

Electric Standard Offer Program

Procedure No. 360-16

Standard Offer Administration Fee True – Up Process

1. Purpose:

To document Public Service Electric & Gas's (PSE&G) procedure for reviewing the Administration Fees assessed for managing Standard Offer programs (Standard Offer No. 1, No. 2, and No. 3). The revised Administration Fees will include a True Up for any under or over recoveries in the costs of administration that occurred.

2. Description:

The following gives a brief description of Standard Offer Administration Fees (Admin Fees) and describes how PSE&G will review Admin Fees that are assessed for the Standard Offer programs and collected in future invoice periods.

The Standard Offer Energy Savings Agreement describes Admin Fees as consisting of two separate components. These are "Specific Expenses" and "General Expenses". Specific Expenses are actual costs associated with certain administrative functions for a specific Project, such as the costs for the development and approval of site-specific Measurement and Verification (M&V) plans as well as project M&V reviews resulting from audits or performance analysis. General Expenses are costs associated with general administrative functions such as billing and invoicing for the program. Through 2003, PSE&G has assessed Admin Fees based on a set rate of \$10.00 per year per Summer Prime Period Average Demand Reduction (kW), or \$0.83 per kW per month. This set rate has been assessed to all program participants to offset both the Specific and General Expenses for administering the programs.

At the beginning of a Calendar year, PSE&G will review the Standard Offer Admin Fees and will calculate each Seller's Project Specific Expenses and the program General Expenses. Each Project's Monthly Service Charge will be revised and based on the sum of the calculated Monthly Specific Expenses Charge and the General Expenses Charge.

Specific Expenses:

PSE&G has a time tracking process that allows for Project Specific Expenses associated with each Host Facility to be tracked. The process involves tracking project specific costs associated with individual Projects, and is detailed at the Host Facility level. The labor costs of PSE&G personnel and its contractors are included in this tracking system.

Since the cost data is compiled by Host Facility, a total Project Specific Expense amount is calculated for each Project. It is important to note that all audit related costs are excluded and will continue to be billed separately at the rate described in Appendix F "Audit Cost" of the Energy Savings Agreement.

On an annual basis, the total Project Specific Expenses Charge will be calculated. This amount will be based on the beginning balance (past under or over recovery of expenses) and the current year expenses. From this, the current year's total collected amount will be deducted to determine the net amount to be collected for the next year for Specific Expenses. The net amount to be collected will then be divided by the project's Summer Prime Period Average Demand Reduction (SPPADR) and by 12 to produce the Project Specific Expenses Charge on a monthly basis. This weighted Project Specific Expenses Charge will be used as a component of the total Monthly Service Charge. The total Monthly Service Charge consists of the sum of the Project Specific Expenses Charge and the General Expenses Charge.

Example for Specific Expenses:

Beginning balance	=	\$ 500.00
Current year expenses	=	<u>\$ 1,000.00</u>
Total expenses	=	\$ 1,500.00
Less current year collections	=	\$ 500.00
Net amount to be collected next year	=	\$ 1,000.00
Total committed SPPADR for Project "A"	=	500 kW
(\$ 1,000.00) / 500 kW	=	\$ 2.00 / kW
\$2.00 / kW / 12 months	=	\$.17 / kW

Project Specific Expenses Charge for Project "A" for Next Year = \$.17 / SPPADR

General Expenses:

The General Expenses Charge will be calculated in a manner similar to the Specific Expenses Charge. This amount will be based on the beginning balance (past under or over recovery of expenses), the current year's expenses, and the next year's estimated expenses. From this, the current year's total collected amount will be deducted to determine the net amount to be collected for the next year for General Expenses. The net amount to be collected will then be divided by the project's SPPADR and by 12 to produce the General Expenses Charge for all Standard Offer Projects on a monthly basis. This General Expenses Charge will be used as a component of the total Monthly Service Charge. As stated above, the total Monthly Service Charge consists of the sum of the Specific Expenses Charge and the General Expenses Charge.

