



**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 THE BOARD'S REVIEW OF THE PRUDENCY OF THE COSTS INCURRED BY NEW JERSEY UTILITY COMPANIES IN RESPONSE TO MAJOR STORM EVENTS IN 2011 AND 2012	)	DECISION AND ORDER APPROVING STIPULATION
	)	DOCKET NO. AX13030196
	)	
IN THE MATTER OF THE BOARD'S ESTABLISHMENT OF A GENERIC PROCEEDING TO REVIEW THE PRUDENCY OF THE COSTS INCURRED BY NEW JERSEY NATURAL GAS COMPANY IN RESPONSE TO MAJOR STORM EVENTS IN 2011 AND 2012	)	DOCKET NO. GO13070610
	)	
	)	

**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:**

On March 20, 2013, the New Jersey Board of Public Utilities ("Board") issued an Order establishing a generic proceeding to review the prudence of costs incurred by New Jersey utilities in response to multiple Major Storm Events<sup>1</sup> in 2011 and 2012<sup>2</sup> ("March 20 Order"). Among other things, the March 20 Order required any utility seeking reimbursement for these costs from its ratepayers to file a detailed expense report by July 1, 2013, for evaluation and prudence review under its own separate sub-docket within the generic proceeding. March 20 Order at 3.

In response to the March 20 Order, on July 1, 2014, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition with the Board requesting recovery of preparation, response and restoration costs associated with Superstorm Sandy. According to the petition, the

<sup>1</sup> Major Storm Event is defined as sustained impact on or interruption of utility service resulting from conditions beyond the control of the utility that affect at least 10 percent of the customers in an operating area. March 20 Order at 2.

<sup>2</sup> In re: the Board's Establishing a Generic Proceeding to Review the Prudence of Costs Incurred by NJ Utility Companies in Response to Major Storm Events in 2011 and 2012, Docket No. AX13030196, March 20, 2013.

estimated Major Storm Event costs as of the date of the filing through March 31, 2013 totaled approximately \$38.8 million. The Company filed an update with the Board on August 26, 2014 in which it represented that, as of June 30, 2014, NJNG has deferred approximately \$15.2 million of incremental operations and maintenance ("O&M") costs, and incurred approximately \$33.5 million of capital investments. These costs are associated with Superstorm Sandy; NJNG is not seeking review of costs related to any other Major Storm Event.

NJNG requested that it be permitted to fully recover its deferred O&M and capital investments in its next base rate proceeding, in accordance with the Board's May 29, 2013 Order<sup>3</sup> ("May 29 Order"), which authorized NJNG to defer on its books, for accounting purposes only and without interest, actually incurred prudent otherwise unreimbursed, incremental Major Storm Event costs not otherwise recoverable through base rates or insurance. In the May 29 Order, the Board has further directed that the prudence and recovery of any deferred uninsured Superstorm Sandy related expenses will be reviewed in a future proceeding which approved the Company's request for deferred accounting treatment of actually incurred uninsured incremental storm costs associated with Superstorm Sandy that were not otherwise recovered through the Company's approved base rates.

By Order dated November 22, 2013, this matter was retained for hearing at the Board, and Commissioner Dianne Solomon, was designated as the presiding Commissioner with authority to rule on all matters that arise during the proceeding. On January 2, 2014, Commissioner (then President) Solomon issued an initial Order Setting Bar Date for the filing of motions to intervene, Manner of Service and Preliminary Schedule. Commissioner Solomon issued a Prehearing Order along with a procedural schedule for this matter on February 7, 2014. Throughout the course of this matter, the Company, the Division of Rate Counsel ("Rate Counsel") and Board staff (collectively, "the Parties") have engaged in discovery.

After notice in newspapers of general circulation within NJNG's service territory, and the serving of notice upon affected municipalities and counties within the Company's service area, public hearings were conducted in this matter in Rockaway, New Jersey and Freehold, New Jersey on February 18 and 19, 2014, respectively. No members of the public appeared at the hearings, and no written comments were received by the Board, Rate Counsel or NJNG.

