



Agenda Date: 9/23/16
Agenda Item: 2E

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 A CHANGE IN ITS ELECTRIC)
NON-UTILITY GENERATION CHARGE RATE)
)
)

DECISION AND ORDER
APPROVING STIPULATION
FOR PROVISIONAL RATES
DOCKET NO. ER16080785

Parties of Record:

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

BY THE BOARD:

BACKGROUND

Pursuant to the Electric Discount and Energy Competition Act, specifically, N.J.S.A. 48: 3-60, in 1999 the New Jersey Board of Public Utilities ("Board") established Public Service Electric and Gas Company's ("PSE&G" or "Company") Non- Utility Generation Transition Charge ("NTC"),¹ and the associated cost recovery mechanisms. The Board requires each energy utility to file a request for recovery of deferred expenses pertaining to un-recovered balances in the NGC, and any transition period purchased power costs.

The Company's NGC rate is intended to recover the difference between the contract-set prices at which PSE&G purchases generation from non-utility generators ("NUGs") under contracts entered into pursuant to 16 U.S.C.A. §§ 791-828c,² and the market ("day-ahead" or "real-time") price that the energy is sold for through the PJM Interconnection, LLC ("PJM") market.

¹ By Order dated March 6, 2007, in Docket No. GR05080686, the Board approved a renaming of the NTC to the Non-Utility Generation Charge ("NGC"). The NGC component addressed in this petition is limited to the "Non-Utility Generation above market costs."

² Also known as the Public Utilities Regulatory Policies Act of 1978 ("PURPA").

PSE&G sells purchased NUG power in the PJM market. Contractual purchase power agreement ("PPA") payments may differ from the market value of that power. The net revenues that the Company receives from PJM for the power sales are used to offset payments due to the NUG under the PPA, with the difference (positive or negative) reflected in the NGC.

On August 10, 2016, PSE&G petitioned the Board for changes to its current NGC rates. ("August Petition".) In the August Petition, PSE&G requested that the Board approve provisional NGC rates effective on and after October 1, 2016.

The last significant NUG contract payment was recorded in April 2016, resulting in the current NGC rate being significantly higher than required going forward, such that a \$3.8 million over-recovery, including interest³ is estimated at September 30, 2016. If a rate reduction is not approved for October 1, 2016, the over-recovery is expected to grow to approximately \$9.0 million, and the over-recovery will continue to grow thereafter until the current rate is lowered. The Company's proposed net NUG rate reduction will result in an estimated annual revenue decrease of \$75.7 million.

Stipulation⁴

Following a review by and subsequent discussions among representatives of the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "Parties"), it was determined that additional time is needed to complete the review of the proposed rates to ensure that the costs are adequately explained, reconciled and addressed, and the resulting rates are reasonable. On September 1, 2016, PSE&G, Rate Counsel, and Board Staff (collectively, "Parties") executed a stipulation of settlement ("Stipulation") for provisional rates. The Stipulation provides for the following:

1. The Parties agree that the Company's actual NGC costs and expenditures through June 30, 2016, will be reviewed in the current filing. The Parties further agree that the electric NGC rates originally filed, as set forth in Schedule SS-NGC-2 attached as exhibit B to the Stipulation, shall be reflected in rates on a provisional basis effective October 1, 2016 while the Parties review the Company's proposal. At the conclusion of the parties' review of the Company's proposal, the Board can affirm the Company's provisional rates as final or set new rates as appropriate. These rates are expected to generate a decrease in NGC revenues of approximately \$76 million on an annual basis. The Parties also agree that this action with respect to the Company's NGC rate, on a provisional basis, is reasonable at this time.

³ By Order dated July 31, 2003, in Docket No. ER02080604, the Board approved a settlement that provided that for NGC costs, the net of tax interest would be calculated using the two-year constant maturity treasury rate as shown in the Federal Reserve Statistical Release on or closest to August 1 plus 60 basis points.

⁴ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this order.

2. The Parties agree that the Company's electric NGC rates will be changed, which corresponds to an annual bill decrease of \$14.28 or approximately 1.11% on a typical residential customer using 7,200 kWh per year and 750 kWh in a summer month (based on current Delivery Rates and Basic Generation Service Residential Small Commercial Pricing ("BGS-RSCP") charges in effect September 1, 2016 and assuming that the customer receives BGS-RSCP service from PSE&G).
3. The Company will provide an updated tariff sheet by October 1, 2016. Attached to the Stipulation as Exhibit A is the current tariff page as well as a draft redline and clean tariff page setting forth the proposed electric NGC rate.
4. The Parties recommend that the Board issue an Order approving the Stipulation without modification, with the rate modifications set forth herein effective for service rendered on and after October 1, 2016.

