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June 15, 2020

VIA ELECTRONIC FILING

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 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 2019. 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, 2020 for 2021 rate year.

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 (“ATRR”) 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

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) (Formula Rate Order), and by *Public Service Electric and Gas Company*, Docket No. ER08-1233-001 (January 13, 2009) (unpublished letter order).

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 2019 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, 2019, 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 2019, PSE&G effectuated the material accounting change explained in this paragraph. On January 1, 2019, PSE&G adopted ASU 2016-02, "Leases" for accounting and reporting under generally accepted accounting principles (GAAP) and as included in PSE&G's 2019 Form 10-K. Under this new guidance, lessees are required to recognize leases with a term greater than 12 months on the balance sheet using a right-of-use asset approach recording a lease asset with a corresponding lease obligation. FERC provided guidance for Accounting and Financial Reporting for Leases in Docket No. AI19-1-000 which allows jurisdictional entities to record operating leases that may be capitalized under ASU No. 2016-02 in the FERC balance sheet accounts that have already been established for capital lease assets and liabilities. PSE&G has followed this guidance including the required footnotes in its 2019 FERC Form 1. The impact of adoption on PSE&G's Balance Sheet assets and liabilities each increased by \$91 million. This accounting change had no impact on the revenue requirement included in the transmission formula rate filing contained herein.

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 2018 True-Up Adjustment filing with the State of New Jersey's Division of Rate Counsel ("Rate Counsel"), it was determined that a write-off recorded to Account 566, Miscellaneous Transmission Expenses, was related to the write-off of receivables that were originally recorded to Revenue Accounts for which only 50% of the total write-off should have been included in Account 566. PSE&G and Rate Counsel agreed that this correction should be included in this current True-Up Adjustment. The revenue requirement in this True-Up Adjustment has been decreased by \$63,581 (with

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

interest) to adjust for the prior overstatement. This adjustment is reflected as a reduction in cell G60 of Attachment 6 of the True-Up Adjustment.

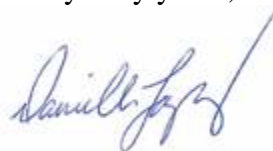
PSE&G also advises that a correction was made to address an overstatement in BLC Project CWIP balances in 2015 and 2016 for the which the revenue requirement in this True-Up Adjustment has been decreased by \$102,835.55 (with interest) to adjust for the prior overstatement. This adjustment is reflected as a reduction in cell G60 of Attachment 6 of the True-Up Adjustment and as a reduction in the various Transmission Enhancement Charge project reconciliations in Attachment 6A of the True-Up Adjustment.

PSE&G is contemporaneously submitting a related one-time FERC waiver of certain tariff provisions in PSE&G's Transmission Formula Rate and Protocols. PSE&G stated its intent in that filing that it seeks a waiver to allow certain adjustments in their 2019 True-Up Adjustment filing to account for the clarification in its IRS PLR issued on April 1, 2020, which reclassifies certain excess deferred income taxes from protected to unprotected. Should the Commission order any changes to the proposed waiver of tariff revisions that require a change to this True-Up Adjustment, PSE&G will resubmit its 2019 True-Up Adjustment filing.

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.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Danielle Lopez", with a long, sweeping flourish extending upwards and to the right.

Danielle Lopez

cc: