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September 6, 2022

VIA ELECTRONIC FILING

Carmen Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 S. Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350
board.secretary@bpu.nj.gov

Re: In the Matter of the Petition of Public Service Electric and Gas Company for
Approval of a Service Agreement with PSEG Services Corporation and Transfer
of Utility Assets; Docket No. EM21101204

Dear Secretary Acting Secretary Diaz:

On behalf of Public Service Electric and Gas Company ("PSE&G" or "Company") In compliance with the Board's June 8, 2022 Decision and Order approving Service Company Agreement Amendments in the above-captioned matter, enclosed is the executed amended service company agreement.

Pursuant to the June 8, Decision and Order, PSE&G will submit additional compliance filing when employees are transferred including the listing of positions and date of transfer, as well as information regarding the allocations factors reflecting transfer of positions.

Consistent with the Order issued by the Board in connection with In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Order dated March 19, 2020, this document is being filed electronically with the Secretary of the Board and the New Jersey Division of Rate Counsel. No paper copies will follow.

Very truly yours,

A handwritten signature in blue ink that reads "Katherine E. Smith". The signature is fluid and cursive, with a long horizontal stroke at the end.

Katherine Smith

Attachment
cc: Attached Service List (electronic only)

PSEG SERVICES CORPORATION
80 Park Plaza
Newark, New Jersey 07101

AMENDED AND RESTATED
SERVICE AGREEMENT

As of August 31, 2022

To: Public Service Electric and Gas Company
("Operating Company")

PSEG Services Corporation (hereinafter called "Service Company") is a company engaged in the rendering of services to companies in the Public Service Enterprise Group Incorporated ("PSEG") holding company system (hereinafter collectively referred to as the "Operating Companies"). The parties hereto agree as follows:

1. Service Company agrees to furnish the Operating Company and any subsidiaries of the Operating Company, including those to be formed or acquired in the future (collectively and individually referred to as the "Operating Company"), upon the terms and conditions herein set forth, such services described in Schedule I hereto. Service Company will also furnish, if available, such services, which are not described in Schedule I and which are permitted under law and regulation to be provided, but which are generally related to such services.

2. Service Company will act as the Operating Company's agent, attorney-in-fact and representative to sign such instruments and do such things as it deems appropriate in connection with the services to be furnished hereunder.

3. (a) Service Company will maintain a staff trained and experienced in the services provided.

(b) Service Company will also, after consultation with the Operating Company concerning services to be rendered pursuant to the Operating Company's request, arrange for services of experts and consultants.

4. It is the intent of this Agreement that the payment for services rendered by the Service Company to the Operating Companies will cover all costs of doing business. All of the services rendered under this Agreement will be charged using a fully allocated cost methodology in compliance with the relevant provisions of the Act and Affiliate Standards. Direct charges will be made for services where possible. The cost assignment/allocation methodology associated with each service to be provided by the Service Company is set forth on Schedule I, attached hereto. The methods of determining costs and the general allocation methodologies thereof are set forth in Schedule II, attached hereto. These cost assignment/allocation methodologies will be reviewed periodically as deemed appropriate by the Operating Company and Service Company and in compliance with all applicable laws and regulations. Such cost assignment/allocation methodologies may be modified by the Service Company provided that, in each instance, all services rendered hereunder will be charged in conformance with applicable laws and regulations thereof and will be allocated in accordance with Schedule I hereof. The Operating Company will be advised of any changes to such cost assignments/allocation methodologies.

5. From time-to-time as appropriate or necessary, the Operating company may provide services to the Service Company or allow the Service Company to utilize the Operating Company's assets. Any such services or use of assets shall be in compliance with all applicable laws and regulations, and shall be priced in accordance with Section 4. Specifically, PSE&G will be fully reimbursed for the carrying charges associated with PSE&G's assets, which may be used by the Service Company or any other Operating

Company. To the extent such services are provided, the Operating Company shall maintain records in accordance with the procedures set forth in Section 9 hereof.

6. An accounting of services performed by the Service Company will be rendered on or before the 9th business day of each month for all services rendered during the previous month pursuant to this Agreement. The Operating Company shall within ten (10) days after the receipt of such accounting render to the Service Company payment of the amount due. If the Operating Company fails to make timely payment in accordance with these provisions, interest shall accrue on any unpaid balance, and compound at an annual percentage rate equal to the Service Company's borrowing rate.

