



Agenda Date: 4/15/15
Agenda Item: 2D

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 2014/2015 ANNUAL MARGIN)	APPROVING STIPULATION FOR
ADJUSTMENT CHARGE ("MAC") FILING UNDER ITS)	FINAL MAC RATES
PERIODIC PRICING MECHANISM AND FOR)	
CHANGES IN THE TARIFF FOR GAS SERVICE)	BPU DOCKET NO. GR14050511
)	OAL DOCKET NO. PUC 16107-14

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 BOARD¹:

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. GR01050328², 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.

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

² In re 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, BPU. No. GR01050328, Order dated January 9, 2002.

The Company filed a petition with the Board on May 29, 2014 ("May Petition") projecting that, based upon actual results through April 2014, the Company's net MAC balance including cumulative interest at September 30, 2014 would be an over-recovery of approximately \$24.96 million. According to the Company's calculations, this justified an increase in the MAC rate credit from 0.4587 cents per therm to a credit of 1.1403 cents per therm (including Sales and Use Tax or "SUT"), effective for service on and after October 1, 2014. Based upon rates in effect as of July 1, 2014, the Company's typical residential gas heating customers using 160 therms in a winter month, and 1,050 therms annually, would experience a decrease in their annual bills of \$7.18 (0.67%).

While the Company, the Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "the Parties") determined that additional time was needed to complete a comprehensive review of the Company's proposed change in the MAC rate, on September 3, 2014, the Parties agreed to implement the proposed change on a provisional basis. The Stipulation providing for these provisional rates was approved by the Board in an Order dated September 30, 2014.

On November 26, 2014, the Board transmitted the matter to the Office of Administrative Law as a contested case where it was assigned to Tiffany M. Williams, Administrative Law Judge ("ALJ").

STIPULATION³

Subsequent to discovery and substantive discussions of the issues, on March 24, 2015 the Parties executed a Stipulation for Final MAC rates ("Stipulation") agreeing that, based upon a review of actual data through November 30, 2014 and the forecast for December 2014 through September 2015, the Company's provisional MAC rate of a credit of 1.1403 cents per therm (including SUT) be made "final," and that actual results after November 30, 2014 are subject to review in the Company's next annual filing. Interest based upon the seven (7) 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.⁴

On March 27, 2015, ALJ Tiffany M. Williams issued an Initial Decision approving the Stipulation, finding that the Parties voluntarily agreed to the terms of the Stipulation, and that the Stipulation fully disposed of all matters and was consistent with law.

DISCUSSION AND FINDING

After review of the supporting information, the Board **HEREBY FINDS** that 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.

³ Although summarized in this Order, the detailed terms of the stipulation control, subject to the findings and conclusions of this Order.

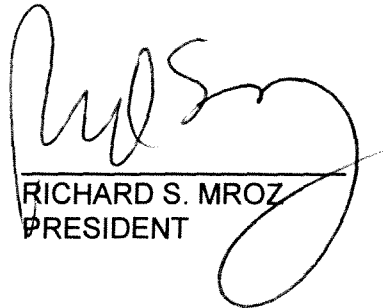
⁴ Paragraph 12 of the Board's July 9, 2010 Order in Dkt. No. GR09050422 directs that "The Prospective MAC Balance will accrue two-way interest in the same manner as the existing MAC balance."

The Board **HEREBY ORDERS** that the Company's MAC per therm credit rate of 1.1403 cents per therm (including SUT) is **HEREBY DEEMED** to be final, and shall remain in effect until changed by further Order. Any net over-recovered MAC balance at the end of the MAC period shall be subject to refund with interest.

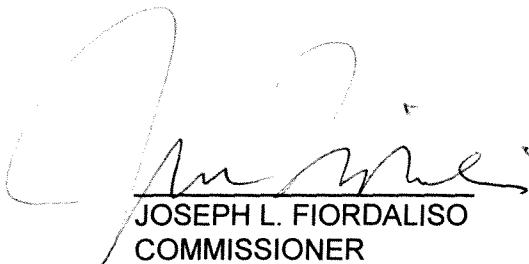
The Company's gas costs will remain subject to audit by the Board. This decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

DATED: 4/15/13

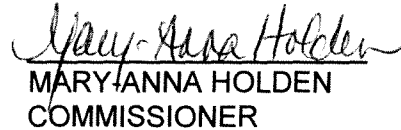
BOARD OF PUBLIC UTILITIES
BY:



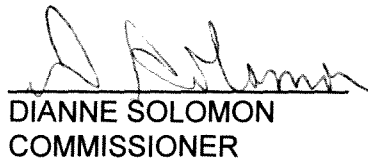
RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER

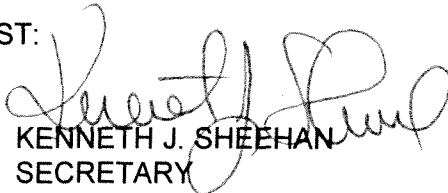


MARY ANNA HOLDEN
COMMISSIONER



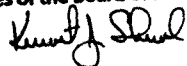
DIANNE SOLOMON
COMMISSIONER

ATTEST:



KENNETH J. SHEEHAN
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 2014/2015
ANNUAL MARGIN ADJUSTMENT CHARGE ("MAC") FILING UNDER ITS PERIODIC PRICING
MECHANISM - DOCKET NO. GR14050511
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March 25, 2015

Via Overnight Mail

In the Matter 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. GR14050511
OAL Docket No. PUC16107-14

Honorable Tiffany M. Williams, ALJ
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

Dear Judge Williams:

Enclosed for filing by Public Service Electric and Gas Company ("Company"), please find an original and ten copies of the Company's Settlement for Final MAC Rate in the captioned matter.

Very truly yours,

A handwritten signature in cursive script that reads "Alexander C. Stern".

Attach.

C Service List (Electronic)

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03/25/2015

Public Service Electric and Gas Company
MAC 2014-2015
GR14050511

Page 2 of 2

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S 2014/2015) SETTLEMENT FOR
ANNUAL MARGIN ADJUSTMENT CHARGE) FINAL MARGIN
("MAC") FILING UNDER ITS PERIODIC) ADJUSTMENT CHARGE
PRICING MECHANISM) BPU DOCKET NO. GR14050511
) OAL DOCKET NO. PUC 16107-14

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

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

On May 29, 2014, 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) credit to firm customers from (\$0.004587) per therm to a rate of (\$0.011403) per therm, including sales and use tax ("SUT"), to be implemented for service rendered on and after October 1, 2014.

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 Service (“SLG”), and Firm Transportation Gas Service (“TSG-F”). The current MAC is in accordance with the Board’s September 30, 2014 Order approving the Stipulation for Provisional 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 May 29, 2014 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 (\$0.011403) (i.e., a credit of \$0.011403 per therm including SUT). Based on rates in effect as of July 1, 2014, the impact of the implementation of this credit for a typical residential gas heating customer receiving Basic Gas Supply Service from the Company and using 160 therms in a winter month and 1,050 therms annually was a decrease in the customer’s annual bill from \$1,069.40 to \$1,062.22 or \$7.18 or 0.67%.

The Company acknowledges that a forecasted MAC is dependent upon the margins received from TSG-NF customers whose usage tends to be extremely volatile and could be adversely impacted by unforeseeable factors, such as economic uncertainty and storm damage. As this matter is filed on an annual basis with the next filing anticipated in June 2015, the Company believes that given this uncertainty, it is prudent

to decrease the MAC rate to (\$0.011403) 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.

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 MAC. However, the Parties also agreed that action with respect to the Company's MAC for the 2014-2015 MAC year, on a provisional basis, was reasonable and therefore agreed to implement the MAC filed as of October 1, 2014, or as soon as possible upon the issuance of a Board Order approving the Stipulation for Provisional Margin Adjustment Charge ("Stipulation"). The Stipulation was approved at the Board agenda meeting on September 30, 2014 for service rendered on and after October 1, 2014.

On November 26, 2014 the Board transmitted the matter over to the Office of Administrative Law as a contested case where it was subsequently assigned to the Honorable Tiffany M. Williams, Administrative Law Judge ("ALJ"). ALJ Williams held a telephonic prehearing conference on March 9, 2015. The Parties represented that they were close to settlement. ALJ Williams scheduled a subsequent telephone status conference for March 30, 2015 so she could verify the Parties' progress if necessary. Prior to the March 30, 2015 telephone status conference, the Parties completed their

review of the Petition and responses to discovery and discussed the matter, and now
HEREBY AGREE as follows:

1. Based upon a review of actual data through November 30, 2014 and corresponding forecast for December 1, 2014 through September 2015, the parties agree the Company's provisional MAC rate of (\$0.011403) including SUT 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. Actual results after November 30, 2014 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.¹

2. 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.

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."

4. 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
Alexander C. Stern, Esq.
Assistant General Regulatory Counsel

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

DATED: March 24, 2015

DATED: March 25, 2015

JOHN J. HOFFMAN
ACTING 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: 3/24/15

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Third Revised Sheet No. 43

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

Superseding

Second Revised Sheet No. 43

MARGIN ADJUSTMENT CHARGE

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

Margin Adjustment Charge (\$0.010657)

Margin Adjustment Charge including New Jersey Sales and Use Tax (SUT)..... (\$0.011403)

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: September 30, 2014

Effective: October 1, 2014

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 September 30, 2014
in Docket No. GR14050511



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 16107-14

AGENCY DKT. NO. GR14050511

**I/M/O 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.**

Alexander C. Stern, Associate General Regulatory Counsel, for petitioner Public Service Electric & Gas Company (PSEG Services Corporation, attorneys)

David Wand and **Alex Moreau**, Deputy Attorneys General, for respondent Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey, attorneys)

Felicia Thomas-Friel, Esq., Deputy Rate Counsel for respondent

Christine M. Juarez and **Sara H. Steindel**, Assistant Deputy Rate Counsel for respondent Division of Rate Counsel (Stefanie A. Brand, Director, attorneys)

Record Closed: March 27, 2015

Decided: March 27, 2015

BEFORE TIFFANY M. WILLIAMS, ALJ:

This matter was transmitted to the Office of Administrative Law on December 3, 2014, for determination as a contested case, pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13.

The parties agreed to an amicable resolution of the matter and submitted a Stipulation of Settlement indicating the terms thereof, which is attached and fully incorporated herein.

I have reviewed the record and the terms of settlement and I **FIND**:

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

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. I approve the settlement and therefore **ORDER** that the parties comply with the settlement terms and that these proceedings 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.

Tiffany M. Williams

March 27, 2015
DATE

TIFFANY M. WILLIAMS, ALJ

Date Received at Agency:

March , 27, 2015

Date Mailed to Parties:

rr