



Agenda Date: 12/19/17
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF GAS BASE RATE ADJUSTMENT)
PURSUANT TO ITS GAS SYSTEM MODERNIZATION)
PROGRAM (JULY 2017 GSMP RATE FILING))
DECISION AND ORDER
APPROVING STIPULATION
DOCKET NO. GR17070775

Parties of Record:

Martin C. Rothfelder, Esq., Rothfelder Stern, L.L.C. for Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

By this Order, the New Jersey Board of Public Utilities (“Board” or “BPU”) considers a Stipulation and Agreement (“2017 Stipulation”) executed by Public Service Electric and Gas Company (“PSE&G” or “Company”), Board Staff (“Staff”), and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, “Parties”) intended to resolve the Company’s requests related to the above docketed matter.

BACKGROUND

By Order dated November 16, 2015,² the Board authorized PSE&G to implement a three year Gas System Modernization Program (“GSMP” or “Program”) through which the Company would invest approximately \$650 million (excluding Allowance for Funds Used During Construction) to replace the Company’s utilization pressure cast iron (“UPCI”) and unprotected steel mains and associated services, and the up-rating of the UPCI segments to higher pressure.³ The November 2015 Order also approved a cost recovery mechanism that allowed for annual rate adjustments

¹ Commissioner Upendra J. Chivukula did not participate.

² In re the Petition of Public Service and Gas Company for Approval of a Gas System Modernization Program and Associated Cost Recovery Mechanism, BPU Docket No. GR15030272 (November 16, 2015) (“November 2015 Order”).

³ For mains installed and pressurized with gas as of December 31, 2018, spending for restoration work in the first six months of 2019 is included in the program, subject to the Program’s cost limitations.

("Alternative Rate Mechanism") and required PSE&G to maintain a base level of capital spending of approximately \$85 million that is not recoverable through the Alternative Rate Mechanism. In addition, the November 2015 Order also required that PSE&G file a base rate case with the Board no later than November 1, 2017.⁴

July 2017 Filing

On July 26, 2017, in compliance with the November 2015 Order, PSE&G filed the instant petition ("July 2017 Petition) with the Board seeking approval to recover the projected revenue requirement of \$27.853 million associated with the projected GSMP costs through September 2017. The July 2017 Petition was based on actual data from January 1, 2017 through June 30, 2017 and projected data from July 1, 2017 through September 30, 2017.

On October 16, 2017, the Company provided updated schedules reflecting actual costs through September 30, 2017 which supported a revenue requirement of \$24.820 million as follows:

Gas System Modernization Program Revenue Requirement [\$000] Roll-In Effective January 1, 2018	
Plant In Service as of Date	9/30/2017
Rate Base Balance as of Date	12/31/2017
Gross Plant	\$239,154
Accumulated Depreciation	<u>\$ 2,305</u>
Net Plant	\$ 241,459
Accumulated Deferred Taxes	<u>-\$ 45,963</u>
Rate Base	\$195,496
Rate of Return – After Tax	6.25%
Return Requirement (After Tax)	\$12,220
Depreciation Exp. Net	\$ 2,278
Tax Adjustment	<u>\$0</u>
Revenue Factor	<u>1.7121</u>
Roll-in Revenue Requirement	<u>\$24,820</u>

After publication of notice in newspapers of general circulation in the Company's service territory, public hearings were held in the afternoon and the evening on October 5, 12 and 17, 2017, in Hackensack, Mt. Holly, and New Brunswick, respectively. No members of the public provided comments at any of the hearings or filed written comments with Board.

⁴ By Orders dated October 20, 2017 and November 21, 2017 in Docket Nos. EO13020155 and GO13020156, the Board authorized an extension of the deadline for PSE&G to file a base rate case to February 1, 2018.