#### **STIPULATION:**

Following the review of discovery and testimony, the Parties met to discuss the issues in this matter. As a result, on October 14 2014, the Parties executed a stipulation of settlement ("Stipulation"). The Stipulation provides the following<sup>4</sup>:

- (1) The Parties agree that NJNG's Superstorm Sandy deferred O&M costs through June 30, 2014 of \$15,201,449 were reasonably and prudently incurred by the Company and no further O&M costs related to Superstorm Sandy will be deferred. The parties agree that this amount represents the total recoverable O&M costs incurred by the Company as a result of Superstorm Sandy and the other Major Storm Events identified in the March 20 Order. The Parties further agree that the \$33,588,047 in capital investments through June 30, 2014 related to Superstorm Sandy were reasonably and prudently incurred. The agreed Superstorm Sandy costs, as

---

<sup>3</sup>In the Matter of New Jersey Natural Gas Company's Request for Deferral Accounting Authority for Storm Damage Restoration Costs related To Hurricane Sandy, May 29, 2013, Docket No. GR12111036, May 29, 2013 ("May 29 Order").

<sup>4</sup> Although described at some length 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 of this Order.

provided for in this paragraph reflect the adjustments set forth below, in paragraphs 2 through 6.

- (2) For the purpose of settlement, the Parties agree that the Superstorm Sandy deferred O&M account shall be reduced by \$5,135.50, representing fifty percent (50%) of the \$10,271.00 expended for the purchase of Global Positioning System units. This \$5,135.50 reduction shall be treated as ordinary O&M expense.
- (3) For the purpose of settlement, the Company agrees to remove \$295.14 expended for condolence gifts, specifically related to three NJNG employees directly involved with storm restoration work who had deaths in their families, from its Superstorm Sandy deferred O&M account and agrees not to seek recovery of these costs from ratepayers in future proceedings. NJNG represents, that, with this adjustment, the Company's Superstorm Sandy costs do not include any costs for gifts.
- (4) NJNG represents that the expenditures for meals included in its Superstorm Sandy costs only include the costs of meals for non-executive Company employees and mutual aid providers who were directly involved in storm restoration and emergency management.
- (5) NJNG represents that the initial accrued Mutual Aid charges of \$140,000 and \$93,000 reflected in the Petition have been reversed and that only actual Mutual Aid charges have been included in the Company's Superstorm Sandy costs.
- (6) The Superstorm Sandy costs reflected in the petition included a \$200,000 reserve for legal fees to recognize a \$200,000 insurance deductible regarding potential legal claims against NJNG from Superstorm Sandy damages. NJNG represents that this reserve was fully reversed in September 2013 and is not reflected in the costs.
- (7) The Parties agree that the \$15,201,449 of prudently deferred O&M costs related to Superstorm Sandy that are referenced in Paragraph 12 of the Stipulation will continue to be deferred without carrying costs and shall be eligible for recovery in the Company's next base rate case which has been ordered to be filed, pursuant to a separate proceeding, no later than November 15, 2015.<sup>5</sup>
- (8) The Parties agree that the appropriate amortization period for NJNG's deferred O&M costs related to Superstorm Sandy will be addressed by the Parties in the Company's next base rate case.
- (9) The Parties agree that the NJNG capital investments associated with Superstorm Sandy will be included in the Company's rate base in its next base rate case, at net book value and recovered in the same manner as other prudent capital investments.
- (10) There is no rate impact on customers at this time as a result of the deferred O&M and capital investments incurred by the Company for restoration of the NJNG gas distribution system. The Parties agree that NJNG will recover the costs associated with Superstorm Sandy in the Company's next base rate case, subject to the amortization period for the O&M costs determined in that case.