Example for General Expense:

Beginning balance	=	\$ 1,000,000.00
Current year expenses	=	\$ 3,000,000.00
Next years estimated expenses	=	<u>\$ 3,000,000.00</u>
Total expenses	=	\$ 7,000,000.00
Less current year collections	=	\$ 2,500,000.00
Net amount to be collected next year	=	\$ 4,500,000.00
Total committed SPPADR for all projects	=	240,000 kW
(\$ 4,500,000.00) / 240,000 kW	=	\$ 18.75 / kW
\$18.75 / kW / 12 months	=	\$ 1.56 / kW
<i>General Expenses Charge for all Projects for Next Year</i>	=	<i>\$1.56 / SPPADR</i>

Monthly Service Charge:

The total Monthly Service Charge for the next year will be the sum of the calculated Project Specific Expenses Charge and General Expenses Charge. Note that each Project will have a unique Specific Expenses Charge based on the actual specific expenses for the project. Any under or over recoveries of Admin Fees collected over the past year will be accounted for when determining the revised Monthly Service Charge for the following year.

Example:

Project "A" Specific Expenses Charge + General Expenses Charge = Monthly Service Charge

Project "A" Specific Expenses Charge (from example above)	=	\$.17 / kW
General Expenses Charge (All Sellers from example above)	=	\$ 1.56 / kW

$$$. 17 / kW + $ 1.56 / kW = Monthly Service Charge $ 1.73 / kW$$

Project "A" Monthly Service Charge for the Next Years Billing Period is \$1.73 / kW

3. Seller Responsibilities:

The Seller is responsible for payment of the Monthly Service Charge for each billing period. Upon notice from PSE&G of the revised Monthly Service Charge, the Seller must make the necessary adjustments to their Monthly Billing Statements so that they properly account for the revised Monthly Service Charges to be subtracted from the energy savings payments.

4. PSE&G Responsibilities:

PSE&G will track Project Specific Expenses for all Standard Offer projects. On an annual basis, PSE&G will review each Seller's Project Specific Expenses and the General Expenses to determine what the revised Monthly Service Charge for the next year will be. Following the end of each year, PSE&G will notify each Seller of their Project Specific Expenses Charge and the revised General Expenses Charge that will be used to calculate each Project's Monthly Service Charge for the upcoming year. Back-up documentation that reports the total Project Specific Expenses for each project will be provided to the Sellers so that they can identify which of their projects incurred the most expenses.

5. References:

Standard Offer Energy Savings Agreement

SECTION 3.08 Monthly Service Charge. PSE&G shall charge Seller and Seller shall pay a Monthly Service Charge (so called herein) for any required administrative expenses. For the first Calendar Year, the Monthly Service Charge shall be determined by multiplying the committed Summer Prime Period Average Demand Reduction by \$.833/kW. This amount will be true-up at the end of each Calendar Year for the term of the Agreement based upon actual administrative expenses incurred during that year.

The actual administrative expenses will be divided into two categories: specific and general. Specific expenses shall be actual costs of performing all administrative functions, such as audit discrepancies and M&V clarification, associated with each Host Facility in the Project Proposal. The specific charge (\$/kW) shall be calculated by dividing the total annual specific expenses by the total committed Summer Prime Period Average Demand Reduction (kW), weighted on a monthly basis. General expenses shall be the costs incurred by PSE&G in performing all general administrative functions in connection with administration of the Standard Offer, such as invoicing and billing. The general charge (\$/kW) shall be calculated by dividing the total annual general expenses by the total committed Summer Prime Period Average Demand Reduction (kW), weighted on a monthly basis for all Sellers of Energy Savings.

The Monthly Service Charge rate (\$/kW) for the next Calendar Year shall be determined by adding the specific expenses rate to the general expenses rate as specified above. This Monthly Service Charge rate (\$/kW) multiplied by the SPPADR (kW) shall become the Monthly Service Charge (\$) for the next Calendar Year. In addition, the difference between the actual amount paid and the total general and specific expenses incurred will be credited to Seller or paid to PSE&G by Seller at the end of the Calendar Year. Seller's Monthly Service Charge will be true-up to reflect PSE&G's actual costs of performing all administrative functions (specific and general) associated with the Standard Offer for the preceding Calendar Year.

*Note that there is a slight variation in the wording used in the Standard Offer No. 1 Energy Savings Agreement and the Standard Offer No. 2 & No. 3 Energy Savings Agreements (listed above) for last paragraph above.

Approved By: _____

Date: _____

Joseph Prusik
DSM Performance Manager