STIPULATION

On November 17, 2017, the Parties executed the 2017 Stipulation to resolve this matter. The 2017 Stipulation provides as follows:⁵

4. On October 16, 2017, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through September 30, 2017. Updated Schedule SS-GSMP-2 reflects the updated annualized increase to gas revenue requirements associated with GSMP investment costs. The updated annual increase in revenue requirement reflected in that schedule is lower than the originally proposed increase in annual gas revenue requirement. The Company shall receive rates, as described in the 2017 Stipulation, designed to recover the revenue requirement increases from the updated Schedule SS-GSMP-2 of \$24.820 million for gas.
5. The Company shall implement the rates associated with the updated annualized increase in the gas revenue requirement and the rate design in the November 2015 Order, which were provided in the updated (October 16, 2017) Schedule SS-GSMP-5. Those pages are attached to the 2017 Stipulation as Attachment 1. The Company shall implement the gas rates discussed effective January 1, 2018.
6. The annual impact of the increased rates, which reflect Sales and Use Tax ("SUT") at the current 6.875% rate, to the typical residential gas heating customer using 165 therms in a winter month and 1,010 therms annually, is \$13.70 or approximately 1.54%.
7. The Parties agree that pursuant to the terms of the November 2015 Order, PSE&G may implement the rates in Attachment 1 of the 2017 Stipulation effective January 1, 2018. The rates in Attachment 1 of the 2017 Stipulation reflect the 6.625% New Jersey SUT that will be effective January 1, 2018. The rate adjustments established in the 2017 Stipulation shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred capital expenditures under the GSMP. Such prudence review shall take place in the Company's next base case. Nothing in the 2017 Stipulation will preclude any party from raising in the next base case any objection that could have been raised in the annual filings.

DISCUSSION AND FINDING

The Board, having carefully reviewed the record in this proceeding, including the July 2017 Petition and the 2017 Stipulation executed by the Parties, the Board **HEREBY FINDS** the 2017 Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

⁵ Although summarized in this Order, the detailed terms of the 2017 Stipulation are controlling, subject to the findings and conclusions of this Order.

The Board **HEREBY APPROVES** the rate adjustments calculated in Attachment 1 of the 2017 Stipulation, on a provisional basis, to be effective for services rendered on and after January 1, 2018.

Based on the 2017 Stipulation, the annual bill impact on the typical residential gas heating customer using 1,010 therms is an increase of \$13.70 or approximately 1.54%.

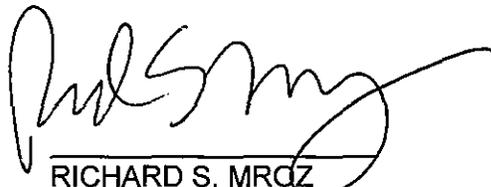
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to January 1, 2018. PSE&G is further **DIRECTED** to reflect the reduction of the SUT rate in its tariff compliance filing.

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

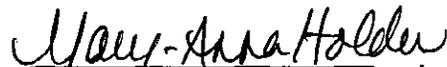
The effective date of this Order is December 29, 2017.

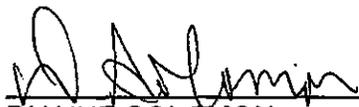
DATED: 12/19/17

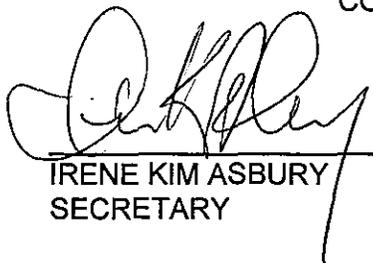
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

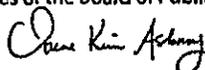

JOSEPH L. FIORDALISO
COMMISSIONER


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
FOR APPROVAL OF GAS BASE RATE ADJUSTMENTS PURSUANT TO ITS GAS SYSTEM
MODERNIZATION PROGRAM (JULY 2017 GSMP RATE FILING)
BPU DOCKET NO. GR17070775

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November 20, 2017

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of Gas Base Rate Adjustments Pursuant
to its Gas System Modernization Program
("July 2017 GSMP Rate Filing")

Docket No. GR17070775

VIA OVERNIGHT DELIVERY

Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Ave., 3rd Floor, Suite 314
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Dear Secretary Asbury:

Attached please find the fully executed Stipulation (of which 10 copies are enclosed) in the above-referenced matter resolving all aspects of this matter. All the parties have signed the Stipulation: Public Service Electric and Gas Company, the Staff of the New Jersey Board of Public Utilities, and the New Jersey Division of Rate Counsel.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in cursive script that reads "Matthew Weissman".