---

<sup>5</sup> 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 2-21.1. BPU Docket No. GO12030255

- (11) With respect to the eligibility of storm-related costs for recovery from insurance, NJNG maintains insurance coverage for certain utility property and for general liability purposes associated with its business operations. NJNG's property insurance covers above-ground property such as office buildings, regulator stations and equipment, liquid natural gas plant facilities and buildings, warehouses and radio equipment and towers. The insurance proceeds received to date related to Superstorm Sandy total \$409,148.00 and has served to offset the capital expenditures associated with those assets repaired or replaced. Any additional insurance proceeds will serve to offset the storm-related capital expenditures identified in this case and reduce the amount of such capital expenditures to be recovered in the next base rate case.
- (12) NJNG has not received, and has no pending application for, any cost recovery from any governmental program or third party for costs associated with Superstorm Sandy.<sup>6</sup> NJNG is actively monitoring progress on possible federal funding for programs which may provide for cost recovery. In the event NJNG receives any such federal funding, the Company agrees to appropriately credit any amount received to offset the deferred O&M and/or capital investments associated with Superstorm Sandy.

#### **DISCUSSION AND FINDINGS:**

The March 20 Order required certain information to be filed by the utilities which would be reviewed by Board Staff and other interested parties to determine if the preparation, recovery and restoration costs associated with the Major Storm Events were prudent. According to the Stipulation, the Major Storm Events costs have been reviewed by the Parties, and it has been determined that the majority of the costs incurred by NJNG as a result of Superstorm Sandy are reasonable and prudent. Based on the Board's review of the petition and Stipulation, the Board **HEREBY FINDS** that the requirements of the March 20 Order have been satisfied.

---

<sup>6</sup> Investor owned utilities are not eligible for cost recovery from the Federal Emergency Management Administration for restoration costs. See 42 U.S.C.A. §5172(a)(1)(B) and 44 C.F.R. §206.221(e). The New Jersey Department of Community Affairs submitted its Community Development Block Grant Disaster Recovery Action Plan to the United States Department of Housing and Urban Development on March 27, 2013, describing potential projects to make the utility infrastructure less susceptible to storm damage as unmet needs of the State. (See Action Plan at p. 2-18). However, to date, costs associated with those projects or with restoration have not been included in New Jersey's pending Action Plan seeking a Community Development Block Grant.

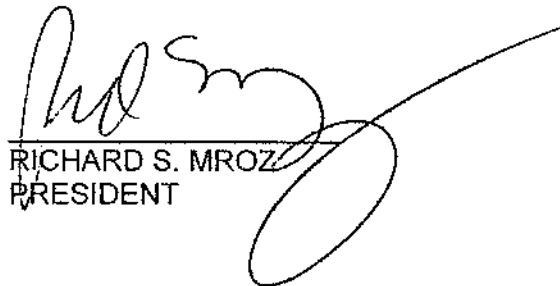
Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company. Therefore, the Board **HEREBY FINDS** that the costs associated with Superstorm Sandy as set in the Stipulation may be recovered from ratepayers in a future base rate proceeding. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY RATIFIES** the decisions of Commissioner Solomon rendered during this proceeding for the reasons stated in her Orders.

This Order shall become effective on October 31, 2014.

DATED: 10/22/14

BOARD OF PUBLIC UTILITIES  
BY:



RICHARD S. MROZ  
PRESIDENT



JOSEPH L. FIORDALISO  
COMMISSIONER



MARYANNA HOLDEN  
COMMISSIONER



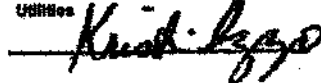
DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
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 THE BOARD'S REVIEW THE PRUDENCY OF COSTS  
INCURRED BY NEW JERSEY UTILITY COMPANIES IN RESPONSE  
TO MAJOR STORM EVENTS IN 2011 AND 2012  
DOCKET NO. AX13030196

IN THE MATTER OF THE BOARD'S ESTABLISHMENT OF A GENERIC PROCEEDING TO  
REVIEW THE PRUDENCY OF COSTS INCURRED BY NEW JERSEY NATURAL GAS  
COMPANY IN RESPONSE TO MAJOR STORM EVENTS IN 2011 AND 2012  
DOCKET NO. GO13070610

SERVICE LIST

**NJNG:**

Andrew K. Dembia, Esq.  
Regulatory Affairs Counsel  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719-1464  
[ADembia@NJNG.com](mailto:ADembia@NJNG.com)

Mark R. Sperduto  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719-1464  
[MSperduto@NJNG.com](mailto:MSperduto@NJNG.com)

