



Agenda Date: 5/22/18  
Agenda Item: 2L

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017	)	ORDER
	)	DOCKET NO. AX18010001
	)	
IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR THE ADJUSTMENT OF BASE RATES AND REFUNDS ASSOCIATED WITH THE TAX CUTS AND JOBS ACT OF 2017	)	AND
	)	DOCKET NO. GR18030224
	)	

**Parties of Record:**

**Andrew K. Dembia, Esq.,** for New Jersey Natural Gas Company  
**Stefanie A. Brand, Esq., Director,** New Jersey Division of Rate Counsel

**BY THE BOARD:**

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a Stipulation of Settlement ("Stipulation") entered into by New Jersey Natural Gas Company ("NJNG" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "Parties") which seeks to resolve all issues related to this matter.

**BACKGROUND**

By Order<sup>1</sup> ("Generic TCJA Order") dated January 31, 2018, the Board directed affected utilities<sup>2</sup> to file petitions proposing new rates reflecting the impacts from the Federal Tax Cuts and Jobs Act (the "2017 Act") signed into law on December 22, 2017. The effective date of the 2017 Act is January 1, 2018. The 2017 Act set forth changes to the Federal Internal Revenue Tax Code ("Tax Code"), including a reduction in the maximum corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). The Board is charged with the authority to ensure that the regulated utilities' rates charged to ratepayers are just and reasonable. When the Board sets rates in base rate cases and in certain annual/periodic clauses, utilities are permitted to gross

<sup>1</sup> See In re the New Jersey Board of Public Utilities Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 (Order dated January 31, 2018).

<sup>2</sup> The affected utilities are investor owned gas, electric, water and wastewater companies under the jurisdiction of the Board. In addition, affected utilities shall be those with 2017 revenues equal to or greater than \$4.5 million.

up their revenue requirement as well as set other rate factors, including, the accumulated deferred income tax, based on the then existing thirty-five percent (35%) corporate tax rate.

The Board issued the Generic TCJA Order which set all affected utility rates as interim and established a proceeding to consider the implications of the 2017 Act. Based upon the Board's review of the 2017 Act, the Board found in its Generic TCJA Order that the changes to the Tax Code will provide savings to the affected utilities and will result in an over-collection of tax revenue by the affected utilities that will not be paid in federal income taxes. The affected utilities were required to file amended tariffs reflecting a reduction in rates resulting from the reduction in the corporate tax rate effective April 1, 2018, as well as a plan to address other rate factors and to refund any over collection in rates.

### **NJNG FILING**

On March 1, 2018, the Company filed its petition pursuant to the Generic TCJA Order, including proposed tariffs as well as a proposed plan. Specifically, NJNG requested the following: (1) a reduction in base rates of \$19.70 million effective April 1, 2018; (2) a refund to customers for the difference in the proposed rate and rates between January 1, 2018 and March 31, 2018; and (3) a refund of \$20.10 million (without sales and use tax ("SUT")) in the unprotected Accumulated Deferred Income Taxes ("ADIT").

The Company represented that the one-time refunds would be adjusted with interest at the Company's short-term debt rate and the SUT. The estimated refund is approximately \$9.7 million and would result in a one-time refund of \$14.84 to a typical residential heating customer. Additionally, a refund is planned for unprotected ADIT of an estimated \$21.4 million (with SUT) which results in a \$31.99 one-time refund to the typical residential heating customer. Combined, these estimated refunds total \$46.83. NJNG estimated having the refund applied to customer accounts by the end of May 2018. The \$19.70 million reduction was calculated on the base rate revenue and the Safety Acceleration and Facility Enhancement Extension ("SAFE") Program and New Jersey Reinvestment in System Enhancements ("RISE") Program revenues. The revenue factor was reduced to 1.3972 as a result of the 2017 Act.

The Company indicated that other impacts as a result of the 2017 Tax Act include a \$148.88 million regulated liability from the rate base (resulting in a \$3.59 million annual regulatory liability related to the deferred income taxes) and an increase of NJNG's Pro-Forma Operating income to \$76.17 million.

NJNG also requested two (2) waivers associated with the filing. The Company requested a waiver of the thirty (30) day notice requirement for a tariff change, per N.J.A.C. 14:1-5.11(a)4, in order for the refund and rate decrease to be effective April 1, 2018. Secondly, NJNG requested a waiver of the procedural schedule previously determined by the Board in the January 31, 2018 Order so this matter can be considered at the Board's April 25, 2018 agenda meeting and to permit the Company to execute the refund in May 2018.

NJNG indicated that it would address any changes to rider and rider deferred balances in upcoming annual filings as appropriate. Additionally, NJNG requested that a true-up to the deferred income tax balances be addressed in its next base rate case, which will be filed no later than November 2019.

