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CASE MANAGEMENT
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BOARD OF PUBLIC UTILITIES
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TRENTON, NJ

December 20, 2019

In the Matter of the Petition of
Public Service Electric and Gas Company's
2019 Annual Margin Adjustment Charge ("MAC")

BPU Docket No. GR19060698

VIA ELECTRONIC AND OVERNIGHT MAIL

Office of the Secretary
Attn: Aida Camacho
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Ms. Camacho:

Attached please find the fully executed Stipulation (of which 10 copies are enclosed) in the above-referenced matter. The following parties have signed the Stipulation: Public Service Electric and Gas Company, the Staff of the New Jersey Board of Public Utilities, and the New Jersey Division of Rate Counsel.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration in this matter.

Very truly yours,

Justin B. Incardone

*Case Mgmt
List Copied*

C Attached Service List (electronic only)

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08/15/2019

Public Service Electric and Gas Company
MAC 2019-2020
GR19060698

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TRENTON, NJ



STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PUBLIC SERVICE) STIPULATION OF
ELECTRIC AND GAS COMPANY'S 2019) SETTLEMENT FOR
ANNUAL MARGIN ADJUSTMENT CHARGE) MARGIN
("MAC")) ADJUSTMENT CHARGE
) BPU DOCKET NO. GR19060698

APPEARANCES:

Matthew M. Weissman, Managing Counsel - State Regulatory, and **Justin B. Incardone**, Associate General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas Company

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

Matko Ilic, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

On May 31, 2019, Public Service Electric and Gas Company ("PSE&G" or "Company") made a filing with the New Jersey Board of Public Utilities ("Board" or "BPU") in the above-referenced matter, requesting a Margin Adjustment Charge ("MAC") for firm customers of (\$0.006758) per therm (*i.e.*, a credit of \$0.006758), including New Jersey Sales and Use Tax ("SUT").

By way of background, on January 9, 2002, as a result of the Board's Order in PSE&G'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 Order dated March 29, 2019, in Docket No. GR18060605.

In the Company's May 31, 2019 filing, PSE&G represented that the current MAC balance supported a newly calculated rate of (\$0.008510) per therm, including SUT, that would result in a rate decrease of \$0.001752 per therm from the current rate of (\$0.006758) per therm, including SUT. Nevertheless, the Company's May 31, 2019 filing noted that the over-collection at the end of September 2019 is dependent on the forecasted margins from many large customers, which tend to be extremely volatile and could be adversely impacted by many unforeseeable factors, such as economic uncertainty. The Company further noted in its May 31, 2019 filing its belief that given this uncertainty, as well as the fact that PSE&G files the MAC on an annual basis, it would be prudent that the current rate of (\$0.006758) per therm, including SUT, remain in effect. However, at the time of the filing, Mr. Swetz stated in his testimony: "Should the currently forecasted balance at September 2019 reflect a larger credit when the data is updated for actuals, the Company can implement the larger credit for its customers." Direct Testimony of Stephen Swetz, page 4, line 91 to page 5, line 94.

PSE&G subsequently updated the filing with actual data through September 2019 that supported a MAC of (\$0.007141) per therm, including SUT, that would result in a rate decrease of \$0.000383 per therm from the current MAC of (\$0.006758) per therm, including SUT. For settlement purposes, the Company agreed to

increase the amount to be credited to firm customers for this period via the MAC by \$5.0 million, resulting in a total credit of \$22.0 million. A tariff sheet reflecting approval of the stipulated MAC of (\$0.009239) per therm, including SUT, is attached hereto as Attachment A. The calculation of the stipulated rate is shown in Attachment B.

Board Staff, the Division of Rate Counsel, and PSE&G (collectively, the “Parties”) agree that the MAC of (\$0.009239) per therm, including SUT, is reasonable at this time and HEREBY FURTHER AGREE as follows:

1. The Company will implement a MAC credit rate of \$0.009239 per therm, including SUT, 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. As a result of the proposed MAC, PSE&G’s typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually will experience a decrease in their current annual bill from \$895.22 to \$892.64 or \$2.58 or approximately 0.29% (based upon current Delivery Rates and Basic Gas Supply Service (BGSS-RSG) charges in effect December 1, 2019, and assuming the customer receives commodity service from PSE&G). The residential customer bill impacts comparing the current and proposed charges are contained in Attachment C for the aforementioned typical customers as well as other customer usage patterns.

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.”

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 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.

