



June 15, 2022

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” or “FERC”) 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 2021. During calendar year 2021, PSE&G had two formula rates in effect. The first rate was filed with the Commission on October 15, 2020 in the above-captioned docket as the 2021 Formula Rate Annual Update.² This rate was recovered during the period of January 1, 2021 through July 31, 2021. On July 14, 2021, PSE&G

¹ PSE&G’s Formula Rate Implementation Protocols were originally approved by the Commission on September 30, 2008. *See Public Service Electric and Gas Company*, 124 FERC ¶ 61,303 (2008); *see Public Service Electric and Gas Company*, Docket No. ER08-1233-001 (January 13, 2009). On October 1, 2021, the Commission approved revisions to PSE&G’s Protocols that were submitted as part of a settlement. *See Public Service Electric and Gas Company*, 177 FERC ¶ 61,004 (2021).

² This “Annual Update” filing was submitted pursuant to PSE&G’s Formula Rate Implementation Protocols (“Protocols”) contained in Attachment H-10B of the PJM OATT.

executed a settlement agreement between itself, the New Jersey Board of Public Utilities and New Jersey Division of Rate Counsel that modified PSE&G's Formula Rate template and Protocols contained in Attachment H-10A and Attachment H-10B of the PJM OATT (the "Settlement"). FERC approved the Settlement without modification on October 1, 2021 with an effective date of August 1, 2021.³ On October 22, 2021, PSE&G filed with the Commission a revised informational filing of PSE&G's 2021 Transmission Formula Rate Annual Update that was effective August 1, 2021. The second rate was in effect from August 1, 2021 through December 31, 2021. In order to compute the true-up of the calendar year 2021 rates, PSE&G applied a pro rata percentage to each true-up calculation based on the number of days in the year in which each rate was in effect. 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, 2022 for the 2023 rate year.

PSE&G's True-Up Adjustment filing includes nine Attachments (referred to as Attachments A-F). Attachment A1 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 for January 1, 2021 through July 31, 2021. Attachment A2 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 for August 1, 2021 through December 31, 2021. Attachment A3 contains the pro rata calculation of the true-up of the ATRRs and Transmission Enhancement Charges ("TECs") for both rate periods. 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 Construction Work In Progress ("CWIP") in transmission rate base, in accordance with the Protocols. Attachments C1 and C2 contain supporting documentation for each rate period that is being provided consistent with the Commission Staff's Guidance on Formula Rate updates encouraging formula rate transparency.⁴ Attachment D shows the derivation of the 2021 Actual Annual Post-Retirement Benefits Other Than Pensions ("PBOP") Expense included in the formula rate.⁵ Attachment E contains confidential excerpts from PSE&G's annual actuarial valuation report, as of January 1, 2021, 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 (2020) and, as such, the Company is requesting privileged treatment of the information. The Company has maintained the

³ See *Public Service Electric and Gas Company*, 177 FERC ¶ 61,004 (2021) ("October Order").

⁴ See <https://www.ferc.gov/sites/default/files/2020-04/staff-guidance.pdf>.

⁵ On October 2, 2015, the 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 (Issued Oct. 2, 2015).

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 (2020).

Section 1.j(iii) of the Protocols requires an explanation of any changes in PSE&G's accounting, including financial reporting changes in the FERC Form No. 1, from those in effect for the calendar year upon which the immediately preceding Annual Update was based that affects inputs to the Formula Rate or the resulting charges under the Formula Rate. In 2021, PSE&G effectuated the accounting changes explained herein.

1. Simplifying the Accounting for Income Taxes—Accounting Standards Update (ASU) 2019-12

This accounting standard updates Accounting Standards Codification (“ASC”) 740 to simplify the accounting for income taxes, including the elimination of several exceptions and making other clarifications to the current guidance. Some of the more pertinent modifications include a change to the tax accounting related to franchise taxes that are partially based on income, an election to allocate the consolidated tax expense to a disregarded entity that is a member of a consolidated tax return filing group when those entities issue separate financial statements, and modifications and clarifications to interim tax reporting.

The standard is effective for fiscal years beginning after December 15, 2020. PSEG adopted this standard on January 1, 2021. PSEG has elected to allocate the consolidated tax expense to all eligible entities that are included in a consolidated tax filing on a prospective basis. This election is consistent with PSEG's Tax Sharing Agreements with its affiliated subsidiaries. Adoption of this standard did not have an impact on PSE&G's financial statements.

2. Clarifying the Interactions between Investments-Equity Securities, Investments-Equity Method and Joint Ventures, and Derivatives and Hedging—ASU 2020-01

This accounting standard clarifies that an entity should consider transaction prices for purposes of measuring the fair value of certain equity securities immediately before applying or upon discontinuing the equity method. This accounting standard also clarifies that when accounting for contracts entered into to purchase equity securities, an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, the underlying securities would be accounted for under the equity method or the fair value option.

The standard is effective for fiscal years beginning after December 15, 2020. PSE&G adopted this standard prospectively on January 1, 2021. Adoption of this standard did not have an impact on PSE&G's financial statements.

3. Accounting for Convertible Instruments and Contracts in an Entity's Own Equity—ASU 2020-06

This accounting standard simplifies the accounting for convertible debt and convertible preferred stock by removing the requirements to separately present certain conversion features in equity. In addition, the ASU eliminates certain criteria that must be satisfied in order to classify a contract as equity, which is expected to decrease the number of freestanding instruments and embedded derivatives accounted for as assets or liabilities. The ASU also revises the guidance on calculating earnings per share, requiring use of the if-converted method for all convertible instruments and rescinding the ability to rebut the presumption of share settlement for instruments that may be settled in cash or other assets.

The standard is effective for fiscal years beginning after December 15, 2021. PSE&G early adopted this standard on January 1, 2021 on a modified retrospective basis. Adoption of this standard did not have an impact on PSE&G's financial statements.

4. Codification Improvements to Callable Debt Securities—ASU 2020-08

This accounting standard clarifies that an entity should reevaluate for each reporting period whether a purchased callable debt security that has multiple call dates is within the scope of certain guidance on nonrefundable fees and other costs related to receivables.

The standard is effective for fiscal years beginning after December 15, 2020. PSE&G adopted this standard prospectively on January 1, 2021. Adoption of this standard did not have an impact on PSE&G's financial statements.

5. Codification Improvements—ASU 2020-10

This accounting standard conforms, clarifies, simplifies, and provides technical corrections to various codification topics.

The standard is effective for fiscal years beginning after December 15, 2020. PSE&G adopted this standard on January 1, 2021. Adoption of this standard did not have an impact on PSE&G's financial statements.

6. Reference Rate Reform Scope Refinement—ASU 2021-01

This accounting standard clarifies certain guidance related to derivative instruments affected by the market-wide change in the interest rates even if those derivatives do not reference the LIBOR or another rate that is expected to be discontinued as a result of reference rate reform. The accounting standard also clarifies other aspects of the relief provided in the reference rate reform GAAP guidance.

The standard is effective upon issuance and allows for retrospective or prospective application with certain conditions. PSE&G adopted this standard prospectively in January 2021. Adoption of this standard did not have an impact on PSE&G's financial statements.

7. In 2021, PSE&G changed the mapping of mandatory customer communications costs from Account 923, Outside Services, to Account 910, Miscellaneous Customer Service and Informational Expenses.
8. Effective August 1, 2021, PSE&G updated its transmission depreciation rates that were approved as part of the settlement agreement approved by the FERC.⁶

Section 2 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 2020 True-Up Adjustment filing, PSE&G agreed that a number of corrections should be included in this current True-Up Adjustment, including the following:

- Adjustment to Account 165, Prepayments, to exclude Gas-related Prepayments (\$13,560 ATRR reduction impact);
- Adjustment to remove a portion of the balance related to DPC Project Management System Support associated with Electric Distribution and Gas included in Account 566 (\$95,998 ATRR reduction impact);
- Adjustment to Account 566 to remove a Transmission Remediation reserve that was recorded in error (\$202,687 ATRR reduction impact);
- Adjustment to remove hardware components that were recorded to Account 391, Office Furniture & Equipment, that should be recorded to Account 397, Communication Equipment, and excluded from Rate Base since the items are distribution-related (\$75,317 ATRR reduction impact); and
- Adjustment to the 2020 ADIT Account 190 balance for CARES Act (\$43,696 ATRR reduction impact).

The sum of these adjustments with interest (\$461,325) will be added to the total 2021 True-Up over collection amount (\$779,587) and will be incorporated into the Transmission Formula Rate Annual Update to be filed by PSE&G on or before October 15, 2022 for the 2023 rate year.

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.

⁶ See October Order.

Respectfully submitted,

Public Service Electric and Gas Company

/s/ Cara Lewis

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Attachments