year, Stipulation at para. 17, and the reduction in the size of the program, serves as buffers for the introduction of new supply into the SREC market.

The Board also notes that under the Stipulation, PSE&G will seek certification of proposed facilities in the landfill/brownfields segment by submitting an application to the Board for DEP review and approval by the Board. (Stipulation at para. 3.)

N.J.S.A. 48:3-87(t) directs the Board to develop a supplemental incentive to cover the extra expense of constructing solar generation upon landfills, brownfields, and areas of historic fill. The Stipulation includes provision for such an incentive, providing a return on equity of 9.75% and an overall weighted average cost of capital of 6.9894% (10.4370% on a pre-tax basis). (Stipulation at para. 22.) Since the solar capacity covered by the Stipulation will be located upon precisely the locations targeted by N.J.S.A. 48:3-87(t), the stipulated return on investment will serve as a mechanism for providing the incentive mandated by the Legislature.

The Board therefore **FINDS** that the Stipulation, by focusing upon solar generation on landfills, brownfields, and areas of historic fill and by providing an incentive for PSE&G to invest in solar upon these challenging land types, furthers State policy as clearly expressed in the Energy Master Plan ("EMP") and the Solar Act.

Having determined that the S4AE Program as modified by the Stipulation is consistent with current policy, the Board turns to the issue of the cost recovery requested. Because this petition was filed under N.J.S.A. 48:3-98.1, in determining the recovery of program costs, the Board may take into account the potential for job creation from the program, the impact on competition, existing market barriers, environmental benefits, and the availability of such programs in the marketplace. N.J.S.A. 48:3-98.1(b).

In considering the potential for job creation from the S4AE program, the Board looks to the estimate of approximately 650 job-years of direct labor and 185 full-time equivalent jobs as an indirect result. See, Petition Attachment A: Direct Testimony of Todd W. Hranicka at pp 9-10. While these figures pertained to the 100 MW contained in the original petition, it is reasonable to expect that a proportion of these benefits would accrue to New Jersey's job market.

As reduced and re-focused by the Stipulation, the S4AEII's projected impact on competition, existing market barriers, and the availability of similar programs in the marketplace also supports approval of the program. The Board is aware that PSE&G's Solar 4 All program has been responsible for a significant proportion of the solar development on landfills and brownfields to date. The Board therefore **FINDS** that the criteria found in N.J.S.A. 48:3-98.1 support approval of the stipulated program.

After reviewing the record, the Board **FINDS** that the Stipulation makes use of the rate base/rate of return model and provides contemporaneous cost recovery through a surcharge and true-up adjustment provision. Accordingly, the Board **FINDS** that the 9.75 percent return on common equity agreed to in the Stipulation is within the zone of reasonableness, and **APPROVES** the 9.75% ROE for this program.

The Board notes that the interest component in weighted average cost of capital ("WACC") is the Company's embedded long-term cost of debt or 4.1439 percent. The current embedded cost of debt is lower than the embedded cost of debt from the last base rate case and better reflects current conditions in the capital markets. This updated cost of debt also benefits ratepayers. The Board **FINDS** that the current cost of debt is reasonable.

With regard to the method of recovery, the Board notes that contemporaneous recovery of program costs should be utilized only in the most limited of circumstances. Generally, rates should be determined in a process that allows for full consideration of costs and revenues to determine just and reasonable rates. Full base rate case proceedings allow for thorough examination of a utility's cost of providing service as well as consideration of any cost savings in operations and or additional revenue that may offset costs to arrive at an accurate cost of service estimate. In the case at hand, the program size and term are of limited scope, and approval of the return and recovery method simply extends the terms of an existing limited program. Based on the reduced size of the program, together with the fact that it is a continuation of a previously approved program with like features, the Board **FINDS** that extension of the cost recovery provisions of the S4AE Program as reflected in the Stipulation is not unreasonable.

First, the Board **CLARIFIES** that consistent with the Program rules as set forth in Attachment F to the Stipulation and N.J.S.A. 48:3-98.1, all S4AEII projects shall be located in PSE&G's service territory, and all projects shall be interconnected to PSE&G's electric distribution system.

Based on the rates in effect as of October 1, 2016, a typical residential electric customer using 780 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in their annual bill from $1,272.40 to $1,272.44 or $0.04 or approximately 0.00%. The maximum expected rate impact for the same typical residential customer from this program is projected to occur in the October 2018 through September 2019 cost recovery period, and is expected to be an annual increase of $0.44 (0.03%) or about $0.04 per month. The Board **FINDS** these rates to be reasonable in light of the expected benefits of the S4AEII Program as described above.

The Board **HEREBY APPROVES** an increase in the SGIEIIP component of PSE&G's RGGI Recovery Charge to $0.001149 per kWh, including SUT effective for service rendered on or after January 1, 2017. As a result, a typical residential customer using approximately 1,000 kWh per month will see an increase of $0.04 or 0.00% on a total monthly bill.

The Board also **HEREBY RATIFIES** the decisions of Commissioner Fiordaliso rendered during the proceedings for the reasons stated in his Orders.

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

As modified by this Order, the Board **HEREBY APPROVES** the Stipulation. Approval of the Stipulation is predicated on the specific facts of this matter, and establishes no precedent for the resolution of other matters.

The Board **HEREBY ORDERS** PSE&G to file revised tariff sheets in compliance with the terms and conditions of the Stipulation prior to January 1, 2017.

The effective date of this Order is December 10, 2016.

DATED: 11|30|16

BOARD OF PUBLIC UTILITIES
BY:

RICHARD S. MROZ
PRESIDENT

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

IRENE KIM ASBURY
SECRETARY

FINAL VOTE ON AGENDA ITEM 8D, November 30, 2016

Commissioner Fiordaliso	Yes	
Commissioner Holden	Yes	
Commissioner Solomon		No
Commissioner Chivukula		No
President Mroz	Yes	

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

COMMISSIONER DIANNE SOLOMON, DISSENTING:

After reviewing PSE&G's Petition for Approval of a 2nd Extension of its Solar Generation Investment Program, the record, and this Stipulation, I cannot vote to approve this Agenda Item. I offer this dissent for three reasons; first, PSE&G failed to demonstrate that the need for investment and ownership of solar generating capacity on Landfills is an underserved market in NJ; second, PSE&Gs proposed cost recovery proposal is antithetical to the market-based approach to delivering solar incentives developed by the Board and memorialized by the Legislature; and third, the costs of these investments, which are costs paid by the ratepayer, are much higher than the competitive marketplace can deliver, and all risks are borne by the ratepayer.

One of the Board's Minimum Filing Requirements for a utility program of this nature (N.J.S.A. 48:3-98.1) requires that the Petitioner demonstrate its program reaches an underserved market segment. PSE&G has not provided any evidence that this program will do so, such as an analysis of the existing market, the level of competition, or the impact this program will have on the market. Additionally Staff, whose responsibility it is to track applications, provide SREC registration reports and evaluate SREC market conditions, has not indicated that an unmet need exists in this market segment at this time.

In fact, in April of this year, the EPA issued a report that shows NJ has the second highest amount in the country of solar on formerly contaminated lands. Staff has confirmed there are at least 24 projects installed on marginal or formerly contaminated sites. All of this information as well as the descriptive statistics on the most active SREC market in the country was available to PSE&G prior to filing a petition for a 2nd extension.

Upon my own review of the Subsection t application pipeline for SREC eligibility by developers proposing to invest in solar on New Jersey landfills, brownfields and areas of historic fill, I conclude that we, indeed, have a robust and fully subscribed Subsection t program. In fact, it is my understanding that PSE&G purchased an existing landfill project from the Subsection t SREC registration pipeline to fulfill authorized MWs under its previous Solar 4 All filing. This begs the question, why would PSE&G take a project from the subsection T pipeline rather than acquire an undeveloped site to build upon if there is truly an underserved market for solar projects on landfills?

By approving a Stipulation for 33 additional MW and risking an oversupplied SREC market, we may be defeating the exact purpose of subsidizing the past 10+ years of solar markets. Interestingly on November 3rd, Flett Exchange, a leading environmental and exchange broker, reported the SREC market in NJ as "topped out and trending down". We simply cannot expect the solar market to function on its own if we continue to flood the SREC market with guaranteed returns. It is incumbent on this Board to ensure that the solar market is competitive and does not fall victim to projects that have the potential to artificially depress SREC prices. As stated on page 25 of the Energy Master Plan Update of 2015, "if the industry overbuilds large [solar] projects it should be expected to consider that it does so at its own risk. New Jersey should analyze the future need for, and scope of, subsidies to support the continued development of the maturing solar industry."

