



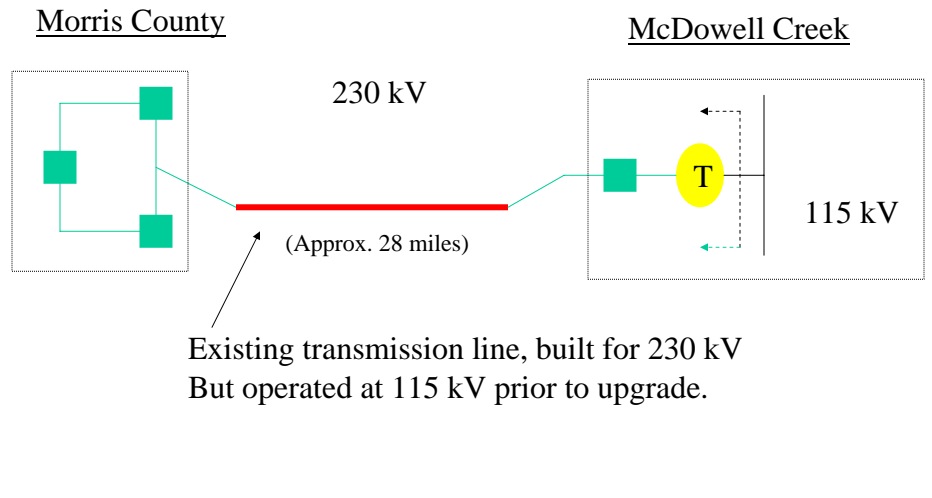
A Base Plan Funding Challenge

CAWG June 27, 2007

Base Plan Funding Project

- Morris County – McDowell 115 kV to 230 kV conversion
 - *Convert Morris County - McDowell Creek line to 230kV operation; Construct McDowell Creek 230kV substation and install 280 MVA 230-115kV Transformer; 230kV ring bus substation work required at Morris County*

Morris County – McDowell Creek Project



The Issue

- Project Cost to upgrade the line came in at the projected costs.
- Upgrade costs captures the “incremental” cost to upgrade the line.
- Rate Impact is different
 - Rev. Req. Calculation should contain the COMPLETE cost of the upgrade, including the depreciated cost of the existing line.

Why is this correct

- The project scope included the necessary line upgrades
- If the 28 miles of line needed to be rebuilt, there would be no issue
- Minimizes costs of upgrades to utilize existing equipment if possible
- Consistent with Tariff
 - BPF works on “projects” not on incremental costs