The Company's tariffs proposed in the filing, include an across the board rate reduction reflecting the reduction in the corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). As a result, an average residential heating customer using 1,000 (therms) per year will receive an annual decrease of \$31.30 or three percent (3.0%). The combined rate reduction and refund impacts to the same customer will be \$78.13 or 7.4% for the year.

The Generic TCJA Order set the deadline for the filing of motions to intervene or participate on February 20, 2018. No party filed a motion seeking to intervene or participate in this proceeding prior to the expiration of the February 20, 2018 deadline.

By Order dated March 26, 2018, the Board directed the Company to implement its proposed base rate reduction on an interim basis, effective April 1, 2018. As a result of the March 26, 2018 Order, an average residential heating customer using 1,000 (therms) per year will see an annual decrease of \$31.30 or three percent (3.0%).

### **STIPULATION**

Following a review of discovery and discussions, the Parties executed the Stipulation, which provides for the following:<sup>3</sup>

#### **I. BASE RATE REDUCTION**

12. The Parties agree that the Company's revised Pro-Forma Operating Income, Operating Income Deficiency, Revenue Factor and Revenue Requirements for the rate case settlement and its 2017 SAFE II/NJ RISE proceeding<sup>4</sup> equate to a total revenue requirement reduction of \$19.70 million, \$18.96 million and \$0.75 million for the rate case and SAFE II/NJ RISE, respectively. This rate reduction, approved on an interim basis by BPU Order dated March 26, 2018, may be further reviewed in the Company's next base rate case that will be filed no later than November 2019.
13. The Parties agree that NJNG's Revenue Factor of 1.6981 will be lowered to 1.3972 as a result of the 2017 Act.
14. The Parties agree that the Protected Excess Deferred Income tax balance, based on the Company's ADIT from the Company's last base rate case and the associated balances as of December 31, 2017 with the effects of the 2017 Act, is currently estimated to be \$148.88 million. The Parties further agree that any change in this amount be addressed in the Company's next base rate case that is required to be filed no later than November 2019.
15. The Parties agree that NJNG will reclassify the \$148.88 million of its rate base related deferred income taxes as a regulatory liability. The reclassification has no effect on rate base for purposes of this filing and any changes will be reflected in future rate cases. This regulatory liability is subject to the Internal Revenue

<sup>3</sup> Although summarized in this Order, the detailed terms of the stipulation are controlling, subject to the findings and conclusions of this Order.

<sup>4</sup> In the Matter of the Petition of New Jersey Natural Gas Company For Approval of Base Rate Adjustments Pursuant to its NJ RISE and SAFE II Programs, BPU Docket No. GR17030326 ("2017 SAFE II/NJ RISE proceeding").

Service ("IRS") normalization rules<sup>5</sup> and will be amortized and returned to ratepayers over 41.67 years utilizing the Reverse South Georgia method. The amortization for this equates to \$3.59 million per year.

16. The Parties agree that the billing determinants approved in the 2017 SAFE II/NJ RISE rate proceeding will be used to determine the \$19.70 million revenue requirement reduction to the Company's rate classifications and associated base rates to be effective June 1, 2018 or as of the effective date specified in the Board Order in this proceeding on a final basis. The rate design and resulting tariff rates are set forth in Attachment A to the Stipulation.

## **II. REFUND OF JANUARY 1, 2018 THROUGH MARCH 31, 2018 OVER-COLLECTION**

17. The Parties agree that NJNG will refund the January 1, 2018 through March 31, 2018 over-collection using the January 1, 2018 through March 31, 2018 billing determinants and applying the difference between the June 1, 2018 rates and the January 1, 2018 rates including sales tax. The Company will apply the refunds to customer accounts in June 2018 or as soon as possible after the receipt of a Board Order addressing the refunds in this proceeding.
18. The total rate refund is estimated to be approximately \$9.8 million. This results in an estimated one-time refund for a typical residential heating customer of \$15.04 or 1.4%.

## **III. REFUND OF UNPROTECTED EXCESS DEFERRED INCOME TAX**

19. The Parties agree that NJNG will refund customer accounts for the Unprotected<sup>6</sup> ADIT of \$21.4 million inclusive of SUT, by June 2018 or as soon as possible after the receipt of a Board Order addressing the refunds in this proceeding. The estimated one-time refund for a typical residential heating customer is \$31.99 or 3%. When combined with the rate refund in Section II of the Stipulation, the total estimated refund for a typical residential heating customer is \$47.03 or 4.5%. Actual refund amounts will be determined based on the active customers and their billed usage for January 1, 2018 through March 31, 2018. The Parties further agree that any change in this amount will be addressed in the Company's next base rate case that is required to be filed no later than November 2019.