It is worth noting that PSE&G's unregulated affiliate chooses to take on risk in the solar market in other states, and that there is nothing prohibiting their entry into New Jersey's competitive solar market should they choose to do so. I question why they are being allowed in this case to burden rate base with this project rather than pursue competitive development.

On the second point, PSE&Gs cost recovery proposal provides the company with a guaranteed rate of return on their investment that no other market participant receives. The Board has expended a significant amount of effort to develop a market-based approach to the delivery of solar incentives. By definition, the NJ SREC, as a market-based incentive, relies upon competition among project developers and owners to deliver the most cost-effective investments with the least amount of ratepayer contribution. In a market-based incentive system, SREC prices must be allowed to fluctuate freely to serve as a signal for investors on the need to speed or slow investment levels based upon anticipated returns on investment. PSE&Gs cost recovery approach eliminates all of their risk by allowing them to pass along all of the costs to ratepayers if SREC prices fall. No other investor has the use of captured ratepayers to provide this same backstop for their investments. I applaud PSE&G for participating in this market segment when the need existed, but to provide a guaranteed rate of return at this time for similar development is not warranted.

Lastly, the cost of these investments, with all of the risk borne by the ratepayer, is much higher than in the competitive marketplace when the guaranteed rate of return is factored in. This Stipulation will impose up to $79M on the PSE&G ratepayer.

I am not opposed to solar development in New Jersey. I am proud of our nationally-acclaimed solar market and the great strides we have made in the renewable energy sector. My opposition to this Stipulation is that it permits a guaranteed rate of return and imposition of the risk on the ratepayer for a need that does not currently exist in the solar landfill market. However, should my fellow commissioners choose to move forward with approving 33 mw of further development by PSE&G, I recommend the stipulation be amended to restrict the 33 MW to new projects that are not pending or conditionally approved in the Subsection t pipeline.

DATED: 11/30/16

DIANNE SOLOMON
COMMISSIONER

ATTEST:

IRENE KIM ASBURY
SECRETARY

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

COMMISSIONER UPENDRA J. CHIVUKULA, DISSENTING:

I have voted against the Board's approval of the settlement stipulation for PSE&G's proposed Solar for All Extension II program. My dissenting opinion is based on the potentially adverse impacts from the proposed program on the existing solar incentive delivery system implemented by the Board. I am also dismayed by the incongruities of PSE&G's proposal with the legislative intent behind the laws developed for the current solar incentive system and for the role of utilities in providing energy efficiency and renewable energy programs.

PSE&G has proposed an extension of their existing Solar for All program to develop additional solar capacity on New Jersey landfills and utilize revenue from solar renewable energy certificates to reduce the program cost to their ratepayers. My concerns about the proposal are over the effect on competition in the solar marketplace and the crowding out of private sector developers by PSE&G's risk free investments.

The New Jersey solar market has been very active over the past year or two in response to changes in the federal tax incentives as well as the changes made in the Renewable Portfolio Standard (RPS) by the Solar Act of 2012. Publicly available forecasts of the NJ solar market based on the robust new installation activity and projections of SREC demand based on the retail electricity sales show that all market participants need to be concerned about the pace of new development in light of the plateauing solar RPS requirements. If PSE&G's proposal was sensitive to the concerns of oversupply in the competitive incentive market, like other market participants must be, they would likely not have proposed a 100 MW investment at this time.

According to amendments to the Global Warming Response Act Section 13 of P.L. 2007 Chapter 340 (C.48:3-98.1, 13. b) which enables PSE&G's proposal, the Board may take into consideration in determining the recovery of utility program costs "the effect on competition from such programs" and "the availability of such programs in the marketplace". The Board's Order implementing the law requires PSE&G to provide a description of how the proposed program will impact existing programs including a detailed description of how the proposed program comports with New Jersey State policy. I do not find PSE&G's filing to be responsive to these requirements. Simply because the Board has approved PSE&G investments in this market segment in the past is not a sufficient justification for approval of this proposal.

The New Jersey solar market has developed considerably since PSE&G's last extension of their Solar for All program was approved by the Board in May 2013. In light of concerns about the impacts from PSE&G's risk free model on the competitive market, their program was reduced from its original request of 136 MW to a smaller program limited to 42 MW. Since that time, eleven new proposals from developers not affiliated with PSE&G to construct solar on landfills or brownfields have been conditionally certified by the Board. There is no need for PSE&G to invest scarce ratepayer funds in this market while using ratepayers as their backstop against SREC oversupply while private sector solar developers must bear this risk in the otherwise competitive market.

DATED: 11/30/16

UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:

IRENE KIM ASBURY
SECRETARY

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

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A SECOND EXTENSION OF A SOLAR GENERATION INVESTMENT PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. No. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21.1, AND N.J.S.A. 48:3-98.1

BPU DOCKET No. EO16050412

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PSEG
Services Corporation

November 4, 2016

In The Matter Of The Petition Of
Public Service Electric And Gas Company
for Approval of a Second Extension of a
Solar Generation Investment Program
and Associated Cost Recovery Mechanism and
for Changes in the Tariff for Electric Service

BPU Docket No. EO16050412

VIA OVERNIGHT DELIVERY

Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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Dear Secretary Asbury:

I accordance with my November 3, 2016 e-mail communication to the parties, I am enclosing a revised executed Stipulation in the above-referenced matter. As has been discussed, this submission corrects a technical error in the original Stipulation submitted to the Board on October 20, 2016, and supersedes that submission.

I apologize for any confusion. If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Respectfully submitted,

Matthew Weissman

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EO16050412

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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 A SECOND EXTENSION OF A SOLAR GENERATION INVESTMENT PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, AND N.J.S.A. 48:3-98.1	**STIPULATION** **SOLAR 4 ALL® EXTENSION II** BPU Docket No. EO16050412

APPEARANCES FOR SOLAR4ALL EXTENSION II

Matthew M. Weissman, General Regulatory Counsel-Rates and **Sheree L. Kelly**, Assistant General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas Company

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Alex Moreau and Emma Xiao, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Christopher S. Porrino, Attorney General of New Jersey)

Steven S. Goldenberg, Esq., Fox Rothschild LLP, and **Paul F. Forshay, Esq.**, Sutherland, Asbill & Brennan, LLP, for New Jersey Large Energy Users Coalition

Richard McLaughlin, Esq., for J. Fletcher Creamer & Son, Inc.

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William Potter, Esq., Potter and Dickson, for Mid-Atlantic Solar Energy Industries Association

Bradley M. Parsons, Esq., Kroll Heineman Carton, LLC, for New Jersey Laborers Employers Cooperation and Education Trust

Michael Rato, Esq., McElroy, Deutsch, Mulvaney & Carpenter, LLP, for Vanguard Energy Partners, LLC

Roger Schwarz, Esq., Local Union 94 of the International Brotherhood of Electrical Workers

Philip J. Passanante, Esq., Assistant General Counsel for Atlantic City Electric Company

TO THE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, as of the ___ day of October, 2016, by and between Public Service Electric and Gas Company ("PSE&G" or the "Company"), the Staff of the New Jersey Board of Public Utilities ("BPU "or "Board"), the New Jersey Division of Rate Counsel, and the undersigned parties (hereinafter referred to as the "S4AEII Signatory Parties") to execute this Settlement Agreement for PSE&G's Petition for Approval of a Second Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric Service ("S4AEII").

The S4AEII Signatory Parties do hereby join in recommending that the Board issue a Final Decision and Order approving this Settlement Agreement, including the Program Rules for the S4AEII Program attached hereto and the attached proposed sheets of PSE&G's Tariff for Electric Service, as set forth herein. (Program Rules as filed; Tariff Sheets to be provided)

I. BACKGROUND

A. <u>SOLAR 4 ALL EXTENSION II PROGRAM</u>

On January 12, 2016 PSE&G held a pre-filing meeting at the Rate Counsel's offices in Trenton, New Jersey during which it set forth its intention to seek an extension of the Solar 4 All Extension Program ("Extension Program").

