



Agenda Date: 3/9/11
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF PUBLIC SERVICE ELECTRIC
AND GAS COMPANY'S 2010/2011 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. 15 GAS PURSUANT TO N.J.S.A. 48:2-
21 AND N.J.S.A. 48:2-21.1

DECISION AND ORDER
APPROVING SETTLEMENT
FOR FINAL BGSS RATES

BPU DOCKET NO. GR10070475

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

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel, and **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsel, Division of Rate Counsel (**Stefanie Brand, Esq.**, Director, Division of Rate Counsel)

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") submits to the Board its annual Basic Gas Supply Service ("BGSS") gas cost filing by June 1, 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 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.

Public Service Electric and Gas Company ("Company") requested an extension of time to submit its annual BGSS filing. The Company filed a petition with the Board on July 14, 2010 seeking to decrease its BGSS default Commodity Charge for Residential Service ("BGSS-RSG") rate from \$0.817891 per therm including Sales and Use Tax ("SUT") to \$0.728760 per therm, including SUT, thereby decreasing the Company's BGSS-RSG commodity charge rate revenues by approximately \$123.4 million (including losses and SUT) or approximately 6.8%. Under the Company's proposal, typical residential heating customers using 100 therms per month during the winter months and 660 therms on an annual basis would see a decrease of \$8.91 in their monthly bills, from \$132.77 to \$123.86, or approximately 6.6%.

After publication of notices in newspapers of general circulation throughout the Company's gas service territory, public hearings were held in New Brunswick, Hackensack and Mt. Holly on September 1, 2, and 7, 2010, respectively. Members of the public appeared to comment on the filing.

The Company, Board Staff and Rate Counsel (collectively, the "Parties"), entered into a stipulation for provisional BGSS rates dated September 13, 2010. The Parties determined that while additional time was needed to complete a review of the Company's filing, a decrease in the Company's BGSS-RSG commodity charge rate from \$0.817891 per therm (including SUT) to \$0.728760 per therm (including SUT) on a provisional basis, representing an annual decrease of \$123.4 million including losses and SUT, subject to refund with interest on any net over-recovered BGSS balance, was reasonable at that time. The Board approved the stipulation for provisional BGSS rates on September 16, 2010.

This matter was transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Irene Jones.

On December 1, 2010, the Company filed a notice of a decrease in its BGSS-RSG Commodity charge rate to be effective December 1, 2010. The self-implementing rate decrease reduced the Company's BGSS-RSG Commodity charge rate from \$0.728760 per therm (including SUT) to \$0.667154 per therm (including SUT).

SETTLEMENT FOR FINAL BGSS-RSG COMMODITY CHARGE RATES¹

On February 16, 2011 the Parties executed a Settlement for Final BGSS-RSG Commodity charge rates ("Settlement") and agreed as follows:

- 1) The Company's current BGSS-RSG commodity charge rate of \$0.667154 per therm (including SUT) will remain in effect and is deemed final upon the effective date of the Board's written Order approving the Settlement.
- 2) As a result of the September 2010 and December 2010 BGSS-RSG commodity charge rate changes, inclusive of the Capital Adjustment Charge rate, the Company's BGSS-RSG commodity charge rate decreased from \$0.817891 per therm, including SUT, to \$0.667154 per therm including SUT. As a result of these two decreases residential customers using 1200 therms per year saw a decrease in their annual bills from \$1,568.32 to \$1,387.46, a decrease of \$180.86 or approximately 11.53%. There is no impact on customers' bills at this time.
- 3) For this proceeding, the Parties take no issue with the Company's method of allocating gas costs and associated credits between its residential and Commercial and Industrial customers through September 30, 2010 and recommend that it should be approved.

They also agree that the allocation method beginning on October 1, 2010 will be subject to review for appropriateness in future annual BGSS proceedings.

On February 23, 2011, ALJ Irene Jones issued an Initial Decision approving the Settlement, finding that the Parties had voluntarily agreed to the settlement and that the settlement fully disposes of all issues in controversy and is consistent with law.

DISCUSSION AND FINDING

The Board has carefully reviewed the record in this proceeding including the attached Initial Decision and Settlement. The Board **HEREBY FINDS** that, subject to the terms and conditions

¹ Although described at some length in this Order, should there be any conflict between this summary and the Settlement, the terms of Settlement control, subject to the findings and conclusion in this Order.

set forth below, the attached Settlement is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Initial Decision and the Settlement as its own, as if fully set forth herein.

