



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 PUBLIC SERVICE ELECTRIC)	DECISION AND ORDER
AND GAS COMPANY'S 2016/2017 ANNUAL MARGIN)	APPROVING STIPULATION
ADJUSTMENT CHARGE ("MAC") FILING UNDER ITS)	FOR PROVISIONAL MAC
PERIODIC PRICING MECHANISM AND FOR)	RATES
CHANGES IN THE TARIFF FOR GAS SERVICE)	
)	DOCKET NO. GR16060484

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 ("PSE&G" or "Company") in Docket No. GR01050328,¹ the Company was authorized to implement the Margin Adjustment Clause ("MAC") to credit the net revenues associated with Transmission Service Gas Non-Firm ("TSGNF") 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 In the Matter of 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, BPU Docket No. GR01050328, Order dated January 9, 2002.

The current MAC rate was set by the Board in an order dated January 28, 2016 in Docket No. GR15060646, approving a per-therm credit of \$0.007758.²

PSE&G filed the instant petition with the Board on June 1, 2016, representing that it currently projects, based on actual results through April 30, 2016, that the net MAC balance including cumulative interest at September 2016 will be an over-recovery of \$15.94 million. Given this forecasted over-recovery, and the forecasted therm sales for the year beginning October 1, 2016, a per-therm credit of \$0.006782 is calculated for service rendered on and after October 1, 2016.

Based on rates in effect as of September 1, 2016, a typical residential gas heating customer using 165 therms in a winter month and 1,010 therms annually would see a bill increase of \$1.00, from \$882.99 to \$883.99, or (0.11%).

After publication of notice in newspapers of general circulation in PSE&G's service territory, public hearings were scheduled and conducted in Hackensack, Mt. Holly, and New Brunswick on August 22, 23, and 24, 2016, respectively. Two members of the public expressed general concerns about high utility rates and opposition to shutting off service for lack of payment. No members of the public appeared and commented specifically on this filing.

STIPULATION REGARDING PROVISIONAL MAC RATES³

The Company, the Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "the Parties") determined that additional time is needed to complete a comprehensive review of the Company's proposed change in the MAC. However, on September 1, 2016, the Parties executed a Stipulation Regarding Provisional MAC Rates ("Stipulation") to implement the proposed change in the MAC rate on a provisional basis.

The Parties agree as follows:

1. The Company's MAC rate effective as of October 1, 2016, or as soon as possible upon the issuance of a Board Order approving the Stipulation, should be changed to reflect a credit of \$0.006782 including SUT per therm on a provisional basis subject to interest on any net over or under-recovered MAC balance. 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.⁴

² All rates quoted herein include Sales and Use Tax ("SUT").

³ Although described in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

⁴ 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."

2. The Company will provide an updated tariff sheet by October 1, 2016. The proposed tariff sheet is attached to the Stipulation as Attachment A.
3. The Parties understand that this determination is on a provisional basis, subject to interest on any net over or under-recovered MAC balance, an opportunity for a full review at the Office of Administrative Law ("OAL"), if the Board should deem it necessary and final approval by the Board.
4. The Parties further acknowledge that a Board Order approving the 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.

DISCUSSION AND FINDING

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.

The Board **HEREBY ORDERS** that the Company's MAC rate shall be provisionally changed to a credit of \$0.006782 per therm effective for service rendered on and after October 1, 2016. Any net over-recovered MAC balance at the end of the MAC period shall be subject to refund with interest.

As a result of the Stipulation, a typical residential gas heating customer using 1,010 therms annually would see a bill increase of \$1.00, from \$882.99 to \$883.99 (0.11%), based on rates in effect as of September 1, 2016.

The Board **HEREBY DIRECTS** that this matter be transmitted to the OAL for a full review and an opportunity for hearings.

