



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 BGSS)	APPROVING STIPULATION FOR
COMMODITY CHARGE FILING FOR ITS)	FINAL BGSS-RSG RATES
RESIDENTIAL GAS CUSTOMERS UNDER ITS)	
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.</u> 48:2-)	BPU DOCKET NO. GR12060490
21 AND <u>N.J.S.A.</u> 48:2-21.1)	OAL PUC NO. 14-136-12

Parties of Record:

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

BY THE BOARD:

BACKGROUND

Per the generic Order of the Board of Public Utilities ("Board") dated January 6, 2003, in Docket No. GX01050304 ("January BGSS Order"), each of New Jersey's four gas distribution companies ("GDCs") submits to the Board its annual Basic Gas Supply Service ("BGSS") commodity cost filing by June 1, for the BGSS year beginning October 1.

In accordance with the January BGSS Order, Public Service Electric and Gas Company ("Company") filed a petition with the Board on June 1, 2012, seeking to decrease its after-tax per therm BGSS Residential Service ("BGSS-RSG") commodity rate from \$0.600869 to \$0.544107, estimating that the Company would be over-recovered by \$75.6 million through September 2013 in absence of the \$0.056762 rate reduction. Under the Company's proposal, typical residential heating customers using 100 therms per month during the winter months and 1000 therms on an annual basis would see a decrease of \$5.68 in their monthly bills from \$110.32 to \$104.64 or by 5.15%, and a decrease of \$56.75 in their annual bills from \$1,097.66 to \$1,040.91 or by 5.17%.

After publication of notices in newspapers of general circulation throughout the Company's gas service territory, public hearings were held in Mt. Holly, New Brunswick and Hackensack on August 20, 22, and 23, 2012, respectively. No members of the public attended the public hearings which were held in Mt. Holly and Hackensack. One member of the public attended the public hearing in New Brunswick but did not enter an appearance or comment on the petition.

The Company, Board Staff and the Division of Rate Counsel ("Rate Counsel") (collectively, "the Parties"), agreed, that while additional time was needed to complete a review of the Company's filing, a decrease in the Company's BGSS-RSG after-tax per therm commodity rate from \$0.600869 to \$0.544107 on a provisional basis was justified based on projected decreases in commodity costs during the 2012-2013 BGSS year. A stipulation providing for the implementation of the proposed rate on a provisional basis pending additional review of the filing was approved by the Board on September 13, 2012, and became effective for service rendered on and after October 1, 2012.

On October 17, 2012, this matter was transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Richard McGill.

On December 27, 2012, the Company made a compliance filing pursuant to Docket Nos. ER11090540, GR11090541, EO11110780 and GO11110781 concerning the Company's Capital Infrastructure Investment Program ("CIP") 1 and CIP 2 cases. As a result of the settlement of the CIP 1 and CIP 2 cases, the Company's after-tax per therm BGSS-RSG commodity rate was further reduced from \$0.544107 to \$0.543979 effective for service rendered on and after January 1, 2013.

STIPULATION FOR FINAL BGSS-RSG COMMODITY CHARGE RATES¹

Subsequent to discovery and substantive discussions of the issues, on May 10, 2013 the Parties executed a Stipulation for Final BGSS-RSG rates ("Stipulation") that provides for the following:

- The current after-tax per therm BGSS-RSG commodity rate of \$0.543979, reflecting both the October 1, 2012 BGSS reduction and the January 1, 2013 CIP change will remain in effect at this time. The Parties agree that the BGSS-RSG commodity rate should 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.
- It is agreed that, for this proceeding, the Parties take no issue with the Company's method of allocating gas costs and associated credits between its residential, commercial and industrial BGSS customers through September 30, 2012 and recommend that it should be approved. They also agree that the allocation method beginning on October 1, 2012 will be subject to review for appropriateness in future annual BGSS proceedings. The Parties reserve their rights to challenge this allocation

¹ 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.

methodology in future proceedings. The Company will file, when available, actual gas cost and revenue recovery data for the 2012-2013 BGSS annual period in the same format used in the Company's initial 2012-2013 BGSS filing. All costs and rates remain subject to audit by the Board.