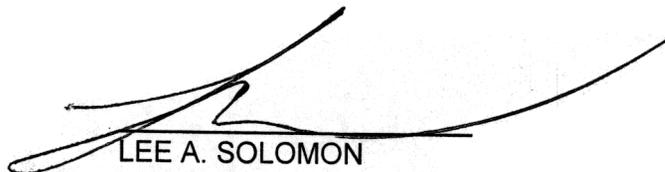
The Board HEREBY ORDERS that the existing BGSS-RSG Commodity charge rate of \$0.667154 per therm (including SUT) remain in effect and shall be deemed the final BGSS-RSG Commodity Charge rate for the period covered by the filing. Any net over-recovered BGSS balance at the end of the BGSS period shall be subject to refund with interest.

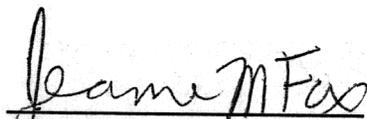
The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days from the date of this Order.

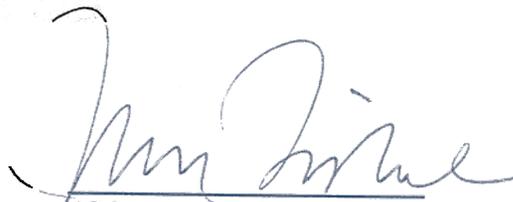
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

DATED: 3/9/11

BOARD OF PUBLIC UTILITIES
BY:

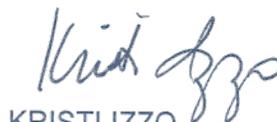

LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

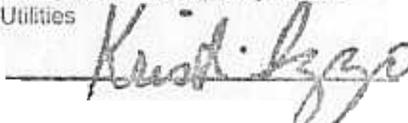

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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
2010/2011 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
BPU DOCKET NO. GR10070475

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State of New Jersey

OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 10559-10

AGENCY DKT. NO. GR10070475

**IN THE MATTER OF THE PUBLIC SERVICE
ELECTRIC AND GAS COMPANY'S 2010/2011
ANNUAL BGSS COMMODITY CHARGE FILING
FOR ITS RESIDENTIAL GAS CUSTOMERS
UNDER ITS PERIODIC PRICING MECHANISM AND
FOR CHANGES IN THE TARIFF FOR GAS SERVICE
PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:21.1**

Gregory Eisentstark, Esq., for petitioner, Public Service Electric and Gas
Company

Felicia Thomas-Friel, Deputy Rate Counsel, **Sarah H. Steindel**,
Assistant Deputy Rate Counsel, and **Kurt S. Lewandowski**
Assistant Deputy Rate Counsel, for the New Jersey Division of
Rate Counsel (Stefanie A. Brand, Director)

Alex Moreau, Deputy Attorney General, for the Staff of New Jersey Board
of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

Record Closed February 16, 2011

Decided: February 23, 2011

BEFORE IRENE JONES, ALJ:

On July 14, 2010, Petitioner, Public Service Electric and Gas Company ("PSE&G" or "Petitioner") filed a petition with the Board of Public Utilities seeking a decrease of approximately \$115.3 million in its Annual Basic Gas Supply Service default Commodity Charge for Residential Service ("BGSS-RSG") revenues (\$123.4 million including losses and Sales and Use Tax, or "SUT") (approximately 6.8%), resulting from projected decreases in natural gas costs during the 2010-2011 BGSS year (October 1, 2010 through September 30, 2011), among other things. The Petition requested a decrease in the BGSS-RSG Commodity rate from \$0.817891 per therm, including SUT, to \$0.728760 per therm including SUT or a decrease of \$0.089131 per therm.

Public hearings were scheduled and conducted by the Board of Public Utilities in New Brunswick, Hackensack, and Mt. Holly on September 1, 2, and 7, 2010 respectively. On September 29, 2010 the matter was transmitted to the Office of Administrative Law for hearing as a contested case. A telephone prehearing conference was held on October 29, 2010 wherein a procedural schedule was established

The signatories to settlement agreement, in addition, to the company are the Board Staff and the Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties"). An Order granting Participant status to the Electric Customer Group ("ECG") a/k/a the Morris County Energy Group ("MEG") was signed on January 21, 2010. By letter of February 3, 2011, the Participants withdrew from this proceeding.