Michael Moscufo  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719-1464  
[MMoscufo@NJResources.com](mailto:MMoscufo@NJResources.com)

Frances Karras  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719-1464  
[FKarras@NJNG.com](mailto:FKarras@NJNG.com)

Tina Trebino  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719-1464  
[TTrebino@NJNG.com](mailto:TTrebino@NJNG.com)

**Board of Public Utilities:**

**Rate Counsel:**

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.state.nj.us](mailto:sbrand@rpa.state.nj.us)

Sarah Steindel  
[ssteinde@rpa.state.nj.us](mailto:ssteinde@rpa.state.nj.us)

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

Felicia Thomas-Friel, Esq.  
[ftthomas@rpa.state.nj.us](mailto:ftthomas@rpa.state.nj.us)

Christine Juarez, Esq.  
[cjuarez@rpa.state.nj.us](mailto:cjuarez@rpa.state.nj.us)

Shelley Massey  
[smassey@rpa.state.nj.us](mailto:smassey@rpa.state.nj.us)

David Dismukes, Ph.D.  
Kimberly Dismukes  
Alex Aguila  
Acadian Consulting Group  
5800 One Perkins Place Drive  
Building 5, Suite F  
Baton Rouge, LA 70808  
[daviddismukes@acadianconsulting.com](mailto:daviddismukes@acadianconsulting.com)  
[kimdismukes@acadianconsulting.com](mailto:kimdismukes@acadianconsulting.com)  
[alexaguila@acadianconsulting.com](mailto:alexaguila@acadianconsulting.com)

44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

**Executive Director**

Paul Flanagan, Esq.  
[paul.flanagan@bpu.state.nj.us](mailto:paul.flanagan@bpu.state.nj.us)

**Division of Energy**

Jerry May, Director  
[jerome.may@bpu.state.nj.us](mailto:jerome.may@bpu.state.nj.us)

Alice Bator, Chief  
[alice.bator@bpu.state.nj.us](mailto:alice.bator@bpu.state.nj.us)

Rosalie Serapiglia, Manager  
[rosalie.serapiglia@bpu.state.nj.us](mailto:rosalie.serapiglia@bpu.state.nj.us)

Robert Schultheis, Chief  
[robert.schultheis@bpu.state.nj.us](mailto:robert.schultheis@bpu.state.nj.us)

David Ballengee  
[david.ballengee@bpu.state.nj.us](mailto:david.ballengee@bpu.state.nj.us)

Rene Demuynck  
[renee.demuynck@bpu.state.nj.us](mailto:renee.demuynck@bpu.state.nj.us)

Scott Sumliner  
[scott.sumliner@bpu.state.nj.us](mailto:scott.sumliner@bpu.state.nj.us)

**Reliability & Security**

James Giuliano, Director  
[james.giuliano@bpu.state.nj.us](mailto:james.giuliano@bpu.state.nj.us)

**Counsel's Office**

Tricia Caliguire, Esq.  
[tricia.caliguire@bpu.state.nj.us](mailto:tricia.caliguire@bpu.state.nj.us)

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

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

**Economist Office**

Mark Beyer  
[mark.byer@bpu.state.nj.us](mailto:mark.byer@bpu.state.nj.us)

Christine Lin

Andrea C. Crane  
The Columbia Group, Inc.  
P.O. Box 810  
Georgetown, CT 06829  
[ctcolumbia@aol.com](mailto:ctcolumbia@aol.com)

**Deputy Attorneys General:**

Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, New Jersey 07101-45029

Alex Moreau, DAG  
[alex.moreau@dol.lps.state.nj.us](mailto:alex.moreau@dol.lps.state.nj.us)

Babette Tenzer, DAG  
[babette.tenzer@dol.lps.state.nj.us](mailto:babette.tenzer@dol.lps.state.nj.us)

Veronica Beke, DAG  
[veronica.beke@dol.lps.state.nj.us](mailto:veronica.beke@dol.lps.state.nj.us)

[christine.lin@bpu.state.nj](mailto:christine.lin@bpu.state.nj)

Dr. Son Lin Lai

[son-lin.Lai@bpu.state.nj.us](mailto:son-lin.Lai@bpu.state.nj.us)

