



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY'S)	APPROVING STIPULATION
2015/2016 ANNUAL MARGIN ADJUSTMENT CHARGE)	FOR PROVISIONAL MAC
FILING UNDER ITS PERIODIC PRICING MECHANISM)	RATES
AND FOR CHANGES IN THE TARIFF FOR GAS)	
SERVICE.)	DOCKET NO. GR15060646

Parties of Record:

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

BY THE BOARD:¹

BACKGROUND

By Order of the Board of Public Utilities ("Board") dated January 9, 2002 in the gas base rate case of Public Service Electric and Gas Company ("PSE&G" or "the Company") in Docket No. GR01050328, the Company was authorized to implement the Margin Adjustment Clause ("MAC") to credit the net revenues associated with Transmission Service Gas Non-Firm ("TSG-NF") rates to customers on 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.

The current MAC rate was set by the Board in an Order dated April 15, 2015 in BPU Docket No. GR14050511, approving a per therm credit rate of \$0.011403.²

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

² All rates quoted include sales and use tax ("SUT").

The Company filed the instant petition with the Board on June 1, 2015, representing that it currently projects, based on actual results through April 2015, that the net MAC balance including cumulative interest at September 30, 2015 will be an over-recovery of \$17.31 million. Given this forecasted over-recovery, the Company believes that a per therm credit rate of \$0.007758 is appropriate for service rendered on and after October 1, 2015.

According to the petition, based on rates in effect as of June 1, 2015, PSE&G's typical residential gas heating customers using 165 therms in a winter month and 1,010 therms annually would see an increase of \$3.66, from \$920.37 to \$924.03 (0.40%).

After publication of notice in newspapers of general circulation in PSE&G's service territory, public hearings were scheduled and conducted in Hackensack, New Brunswick, and Westampton on August 18, 19, and 20 2015, respectively. Four (4) members of the public appeared and expressed concerns about high utility rates, but no one commented specifically on this petition.

The Company, the Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "the Parties") determined that additional time is needed to complete a comprehensive review of the Company's proposed change in the MAC. However, on August 26, 2015, the Parties executed a stipulation ("Stipulation")³ to implement the proposed change in the MAC rate on a provisional basis.

The Parties agree as follows:

1. The Company's MAC rate should be made effective as of October 1, 2015, or as soon as possible upon the issuance of a Board Order approving the Stipulation and should be provisionally changed to reflect a credit of \$0.007758 per therm, subject to interest on any net over or under-recovered MAC balance. Interest based on seven (7) year Treasuries rate plus sixty (60) basis points is to be adjusted on August 1 of each year on any net over or under-recovered MAC balance.⁴
2. The Company will provide an updated tariff sheet in the form attached to the Stipulation as Exhibit A within ten days of the effective date of the Board's Order in this docket.
3. The Parties understand that this determination is on a provisional basis with an opportunity for a full review at the Office of Administrative Law ("OAL"), if the Board should deem it necessary and final approval by the Board.

DISCUSSION AND FINDING

Based on its review of the record to date in this proceeding, the Board **HEREBY FINDS** that, subject to the terms and conditions set forth below, the attached Stipulation is reasonable and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein.

³ Although described in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

⁴ Paragraph 12 of the Board's July 9, 2010 Order in BPU Docket No. GR09050422 directs that "[t]he Prospective MAC Balance will accrue two-way interest in the same manner as the existing MAC balance."

The Board **HEREBY ORDERS** that the Company's MAC rate shall be provisionally changed to a credit of \$0.007758 per therm effective for service rendered on and after October 1, 2015. Any net over-recovered MAC balance at the end of the MAC period shall be subject to refund with interest.

The Board **HEREBY DIRECTS** that this matter be transmitted to the Office of Administrative Law for a full review and an opportunity for hearings.

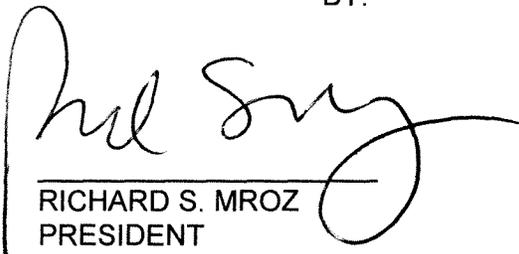
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within ten (10) business days from the effective date of this Order.

