



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 2018 GSMP RATE FILING))	DECISION AND ORDER APPROVING STIPULATION
)	
)	
)	
)	DOCKET NO. GR18070831

Parties of Record:

Danielle Lopez, Esq., 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 ("2018 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 ("Alternative Rate Mechanism") and required PSE&G to maintain a base level of capital spending of

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

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.

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 2018 Filing

On July 30, 2018, in compliance with the November 2015 Order, PSE&G filed the instant petition ("July 2018 Petition") with the Board seeking approval to recover the projected revenue requirement of \$26.4 million associated with actual and estimated GSMP investments through September 30, 2018. The July 2018 Petition was based on actual data from January 1, 2018, through June 30, 2018, and projected data from July 1, 2018, through September 30, 2018.

On October 15, 2018, the Company provided updated schedules reflecting actual costs through September 30, 2018. On November 2, 2018, PSE&G provided a second update to reflect the results of the Company's base rate case approved by the Board on October 31, 2018, which supported a revenue requirement of \$21.348 million as follows:

Gas System Modernization Program Revenue Requirement [\$000] -- Roll-In Effective January 1, 2019 Docket No. GR18070831	
Rate Effective Date	1/1/2019
Plant In Service as of Date	9/30/2018
Rate Base Balance as of Date	12/31/2018
Gross Plant	\$196,828
Accumulated Depreciation	<u>\$ 4,345</u>
New Plant	\$ 201,173
Accumulated Deferred Taxes	<u>-\$ 5,067</u>
Rate Base	\$196,106
Rate of Return – After Tax	6.48%
Return Requirement (After Tax)	\$12,711
Depreciation Exp. Net	\$ 2,390
Tax Adjustment	\$0
Revenue Factor	<u>1.4137</u>
Roll-in-Revenue Requirement	\$21,348

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 24, 2018, October 30, 2018, and November 1, 2018, in New Brunswick, Hackensack, and Mount Holly. 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. On January 12, 2018, PSE&G filed a base rate case, which was assigned Docket Numbers ER18010029 and GR18010030.

STIPULATION

On December 3, 2018, the Parties executed the 2018 Stipulation to resolve this matter. The 2018 Stipulation provides as follows:⁵

5. On November 2, 2018, the Company provided a second update to the schedules in this matter, which reflected the results of the Company's 2018 base rate case approved by the Board for rates effective November 1, 2018 in Docket Nos. ER18010029 and GR18010030. The second update had the incorrect composite and federal income tax rates shown, although the correct rates were used in the actual calculations. The second update to Schedule SS-GSMP-2 reflects the 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 increase in annual gas revenue requirement proposed in this matter. The Company's requested rates, as described in the Stipulation, are designed to recover the revenue requirement increases from the second update to Schedule SS-GSMP-2 of \$21.348 million for gas.
6. The Company shall implement the requested 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 second update on November 2, 2018, to Schedule SS-GSMP-5. Those pages are attached to the Stipulation as Attachment 1. The Company shall implement the gas rates discussed in the Stipulation effective January 1, 2019.
7. The annual impact of the increased rates to the typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually is \$12.80 or approximately 1.45%.
8. The Parties agree that pursuant to the terms of the November 2015 Order, PSE&G may implement the rates in Attachment 1 of the Stipulation effective January 1, 2019. The rate adjustments established in the Stipulation shall be provisional and subject to refund contingent upon the Board finding that PSE&G imprudently incurred capital expenditures under the GSMP. Such prudence review shall take place in the Company's next base rate case. The Company will file its next base rate case no later than January 1, 2024 ("the 2024 base rate case"), in accordance with paragraph 40 of the Gas System Modernization Program II Stipulation which was approved by the Board in Docket Number GR17070776, by an Order dated May 22, 2018. Nothing in the Stipulation will preclude any party from raising any objection in the 2024 base rate case that could have been raised in the annual filings.

⁵ Although summarized in this Order, the detailed terms of the 2018 Stipulation are controlling, subject to the findings and conclusions of this Order.

DISCUSSION AND FINDING

The Board, having carefully reviewed the record in this proceeding, including the July 2018 Petition and the 2018 Stipulation executed by the Parties, the Board **HEREBY FINDS** the 2018 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.

The Board **HEREBY APPROVES** the rate adjustments calculated in Attachment 1 of the 2018 Stipulation, on a provisional basis, to be effective for services rendered on and after January 1, 2019.

Based on the 2018 Stipulation, the annual bill impact on the typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually is an increase of \$12.80 or approximately 1.45%.

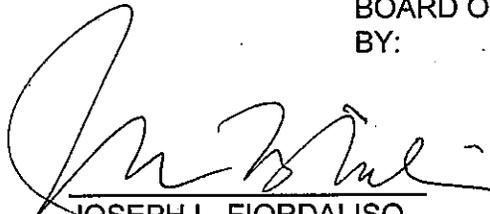
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to January 1, 2019.

