



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)	DECISION AND ORDER
ELECTRIC AND GAS COMPANY'S 2008/2009)	APPROVING INITIAL DECISION
ANNUAL BGSS COMMODITY CHARGE FILING)	AND SETTLEMENT
FOR ITS RESIDENTIAL COMMODITY RATE)	
GAS CUSTOMERS UNDER ITS PERIODIC)	
PRICING MECHANISM AND FOR CHANGES)	
IN THE TARIFF FOR GAS SERVICES PURSUANT)	
TO <u>N.J.S.A. 48:2-21</u> AND <u>N.J.S.A. 48:2-21.1</u>)	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 ("GDC's), by June 1, 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 each GDC to self-implement up to a 5% BGSS increase effective December 1 and February 1, with one month's advance notice to the Board and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"). Each GDC may implement a decrease in its BGSS rates at any time, without prior Board approval after notice to the Board and Rate Counsel.

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 translated to an approximate twenty percent increase in BGSS revenues.

By letter dated June 18, 2008, Steven S. Goldenberg, Esq. filed a motion to intervene on behalf of the New Jersey Large Energy Users Coalition ("NJLEUC"). According to the motion, NJLEUC members purchase gas service from Public Service and its competing suppliers in the Company's service territory, and the BGSS price establishes the competitive baseline used by those suppliers to establish their prices thereby affecting NJLEUC's members who are large energy users. Public Service opposed the motion on the grounds that only the residential rate would be reviewed in the proceeding and NJLEUC's members do not take service under the residential BGSS rate, and NJLEUC responded repeating the grounds stated above. No action was ever taken on this motion.

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.

After significant reductions in the New York Mercantile Exchange ("NYMEX") forward gas prices since the May 30, 2008 filing, Public Service agreed to reduce the amount of the projected increase. On September 24, 2008, Public Service, Rate Counsel, and Board Staff, the active parties in this matter, (collectively, the "Parties") entered into a Stipulation for provisional BGSS rates, agreeing to the rate of 118.5628 cents per therm (including SUT), an increase from the then current rate of 98.0852 cents per therm (including SUT) subject to interest on any net over-recovered BGSS balance. By Board Order dated October 3, 2008 the Board approved the rate change, and transmitted the petition to the Office of Administrative Law ("OAL") for evidentiary hearings if needed.

The matter was assigned to Administrative Law Judge ("ALJ") Walter M. Braswell. Evidentiary hearings were scheduled for April 29, 2009.

As a result of a continued reduction in gas futures prices, on December 19, 2008 the Company notified the Board and Rate Counsel that the Company was self-implementing a reduction in its BGSS rate to 110.3449 cents per therm (including SUT) effective January 1, 2009. On February 19, 2009, in reaction to further market declines, the Company notified the Board and Rate Counsel that it was implementing a further decrease in the Company's BGSS rate to 99.0753 cents per therm (including SUT) effective March 9, 2009.

By this Order, the Board considers the stipulation for final settlement of the 2008 BGSS rates ("Settlement") reached by Board Staff and Rate Counsel after discovery and discussions, which was approved by the Initial Decision of ALJ Braswell.¹

NJLEUC was provided with a copy of the Settlement, and indicated that it did not oppose it.

STIPULATION FOR FINAL SETTLEMENT²

The Parties HEREBY AGREE as follows:

1. The Company's current BGSS-RSG rate of 99.0753 cents per therm (including SUT) will remain in effect at this time, and be deemed final upon the effective date of the Board's written order approving this Settlement.
2. The Parties take no issue, in this proceeding, with the Company's method of allocating gas costs and associated credits between its residential and commercial/industrial customers through September 30, 2008 and recommend that it should be approved. However, the Parties reserve their rights to challenge the gas cost allocation method used beginning on October 1, 2008, in future BGSS proceedings.
3. The Parties will meet within sixty days to review the Company's current hedging program and to discuss hedging guidelines for the future. Public Service will address changes to its current hedging program, if any, in its June 1, 2009 BGSS filing.

By an Initial Decision dated April 13, 2009 ALJ Braswell approved the April 7, 2009 Settlement finding that the settlement was voluntary, fully resolved all issues in controversy, and was in compliance with law³.

DISCUSSION AND FINDING

The Board has carefully reviewed the record in this proceeding including the attached Initial Decision and Settlement of the Parties. The benefit of the self implementing rate adjustment process to reflect current market conditions is demonstrated in this docket's proceedings. The Board FINDS that, subject to the terms and conditions set forth below, the attached Initial Decision and Settlement are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Initial Decision and Settlement as its own, as if fully set forth herein.

The Board HEREBY ORDERS that the existing BGSS-RSG rate of 99.0753 cents per therm (including SUT) remain in effect and shall be deemed the final BGSS-RSG rate for the period covered by the filing. Any net over-recovered BGSS balance at the end of the BGSS period shall be subject to refund with interest.

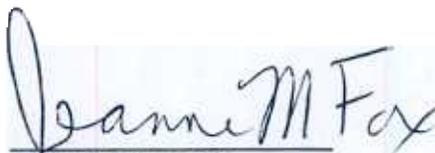
² This is only a summary of the major terms of the Settlement. Should there be any conflict between this summary and the Settlement, the terms of the Settlement control, subject to the findings and conclusions in this Order.

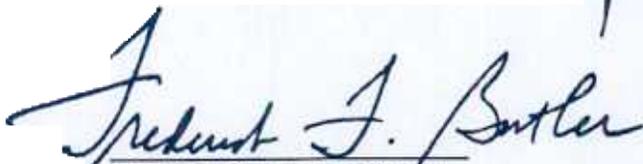
³ By letter dated April 20, 2009, ALJ Braswell corrected some dates which were misstated in the Initial Decision.

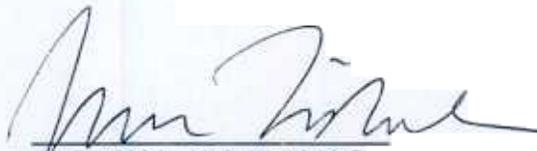
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

DATED: 5/15/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

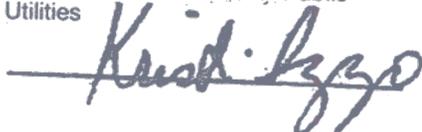

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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

Service List
GR08050368

Steven S. Goldenberg, Esq.
New Jersey Large Energy Users Coalition
Fox Rothschild LLP
997 Lenox Drive, Bldg. 3
Lawrenceville, NJ 08648

Babette Tenzer, DAG
Department of Law & Public Safety
Division of Law
124 Halsey St., 5th Floor
P.O. Box 45029

Sheila Iannaccone
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Alex Moreau, DAG
Department of Law & Public Safety
Division of Law
124 Halsey St., 5th Floor
P.O. Box 45029

Alice Bator
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Kerri Kirschbaum, DAG
Department of Law & Public Safety
Division of Law
124 Halsey St., 5th Floor
P.O. Box 45029

Robert Schultheis
Division of Energy
N J Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Felicia Thomas-Friel, Esq.
Dept. of the Public Advocate
Division of Rate Counsel
31 Clinton St., 11th Floor
P. O. Box 46005
Newark, NJ 07101

Suzanne Patnaude, Esq.
N J Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Judith Appel, Esq.
Dept. of the Public Advocate
Division of Rate Counsel
31 Clinton St., 11th Floor
P. O. Box 46005
Newark, NJ 07101

Gregory Eisenstark, Esq.
PSE & G
80 Park Plaza, T-05
Newark, NJ 07101

Kurt Lewandowski, Esq.
Dept. of the Public Advocate
Division of Rate Counsel
31 Clinton St., 11th Floor
P. O. Box 46005
Newark, NJ 07101

CMS
BESLOW
RPA
KIRSCHBAUM
MOREAU
TENZER
COMES
ENERGY (v)



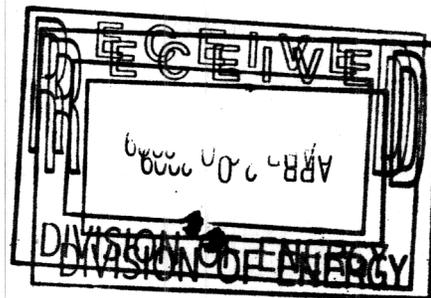
State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

RECEIVED
MAR 17 AM 10:46
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

INITIAL DECISION

SETTLEMENT
OAL DKT. NO. PUC 11892-08
AGENCY DKT. NO. GR08050368

IN THE MATTER OF PUBLIC SERVICE ELECTRIC &
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 BPU N.J. NO. 14 GAS PURSUANT
TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1



Gregory Eisenstark, Esq., for petitioner (Public Service Electric and Gas
Company)

Alex Moreau and Kerri Kirschbaum, Deputy Attorney Generals, for respondent
(Anne Milgrame, Office of the Attorney General)

Judith Appel, Esq., appearing on behalf of the Division of Rate Counsel

Record Closed: April 8, 2009

Decided: April 13, 2009

BEFORE WALTER M. BRASWELL, ALJ:

This matter was transmitted to the Office of Administrative Law (OAL) on
October, 2007 for resolution as a contested case pursuant to N.J.S.A. 16:41C-8.7(b)3.
A telephone pre-hearing was conducted on November 13, 2008 at which time an
evidentiary hearings was scheduled for April 29, 2009. Prior to the hearing the parties

reached a settlement. On April 8, 2009 a copy of the fully executed Settlement Agreement was received by the OAL, indicating the terms of the agreement, which are incorporated herein by reference.

Having reviewed the contents of the attached Settlement Agreement, **FIND:**

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

approve the settlement and, therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

I 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 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.

4-13-2009
DATE

Date Received at Agency: 4-17-09
[Handwritten initials]

APR 15 2009
DATE
ljb

Walter M. Braswell
WALTER M. BRASWELL, ALJ

4-15-09

Mailed to Parties
Laura Sanders
DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE
OFFICE OF ADMINISTRATIVE LAW

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE)	
ELECTRIC AND GAS COMPANY'S)	SETTLEMENT FOR
2008/2009 ANNUAL BGSS COMMODITY)	FINAL BGSS RATES
CHARGE FILING FOR ITS RESIDENTIAL)	
GAS CUSTOMERS UNDER ITS PERIODIC)	BPU DOCKET NO. GR08050368
PRICING MECHANISM AND FOR CHANGES)	OAL DOCKET NO. PUCRA
IN THE TARIFF FOR GAS SERVICE)	11892-2008N
B.P.U.N.J. NO. 14 GAS PURSUANT TO)	
<u>N.J.S.A.</u> 48:2-21 AND <u>N.J.S.A.</u> 48:2-21.1)	

APPEARANCES:

Gregory Eisenstark, Esq., for the Petitioner, Public Service Electric and Gas Company

Judith Appel, Esq., Assistant Deputy Public Advocate, and Kurt Lewandowski, Esq., Assistant Deputy Public Advocate, Department of the Public Advocate, Division of Rate 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 20.0%) 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 19.2% 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, including SUT.

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.

After the significant reduction in the NYMEX forward gas prices since the May 30, 2008 filing, Public Service proposed reducing the amount of the requested increase, and the Parties entered into a Stipulation for Provisional BGSS Rates on September 24, 2008. On October 3, 2008, the New Jersey Board of Public Utilities ("the Board") issued an Order approving the Stipulation for Provisional BGSS Rates, and the Company implemented the new rates effective that date. Pursuant to this Order, the

Company's BGSS default Commodity Service, Tariff rate BGSS-RSG, was provisionally increased to 118.5628 cents per therm (including SUT) from the then 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 was 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 (an increase of \$20.47 or approximately 14.1%). 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 14.3%). 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.

As a result of the continued reduction in the NYMEX forward gas prices, on December 19, 2008 the Company filed a notice with the Board of a decrease in its BGSS-RSG Commodity Charge to be effective January 1, 2009. The self-implementing rate decrease reduced the Company's BGSS-RSG Commodity Charge from 118.5628 cents per therm (including SUT) to 110.3449 cents per therm (including SUT). The residential customer impact of this decrease was as follows: MONTHLY – a residential customer using 100 therms per month during the winter months and 606 therms on an annual basis would see a decrease in the monthly bill from \$166.96 to \$158.74 (a

decrease of \$8.22 or approximately 4.9%). ANNUAL – a residential customer using 200 therms per month during the winter months and 1,210 therms on an annual basis would see a decrease in the annual bill from \$1,993.68 to \$1,894.26 (a decrease of \$99.42 or approximately 5.0%).