## **IV. INTEREST ON REFUNDS**

20. The Parties agree that the interest on the two refunds, specifically for the three-month over-collection and the Unprotected ADIT, will be at the Company's short-term debt rate as specified in the Company's last base rate case.

## **V. RIDERS**

21. The Parties agree that NJNG will modify its riders for any associated changes resulting from the 2017 Tax Cut Act and any changes are reflected in the rider

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<sup>5</sup> IRC Sec 168(i)(9).

<sup>6</sup> Certain excess deferred income taxes are referred to as "unprotected" and are not covered under IRS normalization rules.

deferred balances. Any changes will be incorporated in NJNG's upcoming annual filings addressing the riders, where necessary.

**DISCUSSION AND FINDINGS:**

Staff and Rate Counsel have reviewed the Company's filing, exchanged discovery and reached a resolution on all issues in this matter. The one-time refund of \$47.03 is in addition to the annual decrease of \$31.30 or three percent (3.0%) pursuant to the Board's March 26, 2018 Order. The Stipulation further addresses the other effects of the 2017 Act on NJNG's rate base, including protected and unprotected deferred income taxes. Finally, the Stipulation appropriately provides that additional review of any related refunds and rates may occur, as necessary, in future proceedings.

The Board has reviewed the record in this proceeding, including the petition and the Stipulation. The Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

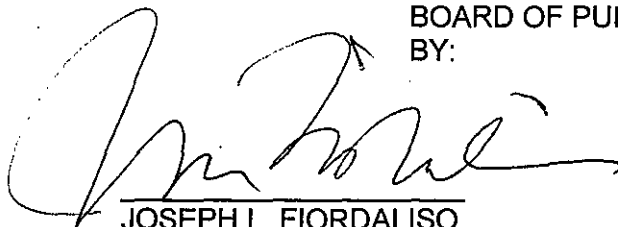
NJNG is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to June 1, 2018.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective May 29, 2018.

DATED: 5/22/18

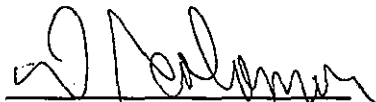
BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER

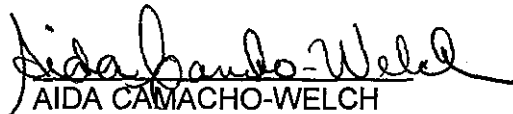


UPENDRA J. CHIVUKULA  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

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IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF  
THE TAX CUTS AND JOBS ACT OF 2017  
DOCKET NO. AX18010001

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR THE  
ADJUSTMENT OF BASE RATES AND REFUNDS ASSOCIATED WITH THE TAX CUTS AND  
JOBS ACT OF 2017  
DOCKET NO. GR18030224

SERVICE LIST

**NJNG**

1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719

Mark G. Kahrer,  
Vice President - Regulatory Affairs  
[mkahrer@njng.com](mailto:mkahrer@njng.com)

Andrew K. Dembia, Esq.  
Regulatory Affairs Counsel  
[adembia@njng.com](mailto:adembia@njng.com)

James Corcoran  
[jcorcoran@njng.com](mailto:jcorcoran@njng.com)

Tina Trebino  
[ttrebino@njng.com](mailto:ttrebino@njng.com)

**Division of Rate Counsel**

140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director  
[sbrand@rpa.nj.gov](mailto:sbrand@rpa.nj.gov)

Brian Lipman, Litigation Manager  
[blipman@rpa.nj.gov](mailto:blipman@rpa.nj.gov)

Felicia Thomas-Friel, Esq.  
[ftomas@rpa.nj.gov](mailto:ftomas@rpa.nj.gov)

Shelly Massey  
[smassey@rpa.nj.gov](mailto:smassey@rpa.nj.gov)

**Board of Public Utilities**

44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350

Paul Flanagan, Executive Director  
[paul.flanagan@bpu.nj.gov](mailto:paul.flanagan@bpu.nj.gov)

Stacy Peterson, Director  
Division of Energy  
[stacy.peterson@bpu.nj.gov](mailto:stacy.peterson@bpu.nj.gov)

**Division of Audits**

Alice Bator, Director  
[alice.bator@bpu.nj.gov](mailto:alice.bator@bpu.nj.gov)

Darren Erbe  
[darren.erbe@bpu.nj.gov](mailto:darren.erbe@bpu.nj.gov)

William Foley  
[william.foley@bpu.nj.gov](mailto:william.foley@bpu.nj.gov)

Jehvson Espiritu  
[jehvson.espiritu@bpu.nj.gov](mailto:jehvson.espiritu@bpu.nj.gov)

**Counsel's Office**

Noreen Giblin, Chief Counsel  
[noreen.giblin@bpu.nj.gov](mailto:noreen.giblin@bpu.nj.gov)

Carol Artale, Esq.  
Deputy Chief Counsel  
[carol.artale@bpu.nj.gov](mailto:carol.artale@bpu.nj.gov)

Bethany Rocque-Romaine, Esq.  
[bethany.romaine@bpu.nj.gov](mailto:bethany.romaine@bpu.nj.gov)

**Deputy Attorneys General**

124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029

Geoffrey Gersten, DAG  
[geoffrey.gersten@law.njoag.gov](mailto:geoffrey.gersten@law.njoag.gov)

Alex Moreau, DAG  
[alex.moreau@law.njoag.gov](mailto:alex.moreau@law.njoag.gov)

Renee Greenberg, DAG  
[renee.greenberg@law.njoag.gov](mailto:renee.greenberg@law.njoag.gov)

Megan Lupo, Esq.  
[megan.lupo@bpu.nj.gov](mailto:megan.lupo@bpu.nj.gov)

Andrea Hart, Esq.  
[andrea.hart@bpu.nj.gov](mailto:andrea.hart@bpu.nj.gov)

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE NEW JERSEY )     BPU DOCKET NO. AX18010001  
BOARD OF PUBLIC UTILITIES'         )  
CONSIDERATION OF THE TAX           )  
CUTS AND JOBS ACT OF 2017         )**

**IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR THE ADJUSTMENT OF BASE RATES     BPU DOCKET NO. GR18030224  
AND REFUNDS ASSOCIATED WITH THE  
TAX CUTS AND JOBS ACT OF 2017**

**SETTLEMENT FOR FINAL RATES**

**APPEARANCES:**

Andrew K. Dembia, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Brian Lipman, Litigation Manager and Felicia Thomas-Friel, Deputy Rate Counsel, New Jersey Division of Rate Counsel (Stefanie Brand, Esq., Director)

Alex Moreau and Renee Greenberg, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

**TO:   THE HONORABLE COMMISSIONERS OF THE  
      NEW JERSEY BOARD OF PUBLIC UTILITIES**

1. New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition (“Tax Rate Adjustment Filing”) pursuant to the New Jersey Board of Public Utilities’ (“Board” or “BPU”) Order (“Generic TCJA Order”) regarding the Tax Cuts and Jobs Act of 2017 (“2017 Tax Cut Act”), in Docket Nos. AX18010001 and GR18030224 on March 2, 2018. The Tax Rate Adjustment Filing requested that the Board approve NJNG’s petition to implement: 1) a reduction in its base rates of \$19.70 million to be effective April 1, 2018; 2) a refund to



customers for the difference between the April 1, 2018 effective rates and the current rates for the period commencing January 1, 2018 and ending March 31, 2018; and 3) a refund of \$20.10 million associated with the change in the “unprotected” Accumulated Deferred Income Taxes (“Unprotected ADIT”). The one-time refunds will include interest at the Company’s short-term debt rate as specified in the Company’s last base rate case<sup>1</sup> and New Jersey Sales and Use Tax (“SUT”) and were anticipated to be applied to customer accounts by late May 2018. These rate changes and one-time refunds result in an overall decrease of approximately 7.4 percent to the average residential heating customer’s annual bill.

2. NJNG requested a waiver of N.J.A.C. 14:14:1-5.11(a)4, which requires a 30-day notice for a tariff change, so that the proposed rate reductions and refunds could be effective as of April 1, 2018.

3. NJNG also requested a waiver of the procedural schedule specified in the Generic TCJA Order. NJNG further requested that the Board place this matter on the agenda currently scheduled for April 25, 2018 and issue a provisional Order in this matter to permit NJNG to issue the refunds discussed below in late May 2018.

### **BACKGROUND**

4. On December 22, 2017, the 2017 Tax Cut Act was signed into law with an effective date of January 1, 2018. The 2017 Tax Cut Act sets forth changes to the Federal Internal Revenue Tax Code (“Tax Code”). One significant change is the reduction in the maximum corporate tax rate from 35% to 21% taking effect on January 1, 2018.

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<sup>1</sup> *In the Matter of the Petition of New Jersey Natural Gas Company For Approval of an Increase in Gas Base Rates a for Changes in its Tariff for Gas Service, Approval of SAFE Program Extension, and Approval of SAFE Extension and NJ RISE Rate Recovery Mechanisms Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and for Changes to Depreciation Rates for Gas Property Pursuant to N.J.S.A. 48:2-18*, BPU Docket No. GR15111304 (September 23, 2016).

