



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center
Newark, NJ 07102

www.bpu.state.nj.us

DIVISION OF ENERGY

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S)
PROPOSAL FOR AN INCREASE IN ITS)
RESIDENTIAL BGSS COMMODITY)
CHARGES (FORMERLY LGAC) 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)

ORDER ADOPTING
PROVISIONAL RATES

DOCKET NO. GR02090702

(SERVICE LIST ATTACHED)

BY THE BOARD:

On September 27, 2002, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a motion seeking approval from the Board to increase the level of its Residential Basic Gas Supply Service ("BGSS") Commodity Charge effective for service rendered on and after November 1, 2002. PSE&G proposed an increase for its BGSS-RSG commodity charge including sales and use tax ("SUT") from the current 59.7827 cents per therm to 66.7257 cents per therm and an increase for its BGSS-RSGM residential multiple family default commodity charge including SUT from 56.0727 cents per therm to 63.0157 cents per therm.

The Company asserts that approval of the request would result in additional annual revenues of approximately \$89 million. Approximately \$82 million of the requested \$89 million resulted from an underrecovery of gas costs, due primarily to the increase in gas prices during the first quarter of 2002 above what was approved by the Board effective January 9, 2002, and the warmer than normal weather experienced during the 2001-2002 winter season which resulted in an underrecovery of fixed pipeline charges.

As part of its filing, PSE&G proposed a BGSS procedural mechanism, consistent with its initial proposed settlement position in the then pending generic proceeding, in the Matter of ("I/M/O") the Provision of Basic Gas Supply Service Pursuant to the Electric Discount And Energy Competition Act, N.J.S.A. 48:3-49 et. seq. ("Generic BGSS"), Docket No. GX01050304. The Company specifically requested that it be given authority to implement a potential February 1, 2003 BGSS Commodity Charge increase on a self-implementing (provisional, subject to refund) basis subject to a maximum rate increase of 10% of the average rate based on a typical 100 therm per month residential bill, upon written notice by the Company of the approximate amount of the increase to Board Staff and to the Ratepayer Advocate no later than January 15, 2003.

The Board retained this filing, which has not yet been transmitted to the Office of Administrative Law ("OAL") for hearing as a contested case. Public hearings on this matter were jointly noticed and held with PSE&G's deferred balance petition, I/M/O the Petition of PSE&G's Deferral Filing Including Proposals for Changes in its Rates for its Non-Utility Transition Charge ("NTC") and its Societal Benefits Charge ("SBC") for the Post-Transition Period Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, Docket No. GR02080604 before Administrative Law Judge ("ALJ") Richard McGill. ALJ McGill conducted public hearings on December 10, 2002, in Mount Holly, New Jersey, on December 11, 2002, in New Brunswick, New Jersey and on December 16, 2002, in Hackensack, New Jersey.

The Board, at its December 18, 2002, agenda meeting, as memorialized by written Order dated January 6, 2003, approved an overall pricing structure proposal for a Periodic Pricing Mechanism ("PPM") applicable to BGSS rates for all the Gas Distribution Companies' ("GDC") residential customers and for those small commercial and industrial customers of New Jersey Natural Gas Company and South Jersey Gas Company using less than 250,000 therms annually. Under the PPM, the GDCs will be required to annually file with the Board by June 1, documents supporting a request for approval of a new Periodic BGSS rate to be effective October 1 of that year. The annual BGSS filing would have as its goal the achievement of a zero or near zero deferral balance by the following September 30. Each GDC will have the discretion to initiate, upon proper notice to Board Staff and the Division of Ratepayer Advocate ("Ratepayer Advocate or RPA"), and upon submission of appropriate documentation, two additional self-implementing provisional rate increases each year, effective the following December 1 and February 1, each capped at a 5% maximum rate increase. The GDCs would be permitted to decrease rates at any time, provided proper notice and documentation is made to Board Staff and the RPA.

Since this Generic BGSS stipulation was approved after the October 1 date for implementing the annual BGSS for the current 2002-2003 BGSS period, the Board's January 6, 2003 Order provided for a delayed implementation date for each GDC's initial request for approval of a new Periodic BGSS rate for the current 2002-2003 BGSS period upon Board approval of each request. The Board also provided that, if necessary, in this initial 2002-2003 BGSS period, each GDC may increase its BGSS rates only one time through a discretionary filing for a self-implementing provisional increase on March 1, 2003, up to a 5% maximum cap.

The parties in this proceeding are PSE&G, the Ratepayer Advocate and Board Staff. In light of the onset of the heating season and the Company's current significant underrecovery, the Ratepayer Advocate, by letter dated January 2, 2003, stated that it does not oppose the Company's request for a provisional increase of \$89 million in order to prevent a further increase in the underrecovery. Included in the RPA's letter is a recommendation that if the increase results in any overrecovery, the amount should be credited to the Company's existing Gas Cost Underrecovery Adjustment ("GCUA") balance created to recoup the Company's underrecovery of the commodity cost of gas during the winter of 2000-2001. The Ratepayer Advocate also recommended that the Company's future BGSS petitions to the Board should incorporate minimum filing requirements mutually agreed upon by Board Staff, the Ratepayer Advocate and the Company. The Company, in a letter to the Board dated January 6, 2003, agreed with the RPA's recommendations. Board Staff concurred with the proposed provisional rate increase, the RPA's recommendation to credit any overrecovery to the Company's GCUA, and the need to incorporate minimum filing standards.

DISCUSSION AND FINDINGS

The Board has carefully reviewed the record in this proceeding. The Board is cognizant of the circumstances that have contributed to the underrecovery in this case; in particular, the increase in gas costs since the Board's January 9, 2002 rate Order. The Board is concerned that any further delay in adjusting the BGSS rates would only exacerbate the underrecovery situation. Accordingly, the Board HEREBY APPROVES on a provisional basis, subject to refund with interest, the Company's request to increase its BGSS rates effective on the date of this Order. Specifically, the Board HEREBY APPROVES an increase in the BGSS-RSG commodity charge including SUT from the current 59.7827 cents per therm to 66.7257 cents per therm and an increase for the BGSS-RSGM residential multiple family default commodity charge including SUT from 56.0727 cents per therm to 63.0157 cents per therm. A residential customer using 100 therms a month would experience approximately a 7.3% increase in his/her monthly gas bill. The Board emphasizes that these rates are provisional and subject to refund with interest after a full review through a BGSS rate proceeding at the OAL, subject to final Board approval. Any overrecovery at the end of the BGSS period shall be credited with interest to the Company's GCUA. The Company's proposal in its original filing to implement a further 10% BGSS increase is HEREBY DENIED.

The parties are HEREBY DIRECTED to meet to develop mutually agreed upon minimum filing requirements for future annual BGSS Commodity Charge petitions in time for the next petition. If no agreement is reached by April 15, 2003, the matter shall be returned to the Board agenda for a determination on this issue.

The Company is HEREBY DIRECTED to file tariff sheets in compliance with the terms of this Order no later than 10 days from the date of this Order. Board Staff is HEREBY DIRECTED to transmit this filing to the OAL for appropriate hearings.

DATED: 1/16/03

BOARD OF PUBLIC UTILITIES

BY:



JEANNE M. FOX
PRESIDENT



FREDERICK F. BUTLER
COMMISSIONER



CAROL J. MURPHY
COMMISSIONER



CONNIE O. HUGHES
COMMISSIONER



JACK ALTER
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

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CHARGE (FORMERLY LGAC) 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
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