DISCUSSION AND FINDING

The Board, having carefully reviewed the record to date in this proceeding and the attached Stipulation, **HEREBY FINDS** that subject to the terms and conditions set forth below, that the 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.

The Board **HEREBY APPROVES** on a provisional basis, subject to refund, the Company's implementation of an after-tax per kWh NGC credit of \$0.000086, effective October 1, 2016.

The Board **HEREBY DIRECTS** that this matter be transmitted to the Office of Administrative Law for review and evidentiary hearings, if necessary.

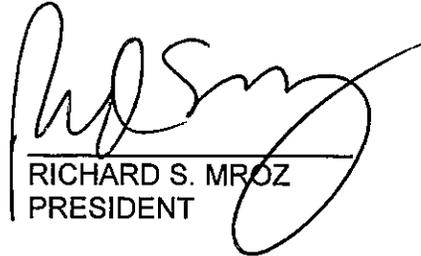
PSE&G is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by October 1, 2016.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor 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 October 1, 2016.

DATED: 9/23/16

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



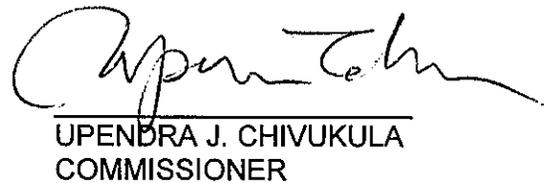
JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER



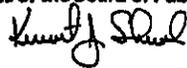
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
KENNETH J. SHEEHAN
ACTING 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 A CHANGE IN ITS ELECTRIC NON-UTILITY GENERATION
CHARGE RATE - DOCKET NO. ER16080785

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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS) STIPULATION REGARDING
COMPANY FOR APPROVAL OF A) PROVISIONAL RATES
CHANGE IN ITS ELECTRIC NON-UTILITY) DOCKET NO. ER16080785
GENERATION CHARGE RATE)

APPEARANCES:

Martin C. Rothfelder, Esq., Associate General Regulatory Counsel for the Petitioner, Public Service Electric and Gas Company

Diane Schulze, Esq. Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director)

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

STIPULATION OF SETTLEMENT

1. On August 10, 2016, Public Service Electric and Gas Company (the "Company") filed a petition with the New Jersey Board of Public Utilities (the "Board") seeking approval of changes to its electric Non-utility Generation Charge ("NGC").
2. The Company's NGC Above Market Costs represent the difference between the amounts by which actual non-utility generation ("NUG") payments are different from the market value of that power. The last significant NUG contract payment was recorded in April 2016. Therefore, the current NGC rate is significantly higher than required for the net NGC costs going forward.
3. The filed-for rate changes per the August 2016 petition proposed for the electric NGC was designed to decrease revenues by approximately \$76 million from electric customers on a provisional basis beginning on October 1, 2016.

4. The Company, the New Jersey Division of Rate Counsel and the Staff of the Board (collectively, the "Parties") agree that the Company's actual NGC costs and expenditures through June 30, 2016, will be reviewed in the current filing. The Parties further agree that the electric NGC rates originally filed, as set forth in Schedule SS-NGC-2 attached as exhibit B, shall be reflected in rates on a provisional basis effective October 1, 2016 while the parties review the Company's proposal. At the conclusion of the parties' review of the Company's proposal, the Board can affirm the Company's provisional rates as final or set new rates as appropriate. These rates are expected to generate a decrease in NGC revenues of approximately \$76 million on an annual basis. The Parties also agree that this action with respect to the Company's NGC rate, on a provisional basis, is reasonable at this time.

5. The Parties agree that the Company's electric NGC rates will be changed, which corresponds to an annual bill decrease of \$14.28 or approximately 1.11% on a typical residential customer using 7,200 kWh per year and 750 kWh in a summer month (based on current Delivery Rates and Basic Generation Service Residential Small Commercial Pricing (BGS-RSCP) charges in effect September 1, 2016 and assuming that the customer receives BGS-RSCP service from PSE&G).

6. The Company will provide an updated tariff sheet by October 1, 2016. Attached hereto as Exhibit A is the current tariff page as well as a draft redline and clean tariff page setting forth the proposed electric NGC rate.

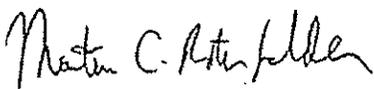
7. The Parties recommend that the Board issue an Order approving this Stipulation of Settlement ("Settlement") without modification, with the rate modifications set forth herein effective for service rendered on and after October 1, 2016.

8. The undersigned Parties agree that this Settlement is being entered into exclusively for the purpose of resolving the issues in these matters.

