



Agenda Date: 1/16/08  
Agenda Item: LSA

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**www.nj.gov/bpu/**

**ENERGY**

IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR YEAR TWO OF THE POST-TRANSITION PERIOD AND IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR YEAR THREE OF THE POST-TRANSITION PERIOD AND IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR THE PERIOD BEGINNING JUNE 1, 2006 AND IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR THE PERIOD BEGINNING JUNE 1, 2007	)	DECISION AND ORDER APPROVING THE PASS-THROUGH OF FERC AUTHORIZED TGS INCREASES RELATING TO THE TRANS-ALLEGHENY INTERSTATE LINE COMPANY FERC FILINGS
	)	DOCKET NOS. EO03050394
	)	EO04040288, EO05040317
	)	AND EO06020119

(SERVICE LIST ATTACHED)

BY THE BOARD<sup>1</sup>

On August 7, 2007, Atlantic City Electric Company ("ACE"), Jersey Central Power and Light Company ("JCP&L"), Public Service Electric and Gas Company ("PSE&G") and Rockland Electric Company ("RECO") (collectively, the "EDCs"), filed a joint petition requesting recovery of Federal Energy Regulatory Commission ("FERC") approved changes in firm transmission service related charges.

The EDCs' proposed tariff changes reflect increases to the Basic Generation Service ("BGS") Fixed Price ("BGS-FP") and Commercial and Industrial Energy Pricing ("BGS-CIEP") rates to customers resulting from changes in the PJM Open Access Transmission Tariff ("OATT") made in response to filings by Trans-Allegheny Interstate Line Company (TrAILCo) with FERC on February 21, 2007 and July 2, 2007, FERC Docket No. ER07-562-000. The EDCs requested that the changes become effective on September 1, 2007 and that the Board approve subsequent changes to Schedule 12 charges which reflect projects for which FERC authorizes incentive ratemaking, and which are allocated by PJM to the states' EDCs. The specific Schedule 12 charges, referred to as Transmission Enhancement Charges ("TECs"), were implemented to compensate transmission owners for the annual transmission revenue requirements for "Required Transmission Enhancements" (as defined in the PJM OATT) that are requested by PJM for reliability or economic purposes. The costs for TECs are recovered

<sup>1</sup> Due to a potential conflict of interest, Commissioner Christine V. Bator did not participate in the vote or deliberations in this matter.

by PJM through assigned cost responsibility by an additional transmission charge in the transmission zones where the Required Transmission Enhancement projects occur. While PJM has recovered costs for TECs on numerous occasions, this is the first time that a transmission owner has had a FERC-approved annual transmission revenue requirement which PJM is required to collect through Schedule 12.

On July 2, 2007, TrAILCo made its compliance filing, which was the final element necessary for PJM to begin billing wholesale customers for these charges effective June 1, 2007. While the TEC annual revenue requirement and monthly revenue requirement will be updated each year on June 1, it is possible that transmission owners could request an initial effective date to begin on the first of any month they choose and receive subsequent FERC approval. Any differences between the FERC-approved TECs and retail charges through the BGS rates will be trued-up.

The EDCs are also proposing that the BGS Suppliers be compensated for this increase subject to the terms and conditions of the Supplier Master Agreements ("SMAs"). Any difference between the payments to BGS Suppliers and charges to customers would flow through each EDC's BGS Reconciliation Charge. In addition, because FERC-approved TECs will change on June 1 each year and can change from time to time, the EDCs are also requesting approval to submit compliance tariff sheets as required to implement any subsequent FERC-approved changes to the TECs.

The EDCs state that this filing satisfies the requirements of paragraph 15.9 (a)(i) and (ii) of the BGS-FP and BGS-CIEP SMAs, which mandate that BGS-FP and BGS-CIEP Suppliers be notified of rate increases for firm transmission service, and that the EDCs file for and obtain Board approval of an increase in retail rates commensurate with the FERC-implemented rate increase.

## DISCUSSION AND FINDINGS

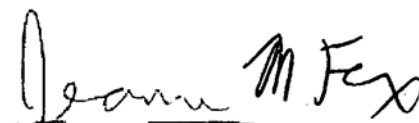
Each EDC is allocated a different amount of TECs from PJM based on the cost for Required Transmission Enhancements in each EDC's transmission zone. Based on the allocation of additional transmission costs among the service classes, a residential customer will see the following rate increase per month per utility (including Sales and Use Tax ("SUT")): ACE \$0.000025 per kWh, JCP&L \$0.000022 per kWh, PSE&G \$0.000019 per kWh and RECO \$0.000025 per kWh. This will result in an approximately 0.02% increase in BGS rates for residential customers in each utility's service territory. The estimated 12 month impacts from the Allegheny TrAILCo \$1 billion project will be \$4.35 million for 2008-2009, \$10.15 million for 2009 - 2010, \$20.3 million for 2010-2011 and \$29.0 million for 2011-2012.

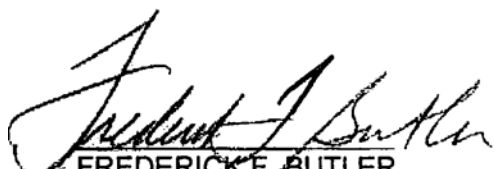
In the Board's Order on December 2, 2003, in Docket No. EO03050394, the Board found that the pass through of any changes in the network integration transmission charge, and other charges associated with the FERC-approved Open Access Transmission Tariff is appropriate. Furthermore, in a subsequent order dated December 1, 2004, the Board approved Section 15.9 of the SMAs as filed by the EDCs. Section 15.9 of the SMA requires that the EDCs file any increases or decreases in their transmission charges that have been approved by the FERC, with the Board for approval. The BGS supply procurement process and the associated SMA authorized the EDCs to increase the rates paid to suppliers for FERC-approved rate increases to Firm Transmission Services. The Order further stated that if, during the term of the SMA, a

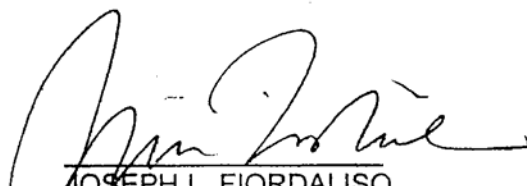
filing is made with the FERC to increase rates for Firm Transmission Services, the EDCs will seek approval from the Board to increase the rates charged to BGS customers by the amount of such rate increase for Firm Transmission Services. The Board further required that the EDCs review and verify the requested FERC authorized increases. After review of the verifications and supporting documentation, the Board **HEREBY APPROVES** the increase to the BGS-FP and BGS-CIEP rates requested by each EDC for its increased transmission charges resulting from the FERC-approved changes to the TECS. The EDCs are **ORDERED** to compensate the BGS Suppliers for this transmission rate increase subject to the terms and conditions of the SMAs. In addition, the Board **HEREBY DENIES** the EDC's requests that any subsequent FERC-approved changes to Schedule 12 be implemented through submission of compliance tariff sheets. The EDCs must continue to file for approval by the Board of any FERC-approved changes to Schedule 12, after review and verification by the EDCs.

DATED: 1/18/08

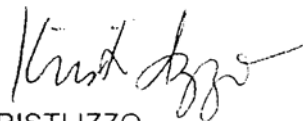
BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
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FREDERICK F. BUTLER  
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ATTEST

  
KRISTI IZZO  
SECRETARY

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