- Attached as Exhibit C to the Stipulation is the Company's Eighth Revised Tariff Sheet No. 54 for the BGSS RSG Commodity Charge effective January 1, 2013 which reflects the Board's September 13, 2012 provisional approval of the BGSS-RSG Commodity Charge and the Board's December 19, 2012 approval in the CIP 1 and CIP 2 cases which established the rate of \$0.543979 per therm.
- The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-PSCHART-1) attached as Exhibit A; and 2) a monthly report of unitized credits to the BGSS (ISG, Cogeneration, TSG-F, Off System Sales, Capacity Releases, Gas to Electric and Supplier Refunds.) and the associated dollar amounts (attached as Exhibit B). The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month.
- In its next BGSS filing, to be made on or before June 1, 2013, Public Service agrees to provide supporting information requested by Board Staff and Rate Counsel with respect to administrative costs.

On May 16, 2013, ALJ Richard McGill issued an Initial Decision approving the Stipulation finding that the Parties had voluntarily agreed to the terms of the Stipulation and that the Stipulation fully disposes of all matters and is consistent with law.

DISCUSSION AND FINDINGS

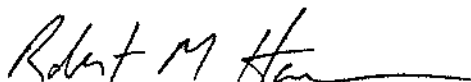
Having reviewed the Stipulation and the Initial Decision, and being persuaded that the Parties have thoroughly reviewed the BGSS costs for the period at issue, the Board **HEREBY FINDS** that, subject to the terms and conditions set forth below, the attached Initial Decision and Stipulation are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation as its own, as if fully set forth herein.

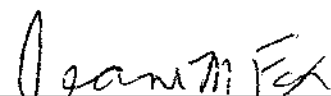
The Board **HEREBY ORDERS** that the existing after-tax per therm BGSS-RSG commodity rate of \$0.543979 remains in effect until further Order of the Board, and shall be deemed the final BGSS-RSG commodity rate for the period covered by the filing. Any net over-recovered BGSS balance at the end of the BGSS period shall be subject to refund with interest.

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.

DATED: 5/29/13

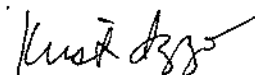
BOARD OF PUBLIC UTILITIES
BY:


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 BGSS COMMODITY CHARGE FILING FOR ITS
 RESIDENTIAL GAS CUSTOMERS UNDER ITS PERIODIC PRICING MECHANISM
 AND FOR CHANGES IN THE TARIFF FOR GAS SERVICES
 PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1
 BPU DOCKET NO. GR12060490 & OAL PUC NO. 14136-12

SERVICE LIST

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 14136-12

AGENCY DKT. NO. GR12060490

IN THE MATTER OF PUBLIC SERVICE
ELECTRIC AND GAS COMPANY'S 2012/2013
ANNUAL BGSS COMMODITY CHARGE
FILING FOR ITS RESIDENTIAL GAS
CUSTOMERS 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.

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

Felicia Thomas-Friel, Deputy Rate Counsel, **Sarah H. Steindel**, Assistant
Deputy Rate Counsel, and **Christine M. Juarez**, Assistant Deputy Rate
Counsel, for the New Jersey Division of Rate Counsel (Stefanie A. Brand,
Director, attorney)

T. David Wand, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey, attorney)

Record Closed: May 14, 2013

Decided: May 16, 2013

BEFORE RICHARD McGILL, ALJ:

On June 1, 2012, Public Service Electric and Gas Company ("Company") filed a motion with the Board of Public Utilities ("Board") seeking approval to decrease the level of its Annual Basic Gas Supply Service default Commodity Charge for Residential Service ("BGSS-RSG") under its periodic pricing mechanism and for changes in its gas tariff pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1. Specifically, the Company sought a decrease in revenues of approximately \$70.7 million (\$75.6 million including losses and Sales and Use Tax), or approximately 5.2%, due primarily to projected decreases in natural gas costs during the 2012-2013 BGSS year from October 1, 2012, through September 30, 2013.

Public hearings were held in Mt. Holly, New Brunswick and Hackensack on August 20, 22 and 23, respectively. No members of the public appeared to comment on the filing.