9. The Parties agree that this Settlement was negotiated and agreed to in its entirety with each section being mutually dependent on approval of all other sections. Therefore, if the Board modifies any of the terms of this Settlement, each Party is given the option, before implementation of any different rate or terms in this case, to accept the change or to resume the proceeding as if no agreement had been reached. If these proceedings are resumed, each Party is given the right to return to the position it was in before this Settlement was executed.

10. The undersigned Parties hereby agree that this Settlement has been made exclusively for the purpose of this proceeding and that this Settlement, in total or by 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

By: 
Martin C. Rothfelder
Associate General Regulatory Counsel

Stefanie A. Brand, Director
Division of Rate Counsel

By: 
~~Diane Schutze~~ Brian D. Lipman
Asst. Deputy Rate Counsel

DATED: August 31, 2016

DATED: 9/1/16

Christopher S. Porrino
Attorney General of New Jersey
Attorney for the Staff of the
Board of Public Utilities

By: 
Alex Moreau
Deputy Attorney General

DATED: September 4 2016

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Eleventh Revised Sheet No. 60

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

Superseding

Tenth Revised Sheet No. 60

NON-UTILITY GENERATION CHARGE

	Cost Recovery (per kilowatthour)		
	St Lawrence NYPA Credit RS, RHS and RLM	Non-Utility Generation above market costs	Total
Total Cost per kilowatthour		\$0.001630	
Amount per kilowatthour of cost recovery after application of losses:			
RS, RHS & RLM (Loss Factor =7.5377%)	(\$ 0.000052)	\$ 0.001763	\$0.001711
Other Secondary (Loss Factor =7.5377%)		0.001763	0.001763
LPL Primary (Loss Factor =5.1232%)		0.001718	0.001718
HTS Subtransmission (Loss Factor =2.9402%)		0.001679	0.001679
HTS High Voltage (Loss Factor =1.4590%)		0.001654	0.001654
Charges including New Jersey Sales and Use Tax (SUT)			
RS, RHS & RLM	(\$ 0.000056)	\$0.001886	\$0.001830
Other Secondary Service		0.001886	0.001886
LPL Primary		0.001838	0.001838
HTS Subtransmission		0.001797	0.001797
HTS High Voltage		0.001770	0.001770

NON-UTILITY GENERATION CHARGE

This mechanism is designed to insure recovery of costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government. This charge shall recover: 1) above market costs associated with non-regulated generation costs which are related to long-term contractual power purchase arrangements approved by the Board and/or established under requirements of the Public Utility Regulatory Policies Act of 1978 and 2) other generation costs as may be approved by the Board. Actual costs incurred by the Company will be subject to deferred accounting. The St. Lawrence New York Power Authority (NYPA) Annual Benefit Allocation credit reflects the annual Economic Benefit allocation for New Jersey's investor owned utilities to supply residential customers' load.

Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered Non-utility Generation above market cost balances. This interest rate shall change each August 1.

Date of Issue: April 12, 2016

Effective: June 1, 2016

Issued by SCOTT S. JENNINGS, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated November 9, 2004
in Docket No. EO04101124

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
B.P.U.N.J. No. 15 ELECTRIC

XXX Revised Sheet No. 60
Superseding
XXX Revised Sheet No. 60

NON-UTILITY GENERATION CHARGE

	Cost Recovery (per kilowatthour)		
	St Lawrence NYPA Credit RS, RHS and RLM	Non-Utility Generation above market costs (\$0.000086)	Total
Total Cost per kilowatthour			
Amount per kilowatthour of cost recovery after application of losses:			
RS, RHS & RLM (Loss Factor =7.5377%)	(\$ 0.000052)	(\$0.000093)	(\$0.000145)
Other Secondary (Loss Factor =7.5377%)		(0.000093)	(0.000093)
LPL Primary (Loss Factor =5.1232%)		(0.000091)	(0.000091)
HTS Subtransmission (Loss Factor =2.9402%)		(0.000089)	(0.000089)
HTS High Voltage (Loss Factor =1.4590%)		(0.000087)	(0.000087)
Charges including New Jersey Sales and Use Tax (SUT)			
RS, RHS & RLM	(\$ 0.000056)	(\$0.000100)	(\$0.000156)
Other Secondary Service		(0.000100)	(0.000100)
LPL Primary		(0.000097)	(0.000097)
HTS Subtransmission		(0.000095)	(0.000095)
HTS High Voltage		(0.000093)	(0.000093)

NON-UTILITY GENERATION CHARGE

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Date of Issue:

Issued by SCOTT S. JENNINGS, Vice President Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

Effective:

