



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu

ENERGY

IN THE MATTER OF PUBLIC SERVICE ELECTRIC
AND GAS COMPANY'S 2008/2009 ANNUAL BGSS)
COMMODITY CHARGE FILING FOR ITS RESIDENTIAL)
BGSS-RSG COMMODITY RATE GAS CUSTOMERS)
UNDER ITS PERIODIC PRICING MECHANISM AND)
FOR CHANGES IN THE TARIFF FOR GAS SERVICES)
PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1

DECISION AND ORDER
APPROVING STIPUATION
FOR PROVISIONAL
BGSS-RSG COMMODITY
RATE

BPU DOCKET NO. GR08050368

(SERVICE LIST ATTACHED)

BY THE BOARD:

Per the generic Order of the Board of Public Utilities ("Board" or "BPU") dated January 6, 2003, in Docket No. GX01050304 ("January BGSS Order"), each of New Jersey's four gas distribution companies ("GDCs"), by June 1 of each year, submits to the Board its annual Basic Gas Supply Service ("BGSS") gas cost filing for the BGSS year beginning October 1. In addition, the January BGSS Order authorizes, with one month's advance notice to the Board and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), each GDC to self-implement up to a 5% BGSS increase effective December 1 and February 1.

In accordance with the January BGSS Order, Public Service Electric and Gas Company ("Public Service" or "Company"), filed a petition with the Board on May 30, 2008 seeking to increase its BGSS-RSG (residential customer) rate from 98.0852 cents per therm, including Sales and Use Tax ("SUT"), to 126.6889 cents per therm (including SUT) in order to recoup an estimated \$402.1 million in projected gas costs (including SUT) for the BGSS year October 1, 2008 to September 30, 2009. The Company's proposal translates to an approximate 20% increase in BGSS revenues.

Public hearings in this matter were held in Hackensack, New Brunswick and Mt. Holly on August 18th, 19th, and 21st, 2008, respectively. Collectively, three members of the public appeared, each expressing concern regarding the magnitude of the proposed increase. The public hearings were preceded by notices in newspapers of general circulation throughout the Company's gas service territory.

STIPULATION FOR PROVISIONAL SETTLEMENT

In consideration of the trending reductions in the New York Mercantile Exchange ("NYMEX") futures price and the additional time that is needed to complete the review of proposed rates, on September 24, 2008, the Company, Board Staff and Rate Counsel (collectively, "the Parties"), the only parties to this proceeding, entered into a Stipulation for Provisional BGSS Rates in which the Parties agreed to recommend an increase in Public Service's BGSS-RSG rate from 98.0852 cents per therm (including SUT) to 118.5628 cents per therm (including SUT) on a provisional basis, representing an annual increase of \$ 285.4 million in gas costs (including SUT), subject to refund with interest on any net over-recovered BGSS balance upon the Board's final decision in this matter.

A residential customer using 100 therms a month during the winter months and 606 therms on an annual basis would see an increase in the monthly bill from \$145.46 to \$165.93 or 14.07%. In addition, pursuant to paragraph 10 of the January BGSS Order, the proposed rates may be subject to self-implementing rate increases of up to 5.0% on December 1 and February 1.

Further, the Parties agreed that 1) the Company will file an updated Tariff Sheet within seven days of the Board's issuance of a written Order approving the stipulation; 2) this docket will be transmitted to the Office of Administrative Law for an opportunity for full review of all issues, including the provisional rates approved by the Board; and 3) the provisional rates will be subject to refund with interest on any over-recovered BGSS balance upon the Board's final decision in this matter.

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 BGSS-RSG Commodity Rate to 118.5628 cents per therm (including SUT). This change shall become effective upon the date of this Order approving the Stipulation. Any net over-recovered BGSS balance at the end of the BGSS period shall be subject to refund with interest.

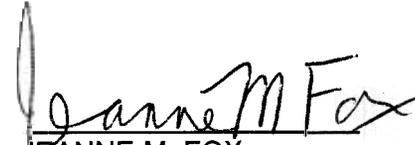
The Board HEREBY ORDERS that this docketed matter be transmitted to the Office of Administrative Law for a full review and an Initial Decision and then returned to the Board for a Final Decision.

The Company is HEREBY DIRECTED to file tariff sheets that conform to the terms and conditions of this Order within seven (7) days from the date of this Order.

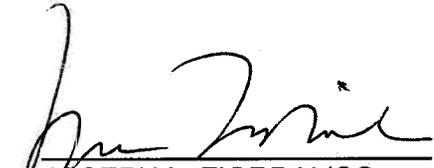
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

DATED: 10/3/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

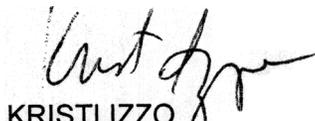

FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

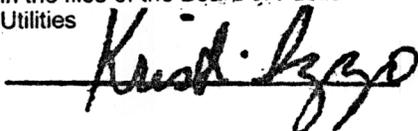

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RAN
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 and Gas Company's 2008/2009 Annual BGSS
Commodity Charge Filing for its Residential Gas Customers under its Periodic Pricing
Mechanism and for Changes in the Tariff for Gas Services Pursuant to N.J.S.A. 48:2-21 and
N.J.S.A. 48:2-21.1- Docket No. GR08050368

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September 24, 2008

In the Matter of Public Service Electric and
Gas Company's 2008/2009 Annual BGSS Commodity
Charge Filing for its Residential Gas Customers
Under its Periodic Pricing Mechanism and for
Changes in the Tariff for Gas Service
B.P.U.N.J. No. 14 Gas Pursuant to
N.J.S.A. 48:2-21 and *N.J.S.A. 48:2-21.1*
BPU Docket No. GR08050368

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Dear Secretary Izzo:

Enclosed for filing please find a fully-execution Stipulation for Provisional BGSS Rates in the above-referenced matter.

