



May 29, 2009

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Increase in Electric and Gas Rates
and for Changes in the Tariffs for Electric and Gas Service,
B.P.U.N.J. No. 14 Electric and B.P.U.N.J No. 14 Gas
Pursuant to *N.J.S.A. 48:2-21* and *N.J.S.A. 48:2-21.1*
and for Approval of a Gas Weather Normalization Clause;
a Pension Expense Tracker and for other Appropriate Relief

BPU Docket No. _____

Kristi Izzo, Secretary
Office of the Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Dear Secretary Izzo:

Enclosed for filing are the original and ten copies of the Verified Petition of Public Service Electric and Gas Company (PSE&G, Public Service, the Company, Petitioner) in the above-entitled matter. Also attached and filed herewith are eleven copies of the Direct Testimony of the following witnesses in support of the Company's Petition:

Ralph A. LaRossa	- Policy - (Exhibit P-2)
David M. Daly	- Electric Distribution Operations - (Exhibit P-3)
Jorge L. Cardenas	- Gas Distribution Operations - (Exhibit P-4)
Dr. Michael J. Vilbert	- Return on Equity - (Exhibit P-5)
Daniel M. Furlong	- Cash Working Capital & Lead Lag Study - (Exhibit P-6)
Mark G. Kahrer	- Revenue Requirements and Capital Structure - (Exhibit P-7)
Stephen Swetz	- Electric Cost of Service and Rate Design - (Exhibit P-8)
	Gas Cost of Service and Rate Design - (Exhibits P-9)

It has been almost four years, i.e., September 2005, since the Company last filed for a base rate increase. The Company's Petition requests an increase of 1.93% or \$133.72

million in electric distribution revenues and a 2.95% or \$96.92 million increase in gas distribution revenues. This filing is required because PSE&G's base rates do not reasonably reflect capital investments and other costs required to maintain the utility infrastructure so as to provide quality, long-term distribution service to our customers.

We request that rate relief be effective on or before March 1, 2010. If the rate change is not implemented in a timely manner, the Company's earnings will continue to suffer erosion and will be at levels which are below the level that is currently authorized and will be inconsistent with the financial needs of providing high quality service to our customers. As indicated in the Company's Petition, the Company's return on equity (ROE) for the test year ending December 31, 2009, is estimated to be 8.10% for electric distribution and 7.30% for gas distribution, both well below the Company's currently authorized 9.75% ROE for electric distribution and 10.0% ROE for gas distribution.

Public Service respectfully requests that the Board address the issues in this proceeding in as thorough and efficient a manner as possible. PSE&G is confident that its filing and the Board's review will support the fact that the Company's request for rate relief is essential to maintaining the necessary electric and gas distribution infrastructure and needed services required to serve our customers in a safe, adequate, proper and reliable manner.

There are several major components of this filing, namely:

- The requested ROE of 11.5% to reflect current financial market conditions;
- The requested revenue requirement of \$133.7 million for electric distribution and \$96.9 million for gas distribution;
- Establishment of a Pension Expense Tracker to minimize financial risk and buffer significant customer rate impacts;
- Establishment of a Gas Weather Normalization Clause to maintain rate stability;
- Expansion of the Capital Economic Stimulus Infrastructure Investment (CESI) Program;
- Cost of Service and Rate Design.

Copies of the Petition will be served upon all entities legally required to be noticed. Please note that due to the success of furnishing documents in electronic format in lieu of paper copies for a majority of the individuals on the service list in the recently completed CESI proceeding, the Company will continue with this process and furnish documents in electronic format. Please note that hard copies will be furnished on a limited basis to those individuals listed below as noted.

Public Service is required to submit certain consolidated tax information, pursuant to the Board's order in the Company's last gas distribution rate case. As this tax information is confidential financial information, the required consolidated tax data will be furnished upon execution of a Confidentiality Agreement between the Company, Board of Public Utilities (BPU) Staff, and the Division of Rate Counsel (Rate Counsel) and its consultants. A Confidentiality Agreement is attached hereto for execution. Please note that the Confidentiality Agreement attached hereto is the version most recently executed by BPU Staff and Rate Counsel and its consultants.

Please be assured that the Company will work diligently with all parties to the proceeding in an effort to resolve this matter in as timely and equitable a manner as is possible. We request that the Board, at its earliest convenience, establish a procedural schedule and/or transfer this proceeding to the Office of Administrative Law so as to render a final decision by March 1, 2010.

Respectfully submitted,

*Original Signed by
Frances I. Sundheim, Esq.*

C Letter Only

Jeanne M. Fox, President
Frederick F. Butler, Commissioner
Joseph L. Fiordaliso, Commissioner
Elizabeth Randall, Commissioner
Nicholas Asselta, Commissioner
Victor Fortkiewicz, Executive Director

Hard Copy & Electronic Copy (CD)

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