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June 13, 2019

VIA eFILING

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Informational Filing
Public Service Electric and Gas Company
Annual Transmission Formula Rate True-Up Adjustment
Docket No. ER09-1257-000

Dear Secretary Bose:

Public Service Electric and Gas Company (“PSE&G” or “Company”) hereby submits for informational purposes its annual true-up adjustment (“True-Up Adjustment”) for its transmission formula rate in accordance with its Formula Rate Implementation Protocols (“Protocols”) set forth in Attachment H-10B of the Open Access Transmission Tariff (“OATT”) of PJM Interconnection, L.L.C. (“PJM”).¹ Section 1.b of the Protocols requires PSE&G to annually calculate the true-up of its formula rate on or before June 15th and cause it to be posted on the PJM website (www.PJM.com), and filed with the Federal Energy Regulatory Commission (“Commission”) for informational purposes. In accordance with the Protocols Section 1.b, this True-Up Adjustment does not require any Commission action.

This True-Up Adjustment pertains to PSE&G’s transmission formula rates in effect for calendar year 2018. In accordance with the Protocols, adjustments from this True-Up Adjustment will be incorporated into the Transmission Formula Rate Annual Update to be filed by PSE&G on or before October 15, 2019 for 2020 rate year.

¹ PSE&G’s Formula Rate Implementation Protocols were approved by the Commission on September 30, 2008, *Public Service Electric and Gas Company*, 124 FERC ¶ 61,303 (2008), and by *Public Service Electric and Gas Company*, Docket No. ER08-1233-001 (January 13, 2009) (unpublished letter order).

PSE&G's True-Up Adjustment filing includes six Attachments (A-F). Attachment A contains a recalculated Appendix A to Attachment H-10A that sets forth PSE&G's Annual Transmission Revenue Requirement ("ATTR") and Network Integration Transmission Service ("NITS") rate. Attachment B is a report on each transmission project listed in PSE&G's formula rate for which the Commission has authorized PSE&G to include CWIP in transmission rate base, in accordance with Section 2.b of the Protocols. Attachment C contains supporting documentation that is being provided consistent with the Commission Staff's Guidance on Formula Rate updates encouraging formula rate transparency. Attachment D shows the derivation of the 2018 Actual Annual PBOP Expense included in the formula rate.² Attachment E contains confidential excerpts from PSE&G's annual actuarial valuation report, as of January 1, 2018, supporting the Actual Annual PBOP Expense shown in Attachment D. Attachment F contains additional supporting information pursuant to Commission Staff's Guidance on Formula Rate Updates for the computation of accumulated deferred income taxes ("ADIT").

The cost support in Attachment E contains actuarial report information and data that are both confidential and commercially sensitive. Accordingly, the Company is filing these data under the provisions of 18 C.F.R. § 388.112 (2015) and as such the Company is requesting privileged treatment of the information. The Company has maintained the confidentiality of this data in its confidential actuarial reports, and their public release would divulge commercially sensitive information. A public version of Attachment E is included in the filing and the Confidential version of Attachment E is being provided under the provisions of 18 C.F.R. § 388.112 (2015).

Section 1.i(iii) of the Protocols requires an explanation of any material changes in PSE&G's accounting policies and practices from those in effect for the calendar year upon which the immediately preceding Annual Update was based, as reported in PSE&G's Securities and Exchange Commission Form 10-K.

In 2018, PSE&G effectuated the material accounting change explained in this paragraph. On January 1, 2018, PSE&G adopted ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (OPEB)" for accounting and reporting under generally accepted accounting principles (GAAP) and as included in PSE&G's 2018 Form 10-K. Under this new guidance, only the service cost component of pension and OPEB costs are eligible for capitalization, when applicable. Also, effective January 1, 2018, PSE&G elected to adopt the capitalization change for FERC regulatory reporting and only capitalized service cost components of pension and OPEB costs, as affirmed by FERC Accounting Guidance Docket No. AI18-1-000. As a result of adopting this standard, PSE&G reduced its charge to expense for the year ended December 31, 2018, by approximately \$58 million.

Section 3 of the Protocols sets forth Annual Review Procedures that permit interested parties to review annual true-up filings. During the course of the review of PSE&G's 2017 True-Up Adjustment filing with the State of New Jersey's Division of Rate Counsel ("Rate Counsel"),

² On October 2, 2015, the Federal Energy Regulatory Commission issued a letter order accepting a tariff revision modifying the fixed formula rate PBOP expense to the actual annual PBOP expense. *Public Service Electric and Gas Company*, Docket No. ER15-2397-000.

it was determined that various minor adjustments relating to Account 566 – Miscellaneous Transmission Expenses, Account 165 – Prepayments, Account 421 – Gain on disposition of property and Account 183 – Preliminary Survey and Investigation should be made in this current True-Up Adjustment. The revenue requirement in this True-Up Adjustment has been decreased by \$27,821 (with interest) to adjust for the prior overstatement. This adjustment is reflected as a reduction in cell G80 of Attachment 6 of the True-Up Adjustment.

PSE&G is providing this annual True-Up Adjustment to parties identified on the service list in this docket as well as all Interested Parties who have informed PSE&G that they wish to receive such updates. Additionally, PSE&G has provided this true-up to PJM for posting on its website www.PJM.com.

Thank you for your attention to this informational filing. Please contact the undersigned should you have any questions.

Respectfully submitted,

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