



Agenda Date: 1/17/07  
Agenda Item: 2B

***State of New Jersey***  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
*www.bpu.state.nj.us*

ENERGY

IN THE MATTER OF PUBLIC SERVICE )	DECISION AND ORDER
ELECTRIC AND GAS COMPANY'S )	APPROVING STIPULATION FOR
2006/2007 ANNUAL BGSS COMMODITY )	PROVISIONAL BALANCING
CHARGE FILING FOR ITS RESIDENTIAL )	CHARGE AND ADOPTING AND
GAS CUSTOMERS UNDER ITS PERIODIC )	MODIFYING IN PART INITIAL DECISION
PRICING MECHANISM AND FOR CHANGES )	OF ALJ APPROVING SETTLEMENT
IN THE GAS TARIFF PURSUANT TO )	
<u>N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1</u>	DOCKET NO. GR06050409

(SERVICE LIST ATTACHED)

BY THE BOARD:

In accordance with a generic Order of the Board of Public Utilities ("Board" or "BPU") dated January 6, 2003, in Docket No. GX01050304, Public Service Electric and Gas Company ("Public Service" or "Company"), filed a Petition with the Board on May 26, 2006 seeking to (1) decrease its BGSS-RSG rate from 106.3605 cents per therm (including 6% Sales and Use Tax) ("SUT") to 104.9049 cents per therm (including 6% SUT); and (2) increase its Balancing Charge from 8.6531 cents per balancing therm (including 6% SUT) to 10.5828 cents per balancing therm (including 6% SUT). Under the revised 7% sales tax rates effective July 15, 2006, Public Service's current Balancing Charge increased to 8.7347 cents per balancing therm.

Public hearings in this matter were held in New Brunswick, Hackensack and Mt. Holly on July 25, 2006, August 2, 2006, and August 3, 2006 respectively. The public hearings were preceded by notices in newspapers of general circulation throughout the Company's gas service territory. One member of the public appeared at the public hearing held in Hackensack. Although he

expressed a concern with respect to bill calculation and offered suggestions for more effective communication of public notice, he did not specifically oppose the Company's proposed BGSS rates

On October 27, 2006, the Company, Board Staff and the Department of the Public Advocate, Division of Rate Counsel, the only parties to this proceeding (collectively "the Parties") entered into a Stipulation for Provisional BGSS Rates in which the parties agreed to a decrease in the BGSS-RSG rate to 98.1000 cents per therm (including SUT) on a provisional basis, for an overall decrease of over \$120 million in gas costs, subject to refund with interest on any net over recovery, and agreed to the transmittal of all issues, including the provisional rates, to the Office of Administrative Law ("OAL") ("the October 27, 2006 Stipulation"). Under the October 27, 2006 Stipulation, the parties agreed that the existing Balancing Charge of 8.7347 cents per therm (including SUT) would "remain unchanged at this time."

On November 9, 2006, the Board issued an Order approving on a provisional basis the October 27, 2006 Stipulation effective November 9, 2006, but noted that by adopting the Stipulation the Board was not authorizing the self implementing increases referenced in paragraph 3 of the Stipulation, and that any such filing would be subject to such further review and approval as the Board may determine to be appropriate. The Order provided that the Company's gas costs will remain subject to audit by the Board and that the Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit. The November 9, 2006 Board Order further ordered that the docket be transmitted to the OAL for full review.

On November 27, 2006 the Petition was transferred to the OAL as a contested case to be heard by Administrative Law Judge ("ALJ") Walter Braswell.

On December 18, 2006, following a review by, and subsequent discussions among, representatives of the Parties, the Parties entered into a second Stipulation for Provisional BGSS Rates ("the December 18, 2006 Stipulation") wherein the Parties agree that the Company's Balancing Charge shall be provisionally increased, subject to refund, from 8.7347 cents per therm (including 7% SUT) to 9.5957 cents per therm (including 7% SUT), as opposed to the 10.5828 cents per therm (including 6% SUT) originally requested by the Company. The December 18, 2006 Stipulation provides that the provisional rate will be subject to refund with interest on any net over recovery upon the Board's final decision in this matter. According to paragraph 2 of the December 18, 2006 Stipulation, the bill impact on a residential customer using 100 therms per winter month and 606 therms annually will be an increase of approximately 0.35%, or \$3.14 on an annual basis. The Parties request in paragraph one of the Stipulation that the provisional rate go into effect upon the date of a Board Order approving the December 18, 2006 Stipulation. The Parties agree that a provisional increase in the Balancing Charge would be appropriate at this time.