7. In its role as centralized service provider, and to ensure that the Service Company is credit-worthy, it will require the Operating Company to contribute to a working capital fund as needed by the Service Company. Service Company will arrange for a working capital account ("Working Capital Account") to be established for the Operating Companies, from which Service Company shall make payments for all costs incurred in providing its services and in discharging its responsibilities hereunder. The Operating Company agrees to fund the Working Capital Account by providing or transferring funds promptly on receipt of telephone or other notice or direction from, or on behalf of, the Service Company of the Operating Company's obligation therefore or pursuant to other mutually agreeable procedures. To the extent that there is a material excess or a deficiency in the working fund maintained by the Service Company, the Operating Companies will receive, or be charged interest, at the Service Company's borrowing rate. If, over time, an excess or deficiency in the working funds maintained by the Service Company for one or more of the Operating Companies continues to exist, the contribution amount for that Operating Company may be revised.

8. Upon termination of this Agreement, as hereinafter provided, any residual unexpended balance in the Working Capital Account, after payment of the costs actually incurred, and reasonable commitments therefor, as set forth in Section 4 hereof, shall be credited to the Operating Companies.

9. The Service Company shall maintain records documenting all services provided to the Operating Company. The Service Company shall make such books, records, bills, accounts and other documents, which describe or support the costs allocated to the Operating Company, available for review by the Operating Company at a time mutually agreeable to the Service Company and the Operating Company.

10. The Board of Directors of the Service Company, which shall meet quarterly, will approve allocation methodologies, the budget and matters related to the organization and general conduct of the operations of the Service Company. The President, or their designee, of each of the major Operating Companies shall be a member of the Board of Directors of the Service Company.

11. This Agreement shall be effective upon receipt of any required regulatory approvals. This Agreement will continue in effect until terminated by the parties in accordance with Section 12.

12. This Agreement may be terminated on one-hundred twenty (120) days written notice of either party. If any provision of this Agreement is invalid, it shall be considered deleted from this Agreement and shall not invalidate any of its other provisions. This Agreement will also be subject to termination or modification at any time if, and to the extent, its performance may be in conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New Jersey.

PSEG SERVICES CORPORATION


By: 

Name: Daniel J. Cregg

Title: Executive Vice President & Chief
Financial Officer

Accepted:

PUBLIC SERVICE ELECTRIC
AND GAS COMPANY

By: 

Name: Kim C. Hanemann

Title: President & Chief Operating Officer

SCHEDULE I

Description of Services and Cost Assignment/Allocation Methodologies

This schedule generally describes the services provided by the Service Company to the Operating Companies and the cost assignment/allocation methodologies that are used. Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Accounting Services: includes keeping of accounts and related activities.

Allocation Basis:

- Whenever possible, services are directly charged.
- Direct charge methods include but are not limited to the following item(s):
 - Accounts Payable – Per invoice
 - Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item Nine (9) of this Schedule.

2. Auditing Services: includes performing audits on internal functions or processes.

Allocation Basis:

- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item Nine (9) of this Schedule.

3. Corporate Development: includes examination and support of potential business opportunities.

Allocation Basis:

- Corporate Development costs are charged to the Enterprise from the Services Corporation. These costs are not allocated to the Operating Companies.

4. Communications: educating and informing employees through the development and delivery of internal corporate communications media.

Allocation Basis:

- Whenever possible, services are directly charged.
 - Policy, consistency, standards and other governance/enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.
5. Corporate Secretary: includes preparing and maintaining official PSEG and Operating Company records, reports, minutes and correspondence in accordance with assigned responsibilities and duties.

Allocation Basis:

- Whenever possible, services are directly charged.
 - Policy, consistency, standards and other governance/enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.
6. Corporate Services: includes activities such as reprographics, corporate facilities management, site maintenance, corporate motor pool, corporate security and library services.

Allocation Basis:

- Whenever possible, services are directly charged.
- Direct charge methods include but are not limited to the following item(s):

- Corporate Headquarters Services/Facility Management – Space Occupied (Square Feet)
- Transportation Services – Per Day Rental Fee
- Travel Services – Dollars per Month
- Library Services – Headcount
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

7. Environmental, Health and Safety: includes such activities as environmental policy and safety compliance and managing the removal and recycling of recyclable waste.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

8. Financial Risk Management: includes monitoring risk exposure and reporting to the Risk Management Committee, Audit Committee and the Board of Directors.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

9. General PSEG Management: expenses associated with providing the activities needed to establish and monitor policies that ensure Operating Companies are performing within a broadly defined strategic framework, and other activities and functions needed to ensure Enterprise consistency and meet fiduciary responsibilities. These services represent costs that are not directly controllable by the Operating Companies.