5. The Board issued the Generic TCJA Order on January 31, 2018 in response to the 2017 Tax Cut Act. See, *In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, BPU Docket No. AX18010001 (January 21, 2018). Based on the Board's review of the 2017 Tax Cut Act, these changes to the Tax Code will provide savings to New Jersey public utilities and result in an over-collection of tax revenue by the public utilities that will not be paid in federal income taxes. *Id.* The Board stated: "To ensure that ratepayers receive the appropriate benefit from the reduction in taxes collected in rates that will no longer be paid, it is necessary for rates to be adjusted so that utility rates reflect the effective federal corporate tax rate." *Id.* The Board went on to state that: "First, the new tax rate will have a direct impact on the grossing up of the revenue requirement established and approved by the Board in setting rates. In addition, the change in the tax rate may have an impact on other rate factors, including the accumulated deferred income tax." *Id.*

6. To ensure that the ratepayers receive the appropriate reduction in tax expense, the Board directed the utilities to defer, with interest, the effects of the 2017 Tax Cut Act on the books and records effective January 1, 2018, which is consistent with the effective date of the 2017 Tax Cut Act. The Board Order stated the interest shall be calculated using the Company's short-term debt on the deferral related to the revenue requirement adjustment from the tax rate of 35% to the tax rate of 21%. Interest on the deferral related to the accumulated deferred income tax adjustment and other rate factors shall be at the company's overall allowed weighted average cost of capital. According to the Board, "This will preserve the effect and ultimately pass the reduction in the revenue requirement to ratepayers for expenses relating to taxes reflected in rates but no longer owed. The deferral shall be the difference between a tax rate of 35% and 21% and its impact on both expense and on the flowback of excess accumulated deferred taxes." *Id.*

7. Pursuant to the Generic TCJA Order, each affected public utility was directed to submit to the Board, no later than March 2, 2018, a petition with a detailed calculation of the impact resulting from the 2017 Tax Cut Act on the revenue requirement by comparing the latest Board approved test year data and supporting data attached to settlements under the old and new tax laws, and on the revenue requirements collected through annual/periodic clauses comparing the annual data under the old and new tax laws. The affected utilities were further directed to base the calculation upon the criteria set forth in the Generic TCJA Order at pages 2 through 3.

8. The Board also gave flexibility to the utilities to submit filings that proposed alternative means of returning the benefits back to their customers. Specifically, the Board stated: "The parties are free to examine the amounts of the deferrals and rate adjustment mechanism and the appropriateness of applying the allowed overall weighted average cost of capital on the portion of the deferral related to the accumulated deferred income taxes and short term debt on the portion related to the revenue requirement not being adjusted as of January 1, 2018." *Id.*

9. NJNG has received and responded to all discovery requests that have been propounded in this proceeding.

10. On March 26, 2018, the BPU issued an Order in the current dockets directing the Company to implement its proposed base rate reduction on an interim basis effective April 1, 2018.

11. NJNG, BPU Staff and the New Jersey Division of Rate Counsel (the "Parties" to this proceeding) have discussed this matter and now hereby **STIPULATE AND AGREE** as follows:

## SETTLEMENT ISSUES

### I. BASE RATE REDUCTION

12. The Parties agree that the Company's revised Pro-Forma Operating Income, Operating Income Deficiency, Revenue Factor and Revenue Requirements for the rate case settlement and its 2017 SAFE II/NJ RISE proceeding<sup>2</sup> equate to a total revenue requirement reduction of \$19.70 million, \$18.96 million and \$0.75 million for the rate case and SAFE II/NJ RISE, respectively. This rate reduction, approved on an interim basis by BPU Order dated March 26, 2018, may be further reviewed in the Company's next base rate case that will be filed no later than November 2019.

13. The Parties agree that NJNG's Revenue Factor of 1.6981 will be lowered to 1.3972 as a result of the 2017 Tax Cut Act.

14. The Parties agree that the Protected Excess Deferred Income tax balance, based on the Company's Accumulated Deferred Income Taxes from the Company's last base rate case and the associated balances as of December 31, 2017 with the effects of the 2017 Tax Cut Act, is currently estimated to be \$148.88 million. The Parties further agree that any change in this amount be addressed in the Company's next base rate case that is required to be filed no later than November 2019.

15. The Parties agree that NJNG will reclassify the \$148.88 million of its rate base related deferred income taxes as a regulatory liability. The reclassification has no effect on rate base for purposes of this filing and any changes will be reflected in future rate cases. This regulatory

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<sup>2</sup> *In the Matter of the Petition of New Jersey Natural Gas Company For Approval of Base Rate Adjustments Pursuant to its NJ RISE and SAFE II Programs*, BPU Docket No. GR17030326 ("2017 SAFE II/NJ RISE proceeding").

liability is subject to the Internal Revenue Service ("IRS") normalization rules<sup>3</sup> and will be amortized and returned to ratepayers over 41.67 years utilizing the Reverse South Georgia method. The amortization for this equates to \$3.59 million per year.

16. The Parties agree that the billing determinants approved in the 2017 SAFE II/NJ RISE rate proceeding will be used to determine the \$19.70 million revenue requirement reduction to the Company's rate classifications and associated base rates to be effective June 1, 2018 or as of the effective date specified in the Board Order in this proceeding on a final basis. The rate design and resulting tariff rates are set forth in Attachment A to this Settlement.

## **II. REFUND OF JANUARY 1, 2018 THROUGH MARCH 31, 2018 OVER-COLLECTION**

17. The Parties agree that NJNG will refund the January 1, 2018 through March 31, 2018 over-collection using the January 1, 2018 through March 31, 2018 billing determinants and applying the difference between the June 1, 2018 rates and the January 1, 2018 rates including sales tax. The Company will apply the refunds to customer accounts in June 2018 or as soon as possible after the receipt of a Board Order addressing the refunds in this proceeding:

18. The total rate refund is estimated to be approximately \$9.8 million. This results in an estimated one-time refund for a typical residential heating customer of \$15.04 or 1.4%.

## **III. REFUND OF UNPROTECTED EXCESS DEFERRED INCOME TAX**

19. The Parties agree that NJNG will refund customer accounts for the Unprotected<sup>4</sup> ADIT of \$21.4 million inclusive of SUT, by June 2018 or as soon as possible after the receipt of a Board

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<sup>3</sup> IRC Sec 168(i)(9).

<sup>4</sup> Certain excess deferred income taxes are referred to as "unprotected" and are not covered under IRS normalization rules.

Order addressing the refunds in this proceeding. The estimated one-time refund for a typical residential heating customer is \$31.99 or 3%. When combined with the rate refund in Section II, the total estimated refund for a typical residential heating customer is \$47.03 or 4.5%. Actual refund amounts will be determined based on the active customers and their billed usage for January 1, 2018 through March 31, 2018. The Parties further agree that any change in this amount will be addressed in the Company's next base rate case that is required to be filed no later than November 2019.

#### **IV. INTEREST ON REFUNDS**

20. The Parties agree that the interest on the two refunds, specifically for the three-month over-collection and the Unprotected ADIT, will be at the Company's short-term debt rate as specified in the Company's last base rate case.

#### **V. RIDERS**

21. The Parties agree that NJNG will modify its riders for any associated changes resulting from the 2017 Tax Cut Act and any changes are reflected in the rider deferred balances. Any changes will be incorporated in NJNG's upcoming annual filings addressing the riders, where necessary.

22. This Settlement represents a mutual balancing of interests, contains interdependent provisions, and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Settlement and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Settlement is not adopted in its entirety by the Board, in any applicable Order, then any Party

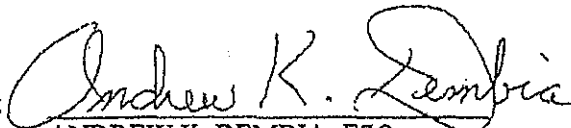
hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Settlement had not been signed.

23. The Parties agree that they consider the Settlement to be binding on them for all purposes herein.

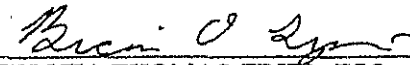
24. It is specifically understood and agreed that this Settlement represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. All rates are subject to audit by the Board. The Parties further acknowledge that a Board Order approving this Settlement 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.

WHEREFORE, the Parties hereto do respectfully submit this Settlement and request that the Board issue an Order approving it in its entirety, in accordance with the terms hereof.

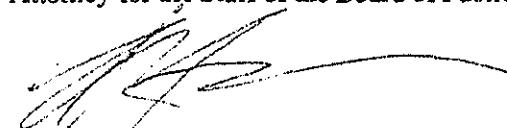
**NEW JERSEY NATURAL GAS  
PETITIONER**

By:   
ANDREW K. DEMBIA, ESQ.  
New Jersey Natural Gas

**STEFANIE BRAND, ESQ., DIRECTOR  
NEW JERSEY DIVISION OF RATE COUNSEL**

By:   
~~FELICIA THOMAS FRIEL, ESQ.~~ Brian O. Lipman,  
DEPUTY RATE COUNSEL

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

By:   
ALEX MOREAU  
DEPUTY ATTORNEY GENERAL

Date: May 7<sup>th</sup>, 2018



New Jersey Natural Gas Company  
Base Rates and Revenues

Component (a)	Amount (b)	Units (c)	1/1/18 Rates		6/1/18 Rates		
			Rate (d)	Revenue (e)	Rate (f)	Revenue (g)	Decrease (h)
			RS		RS		
<u>Residential Service</u>							
Customer Charge	5,949,092	Bills	\$ 8.32	\$ 49,496,445	\$ 8.08	\$ 48,068,663	
Volumetric Charge	473,730,512	Therms	0.3834	181,628,278	0.3565	168,884,928	
<b>Total Base Revenues</b>				<b>\$ 231,124,723</b>		<b>\$ 216,953,590</b>	<b>-6.1%</b>