The Parties also agree in the December 18, 2006 Stipulation that the Company will file updated tariff sheets reflecting the provisional rate within ten days of the Board's issuance of a written Order approving the Stipulation and that the matter shall be transmitted to the OAL for an opportunity for full review of all issues, including the provisional Balancing Charge rates.

On January 9, 2007, ALJ Braswell issued an Initial Decision regarding the December 18, 2006 Stipulation. ALJ Braswell found that the Stipulation is "consistent with the law" and that the Parties "voluntarily agreed to the settlement." However, the Initial Decision incorrectly stated that the settlement "fully disposes of all issues" and "these proceedings be and are hereby concluded."

On January 12, 2007, ALJ Braswell issued a correction to the January 9, 2007 Initial Decision. However, the correction incorrectly states that the settlement "fully disposes of all issues pertaining to the Balancing Charge."

### **DISCUSSION AND FINDINGS**

The Board has carefully reviewed the record to date in this proceeding and the attached Stipulation of the Parties. The Board FINDS that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein. The Board HEREBY APPROVES, on a provisional basis, an increase in the Company's Balancing Charge to 9.5957 cents per therm (including 7% SUT). This change shall become effective upon the date of this Order approving the Stipulation. Any net over-recovery at the end of the BGSS period shall be subject to refund with interest.

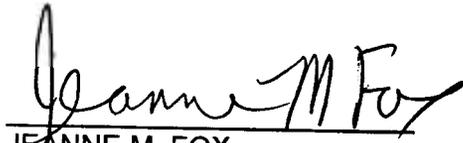
The Board accepts that part of the Initial Decision and the January 12, 2007 correction that approves the December 18, 2006 Stipulation, but rejects and modifies that part that states that the settlement "fully disposes of all issues pertaining to the Balancing Charge." The Parties only agreed to a provisional Balancing Charge rate. The Stipulation provided that the matter shall be transmitted to the OAL for an opportunity for full review of all issues, including the Balancing Charge.

The Board HEREBY ORDERS that this docket remain at the OAL for full review of all issues, including but not limited to the Balancing Charge, and an Initial Decision and then returned to the Board for a Final Decision. The Company is HEREBY DIRECTED to file tariff sheets that conform to the terms and conditions of this Order within ten (10) days from the effective date of this Order.

The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

DATED: 1/17/07

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

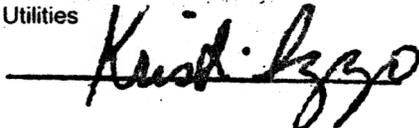
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



IN THE MATTER OF PUBLIC SERVICE ELECTRIC & GAS COMPANY'S  
2006/2007 ANNUAL BGSS COMMODITY CHARGE FILING FOR ITS RESIDENTIAL GAS  
CUSTOMERS UNDER ITS PERIODIC PRICING MECHANISM AND FOR CHANGES IN THE  
GAS TARIFF PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1  
BPU DOCKET NO. GR06050409

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COPY



COPY

State of New Jersey  
OFFICE OF ADMINISTRATIVE LAW

CMS  
BESLOW  
TRPH

DAG: JENKINS  
COMBS  
LONCAR

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 11528-06

AGENCY DKT. NO. GR06050409

STEIN

ENERGY  
J. MORAN

**I/M/O PUBLIC SERVICE ELECTRIC AND GAS  
COMPANY'S 2006-2007 ANNUAL BGSS  
COMMODITY CHARGES FILING FOR ITS  
RESIDENTIAL GAS CUSTOMERS UNDER ITS  
PERIODIC PRICING MECHANISM AND FOR  
CHANGES IN THE TARIFF FOR GAS SERVICE**

RECEIVED  
CASE MANAGER  
2007 JAN 11 PM 3:10  
BOARD OF PUBLIC UTILITIES  
NEWARK, N.J.

**Gregory Einsenstark, Esq., Assistant Corporate Rate Counsel, for petitioner**

**Judith Appel, Assistant Deputy Ratepayer Advocate  
(Seema M. Singh, Ratepayer Advocate)**

**Suzana Loncar, Deputy Attorney General, for respondent  
(Anne Milgram, Acting Attorney General of New Jersey, attorney)**

Record Closed: January 8, 2007

Decided: January 9, 2007

**BEFORE WALTER M. BRASWELL, ALJ:**

On May 26, 2006, Public Service Electric and Gas Company (Public Service, the Company) filed a motion in the above-referenced matter, requesting a decrease in its annual revenues from its Basic Gas Supply Service (BGSS) Commodity Charge (BGSS-RSG) of approximately \$20.9 million (including Sales and Use Tax, or "SUT") or approximately a 1% decrease. Additionally, the Company also requested an increase in its Balancing Charge, (which recovers the cost of providing storage and peaking services),

from the then current charge of 8.6531 cents per balancing therm, (including SUT) to a charge of 10.5828 cents per balancing therm (including SUT). The proposed increase in Balancing Charge would have resulted in an increase in annual revenues of approximately \$28.06 million (including SUT).

Due to the enactment of P.L. 2006, c.44, which increased the SUT to 7%, the Company's then existing BGSS-RSG rate was increased from 106.3606 cents per therm to 107.3640 cents per therm (including SUT) and its Balancing Charge of 8.6531 cents per therm was increased to 8.7347 cents per therm (including SUT) effective July 15, 2006.

Additionally, the Company's filing of May 26, 2006 needed to be updated for the increased SUT. To reflect the aforementioned tax change, the Company's originally proposed BGSS-RSG rate of 104.9049 cents per therm (including SUT) was revised to a proposed BGSS-RSG rate of 105.8946 cents per therm (including SUT) and the Company's originally proposed Balancing Charge of 10.5828 cents per therm (including SUT) was revised to 10.6827 cents per therm (including SUT).

Public hearings were scheduled and conducted in New Brunswick, Hackensack and Mt. Holly on July 25, August 2 and August 3, 2006, respectively.

On October 27, 2006, Public Service, Board Staff and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (collectively, the Parties) executed a Stipulation whereby the Company agreed to reduce its BGSS-RSG rate to 98.1000 cents per therm (including SUT), on a provisional basis, a decrease of approximately 6.0% or \$57.96 on an annual basis for a residential heating customer using 100 therms per winter months and 626 therms annually. The October 27 Stipulation also stated that the existing Balancing Charge of 8.7347 cents per therm would "remain unchanged at this time." On November 9, 2006 the Board issued an Order approving the Stipulation.

Thereafter, the parties have discussed certain matters at issue in these proceedings. As a result of those discussions, the parties agree that an increase in the balancing charge is appropriate.

On December 4, 2006, this matter was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F 1 to- 13. The matter was scheduled for a prehearing conference on January 25, 2007 but adjourned because the parties agreed to a settlement. A Stipulation indicating the terms of settlement was signed by all parties and submitted to the OAL on January 8, 2007. A copy of the Stipulation is attached and made part hereof.

have reviewed the record and terms of the Stipulation of Settlement and **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by the signatures of the parties or their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with law.

I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby concluded.

hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

1-9-07  
DATE

Walter M. Braswell  
WALTER M. BRASWELL, ALJ

Receipt Acknowledged:

1-11-07  
DATE

Floyd Long  
BOARD OF PUBLIC UTILITIES

Mailed to Parties:

\_\_\_\_\_  
DATE  
ljb

\_\_\_\_\_  
OFFICE OF ADMINISTRATIVE LAW

2007 JAN -3 P 4: 4

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

STATE OF NEW JERSEY  
OFFICE OF ADMIN LAW

IN THE MATTER OF PUBLIC SERVICE	)	
ELECTRIC AND GAS COMPANY'S	)	STIPULATION FOR
2006/2007 ANNUAL BGSS COMMODITY	)	PROVISIONAL BGSS RATES
CHARGE FILING FOR ITS RESIDENTIAL	)	
GAS CUSTOMERS UNDER ITS PERIODIC	)	BPU DOCKET NO. GR06050409
PRICING MECHANISM AND FOR CHANGES	)	
IN THE GAS TARIFF PURSUANT TO	)	
<u>N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1</u>	)	

On May 26, 2006, Public Service Electric and Gas Company (Public Service, the Company) filed a motion in the above-referenced matter, requesting a decrease in its annual revenues from its Basic Gas Supply Service (BGSS) Commodity Charge (BGSS-RSG) of approximately \$20.9 million (including Sales and Use Tax, or "SUT") or approximately a 1% decrease. Additionally, the Company also requested an increase in its Balancing Charge, (which recovers the cost of providing storage and peaking services), from the then current charge of 8.6531 cents per balancing therm, (including SUT) to a charge of 10.5828 cents per balancing therm (including SUT). proposed increase in the Balancing Charge would have resulted in an increase in annual revenues of approximately \$28.06 million (including SUT), of which approximately \$17.4 million (including SUT) would have been from BGSS-RSG customers. combined impact of both changes for a typical residential heating customer using 100

therms per winter month would be an increase in the winter monthly bills of approximately 0.1%; however, the overall impact on a typical residential customer using 626 therms on an annual basis would be a decrease in the customer's annual bill from \$953.08 to \$950.90, or approximately 0.2%.