Matthew M. Weissman

C. Attached Service List (E-Mail)

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY FOR APPROVAL OF GAS BASE) BPU Docket No. GR17070775
RATE ADJUSTMENTS PURSUANT TO ITS)
GAS SYSTEM MODERNIZATION PROGRAM)
(JULY 2017 GSMP RATE FILING))

STIPULATION AND AGREEMENT

APPEARANCES:

Matthew M. Weissman, Esq., General Regulatory Counsel-Rates, PSEG Services Corp., and **Martin C. Rothfelder**, Esq., Rothfelder Stern, L.L.C., for the Petitioner, Public Service Electric and Gas Company

Felicia Thomas-Friel, Esq., Managing Attorney – Gas, **Sarah H. Steindel**, Esq., Assistant Deputy Rate Counsel, and **Henry M. Ogden**, Esq., Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (Stefanie A. Brand, Director)

Patricia Krogman, **Alex Moreau**, and **Emma Xiao**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Christopher S. Porrino, Attorney General of New Jersey)

On July 26, 2017 Public Service Electric and Gas Company (PSE&G or Company) filed a Petition (July 2017 Petition) with the New Jersey Board of Public Utilities (Board or BPU) seeking approval to recover the revenue requirements associated with certain capitalized gas investment costs of the Gas System Modernization Program (GSMP) through September 30, 2017. Upon review of the July 2017 Petition, conducting and reviewing responses to discovery, and discussing the facts and issues in settlement meetings, telephone calls, and e-mails, the Staff of the New Jersey Board of Public Utilities (Board Staff), the New Jersey Division of Rate Counsel (Rate Counsel), and PSE&G, the only parties to this proceeding (collectively, the Parties), stipulate and agree as follows:

1. PSE&G's July 2017 Petition sought Board approval for gas base rate changes to provide for cost recovery associated with the Company's GSMP, which was addressed in a Board Decision and Order Approving Stipulation dated November 16, 2015 in BPU Docket No. GR15030272 (Gas System Modernization Program Order) that adopted a stipulation that explicitly authorizes the request for the rate increases in the July 2017 Petition.¹

2. PSE&G's July 2017 Petition sought authority to establish rates to recover an annualized increase in gas revenue requirement of \$27.853 million associated with GSMP investment costs. The annualized increase in gas revenue requirement was supported by Attachment 2, Schedule SS-GSMP-2 attached to the July 2017 Petition, which was based upon actual expenditures from January 1, 2017 through June 30, 2017 and projected expenditures through September 30, 2017, and was also the basis for the proposed increased base gas rates.

3. Notice of the Company's July 2017 Petition, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's gas service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's gas service territory. In accordance with that notice, public hearings on the Company's requests were held on the following dates at three locations in PSE&G's service territory: two hearings on October 5, 2017 in Hackensack, New Jersey; two hearings on October 12, 2017 in Mt. Holly, New Jersey; and two hearings on October 17, 2017 in New

¹ Paragraph 19b of the stipulation provides that:

Revenue Requirements associated with Program investments that are placed into service through and including 9/30/17 shall go into base rates effective 1/1/18. PSE&G shall make its initial filing for such rates in July 2017, and update such filing for actual data through September 30, 2017 by October 15, 2017.

Brunswick, New Jersey. No members of the public provided comments at any of the hearings or filed written comments with the Board.