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
B.P.U.N.J. No. 15 ELECTRIC

XXX Revised Sheet No. 60
Superseding
XXX Revised Sheet No. 60

NON-UTILITY GENERATION CHARGE

	Cost Recovery (per kilowatthour)		
	St Lawrence NYPA Credit RS, RHS and RLM	Non-Utility Generation above market costs	Total
Total Cost per kilowatthour		\$0.004630 <u>(\$0.000086)</u>	
Amount per kilowatthour of cost recovery after application of losses:			
RS, RHS & RLM (Loss Factor =7.5377%)	(\$ 0.000052)	\$ 0.001763 <u>(\$0.000093)</u>	\$0.001714 <u>(\$0.000145)</u>
Other Secondary (Loss Factor =7.5377%)		0.001763 <u>(0.000093)</u>	0.001763 <u>(0.000093)</u>
LPL Primary (Loss Factor =5.1232%)		0.001718 <u>(0.000091)</u>	0.001718 <u>(0.000091)</u>
HTS Subtransmission (Loss Factor =2.9402%)		0.001670 <u>(0.000089)</u>	0.001670 <u>(0.000089)</u>
HTS High Voltage (Loss Factor =1.4590%)		0.001664 <u>(0.000087)</u>	0.001664 <u>(0.000087)</u>
Charges including New Jersey Sales and Use Tax (SUT)			
RS, RHS & RLM	(\$ 0.000056)	\$0.001886 <u>(\$0.000100)</u>	\$0.001830 <u>(\$0.000156)</u>
Other Secondary Service		0.001886 <u>(0.000100)</u>	0.001886 <u>(0.000100)</u>
LPL Primary		0.001838 <u>(0.000097)</u>	0.001838 <u>(0.000097)</u>
HTS Subtransmission		0.001797 <u>(0.000095)</u>	0.001797 <u>(0.000095)</u>
HTS High Voltage		0.001770 <u>(0.000093)</u>	0.001770 <u>(0.000093)</u>

NON-UTILITY GENERATION CHARGE

This mechanism is designed to insure recovery of costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government. This charge shall recover: 1) above market costs associated with non-regulated generation costs which are related to long-term contractual power purchase arrangements approved by the Board and/or established under requirements of the Public Utility Regulatory Policies Act of 1978 and 2) other generation costs as may be approved by the Board. Actual costs incurred by the Company will be subject to deferred accounting. The St. Lawrence New York Power Authority (NYPA) Annual Benefit Allocation credit reflects the annual Economic Benefit allocation for New Jersey's investor owned utilities to supply residential customers' load.

Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered Non-utility Generation above market cost balances. This interest rate shall change each August 1.

Date of Issue:

Issued by SCOTT S. JENNINGS, Vice President Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

Effective:

PSE&G Non-Utility Generation Charge
Calculation of Cost Recovery
(\$000's)
ELECTRIC

Schedule SS-NGC-2
Page 1 of 1

	<u>Period</u>	<u>Amount</u> ¹
BEGINNING BALANCE INCLUDING INTEREST	7/31/2015	\$13,935
ACTUAL REVENUES	8/1/15 - 6/30/16	\$93,972
ACTUAL EXPENSES	8/1/15 - 6/30/16	(\$125,103)
INTEREST	8/1/15 - 6/30/16	(\$31)
BALANCE INCLUDING INTEREST	6/30/2016	(\$17,228)
PROJECTED REVENUES	7/1/16 - 9/30/16	\$20,885
PROJECTED EXPENSES	7/1/16 - 9/30/16	(\$9)
INTEREST	7/1/16 - 9/30/16	(\$10)
BALANCE INCLUDING INTEREST	9/30/16	\$3,638
(OVER)/UNDER RECOVERY WITH INTEREST	9/30/16	(\$3,638)
ESTIMATED EXPENSES TO BE COLLECTED	10/1/16 - 9/30/17	(\$148)
TOTAL TO BE COLLECTED / (RETURNED) TO CUSTOMERS	10/1/16 - 9/30/17	(\$3,786)
KWH OUTPUT (000s)	10/1/16 - 9/30/17	44,120,601
AVERAGE COST PER KILOWATTHOUR (DOLLAR/KWH)		(0.000086)
CHARGE - Secondary (DOLLAR/KWH)		(0.000093)
LPL Primary (DOLLAR/KWH)		(0.000091)
HTS Subtransmission (DOLLAR/KWH)		(0.000089)
HTS High Voltage (DOLLAR/KWH)		(0.000087)

CALCULATOIN OF REVENUE IMPACT

	<u>Requested Rate</u>
REVISED RATE PER KWH	(0.000086)
CURRENT RATE PER KWH	0.001630
DIFFERENCE	(0.001716)
KWH OUTPUT (000s)	10/1/16 - 9/30/17 44,120,601
REVENUE IMPACT:	10/1/16 - 9/30/17 (\$75,711)

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1. For purposes of this filing, references to NGC are for the Non-Utility Generation above market cost component.