Additionally, as a result of the continued reduction in the NYMEX forward gas prices since the January 1, 2009 self-implementing decrease, on February 19, 2009 the Company filed a notice with the Board of an additional decrease in its BGSS-RSG Commodity Charge to be effective March 1, 2009. The self-implementing rate decrease reduced the Company's BGSS-RSG Commodity Charge from 110.3449 cents per therm (including SUT) to 99.0753 cents per therm (including SUT). The residential customer impact of this decrease was as follows: MONTHLY – a residential customer using 100 therms per month during the winter months and 606 therms on an annual basis would see a decrease in the monthly bill from \$158.78 to \$147.52 (a decrease of \$11.26 or approximately 7.1%). ANNUAL – a residential customer using 200 therms per month during the winter months and 1,210 therms on an annual basis would see a decrease in the annual bill from \$1,894.72¹ to \$1,758.36 (a decrease of \$136.36 or approximately 7.2%).

¹ PSE&G notes that the monthly and annual bill amounts listed herein were impacted by changes in other components of the PSE&G gas rate (new SBC rates effective 12/9/08 and the RGGI Recovery Charge rate effective 1/1/09).

Public Service, Board Staff, and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (collectively, the "Parties") have engaged in settlement negotiations and discussions. As a result of these discussions, the Parties HEREBY AGREE as follows:

1. The Company's current BGSS default Commodity Service Tariff rate BGSS-RSG of 99.0753 cents per therm (including SUT) will remain in effect at this time. The Parties agree that the aforementioned BGSS-RSG rate shall be deemed final upon the effective date of the Board's written Order approving this Settlement.

2. The Parties agree that, for this proceeding, they take no issue with the Company's method of allocating gas costs and associated credits between its residential and C&I customers through September 30, 2008 and recommend that it should be approved. They also agree that the allocation method beginning on October 1, 2008 will be subject to review for appropriateness in future annual BGSS proceedings. The Parties reserve their rights to challenge this allocation methodology in future proceedings. The Company will file, when available, actual gas cost and revenue recovery data for the 2008-2009 BGSS annual period in the same format used in the Company's initial 2008-2009 BGSS filing. The Parties agree that gas costs remain subject to audit by the Board.

3. The Company agrees to meet with Board Staff and Rate Counsel, within 60 days after all Parties sign this Settlement, to review the Company's current hedging program and to discuss hedging guidelines for the future. The Parties agree that

PSE&G will address changes to its current hedging program, if any, in its June 2009 annual BGSS filing.

4. The undersigned Parties agree that this 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 Final Settlement is not accepted and approved by the Board, this Final 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.

5. The undersigned Parties further **HEREBY AGREE** that this Settlement has been made exclusively for the purpose of this proceeding and that this Final 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: 4-7-2009

DATED:

PSE&G will address changes to its current hedging program, if any, in its June 2009 annual BGSS filing.

4. The undersigned Parties agree that this 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 Final Settlement is not accepted and approved by the Board, this Final 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.

5. The undersigned Parties further HEREBY AGREE that this Settlement has been made exclusively for the purpose of this proceeding and that this Final 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: _____

DATED: 4/7/09

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: April 7, 2009



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

RECEIVED
CASE MANAGEMENT
2009 APR 17 PM 1:29
PUBLIC UTILITIES
BOARD
R.K.N.J.

**A copy of the administrative law
judge's decision is enclosed.**

**This decision was mailed to the parties
on APR 15 2009**



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, New Jersey 07102
(973) 648-6036
Fax (973) 648-6124

RECEIVED
CASE MANAGEMENT
2009 APR 17 AM 10:46
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

William Speziale
Legal Assistant III

April 20, 2009

Hon. Jeanne M. Fox, President
Board of Public Utilities
Two Gateway Plaza
Newark, NJ 07102
ATT: Edward Beslow

Re: **IN THE MATTER OF PSE&G's 2008/2009 ANNUAL BGSS COMMODITY
CHARGE FILING FOR ITS RESIDENTIAL GAS CUSTOMERS UNDER...**
OAL DKT. NO.: PUC 11892-08
AGENCY DKT. NO. GR08050368

Dear Mr. Fox:

The decision issued on **April 13, 2009** in the above referenced matter contained an error on Pg. 1, after the appearances caption: "**Record Closed: April 8, 2007 Decided: April 13, 2007**". "Should read: Record Closed: "April 8, 2009 Decided April 13, 2009"

The copy on file with this office has been revised in accordance with the attached. Kindly correct the original decision, which has been filed with your agency.

Please note that by copy of this letter, I am requesting that the parties also correct their copies of the decision.

Very truly yours,

William Speziale
William Speziale,
Legal Assistant, III

cc: Gregory Eisenstark, Esq.
Kerri Kirschbaum, DAG
Alex Moreau, DAG
Judith Appel, Rate Counsel