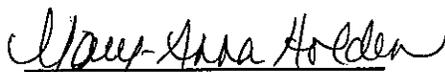
The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The effective date of this Order is December 28, 2018.

DATED: 12/18/18

BOARD OF PUBLIC UTILITIES
BY:

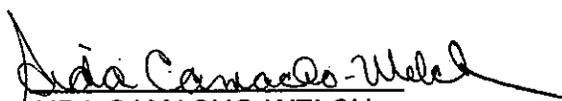

JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:


AIDA CAMACHO-WELCH
SECRETARY

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 2018 GSMP RATE FILING)
BPU DOCKET NO. GR18070831

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Public Service Electric and Gas Company

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December 3, 2018

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 2018 GSMP Rate Filing)

BPU Docket No. GR18070831

VIA ELECTRONIC & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 3rd Flr.
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

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 black ink, appearing to read "Danielle Lopez", written in a cursive style.

Attach.

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. GR18070831
RATE ADJUSTMENTS PURSUANT TO ITS)
GAS SYSTEM MODERNIZATION PROGRAM)
(JULY 2018 GSMP RATE FILING))

STIPULATION AND AGREEMENT

APPEARANCES:

Matthew M. Weissman, Esq., General Regulatory Counsel-Rates, PSEG Services Corp., and **Danielle Lopez, Esq.**, Assistant General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas

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

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

On July 30, 2018 Public Service Electric and Gas Company (PSE&G or Company) filed a Petition (July 2018 Petition) with the New Jersey Board of Public Utilities (Board or BPU) seeking BPU approval to recover the revenue requirements associated with certain capitalized gas investment costs of the Gas System Modernization Program (GSMP) through September 30, 2018. Upon review of the July 2018 Petition and discovery responses 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, Parties), stipulate and agree as follows:

1. PSE&G's July 2018 Petition in this matter 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 (“GSMP Order”) that adopted a Stipulation that authorizes the request for rate increases. Paragraph 19c of the Stipulation associated with the GSMP Order provides that: Revenue Requirements associated with Program investments that are placed into service through and including 9/30/18 shall go into base rates effective 1/1/19. PSE&G shall make its initial filing for such rates in July 2018, and update such filing for actual data through September 30, 2018 by October 15, 2018.

2. PSE&G’s July 2018 Petition sought authority to establish rates to recover an annualized increase in gas revenue requirement of \$26.4 million. The proposed revenue requirement increase is 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 2018 Petition, which was based upon actual expenditures from October 1, 2017 through June 30, 2018 and projected expenditures through September 30, 2018, and was also the basis for the proposed increased base gas rates.
3. Notice of the Company’s July 2018 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 in the afternoon and evening on the following dates and locations in PSE&G’s gas service territory: October 24, 2018 in New Brunswick, New Jersey; October 30, 2018 in Hackensack, New Jersey; and on November 1, 2018 in Mt. Holly,

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

4. On October 15, 2018, the Company provided updated schedules in this matter, which replaced the projected data in the original schedules with actual data through September 30, 2018.
5. On November 2, 2018, the Company provided a second update to the schedules in this matter, which reflected the results of the Company's 2018 base rate case approved by the Board for rates effective November 1, 2018 in Docket Nos. ER18010029 and GR18010030. The second update had the incorrect composite and federal income tax rates shown, although the correct rates were used in the actual calculations. The second update to Schedule SS-GSMP-2 reflects the 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 increase in annual gas revenue requirement proposed in this matter. The Company's requested rates, as described below, are designed to recover the revenue requirement increases from the second update to Schedule SS-GSMP-2 of \$21.348 million for gas.
6. The Company shall implement the requested rates associated with the updated annualized increase in the gas revenue requirement and the rate design in the GSMP Order, which were provided in the second update on November 2, 2018, to 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, 2019.

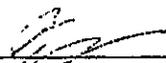
7. The annual impact of the increased rates to the typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually is \$12.80 or approximately 1.45%.
8. The Parties agree that pursuant to the terms of the GSMP Order, PSE&G may implement the rates in Attachment 1 effective January 1, 2019. The rate adjustments established herein shall be provisional and subject to refund contingent upon the Board finding that PSE&G imprudently incurred capital expenditures under the GSMP. Such prudence review shall take place in the Company's next base rate case. The Company will file its next base rate case no later than January 1, 2024 ("the 2024 base rate case"), in accordance with paragraph 40 of the Gas System Modernization Program II Stipulation which was approved by the Board of Public Utilities in Docket number GR17070776 , by an Order dated May 22, 2018. Nothing herein will preclude any party from raising any objection in the 2024 base rate case that could have been raised in the annual filings.
9. 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(s), 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.

10. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
11. 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.
12. 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

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ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the
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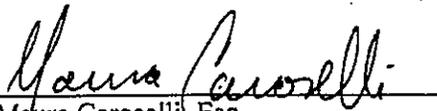
BY: 
Danielle Lopez, Esq.
Assistant General Regulatory Counsel

BY: 
Emma Yao Xiao, Esq.
Deputy Attorney General

DATED: 11/30/18

DATED: 12/3/18

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

BY: 
Maara Caroselli, Esq.,
Assistant Deputy Rate Counsel

DATED: 12/3/18

GR18070881

GSMP Roll In

Gas Tariff Rates

<u>Rate Schedule</u>	<u>Present</u>		<u>Proposed</u>	
	<u>Charge without/SUT</u>	<u>Charge Including SUT</u>	<u>Charge without/SUT</u>	<u>Charge Including SUT</u>
RSG				
Service Charge	\$8.08	\$8.62	\$8.08	\$8.62
Distribution Charges	\$0.333771	\$0.355883	\$0.345322	\$0.368200
Balancing Charge	\$0.096436	\$0.102825	\$0.096436	\$0.102825
Off-Peak Use	\$0.166886	\$0.177942	\$0.172661	\$0.184100
GSG				
Service Charge	\$14.00	\$14.93	\$14.50	\$15.46
Distribution Charge - Pre July 14, 1997	\$0.274089	\$0.292247	\$0.280009	\$0.298560
Distribution Charge - All Others	\$0.274089	\$0.292247	\$0.280009	\$0.298560
Balancing Charge	\$0.096436	\$0.102825	\$0.096436	\$0.102825
Off-Peak Use Dist Charge - Pre July 14, 1997	\$0.137045	\$0.146124	\$0.140005	\$0.149280
Off-Peak Use Dist Charge - All Others	\$0.137045	\$0.146124	\$0.140005	\$0.149280
LVG				
Service Charge	\$124.28	\$132.51	\$128.76	\$137.29
Demand Charge	\$3.8993	\$4.1576	\$3.9207	\$4.1804
Distribution Charge 0-1,000 pre July 14, 1997	\$0.037097	\$0.039555	\$0.039047	\$0.041634
Distribution Charge over 1,000 pre July 14, 1997	\$0.042625	\$0.045449	\$0.042397	\$0.045206
Distribution Charge 0-1,000 post July 14, 1997	\$0.037097	\$0.039555	\$0.039047	\$0.041634
Distribution Charge over 1,000 post July 14, 1997	\$0.042625	\$0.045449	\$0.042397	\$0.045206
Balancing Charge	\$0.096436	\$0.102825	\$0.096436	\$0.102825
SLG				
Single-Mantle Lamp	\$13.2351	\$14.1119	\$13.2351	\$14.1119
Double-Mantle Lamp, inverted	\$13.2351	\$14.1119	\$13.2351	\$14.1119
Double Mantle Lamp, upright	\$13.2351	\$14.1119	\$13.2351	\$14.1119
Triple-Mantle Lamp, prior to January 1, 1993	\$13.2351	\$14.1119	\$13.2351	\$14.1119
Triple-Mantle Lamp, on and after January 1, 1993	\$67.4762	\$71.9465	\$67.4762	\$71.9465
Distribution Therm Charge	\$0.043982	\$0.046896	\$0.045455	\$0.048466

Gas Tariff Rates

		<u>Present</u>		<u>Proposed</u>	
		<u>Charge</u>	<u>Charge Including SUT</u>	<u>Charge</u>	<u>Charge Including SUT</u>
TSG-F	Service Charge	\$665.62	\$709.72	\$689.62	\$735.31
	Demand Charge	\$2.0288	\$2.1632	\$2.0476	\$2.1833
	Distribution Charges	\$0.077551	\$0.082689	\$0.078269	\$0.083454
TSG-NF	Service Charge	\$665.62	\$709.72	\$689.62	\$735.31
	Distribution Charge 0-50,000	\$0.081427	\$0.086822	\$0.083251	\$0.088766
	Distribution Charge over 50,000	\$0.081427	\$0.086822	\$0.083251	\$0.088766
	Special Provision (d)	\$1.89	\$2.02	\$1.89	\$2.02
CIG	Service Charge	\$162.38	\$173.14	\$166.28	\$177.30
	Distribution Charge 0-600,000	\$0.072962	\$0.077796	\$0.074642	\$0.079587
	Distribution Charge over 600,000	\$0.062962	\$0.067133	0.064642	\$0.068925
	Special Provision (c) 1st para	\$1.89	\$2.02	\$1.89	\$2.02
BGSS RSG	Commodity Charge including Losses	\$0.327436	\$0.349129	\$0.327371	\$0.349059
CSG	Service Charge	\$665.62	\$709.72	\$689.62	\$735.31
	Distribution Charge - Non-Firm	\$0.081427	\$0.086822	\$0.083251	\$0.088766