During the pendency of this matter, the parties held discovery/settlement conferences. During these conferences, the Parties determined that additional time would be needed to complete the review of the Company's proposed BGSS-RSG Commodity charge rate. However, the parties also agreed that a change in the Company's BGSS-RSG Commodity charge rate, on a provisional basis, was reasonable and therefore agreed to implement the BGSS-RSG Commodity charge rate

filed as of October 1, 2010, or as soon a Board Order issued approving the provisional rate as set forth in the Stipulation. The Stipulation was approved at the Board meeting of September 16, 2010 and became effective on that date.

Subsequent to the September 16, 2010 reduction, the Company filed a notice of a decrease in its BGSS-RSG Commodity charge rate from \$0.728760 per therm (including SUT) to \$0.667154 per therm (including SUT) This December 1, 2010 self-implementing decrease targeted an approximate \$68.5 million reduction in the BGSS deferred balance as of September 30, 2011. Since that decrease, the parties have agreed to further decreases as set forth in detail in the attached Settlement that is appended hereto.

have reviewed the record and the terms 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.

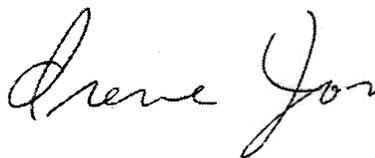
I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1, and accordingly, I approve the Stipulation of Settlement.

ORDER

It is therefore, **ORDERED** that the parties comply with the terms of the settlement and this proceeding is now concluded.

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

This recommended decision may be adopted, modified or rejected by **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 recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.



February 23, 2011

DATE

IRENE JONES, ALJ

Date Received at Agency

Date Mailed to Parties

sej

Gregory Eisenstark
Assistant General Corporate Rate Counsel

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VIA ELECTRONIC MAIL & REGULAR MAIL

February 17, 2011

In the Matter of Public Service Electric and Gas Company's
2010/2011 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. 15 Gas Pursuant
to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1

Docket No. GR10070475
OAL Docket No. PUC 10559-2010N

Honorable Irene Jones, ALJ
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

Dear Judge Jones:

Attached please find an executed Stipulation of Settlement in the above-referenced matter.

Thank you for your attention and consideration in this matter.

Very truly yours,

Original Signed by
Gregory Eisenstark, Esq.

Encls.

C Attached Service List (E-Mail Only)

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY
BGSS COMMODITY CHARGE 2010/2011
BPU DOCKET NO. GR10070475
OAL DOCKET NO. PUC 10559-2010 N**

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S) SETTLEMENT FOR
2010/2011 ANNUAL BGSS COMMODITY) FINAL BGSS RATES
CHARGE FILING FOR ITS RESIDENTIAL)
GAS CUSTOMERS UNDER ITS PERIODIC) BPU DOCKET NO. GR10070475
PRICING MECHANISM AND FOR CHANGES)
IN THE TARIFF FOR GAS) OAL DOCKET NO.
SERVICE B.P.U.N.J. NO. 15 GAS PURSUANT) PUC 10559-2010N
TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1)

APPEARANCES:

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

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel, and **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director)

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Paula T. Dow**, Attorney General of New Jersey)

On July 14, 2010, Public Service Electric and Gas Company ("PSE&G" or "the Company") made a filing in the above-referenced matter, requesting a decrease of approximately \$115.3 million in its Annual Basic Gas Supply Service default Commodity Charge for Residential Service ("BGSS-RSG") revenues (\$123.4 million including losses and Sales and Use Tax, or "SUT") (approximately 6.8%), due primarily to projected

decreases in natural gas costs during the 2010-2011 BGSS year (October 1, 2010 through September 30, 2011).

The Petition, as filed, requested a decrease in the BGSS-RSG Commodity rate from \$0.817891 per therm, including SUT, to \$0.728760 per therm including SUT or a decrease of \$0.089131 per therm Residential annual bills comparing the current BGSS-RSG Commodity charge rate with the as-requested provisional BGSS-RSG Commodity charge rate reflected an annual decrease of approximately 6.59% for a residential heating customer using 100 therms per winter month and 660 therms annually

Notice setting forth the Company's July 14, 2010 request for a decrease in its BGSS-RSG Commodity charge rate, including the date, time and place of the public hearing, was duly published 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 New Brunswick, Hackensack, and Mt. Holly on September 1, 2, and 7, 2010, respectively Collectively, several members of the public appeared and some commented on the filing.