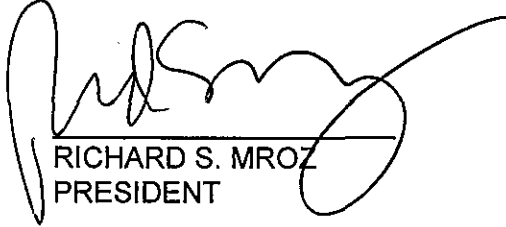
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions by October 1, 2016.

The Company's costs, including those related to the MAC, 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.

The effective date of this Order is October 1, 2016.

DATED: 9/23/16

BOARD OF PUBLIC UTILITIES
BY:



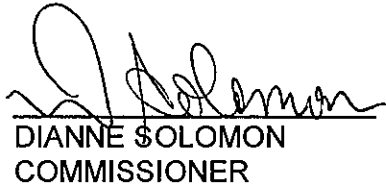
RICHARD S. MROZ
PRESIDENT



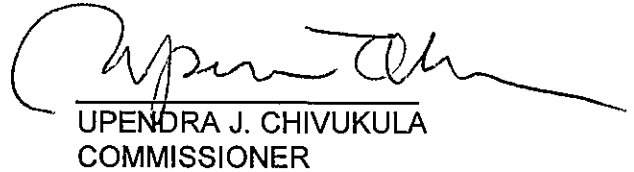
JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

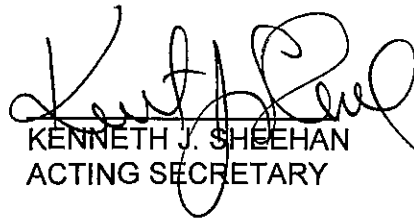


DIANNE SOLOMON
COMMISSIONER



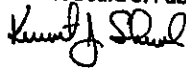
UPENDRA J. CHIVUKULA
COMMISSIONER

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 PUBLIC SERVICE ELECTRIC AND GAS COMPANY'S 2016 ANNUAL MARGIN
ADJUSTMENT CHARGE ("MAC") FILING UNDER ITS PERIODIC PRICING MECHANISM AND FOR
CHANGES IN THE TARIFF FOR GAS SERVICE
BPU DOCKET NO. GR16060484

SERVICE LIST

Alexander C. Stern, Esq.
Associate General Regulatory Counsel
PSEG Services Corporation
80 Park Plaza - T5G
Newark, New Jersey 07102
alexander.stern@pseg.com

Constance Lembo
PSE&G
80 Park Plaza, T8C
PO Box 570
Newark, NJ 07102
constance.lembo@pseg.com

Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Director
sbrand@rpa.state.nj.us

Felicia Thomas-Friel, Esq.
fthomas@rpa.state.nj.us

Brian Lipman, Esq.
blipman@rpa.state.nj.us

Sarah Steindel, Esq.
ssteindel@rpa.state.nj.us

Christine Juarez, Esq.
cjuarez@rpa.state.nj.us

Board of Public Utilities
44 South Clinton Ave, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350

Jerome May, Director
Division of Energy
jerome.may@bpu.nj.gov

Stacy Peterson, Deputy Director
Division of Energy
Stacy.peterson@bpu.nj.gov

Megan Lupo, Esq.
Counsel's Office
megan.lupo@bpu.nj.gov

Robert Schultheis
Division of Energy
robert.schultheis@bpu.nj.gov

Henry Rich
Division of Energy
henry.rich@bpu.nj.gov

Valerie Haynes, Chief
Office of Case Management
valerie.haynes@bpu.nj.gov

Department of Law & Public Safety
124 Halsey Street
PO Box 45029
Newark, NJ 07101-45029

Alex Moreau, Esq.
alex.moreau@dol.lps.state.nj.us

Geoffrey Gersten, Esq.
geoffrey.gersten@dol.lps.state.nj.us

Patricia Krogman, Esq.
patricia.krogman@dol.lps.state.nj.us

Emma Xiao, Esq.
emma.xiao@dol.lps.state.nj.us

Alexander C. Stern
Associate General Regulatory Counsel

Law Department
PSEG Services Corporation
80 Park Plaza – T5G, Newark, New Jersey 07102-4194
tel: 973.430.5754 fax: 973.430.5983
email: alexander.stern@pseg.com