The Company, Board Staff and Rate Counsel agreed to implementation of the proposed change in the Company's BGSS-RSG Commodity charge on a provisional basis and entered into a Stipulation for Provisional BGSS-RSG Commodity Charge. The Board approved the Stipulation at its agenda meeting on September 13, 2012, and the revised BGSS charge of \$0.544107 per therm (including losses and SUT) became effective for service rendered on and after October 1, 2012.

The matter was transmitted to the Office of Administrative Law on October 18, 2012, for determination as a contested case. Participant status was granted to Hess Corporation, and a hearing was scheduled for May 24, 2013.

Meanwhile, the Company made a compliance filing on December 27, 2012, concerning its Capital Infrastructure Investment Program (CIP). As a result of settlement of the CIP filing, the Company's BGSS-RSG commodity charge was reduced from \$0.544107 per therm (including losses and SUT) to \$0.543979 per therm (including losses and SUT) effective January 1, 2013.

Prior to the hearing in this proceeding, the parties agreed to a Stipulation for Final BGSS Rates. This Stipulation provides that the Company's current BGSS Commodity Service rate BGSS-RSG of \$0.543979 per therm (including losses and SUT), reflecting both the BGSS reduction effective October 1, 2012, and the CIP change effective January 1, 2013, shall remain in effect and be deemed final upon approval by the Board.

Having reviewed the record and the settlement terms, I **FIND** as follows:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

Therefore, I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. Accordingly, it is **ORDERED** that the parties comply with the terms of the settlement, and it is **FURTHER ORDERED** that the proceeding in this matter be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

May 16, 2012
DATE

Richard McGill
RICHARD MCGILL, ALJ

Date Received at Agency:

Date Mailed to Parties:

ljb

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S)
2012/2013 ANNUAL BGSS COMMODITY) STIPULATION FOR
CHARGE FILING FOR ITS RESIDENTIAL) FINAL BGSS RATES
GAS CUSTOMERS UNDER ITS PERIODIC)
PRICING MECHANISM AND FOR) BPU DOCKET NO. GR12060490
CHANGES IN THE TARIFF FOR GAS)
SERVICE B.P.U.N.J. NO. 15 GAS PURSUANT) OAL DOCKET NO.
TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1) PUC 14136-2012N

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., Assistant Deputy Rate Counsel, and Christine M. Juarez, Esq., Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (Stefanie A. Brand, Director)

T. David Wand, 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, 2012, Public Service Electric and Gas Company ("Public Service" or "the Company") made a filing in the above-referenced matter, requesting a decrease of approximately \$70.7 million in its Annual Basic Gas Supply Service default Commodity Charge for Residential Service ("BGSS-RSG") revenues (\$75.6 million including losses and Sales and Use Tax, or "SUT") (approximately 5.2%), due primarily to projected decreases in natural gas costs during the 2012-2013 BGSS year (October 1, 2012 through September 30, 2013).

Residential annual bills comparing the current BGSS-RSG Commodity charge with the as-requested provisional BGSS-RSG Commodity charge reflect an

annual decrease of approximately 5.02% for a residential heating customer using 100 therms per winter month and 660 therms annually. The BGSS-RSG Commodity charge would decrease from \$0.600869 per therm,¹ including losses and SUT, to \$0.544107 per therm including losses and SUT² or a decrease of \$0.056762 per therm.

Notice setting forth the Company's June 1, 2012 request for a decrease in its BGSS Commodity charge, 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 Mt. Holly, New Brunswick and Hackensack on August 20, 22, and 23, 2012, respectively. No members of the public appeared and commented on the filing.

Public Service, Board Staff, and the Division of Rate Counsel (Rate Counsel) (collectively, the "Parties") determined that additional time was needed to complete the review of the Company's proposed BGSS-RSG Commodity charge. However, the Parties also agreed that a change in the Company's BGSS-RSG Commodity charge, on a provisional basis, was reasonable and therefore agreed to implement the BGSS-RSG Commodity charge filed as of October 1, 2012, or as soon as possible upon the issuance of a Board Order approving the Stipulation for Provisional BGSS-RSG Commodity Charge ("Stipulation"). The

¹ The current BGSS-RSG rate is as approved by the Board's Decision and Order Approving Stipulation for Final BGSS-RSG rates dated March 12, 2012 in Docket No. GR11060339. The BGSS-RSG rate may change subject to a change in the CIP which would impact the final rate.

² The BGSS-RSG rate may change subject to a change in the CIP which would impact the final rate.

Stipulation was approved at the Board agenda meeting of September 13, 2012 and the revised BGSS charge of \$0.544107 per therm (including losses and SUT) became effective for service rendered on and after October 1, 2012.

Subsequent to the reduction that became effective October 1, 2012, the Company made a compliance filing on December 27, 2012 to the Board's Orders in Docket Nos. ER11090540, GR11090541, EO11110780 and GO11110781 concerning the Company's Capital Infrastructure Investment Program (CIP) 1 and CIP 2 cases. As a result of the settlement of the CIP 1 and CIP 2 cases, the Company's BGSS-RSG Commodity Charge was reduced from \$0.544107 per therm (including losses and SUT) to \$0.543979 per therm (including losses and SUT) effective January 1, 2013.

On October 17, 2012, the Board transmitted the matter over to the Office of Administrative Law as a contested case where it was subsequently assigned to the Honorable Richard McGill, ALJ.³ ALJ McGill conducted a telephone prehearing conference on January 16, 2013 and subsequently issued a procedural scheduling order.

The Parties have discussed the issues and now HEREBY AGREE as follows:

1. The Company's current BGSS Commodity Service rate BGSS-RSG of \$0.543979 per therm (including losses and SUT), reflecting both the October 1, 2012

³ On January 14, 2013, ALJ McGill denied a request for intervention filed by Hess Corporation ("Hess"), but granted Hess participant status limited to filing a statement or brief pursuant to N.J.A.C. 1:1-16.6(c)(2).

BGSS reduction and the January 1, 2013 CIP change will remain in effect at this time. The Parties agree that the aforementioned BGSS-RSG Commodity charge 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.

2. The Parties agree that, for this proceeding, they take no issue with the Company's method of allocating gas costs and associated credits between its Residential and Commercial & Industrial BGSS customers through September 30, 2012 and recommend that it should be approved. They also agree that the allocation method beginning on October 1, 2012 will be subject to review for appropriateness in future annual BGSS proceedings. The Parties reserve their rights to challenge this allocation methodology in future proceedings. The Company will file, when available, actual gas cost and revenue recovery data for the 2012-2013 BGSS annual period in the same format used in the Company's initial 2012-2013 BGSS filing. All costs and rates remain subject to audit by the Board.

3. Attached as Exhibit C to this Stipulation is the Company's Eighth Revised Tariff Sheet No. 54 for the BGSS RSG Commodity Charge effective January 1, 2013 which reflects the Board's September 13, 2012 provisional approval of the BGSS-RSG Commodity Charge and the Board's December 19, 2012 approval in the CIP 1 and CIP 2 cases which established the rate of \$0.543979 per therm. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update

Report (also known as S-PSCHART-1) attached hereto as Exhibit A; and 2) a monthly report of unitized credits to the BGSS (ISG, Cogeneration, TSG-F, Off System Sales, Capacity Releases, Gas to Electric and Supplier Refunds.) and the associated dollar amounts (attached hereto as Exhibit B). The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month.

4. In its next BGSS filing, to be made on or before June 1, 2013, Public Service agrees to provide supporting information requested by Board Staff and Rate Counsel with respect to administrative costs.

5. The undersigned agree that this Stipulation for a Final BGSS-RSG Commodity charge 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 Stipulation is not accepted and approved by the Board, this Stipulation shall be null and void, and the parties shall be placed in the same position that they were in immediately prior to its execution.

6. 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.

7. The undersigned parties further HEREBY AGREE that this Stipulation for a Final BGSS-RSG Commodity charge has been made exclusively for the purpose

of this proceeding and that this Stipulation, in total or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation for a Final BGSS-RSG Commodity charge.

PUBLIC SERVICE ELECTRIC AND
GAS COMPANY

STEFANIE A. BRAND
DIRECTOR,
DIVISION OF RATE COUNSEL

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

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

DATED: May 10, 2013

DATED: May 10, 2013

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

BY: T. David Wand
T. David Wand
Deputy Attorney General

DATED: 5/10/13