PSE&G, Board Staff, and the Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties") had discussed certain matters at issue herein During these discussions, the Parties determined that additional time would be needed to complete the review of the Company's proposed BGSS-RSG Commodity charge rate However, the

Parties also agreed that a change in the Company's BGSS-RSG Commodity charge rate, on a provisional basis, was reasonable and therefore agreed to implement the BGSS-RSG Commodity charge rate filed as of October , 2010, or as soon as possible upon the issuance of a Board Order approving the Stipulation for Provisional BGSS-RSG Commodity Charge Rates ("Stipulation). The Stipulation was approved at the Board agenda meeting of September 16, 2010 and became effective on that date.

Subsequent to the reduction that became effective September 16, 2010, the Company filed a notice of a decrease in its BGSS-RSG Commodity charge rate to be effective December 2010. The self-implementing rate decrease reduced the Company's BGSS-RSG Commodity charge rate from \$0.728760 per therm (including SUT) to \$0.667154 per therm (including SUT).

The December 1, 2010 self-implementing decrease targeted an approximate \$68.5 million reduction in the BGSS deferred balance as of September 30, 2011

The Parties have met to discuss this matter and HEREBY AGREE as follows:

The Company's current BGSS-RSG Commodity charge rate of \$0.667154 cents per therm (including SUT), reflecting both the September 2010 and December 2010 decreases, will remain in effect at this time. The Parties agree that the aforementioned BGSS-RSG Commodity charge rate shall be deemed final upon the effective date of the Board's written Order approving this Settlement. As a result of the

September 2010 and December 2010 BGSS-RSG Commodity charge rate decreases, there has been a net decrease in the BGSS-RSG Commodity charge rate, inclusive of the Capital Adjustment Charge rate, from \$0.817891 per therm, including SUT, to \$0.667154 per therm including SUT, which amounted to a net decrease of \$0.150737 per therm. There is no impact on customers' bills at this time. The residential impacts of the previously-implemented changes in the BGSS-RSG Commodity charge rate in the instant docket were as follows: MONTHLY – for a residential customer using 100 therms per month during the winter months and 660 on an annual basis saw a decrease in a monthly winter bill from \$132.40 to \$117.33, a decrease of \$15.07 or approximately 1.38 %. ANNUALLY – a residential customer using 199 therms per month during the winter months and 2,000 therms on an annual basis saw a decrease in the annual bill from \$1,568.32 to \$1,387.46, a decrease of \$180.86 or approximately 11.53%.

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 Commercial & Industrial customers through September 30, 2010 and recommend that it should be approved. They also agree that the allocation method beginning on October 1, 2010 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 2010-2011 BGSS annual period in the same

format used in the Company's initial 2010-2011 BGSS filing. All costs and rates remain subject to audit by the Board.

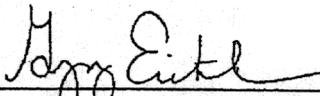
3 The undersigned agree that this Settlement for Final BGSS-RSG Commodity charge rates contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. In the event any particular aspect of this Settlement is not accepted and approved by the Board, this 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.

4. The undersigned parties further HEREBY AGREE that this Settlement for a Final BGSS-RSG Commodity charge rate has been made exclusively for the purpose of this proceeding and that this Settlement, in total or specific item, is in no

way binding upon them in any other proceeding, except to enforce the terms of this Settlement for a Final BGSS-RSG Commodity charge rate.

PUBLIC SERVICE ELECTRIC AND
GAS COMPANY

STEFANIE A. BRAND
DIRECTOR,
DIVISION OF RATE COUNSEL

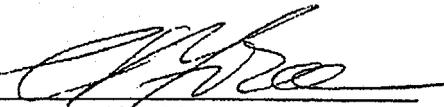
BY: 
Gregory Eisenstark, Esq.
Associate General Regulatory Counsel

BY: 
Sarah H. Steindel
Assistant Deputy Rate Counsel

DATED: 2-15-11

DATED: 2/16/11

PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

BY: 
Alex Moreau
Deputy Attorney General

DATED: 02/16/11