September 1, 2016

In the Matter of the Petition of
Public Service Electric and Gas Company's
2016/2017 Annual Margin Adjustment Charge ("MAC")
Filing Under its Periodic Pricing Mechanism
and for Changes in the Tariff for Gas Service

BPU Docket No. GR16060484

VIA OVERNIGHT MAIL

Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Asbury:

Enclosed for filing by Public Service Electric and Gas Company ("Company"), please find an original and ten copies of the Company's Stipulation of Settlement for Provisional Margin Adjustment Charge in the captioned matter.

Very truly yours,

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

C Attached Service List (electronic only)

BPU

Paul Flanagan
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-2836
paul.flanagan@bpu.nj.gov

BPU

Megan Lupo
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-0350
megan.lupo@bpu.nj.gov

BPU

Jerome May
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-0350
(609) 292-3960
Jerome.may@bpu.nj.gov

BPU

Henry Rich
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-0350
(609) 341-5760
henry.rich@bpu.nj.gov

BPU

Bethany Rocque-Romaine Esq.
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-0350
(609) 292-1496
bethany.rocque-romaine@bpu.nj.gov

BPU

Robert Schultheis
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton NJ 08625-0350
(609) 984-9633
robert.schultheis@bpu.nj.gov

DAG

Geoffrey Gersten
NJ Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Flr.
P.O. Box 45029
Newark NJ 07101
(973) 648-3510
geoffrey.gersten@dol.lps.state.nj.us

DAG

Patricia A. Krogman DAG
NJ Dept of Law & Public Safety
Division of Law
124 Halsey Street, 5th Flr.
P.O. Box 45029
Newark NJ 07101
(973) 648-3441
patricia.krogman@dol.lps.state.nj.us

DAG

Alex Moreau DAG
NJ Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Flr.
P.O. Box 45029
Newark NJ 07101
(973) 648-3762
Alex.Moreau@dol.lps.state.nj.us

DAG

Caroline Vachier DAG
NJ Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Flr.
P.O. Box 45029
Newark NJ 07101
(973) 648-3709
caroline.vachier@dol.lps.state.nj.us

PSE&G

Connie E. Lembo
PSEG Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark NJ 07102
(973) 430-6273
constance.lembo@pseg.com

PSE&G

Alex Stern Esq.
PSEG Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark NJ 07102
(973) 430-5754
alexander.stern@pseg.com

PSE&G

Caitlyn White
PSEG Services Corporation
80 Park Plaza, T-8
P.O. Box 570
Newark NJ 07102
(973)-430-5659
caitlyn.white@pseg.com

Rate Counsel

Stefanie A. Brand
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
sbrand@rpa.state.nj.us

Rate Counsel

Maura Caroselli Esq.
Division of Rate Counsel
140 East Front Street
4th Floor
Trenton NJ 08625
mcaroselli@rpa.state.nj.us

Rate Counsel

James Glassen
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
jglassen@rpa.state.nj.us

Rate Counsel

Kurt Lewandowski Esq.
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
klewando@rpa.state.nj.us

Rate Counsel

Brian O. Lipman
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
b lipman@rpa.state.nj.us

08/11/2016

Public Service Electric and Gas Company
MAC 2016-2017
GR16060484

Page 2 of 2

Rate Counsel

Shelly Massey
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
smassey@rpa.state.nj.us

Rate Counsel

Sarah Steindel
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
ssteinde@rpa.state.nj.us

Rate Counsel

Felicia Thomas-Friel
Division of Rate Counsel
140 East Front Street, 4th Flr.
P.O. Box 003
Trenton NJ 08625
(609) 984-1460
fthomas@rpa.state.nj.us