On May 10, 2016, PSE&G filed a Petition ("S4AEII Petition" or the "Petition")[1] with the Board seeking approval of an extension of its existing approved Extension Program.[2] PSE&G also filed the supporting testimonies of PSE&G's Director of Solar Energy, Todd W. Hranicka; Stephen Swetz, Senior Director – Corporate Rates and Revenue Requirements, PSEG Services Corporation; and Donna M. Powell, Assistant Controller of PSEG Services Corporation.

By letter dated June 8, 2016, Board Staff notified PSE&G that the Petition was administratively complete.

By Order dated June 29, 2016, the Board determined that this matter should be retained by the Board for review and hearing and designated Commissioner Joseph L. Fiordaliso as the presiding officer. By Order dated July 19, 2016, Commissioner Fiordaliso set forth the procedural schedule for this matter. By Order dated August 3, 2016, pursuant to agreement of the parties, Commissioner Fiordaliso set forth a modified procedural schedule, and the Commissioner also issued an Order dated August 18, 2016, also pursuant to the parties' agreement, setting forth another modified schedule. By Order approved at its September 23, 2016 Agenda Meeting, the Board set forth another modified procedural schedule, also agreed to by the parties.

Motions to intervene were filed on behalf of the Solar Energy Industries Association ("SEIA"), New Jersey Large Energy Users Coalition ("NJLEUC"), Mid-Atlantic Solar Energy Industries Association ("MSEIA"), Vanguard Energy Partners, LLC ("Vanguard"),

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1 I/M/O Petition of Public Service Electric and Gas Company for Approval of a Second Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and For Changes in the Tariff For Electric Service, BPU Docket No. EO16050412.

2 I/M/O Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and for Changes in the Tariff For Electric Service, BPU Docket No. EO12080721.

New Jersey Laborers Employers Cooperation and Education Trust ("NJLECET"), and J. Fletcher Creamer & Son ("Creamer"). In addition, IBEW Local Union 94 ("IBEW94") and Atlantic City Electric Company ("ACE") filed motions to participate. By Orders dated July 19, 2016 and August 3, 2016, Commissioner Fiordaliso granted these motions to intervene and to participate.

Public hearings were held in New Brunswick on August 2, 2016, in Hackensack on August 4, 2016, and in Mt. Holly on August 9, 2016. Several members of the public spoke in support of the S4AEII Program, including representatives from various labor unions, solar developers, contractors and environmental groups. Concerns about overall costs of the Program were expressed by the New Jersey Division of Rate Counsel ("Rate Counsel").

Throughout the course of this proceeding, PSE&G has responded to numerous discovery requests.

B. SETTLEMENT EFFORTS

Throughout the course of the S4AEII proceedings, both formal and informal settlement efforts have been on-going. A discovery and settlement conference was held on July 21, 2016, and settlement conferences among all parties and participants were conducted on August 1, 2016 and August 25, 2016, at Rate Counsel's offices in Trenton, New Jersey. Telephonic settlement conferences were also held on August 12, 2106, August 29, 2016, September 12, 13, 14, 2016, and September 22, 2016.

Pursuant to the New Jersey Energy Master Plan, which was updated in December 2015, the State of New Jersey is supportive of solar investment that provides both economic and environmental benefits; discourages the development of solar farms on farmland and undeveloped open spaces; and encourages the placement of solar projects on landfills and brownfields. In consideration of these issues as well as other issues raised in these proceedings by the parties, PSE&G has agreed to certain modifications to the proposed S4AEII Program as set forth below, and the Signatory Parties have agreed to submit this Settlement Agreement, the terms of which are set forth below. Specifically, the Signatory Parties hereby **STIPULATE AND AGREE** to the following:

II. STIPULATED MATTERS

A. SOLAR 4 ALL EXTENSION PETITION

Program Size, Segments, Solicitation Process

1. The Signatory Parties agree that the Program will commence upon Board approval, and projects are anticipated to go into service during the three-year period Energy Year 2018 through Energy Year 2020. If the Company anticipates that the program build-out will not be complete until after the end of Energy Year 2020 (May 2020), it will provide 60-days advance notice to Board Staff and Rate Counsel with the reasons for delay. Program Size will be capped in total at 33 MW (dc) with an annual cap of 15 MW per Energy Year of grid-connected solar-projects interconnected to a utility's electrical distribution system under the terms and conditions of this settlement. The expected capital investment (excluding AFUDC) over the initial build-out period is estimated to be $79.2 million.

2. The Solar Photovoltaic Systems to be owned and operated by PSE&G under the S4AEII program ("Solar Systems") must be capable of generating solar renewable energy certificates ("SRECs") as defined under the Board's regulations.

3. The S4AEII program shall consist of a single segment consisting of landfills and brownfields, and PSE&G will seek Board certification of project locations pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t), by submitting an application to the Board for NJDEP review and approval by the Board.

4. PSE&G shall not transfer any costs from a canceled project to a new Solar4All Extension II project unless those costs directly benefit the new project.

Selection Process and Site Identification

5. PSE&G will be responsible for identifying and selecting suitable sites for the Solar Systems. Additionally, PSE&G may also request landfill or brownfield site owners to submit proposals for consideration. PSE&G will give favorable consideration to those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.

6. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.

7. PSE&G and a host site owner will enter into a suitable agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the site owner. All Leases between PSE&G and the site owner will have a 20 year term, unless applicable law requires a shorter term, and may contain options to extend the term as negotiated by the parties.

8. The determination of the lease payment will follow the methodology established in the current Solar 4 All Extension Program and will be set at a price per kWh of projected output in the first year. There will be no annual escalation of lease payments.

9. Additional payments may be made to site owners, which may also include pre- and post-commercial operation payments, and other option payments necessary to secure property rights for the site.

10. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions.

Construction and Interconnection of Projects

11. Developers will be hired through a competitive bid process to provide the engineering, permitting, procurement and construction services required to develop the projects, with preference for New Jersey providers, and with prevailing wages and use of union labor where required by law or the Company.

12. Upon the final acceptance of a proposal, PSE&G will enter into a contract with the developer to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.

13. Alternatively, PSE&G may procure the equipment directly, with preference for New Jersey providers, and hire developers through a competitive bid process as described in paragraph 11 to provide the engineering, permitting and construction services.

14. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.

15. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

Reporting

16. PSE&G will provide Project Milestone Reporting including but not limited to, SREC Registration Program (SRP) Package submission data, SRP acceptance date, and construction initiation date. In addition, PSE&G will provide quarterly construction updates to the Board and Rate Counsel, including construction completion and authorization to energize dates.

Sale of SRECs

17. SRECs will be sold in the year generated or in the next available auction following the close of the Energy Year.

18. Projects developed under the Solar4All Extension II program will generate SRECs for a 15 year Qualification Life as provided for under N.J.A.C. 14:8-2.2. However, if in the future the Board changes its regulations to provide for a different time period, that change, along with any rules regarding the grandfathering of existing projects, will also apply to the S4AEII projects.

Cost Recovery and Bill Impacts

19. PSE&G will recover the net revenue requirements for the Solar4All Extension II Program via a new Solar Generation Investment Extension II Program ("SGIEIIP") component

of the Company's electric Green Program Recovery Charge ("GPRC"). The SGIEIIP component will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar4All Extension II Program. The initial SGIEIIP component will be based on revenue requirements from October 1, 2016, or the date of the written Board Order through September 30, 2017. Thereafter, the SGIEIIP component will be changed nominally on an annual basis in conjunction with the annual filing for all other existing GPRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.

20. The revenue requirements for the initial SGIEIIP component shall not include risk and contingency and the investment projection shall be based on a construction cost of $2.40 per watt. Costs incurred between the date of the BPU approval and the rate-effective period will be deferred until rates go into effect. Any costs incurred prior to BPU approval will not be included in the revenue requirement. See Attachment B for the revenue requirements over the life of the Program based on a construction cost of $2.40 per watt. The Signatories recognize that the installation of solar on landfills/brownfields will be difficult to precisely budget and accordingly, the Signatories agree that a process enabling the Company to make adjustments to the budget in response to real market and site conditions experienced is justified. For prudent changes in investment up to 15% greater than the cumulative investment amount for the Program of $79.2 million, PSE&G shall be authorized to make the change with notice to BPU Staff and Rate Counsel of the changes within 30 days following the change. PSE&G shall not make changes exceeding 15% of the cumulative investment amount for the Program of $79.2 million without 30 days prior written and electronic notification to Board Staff (Director, Division of Energy or designee) and Rate

Counsel providing them with the opportunity to object within that time period. If there is no objection by Board Staff or Rate Counsel within 30 days of receipt of the electronic notice, the Company may move forward with the change.