Jackie O'Grady

[jackie.ogrady@bpu.state.nj.us](mailto:jackie.ogrady@bpu.state.nj.us)



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

IN THE MATTER OF THE BOARD'S	)	
ESTABLISHING A GENERIC PROCEEDING	)	
TO REVIEW THE PRUDENCY OF COSTS	)	BPU GENERIC DOCKET NO.
INCURRED BY NJ UTILITY COMPANIES	)	AX13030196
IN RESPONSE TO MAJOR STORM EVENTS	)	
IN 2011 AND 2012	)	
	)	
IN THE MATTER OF THE BOARD'S	)	
ESTABLISHING A GENERIC PROCEEDING	)	
TO REVIEW THE PRUDENCY OF COSTS	)	BPU DOCKET NO.
INCURRED BY NEW JERSEY NATURAL	)	GO13070610
GAS COMPANY IN RESPONSE TO MAJOR	)	
STORM EVENTS IN 2011 AND 2012	)	STIPULATION OF
	)	SETTLEMENT

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

**APPEARANCES:**

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

Felicia Thomas-Friel, Deputy Rate Counsel, Sarah H. Steindel, Esq. and Christina Juarez, Esq., Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (Stefanie Brand, Esq., Director)

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey)

**BACKGROUND – DEFERRED ACCOUNTING FILING FOR STORM COSTS  
BPU Docket No. GR12111036**

1. On November 19, 2012, New Jersey Natural Gas Company (NJNG, Company or Petitioner) a public utility of the State of New Jersey, subject to the jurisdiction of the New Jersey Board of Public Utilities (BPU), 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>1</sup> (referred to as the "Deferred Accounting filing"). Superstorm Sandy made landfall in New Jersey on October 29, 2012, with record winds and storm surges, causing unprecedented and catastrophic damage in many areas within the NJNG service territory. The Company proposed that the appropriate amortization period for such deferred costs be addressed in its next base rate case to be filed no later than November 15, 2015.

2. In its Deferred Accounting filing, 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 requested to defer include incremental overtime, contractor costs, mutual assistance from other utilities, and other directly related restoration costs associated with damage from Superstorm Sandy in the NJNG service territory. The Company further stated that ongoing, routine, non-emergency costs have not been included in the requested deferred accounts established for costs associated with Superstorm Sandy storm damages.

3. By Order dated May 29, 2013, the Board authorized NJNG to defer on its books, for accounting purposes only and without interest, actually incurred prudent otherwise

---

<sup>1</sup> NJNG's current base rates became effective on October 3, 2008. See, 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).

unreimbursed, incremental storm costs not otherwise recoverable through base rates or insurance.<sup>2</sup> The Board further ordered that the prudence and recovery of any deferred uninsured Superstorm Sandy related expenses will be reviewed in a future proceeding.

**BACKGROUND - GENERIC STORM COST RECOVERY FILING  
BPU Docket Nos. AX13030196 and GR13070610**

4. By Order dated March 20, 2013, the Board initiated a generic proceeding to evaluate the prudence of extraordinary, storm-related costs incurred by all the regulated utilities as a result of the natural disasters New Jersey experienced in 2011 and 2012, thereby satisfying the Board's concern that delayed review of extraordinary costs be avoided. The Board would also determine the manner in which such prudent costs shall be recovered from customers. See, 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 (referred to as the "Generic Storm Cost Proceeding"). The Board required all utilities seeking recovery of unreimbursed costs related to Major Storm Events to submit a comprehensive filing detailing those costs no later than July 1, 2013.