5. 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 by specific item, is in no way binding upon the Parties 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: Matthew Weissman
Matthew M. Weissman
Managing Counsel – State Regulatory

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

DATED: December 18, 2019

DATED: December 19, 2019

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

BY: Matko Ilic
Matko Ilic
Deputy Attorney General

DATED: December 19, 2019

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
B.P.U.N.J. No. 16 GAS

XXX Revised Sheet No. 43
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	(\$0.008665) (\$0.006338)
Margin Adjustment Charge including New Jersey Sales and Use Tax (SUT).....	(\$0.009239) (\$0.006758)

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, SVP - Corporate Planning, Strategy and Utility 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. 16 GAS

XXX Revised Sheet No. 43

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 (\$0.008665)

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Margin Adjustment Charge

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80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No. Effective:

**PSE&G - Margin Adjustment Clause
Clause Balances Over/(Under) and
Cummulative Interest Summary
Actuals Through September 2019**

Schedule SS-MAC-2

Page 1 of 1

	(1) Column 10 from Schedule SS-MAC-3	(2) Column 13 from Schedule SS-MAC-3	(3) Col 1 + Col 2 + Col 3	
	<u>MAC Balance</u> <u>Over/(Under)</u>	<u>Cumulative Interest</u>	<u>Total Over/(Under)</u> <u>Recovery</u>	
A	Month			
c	Sep-18	\$14,350,159	\$1,417,527	\$15,767,686
	Oct-18	\$14,324,579	\$1,460,061	\$15,784,640
	Nov-18	\$14,329,460	\$1,502,565	\$15,832,025
	Dec-18	\$14,046,019	\$1,544,655	\$15,590,674
	Jan-19	\$12,770,177	\$1,584,433	\$14,354,609
	Feb-19	\$12,719,803	\$1,622,243	\$14,342,045
	Mar-19	\$12,452,418	\$1,659,581	\$14,111,999
	Apr-19	\$12,424,164	\$1,696,482	\$14,120,645
	May-19	\$12,777,476	\$1,733,864	\$14,511,341
	Jun-19	\$13,011,263	\$1,772,117	\$14,783,381
	Jul-19	\$13,994,577	\$1,812,176	\$15,806,754
	Aug-19	\$14,469,976	\$1,840,285	\$16,310,260
Sep-19	\$15,151,264	\$1,869,536	\$17,020,800	

**PSE&G - Margin Adjustment Clause
Balance Over/(Under) and Interest Calculation
MAC Balance**

Schedule SS-MAC-3
Page 1 of 1

(\$'s - Unless noted)
Actuals Through September 2019

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
						Col 1 - Col 2 - Col 3 - Col 4 - Col 5			Col 6 + Col 7 + Col 8	Prior Col 10 + Col 9		(Prior Col 10 + Col 10) / 2 * (Col 11 / 12)	Prior Col 13 + Col 12	Col 10 + Col 13	
						Carrying Charge on New TSG-NF Customer Connection Investments									
						TSG-NF to LVG Migration			MAC Over/(Under) Recovery	MAC Balance		Annual Interest Rate	Interest on Prospective Balance	Cummulative Interest	Total MAC + Accumulated Interest Over/(Under) Recovery
Month	Total TSG-NF Revenue	Total TSG-NF Expenses	LVG to TSG-NF Migration	TSG-NF to LVG Migration	TSG-NF Customer Connection Investments	TSG-NF Net Margin Revenue	Prior Period Billing Adj.	MAC Credit	MAC Over/(Under) Recovery	MAC Balance		Annual Interest Rate	Interest on Prospective Balance	Cummulative Interest	Total MAC + Accumulated Interest Over/(Under) Recovery
Monthly Calculations															
Actuals	Sep-18	\$1,152,048	\$445,602	\$43,056	(\$80,738)	\$0	\$744,128	\$59,365	(\$442,543)	\$360,950	\$14,350,159	3.56%	\$42,037	\$1,417,527	\$15,767,686
	Oct-18	\$1,263,726	\$486,653	\$35,844	(\$79,318)	\$0	\$820,546	\$71,140	(\$917,266)	(\$25,580)	\$14,324,579	3.56%	\$42,534	\$1,460,061	\$15,784,640
	Nov-18	\$2,652,387	\$864,652	\$49,298	(\$103,843)	\$0	\$1,842,280	\$58,852	(\$1,896,251)	\$4,881	\$14,329,460	3.56%	\$42,503	\$1,502,565	\$15,832,025
	Dec-18	\$3,061,268	\$937,411	\$18,286	(\$4,686)	\$0	\$2,110,257	\$79,932	(\$2,473,630)	(\$283,441)	\$14,046,019	3.56%	\$42,090	\$1,544,655	\$15,590,674
	Jan-19	\$2,445,807	\$750,797	\$20,683	(\$4,978)	\$0	\$1,679,306	\$91,180	(\$3,046,327)	(\$1,275,842)	\$12,770,177	3.56%	\$39,777	\$1,584,433	\$14,354,609
	Feb-19	\$3,807,930	\$1,248,883	\$21,277	(\$5,974)	\$0	\$2,543,744	\$110,070	(\$2,704,189)	(\$50,374)	\$12,719,803	3.56%	\$37,810	\$1,622,243	\$14,342,045
	Mar-19	\$3,089,279	\$1,019,138	\$22,391	(\$4,829)	\$0	\$2,052,578	\$148,897	(\$2,468,860)	(\$267,385)	\$12,452,418	3.56%	\$37,339	\$1,659,581	\$14,111,999
	Apr-19	\$1,687,480	\$593,904	\$23,769	(\$4,780)	\$0	\$1,074,587	\$131,464	(\$1,234,305)	(\$28,254)	\$12,424,164	3.56%	\$36,900	\$1,696,482	\$14,120,645
	May-19	\$1,454,973	\$438,079	\$16,132	(\$3,246)	\$0	\$1,004,007	\$93,275	(\$743,970)	\$353,313	\$12,777,476	3.56%	\$37,382	\$1,733,864	\$14,511,341
	Jun-19	\$1,046,358	\$338,199	\$14,703	(\$2,524)	\$0	\$695,980	\$74,707	(\$536,899)	\$233,787	\$13,011,263	3.56%	\$38,253	\$1,772,117	\$14,783,381
	Jul-19	\$1,994,747	\$598,777	\$12,988	(\$2,993)	\$0	\$1,385,975	\$61,440	(\$464,101)	\$983,314	\$13,994,577	3.56%	\$40,059	\$1,812,176	\$15,806,754
	Aug-19	\$1,289,873	\$395,939	\$13,677	(\$3,391)	\$0	\$883,648	\$59,135	(\$467,384)	\$475,398	\$14,469,976	2.37%	\$28,109	\$1,840,285	\$16,310,260
Sep-19	\$1,595,685	\$496,285	\$13,854	(\$4,043)	\$0	\$1,089,589	\$51,612	(\$459,913)	\$681,288	\$15,151,264	2.37%	\$29,251	\$1,869,536	\$17,020,800	

Calculation of MAC Rate

1	Total Over/(Under) Recovery at September 30, 2019	\$17,020,800
2	Additional Amount to be Refunded	\$5,000,000
3	Annual Credit to be Applied	\$22,020,800
4	Forecasted Therms for October 1, 2019 to September 30, 2020	2,541,496,163
5=(3/4)*-1	Margin Adjustment Charge (Per Therm)	(\$0.008665)
6=5*1.06625	Margin Adjustment Charge (Including Sales and Use Tax)	(\$0.009239)
7	Current Margin Adjustment Charge (Per Therm)	(\$0.006338)
8=(5-7)*4	Revenue Increase / (Decrease)	(\$5,914,062)

TYPICAL RESIDENTIAL GAS BILL IMPACTS

The effect of the proposed change in the gas Margin Adjustment Charge (MAC) on typical residential gas bills, if approved by the Board, is illustrated below:

Residential Gas Service					
If Your Monthly Winter Therm Use Is:	And Your Annual Therm Use Is:	Then Your Present Annual Bill (1) Would Be:	And Your Proposed Annual Bill (2) Would Be:	Your Annual Bill Change Would Be:	And Your Percent Change Would Be:
25	170	\$230.36	\$229.98	(\$0.38)	(0.16%)
50	340	357.16	356.30	(0.86)	(0.24)
100	610	567.94	566.40	(1.54)	(0.27)
159	1,000	870.17	867.68	(2.49)	(0.29)
172	1,040	895.22	892.64	(2.58)	(0.29)
200	1,210	1,024.42	1,021.44	(2.98)	(0.29)
300	1,816	1,485.80	1,481.30	(4.50)	(0.30)

(1) Based upon current Delivery Rates and Basic Gas Supply Service (BGSS-RSG) charges in effect December 1, 2019 and assumes that the customer receives commodity service from Public Service.

(2) Same as (1) except includes change in the Margin Adjustment Charge.

Residential Gas Service					
If Your Annual Therm Use Is:	And Your Monthly Winter Therm Use Is:	Then Your Present Monthly Winter Bill (3) Would Be:	And Your Proposed Monthly Winter Bill (4) Would Be:	Your Monthly Winter Bill Change Would Be:	And Your Percent Change Would Be:
170	25	\$27.80	\$27.74	(\$0.06)	(0.22%)
340	50	46.94	46.82	(0.12)	(0.26)
610	100	86.30	86.06	(0.24)	(0.28)
1,040	172	142.24	141.81	(0.43)	(0.30)
1,210	200	163.97	163.47	(0.50)	(0.30)
1,816	300	241.66	240.92	(0.74)	(0.31)

(3) Based upon current Delivery Rates and Basic Gas Supply Service (BGSS-RSG) charges in effect December 1, 2019 and assumes that the customer receives commodity service from Public Service.

(4) Same as (3) except includes change in the Margin Adjustment Charge.