21. The Signatory Parties stipulate that the revenue requirements recovered through the SGIEIP component will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

*Revenue Requirements = (Pre-Tax Cost of Capital * Net Investment) + Amortization and/or Depreciation + Operation and Maintenance Costs – Revenues from Solar Output – ITC Amortization w/ Tax Gross Up + Tax Associated with ITC Basis Reduction*

22. The details of each of the above terms are described as follows:

Cost of Capital – This is PSE&G's overall weighted average cost of capital ("WACC"). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 6.9894% (10.4370% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 9.75%, the Company's embedded long-term cost of debt of 4.1439%, and the Customer Deposit rate of 0.11%. See Attachment A.

Net Investment – This is the Gross Plant-in-Service less associated accumulated depreciation and/or amortization less Accumulated Deferred Income Tax ("ADIT").

Depreciation/Amortization – The depreciation or amortization of the Program assets will vary depending on its asset class. The table below summarizes the book recovery and associated base tax depreciation applied to the corresponding asset classes. The base tax depreciation is calculated on the total amount of the asset less any bonus depreciation and any applicable tax credits.

Asset Class	Book Recovery	Base Tax Depreciation
Solar Panels, acquisition and installation costs	20 year dep.	5 year MACRS
Inverters	5 year dep.	
Communications Equipment		
Meters	20 year dep.	20 year MACRS

The amortization/depreciation would be based on a monthly vintaging methodology instead of the mass property accounting typically used for utility property.

Operations and Maintenance Costs – Operations and Maintenance Costs will include:

- PSE&G labor and other related on-going costs required to manage the physical assets.
- Administrative costs related to the management of the Program.
- Rent/lease or other payments or bill credits made to non-PSE&G host sites/facilities and the fair values of rents for use of electric transmission sites/facilities.
- Insurance Expense

Revenues from Solar Output – PSE&G will pursue generating revenues from solar output from the following sources:

- Sales of energy in the applicable PJM wholesale markets
- Capacity payments from the PJM capacity market, if solar once again becomes a viable capacity resource
- Sales of SRECs through an auction process

PSE&G will apply all net revenues it receives from the energy and capacity sales in the PJM markets and the sale of SRECs to customers to offset the Extension II Program revenue requirements.

Investment Tax Credit ("ITC") –The Company will return all of the ITC it utilizes to ratepayers in accordance with Federal income tax law. The return of the ITC to ratepayers must be amortized over the book life of the assets. The ITC benefit is partially offset by the tax impact associated with the tax basis reduction equal to fifty percent of the ITC. This tax basis reduction is prescribed by Federal income tax law governing the ITC. The impact on revenue requirements is generated by applying the book depreciation method to the difference between the book basis and the tax basis multiplied by the tax rate, and then multiplied by the revenue conversion factor.

23. The Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 6.9894% (10.4370% on a pre-tax basis) as defined above. In

addition, the AFUDC rate will reflect the ROE agreed upon by the parties as reflected in the weighted average cost of capital for investment in the Extension II Program. The Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SGIEIIP component will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SGIEIIP component for the period ending September 30, 2017 is set forth in Attachment B attached hereto and made a part of this Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment C attached hereto and made part of this stipulation.

24. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SGIEIIP balance will be computed using the methodology set forth in Attachment B attached hereto and made a part of this

Stipulation, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SGIEIIP balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

25. The Parties agree that PSE&G has the right to request Board approval to roll the net, unrecovered Program investment balance into base rates at the time of a future electric base rate case filing.

26. The Parties request that the Board set the effective date of the initial SGIEIIP component as the first day of the month following the effective date of the written Board Order.

27. The SGIEIIP component will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. The Signatory Parties stipulate that the Company will file an annual petition (Annual Filing) to adjust its SGIEIIP component in conjunction with the annual filing for the existing components of the electric GPRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2017 for rates effective October 1, 2017 through September 30, 2018.

28. Each Annual Filing will contain a reconciliation of PSE&G's actual SGIEIIP recoveries (which were based on PSE&G's projected SGIEIIP costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the

current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing S4A Extension Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and an evidentiary hearing, if necessary, prior to the issuance of a Board Order establishing the Company's revised SGIEIIP component. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.

29. The Parties agree that the proposed SGIEIIP rate, as set forth in the tariff sheets in Attachment D attached hereto, are just and reasonable and PSE&G is authorized to implement the proposed rates on the first day of the month following the effective date of the written BPU Order approving this Stipulation.

30. A typical residential electric customer using 750 kilowatt-hours per summer month and 7,200 kilowatt-hours on an annual basis would see an initial increase in their annual bill from $1,272.40 to $1,272.44 or $0.04 or approximately 0.00% based on delivery rates and Basic Generation Service Residential Small Commercial Pricing (BGS-RSCP) charges in effect October 1, 2016 and assuming that the customer receives BGS-RSCP service from PSE&G. See Attachment E for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SGIEIIP over the first fifteen years would occur in the October 2019 through September 2020 cost recovery period. The expected maximum increase from the SGIEIIP over the first 15 years of the Program for a

typical residential customer in the October 2018 through September 2019 cost recovery period would be $0.000056 per kilowatt-hour (including sales and used tax (SUT)), for a typical annual residential bill impact of $0.44 (0.03%) or about $0.04 per month.

Program Rules

31. The Signatory Parties agree that the Program Rules for S4AEII ("S4AEII Program Rules") shall be as set forth in Attachment F. PSE&G shall have the right to amend the S4AEII Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay Program implementation.

Other Considerations

32. The Signatory Parties agree that PSE&G will attempt to resolve any disputes that arise under the Solar 4 All Extension II Program on an informal basis. Any disputes that cannot be resolved informally shall be resolved in the appropriate legal forum.

33. This Settlement Agreement represents a mutual balancing of interests, contains independent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event that any particular aspect of the Settlement Agreement is not accepted and approved in its entirety by the Board, any Signatory Party aggrieved thereby shall have the right to litigate all issues addressed herein to conclusion.

34. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Settlement Agreement binding on them for all purposes herein.

35. It is specifically understood and agreed that this settlement represents a negotiated agreement made exclusively for the Solar 4 All Extension II proceeding. Except as expressly provided herein the Signatory Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Signatory Parties further agree that this Settlement Agreement is not binding upon them in any other proceeding, except to enforce the terms of this Settlement Agreement.

36. Following execution of this Settlement Agreement the Company's rates will remain subject to audit by the Board, and this Settlement Agreement shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

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ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

By: ______________________
Alex Moreau
Deputy Attorney General

Dated: October 19, 2016

PUBLIC SERVICE ELECTRIC AND
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Matthew Weissman
By: ______________________
Matthew M. Weissman
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Dated: October __, 2016

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Bradley M. Parsons, Esq.
Kroll Heineman Carton, LLP

Dated: October 17, 2016

VANGUARD ENERGY PARTNERS LLC

By: ______________________________
Michael Rato, Esq.
McElroy, Deutsch, Mulvaney & Carpenter, LLP

Dated: October 12, 2016

Attachment A

PSE&G Solar 4 All Extension II
Weighted Average Cost of Capital (WACC)

	Debt Amount	Percent	Cost	Weighted Cost	Revenue Conversion Factor	Pre-Tax Weighted Cost	Discount Rate
Other Capital	$7,558,380,700	48.1848%	4.1439%	1.9967%	1.0000	1.9967%	
Customer Deposits	$96,494,281	0.6152%	0.1100%	0.0007%	1.0000	0.0007%	
Sub-total	$7,654,874,981	48.8000%		1.9974%		1.9974%	1.1815%
Preferred Stock		0.0000%	0.0000%	0.0000%	1.6906	0.0000%	0.0000%
Common Equity		51.2000%	9.7500%	4.9920%	1.6906	8.4396%	4.9920%
Total		100.0000%		6.9894%		10.4370%	6.1735%
Monthly WACC				0.58245%		0.8698%	