4. On October 16, 2017, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through September 30, 2017. Updated Schedule SS-GSMP-2 reflects the updated annualized increase to gas revenue requirements associated with GSMP investment costs. The updated annual increase in revenue requirement reflected in that schedule is lower than the originally proposed increase in annual gas revenue requirement. The Company shall receive rates, as described below, designed to recover the revenue requirement increases from the updated Schedule SS-GSMP-2 of \$24.820 million for gas.
5. The Company shall implement the rates associated with the updated annualized increase in the gas revenue requirement and the rate design in the Gas System Modernization Program Order, which were provided in the updated (October 16, 2017) Schedule SS-GSMP-5. Those pages are attached hereto as Attachment 1. The Company shall implement the gas rates discussed in this paragraph effective January 1, 2018.
6. The annual impact of the increased rates, which reflect SUT at the current 6.875% rate, to the typical residential gas heating customer using 165 therms in a winter month and 1,010 therms annually, is \$13.70 or approximately 1.54%.
7. The Parties agree that pursuant to the terms of the Gas System Modernization Program Order, PSE&G may implement the rates in Attachment 1 effective January 1, 2018. The rates in Attachment 1 reflect the 6.625% New Jersey Sales and Use Tax that will be effective January 1, 2018. The rate adjustments established herein shall be provisional and subject to refund based upon a Board finding that PSE&G imprudently incurred

capital expenditures under the GSMP. Such prudency review shall take place in the Company's Next Base Case². Nothing herein will preclude any party from raising in the Next Base Case any objection that could have been raised in the annual filings.

8. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this stipulation as though this Stipulation had not been signed.
9. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
10. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, PSE&G, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

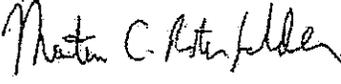
² "Next Base Case" as used herein is the term as defined in the Energy Strong case Stipulation as approved by the Board of Public Utilities in Docket numbers EO13020155 & GO13020156 by an Order dated May 21, 2014, as well as in paragraph 20 of the Gas System Modernization Program Stipulation that was approved by the Gas System Modernization Program Order.

11. The Parties 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.

**PUBLIC SERVICE ELECTRIC AND GAS
COMPANY**

**CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW
JERSEY**

Attorney for the Staff of the
New Jersey Board of Public Utilities

BY: 
Martin C. Rothfelder, Esq.