Rate Counsel Consultant

Dante Mugrace
PCMG and Associates
90 Moonlight Court
Toms River NJ 08753
dmugrace@pcmgregcon.com

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY'S 2016/2017)
ANNUAL MARGIN ADJUSTMENT CHARGE)
("MAC") FILING UNDER ITS PERIODIC)
PRICING MECHANISM AND FOR CHANGES)
IN THE TARIFF FOR GAS SERVICE) BPU DOCKET NO. GR16060484

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 **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsels, 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)

On June 1, 2016, 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") rate for firm customers from (\$0.007758) per therm, including New Jersey Sales and Use Tax ("SUT") to (\$0.006782) per therm, including SUT, to be implemented for service rendered on and after October 1, 2016.

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 Gas (“SLG”), and Firm Transportation Gas Service (“TSG-F”). The current MAC is in accordance with the Board’s January 28, 2016 Order approving the Stipulation for Final MAC Rates in BPU Docket No. GR15060646 whereby the Board approved a MAC rate of (\$0.007758) (i.e., a credit of \$0.007758 per therm including SUT).

In the Company’s June 1, 2016 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 (\$0.006782) (i.e., a credit of \$0.006782 per therm including SUT). Based on rates in effect as of September 1, 2016, the impact of the implementation of this credit on a provisional basis for a typical residential gas heating customer receiving Basic Gas Supply Service from the Company and using 165 therms in a winter month and 1,010 therms annually will be an increase in the customer’s annual bill from \$882.99 to \$883.99, or \$1.00, or approximately 0.11%.

The Company acknowledges that a forecasted MAC is dependent upon the margins received from TSG-NF customers whose usage tends to be volatile and could be adversely impacted by various factors such as economic cycles and storm damage. As this matter is filed on an annual basis with the next filing anticipated in June 2017, the Company believes that given this uncertainty, it is prudent to change the MAC rate to (\$0.006782) per therm including SUT (i.e., a credit of \$0.006782 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.

Notice setting forth the Company's June 1, 2016 request for the continuation of the MAC credit but with firm customers receiving less of a credit than the prior year, 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 Hackensack, Mount Holly, and New Brunswick on August 22, 23, and 24, 2016, respectively. Two members of the public expressed general concerns about high utility rates and opposition to shutting off service for lack of payment. No members of the public appeared and commented specifically on this filing.

Public Service, Board Staff and the Division of Rate Counsel ("Rate Counsel") (collectively, "the Parties") have determined that additional time is needed to complete a comprehensive review of the Company's proposed change in the MAC. However, the Parties also agree that implementation of the change in the MAC, on a provisional basis, is reasonable at this time and HEREBY AGREE as follows:

1. The Company's MAC rate effective as of October 1, 2016, or as soon as possible upon the issuance of a Board Order approving this Stipulation ("Stipulation"), should be changed to reflect a rate of (\$0.006782) including SUT per therm on a provisional basis subject to interest on any net over or under-recovered MAC balance.

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 Company will provide an updated tariff sheet by October 1, 2016. The proposed tariff sheet is attached hereto as Attachment A.

3. 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.

4. The Parties understand that this determination is on a provisional basis, subject to interest on any net over or under-recovered MAC balance, an opportunity for a full review at the Office of Administrative Law ("OAL"), if the Board should deem it necessary and final approval by the Board.

5. 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.

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."

6. 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.
Associate General Regulatory Counsel

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

DATED: August 31, 2016

DATED: September 1, 2016

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

BY: Emma Yao Xiao
Emma Yao Xiao
Deputy Attorney General

DATED: 8/31/16

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 43

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

Superseding

XXX Revised Sheet No. 43

MARGIN ADJUSTMENT CHARGE

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

Margin Adjustment Charge (\$0.006338)

Margin Adjustment Charge including New Jersey Sales and Use Tax (SUT) (\$0.006782)

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:

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: