



Agenda Date: 6/14/07
Agenda Item: 2D

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)	ADOPTING INITIAL DECISION
2006/2007 ANNUAL BGSS COMMODITY)	AND SETTLEMENT
CHARGE FILING FOR ITS RESIDENTIAL)	
GAS CUSTOMERS UNDER ITS PERIODIC)	
PRICING MECHANISM AND FOR CHANGES)	
IN THE GAS TARIFF PURSUANT TO)	BPU DOCKET NO. GR06050409
<u>N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1</u>)	OAL DOCKET NO. PUC 11528-2006N

(SERVICE LIST ATTACHED)

BY THE BOARD¹:

Public Service Electric and Gas Company ("Public Service" or "Company") filed a Motion with the Board of Public Utilities ("Board" or "BPU") on May 26, 2006 seeking to (1) decrease its BGSS-RSG rate from 106.3606 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).

Pursuant to L. 2006, c. 44, the sales tax rate in New Jersey increased from 6% to 7% as of July 15, 2006. In light of this change, the Company revised its proposal to reflect a State sales tax rate of 7%. Consequently the Company's then current BGSS-RSG rate increased to 107.3640 cents per therm and its Balancing Charge increased to 8.7347 cents per therm (including 7% SUT). The proposed BGSS-RSG rate increased to 105.8946 cents per therm and the proposed Balancing Charge rose to 10.6827 cents per therm.

¹This Decision and Order memorializes a decision of the Board of Public Utilities at its June 14, 2007 agenda meeting by a vote of five Commissioners, including then Commissioner Connie O. Hughes, who subsequently has retired.

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.

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 7% SUT) on a provisional basis, 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 that 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 instant docket be transmitted to the OAL for full review.

On November 27, 2006 the Motion 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"). The Parties agreed that the Company's Balancing Charge should be provisionally increased, subject to refund, from 8.7347 cents per therm (including 7% SUT) to 9.5957 cents per therm (including 7% SUT).

On January 17, 2007, the Board issued an Order approving, on a provisional basis, the December 18, 2006 Stipulation effective January 18, 2007. In that Order, the Board accepted in part, and modified in part, an Initial Decision approving the proposed Stipulation. The combined revenue impact of the October 27, 2006 and December 18, 2006 Stipulations resulted in an overall decrease of over \$120 million on an annual basis.

Following issuance of the January 17, 2007 Board Order, the Parties engaged in further discovery and settlement conferences and, as a result of negotiations, the Parties reached a settlement agreement dated May 11, 2007, ("May 11, 2007 Settlement") that would finalize the provisional rates approved in the November 9, 2006 and January 17, 2007 Orders. The

settlement also would increase the Company's gas reservation charge which is applied to Public Service's electric generating facilities taking gas service from Public Service from 27.4 cents per dekatherm ("Dth") to 42.5 cents per dekatherm. Under the May 11, 2007 Settlement², the Company's gas reservation charge would not be revised for at least three years. The Parties also agreed that as part of its minimum filing requirements in future BGSS filings, PSE&G will submit documentation showing by month, the volumes of gas burned by electric generating units, the revenue received based on the new charge of 42.5 cents per Dth, and the allocation of these revenues between the commercial and industrial and residential customer classes. The gas reservation charge results in an additional credit of approximately \$6 million annually to the BGSS customers.

Additionally the Parties agreed that 1) they do not take issue with Public Service's method of allocating gas costs and associated credits between its residential and commercial and industrial customers through September 30, 2006; 2) each party reserves its right to challenge, in future BGSS proceedings, the allocation method beginning October 1, 2006; 3) when available, Public Service will file, in the same format used in the Company's initial 2006-2007 BGSS filing, actual gas cost recovery data for the 2006-2007 BGSS period. The Company also agreed to take into account on a prospective basis BPU Staff and Rate Counsel's suggestions regarding the Company's hedging program. The May 11, 2007 Settlement also provides that further changes may be considered as a result of future audits related to hedging issues.

On May 15, 2007, ALJ Walter Braswell issued his Initial Decision approving the May 11, 2007, Settlement in this docket. The ALJ found that the Parties voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and is consistent with the law.

DISCUSSION AND FINDINGS

The Board has carefully reviewed the attached Initial Decision and May 11, 2007 Settlement of the Parties. The Board FINDS that, subject to the terms and conditions set forth below, the ALJ's Initial Decision and the May 11, 2007 Settlement are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Initial Decision and May 11, 2007 Settlement as its own, as if fully set forth herein. The Board HEREBY APPROVES on a final basis, a BGSS-RSG rate of 98.1000 cents per therm (including 7% SUT) and a Balancing Charge of 9.5957 cents per therm (including 7% SUT). The Board also approves an increase in the gas reservation charge of 42.5 cents per dekatherm, effective the first day of the month following the final Board Order approving the May 11, 2007 Settlement. Any net over-recovery at the end of the BGSS period shall be subject to refund with interest.

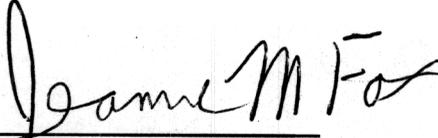
The Company is HEREBY DIRECTED to file tariff sheets that conform to the terms and conditions of this Order within ten (10) days from the effective date of this Order.

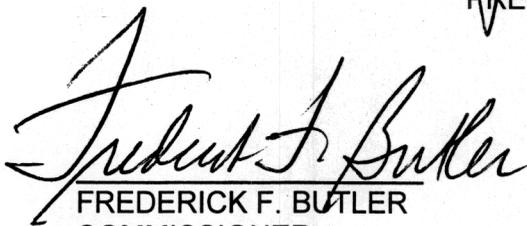
² Paragraphs referred to are in the May 11, 2007 Settlement. This is only a summary. The full settlement document controls, subject to the Board's findings and conclusions contained herein.

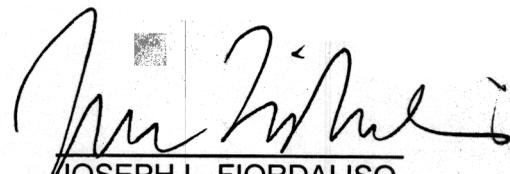
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

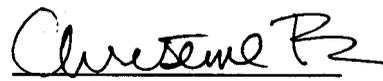
DATED: 7/12/07

BOARD OF PUBLIC UTILITIES
BY:

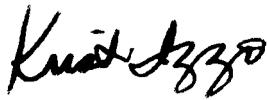

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

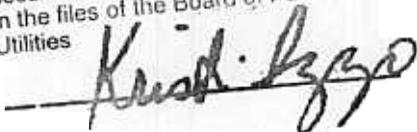

JOSEPH L. FIORDALISO
COMMISSIONER


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 - DOCKET NO. GR06050409

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