BY: 
Patricia A. Klegman
Deputy Attorney General

DATED: November 17, 2017

DATED: 11/17/17

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

BY: 
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

DATED: Nov. 17, 2017

GSMP Roll In

Gas Tariff Rates

<u>Rate Schedule</u>	<u>Present</u>		<u>As Filed 10/16/2017</u>		<u>(A - C)</u>	
	<u>(a) Charge</u> <u>without/SUT</u>	<u>(b) Charge</u> <u>Including</u> <u>SUT</u>	<u>(c) Charge</u> <u>without/SUT</u>	<u>(D) Charge</u> <u>Including SUT</u> <u>at Current Rate</u> <u>of 6.875%</u>	<u>(E) Charge</u> <u>Reflecting</u> <u>6.625% SUT</u> <u>Effective 1/1/18</u>	<u>Difference</u> <u>w/out SUT</u> <u>Difference</u> <u>w/out SUT</u>
RSG						
Service Charge	\$5.46	\$5.84	\$5.46	\$5.84	\$5.82	\$0.00
Distribution Charges	\$0.308969	\$0.330211	\$0.321832	\$0.343958	0.343153	\$0.012863
Balancing Charge	\$0.084457	\$0.090263	\$0.084457	\$0.090263	0.090052	\$0.000000
Off-Peak Use	\$0.154485	\$0.165105	\$0.160916	\$0.171979	0.171577	\$0.006432
GSG						
Service Charge	\$11.64	\$12.44	\$12.23	\$13.07	\$13.04	\$0.59
Distribution Charge - Pre July 14, 1997	\$0.252488	\$0.269847	\$0.259499	\$0.277340	0.276691	\$0.007011
Distribution Charge - All Others	\$0.252488	\$0.269847	\$0.259499	\$0.277340	0.276691	\$0.007011
Balancing Charge	\$0.084457	\$0.090263	\$0.084457	\$0.090263	0.090052	\$0.000000
Off-Peak Use Dist Charge - Pre July 14, 1997	\$0.126244	\$0.134923	\$0.129750	\$0.138670	0.138346	\$0.003506
Off-Peak Use Dist Charge - All Others	\$0.126244	\$0.134923	\$0.129750	\$0.138670	0.138346	\$0.003506
LVG						
Service Charge	\$100.12	\$107.00	\$100.12	\$107.00	\$106.75	\$0.00
Demand Charge	\$3.8439	\$4.1082	\$4.0054	\$4.2808	4.2708	\$0.1615
Distribution Charge 0-1,000 pre July 14, 1997	\$0.044230	\$0.047271	\$0.047350	\$0.050605	0.050487	\$0.003120
Distribution Charge over 1,000 pre July 14, 1997	\$0.039979	\$0.042728	\$0.041279	\$0.044117	0.044014	\$0.001300
Distribution Charge 0-1,000 post July 14, 1997	\$0.044230	\$0.047271	\$0.047350	\$0.050605	0.050487	\$0.003120
Distribution Charge over 1,000 post July 14, 1997	\$0.039979	\$0.042728	\$0.041279	\$0.044117	0.044014	\$0.001300
Balancing Charge	\$0.084457	0.090263	\$0.084457	\$0.090263	0.090052	\$0.000000
SLG						
Single-Mantle Lamp	\$9.6316	\$10.2938	\$9.6316	\$10.2938	10.2697	\$0.0000
Double-Mantle Lamp, inverted	\$9.4856	\$10.1377	\$9.4856	\$10.1377	10.1140	\$0.0000
Double Mantle Lamp, upright	\$8.3906	\$8.9675	\$8.3906	\$8.9675	8.9465	\$0.0000
Triple-Mantle Lamp, prior to January 1, 1993	\$9.4856	\$10.1377	\$9.4856	\$10.1377	10.1140	\$0.0000
Triple-Mantle Lamp, on and after January 1, 1993	\$61.9958	\$66.2580	\$61.9958	\$66.2580	66.1030	\$0.0000
Distribution Therm Charge	\$0.096425	\$0.103054	\$0.115157	\$0.123074	0.122786	\$0.018732

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		<u>Present</u>		<u>As Filed 10/16/2017</u>			
		<u>(a) Charge without/SUT</u>	<u>(b) Charge Including SUT</u>	<u>(c) Charge without/SUT</u>	<u>(d) Charge Including SUT at Current Rate of 6.875%</u>	<u>(E) Charge Reflecting 6.625% SUT Effective 1/1/18</u>	<u>(A - C) Difference w/out SUT Difference w/out SUT</u>
TSG-F	Service Charge	\$552.58	\$590.57	\$580.42	\$620.32	\$618.87	\$27.84
	Demand Charge	\$1.8934	\$2.0236	\$1.9555	\$2.0899	2.0851	\$0.0621
	Distribution Charges	\$0.072372	\$0.077348	\$0.074744	\$0.079883	0.079696	\$0.002372
TSG-NF	Service Charge	\$552.58	\$590.57	\$580.42	\$620.32	\$618.87	\$27.84
	Distribution Charge 0-50,000	\$0.072140	\$0.077100	\$0.074308	\$0.079417	0.079231	\$0.002168
	Distribution Charge over 50,000	\$0.072140	\$0.077100	\$0.074308	\$0.079417	0.079231	\$0.002168
	Special Provision (d)	\$1.89	\$2.02	\$1.89	\$2.02	\$2.02	\$0.00
CIG	Service Charge	\$142.52	\$152.32	\$147.31	\$157.44	\$157.07	\$4.79
	Distribution Charge 0-600,000	\$0.064551	\$0.068989	\$0.066666	\$0.071249	0.071083	\$0.000000
	Distribution Charge over 600,000	\$0.052968	\$0.056610	0.054703	\$0.058464	0.058327	\$0.001735
	Special Provision (c) 1st para	\$1.89	\$2.02	\$1.89	\$2.02	\$2.02	\$0.00
BGSS RSG	Commodity Charge including Losses	\$0.346142	\$0.369939	\$0.346015	\$0.369804	0.368938	-\$0.000127
CSG	Service Charge	\$552.58	\$590.57	\$580.42	\$620.32	\$618.87	\$27.84