5. Pursuant to the Board's Generic Storm Cost Proceeding, on July 1, 2013, the Company filed a petition with the Board requesting recovery of preparation, response and restoration costs associated with Superstorm Sandy, estimated as of the date of the filing, through March 31, 2013, to be \$38.8 million (referred to as the "Storm Cost Recovery filing"). NJNG requested that it be

---

<sup>2</sup>In the Matter of New Jersey Natural Gas Company's Request for Deferral Accounting Authority for Storm Damage Restoration Costs related To Hurricane Sandy, Order, May 29, 2013, BPU Docket No. GR12111036. ("NJNG Deferred Accounting Order")

permitted to fully recover its deferred O&M and capital investments in its next base rate proceeding, in accordance with the May 29, 2013 Order approving the Company's Deferred Accounting filing. As of June 30, 2014, NJNG has deferred approximately \$15.2 million of O&M and incurred approximately \$33.5 million of capital investments. The deferred O&M costs and capital investments as reflected in the July 3, 2013 Petition and as updated through June 30, 2014, are detailed in Paragraph 12 below. The foregoing amounts all relate to Superstorm Sandy. NJNG is not seeking review of costs related to any other Major Storm Event, as defined in the Generic Storm Proceeding Order.

#### **PROCEDURAL HISTORY STORM COST RECOVERY FILING**

6. By Order dated November 22, 2013, the Board retained the Company's Storm Cost Recovery filing and appointed President Solomon<sup>3</sup> as Presiding Officer with authority to rule on all motions that arise during the pendency of these proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.

7. By Order dated January 2, 2014, President Solomon issued a prehearing order with a proposed procedural schedule that was also posted to the Board's website. Interested parties were required to submit comments on the proposed schedule by January 16, 2014. After reviewing the proposals exchanged regarding the proposed schedule, and after giving due consideration to the positions of the Parties, President Solomon issued a prehearing order dated February 7, 2014 setting forth the procedural schedule. The Parties consented to and requested several adjournments of the filing of Rate Counsel's witnesses' pre-filed direct testimony in order to conduct settlement

---

<sup>3</sup> At that time, President Solomon was a Commissioner on the Board and not President.

negotiations. President Solomon approved all of those requests to allow the Parties to continue working towards settlement.

8. After appropriate public notice, public hearings on the Petition were held on February 18, 2014 in Rockaway Borough and on February 19, 2014 in Freehold Township. No members of the public appeared at either public hearing and no written comments regarding the Petition were received by the BPU, NJNG or Rate Counsel.

9. NJNG has received and responded to all discovery requests that have been propounded in this proceeding by BPU Staff and Rate Counsel.

10. Following settlement discussions among the Parties to address resolution of the Petition, the following agreement has been reached.

11. Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by representatives of NJNG, BPU Staff, and Rate Counsel (the "Parties") as follows:

### **STIPULATED ISSUES**

#### **SUPERSTORM SANDY RELATED COSTS**

12. The Parties agree that \$15,201,449 of NJNG's Superstorm Sandy deferred O&M costs through June 30, 2014 were reasonably and prudently incurred by the Company and no further O&M costs related to Superstorm Sandy will be deferred. The Parties agree that this amount represents the total recoverable O&M costs incurred by the Company as a result of Superstorm Sandy and the other Major Storm Events identified in the Board's March 20, 2013 Order in the Generic Storm Costs Proceeding. The Parties further agree that \$33,588,047 in capital investments



through June 30, 2014 related to Superstorm Sandy were reasonably and prudently incurred. The agreed Superstorm Sandy costs as provided for in this paragraph reflect the adjustments set forth below, in paragraphs 13 through 17.

13. For the purpose of settlement, the Parties agree that the Superstorm Sandy deferred O&M account shall be reduced by \$5,135.50, representing 50% of the \$10,271.00 expended for the purchase of Global Positioning System units. This \$5,135.50 reduction shall be treated as ordinary O&M expense.

14. For the purpose of settlement, the Company agrees to remove \$295.14 expended for condolence gifts, specifically related to three NJNG employees directly involved with storm restoration work who had deaths in their families, from its Superstorm Sandy deferred O&M account and agrees not to seek recovery of these costs from ratepayers in future proceedings. NJNG represents, that, with this adjustment, the Company's Superstorm Sandy costs do not include any costs for gifts.

15. NJNG represents that the expenditures for meals included in its Superstorm Sandy costs only include the costs of meals for non-executive Company employees and mutual aid providers who were directly involved in storm restoration and emergency management.

16. NJNG represents that the initial accrued Mutual Aid charges of \$140,000 and \$93,000 reflected in the Petition have been reversed and that only actual Mutual Aid charges have been included in the Company's Superstorm Sandy costs.

