



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9th Floor  
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Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu](http://www.nj.gov/bpu)

ENERGY

IN THE MATTER OF PUBLIC SERVICE ELECTRIC )  
AND GAS COMPANY'S 2011/2012 ANNUAL MARGIN )  
ADJUSTMENT CHARGE ("MAC") FILING 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 ) BPU DOCKET NO. GR11060338

**Alexander C. Stern, Esq.**, for the Petitioner, Public Service Electric and Gas Company  
**Stefanie A. Brand**, Director New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

On January 9, 2002, as a result of the Order of the New Jersey Board of Public Utilities ("Board") Order in the gas base rate case of Public Service Electric and Gas Company ("Public Service" or "Company") in Docket No. GR01050328<sup>1</sup>, the Company implemented the Margin Adjustment Clause ("MAC") to credit the net revenues associated with providing transmission service to non-firm gas customers ("TSG-NF") served on the following rate schedules: Residential Service Gas ("RSG"), General Service Gas ("GSG"), Large Volume Service Gas ("LVG"), Firm Transportation Gas Service ("TSG-F") and Street Lighting Service ("SLG"). The purpose of the MAC is to properly allocate transportation/distribution costs to non-firm gas transportation customers having the ability to switch to alternative fuel sources (e.g. oil) in recognition that these customers should contribute, along with firm customers, towards the costs associated with maintaining the distribution system. The MAC is set to ensure margins from TSG-NF customers are credited to firm gas customers.

Per the Board's Order in Docket. No. GR09050422<sup>2</sup> ("July 2010 Order"), approving a settlement among the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "Parties"), a new MAC Rate was set for the relevant period at \$0.000000 per

<sup>1</sup> I/M/O the Petition of PSE&G for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, Dkt. No. GR01050328, Board Order dated January 9, 2002.

<sup>2</sup> I/M/O the Petition of PSE&G for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, Dkt. No. GR09050422, Board Order dated July 9, 2010.

therm. The Parties also stipulated that the MAC under-recovered balance, along with its corresponding interest up to the date that new gas base rates became effective (July 9, 2010), would be amortized and recovered through the MAC mechanism over sixty (60) months. Interest on this portion of the MAC balance would accrue at one-half the authorized MAC interest rate, based on two-year Treasuries plus sixty (60) basis points reset as of August 1st of each year, with an annual filing by the Company at the same time as its annual basic gas supply service filing.

In accordance with the July 2010 Order, on June 1, 2011, Public Service made the instant filing with the Board, requesting no change in the MAC rate of \$0.000000 per therm, including SUT, to be implemented for service rendered on and after October 1, 2011.

By Order dated September 22, 2011, the Board approved a stipulation to implement Public Service's proposal on a provisional basis, subject to refund with interest on any net MAC balance, providing the Parties additional time to complete the review of the proposed rates. The Order provisionally approved the MAC rate of \$0.000000 per therm effective for services rendered on and after October 1, 2011

### SETTLEMENT FOR FINAL MAC RATES<sup>3</sup>

When the discovery process was completed, the Parties discussed this matter further and on January 26, 2012, executed a settlement for final MAC rates ("Settlement") and agreed as follows:

No change in the Company's MAC rate is justified at this time and it therefore remains reasonable for the Company's MAC rate to remain at \$0.000000 per therm, subject to refund with interest on any net over or under-recovered MAC balance.

Based upon a review of the actual data through April 30, 2011 and corresponding forecast for May 1, 2011 through September 2012, the Parties agree that the provisional MAC rate effective October 1, 2011 should be deemed final. Actual costs incurred after April 30, 2011 are subject to review in the Company's next annual filing.

- The Parties agree that the aforementioned MAC rate shall be deemed final upon the effective date of the Board's written Order approving the Settlement or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

### DISCUSSION AND FINDING

The Board HEREBY FINDS that, subject to the terms and conditions set forth below, the attached Settlement is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Settlement as its own, as if fully set forth herein.

The Board HEREBY ORDERS that the Company's existing MAC rate of \$0.000000 per therm (including sales and use tax) remain in effect, and shall be deemed the final MAC rate for the period covered by the filing. Any net over-recovered MAC balance at the end of the MAC period shall be subject to refund with interest.

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<sup>3</sup> 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.

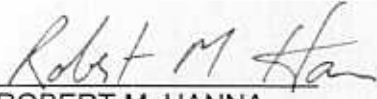
The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days from the effective date of this Order.

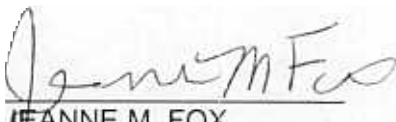
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

This Order shall be effective on March 22, 2012.