Notice setting forth the Company's May 26, 2006 request for a decrease in its BGSS Commodity Charge and an increase in the Balancing Charge, including the date, time, and place of the public hearings, was placed in newspapers having a circulation within the Company's gas service territory and was served on the county executives and clerks of all municipalities within the Company's gas service territory.

Due to the enactment of P.L. 2006, c. 44, which increased the SUT to 7%, the Company's then existing BGSS-RSG rate was increased from 106.3606 cents per therm to 107.3640 cents per therm (including SUT) and its Balancing Charge of 8.6531 cents per therm was increased to 8.7347 cents per therm (including SUT) effective July 15, 2006.

Additionally, the Company's filing of May 26, 2006 needed to be updated for the increased SUT. To reflect the aforementioned tax change, the Company's originally proposed BGSS-RSG rate of 104.9049 cents per therm (including SUT) was revised to a proposed BGSS-RSG rate of 105.8946 cents per therm (including SUT) and the Company's originally proposed Balancing Charge of 10.5828 cents per therm (including SUT) was revised to 10.6827 cents per therm (including SUT).

Public hearings were scheduled and conducted in New Brunswick, Hackensack and Mt. Holly on July 25, August 2 and August 3, 2006, respectively.

On October 27, 2006, Public Service, Board Staff and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (collectively, the Parties) executed a Stipulation whereby the Company agreed to reduce its BGSS-RSG rate to 98.1000 cents per therm (including SUT), on a provisional basis, a decrease of approximately 6.0% or \$57.96 on an annual basis for a residential heating customer using 100 therms per winter month and 626 therms annually. The October 27 Stipulation also stated that the existing Balancing Charge of 8.7347 cents per therm would "remain unchanged at this time." On November 9, 2006 the Board issued an Order approving the Stipulation.

Thereafter, the Parties have discussed certain matters at issue in these proceedings. As a result of those discussions, the Parties agree that an increase in the balancing charge is appropriate at this time.

The parties conferred on the above-referenced filing and as a result, the undersigned HEREBY AGREE AS FOLLOWS:

1. The Company's Balancing Charge, which is currently 8.7347 cents per therm (including SUT), shall be increased to 9.5957 cents per therm (including SUT) on a provisional basis, subject to refund. The Company requests that the new balancing charge become effective upon the date of a Board Order approving same.

2. Residential annual bills comparing the current Balancing Charge with the agreed upon Balancing Charge show an increase of approximately 0.35%, or \$3.14 on an annual basis, for a residential heating customer using 100 therms per winter month and 606 therms<sup>1</sup> annually.

3. PSE&G will file updated tariff sheets reflecting the provisional rate set forth in Paragraph 1 hereof within ten days of the Board's issuance of a written Order approving this Stipulation.

4. This matter shall be transmitted to the OAL for an opportunity for full review of all issues, including the provisional rates approved by the Board. The provisional rate will be subject to refund with interest on any net overrecovery upon the Board's final decision in that matter.

5. The undersigned agree that this Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, this Stipulation shall be null and void, and the Parties shall be placed in the same position that they were in immediately prior to its execution.

6. The undersigned Parties further hereby agree that this Stipulation has been made exclusively for the purpose of this proceeding and that this Stipulation, in total

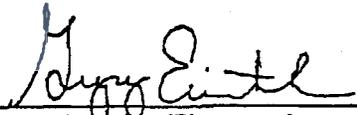
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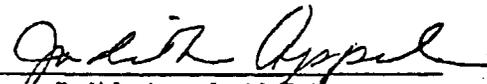
<sup>1</sup> With the conclusion of PSE&G's gas base rate case, the new usage pattern for a residential heating customer that uses 100 therms in a winter month is now 606 therms annually rather than 626 therms annually.

or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

Public Service Electric and Gas Company

RONALD K. CHEN  
PUBLIC ADVOCATE OF  
NEW JERSEY  
Seema M. Singh, Director  
Division of Rate Counsel

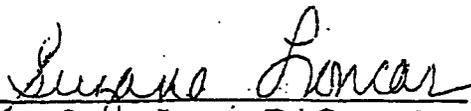
BY:   
Gregory Eisenstark

BY:   
Judith Appel, ADPA

DATED: 12-14-06

DATED: 12/18/06

STUART RABNER, ATTORNEY GENERAL  
OF THE STATE OF NEW JERSEY  
Attorney for Board Staff

BY:   
Suzana Loncar, DAG

DATED: 12-18-06

COPY



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State of New Jersey  
OFFICE OF ADMINISTRATIVE LAW  
33 Washington Street  
Newark, New Jersey 07102  
(973) 648-6008

**NORTH**

Date: JAN 10 2007

Re: Initial Decisions for Receipt

Receipt of the following decisions from the Office of Administrative Law (as well as a copy of this form) is acknowledged as of the date indicated below:

OAL Docket No. PUC

Case Name

<u>11528-05</u>	<u>PSE + G Cas 2006-2007</u>
	<u>ANNUAL RGSS</u>

Board of Public Utilities  
2 Gateway Center  
Newark, New Jersey 07102

1-12-07

Board of Public Utilities

RECEIVED

2007 JAN -8 P 4: 14

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

STATE OF NEW JERSEY  
OFFICE OF ADMIN LAW

IN THE MATTER OF PUBLIC SERVICE )  
ELECTRIC AND GAS COMPANY'S ) STIPULATION FOR  
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therms per winter month would be an increase in the winter monthly bills of approximately 0.1%; however, the overall impact on a typical residential customer using 626 therms on an annual basis would be a decrease in the customer's annual bill from \$953.08 to \$950.90, or approximately 0.2%.

Notice setting forth the Company's May 26, 2006 request for a decrease in its BGSS Commodity Charge and an increase in the Balancing Charge, including the date, time, and place of the public hearings, was placed in newspapers having a circulation within the Company's gas service territory and was served on the county executives and clerks of all municipalities within the Company's gas service territory.

Due to the enactment of P.L. 2006, c. 44, which increased the SUT to 7%, the Company's then existing BGSS-RSG rate was increased from 106.3606 cents per therm to 107.3640 cents per therm (including SUT) and its Balancing Charge of 8.6531 cents per therm was increased to 8.7347 cents per therm (including SUT) effective July 15, 2006.

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1. The Company's Balancing Charge, which is currently 8.7347 cents per therm (including SUT), shall be increased to 9.5957 cents per therm (including SUT) on a provisional basis, subject to refund. The Company requests that the new balancing charge become effective upon the date of a Board Order approving same.

2. Residential annual bills comparing the current Balancing Charge with the agreed upon Balancing Charge show an increase of approximately 0.35%, or \$3.14 on an annual basis, for a residential heating customer using 100 therms per winter month and 606 therms<sup>1</sup> annually.

3. PSE&G will file updated tariff sheets reflecting the provisional rate set forth in Paragraph 1 hereof within ten days of the Board's issuance of a written Order approving this Stipulation.

4. This matter shall be transmitted to the OAL for an opportunity for full review of all issues, including the provisional rates approved by the Board. The provisional rate will be subject to refund with interest on any net overrecovery upon the Board's final decision in that matter.

5. The undersigned agree that this Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, this Stipulation shall be null and void, and the Parties shall be placed in the same position that they were in immediately prior to its execution.

6. The undersigned Parties further hereby agree that this Stipulation has been made exclusively for the purpose of this proceeding and that this Stipulation, in total

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<sup>1</sup> With the conclusion of PSE&G's gas base rate case, the new usage pattern for a residential heating customer that uses 100 therms in a winter month is now 606 therms annually rather than 626 therms annually.

or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

Public Service Electric and Gas Company

RONALD K. CHEN  
PUBLIC ADVOCATE OF  
NEW JERSEY  
Seema M. Singh, Director  
Division of Rate Counsel

BY: *Gregory Eisenstark*  
Gregory Eisenstark

BY: *Judith Appel*  
Judith Appel, ADPA

DATED: 12-14-06

DATED: 12/18/06

STUART RABNER, ATTORNEY GENERAL  
OF THE STATE OF NEW JERSEY  
Attorney for Board Staff

BY: *Suzana Loncar*  
Suzana Loncar, DAG

DATED: 12-18-06