Reflects a tax rate of 40.850%

PSE&G Solar 4 All Extension II

Revenue Requirements Calculation

($000's)

Solar 4 All Extension II : Total Program

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
						Plant						
	Program Investment	Gross Plant	Depreciation Expense	Accumulated Depreciation	Net Plant	Tax Depreciation	Book Deprec Tax Basis	Prorated Deferred Tax Exp	Beginning Acumulated Deferred Income Tax	Ending Acumulated Deferred Income Tax	Average Net Investment	Return Requirement
Feb-16	-	-	-	-	-	-	-	-	-	-	-	-
Mar-16	-	-	-	-	-	-	-	-	-	-	-	-
Apr-16	-	-	-	-	-	-	-	-	-	-	-	-
May-16	-	-	-	-	-	-	-	-	-	-	-	-
Jun-16	-	-	-	-	-	-	-	-	-	-	-	-
Jul-16	-	-	-	-	-	-	-	-	-	-	-	-
Aug-16	-	-	-	-	-	-	-	-	-	-	-	-
Sep-16	-	-	-	-	-	-	-	-	-	-	-	-
Oct-16	233	-	-	-	-	-	-	-	-	-	-	-
Nov-16	605	-	-	-	-	-	-	-	-	-	-	-
Dec-16	419	-	-	-	-	-	-	-	-	-	-	-
Jan-17	1,266	-	-	-	-	-	-	-	-	-	-	-
Feb-17	3,702	-	-	-	-	-	-	-	-	-	-	-
Mar-17	2,856	-	-	-	-	-	-	-	-	-	-	-
Apr-17	290	-	-	-	-	-	-	-	-	-	-	-
May-17	439	-	-	-	-	-	-	-	-	-	-	-
Jun-17	2,819	-	-	-	-	-	-	-	-	-	-	-
Jul-17	1,781	-	-	-	-	-	-	-	-	-	-	-
Aug-17	2,792	-	-	-	-	-	-	-	-	-	-	-
Sep-17	2,613	-	-	-	-	-	-	-	-	-	-	-
	(	Program Assumption	Refer to each Segment "Bk Depr" Worksheets	Prior Month + Col 3	Col 2 - Col 4	Refer to each Segment "Tax Depr" Worksheets	Refer to each Segment "Tax Depr" Worksheets	(Col 6 - Col 7) * [Income Tax Rate]		Prior + Col 8	Col 5 - Col 9	(Prior Col 6 + Col 6) / 2 * Monthly Pre Tax WACC
2016	1,257	-	-	-	-	-	-	-	-	-	-	-
2017	25,026	-	-	-	-	-	-	-	-	-	-	-
2018	35,480	45,496	1,509	1,509	43,987	18,233	1,285	4,139	5,336	6,334	38,267	2,376
2019	17,395	82,658	3,716	5,225	77,434	20,647	3,164	4,960	12,383	13,473	64,717	5,151
2020	-	82,658	5,063	10,288	72,371	12,110	4,311	2,090	16,944	17,167	55,526	6,263
2021	-	82,658	5,063	15,351	67,308	7,303	4,311	856	18,357	18,445	49,118	5,442
2022	-	82,658	5,063	20,414	62,245	5,551	4,311	411	18,933	18,972	43,503	4,811
2023	-	82,658	4,698	25,112	57,546	4,125	4,001	112	19,018	19,031	38,705	4,262
2024	-	82,658	4,158	29,270	53,388	1,391	3,541	(480)	18,229	18,179	35,344	3,833
2025	-	82,658	3,823	33,093	49,565	77	3,255	(751)	16,983	16,896	32,785	3,527
2026	-	82,658	3,823	36,916	45,742	73	3,255	(752)	15,683	15,596	30,262	3,263
2027	1,836	84,494	4,007	40,923	43,571	422	3,430	(703)	14,424	14,359	29,245	3,088
2028	2,754	87,248	4,499	45,422	41,826	1,155	3,897	(639)	13,291	13,235	28,652	3,027
2029	1,350	88,598	4,902	50,324	38,274	1,502	4,281	(653)	12,177	12,104	26,342	2,861
2030	-	88,598	5,011	55,335	33,263	1,187	4,384	(756)	10,893	10,806	22,623	2,522
2031	-	88,598	5,011	60,346	28,252	822	4,384	(843)	9,453	9,355	19,057	2,141
2032	-	88,598	4,827	65,173	23,426	623	4,209	(846)	7,983	7,889	15,685	1,777
2033	-	88,598	4,335	69,508	19,091	372	3,742	(796)	6,595	6,508	12,711	1,448
2034	-	88,598	3,932	73,439	15,159	147	3,359	(759)	5,280	5,195	10,080	1,159
2035	-	88,598	3,823	77,262	11,336	73	3,255	(752)	3,983	3,896	7,556	893
2036	-	88,598	3,823	81,085	7,513	73	3,255	(752)	2,683	2,596	5,033	629
2037	-	88,598	3,823	84,908	3,690	73	3,255	(752)	1,383	1,296	2,510	366
2038	-	88,598	2,679	87,587	1,012	54	2,281	(524)	402	364	700	132
2039	-	88,598	1,012	88,598	0	18	862	(185)	0	-	(0)	17
2040	-	88,598	-	88,598	0	-	-	-	-	-	0	0
2041	-	88,598	-	88,598	0	-	-	-	-	-	0	0
2042	-	88,598	-	88,598	0	-	-	-	-	-	0	0
2043	-	88,598	-	88,598	0	-	-	-	-	-	0	0
2044	-	88,598	-	88,598	0	-	-	-	-	-	0	0
2045	0	88,598	0	88,598	0	-	-	-	-	-	0	0
2046	-	88,598	-	88,598	0	-	-	-	-	-	0	0
2047	-	88,598	-	88,598	0	-	-	-	0	0	0	0
Total	85,097		88,598			76,030	76,030	1,626				58,988
Oct16-Sep17	19,817		-			-	-	-				-

PSE&G Solar 4 All Extension II
Revenue Requirements Calculation
($000's)
Solar 4 All Extension II : Total Program

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
	Expenses					Revenue from Sale of				ITC			
	O&M	Administrative	Rent	Insurance	Other	Energy	Capacity	SRECs	Other	Amortization	Tax Gross-up	Tax Assoc. w/50% ITC Basis Reduction	Revenue Requirements
Feb-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-16	-	-	-	-	-	-	-	-	-	-	-	-	-
May-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Jul-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep-16	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct-16	-	37	-	-	-	-	-	-	-	-	-	-	37
Nov-16	-	37	-	-	-	-	-	-	-	-	-	-	37
Dec-16	-	37	-	-	-	-	-	-	-	-	-	-	37
Jan-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Feb-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Mar-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Apr-17	-	39	-	-	-	-	-	-	-	-	-	-	39
May-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Jun-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Jul-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Aug-17	-	39	-	-	-	-	-	-	-	-	-	-	39
Sep-17	-	39	-	-	-	-	-	-	-	-	-	-	39
	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Refer to each Segments "State Rebate and ITC" Worksheet Row 791	Col 21 * [Tax Rate] * [Rev. Conv. Fac.]	(Col 3 - Col 7) * [Tax Rate] * [Rev. Conv. Fac.]	Col 3 + Col 11 + Col 12 + Col 13 + Col 14 + Col 15 + Col 16 - Col 17 - Col 18 - Col 19 - Col 20 - Col 21 - Col 22 + Col 23 + Col 24
2016	-	112	-	-	-	-	-	-	-	-	-	-	112
2017	-	462	-	-	-	-	-	-	-	-	-	-	462
2018	255	476	435	36	-	587	-	1,857	-	483	333	155	1,982
2019	611	490	1,025	86	-	1,438	-	5,610	-	1,132	782	381	2,298
2020	839	505	1,367	117	-	1,972	-	8,757	-	1,504	1,038	519	1,402
2021	851	520	1,367	119	-	2,112	-	8,501	-	1,504	1,038	519	727
2022	864	666	1,367	122	-	2,175	-	8,248	-	1,504	1,038	519	466
2023	877	706	1,367	124	-	2,251	-	8,013	-	1,387	958	482	(93)
2024	890	727	1,367	127	-	2,370	-	7,794	-	1,228	848	426	(712)
2025	903	749	1,367	129	-	2,444	-	7,559	-	1,135	784	392	(1,032)
2026	917	772	1,367	132	-	2,518	-	7,379	-	1,135	784	392	(1,152)
2027	930	795	1,367	134	-	2,608	-	7,119	-	1,155	798	398	(961)
2028	944	819	1,367	137	-	2,691	-	6,833	-	1,205	832	415	(353)
2029	958	843	1,367	140	-	2,746	-	6,496	-	1,243	859	429	156
2030	973	869	1,367	143	-	2,823	-	6,254	-	1,253	865	433	121
2031	987	895	1,367	145	-	2,895	-	6,061	-	1,253	865	433	(96)
2032	1,002	921	1,367	148	-	2,991	-	5,873	-	1,233	852	426	(481)
2033	1,017	949	1,367	151	-	3,059	-	4,699	-	1,184	818	410	(83)
2034	1,032	978	1,367	154	-	3,128	-	2,003	-	1,145	791	396	1,951
2035	1,047	1,007	1,367	157	-	3,207	-	78	-	1,135	784	392	3,482
2036	1,063	1,037	1,367	161	-	3,322	-	-	-	1,135	784	392	3,230
2037	1,079	1,068	1,367	164	-	3,405	-	-	-	1,135	784	392	2,934
2038	804	750	932	114	-	2,557	-	-	-	769	531	275	1,827
2039	334	283	342	43	-	1,074	-	-	-	279	193	104	588
2040	-	-	-	-	-	-	-	-	-	-	-	-	0
2041	-	-	-	-	-	-	-	-	-	-	-	-	0
2042	-	-	-	-	-	-	-	-	-	-	-	-	0
2043	-	-	-	-	-	-	-	-	-	-	-	-	0
2044	-	-	-	-	-	-	-	-	-	-	-	-	0
2045	-	-	-	-	-	-	-	-	-	-	-	-	0
2046	-	-	-	-	-	-	-	-	-	-	-	-	0
2047	-	-	-	-	-	-	-	-	-	-	-	-	0
Total	19,177	17,419	27,332	2,784	0	54,373	0	109,332	0	25,138	17,360	8,680	16,776
Oct16-Sep17	-	459	-	-	-	-	-	-	-	-	-	-	459

PSE&G Solar 4 All Extension II

Under/(Over) Calculation

		1	2	3	4	5	6	7
	Existing / Forecasted SGIP Ext II Rate (w/o SU	0.000000	0.000011	0.000011	0.000011	0.000011	0.000011	0.000011
	GPRC S4AE II Under/(Over) Calculation	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
(1)	SGIEIIP GPRC Revenue	-	32,781	31,667	36,226	37,549	36,694	36,434
(2)	Revenue Requirements (excluding Incremental WACC)	-	37,399	37,399	37,399	38,520	38,520	38,520
(3)	Monthly Under/(Over) Recovery	-	4,618	5,731	1,172	971	1,826	2,086
(4)	Deferred Balance	-	4,618	10,349	11,521	12,492	14,319	16,405
(5)	Monthly Interest Rate	0.34309%	0.34309%	0.34309%	0.34309%	0.34309%	0.34309%	0.34309%
(6)	After Tax Monthly Interest Expense/(Credit)	-	7.9	25.7	37.5	41.2	46.0	52.7
(7)	Cumulative Interest	-	7.9	33.6	71.1	112.3	158.3	211.0
(8)	Balance Added to Subsequent Year's Revenue Requirements	-	4,625.5	10,382.5	11,592.0	12,604.5	14,477.0	16,615.8
(9)	Net Sales - kWh (000)	3,328,426	2,980,091	2,878,837	3,293,316	3,413,563	3,335,823	3,312,211
(10)	Incremental Interest From WACC Change							
(11)	Cummulative Incremental Interest							
(12)	Average Net of Tax Deferred Balance	-	1,366	4,426	6,468	7,102	7,929	9,086

PSE&G Solar 4 All Extension II

Under/(Over) Calculation

	Existing / Forecasted SGIP Ext II Rate (w/o SU	0.000011	0.000011	0.000011	0.000011	0.000011	0.000011	
		8	9	10	11	12	13	
	GPRC S4AE II Under/(Over) Calculation	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	
(1)	SGIEIIP GPRC Revenue	32,446	35,165	40,639	48,836	47,174	36,539	SGIEIIP Rate * Row 9
(2)	Revenue Requirements (excluding Incremental WACC)	38,520	38,520	38,520	38,520	38,520	38,520	From SS-S4AEII-3, Col 24
(3)	Monthly Under/(Over) Recovery	6,074	3,356	(2,119)	(10,316)	(8,653)	1,981	Row 2 - Row 1
(4)	Deferred Balance	22,479	25,835	23,716	13,400	4,747	6,728	Prev Row 4 + Row 3
(5)	Monthly Interest Rate	0.34309%	0.34309%	0.34309%	0.34309%	0.34309%	0.34309%	Monthly Interest Rate
(6)	After Tax Monthly Interest Expense/(Credit)	66.7	82.9	85.0	63.7	31.1	19.7	(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate) * Row 5
(7)	Cumulative Interest	277.7	360.6	445.6	509.3	540.4	560.1	Prev Row 7 + Row 6
(8)	Balance Added to Subsequent Year's Revenue Requirements	22,756.8	26,195.2	24,161.5	13,909.4	5,287.4	7,288.1	Row 4 + Row 7 + Row 11
(9)	Net Sales - kWh (000)	2,949,657	3,196,813	3,694,478	4,439,658	4,288,510	3,321,769	
(10)	Incremental Interest From WACC Change							
(11)	Cummulative Incremental Interest							Prev Row 11 + Row 10
(12)	Average Net of Tax Deferred Balance	11,500	14,289	14,655	10,977	5,367	3,394	(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate)

PSE&G Solar 4 All Extension II

Solar 4 All Extension II - Rate Impact Analysis

Attachment C

7% SUT Rate

41,104,726 KWh Sales (000) - Annual (Oct16/Sep17)

7,200 Avg RS kWh / yr.
750 Avg RS kWh / Summer Month
525 Avg RS kWh / Winter Month