DATED: 3/12/2012

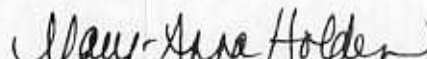
BOARD OF PUBLIC UTILITIES  
BY:


  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

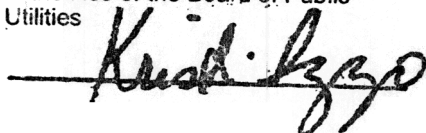
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

  
MARY-ANNA HOLDEN  
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 2011/2012  
ANNUAL MARGIN ADJUSTMENT CHARGE ("MAC") FILING 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

BPU DOCKET NO. GR11060338

SERVICE LIST

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<b>PUBLIC SERVICE ELECTRIC AND GAS COMPANY</b>		
<p>Alexander C. Stern, Esq. Public Service Electric &amp; Gas Company 80 Park Plaza, T5G Newark, NJ 07101</p>		

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE	)	SETTLEMENT FOR
ELECTRIC AND GAS COMPANY'S 2011/2012	)	FINAL MAC RATE
ANNUAL MARGIN ADJUSTMENT CHARGE	)	
("MAC")	)	BPU DOCKET NO. GR11060338
FILING UNDER ITS PERIODIC PRICING	)	
MECHANISM AND FOR CHANGES IN THE TARIFF	)	
FOR GAS SERVICE B.P.U.N.J. NO. 15 GAS	)	
PURSUANT TO <i>N.J.S.A.</i> 48:2-21 AND <i>N.J.S.A.</i> 48:2-21.1)	)	

**APPEARANCES:**

**Alexander C. Stern, Esq.**, for the Petitioner, Public Service Electric and Gas Company

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, **James W. Glassen, Esq.**, and **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsels, 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 (**Jeffrey S. Chiesa**, Attorney General of New Jersey)

On June 1, 2011, Public Service Electric and Gas Company ("Public Service" or "the Company") made a filing with the Board of Public Utilities ("Board") in the above-referenced matter, requesting no change in the Margin Adjustment Charge (MAC) rate of \$0.000000/therm to be implemented for service rendered on and after October 2011. The filing and the proposed implementation date for the MAC rate was in accordance with the Board's July 9, 2010 Order approving the Stipulation of Settlement in BPU Docket. No. GR09050422 whereby the Board approved a MAC Rate of \$0.000000/therm and directed that the Company make annual MAC filings commencing with the Company's next Basic Gas Supply Service ("BGSS") filing.

By way of background, on January 9, 2002, as a result of the Board's Order in Public Service's gas base rate case under BPU Docket No. GR01050328, the MAC was implemented to credit the net revenues associated with Non-Firm Transportation Gas Service ("TSG-NF") rates to customers on Rate Schedules Residential Service Gas ("RSG"), General Service Gas ("GSG"), Large Volume Service Gas ("LVG"), Street Lighting Service ("SLG"), and Firm Transportation Gas Service ("TSG-F"). The purpose of the MAC is to properly allocate transportation/distribution costs to non-firm gas transportation customers having the ability to switch to alternative fuel sources (e.g. oil) in recognition that these customers should contribute, along with firm customers, towards the costs associated with maintaining the distribution system. The MAC is set to ensure margins from TSG-NF customers are credited to firm customers. In the Company's June 1, 2011 filing, PSE&G represented that the MAC balance, its over/(under) recovery and the associated interest costs for the actual results and corresponding forecast required the MAC Rate to remain \$0.000000/therm as authorized in the Board's July 9, 2010 Order in BPU Docket No GR09050422 at paragraph 12.

Public Service, Board Staff, and the Division of Rate Counsel (Rate Counsel) (collectively, the "Parties") had discussed certain matters at issue herein. During those discussions, the Parties determined that additional time would be needed to complete the review of the Company's proposed MAC Rate. However, the parties also agreed that, no change in the Company's MAC Rate, on a provisional basis, subject to refund with interest on any net over or under recovered MAC balance, was reasonable and therefore agreed to continue the MAC Rate as of October 1, 2011, or as soon as possible upon the issuance of a Board Order approving the Stipulation for Provisional MAC Rate ("Stipulation"). As stated in the Petition, interest will be

based on the two-year Treasuries plus sixty (60) basis points to be adjusted August of each year. The Stipulation was approved by Order dated September 22, 201 for service rendered on and after October 1, 201 and the MAC Rate of \$0.000000/therm remained in effect with an updated tariff compliance filing submitted September 28, 2011

The Parties have discussed this matter further and HEREBY AGREE as follows:

No change in the Company's MAC Rate is justified at this time and it therefore remains reasonable for the Company's MAC rate to remain \$0.000000/therm, subject to refund with interest based on the two-year Treasuries plus sixty (60) basis points to be adjusted August of each year, on any net over or under-recovered MAC balance.

The undersigned 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 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.

3. Based upon a review of actual data through April 30, 201 and corresponding forecast for May 201 through September 2012, the parties agree that the provisional MAC rate effective October 1, 2011 should be deemed final. Actual costs incurred after April 30, 2011 are subject to review in the Company's next annual filing.

4. The Parties agree that the aforementioned MAC Rate shall be deemed final upon the effective date of the Board's written Order approving this Settlement or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

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Paragraph 12 of the Board's July 9, 2010 Order in BPU Docket No GR09050422 at paragraph 12 directs that "[t]he Prospective MAC Balance will accrue two-way interest in the same manner as the existing MAC balance."

5. The undersigned parties further HEREBY AGREE that this Settlement 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.

PUBLIC SERVICE ELECTRIC AND  
GAS COMPANY

STEFANIE A. BRAND  
DIRECTOR,  
DIVISION OF RATE COUNSEL

BY: Alexander C. Stern  
Alexander C. Stern, Esq.  
Assistant General Regulatory Counsel

BY: [Signature]  
Assistant Deputy Rate Counsel

DATED: 1-25-12

DATED: 1/26/12

JEFFREY S. CHIESA  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the Board of Public Utilities

BY: [Signature]  
Alex Moreau  
Deputy Attorney General

DATED: 1-25-12