			GSS		GSS		
<u>General Service Small (less than 5,000 Annual Therms)</u>							
Customer Charge	354,480	Bills	\$ 25.21	\$ 8,936,429	\$ 24.49	\$ 8,681,203	
Volumetric Charge	35,445,116	Therms	0.3579	12,685,807	0.3276	11,611,820	
Volumetric Charge - A/C	53,294	Therms	0.0754	4,018	0.0708	3,773	
<b>Total Base Revenues</b>				<b>\$ 21,626,254</b>		<b>\$ 20,296,797</b>	<b>-6.1%</b>

			GSL		GSL		
<u>General Service Large (5,000 + Annual Therms)</u>							
Customer Charge	102,863	Bills	\$ 52.55	\$ 5,405,472	\$ 46.98	\$ 4,832,523	
Demand Charge	10,586,413	Therms	1.7309	18,324,023	1.7215	18,224,510	
Volumetric Charge	133,260,163	Therms	0.2776	36,993,021	0.2547	33,941,364	
Volumetric Charge - A/C	263,739	Therms	0.0754	19,886	0.0708	18,673	
<b>Total Base Revenues</b>				<b>\$ 60,742,402</b>		<b>\$ 57,017,069</b>	<b>-6.1%</b>

New Jersey Natural Gas Company  
Base Rates and Revenues

Component (a)	Amount (b)	Units (c)	1/1/18 Rates		6/1/18 Rates		
			Rate (d)	Revenue (e)	Rate (f)	Revenue (g)	Decrease (h)
<u>Firm Transportation Service*</u>			<u>FT</u>		<u>FT</u>		
Customer Charge	2,424	Bills	\$ 244.16	\$ 591,844	\$ 193.26	\$ 468,462	
Demand Charge	2,378,320	Therms	1.8964	4,510,245	1.7647	4,197,021	
Volumetric Charge	26,965,500	Therms	0.0748	<u>2,017,019</u>	0.0748	<u>2,017,019</u>	
<b>Total Base Revenues</b>				<b>\$ 7,119,109</b>		<b>\$ 6,682,502</b>	<b>-6.1%</b>

			DGC		DGC		
			Rate	Revenue	Rate	Revenue	Decrease
<u>Distributed Generation - Commercial*</u>			<u>DGC</u>		<u>DGC</u>		
Customer Charge	96	Bills	\$ 51.92	\$ 5,003	\$ 49.38	\$ 4,758	
Demand Charge	284,681	Therms	1.4266	406,126	1.3069	372,049	
Volumetric Charge - Winter	1,688,833	Therms	0.0604	102,006	0.0604	102,006	
Volumetric Charge - Summer	1,566,961	Therms	0.0298	<u>46,695</u>	0.0298	<u>46,695</u>	
<b>Total Base Revenues</b>				<b>\$ 559,830</b>		<b>\$ 525,509</b>	<b>-6.1%</b>

			NGV / CNG		NGV / CNG		
			Rate	Revenue	Rate	Revenue	Decrease
<u>Natural Gas Vehicle / Compressed Natural Gas Service</u>			<u>NGV / CNG</u>		<u>NGV / CNG</u>		
Customer Charge	48	Bills	\$ 51.66	\$ 2,480	\$ 50.38	\$ 2,418	
Volumetric Charge	611,200	Therms	0.1725	<u>105,432</u>	0.1618	<u>98,892</u>	
<b>Total Base Revenues</b>				<b>\$ 107,912</b>		<b>\$ 101,310</b>	<b>-6.1%</b>

**TOTAL SYSTEM BASE DISTRIBUTION REVENUES** **\$ 321,280,229** **\$ 301,576,778** **-6.1%**

DECREASE	-19,703,451
TARGET DECREASE	<u>-19,704,000</u>
Difference	\$549

\* In BPU Docket No. GR15111304, the settlement rate design increased fixed charges for Firm Transportation and Distributed Generation - Commercial customers and decreased their volumetric charges. The rates above reflect the maintenance of the rate case volumetric charge and decrease to the fixed charges.

New Jersey Natural Gas Company  
Base Rates for DGR and EGS Rates

NJNG does not currently have customers served under these service classifications. The DGR Customer Charge is equivalent to the RS Customer Charge. All other charges are decreased by the overall percentage revenue decrease.

