



Agenda Date: 05/29/13  
Agenda Item: 2A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF NEW JERSEY NATURAL GAS )  
COMPANY'S REQUEST FOR DEFERRAL )  
ACCOUNTING AUTHORITY FOR STORM DAMAGE )  
RESTORATION COSTS RELATED TO HURRICANE )  
SANDY )  
DOCKET NO. GR12111036

**Parties of Record:**

**Tracey Thayer, Esq.**, on behalf of Petitioner, New Jersey Natural Gas Company  
**Stefanie A. Brand, Esq.**, Director, Division of Rate Counsel

BY THE BOARD:

**BACKGROUND AND PROCEDURAL HISTORY**

On November 19, 2012, New Jersey Natural Gas Company<sup>1</sup> ("NJNG" or "the Company"), a public utility of the State of New Jersey, subject to the jurisdiction of the New Jersey Board of Public Utilities ("BPU" or "Board"), filed a petition, pursuant to N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1 and N.J.S.A. 48:2-23, seeking authorization for deferred accounting treatment of actually incurred uninsured incremental storm costs associated with Superstorm Sandy that are not otherwise recovered through the Company's currently approved base rates<sup>2</sup>. The Company proposed that the appropriate amortization period for such deferred costs be addressed in its next base rate case<sup>3</sup>.

<sup>1</sup> New Jersey Natural Gas Company serves approximately 500,000 customers, as of March 31, 2013, within Monmouth and Ocean Counties and in certain portions of Burlington, Middlesex, and Morris Counties.

<sup>2</sup> NJNG's current base rates became effective on October 3, 2008 (In the Matter of the Petition of New Jersey Natural Gas Company For Approval of an Increase in Gas Rates, Docket No. GR07110889, October 3, 2008).

<sup>3</sup> A base rate case shall be filed no later than November 15, 2015 per the October 23, 2012 Board approval of the Stipulation in Docket No. GO12030255 (In the Matter of the Petition of New Jersey Natural Gas Company for Approval of the Safety Acceleration and Facility Enhancement Program Pursuant to N.J.S.A. 48:2-23, and for Approval of the Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 2-21.1).

In its petition, NJNG asserted that the storm related incremental expenses that the Company seeks to defer are actual, were prudently incurred, and were associated with the impact of Superstorm Sandy on NJNG's natural gas distribution system. The costs that the Company seeks to defer include overtime, contractor costs, mutual assistance from other utilities, and other related expenses that the Company claims were directly resulting from damage and restoration costs associated with recovery from Superstorm Sandy in the NJNG service territory. The Company further stated that no ongoing, routine, non-emergency costs will be included in the requested deferred accounts established for costs associated with Superstorm Sandy storm damages.<sup>4</sup>

## **DISCUSSION AND FINDING**

The Board has initiated a generic proceeding<sup>5</sup> to evaluate the prudence of extraordinary, storm-related costs incurred by all of New Jersey's regulated utilities as a result of the major storm events<sup>6</sup> New Jersey experienced in 2011 and 2012, thereby satisfying the Board's concern that delayed review of extraordinary costs be avoided. In this proceeding, the Board will evaluate and review the prudence of the Major Storm Event costs that the utilities seek to recover from their ratepayers.

After reviewing the petition, the Board **FINDS** that the Company's request to defer these costs on its books and records is reasonable, in the public interest, and in accordance with the law. The Board **HEREBY AUTHORIZES** NJNG to defer on its books, for accounting purposes only and without interest, actually incurred prudent, incremental storm costs not otherwise recoverable through base rates or insurance subject to the conditions described below.

As determined in the March 20 Order, the prudence of the deferred incremental and uninsured Superstorm Sandy related expenses will be reviewed in the generic storm proceeding described above. Therefore, the Board **HEREBY ORDERS** that, as a condition for approval of the right to currently defer unreimbursed storm related costs on its books and records for accounting purposes only and without interest, NJNG shall cooperate with staff as the Board reviews the prudence of storm-related costs in the above referenced generic proceeding, and shall provide requested information including, but not limited to the following by July 1, 2013:

- 1) An estimate of the total of actually incurred unreimbursed, uninsured, incremental storm restoration costs;
- 2) For each cost identified, information as to the eligibility for, and probability of cost recovery from insurance, any governmental program or any other third party;
- 3) The costs and ratemaking treatment for those costs for which the Company continues to request deferred accounting;
- 4) The tax treatment expected for each storm-related cost; and

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<sup>4</sup> While this matter was discussed at the Board's April 29, 2013, agenda meeting, review of the transcript indicated that the Board did not vote on this matter. It was therefore rescheduled for the May 29, 2013 agenda.

<sup>5</sup> In the Matter of the Board's Establishment of a Generic Proceeding to Review the Prudence of Costs Incurred by New Jersey Utility Companies in Response to Major Storm Events in 2011 and 2012; BPU Docket No. AX13030196 (Order dated March 20, 2013).

<sup>6</sup> The major storm events ("Major Storm Events") include the following: Hurricane Irene - made landfall at Little Egg Inlet in New Jersey on August 28, 2011; Snowstorm - Northern New Jersey on October 29, 2011; Derecho Wind Storm - Southern New Jersey on June 30 2012; Superstorm Sandy - made landfall near Atlantic City, New Jersey on October 29, 2012, and Nor'easter - November 7, 2012.


- 5) How the Company intends to report storm related costs for GAAP (Generally Accepted Accounting Principles) purposes.


This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting NJNG.

This Order shall be effective on the date this Order is served as required by N.J.S.A. 48:2-40.

DATED: 5/29/13

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

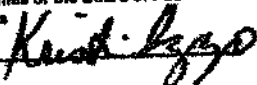
  
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JOSEPH L. FIORDALISO  
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MARY-ANNA HOLDEN  
COMMISSIONER

ATTEST:   
KRISTI IZZO  
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 NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR  
DEFERRAL ACCOUNTING AUTHORITY FOR STORM DAMAGE RESTORATION COSTS  
RELATED TO HURRICANE SANDY - BPU DOCKET NO. GR12111036  
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