0.001484 Current electric GPRC ($/kWh)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
				Class Average Rate w/SUT - $/kWh[1]							Typical RS GPRC ($)					
	SG|E|IP Revenue Requirements	SG|E|IP w/o SUT ($/kWh)	SG|E|IP w/ SUT ($/kWh)	RS	RHS	RLM	GLP	LPL-S	LPL-P	HTS-S	Summer Monthly Bill	Winter Monthly Bill	Annual Bill	Change in RS Typical Annual Bill ($'s)	RS Typical Annual Bill ($'s)	% Change in RS Typical Annual Bill
Current				0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68		1,286.16	
Oct16-Sep17	456,880	0.000011	0.000012	0.178645	0.137279	0.173599	0.170237	0.140003	0.110539	0.102268	1.12	0.79	10.80	0.12	1,286.28	0.009%
Oct17-Sep18	1,468,561	0.000036	0.000039	0.178672	0.137306	0.173626	0.170264	0.140030	0.110566	0.102295	1.14	0.80	10.96	0.28	1,286.44	0.022%
Oct18-Sep19	2,117,939	0.000052	0.000056	0.178689	0.137323	0.173643	0.170281	0.140047	0.110583	0.102312	1.16	0.81	11.12	0.44	1,286.60	0.034%
Oct19-Sep20	2,110,783	0.000051	0.000055	0.178688	0.137322	0.173642	0.170280	0.140046	0.110582	0.102311	1.15	0.81	11.08	0.40	1,286.56	0.031%
Oct20-Sep21	848,678	0.000021	0.000022	0.178655	0.137289	0.173609	0.170247	0.140013	0.110549	0.102278	1.13	0.79	10.84	0.16	1,286.32	0.012%
Oct21-Sep22	512,366	0.000012	0.000013	0.178646	0.137280	0.173600	0.170238	0.140004	0.110540	0.102269	1.12	0.79	10.80	0.12	1,286.28	0.009%
Oct22-Sep23	70,302	0.000002	0.000002	0.178635	0.137269	0.173589	0.170227	0.139993	0.110529	0.102258	1.11	0.78	10.68	-	1,286.16	0.000%
Oct23-Sep24	(586,673)	(0.000014)	(0.000015)	0.178618	0.137252	0.173572	0.170210	0.139976	0.110512	0.102241	1.10	0.77	10.56	(0.12)	1,286.04	-0.009%
Oct24-Sep25	(1,011,128)	(0.000025)	(0.000027)	0.178606	0.137240	0.173560	0.170198	0.139964	0.110500	0.102229	1.09	0.76	10.44	(0.24)	1,285.92	-0.019%
Oct25-Sep26	(1,116,227)	(0.000027)	(0.000029)	0.178604	0.137238	0.173558	0.170196	0.139962	0.110498	0.102227	1.09	0.76	10.44	(0.24)	1,285.92	-0.019%
Oct26-Sep27	(1,091,651)	(0.000027)	(0.000029)	0.178604	0.137238	0.173558	0.170196	0.139962	0.110498	0.102227	1.09	0.76	10.44	(0.24)	1,285.92	-0.019%
Oct27-Sep28	(514,166)	(0.000013)	(0.000014)	0.178619	0.137253	0.173573	0.170211	0.139977	0.110513	0.102242	1.10	0.77	10.56	(0.12)	1,286.04	-0.009%
Oct28-Sep29	47,997	0.000001	0.000001	0.178634	0.137268	0.173588	0.170226	0.139992	0.110528	0.102257	1.11	0.78	10.68	-	1,286.16	0.000%
Oct29-Sep30	167,023	0.000004	0.000004	0.178637	0.137271	0.173591	0.170229	0.139995	0.110531	0.102260	1.12	0.78	10.72	0.04	1,286.20	0.003%
Oct30-Sep31	(51,126)	(0.000001)	(0.000001)	0.178632	0.137266	0.173586	0.170224	0.139990	0.110526	0.102255	1.11	0.78	10.68	-	1,286.16	0.000%
Oct31-Sep32	(366,444)	(0.000009)	(0.000010)	0.178623	0.137257	0.173577	0.170215	0.139981	0.110517	0.102246	1.11	0.77	10.60	(0.08)	1,286.08	-0.006%
Oct32-Sep33	(517,451)	(0.000013)	(0.000014)	0.178619	0.137253	0.173573	0.170211	0.139977	0.110513	0.102242	1.10	0.77	10.56	(0.12)	1,286.04	-0.009%
Oct33-Sep34	1,489,256	0.000036	0.000039	0.178672	0.137306	0.173626	0.170264	0.140030	0.110566	0.102295	1.14	0.80	10.96	0.28	1,286.44	0.022%
Oct34-Sep35	3,178,774	0.000077	0.000082	0.178715	0.137349	0.173669	0.170307	0.140073	0.110609	0.102338	1.17	0.82	11.24	0.56	1,286.72	0.044%
Oct35-Sep36	3,307,104	0.000080	0.000086	0.178719	0.137353	0.173673	0.170311	0.140077	0.110613	0.102342	1.18	0.82	11.28	0.60	1,286.76	0.047%
Oct36-Sep37	3,004,416	0.000073	0.000078	0.178711	0.137345	0.173665	0.170303	0.140069	0.110605	0.102334	1.17	0.82	11.24	0.56	1,286.72	0.044%
Oct37-Sep38	2,303,266	0.000056	0.000060	0.178693	0.137327	0.173647	0.170285	0.140051	0.110587	0.102316	1.16	0.81	11.12	0.44	1,286.60	0.034%
Oct38-Sep39	954,103	0.000023	0.000025	0.178658	0.137292	0.173612	0.170250	0.140016	0.110552	0.102281	1.13	0.79	10.84	0.16	1,286.32	0.012%
Oct39-Sep40	(8,901)	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Oct40-Sep41	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Oct41-Sep42	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Oct42-Sep43	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102258	1.11	0.78	10.68	-	1,286.16	0.000%
Oct43-Sep44	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Oct44-Sep45	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Oct45-Sep46	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Oct46-Sep47	0	-	-	0.178633	0.137267	0.173587	0.170225	0.139991	0.110527	0.102256	1.11	0.78	10.68	-	1,286.16	0.000%
Total	16,775,681															
	From Schedule SS-S4AEII-3 Col 25	Col 1 / [kWh Sales] (Rnd to 6 dec.)	Col 2 * (1 + SUT Rate) Rnd 6	Current Class Avg Rate + Col 3 for Each Rate Class (Col 4 thru Col 10)							(Cur. eGPRC + Col 3) * Avg RS kWh Sum Mo Rnd 2	(Cur. eGPRC + Col 3) * Avg RS kWh Win Mo Rnd 2	(4 * Col 11) + (8 * Col 12)	Col 13 - Current Col 13	Current Col 15 + Col 14	Col 14 / Current Col 15

	% Change from Current Class Average Rate w/SUT						
	RS	RHS	RLM	GLP	LPL-S	LPL-P	HTS-S
Oct16-Sep17	0.007%	0.009%	0.007%	0.007%	0.009%	0.011%	0.012%
Oct17-Sep18	0.022%	0.028%	0.022%	0.023%	0.028%	0.035%	0.038%
Oct18-Sep19	0.031%	0.041%	0.032%	0.033%	0.040%	0.051%	0.055%
Oct19-Sep20	0.031%	0.040%	0.032%	0.032%	0.039%	0.050%	0.054%
Oct20-Sep21	0.012%	0.016%	0.013%	0.013%	0.016%	0.020%	0.022%
Oct21-Sep22	0.007%	0.009%	0.007%	0.008%	0.009%	0.012%	0.013%
Oct22-Sep23	0.001%	0.001%	0.001%	0.001%	0.001%	0.002%	0.002%
Oct23-Sep24	-0.008%	-0.011%	-0.009%	-0.009%	-0.011%	-0.014%	-0.015%
Oct24-Sep25	-0.015%	-0.020%	-0.016%	-0.016%	-0.019%	-0.024%	-0.026%
Oct25-Sep26	-0.016%	-0.021%	-0.017%	-0.017%	-0.021%	-0.026%	-0.028%
Oct26-Sep27	-0.016%	-0.021%	-0.017%	-0.017%	-0.021%	-0.026%	-0.028%
Oct27-Sep28	-0.008%	-0.010%	-0.008%	-0.008%	-0.010%	-0.013%	-0.014%
Oct28-Sep29	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%
Oct29-Sep30	0.002%	0.003%	0.002%	0.002%	0.003%	0.004%	0.004%
Oct30-Sep31	-0.001%	-0.001%	-0.001%	-0.001%	-0.001%	-0.001%	-0.001%
Oct31-Sep32	-0.006%	-0.007%	-0.006%	-0.006%	-0.007%	-0.009%	-0.010%
Oct32-Sep33	-0.008%	-0.010%	-0.008%	-0.008%	-0.010%	-0.013%	-0.014%
Oct33-Sep34	0.022%	0.028%	0.022%	0.023%	0.028%	0.035%	0.038%
Oct34-Sep35	0.046%	0.060%	0.047%	0.048%	0.059%	0.074%	0.080%
Oct35-Sep36	0.048%	0.063%	0.050%	0.051%	0.061%	0.078%	0.084%
Oct36-Sep37	0.044%	0.057%	0.045%	0.046%	0.056%	0.071%	0.076%
Oct37-Sep38	0.034%	0.044%	0.035%	0.035%	0.043%	0.054%	0.059%
Oct38-Sep39	0.014%	0.018%	0.014%	0.015%	0.018%	0.023%	0.024%
Oct39-Sep40	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct40-Sep41	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct41-Sep42	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct42-Sep43	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct43-Sep44	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct44-Sep45	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct45-Sep46	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Oct46-Sep47	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

[1] All customers assumed to have BGS Supply

PUBLIC SERVICE ELECTRIC AND GAS COMPANY | **XXX Revised Sheet No. 65**
Superseding
B.P.U.N.J. No. 15 ELECTRIC | **XXX Revised Sheet No. 65**

GREEN PROGRAMS RECOVERY CHARGE

Component:	**Charge (per kilowatthour)**
Carbon Abatement Program	$ 0.000050
Energy Efficiency Economic Stimulus Program	$ 0.000064
Demand Response Program	$ 0.000072
Solar Generation Investment Program	$ 0.000364
Solar Loan II Program	$ 0.000038
Energy Efficiency Economic Extension Program	$ 0.000280
Solar Generation Investment Extension Program	$ 0.000005
Solar Loan III Program	$ 0.000048
Energy Efficiency Economic Extension Program II	$ 0.000142
Solar Generation Investment Extension II Program	$ 0.000011
Sub-total per kilowatthour	$ ~~0.001387~~0.001074
Charge including New Jersey Sales and Use Tax (SUT)	$ ~~0.001484~~0.001149

GREEN PROGRAMS RECOVERY CHARGE

This charge is designed to recover the revenue requirements associated with the PSE&G Green Programs. The charge will be reset nominally on an annual basis. Interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rates shall be reset each month.