<u>Component</u>	<u>1/1/18 Rates</u>	<u>6/1/18 Rates</u>	<u>Decrease</u>
	<u>DGR</u>	<u>DGR</u>	
<u>Distributed Generation Residential</u>			
Customer Charge	8.32	8.08	(0.24)
Volumetric Charge - Winter	0.1795	0.1685	(0.0110) -6.1%
Volumetric Charge - Summer	0.1262	0.1185	(0.0077) -6.1%
	<u>EGS</u>	<u>EGS</u>	
<u>Electric Generation Service</u>			
Customer Charge	934.58	877.26	(57.32) -6.1%
Demand Charge	1.6121	1.5132	(0.0989) -6.1%
Volumetric Charge	0.0050	0.0047	(0.0003) -6.0%

**New Jersey Natural Gas Company  
Estimated Refund Rates**

The Deferred Tax and Interest refund rates are estimated based on the customer and sales forecast. Actual refund rates will be determined based on the active customers and their billed usage for January 1, 2018 through March 31, 2018.

**Deferred Tax Refund Rate**

Unprotected Deferred Tax Refund	(\$20,101,377)
1/1/18 - 3/31/18 therms	331,278,223
Pre-tax Deferred Tax Refund Rate	(0.0607)
After-tax Deferred Tax Refund Rate	(0.0647)

**Interest Refund Rates**

	Interest	1/1/18-3/31/18 therms	Pre-tax Interest Refund Rate	After-tax Interest Refund Rate
RS	(\$43,865)	239,403,742	(0.0002)	(0.0002)
GSS	(\$3,822)	19,897,694	(0.0002)	(0.0002)
GSL	(\$11,308)	63,420,206	(0.0002)	(0.0002)
FT	(\$1,124)	7,256,889	(0.0002)	(0.0002)
DGC	(\$153)	1,008,758	(0.0002)	(0.0002)
NGV/CNG	(\$44)	290,934	(0.0002)	(0.0002)
Total	(\$60,317)	331,278,223		

**New Jersey Natural Gas Company  
Estimated Refund Rates**

The Deferred Tax and Interest refund rates are estimated based on the customer and sales forecast. Actual refund rates will be determined based on the active customers and their billed usage for January 1, 2018 through March 31, 2018.

	<u>1/1/18 Rates</u>		<u>6/1/18 Rates</u>		<u>Refund Rate</u>	
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
<b>RS</b>						
Customer Charge	8.32	8.87	8.08	8.62	(0.24)	(0.25)
Base Rate	0.3834	0.4088	0.3565	0.3801	(0.0269)	(0.0287)
Deferred Tax Refund					(0.0607)	(0.0647)
Interest					(0.0002)	(0.0002)
Total Variable Rate Refund					(0.0878)	(0.0936)
Average RS Heat Customer Estimated Rate Refund including interest			494.43 therms			(15.04)
Average RS Heat customer estimated Deferred Tax Refund						(31.99)
Total Estimated Refund						(47.03)
<b>GSS</b>						
Customer Charge	25.21	26.88	24.49	26.11	(0.72)	(0.77)
Base Rate	0.3579	0.3816	0.3276	0.3493	(0.0303)	(0.0323)
Deferred Tax Refund					(0.0607)	(0.0647)
Interest					(0.0002)	(0.0002)
Total Variable Rate Refund					(0.0912)	(0.0972)
<b>GSL</b>						
Customer Charge	52.55	56.03	46.98	50.09	(5.57)	(5.94)
Demand Charge	1.7309	1.85	1.7215	1.84	(0.0094)	(0.01)
Base Rate	0.2776	0.2960	0.2547	0.2716	(0.0229)	(0.0244)
Deferred Tax Refund					(0.0607)	(0.0647)
Interest					(0.0002)	(0.0002)
Total Variable Rate Refund					(0.0838)	(0.0893)
<b>FT</b>						
Customer Charge	244.16	260.34	193.26	206.06	(50.90)	(54.28)
Demand Charge	1.8964	2.02	1.7647	1.88	(0.1317)	(0.14)
Base Rate	0.0748	0.0798	0.0748	0.0798	-	-
Deferred Tax Refund					(0.0607)	(0.0647)
Interest					(0.0002)	(0.0002)
Total Variable Rate Refund					(0.0609)	(0.0649)
<b>DG</b>						
Customer Charge	51.92	55.36	49.38	52.65	(2.54)	(2.71)
Demand Charge	1.4266	1.52	1.3069	1.39	(0.1197)	(0.13)
Base Rate	0.0604	0.0644	0.0604	0.0644	-	-
Deferred Tax Refund					(0.0607)	(0.0647)
Interest					(0.0002)	(0.0002)
Total Variable Rate Refund					(0.0609)	(0.0649)
<b>CNG/NGV</b>						
Customer Charge	51.66	55.08	50.38	53.72	(1.28)	(1.36)
Base Rate	0.1725	0.1839	0.1618	0.1725	(0.0107)	(0.0114)
Deferred Tax Refund					(0.0607)	(0.0647)
Interest					(0.0002)	(0.0002)
Total Variable Rate Refund					(0.0716)	(0.0763)