Respectfully submitted,

Original signed by Gregory Eisenstark

C Attached Service List

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BGSS COMMODITY CHARGE 2008/2009
BPU DOCKET NO. GR08050368**

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S) STIPULATION FOR
2008/2009 ANNUAL BGSS COMMODITY) PROVISIONAL BGSS RATES
CHARGE FILING FOR ITS RESIDENTIAL)
GAS CUSTOMERS UNDER ITS PERIODIC) BPU DOCKET NO. GR08050368
PRICING MECHANISM AND FOR CHANGES)
IN THE TARIFF FOR GAS)
SERVICE B.P.U.N.J. NO. 14 GAS PURSUANT)
TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1)

APPEARANCES:

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Counsel (Ronald K. Chen, Public Advocate, Stefanie A. Brand, Director)

Kerri Kirschbaum and Alex Moreau, Deputy Attorneys General, for the Staff of the New
Jersey Board of Public Utilities (Anne Milgram, Attorney General of New Jersey)

On May 30, 2008, Public Service Electric and Gas Company ("Public Service" or "the Company") made a filing in the above-referenced matter, requesting an increase of approximately \$402.1 million (approximately 20%) in its Basic Gas Supply Service ("BGSS") revenues (including Sales and Use Tax, or "SUT"), due primarily to projected increases in natural gas costs during the 2008-2009 BGSS year (October 1, 2008 through September 30, 2009).

Residential annual bills comparing the current BGSS Commodity Charge with the as-requested provisional BGSS Commodity Charge reflect an increase of approximately 19.20% for a residential heating customer using 100 therms per winter month and 606 therms annually. As filed, the BGSS-RGS Commodity charge would increase from 98.0852 cents per therm, including SUT, to 126.6889 cents per therm including SUT or an increase of 28.6037 cents per therm.

Notice setting forth the Company's May 30, 2008 request for an increase in its BGSS Commodity 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.

Public hearings were scheduled and conducted in Hackensack, New Brunswick, and Mt. Holly on August 18, 19, and 21, 2008, respectively. Collectively, three members of the public appeared and commented on the filing.

Public Service, Board Staff, and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (collectively, the "Parties") have discussed certain matters at issue herein. During these discussions, the Parties determined that additional time is needed to complete the review of the Company's proposed BGSS rate. However, the Parties also agree that a change in the Company's BGSS rate, on a provisional basis, is reasonable at this time and HEREBY AGREE as follows:

1 Considering the significant reduction in the current NYMEX forward gas prices since the May 30, 2008 filing, Public Service proposed reducing the amount of the requested increase at this time, and the other Parties agreed. The Company's BGSS default Commodity Service, Tariff rate BGSS-RSG, shall be provisionally increased to 118.5628 cents per therm (including SUT) from the current 98.0852 cents per therm (including SUT) subject to refund with interest on any net over-recovery. The residential customer impact of this increase is as follows: MONTHLY – a residential customer using 100 therms per month during the winter months and 606 therms on an annual basis would see an increase in the monthly bill from \$145.46 to \$165.93 or \$20.47 or approximately 14.07%. The agreed-upon provisional rate would result in an annual increase in revenues during the 2008-2009 BGSS year of approximately \$285.4 million including SUT. The Company requests that the provisional change become effective as of October 3, 2008, or as soon as possible upon the issuance of a Board Order approving this Stipulation.

2. In addition, the Board, in its generic Order in Docket No. GX01050304 dated January 6, 2003, granted approval to increase BGSS Commodity Charge rates to be effective December of this year and/or February 1 of next year, on a self-implementing basis, with each such increase being subject to a maximum rate

¹ ANNUAL – a residential customer using 200 therms per month during the winter months and 1,210 therms on an annual basis would see an increase in the annual bill from \$1,733.54 to \$1,981.32 (an increase of \$247.78) or approximately 14.29%.

increase of 5% of the average rate based on a typical 100 therms per month average (1,200 therms annual usage) residential customer's total bill. Such rate increases shall be preconditioned upon written notice by Public Service to the BPU Staff and to Rate Counsel no later than November 1, 2008 and/or January 1, 2009 of its intention to apply a December or a February 1 self-implementing rate increase respectively, and of the approximate amount of the increases based upon then current market data.

3. The Company will file updated tariff sheets reflecting the provisional 18.5628 cents per therm (including SUT) BGSS-RSG tariff within seven days of the Board's issuance of a written Order approving this Stipulation.

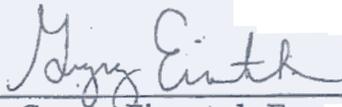
4. This matter shall be transmitted to the Office of Administrative Law for an opportunity for full review of all issues, including the provisional rates approved by the Board. The provisional rates will be subject to refund with interest upon any net over-recovered BGSS balance.

5. The undersigned agree that this Provisional Settlement 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 Provisional Settlement is not accepted and approved by the Board, this Provisional Settlement 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 Provisional Settlement has been made exclusively for the purpose of this proceeding and that this Provisional Settlement, in total 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
STEFANIE A. BRAND,
DIRECTOR
DIVISION OF RATE COUNSEL

BY: 

Gregory Eisenstark, Esq.

BY: 

Judith Appel, ADPA

DATED: 9-23-08

DATED: 9/24/08

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

BY: 

Kerri Kirschbaum, DAG
Alex Moreau, DAG

DATED: 09/24/08