Allocation Basis:

- Services are assigned using a number of allocation methodologies. Such allocation methodologies include but are not limited to the following:
- Modified Massachusetts Formula – The Modified Massachusetts Formula allocation is a multi-factor formula that includes revenues, assets, and labor dollars of each Operating Company. Examples of services using this allocation methodology include Corporate Officers, Board of Directors and External Financial Reporting.
- Revenue, Earnings and Capital Expenditures – The Revenue, Earnings and Capital Expenditures allocation is a multi-factor formula that includes Revenue, Earnings and Capital Expenditures of each Operating Company. Examples of services using this allocation methodology include Treasury – Investor Relations and Corporate Secretary – Corporate Secretary Services.
- Headcount – The Enterprise Headcount allocation is based on MAST and/or Bargaining Unit headcount from each Operating Company. Examples of services using this allocation are Human Resources – Human Resources Assurance Services.

10. Governmental Affairs: includes developing federal policies and positions and providing representation before governmental agencies.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

11. Human Resources Management Services: includes developing and implementing human resource policy and practices.

Allocation Basis:

- Whenever possible, services are directly charged.
- Direct charge methods include but are not limited to the following item(s):
 - Medical Services, Baseline Services-Regular Employee Services, --
 - Performance & Rewards, and Recognition – Dollars per Subscriber
 - Skill Development – Dollars per Student Hour
 - Attract & Recruit – Dollars per Requisition
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

12. Information Technology (IT): includes developing, implementing and configuring data and voice network products and services.

Allocation Basis:

- Whenever possible, services are directly charged.
- Direct charge methods include but are limited to the following item(s):
 - Desktop Services – Number of Desktops
 - Corporate Telephones – Number of Extensions

- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

13. Law: includes representing the Operating Companies in federal and state courts and before regulatory agencies; assisting with contract negotiations, claims administration and providing counseling on a broad spectrum of legal issues.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

14. Advertising and Branding: includes Corporate Branding and Advertising.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

15. Procurement and Materials Management: includes the purchasing of goods and services and maintaining contracts with suppliers.

Allocation Basis:

- Whenever possible, services are directly charged.
- Direct charge methods include but are not limited to the following item(s):
Strategic Supply Chain Management – Dollars per Month

Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

16. Public Information and Media Relations: includes providing information to and establishing relationships with financial analysts, rating agencies, federal and state regulators, investment firms and with the press.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

17. Strategic Planning: includes developing specific business strategies, including targets and related impacts.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

18. Treasury Services: includes processing and maintaining shareholder records; managing and monitoring PSEG's and the Operating Companies' cash position; managing the corporate and employee benefit trust funds; planning, designing and managing the capital structure of PSEG companies.

Allocation Basis:

- Whenever possible, services are directly charged.
- Direct charge methods include but are not limited to the following item(s):

Manage Trust Activities – Dollars per Month

Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

19. Engineering and Design: provides internal expertise for project development and execution that may include projects and construction engineering, asset strategy and electric delivery planning. Develops engineering standards and ensures that external technical analysis is conducted with these standards, and supports operations and maintenance tasks.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

20. Construction Support: provides internal technical construction expertise and support for project development and operation and maintenance support for capital projects. Provides construction supervision, and support for capital projects and operations and maintenance tasks.

Allocation Basis:

- Whenever possible, services are directly charged.
- Policy, consistency, standards and other governance/Enterprise services that are not directly controllable by the Operating Companies are assigned using a number of allocation methodologies. Please refer to Item **Nine (9)** of this Schedule.

SCHEDULE II

Determination of Cost of Service and Allocation Thereof

All costs of the Service Company, including compensation for use of capital, will be billed at fully allocated cost.

Records will be maintained by the Service Company to accumulate all costs of doing business and to determine the total cost of services provided by Service Company. These costs will include the wages and salaries of employees, materials and supplies, cost of capital, the fees and other charges of contractors supplying goods and services, and related expenses such as insurance, taxes, pensions and other employee benefits.

Costs incurred for services rendered or personnel assigned to the Operating Company by the Service Company, will be directly charged to the Operating Company. These charges will include all direct and indirect costs associated with providing the service. It is anticipated that the majority of the costs incurred by the Service Company will be directly charged to the Operating Company for whom the cost was incurred.

When a service is rendered for the benefit of more than one Operating Company, the incurred costs will be directly charged to the Operating Companies that have received the benefit of the service.

All other services that cannot be directly charged, such as Enterprise Services (e.g. stockholder services), will be allocated to all Operating Companies taking service from the Service Company. These allocations will be based on predetermined formulae. The predetermined formulae to be used could include one or more generic cost driver(s) such as assets, revenues, payroll (dollars or number of associates). The formulae will be

reviewed periodically and revised as appropriate to fully allocate all costs by each year-end.

All charges for services provided by Service Company personnel will be determined using employee time records and/or the appropriate allocation methodology. Records of related expenses will be maintained and will be subject to periodic review by the Operating Companies. Out-of-pocket expenses that are incurred by the Service Company on behalf of the Operating Companies will be billed at cost to the respective Operating Company.