Date of Issue: Effective:

Issued by SCOTT S. JENNINGS, Vice President Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY **XXX Revised Sheet No. 65**
Superseding
B.P.U.N.J. No. 15 ELECTRIC **XXX Revised Sheet No. 65**

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TYPICAL RESIDENTIAL ELECTRIC BILL IMPACTS

The effect of the proposed changes in the Solar Generation Investment Extension II Program component of the electric Green Programs Recovery Charge (GPRC) on typical residential electric bills, if approved by the Board, is illustrated below:

Residential Electric Service					
If Your Monthly Summer kWhr Use Is:	And Your Annual kWhr Use Is:	Then Your Present Annual Bill (1) Would Be:	And Your Proposed Annual Bill (2) Would Be:	Your Annual Bill Change Would Be:	And Your Percent Change Would Be:
200	1,920	$358.44	$358.44	$0.00	0.00%
450	4,320	770.12	770.16	0.04	0.01
750	7,200	1,272.40	1,272.44	0.04	0.00
803	7,800	1,377.99	1,378.10	0.11	0.01
1,360	13,160	2,328.20	2,328.32	0.12	0.01

(1) Based upon current Delivery Rates and Basic Generation Service Residential Small Commercial pricing (BGS-RSCP) charges in effect October 1, 2016 and assumes that the customer receives BGS-RSCP service from Public Service.
(2) Same as (1) except includes changes in the Solar Generation Investment Extension II Program component of the GPRC.

Residential Electric Service					
If Your Annual kWhr Use Is:	And Your Monthly Summer kWhr Use Is:	Then Your Present Monthly Summer Bill (3) Would Be:	And Your Proposed Monthly Summer Bill (4) Would Be:	Your Monthly Summer Bill Change Would Be:	And Your Percent Change Would Be:
1,920	200	$37.45	$37.45	$0.00	0.00%
4,320	450	81.23	81.24	0.01	0.01
7,200	750	135.84	135.85	0.01	0.01
7,800	803	145.86	145.87	0.01	0.01
13,160	1,360	251.13	251.14	0.01	0.00

(3) Based upon current Delivery Rates and Basic Generation Service Residential Small Commercial Pricing (BGS-RSCP) charges in effect October 1, 2016 and assumes that the customer receives BGS-RSCP service from Public Service.
(4) Same as (3) except includes changes in the Solar Generation Investment Extension II Program component of the GPRC.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Solar 4 All Extension II Program Rules

General Requirements

1. PSE&G will invest in, own, and operate solar systems on properties that are: (a) sanitary landfill facilities, or portions of sanitary landfill facilities, for which performance is complete with respect to all activities associated with the design, installation, purchase, or construction of all measures, structures, or equipment required by the Department of Environmental Protection; (b) any former or current commercial or industrial site that is currently vacant or underutilized and on which there has been, or there is suspected to have been, a discharge of contaminant ("brownfields"); and (c) areas containing large volumes of non-indigenous materials, where used to raise the topographic elevation of a site, which materials were contaminated prior to emplacement but not related to the operations at the location of emplacement, including, but not limited to: construction debris, dredge spoils, incinerator residue, demolition debris, fly ash, and non-hazardous solid waste (collectively "Non-Productive Sites").

2. Upon completion, solar systems will be interconnected to the utility electrical distribution system.

3. The solar system must be capable of generating solar renewable energy certificates ("SRECs") as defined under NJBPU regulations.

4. PSE&G will be responsible for identifying and selecting suitable Non-Productive Sites for the solar systems.

5. PSE&G may retain the services of an engineering firm for Non-Productive Site assessment, development of the scope of work, permitting, proposal review, and other services. PSE&G intends to hire solar industry firms ("Developers") through a competitive bid process to provide the engineering, permitting, procurement and construction services required to develop the projects. Alternatively, PSE&G may procure the equipment directly and hire Developers through a competitive bid process to provide the engineering, permitting, and construction services. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work. Developers will prepare a proposal as defined by the competitive bid process. To the extent permitted by law, products manufactured in NJ may be given preference in the evaluation process.

6. For those projects that qualify as a "public work," as defined by statute, the service provider will adhere to all aspects of the New Jersey State Prevailing Wage Act, N.J.S.A. 34:11-56.25 et seq., and will require the same of all subcontractors. For those projects that do not qualify as public works, service providers will be required to pay the equivalent of the prevailing wage for the county in which the work is to be performed, unless the work is performed by union employees, in which case the employees will be paid in accordance with the union contract.

7. PSE&G may initiate site selection, site evaluation, bid processes, and contract negotiations prior to Board approval.

8. PSE&G will obtain all required permits and provide overall project and construction management.

9. Quality assurance will be provided by PSE&G's monitoring and supervision during construction and over the life of the Program.

Site Identification

10. PSE&G will identify potential Non-Productive Sites, which will be evaluated by a number of factors that may include permitting, interconnection, site conditions, and other factors as determined by PSE&G. PSE&G may retain real estate professionals to assist in identifying potential Non-Productive Sites. Outside Environmental and Engineering services may also be retained in evaluating Non-Productive Sites. Other outreach and marketing efforts may be employed to identify potential Non-Productive Sites.

PJM Interconnection Issues

11. The solar systems will be installed in various locations, will be grid-connected on the utility side of the billing meter to PSE&G's electric distribution system, and will be eligible to generate SRECs.

12. The solar systems will be metered to determine the aggregate energy output and the number of SRECs generated. PSE&G will register the solar systems with the BPU and PJM Generation Attribute Tracking System ("GATS").

13. PSE&G will initiate the PJM Interconnection process, and seek to identify the interconnection costs associated with viable sites as determined by PSE&G.

<u>Contract between PSE&G and an Engineering, Procurement and Construction ("EPC") contractor</u>

14. Upon the award of a project, PSE&G will enter into a contract with an EPC contractor to build the solar system. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the site owner.

<u>Agreement with the Site Owner</u>

15. PSE&G will make lease payments to the host sites. PSE&G and the site owner will enter into a suitable lease agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the site owner. Lease payments will commence upon the commercial operation of the solar system. The lease payment will be determined using a methodology similar to that used in the Solar 4 All Extension I Program, and will be executed for the term of the project unless applicable law requires a shorter term; the lease may contain options to extend the term as negotiated by the parties.

16. Additional payments may be made to site owners, which may also include pre and post commercial operation payments, and other option payments necessary to secure property rights for the site. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

17. Site owners with electric load will receive electric service with no change in the existing billing arrangement.

CMS

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A SECOND EXTENSION OF A SOLAR GENERATION INVESTMENT PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, AND N.J.S.A. 48:3-98.1	)	**PETITION** **SOLAR 4 ALL® EXTENSION II** BPU Docket No. ___________

Public Service Electric and Gas Company ("PSE&G" or the "Company"), a corporation of the State of New Jersey, having its principal offices at 80 Park Plaza, Newark, New Jersey, respectfully petitions the New Jersey Board of Public Utilities ("Board" or "BPU"), pursuant to N.J.S.A. 48:3-98.1, et seq., as follows:

EXECUTIVE SUMMARY OF THE PROPOSED SOLAR 4 ALL EXTENSION II PROGRAM

1. PSE&G is proposing to extend its Solar Generation Investment Program called the PSE&G Solar 4 All Extension Program ("Extension Program" or "Solar 4 All Extension Program"), through the addition of 100 MW-dc of solar capacity to New Jersey's renewable portfolio over four years. The Solar 4 All Extension II Program ("Extension II Program" or the "Program"), will be comprised of a single segment that will expand on the development of solar installations on landfills and brownfields in the State of New Jersey, originally initiated through the Extension Program.