17. The Superstorm Sandy costs reflected in the Petition included a \$200,000 reserve for legal fees to recognize a \$200,000 insurance deductible regarding potential legal claims against NJNG from Superstorm Sandy damages. NJNG represents that this reserve was fully reversed in

September 2013 and is not reflected in the costs.

### **RATEMAKING TREATMENT**

18. The Parties agree that the \$15,201,449 of prudently deferred O&M costs related to Superstorm Sandy that are referenced in paragraph 12 will continue to be deferred without carrying costs, and will be eligible for recovery in the Company's next base rate case which has been ordered, to be filed, pursuant to a separate proceeding, no later than November 15, 2015.<sup>4</sup>

19. The Parties agree that the appropriate amortization period for NJNG's deferred O&M costs related to Superstorm Sandy will be addressed by the Parties in the Company's next base rate case.

20. The Parties agree that the NJNG capital investments associated with Superstorm Sandy will be included in the Company's rate base in its next base rate case, at net book value and recovered in the same manner as other prudent capital investments.

### **RATES**

21. There is no rate impact on customers at this time as a result of the deferred O&M and capital investments incurred by the Company for restoration of the NJNG gas distribution system. The Parties agree that NJNG will recover the costs associated with Superstorm Sandy in the Company's next base rate case, subject to the amortization period for the O&M costs determined in that case..

---

<sup>4</sup> 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 2-21.1, BPU Docket No. GO12030255

22. With respect to the eligibility of storm-related costs for recovery from insurance, NJNG maintains insurance coverage for certain utility property and for general liability purposes associated with its business operations. NJNG's property insurance covers above-ground property such as office buildings, regulator stations and equipment, liquid natural gas plant facilities and buildings, warehouses and radio equipment and towers. The insurance proceeds received to date related to Superstorm Sandy total \$409,148.00 and has served to offset the capital expenditures associated with those assets repaired or replaced. Any additional insurance proceeds will serve to offset the storm-related capital expenditures identified in this case and reduce the amount of such capital expenditures to be recovered in the next base rate case.

23. NJNG has not received, and has no pending application for, any cost recovery from any governmental program or third party for costs associated with Superstorm Sandy.<sup>5</sup> NJNG is actively monitoring progress on possible federal funding for programs which may provide for cost recovery. In the event NJNG receives any such federal funding, the Company agrees to appropriately credit any amount received to offset the deferred O&M and/or capital investments associated with Superstorm Sandy.

#### **FURTHER PROVISIONS**

24. The Signatory Parties further agree that this Stipulation fully disposes of all issues in controversy in this proceeding. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its

---

<sup>5</sup> Investor owned utilities are not eligible for cost recovery from the Federal Emergency Management Administration for restoration costs. See 42 U.S.C.A. §5172(a)(1)(B) and 44 C.F.R. §206.221(e). The New Jersey Department of Community Affairs submitted its Community Development Block Grant Disaster Recovery Action Plan to the United States Department of Housing and Urban Development on March 27, 2013, describing potential projects to make the utility infrastructure less susceptible to storm damage as unmet needs of the State. (See Action Plan at p. 2-18). However, to date, costs associated with those projects or with restoration have not been included in New Jersey's pending Action Plan seeking a Community Development Block Grant.


entirety. In the event any provision of this Stipulation is not accepted and approved in its entirety by the Board, any Signatory Party aggrieved thereby will not be bound to proceed with this Stipulation and will have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event the Board, in any applicable order(s), does not adopt this Stipulation in its entirety, then any Signatory Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

25. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

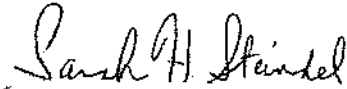
26. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, Board Staff, or Rate Counsel will not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.

WHEREFORE, the Signatory Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS  
PETITIONER**

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

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

By:   
SARAH H. STEINDEL, ESQ.  
ASSISTANT DEPUTY  
RATE COUNSEL

**JOHN J. HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the Board of Public Utilities**

By:   
ALEX MOREAU  
DEPUTY ATTORNEY GENERAL

Date: October 10, 2014