



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 PUBLIC SERVICE ELECTRIC)	DECISION AND ORDER
AND GAS COMPANY'S 2012/2013 ANNUAL MARGIN)	APPROVING STIPULATION
ADJUSTMENT CHARGE ("MAC") FILING UNDER ITS)	FOR MAC RATES
PERIODIC PRICING MECHANISM AND FOR)	
CHANGES IN THE TARIFF FOR GAS SERVICE)	
B.P.U.N.J. NO. 15 GAS PURSUANT TO <u>N.J.S.A. 48:2-</u>)	
21 AND <u>N.J.S.A. 48:2-21.1</u>)	BPU DOCKET NO. GR12060489

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:

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 ("Public Service" or "the Company") in Docket No. GR01050328¹, 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 and 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.

¹ I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Increase in Gas Rates and for Changes in the Tariff for Gas Service B.P.U.N.J. No. 12, Gas Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, Dkt. No. GR01050328, Board Order dated January 9, 2002.

By an Order in BPU Docket. No. GR09050422² dated July 9, 2010 as part of the Company's gas base rate case ("July 2010 Order"), the Board approved a stipulated MAC Rate set at \$0.000000 per therm. The stipulation also provided 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 as of August 1. The Company was directed to make annual MAC filings contemporaneous with its annual basic gas supply service filings.

In accordance with the July 2010 Order, on June 1, 2012, Public Service petitioned the Board to maintain the existing MAC rate at \$0.000000 per therm through September 2013, citing the difficulty in predicting an accurate MAC rate given the volatility of margins received from TSG-NF customers.³ The Company subsequently amended the filing, still maintaining that continuation of the current MAC rate is appropriate.

The Company, Board Staff, and the Division of Rate Counsel, the only parties to the proceeding (collectively, the "Parties") conducted discovery, and on March 20, 2013, executed a stipulation for MAC rates ("Stipulation").

STIPULATION⁴

The Stipulation provides for the following:

- Based upon a review of actual data through July 31, 2012 and corresponding forecast for August 1, 2012 through September 2013, the parties agree that the MAC rate of \$0.000000 per therm should remain in effect. Actual results after July 31, 2012 are subject to review in the Company's next annual filing. 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.
- The Parties agree that the aforementioned MAC Rate of \$0.000000 per therm 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.

DISCUSSION AND FINDING

After review of the petition and supporting information, the Board **HEREBY FINDS** that subject to the terms and conditions set forth below, the attached Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein.

² In re 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.

³ Volatility noted: The June 1, 2012 Petition reflecting actual balances through April 2012 estimated a \$15.3 million over-recovery through September 2013. The Company's update reflecting actual balances through July 2012 estimated an \$11.0 million over-recovery over the same time period.

⁴ Although summarized in this Order, the detailed terms of the stipulation control, subject to the findings and conclusions of this Order.

The Board **HEREBY ORDERS** that the Company's Margin Adjustment Clause rate shall remain at \$0.000000 per therm. Any net over-recovered MAC balance at the end of the MAC period shall be subject to refund with interest.

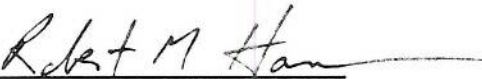
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days from the date of this Order.


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

This Order shall be effective on the date on which it is served as required by N.J.S.A. 48:2-40.

DATED: 4/29/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
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 2012/2013
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. GR12060489

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