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 actions deemed to be appropriate as a result of any such audit.

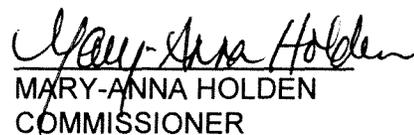
This Order shall be effective on September 21, 2015.

DATED: 9-11-15

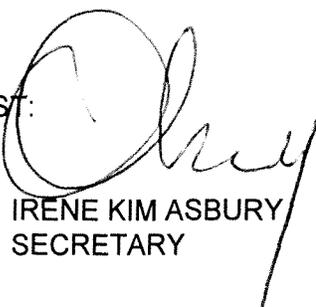
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

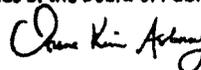

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST: 
IRENE KIM ASBURY
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 THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS
COMPANY'S 2015/2016 ANNUAL MARGIN ADJUSTMENT CHARGE FILING UNDER ITS
PERIODIC PRICING MECHANISM AND FOR CHANGES IN THE TARIFF FOR GAS SERVICE
BPU DOCKET NO. GR15060646

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August 26, 2015

In the Matter of the Petition of
Public Service Electric and Gas Company's
2014/2015 Annual Margin Adjustment Charge ("MAC")
Filing Under its Periodic Pricing Mechanism
and for Changes in the Tariff for Gas Service

BPU Docket No. GR15060646

VIA OVERNIGHT MAIL

Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
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Dear Secretary Asbury:

Enclosed for filing by Public Service Electric and Gas Company ("Company"), please find an original and ten copies of the Company's Stipulation of Settlement for Provisional Margin Adjustment Charge in the captioned matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Alexander C. Stern".

C Attached Service List (electronic only)

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S 2015/2016)
ANNUAL MARGIN ADJUSTMENT CHARGE)
("MAC") FILING UNDER ITS PERIODIC)
PRICING MECHANISM AND FOR CHANGES)
IN THE TARIFF FOR GAS SERVICE) BPU DOCKET NO. GR15060646

APPEARANCES:

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

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

Patricia A. Krogman and Alex Moreau, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**John J. Hoffman**, Acting Attorney General of New Jersey)

On June 1, 2015, 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 a change in the Margin Adjustment Charge ("MAC") rate for firm customers from (\$0.011403) per therm, including New Jersey Sales and Use Tax ("SUT") to (\$0.007758) per therm, including SUT, to be implemented for service rendered on and after October 1, 2015.

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 the rate schedule Non-Firm

Transportation Gas Service (“TSG-NF”) to customers on Rate Schedules Residential Service Gas (RSG), General Service Gas (“GSG”), Large Volume Service Gas (“LVG”), Street Lighting Gas (“SLG”), and Firm Transportation Gas Service (“TSG-F”). The current MAC is in accordance with the Board’s April 15, 2015 Order approving the Stipulation for Final MAC Rates in BPU Docket No. GR14050511 whereby the Board approved a MAC rate of (\$0.011403) (i.e., a credit of \$0.011403 per therm including SUT).

In the Company’s June 1, 2015 filing, Public Service represented that the current MAC balance, its over/(under) recovery and the associated interest costs for the actual results and corresponding forecast supported a change in the MAC to a rate of (\$0.007758) (i.e., a credit of \$0.007758 per therm including SUT). Based on rates in effect as of June 1, 2015, the impact of the implementation of this credit on a provisional basis for a typical residential gas heating customer receiving Basic Gas Supply Service from the Company and using 165 therms in a winter month and 1,010 therms annually will be an increase in the customer’s annual bill from \$920.37 to \$924.03 or \$3.66 or approximately 0.40%.

The Company acknowledges that a forecasted MAC is dependent upon the margins received from TSG-NF customers whose usage tends to be volatile and could be adversely impacted by various factors such as economic cycles and storm damage. As this matter is filed on an annual basis with the next filing anticipated in June 2016, the Company believes that given this uncertainty, it is prudent to change the MAC rate to

(\$0.007758) per therm including SUT (i.e., a credit of \$0.007758 per therm including SUT). A tariff sheet reflecting approval of the MAC rate proposed in the Company's filing is attached hereto as Attachment A to this Settlement.

Notice setting forth the Company's June 1, 2015 request for the continuation of the MAC credit but with firm customers receiving less of a credit than the prior year, including the date, time and place of the public hearing, 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 Mount Holly on August 18, 19, and 20, 2015, respectively. Four members of the public expressed general concerns about high utility rates and opposition to shutting off service for lack of payment. No members of the public appeared and commented specifically on this filing.

Public Service, Board Staff and the Division of Rate Counsel ("Rate Counsel") (collectively, "the Parties") have determined that additional time is needed to complete a comprehensive review of the Company's proposed change in the MAC. However, the Parties also agree that implementation of the change in the MAC, on a provisional basis, is reasonable at this time and HEREBY AGREE as follows:

1. The Company's MAC rate effective as of October 1, 2015, or as soon as possible upon the issuance of a Board Order approving this Stipulation ("Stipulation"), should be changed to reflect a rate of (\$0.007758) including SUT per therm on a

provisional basis subject to interest on any net over or under-recovered MAC balance. Interest based on the seven-year Treasuries plus sixty (60) basis points is to be adjusted August 1 of each year, on any net over or under-recovered MAC balance.¹

2. The Company will provide an updated tariff sheet within ten (10) business days of the effective date of the Board's Order in this docket. The proposed tariff sheet is attached hereto as Exhibit A.

3. 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. More particularly, in the event this Settlement is not adopted in its entirety by the Board then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Settlement as though this Settlement had not been signed.

4. The Parties understand that this determination is on a provisional basis, subject to interest on any net over or under-recovered MAC balance, an opportunity for a full review at the Office of Administrative Law ("OAL"), if the Board should deem it necessary and final approval by the Board.

¹ Paragraph 12 of the Board's July 9, 2010 Order in BPU Docket No. GR09050422 directs that "[t]he Prospective MAC Balance will accrue two-way interest in the same manner as the existing MAC balance." Additionally, Paragraph 12 directs that "[i]nterest on this portion of the MAC balance once new base rates go into effect will accrue at half of the authorized MAC interest rate."

5. The undersigned further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

6. 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, Esq.
Associate General Regulatory Counsel

BY: _____
Sarah H. Steindel
Assistant Deputy Rate Counsel

DATED: August 26, 2015

DATED: August 26, 2015

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

BY: 
Alex Moreau
Deputy Attorney General

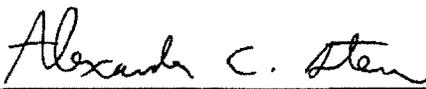
DATED: August 26, 2015

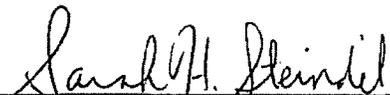
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PUBLIC SERVICE ELECTRIC AND
GAS COMPANY

STEFANIE A. BRAND
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DIVISION OF RATE COUNSEL

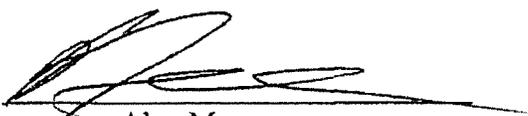
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BY: 
Sarah H. Steindel
Assistant Deputy Rate Counsel

DATED: August 26, 2015

DATED: August 26, 2015

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

BY: 
Alex Moreau
Deputy Attorney General

DATED: August 26, 2015

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

**XXX Revised Sheet No. 43
Superseding**

B.P.U.N.J. No. 15 GAS

XXX Revised Sheet No. 43

MARGIN ADJUSTMENT CHARGE

**CHARGE APPLICABLE TO
RATE SCHEDULES RSG, GSG, LVG, SLG, TSG-F
(Per Therm)**

Margin Adjustment Charge (\$0.007250)

Margin Adjustment Charge including New Jersey Sales and Use Tax (SUT)..... (\$0.007758)

Margin Adjustment Charge

This mechanism is designed to insure return of certain net revenues to the customer classes denoted above. Actual net revenues will be subject to deferred accounting. Interest at the seven-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances.

Date of Issue:

Issued by DANIEL J. CREGG, Vice President Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

Effective: