Agenda Date: 11/13/19
Agenda Item: 2D

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN GAS BASE RATES AND FOR CHANGES IN ITS TARIFF FOR GAS SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND 48:2-21.1; AND FOR CHANGES TO DEPRECIATION RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18	DECISION AND ORDER ADOPTING INITIAL DECISION AND STIPULATION OF SETTLEMENT BPU DOCKET NO. GR19030420
IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS	BPU DOCKET NO. GR18101096 OAL DOCKET NO. 06769-2019S

Parties of Record:

Gregory Eisenstark, Esq., Cozen O'Connor on behalf of New Jersey Natural Gas Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel
Kenneth J. Hanko, Esq., United States Department of Defense and all other Federal Executive Agencies

BY THE BOARD:

On March 29, 2019, pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, and N.J.A.C. 14:1-5.12, New Jersey Natural Gas Company ("NJNG" or "Company"), a public utility of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed a petition seeking approval of an increase in its operating revenues of approximately $128.224 million, to be effective for gas service provided on or after April 29, 2019.[1] The Company also sought Board approval to implement new depreciation rates that included cost of removal rates that the Company claimed were more appropriate and would

[1] On April 1, 2019, the Company submitted a letter to the Board Secretary advising that it would not implement rates on an interim basis prior to the effective date of the Board's Initial Suspension Order resulting from the May 8, 2019 public agenda meeting. The effective date of the Board's Initial Suspension Order was May 18, 2019.

allow the Company to fully recover its expected costs as it replaces aging infrastructure, as well as certain other tariff changes.

NJNG also requested a return on equity of 10.875%. The Company provided that the current base rates and charges for natural gas service were not sufficient at their current level and, if left unchanged, would impair NJNG's ability to meet operating and maintenance expenses, tax and fixed charges, and earn a reasonable rate of return.

NJNG also sought approval to establish a Phase II of this proceeding to address the cost recovery for the Company's Southern Reliability Link ("SRL") intra-state gas transmission project, which commenced construction in November 2018, and NJNG anticipates to be in-service during 2020.

2018 Deferred Accounting Petition

On October 5, 2018, NJNG filed a petition ("2018 Deferred Accounting Petition") seeking deferred accounting treatment for costs associated with upgrades to the Company's information technology ("IT") systems. In the 2018 Deferred Accounting Petition, NJNG stated that it has undertaken the NJR Enterprise eXperience Transformation Program ("Project NEXT") as a means to assess the Enterprise Resource Planning, Customer Information System and Asset Management capabilities. At the time of the filing of the 2018 Deferred Accounting Petition, NJNG projected that the new IT systems would "go live" over multiple time periods throughout 2023, and would have a total program cost of up to $300 million. NJNG requested Board approval to defer on its books actual incurred costs with Project NEXT and not otherwise recovered through its current base rates. NJNG stated that the appropriate amortization period for such deferred expenses will be addressed in the Company's base rate case that was to be filed by November 2019. During the pendency, NJNG filed the instant base rate case. Subsequently, on April 11, 2019, NJNG filed a motion to consolidate the 2018 Deferred Accounting Petition with the base rate case.

By Order dated May 8, 2019, the Board suspended the proposed rate increase until August 29, 2019, and on August 7, 2019, the Board further suspended the implementation of rates until December 29, 2019.

On May 15, 2019, this matter was transmitted to the Office of Administrative Law ("OAL") as a contested case, and was assigned to Administrative Law Judge ("ALJ") Jacob S. Gertsman for consideration and hearing. A telephonic pre-hearing conference was held by ALJ Gertsman on June 14, 2019. On August 23, 2019, a Pre-Hearing Order and Procedural Schedule were issued. In the Pre-Hearing Order, ALJ Gertsman granted Public Service Electric and Gas Company ("PSE&G") and the New Jersey Utility Shareholders Association Participant status. ALJ Gertsman also granted the United States Department of Defense and all other Federal Executive Agencies ("DOD/FEA") Intervenor status.

On July 2, 2019, NJNG updated its petition to include nine (9) months of actual data and three (3) months of estimated dated. As a result, the requested rate increase was modified to $129.838 million. On September 30, 2019, NJNG updated its petition to include 12 months of actual data. As a result, the requested rate increase was modified to $134.313 million.

Public hearings were held in Freehold, New Jersey on September 26, 2019, and Rockaway Township, New Jersey on October 3, 2019, both at 4:30 pm and 5:30 pm, with ALJ Gertsman presiding. Several members of the public attended, including various New Jersey companies and organizations, speaking against the petition because of the SRL and the proposed rate increase. All comments were transcribed by the court reporter and are part of the record. The Board received written comments in opposition to the petition relating to the proposed higher rates.

STIPULATION

After discovery and comprehensive settlement discussions, on October 29, 2019, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), Board Staff, and DOD/FEA (collectively, "Parties") reached a stipulation of settlement ("Stipulation"), the key elements of which are as follows:[2]

Revenue Increase

1. For the calculation of the revenue requirement in this case based on 20-year weather normalization, the Parties agree to a rate base of $1.765 billion, a rate of return of 6.95%, and an increase in revenue requirement of $62.20 million, exclusive of New Jersey Sales and Use Tax ("SUT"). The 6.95% rate of return is obtained based on a capital structure of 54.00% common equity with a cost rate of 9.60% and 46.00% long term debt with a cost rate of 3.83%. The $62.20 million increase in revenue requirement can be derived from the following calculation:

Rate Base	$1,765 million
Rate of Return	x 6.95%
Operating Income Requirement	$122.592 million
Pro-Forma Operating Income	$78.147million
Operating Income Deficiency	$44.445 million
Revenue Factor	x 1.3995
Revenue Requirements	$62.200 million

2. As a result of the Stipulation, the typical residential sales heating customer, using 100 therms of gas during a month, will receive an increase of $10.04 or 9.6 percent on their monthly bill from $104.23 to $114.27. The typical residential heating customers using 1,000 therms annually will receive an increase of $102.80 or 9.7 percent in their annual bill, from $1,059.90 to $1,162.70.

3. The Stipulation finalizes the prudency of the rates approved for SAFE II and NJ RISE investments through June 30, 2019.

4. The base rate revenue increase agreed to in the Stipulation reflects a three (3) year amortization for the following items:

[2] Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of the Order. Paragraphs are numbered to coincide with the Stipulation.

Rate Case Expense - This item represents a normalized level of expense incurred for rate case expense. The Rate Case Expense component is reduced by 50 percent (50%), which is not recoverable through customer rate charges. The amount to be amortized for financial reporting purposes for this item is $0.263 million.

Compressed Natural Gas – Pursuant to the Board's Order in Docket No. GR11060361 dated June 18, 2012, NJNG agreed that customers utilizing the CNG stations built under the CNG Pilot Program will be charged $0.20 per therm to offset the program's revenue requirement. The amount to be amortized for this item is a credit of $0.439 million. The deferral of the CNG charge will cease coincident with the end of the Test Year and be recorded as utility operating revenue prospectively.

The total amount to be amortized is a credit of $0.176 million over the three (3) year period.

5. The base rate revenue increase agreed to in the Stipulation reflects an adjustment for consolidated federal income taxes.

6. The Parties recognize that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in NJNG's current Conservation Incentive Program ("CIP") tariff must be updated in order to align these aspects of the CIP tariff with the Board's approval of new base rates in this proceeding. These factors and rates are included in Rider "I" of the Company's Tariff attached to the Stipulation as Attachment A.

7. The Parties agree the Company's composite depreciation rate shall be increased from the currently-approved rate of 2.40 percent to 2.78 percent. The overall composite rate of 2.78 percent consists of an investment rate of 1.90 percent and the net salvage rate of 0.88 percent. The agreed upon depreciation rates by account are set forth in Attachment B to the Stipulation.

Depreciation Review

8. NJNG agrees to conduct the analyses set forth in Attachment C to the Stipulation.

Customer Service Standards

9. NJNG will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance at the Board quarterly and annual reports, as specified, concerning activity at its walk-in and payment centers and concerning the Company's performance in relation to certain service measures, as detailed in Attachment D to the Stipulation. NJNG commits to continue meeting the customer service benchmarks specified in Attachment D of the Stipulation.

Southern Reliability Link ("SRL") Phase II

10. NJNG withdraws its request for a Phase II proceeding regarding the rate treatment of the SRL.

Project NEXT

11. NJNG withdraws its request for deferred accounting treatment in BPU Docket No. GR18101096.

Service Agreements

12. The Parties agree that upon the Board's issuance of a final Order approving the Stipulation, the current Service Agreements are acceptable and shall be deemed approved, and that BPU Docket No GR08030415 will be closed.

Tariff and Rate Design

13. Attached to the Stipulation as Attachment E is a schedule entitled "New Jersey Natural Gas Company, Base Rates and Revenues at Present and Proposed Rates." The Parties stipulate that this schedule represents the rate design methodology and billing determinants to be utilized in this case, integrating a monthly customer charge of $10 applicable to the Residential Service classification, inclusive of applicable sales taxes, amongst other rate changes.

14. The Parties agree that the tariff modifications described in Attachment F to the Stipulation are reasonable, appropriate and shall be implemented upon Board approval.

15. The Parties agree that NJNG's proposed new natural gas vehicle ("NGV") tariff for company-owned NGV facilities on customers' premises shall not be implemented at this time.

16. The Company agrees to submit as part of its next base rate case the Staff average and peak cost of service study ("COSS") referenced in the Board's Order in Docket No. GR07110889 at page 9, along with all associated workpapers. Submission of the Staff COSS in the next base rate case does not imply endorsement of the Staff methodology by the Company. The Company, as well as any other party to that future proceeding, is free to submit its preferred COSS and supporting workpapers. See Attachment G of the Stipulation.

DOD/FEA Issues

17. The DOD/FEA agrees that the rates and revenues as set forth in Attachment E of the Stipulation resolve the DOD/FEA's rate design issues for this matter.

18. The Parties reserve their rights to proffer different Cost of Service Studies in the Company's next base rate case.

19. NJNG will provide daily metering information (by therm) to the DOD/FEA for all meters on the Picatinny Arsenal installation in a mutually acceptable format.

20. Pursuant to Section 11 of the Standard Terms and Conditions of the Company's Tariff, the Company and DOD/FEA agree to jointly evaluate the potential for an off-tariff rate or discounted rate for the various DOD installations served by the

Company. Both the Company and the DOD/FEA shall provide each other with all necessary information, and shall work cooperatively to identify a rate to be billed to the DOD installations taking into account cost considerations that are unique to the DOD installations. Within 90 days after Board approval of the Stipulation, the Company shall provide a proposal to DOD/FEA to promptly effectuate the evaluation. The Company and the DOD/FEA recognize that any such off-tariff rate or discounted rate is subject to Board approval.

Balancing Charges

21. The balancing charge related to inventory has been updated through this rate case to $0.0011 per therm based on the pre-tax rate of return of 8.97% agreed to herein and the resulting after-tax Balancing Charge is $0.1088 per therm, a decrease of $0.0010 per therm from the current rate of $0.1098 per therm. The balancing charge related to inventory will remain fixed until new rates become effective in the Company's next base rate case.

22. The balancing charge will continue to be adjusted in the Company's annual Basic Gas Supply Service ("BGSS") filings to reflect only updated pipeline demand charges, credit adjustments and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the balancing charge. The firm volumes from which the pipeline demand portion of the balancing charge is determined will also be updated. The Company's recalculation will be subject to review as part of the annual BGSS proceedings. The Company will continue to credit all balancing revenues from customers in the Balancing Rate Classes to its BGSS.

On October 30, 2019, ALJ Gertsman issued an Initial Decision accepting the terms of the Stipulation.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the parties worked diligently to negotiate a compromise that attempts to meet the needs of as many stakeholders as possible. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues that were addressed during the proceeding.

Therefore, based upon the Board's review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and Stipulation to be reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the attached Initial Decision and Stipulation in their entirety, and **HEREBY INCORPORATES** their terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

As a result of the Stipulation, a typical residential customer using 100 therms monthly will experience an increase in their monthly bill of $10.04 or 9.6% percent inclusive of SUT.

The rates approved by this Order will become effective for service rendered on and after November 15, 2019.

The Company is **HEREBY DIRECTED** to file tariff sheets consistent with this Order by November 15, 2019.

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

This Order shall be effective on November 13, 2019.

DATED: 11\13\19

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.

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN GAS BASE RATES AND FOR CHANGES IN ITS TARIFF FOR GAS SERVICE, PURSUANT TO N.J.S.A. 48:2-21 AND 48:2-21.1; AND FOR CHANGES TO DEPRECIATION RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18

AND

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS

BPU DOCKET NOS. GR19030420 AND GR18101096
OAL DOCKET NO. PUC 06769-2019S

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 06769-19
AGENCY DKT. NOS. GR18101096
AND GR19030420

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COST RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS AND FOR APPROVAL OF AN INCREASE IN GAS BASE RATES, FOR CHANGES IN ITS TARIFF FOR GAS SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1, AND FOR CHANGES TO DEPRECIATION OF RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18.

Andrew K. Dembia, Regulatory Affairs Counsel, for petitioner

Frederick W. Peters, Esq., member of the Washington, D.C., and New Jersey Bar, admitted pro hac vice pursuant to the N.J.A.C. 1:1-5.2(a), for petitioner New Jersey Natural Gas Company, Attorney of Record: **Gregory Eisenstark,** Esq., (Cozen & O'Connor, attorneys)

Renee Greenberg and **Geoffrey Gersten,** Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

Sarah H. Steindel and **Felicia Thomas-Friel,** Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Joseph F. Accardo, Jr., Vice President Regulatory and Deputy General Counsel, for participant, Public Service Electric and Gas Company (Tamara L. Linde, Executive Vice President and General Counsel)

James H. Laskey, Esq., for participant, New Jersey Utility Shareholders Association (Norris, McLaughlin & Marcus, P.A., attorneys)

Major Scott L. Kirk, Chief, Utility Law Field Support Center, Department of the Air Force, Office of the Judge Advocate General, admitted pro hac vice pursuant to N.J.A.C. 1:1-5.2(a), for intervenor, United States Department of Defense and all other Federal Executive Agencies (Lieutenant General Jeffrey A. Rockwell, Judge Advocate General), Attorney of Record: **Kenneth J. Hanko,** Esq., Chief, Business Law Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal

Thomas A. Jernigan, Esq., Utility Law Field Support Center, Department of the Air Force, Office of the Judge Advocate General, admitted pro hac vice pursuant to N.J.A.C. 1:1-5.2(a), for intervenor, United States Department of Defense and all other Federal Executive Agencies (Lieutenant General Jeffrey A. Rockwell, Judge Advocate General), Attorney of Record: **Kenneth J. Hanko,** Esq., Chief, Business Law Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal

John J. McNutt, General Attorney, Regulatory Law Division (JALS-RL/IP), Department of the Army, Office of the Judge Advocate General, admitted pro hac vice pursuant to N.J.A.C. 1:1-5.2(a), for intervenor, United States Department of Defense and all other Federal Executive Agencies (Lieutenant General Charles N. Pede, Judge Advocate General), Attorney of Record: **Kenneth J. Hanko,** Esq., Chief, Business Law Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal

Record Closed: October 30, 2019 Decided: October 30, 2019

BEFORE **JACOB S. GERTSMAN,** ALJ t/a:

This proceeding involves petitions filed by New Jersey Natural Gas (NJNG or Company) with the Board of Public Utilities (Board) seeking: deferred accounting treatment for costs associated with upgrades to the Company's information technology (IT) systems (the "Deferred Accounting Petition"); and for changes in its tariff for gas service pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1; and for changes of depreciation of rates for gas property pursuant to N.J.S.A. 48:2-18 (the "Base Rate Case").

The Board transmitted the Deferred Accounting Petition and Base Rate Case as one matter to the Office of Administrative Law (OAL) on May 17, 2019, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on June 14, 2019.

A motion to intervene was filed by the United States Department of Defense and all other Federal Executive Agencies on July 1, 2019. The motion was granted on July 18, 2019.

Motions to participate were filed Public Service Electric and Gas Company (PSE&G) on April 26, 2018, and the New Jersey Utility Shareholders Association (NJUSA) on June 19, 2018. PSE&G and NJUSA were granted participation status on July 18, 2019.

Duly-noticed public hearings were held on September 26, 2019, at Freehold Township Municipal Building and October 3, 2019, at the Rockaway Township Municipal Building. Three members of the public appeared at the Freehold hearing and all comments were transcribed and made a part of the record.[1] No members of the public appeared at the Rockaway hearing.

Evidentiary hearings were scheduled for January 21, 23 and February 4, 6, 10, and 12, 2020. Prior to the commencement of the hearings, the parties filed on October 29, 2019, a

[1] Transcripts of the public hearings have not been provided to the undersigned and will be forwarded to the Board by the parties.

Stipulation of Settlement (J-1), resolving all issues in this proceeding. Said Stipulation has been signed by petitioner, Staff of the Board of Public Utilities, and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.

2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES,** which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

October 30, 2019
DATE

JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency: 10-30-19

Date Mailed to Parties:

JSG/nd

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

J-1

RECEIVED

2019 OCT 30 A 11:23

STATE OF NEW JERSEY
OFFICE OF ADMIN. LAW

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN GAS BASE RATES AND FOR CHANGES IN ITS TARIFF FOR GAS SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1; AND FOR CHANGES TO DEPRECIATION RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18	**STIPULATION OF SETTLEMENT**
-AND-	BPU DOCKET NOS. GR18101096 AND GR19030420
IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS	OAL DOCKET NO. PUC 06769-19

APPEARANCES:

Andrew K. Dembia, Esq., Regulatory Affairs Counsel, **Gregory Eisenstark, Esq.** (Cozen O'Connor, P.C.), **John A. Hoffman, Esq.** (Wilentz, Goldman & Spitzer, P.A.), and **Frederick W. Peters, Esq.** (Law Offices of Frederick W. Peters) *pro hac vice,* for petitioner New Jersey Natural Gas Company, (**Nancy A. Washington,** Vice President and General Counsel, attorney).

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

Felicia Thomas-Friel, Deputy Rate Counsel, **Sarah H. Steindel, Maura Caroselli, Kurt S. Lewandowski, Henry M. Ogden and Brian Weeks**, Assistant Deputy Rate Counsels for the New Jersey Division of Rate Counsel (**Stefanie A. Brand,** Director).

John J. McNutt, Esq., *pro hac vice,* for Intervenor United States Department of Defense/Federal Executive Agencies (**Kenneth J. Hanko,** Esq., Chief, Business Law

Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal, attorney).

Joseph F. Accardo, Jr., Deputy General Counsel and Justin Incardone, Assistant General Regulatory Counsel, for Participant Public Service Electric and Gas Company.

James H. Laskey, Esq., Norris McLaughlin, P.A. for Participant New Jersey Utility Shareholders Association.

TO: THE HONORABLE JACOB S. GERTSMAN, ADMINISTRATIVE LAW JUDGE:

BACKGROUND

On October 5, 2018, New Jersey Natural Gas ("NJNG," the "Company," or "Petitioner") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking deferred accounting treatment for costs associated with upgrades to the Company's information technology ("IT") systems ("Deferred Accounting Petition"). The Company requested Board approval of the authority to defer on its books actually incurred costs associated with Project NEXT and not otherwise recovered through its current base rates. In addition, the Company also requested permission to accrue Allowance for Funds Used During Construction ("AFUDC") associated with the Project NEXT costs using the "Modified Federal Energy Regulatory Commission formula" to determine its AFUDC rate consistent with the method approved and used for NJNG's Safety Acceleration and Facility Enhancement ("SAFE") Extension II ("SAFE II") and New Jersey Reinvestment in System Enhancement ("NJRISE") programs.

On March 29, 2019, NJNG filed a Petition with the Board for authority pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and N.J.A.C. 14:1-5.12 to: (i) increase its base rates and charges for gas service by $128.22 million; (ii) establish a Phase II proceeding to address the cost recovery for the Company's Southern Reliability Link ("SRL") intra-state gas transmission project; (iii) implement certain other rate and tariff revisions; and (iv) change its existing depreciation rates pursuant to N.J.S.A. 48:2-18 ("Base Rate Petition").

In the Base Rate Petition, NJNG proposed a test-year ending August 31, 2019. The Base Rate Petition as originally filed was based upon five (5) months of actual data and seven (7) months of estimated data. As the case progressed, the estimated data was replaced by actual data, and, on September 30, 2019, the Company filed its update consisting of twelve (12) months of actual data ("12 + 0 update"). The proposed annual revenue increase as shown in the Company's 12 + 0 update was $134.313 million.

On April 11, 2019, the Company filed a motion with the Board to consolidate the Deferred Accounting Petition and the Base Rate Petition. No party opposed the motion. On May 15, 2019, the Board transmitted the Deferred Accounting Petition and the Base Rate Petition to the Office of Administrative Law ("OAL") as a contested case, with a direction that the OAL consolidate the two (2) matters. The matter was assigned to the Honorable Jacob S. Gertsman, Administrative Law Judge ("ALJ").

On June 14, 2019, ALJ Gertsman conducted a prehearing conference in the consolidated matter. On August 23, 2019, ALJ Gertsman issued a prehearing order establishing procedures and hearing dates for the conduct of this case.

The parties to this case are Petitioner, the Staff of the Board ("Board Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and intervenor United States Department of Defense/Federal Executive Agencies ("DOD/FEA"). Participants are Public Service Electric and Gas Company and the New Jersey Utility Shareholders Association (hereinafter collectively referred to as the "Parties").

Pursuant to appropriate 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, two (2) public hearings were held in Freehold Township, New Jersey on September 26, 2019 and two (2) public hearings were held in Rockaway Township, New Jersey on October 3, 2019. Three (3) members of the public appeared at the September 26, 2019 public hearings and made statements in opposition to SRL; no members of the public appeared at the October 3, 2019 public hearings. In addition, the Board received written comments in opposition to the Base Rate Petition.

The Company responded in writing to more than 600 discovery requests, many of which had multiple parts. In addition, discovery and settlement conferences were held by the Parties, with the Company responding to additional informal discovery questions, both orally and in writing.

The Company filed direct, supplemental and revised testimony.

Evidentiary hearings were scheduled for six (6) dates between January 21, 2020 and February 12, 2020. Prior to the commencement of such hearings, the Parties conducted meetings to discuss settlement, and as a result, this stipulation of settlement ("Stipulation") was agreed to by NJNG, Rate Counsel, Board Staff and DOD/FEA (hereinafter collectively referred to as the "Signatory Parties"). This settlement was reached before any other Signatory Party filed testimony.

The Signatory Parties hereto agree and stipulate as follows:

STIPULATED MATTERS

Revenue Increase

1. For the calculation of the revenue requirement in this case based on 20-year weather normalization, the Signatory Parties agree to a rate base of $1.765 billion, a rate of return of 6.95%, and an increase in revenue requirement of $62.20 million, exclusive of New Jersey Sales and Use Tax ("SUT"). The 6.95% rate of return is obtained based on a capital structure of 54.00% common equity with a cost rate of 9.60% and 46.00% long term debt with a cost rate of 3.83%. The $62.20 million increase in revenue requirement can be derived from the following calculation:

Rate Base	$1,765 million
Rate of Return	x 6.95%
Operating Income Requirement	$122.592 million
	-
Pro-Forma Operating Income	$78.147million
Operating Income Deficiency	$44.445 million
Revenue Factor	x 1.3995
Revenue Requirements	$62.200 million

2. As a result of this Stipulation, the typical residential sales heating customer, using 100 therms of gas during a month, will receive an increase of $10.04 or 9.6 percent on their monthly bill from $104.23 to $114.27. The typical residential heating customers using 1,000 therms annually will receive an increase of $102.80 or 9.7 percent in their annual bill, from $1,059.90 to $1,162.70.

3. This Stipulation finalizes the prudency of the rates approved for SAFE II and NJ RISE investments through June 30, 2019.

4. The base rate revenue increase agreed to in this Stipulation reflects a three (3) year amortization for the following items:

- Rate Case Expense - This item represents a normalized level of expense incurred for rate case expense. The Rate Case Expense component is reduced by 50 percent, which is not recoverable through customer rate charges. The amount to be amortized for financial reporting purposes for this item is $0.263 million.
- Compressed Natural Gas – Pursuant to the Board's Order in Docket No. GR11060361 dated June 18, 2012, NJNG agreed that customers utilizing the CNG stations built under the CNG Pilot Program will be charged $0.20 per therm to offset the program's revenue requirement. The amount to be amortized for this item is a credit of $0.439 million. The deferral of the CNG charge will cease coincident with the end of the Test Year and be recorded as utility operating revenue prospectively.

The total amount to be amortized is a credit of $0.176 million over the three (3) year period.

5. The base rate revenue increase agreed to in this Stipulation reflects an adjustment for consolidated federal income taxes.

6. The Signatory Parties recognize that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in NJNG's current Conservation Incentive Program ("CIP") tariff must be updated in order to align these aspects of the CIP tariff with the Board's approval of new base rates in this proceeding. These factors and rates are included in Rider "I" of the Company's Tariff attached herein as Attachment A.

7. The Signatory Parties agree the Company's composite depreciation rate shall be increased from the currently-approved rate of 2.40 percent to 2.78 percent. The overall composite rate of 2.78 percent consists of an investment rate of 1.90 percent and the net salvage rate of 0.88 percent. The agreed upon depreciation rates by account are set forth in Attachment B to the Stipulation.

Depreciation Review

8. NJNG agrees to conduct the analyses set forth in Attachment C to this Stipulation.

Customer Service Standards

9. NJNG will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance at the Board quarterly and annual reports, as specified, concerning activity at its walk-in and payment centers and concerning the Company's performance in relation to certain service measures, as detailed in

Attachment D. NJNG commits to continue meeting the customer service benchmarks specified in Attachment D.

Southern Reliability Link ("SRL") Phase II

10. NJNG withdraws its request for a Phase II proceeding regarding the rate treatment of the SRL.

Project NEXT

11. NJNG withdraws its request for deferred accounting treatment in BPU Docket No. GR18101096.

Service Agreements

12. The Signatory Parties agree that upon the Board's issuance of a final Order approving this Stipulation, the current Service Agreements are acceptable and shall be deemed approved, and that BPU Docket No GR08030415 will be closed.

Tariff and Rate Design

13. Attached to this Stipulation as Attachment E is a schedule entitled "New Jersey Natural Gas Company, Base Rates and Revenues at Present and Proposed Rates." The Signatory Parties stipulate that this schedule represents the rate design methodology and billing determinants to be utilized in this case, integrating a monthly customer charge of $10 applicable to the Residential Service classification, inclusive of applicable sales taxes, amongst other rate changes.

14. The Signatory Parties agree that the tariff modifications described in Attachment F to this Stipulation are reasonable, appropriate and shall be implemented upon Board approval.

15. The Signatory Parties agree that NJNG's proposed new natural gas vehicle ("NGV") tariff for company-owned NGV facilities on customers' premises shall not be implemented at this time.

16. The Company agrees to submit as part of its next base rate case the Staff average and peak cost of service study ("COSS") referenced in the Board's Order in Docket No. GR07110889 at page 9, along with all associated workpapers. Submission of the Staff COSS in the next base rate case does not imply endorsement of the Staff methodology by the Company. The Company, as well as any other party to that future proceeding, is free to submit its preferred COSS and supporting workpapers. *See* Attachment G.

DOD/FEA Issues

17. The DOD/FEA agrees that the rates and revenues as set forth in Attachment E resolve the DOD/FEA's rate design issues for this matter.

18. The Signatory Parties reserve their rights to proffer different Cost of Service Studies in the Company's next base rate case.

19. NJNG will provide daily metering information (by therm) to the DOD/FEA for all meters on the Picatinny Arsenal installation in a mutually acceptable format.

20. Pursuant to Section 11 of the Standard Terms and Conditions of the Company's Tariff, the Company and DOD/FEA agree to jointly evaluate the potential for an off-tariff

rate or discounted rate for the various DOD installations served by the Company. Both the Company and the DOD/FEA shall provide each other with all necessary information, and shall work cooperatively to identify a rate to be billed to the DOD installations taking into account cost considerations that are unique to the DOD installations. Within 90 days after Board approval of this Stipulation, the Company shall provide a proposal to DOD/FEA to promptly effectuate the evaluation. The Company and the DOD/FEA recognize that any such off-tariff rate or discounted rate is subject to Board approval.

Balancing Charges

21. The balancing charge related to inventory has been updated through this rate case to \$0.0011 per therm based on the pre-tax rate of return of 8.97% agreed to herein and the resulting after-tax Balancing Charge is \$0.1088 per therm, a decrease of \$0.0010 per therm from the current rate of \$0.1098 per therm. The balancing charge related to inventory will remain fixed until new rates become effective in the Company's next base rate case.

22. The balancing charge will continue to be adjusted in the Company's annual Basic Gas Supply Service ("BGSS") filings to reflect only updated pipeline demand charges, credit adjustments and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the balancing charge. The firm volumes from which the pipeline demand portion of the balancing charge is determined will also be updated. The Company's recalculation will be subject to

review as part of the annual BGSS proceedings. The Company will continue to credit all balancing revenues from customers in the Balancing Rate Classes to its BGSS.

MISCELLANEOUS

23. The undersigned Signatory Parties stipulate and agree that this Stipulation fully disposes of all issues in controversy in this proceeding, is consistent with law, and is in the public interest. This Stipulation 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 provision of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall 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 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.

24. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

25. 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, Rate Counsel, Intervenor and the Participants 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 Signatory Parties further acknowledge that a Board Order approving, rejecting, or modifying 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.

26. The Signatory Parties request that this Stipulation be considered at the Board's November 13, 2019 regularly scheduled Agenda Meeting.

27. The Signatory Parties agree to accept as service delivery by courier ("hand delivery") of the BPU Order ("Order") approving this Stipulation, in whole or in part. The Signatory Parties agree that such method of hand delivery shall be sufficient service of the Order.

WHEREFORE, the undersigned Signatory Parties hereto respectfully submit this Stipulation to Your Honor and the Board for its review and request (1) the issuance of an Initial Decision approving this Settlement in its entirety in accordance with the terms contained herein, and (2) the Board approve this Settlement, in its entirety with the terms contained herein through an Order on all rate and tariff issues.

NEW JERSEY NATURAL GAS COMPANY
PETITIONER

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REGULATORY AFFAIRS COUNSEL

DIVISION OF RATE COUNSEL
STEFANIE BRAND
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Attorney for Staff of the Board of Public Utilities

By: Renee Greenberg 10-28-2019
RENEE GREENBERG
DEPUTY ATTORNEY GENERAL

UNITED STATES DEPARTMENT OF DEFENSE/FEDERAL EXECUTIVE AGENCIES INTERVENOR

By: ______________________
KENNETH J. HANKO, Esq.

Date: October 30, 2019

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP

Applicable to the following service classifications:

RS	Residential Service
GSS	General Service - Small
GSL	General Service - Large
ED	Economic Development

I. DEFINITION OF TERMS AS USED HEREIN

1. *Actual Number of Customers* – The Actual Number of Customers ("ANC") shall be determined on a monthly basis for each of the Customer Class Groups to which the Conservation Incentive Program ("CIP") Clause applies. The ANC shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books, plus any Incremental Large Customer Count Adjustment.

2. *Actual Usage per Customer* – the Actual Usage per Customer ("AUC") shall be determined in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The AUC shall equal the aggregate actual booked sales for the month as recorded on the Company's books divided by the Actual Number of Customers for the corresponding month.

3. *Adjustment Period* - shall be the year beginning immediately following the conclusion of the Annual Period.

4. *Annual Period* – shall be the twelve consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

5. *Average 13 Month Common Equity Balance* - shall be the common equity balance at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13).

6. *Baseline Usage per Customer* – the Baseline Usage per Customer ("BUC") shall be stated in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The BUC shall be rounded to the nearest one tenth of one therm.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

7. *Customer Class Group* – For purposes of determining and applying the CIP, customers shall be aggregated into four separate recovery class groups. The Customer Class Groups shall be as follows:

   Group I: RS (non-heating customers only)
   Group II: RS (heating customers only)
   Group III: GSS, ED using less than 5,000 therms annually
   Group IV: GSL, ED using 5,000 therms or greater annually

8. *Forecast Annual Usage* – the Forecast Annual Usage ("FAU") shall be the projected total annual throughput for all customers within the applicable Customer Class Group. The FAU shall be estimated based on normal weather.

9. *Incremental Large Customer Count Adjustment* – the Company shall maintain a list of incremental commercial and industrial customers added to its system on or after September 1, 2019 whose connected load is greater than that typical for the Company's average commercial and industrial customer. For purposes of the CIP, large incremental customers shall be those customers whose connected load exceeds 5,500 cubic feet per hour ("CFH"). A new customer at an existing location previously connected to NJNG's facilities shall not be considered an incremental customer. The Actual Number of Customers for the Customer Class Group shall be adjusted to reflect the impact of all such incremental commercial or industrial customers. Specifically, the Incremental Large Customer Count Adjustment for the applicable month shall equal the aggregate connected load for all active customers that exceed the 5,500 CFH threshold divided by 2,750 CFH less the number of active customers, rounded to the nearest whole number.

10. *Margin Revenue Factor* – the Margin Revenue Factor ("MRF") shall be the weighted-average margin rate as quoted in the individual service classes to which the CIP applies. The MRFs by Customer Class Group are as follows:

Group I (RS non-heating):	$0.4599
Group II (RS heating):	$0.4599
Group III (GSS, ED using less than 5,000 therms annually)	$0.4057
Group IV (GSL, ED using 5,000 therms or greater annually)	$0.2707

The MRF shall be reset each time new base rates are placed into effect.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

II. *BASELINE USAGE PER CUSTOMER*

The BUC for each Customer Class Group by month are as follows:

Month	Group I: RS Non-Heating	Group II: RS Heating	Group III: GSS, ED using less than 5,000 therms annually	Group IV: GSL, ED using 5,000 therms or greater annually
Oct.	13.2	43.7	49.8	901.2
Nov.	10.8	94.9	117.5	1,678.0
Dec.	15.4	163.9	212.6	2,611.5
Jan.	16.9	191.4	259.1	3,002.3
Feb.	15.9	163.3	228.5	2,514.6
Mar.	13.7	122.3	165.1	1,879.5
Apr.	11.0	78.0	91.4	1,413.6
May	9.7	39.8	37.2	898.1
Jun.	16.8	25.9	22.6	602.8
Jul.	16.4	22.5	23.9	551.6
Aug.	12.0	19.7	20.5	516.0
Sep.	13.5	18.7	19.7	483.0
Total Annual	165.3	984.1	1,247.9	17,052.2

The BUC shall be reset each time new base rates are placed into effect.

III. *DETERMINATION OF THE CONSERVATION INCENTIVE PROGRAM RATE*

1. At the end of the Annual Period, a calculation shall be made that determines for each Customer Class Group the deficiency or excess to be surcharged or credited to customers pursuant to the CIP mechanism. The deficiency or excess shall be calculated each month by multiplying the result obtained from subtracting the Baseline Usage per Customer from the Actual Usage per Customer by the Actual Number of Customers and then multiplying the resulting therms by the Margin Revenue Factor.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

2. The normal degree days and degree day consumption factors per customer to be used for the calculation of the weather related change in customer usage, are set forth below:

		Consumption Factors per customer (therms per customer per degree day)		
Month	**Degree Days**	**Group II- Residential Heating**	**Group III- GSS**	**Group IV- GSL**
October	244	0.1237	0.1828	1.7462
November	510	0.1644	0.2260	2.2656
December	811	0.1882	0.2680	2.6026
January	977	0.1981	0.2821	2.7395
February	818	0.1959	0.2758	2.6686
March	676	0.1896	0.2581	2.4235
April	347	0.1741	0.1893	1.8671
May	126	0.1429	0.1691	1.6262

These consumption factors per customer shall be multiplied by the actual number of customers to determine the consumption factors. The weather related change in customer usage shall be calculated as the difference between actual degree days and the above normal degree days multiplied by the consumption factors, and multiplying the result by the margin revenue factors as defined in Section I.10. of this Rider.

3. Recovery of margin deficiency associated with non-weather related changes in customer usage will be subject to a BGSS savings test and a Margin Revenue recovery limitation ("recovery tests"). Recovery of non-weather related margin deficiency will be limited to the smaller of (1) the level of BGSS savings achieved when such savings are less than 75 percent of the non-weather related margin deficiency, i.e. BGSS savings test, and (2) 6.5 percent of variable margins for the CIP Annual Period, i.e., Margin Revenue recovery limitation. Any amount that exceeds the above limitations may be deferred for future recovery and is subject to either or both of the recovery tests in a future year consistent with the amount by which either or both of the non-weather related margin deficiency exceeded the recovery tests. For the purposes of this calculation, the value of the weather related portion shall be calculated as set forth in Section III.2. of this Rider I.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

4. In addition, the CIP shall not operate to permit the Company to recover any portion of a deficiency that will cause the Company to earn in excess of a 9.60% return on common equity for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Company's rate of return on common equity shall be calculated by dividing the Company's regulated jurisdictional net income for the Annual Period by the Company's average 13-month common equity balance for such Annual Period, all as reflected in the Company's monthly reports to the Board of Public Utilities. The Company's regulated jurisdictional net income shall be calculated by subtracting from total net income (1) other income, net of associated taxes, (2) margins retained from Off-System Sales and Capacity release, net of associated taxes, (3) margins retained from the Storage Incentive Program, net of associated taxes, and (4) margins retained from the energy efficiency programs of Rider "F", net of associated taxes. The Company's average thirteen-month common equity balance for any Annual Period shall be the Company's average total common equity less the Company's average common equity investment in unregulated subsidiaries.
5. The amount to be surcharged or credited shall equal the eligible aggregate deficiency or excess for all months during the Annual Period determined in accordance with the provisions herein, divided by the Forecast Annual Usage for the Customer Class Group.

IV. TRACKING THE OPERATION OF THE CONSERVATION INCENTIVE PROGRAM

The revenues billed, or credits applied, net of taxes and assessments, through the application of the Conservation Incentive Program Rate shall be accumulated for each month of the Adjustment Period and applied against the CIP excess or deficiency from the Annual Period and any cumulative balances remaining from prior periods.

In accordance with P.L. 1997, c. 192, as amended by P.L. 2006, c. 44, P.L. 2009, c. 240, and P.L. 2016, c. 57, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT") and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

The annual filing for the adjustment to the CIP rate shall be concurrent with the annual filing for BGSS. The CIP factor shall be credited/collected on a basis within the Delivery Charge for all service classifications stated above.

The currently effective CIP factor by Customer Class Group are as follows:

Group I (RS non-heating):	$0.0690
Group II (RS heating):	$0.0079
Group III (GSS, ED using less than 5,000 therms annually):	($0.0208)
Group IV (GSL, ED using 5,000 therms or greater annually):	($0.0043)

For the recovery of the October 2018 through September 2019 CIP margin deficiency, the recovery of the margin deficiency associated with non-weather related change in customer usage included in the above factors are offset by the BGSS savings component, as set forth in Rider A. The BGSS savings component is embedded within the Periodic BGSS Charge and the Monthly BGSS Charge.

Attachment B

NEW JERSEY NATURAL GAS
Comparison of Current and Proposed Accrual Rates
Filed: VG Procedure / RL Technique
Settled VG Procedure / RL Technique

Statement A

	Current			Proposed		
Account Description	Investment	Net Salvage	Total	Investment	Net Salvage	Total
A	B	C	D=B+C	E	F	G=E+F
STORAGE AND PROCESSING PLANT						
361.00 Structures and Improvements	1.50%	0.13%	1.63%	1.31%	0.12%	1.43%
362.00 Gas Holders	0.94%	0.38%	1.32%	0.94%	0.38%	1.32%
363.20 Vaporizing Equipment	2.18%	-1.07%	1.11%	2.30%	-1.14%	1.16%
363.30 Compressor Equipment	2.02%	0.10%	2.12%	1.85%	0.09%	1.94%
363.40 Measuring and Regulating Equipment	0.89%	0.05%	0.94%	2.64%	0.14%	2.78%
363.50 Other Equipment	-2.61%	-0.15%	-2.76%	-3.93%	-0.21%	-4.14%
Total Storage and Processing Plant	1.04%	-0.18%	0.86%	1.81%	-0.16%	1.66%
TRANSMISSION PLANT						
366.00 Structures and Improvements	3.09%	0.31%	3.40%	3.13%	0.30%	3.43%
367.00 Mains	1.67%	0.77%	2.44%	1.49%	0.88%	2.37%
369.00 Measuring and Regulating Equipment	2.04%	1.53%	3.57%	2.03%	1.52%	3.55%
Total Transmission Plant	1.75%	0.91%	2.66%	1.60%	1.00%	2.60%
DISTRIBUTION PLANT						
375.01 Structures and Improvements	1.66%	0.04%	1.70%	1.77%	0.07%	1.84%
376.00 Mains - Steel	1.66%	1.19%	2.85%	1.49%	1.34%	2.83%
376.26 Mains - Plastic	1.11%	0.28%	1.39%	1.53%	0.91%	2.44%
378.00 Meas. and Reg. Station Equip. - General	2.84%	2.25%	5.09%	3.22%	2.49%	5.71%
380.01 Services - Steel	1.84%	0.56%	2.40%	1.60%	0.79%	2.39%
380.21 Services - Plastic	1.11%	0.10%	1.21%	1.57%	0.92%	2.49%
381.00 Meters	2.84%		2.84%	3.16%	0.07%	3.23%
382.00 Meter Installations	2.63%	1.45%	4.08%	2.96%	1.55%	4.51%
383.00 House Regulators						
384.00 House Regulator Installations						
385.00 Meas. and Reg. Equipment - Industrial	2.43%	0.26%	2.69%	3.42%	0.35%	3.77%
387.00 Other Equipment	5.73%	0.84%	6.57%	7.87%	1.15%	9.02%
Total Distribution Plant	1.41%	0.44%	1.85%	1.72%	0.98%	2.70%
GENERAL PLANT						
Depreciable						
390.02 Leasehold Improvements	4.04%	-0.62%	3.42%	2.48%	-1.00%	1.48%
392.00 Transportation Equipment	12.85%	-2.18%	10.67%	4.57%	-1.48%	3.09%
396.00 Power Operated Equipment	4.60%		4.60%	0.19%		0.19%
Total Depreciable	10.16%	-1.69%	8.47%	3.88%	-1.31%	2.57%
Amortizable						
391.01 Furniture, Fixtures and Equipment	2.35%		2.35%	← 25 Year Amortization →		2.35%
391.02 Information Systems	10.48%		10.48%	← 10 Year Amortization →		8.81%
391.03 Data Handling Equipment	4.28%		4.28%	← 10 Year Amortization →		5.60%
391.04 Computer Software	19.32%		19.32%	← 10 Year Amortization →		7.42%
393.00 Stores Equipment	2.18%		2.18%	← 35 Year Amortization →		2.18%
394.00 Tools, Shop and Garage Equipment	4.90%		4.90%	← 20 Year Amortization →		4.90%
395.00 Laboratory Equipment	2.84%		2.84%	← 35 Year Amortization →		2.84%
397.00 Communication Equipment	5.55%		5.55%	← 20 Year Amortization →		1.12%
Total Amortizable	11.76%		11.76%			6.36%
Total General Plant	11.26%	-0.53%	10.73%	5.58%	-0.41%	6.16%
TOTAL UTILITY	1.9%	0.4%	2.4%	1.90%	0.88%	2.78%

NJNG Base Rate Case & Deferred Accounting Filing
BPU Docket No. GR18101096 and GR19030420

For projects in which a new transmission main is being installed and an existing transmission main is being retired NJNG will provide a study of the physical use of excavation for the purpose of retiring facilities, as compared to the physical use of excavation for the purpose of installing facilities. For any excavation that is used both for the purpose of retiring facilities and for the purpose of installing facilities, this study will include the relative physical use of that excavation for the purpose of installing facilities compared to the relative physical use of that excavation for the purpose of retiring facilities. NJNG will also provide a study as described in the prior two sentences for projects in which a new distribution main is being installed and an existing distribution main is being retired and for projects in which new service lines are being installed and existing service lines are being retired.

NJNG will provide a study showing the cost to retire existing transmission mains, and separately the cost to retire distribution mains and separately the cost to retire service lines when no new facilities are being installed. In each of these studies the cost of excavation, traffic control, and restoring the surface (including any paving) will each be shown separately.

NJNG will provide a study showing the cost to install new transmission mains, and separately the cost to install new distribution mains when no existing facilities are being retired. Separately for each of the five different ways NJNG uses to install new service lines, as shown in RCR-DEP-44, NJNG will provide a study showing the cost to install a new service line when no existing facilities are being retired (other than retiring an existing service line into which a new service line is inserted). In each of these studies the cost of excavation, traffic control, and restoring the surface (including any paving) will each be shown separately.

Large scale projects will be assumed in all of the studies. "Excavation" includes any method of moving or removing sub-surface soil and/or covering materials such as asphalt or concrete, including trenching, backfilling, plowing, drilling, using a "mole", or pushing or vibrating through the soil.

Prior to NJNG's next base rate case, the Company will file with the Board the study, detailed workpapers, the assumptions and procedures used, and a drawing of each project studied showing the facilities retired, the facilities installed, the excavations, and the activities that occurred in each excavation.

NJNG Base Rate Case 2019
Docket Nos. GR18101096 and GR19030420

WALK-IN CENTERS

The Company shall continue efforts to educate customers regarding the availability of NJNG walk-in customer service centers as a place to pay bills, without a fee, and to educate customers about any other services offered at the walk-in center. NJNG will focus these efforts on the Asbury Park and Lakewood communities. Those efforts may include but are not limited to:

1. Providing customer education by partnering with community organizations, including organizations which primarily serve low-income populations, non-English speaking populations, and/or people with disabilities.
2. Creating visual advertising or brochures about the availability of walk-in centers which may be displayed or distributed by or within community organizations.
3. Developing bill messages and/or bill inserts in English, Spanish and other appropriate languages which detail the availability and purpose of the walk-in centers.
4. Interacting with customers and providing written materials detailing the availability and services offered at walk-in centers at community tabling events with multi-lingual NJNG staff, where appropriate.
5. Including Customer walk-in center hours and location information in the Company's monthly customer newsletter.

The Company agrees to report quarterly to the BPU Director of the Division of Customer Assistance and Rate Counsel the total number of payments made at each walk-in center. The Company will report annually the total number of payments made at walk-in locations, whether operated by the Company or a third-party vendor, separated by city or town in NJNG's service territory.

CUSTOMER SERVICE STANDARDS

The Company will submit to Rate Counsel and BPU Staff a quarterly report, or annual report as specified below, providing the results of the Company's monthly performance in relation to the following metrics. These Customer Service Standards for quarterly and/or annual reporting will continue to be provided to Rate Counsel and Board Staff as agreed in the Company's prior base rate case proceeding, BPU Docket Number GR15111304, as set forth in the Board's Decision and Order Approving Stipulation dated September 23, 2016.

1. **Call Center**

(A) Percentage of Calls Answered within 30 seconds
Measure: Service Level
Benchmark: 80% of calls answered within 30 seconds
Definition: Measured in seconds from the time the call is placed in the call queue. Includes calls handled through the Interactive Voice Response ("IVR") automated system. Measured monthly, reported quarterly.

(B) Abandoned Call Percentage (ACP)
Measure: ACP
Benchmark: 5% or less of calls abandoned
Definition: The number of calls to the IVR system that are terminated by the caller before reaching the selected destination. Measured monthly, reported quarterly.

(C) Average Speed of Answer (ASA)

Measure: ASA
Benchmark: Track and monitor only.
Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Measured monthly, reported quarterly.

2. **Meter Reading and Billing**

(A) Meter Reading
Measure: Percentage of all meters read
Benchmark: 95% of meters read
Definition: The percentage of all meters read on cycle within the Company's territory. Measured monthly, reported quarterly.

(B) Meter Reading by Town
Measure: Percentage of all meters read listed by each town within the Company's territory
Benchmark: Track and monitor only
Definition: The percentage of meters read on cycle within each town of the Company's territory. Measured and reported annually.

(C) Billing Accuracy
Benchmark: 20 or fewer rebills per 1,000 customers
Definition: The number of rebills per 1,000 customers measured as all bills mailed to customers that are later adjusted, cancelled or re-issued.
Measured monthly, reported quarterly.

3. **Safety and Reliability**

(A) Safety
Measure: Leak Response Time
Benchmark: 95% of calls responded to within 60 minutes
Definition: Leak, odor and emergency call response measured from the initial customer call to the time qualified personnel arrive at the location to either assess or implement a "make safe" condition.
Measured monthly, reported quarterly.
Exception reporting: Provide a quarterly report to the BPU for all leak, odor and emergency calls that are not responded to within 60 minutes, giving the reasons for the delay.

(B) Reliability
Measure: Percentage of service appointments met
Benchmark: 95% or greater of service appointments met
Definition: The percentage of appointments completed within the four-hour window scheduled, as required by Board rules. Includes appointments for meter installations, disconnects and reconnects, billing investigations, initial and final meter reads. Excludes regularly scheduled meter reads, gas leaks/emergencies/outages, and appointments missed by the customer.
Measured monthly, reported quarterly.

4. **Overall Customer Service and Satisfaction**

(A) **BPU Complaints**

Measure: Customer complaints/contact to the BPU

Benchmark: Less than one complaint/contact per 1,000 customers annually

Definition: The number of verbal or written complaints/contacts made to the BPU, not including complaints to the Company, which are measured as an annual average number of complaints per 1,000 customers. The Company also shall report BPU complaints by root cause category, such as billing, collection, etc. Measured monthly, reported quarterly.

(B) **Customer Satisfaction**

Measure: Customer satisfaction based on Company's Transaction Survey

Benchmark: 94.5% (same as Company's stated internal goal for FY 2015)

Definition: The weighted percentage of responses with a rating of six or greater, on a ten point scale, to the question "overall satisfaction with NJNG" on the Transaction Survey. The percentage is weighted based on the number of transactions that occur for each of the areas surveyed. Measured monthly, reported quarterly.

After receipt of the quarterly report and/or annual report where specified herein, Board Staff or Rate Counsel may request a meeting and the Company agrees to accommodate this request to discuss the contents of the report(s). The schedule for submitting the quarterly and annual reports will remain the same. The quarterly report will be filed within thirty days after the end of each quarter. The annual report will be filed within thirty days after the end of each fiscal year.

New Jersey Natural Gas Company
Base Rates and Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates	
			Rate	Revenue	Rate	Revenue
(a)	(b)	(c)	(d)	(e)	(f)	(g)
			RS		RS	
Residential Service						
Customer Charge	6,067,565	Bills	$ 8.25	$ 50,057,412	$ 9.38	$ 56,913,761
Volumetric Charge	486,292,604	Therms	0.3761	182,894,648	0.4599	223,645,969
CIP Revenues				1,239,578		-
Total Base Revenues				$ 234,191,638		$ 280,559,730
			GSS		GSS	
General Service Small (less than 5,000 Annual Therms)						
Customer Charge	365,724	Bills	$ 25.01	$ 9,146,757	$ 31.89	$ 11,662,938
Volumetric Charge	38,490,990	Therms	0.3493	13,444,903	0.4057	15,615,795
Volumetric Charge - A/C	65,308	Therms	0.0742	4,846	0.0884	5,773
CIP Revenues				(958,524)		
Total Base Revenues				$ 21,637,982		$ 27,284,507
			GSL		GSL	
General Service Large (5,000 + Annual Therms)						
Customer Charge	97,816	Bills	$ 51.17	$ 5,005,265	$ 73.50	$ 7,189,505
Demand Charge	10,768,003	Therms	1.7283	18,610,339	2.4000	25,843,207
Volumetric Charge	138,936,648	Therms	0.2712	37,679,619	0.2707	37,610,151
Volumetric Charge - A/C	169,569	Therms	0.0742	12,582	0.0884	14,990
CIP Revenues				(535,537)		
Total Base Revenues				$ 60,772,269		$ 70,657,853
			FT		FT	
Firm Transportation Service*						
Customer Charge	1,423	Bills	$ 254.42	$ 361,956	$ 254.42	$ 361,956
Demand Charge	2,294,983	Therms	1.8592	4,266,832	1.8592	4,266,832
Volumetric Charge	24,691,308	Therms	0.0748	1,846,910	0.0748	1,846,910
Total Base Revenues				$ 6,475,698		$ 6,475,698

New Jersey Natural Gas Company
Base Rates and Revenues at Present and Proposed Rates

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			DGC		DGC	
Distributed Generation - Commercial*						
Customer Charge	178	Bills	$ 50.64	$ 8,892	$ 75.00	$ 13,317
Demand Charge	327,213	Therms	1.4004	458,229	1.7800	582,440
Volumetric Charge - Winter	2,513,218	Therms	0.0604	151,798	0.0615	154,563
Volumetric Charge - Summer	2,729,113	Therms	0.0298	81,328	0.0309	84,330
Total Base Revenues				$ 700,347		$ 834,649

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			NGV / CNG		NGV / CNG	
Natural Gas Vehicle / Compressed Natural Gas Service						
Customer Charge	60	Bills	$ 51.90	$ 3,114	$ 75.00	$ 4,500
Volumetric Charge	1,332,706	Therms	0.1695	225,894	0.2014	268,407
CNG Charge	658,720	Therms		-	0.2000	131,744
Total Base Revenues				$ 229,008		$ 404,651

TOTAL SYSTEM BASE DISTRIBUTION REVENUES	$ 324,006,942	$ 386,217,087

Increase	62,210,145
TARGET Increase	62,200,000
Difference	$10,145

NJNG Base Rate Case GR19030420

NEW JERSEY NATURAL GAS COMPANY

New Jersey Natural Gas Company Tariff – BPU No. 9 Gas is being replaced by New Jersey Natural Gas Company Tariff – BPU No. 10 Gas which includes modifications to various Tariff sheets. Many of these changes represent minor changes in language to provide clarifications and necessary updates. Descriptions of the significant changes to the Tariff are presented in the following sections:

I. Standard Terms and Conditions
II. Firm and Non-Firm Service Classifications
III. Service Classification Marketer and Broker Requirements ("MBR") renamed Third Party Supplier Requirements ("TPS")
IV. Service Classification Fostering Environmental and Economic Development ("FEED")
V. Riders

I. Standard Terms and Conditions

- *Section 2.2 Account Opening Charge (Sheet No. 11)*

  Added language to allow account opening fees to be waived if a field visit is not required to establish service..

- *Section 2.6 Account Opening Charge (Sheet No. 12)*

  Modified language to allow customers to request a change to their service classification if their character or use of gas service has changed.

- *Section 4.2 Gas Distribution Main Extensions (Sheet No. 16)*

  Modified the amount of a deposit to be waived from less than $500 to $3,000 or less.

- *Section 4.3 Land Development – Main Extension and Service Line Connections (Sheet No. 18)*

  Modified language to change "may" to "shall" require a deposit and added language to allow waiving of a deposit from the applicant for the amount of the deposit that is less than or equal to ten (10) times the annual distribution revenue for the applicant's ultimate residents under contract.

- *Section 5.4 Change in Existing Installations (Sheet No.19)*

  Modified language to broaden the provision to require customers to pay for all requested changes to an existing service line or metering facilities. The modification addresses a federal regulation issued by the Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation, to provide customers the right to request to have an Excess Flow Valve ("EFV") installed on their existing gas service line at their own expense. The regulation was effective April 14, 2017, was published in the Federal Register, Vol. 81, No. 199 (October 14, 2016), and is in the Federal Code of Regulations at 49 CFR Part 192.

II. Firm and Non-Firm Service Classifications

- Modifications to the General Service – Small ("GSS") customers (Sheet No. 56) and General Service – Large ("GSL") customers (Sheet No. 59) commercial air conditioning and pool heating rates to clarify the charges and credits that are presented on customer bills.
- Addition of a provision to Service Classification Electric Generation Service ("EGS") reserving NJNG's right to reject nominations, in whole or in part, for deliveries in excess of the associated customers' estimated usage in order to be able to limit supplies delivered during pipeline OFO restrictions (Sheet No. 71).
- Addition of a provision to Service Classification EGS to address the acceptable tolerance for any positive imbalance, where a customer uses less than was delivered, to be zero during an OFO issued by the applicable interstate pipeline (Sheet No. 72).
- Modifications to the Natural Gas Vehicles ("NGV) and Compressed Natural Gas ("CNG") rates per gasoline gallon equivalent ("GGE") to three decimal places in order to match the pricing displayed at the public refueling facilities (Sheet Nos.76-77, 97, 263-266).
- Modifying the pricing for Service Classification Incremental Gas Service ("IGS") to ensure that customers under Service Classification IGS will be charged for the highest cost the Company has incurred if its cost of LNG, or of gas purchased, is greater than the Monthly BGSS or market prices during the period when IGS service is provided (Sheet No. 86).

III. Service Classification MBR renamed TPS

- *Conditions Precedent (Sheet No. 88)*

  Modifications to clarify the deposit amount a TPS is required to post to serve customers on the Company's system.

- *FT, DGC-FT, CNG, NGV Commercial, and IS (Sheet No. 90)*

  Addition of a provision reserving NJNG's right to reject nominations, in whole or in part, for deliveries in excess of the associated customers' estimated usage in order to be able to limit supplies delivered during pipeline OFO restrictions (Sheet No. 90).

- *Payment (Sheet No. 97)*

  Addition of a provision to reserve NJNG's right to cease new enrollments for a TPS in arrears and to indicate that the Company may remove a TPS from NJNG's system in the event the TPS is in arrears.

IV. Service Classification FEED

- Eliminate Service Classification FEED.

V. Riders

- *Rider "E" New Jersey's Clean Energy Program ("NJCEP")*
  - Modification to the carrying costs calculation language in its Tariff applicable to the NJCEP Program to be consistent with the carrying costs calculation currently in effect for the Remediation Adjustment "RA" Rider (Sheet No. 171).

- *Rider "I" CIP*
  - Revisions to the baseline use per customer for each class based on test year billing determinants, the margin factors based on the base rates, the large customer adjustment based on the GSL baseline use per customer, and weather consumption factors based on test year billing determinants (Sheet Nos. 179-181).
  - Revisions to the return on equity test language to reflect the agreed upon return on equity of 9.60 percent and to include a more specific description of deductions to net income to reflect jurisdictional net income (Sheet No. 182).

I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in its Gas Rates, Depreciation Rates, for Gas Property, and for Changes in the Tariff for Gas Service, Pursuant to N.J.S.A. 48:2-18, 48:2-21

BPU Docket No. GR07110889
Staff Discovery Requests

S-NJNG-RD-45 RE: Yardley Testimony at Exhibit DPY-5: Average and Peak COSS

Please provide a full cost of service study, including Schedules A through D, which incorporates the following modifications to the average and peak study submitted as DPY-5. Changes not specified below indicate that the original account classification and allocation factors depicted in DPY-5 should be retained. Automatic changes to internal classification and allocation factors should continue to flow from the specific modifications listed below, as is the case within the original DPY-5 COSS. Classification and allocation of Accumulated Reserve for Depreciation and O&M accounts should track attendant plant accounts.

a) Eliminate the existing customer classification and allocation of rate base accounts 301 through 303. Classify and allocate these costs using the total plant classification factor ("PLANT") and allocation factors ("PLANT_D", "PLANT_C", AND "PLANT_E") used to classify and allocate General Plant accounts 393-396.

b) Modify the "PEAK_AVERAGE" allocator to affect a 57.8 percent weighting to the average (throughput) component and a 42.2 percent weighting to the design peak demand component. If practicable, separately depict allocated class commodity costs on the "commodity" line and demand allocated costs on the "demand" line appearing under the affected accounts in Schedule B. Apply the modified classification regime and the modified "PEAK_AVERAGE" allocator throughout the COSS in place of the original "PEAK_AVERAGE" allocator and to the additional accounts specified below.

c) For all plant accounts classified as "DIST_PLANT", separately depict the demand, customer, and commodity allocated costs based upon the introduction of the partial commodity classification and allocation of costs prescribed in (b) above.

d) Regarding account 376- Distribution Mains, replace the current demand/customer classification and allocation with the demand/commodity classification prescribed in (b) above. Allocate costs to the classes using the modified "PEAK_AVERAGE" allocator described above.

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e) Regarding account 380- Services, execute the following classification and allocation steps for each of the classes RSG-Heating, RSG-Non- Heating, General Service-Small, General Service-Large:

(1) Retain the interclass allocators for Services derived/depicted at DPY-3, Schedule D, p.1, along with the resulting interclass allocations of Services costs depicted at S-NJNG-RD-35, Schedule B-1, Services;

(2) For the allocated costs depicted at the response to S-NJNG-RD-35, Schedule B-1, Services, classify to the customer component the cost equivalent to the product of the average embedded cost of the smallest size service *currently connecting existing customers* times *the average service length* (data from the response to S-NJNG-RD-40. If the average embedded cost is not available, deflate the marginal (replacement) cost of the smallest size service currently being installed utilizing the average service life for these services (data from the response to S-NJNG-40 and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at Section G-1. Classify the balance of allocated Services investment to the demand component.

f) Regarding accounts 381.1 – Meters and 381.2 – Remote Metering Devices, execute the following classification and allocations steps for each of the classes.: RSG-Heating, RSG-Non-Heating, General Service-Small, General Service-Large:

(1) Modify the "METERS" allocator for Meters and Remote Metering Devices derived/depicted at DPY-3, Schedule D, p. 1, by excluding the replacement meter costs for those classes whose customer meter installations are industrial in nature and booked to account 385-Industrial Measuring and Regulating Equipment. Utilize the modified "METERS" allocator to derive the revised interclass allocations of Meters costs, replacing those depicted at S-NJNG-RD-35, Schedule B-1;

(2) For the allocated costs depicted at the response to S-NJNG-RD- 35, Schedule B-1, Meters and Remote Metering Devices, classify to the customer component the cost equivalent to the product of the average embedded cost of the smallest size meter *currently connecting existing customers* (data from

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response to S-NJNG-RD-41 times the number of customers. If the average embedded cost is not available, deflate the marginal (replacement) cost of the smallest size meter *currently being installed* utilizing the *average service life* for these meters . (data from the response to S-NJNG-RD- 41 and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at Section G-1. Classify the balance of allocated Meters investment to the demand component.

g) Regarding accounts 382.1- Meter Installations and 382.2- Remote Metering Device Installations, execute the following classification and allocation steps for each of the classes RSG- Heating, RSG-Non-Heating, GSG-Small and GSG-Large:

(1) Retain the "METER_INSTALLATION" allocator for Meter Installations and Remote Metering Device Installations costs derived/depicted at DPY-3, Schedule D, p.1, along with the resulting interclass allocations of related plant depicted at S-NJNG-RD-35, Schedule B-1.

(2) For the allocated costs depicted at the response to S-NJNG-RD-35, Schedule B-1, Meter Installations and Remote Metering Device Installations, classify to the customer component the cost equivalent to the product of the average embedded cost for installations of the smallest size meter *currently connecting existing customers* (data from the response to S-NJNG-RD-41) times the number of customers. If the average embedded cost is not available, deflate the marginal (replacement) cost for installation of the smallest size meter *currently being installed* utilizing the *average service life* for these meters (data from the response to S-NJNG-RD-41) and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at G-1. Classify the balance of allocated Meter Installation investment to the demand component.

h) Regarding account 383- House Regulators, follow the classification and allocation prescriptions outline in (f), above, for Meters – account 381.1. That is, retain the interclass allocation but revise the classification to provide for the customer/demand split developed pursuant to (f), 2, above.

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i) Regarding account 384- House Regulator Installations, follow the classification and allocation prescriptions outlined in (g), above, for Meter Installations – account 382.1. That is, retain the interclass allocation but revise the classification to provide for the customer/demand split developed pursuant to (g), 2, above.

j) Account 385- Industrial Measuring and Regulating Station Equipment should be classified and allocated as follows:

Costs allocated to classes under the "LARGE_CUSTOMERS" should be classified on a customer/demand split. Rather than employing the replacement cost of the smallest size meter to define the customer component, utilize the quotient of the average meter cost divided by the total meter cost of each class (spec study, p. 24) to derive the customer component; classify to the demand component the balance of costs allocated to these classes.

k) General Plant accounts 389-Land and Land Rights, 390-Structures and Improvements, 391- Office Furniture and Equipment, 392- Transportation, 397- Communication Equipment, and 398- Miscellaneous Equipment should be classified using the "PLANT" classification factor and allocated utilizing the "PLANT_D" "PLANT_C" AND "PLANT_E" allocators used to classify and allocate General Plant accounts 393-396.

l) Distribution Operations account 876- Metering and Regulating Station Equipment- Industrial should be classified and allocated consistent with the plant account 385 outlined in (j) above.

m) Distribution Operations account 878- Meter and House Regulator expenses should follow the classification and allocation prescription for Meters- account 381 and House Regulators- account 383 as outlined above.

n) Customer Installations expenses- account 879 should be modified to be consistent with the approach used for accounts 382.1 and 382.2, detailed in (g), above.

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o) Maintenance of Measurement and Regulating Station Equipment- Industrial- account 890 should be classified and allocated consistent with the treatment of account 385, detailed in (j) above.

p) Customer Accounts 901-905 should be classified and allocated as follows.

(1) Account 901-Supervision should be classified to the demand, customer, and commodity components utilizing a new indirect classification factor ("CUSTOMER_ACCOUNTS") reflecting the aggregate demand, customer, and commodity classification of costs for accounts 902 through 904, outlined below. The resulting demand, customer, and commodity classified expenses should be allocated on a design day peak demand, number of customers, and throughput ("CUSTOMER_ACCOUNTS_D,C, and E"), respectively.

(2) Account 902- Meter Reading Expenses should be classified utilizing the "DIST-PLANT" classification factor and allocated using the "DIST-PLANT_C" "DIST-PLANT_D" and "DIST-PLANT_E" allocators.

(3) Account- 903- Customer Records and Collection expenses should be classified utilizing the "DIST-PLANT" classification factor and allocated utilizing the "DIST-PLANT_C," "DIST-PLANT_D", and "DIST-PLANT_E" allocators.

(4) Account 904- Uncollectibles should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

(5) Miscellaneous Customer Accounts expenses should be classified and allocated utilizing the new classification and allocation factors prescribed in (p) (1), above.

q) Customer Service and Information accounts 908-910 should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

r) Sales Promotion expense accounts 911 through 916 should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

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s) Regarding Administrative and General Expense Accounts 920-932, replace the "LABOR" and "ADMIN" classification and allocation of accounts 920, 921, 930, and the expenses denoted "PIM Expenditures", "Plant Additions", and "OPP Investment" with the "PLANT" classification and allocation approach referenced in (k) above.

State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

<u>INITIAL DECISION SETTLEMENT</u>

OAL DKT. NO. PUC 06769-19

AGENCY DKT. NOS. GR18101096 AND GR19030420

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COST RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS AND FOR APPROVAL OF AN INCREASE IN GAS BASE RATES, FOR CHANGES IN ITS TARIFF FOR GAS SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1, AND FOR CHANGES TO DEPRECIATION OF RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18.

Andrew K. Dembia, Regulatory Affairs Counsel, for petitioner

Frederick W. Peters, Esq., member of the Washington, D.C., and New Jersey Bar, admitted pro hac vice pursuant to the N.J.A.C. 1:1-5.2(a), for petitioner New Jersey Natural Gas Company, Attorney of Record: **Gregory Eisenstark,** Esq., (Cozen & O'Connor, attorneys)

Renee Greenberg and **Geoffrey Gersten,** Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

Sarah H. Steindel and **Felicia Thomas-Friel,** Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Joseph F. Accardo, Jr., Vice President Regulatory and Deputy General Counsel, for participant, Public Service Electric and Gas Company (Tamara L. Linde, Executive Vice President and General Counsel)

James H. Laskey, Esq., for participant, New Jersey Utility Shareholders Association (Norris, McLaughlin & Marcus, P.A., attorneys)

Major Scott L. Kirk, Chief, Utility Law Field Support Center, Department of the Air Force, Office of the Judge Advocate General, admitted pro hac vice pursuant to N.J.A.C. 1:1-5.2(a), for intervenor, United States Department of Defense and all other Federal Executive Agencies (Lieutenant General Jeffrey A. Rockwell, Judge Advocate General), Attorney of Record: **Kenneth J. Hanko,** Esq., Chief, Business Law Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal

Thomas A. Jernigan, Esq., Utility Law Field Support Center, Department of the Air Force, Office of the Judge Advocate General, admitted pro hac vice pursuant to N.J.A.C. 1:1-5.2(a), for intervenor, United States Department of Defense and all other Federal Executive Agencies (Lieutenant General Jeffrey A. Rockwell, Judge Advocate General), Attorney of Record: **Kenneth J. Hanko,** Esq., Chief, Business Law Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal

John J. McNutt, General Attorney, Regulatory Law Division (JALS-RL/IP), Department of the Army, Office of the Judge Advocate General, admitted pro hac vice pursuant to N.J.A.C. 1:1-5.2(a), for intervenor, United States Department of Defense and all other Federal Executive Agencies (Lieutenant General Charles N. Pede, Judge Advocate General), Attorney of Record: **Kenneth J. Hanko,** Esq., Chief, Business Law Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal

Record Closed: October 30, 2019 Decided: October 30, 2019

BEFORE **JACOB S. GERTSMAN,** ALJ t/a:

This proceeding involves petitions filed by New Jersey Natural Gas (NJNG or Company) with the Board of Public Utilities (Board) seeking: deferred accounting treatment for costs associated with upgrades to the Company's information technology (IT) systems (the "Deferred Accounting Petition"); and for changes in its tariff for gas service pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1; and for changes of depreciation of rates for gas property pursuant to N.J.S.A. 48:2-18 (the "Base Rate Case").

The Board transmitted the Deferred Accounting Petition and Base Rate Case as one matter to the Office of Administrative Law (OAL) on May 17, 2019, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on June 14, 2019.

A motion to intervene was filed by the United States Department of Defense and all other Federal Executive Agencies on July 1, 2019. The motion was granted on July 18, 2019.

Motions to participate were filed Public Service Electric and Gas Company (PSE&G) on April 26, 2018, and the New Jersey Utility Shareholders Association (NJUSA) on June 19, 2018. PSE&G and NJUSA were granted participation status on July 18, 2019.

Duly-noticed public hearings were held on September 26, 2019, at Freehold Township Municipal Building and October 3, 2019, at the Rockaway Township Municipal Building. Three members of the public appeared at the Freehold hearing and all comments were transcribed and made a part of the record.[1] No members of the public appeared at the Rockaway hearing.

Evidentiary hearings were scheduled for January 21, 23 and February 4, 6, 10, and 12, 2020. Prior to the commencement of the hearings, the parties filed on October 29, 2019, a

[1] Transcripts of the public hearings have not been provided to the undersigned and will be forwarded to the Board by the parties.

Stipulation of Settlement (J-1), resolving all issues in this proceeding. Said Stipulation has been signed by petitioner, Staff of the Board of Public Utilities, and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.

2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES,** which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

October 30, 2019
DATE

JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency: 10.30.19

Date Mailed to Parties:

JSG/nd

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

RECEIVED
2019 OCT 30 A 11:23
STATE OF NEW JERSEY
OFFICE OF ADMIN. LAW

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN GAS BASE RATES AND FOR CHANGES IN ITS TARIFF FOR GAS SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1; AND FOR CHANGES TO DEPRECIATION RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18	)	**STIPULATION OF SETTLEMENT**
	)	BPU DOCKET NOS. GR18101096 AND GR19030420
-AND-	)	OAL DOCKET NO. PUC 06769-19
IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS	)	

APPEARANCES:

Andrew K. Dembia, Esq., Regulatory Affairs Counsel, **Gregory Eisenstark, Esq.** (Cozen O'Connor, P.C.), **John A. Hoffman, Esq.** (Wilentz, Goldman & Spitzer, P.A.), and **Frederick W. Peters, Esq.** (Law Offices of Frederick W. Peters) *pro hac vice,* for petitioner New Jersey Natural Gas Company, (**Nancy A. Washington**, Vice President and General Counsel, attorney).

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

Felicia Thomas-Friel, Deputy Rate Counsel, **Sarah H. Steindel, Maura Caroselli, Kurt S. Lewandowski, Henry M. Ogden and Brian Weeks** , Assistant Deputy Rate Counsels for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director).

John J. McNutt, Esq., *pro hac vice*, for Intervenor United States Department of Defense/Federal Executive Agencies (**Kenneth J. Hanko,** Esq., Chief, Business Law

Division and Intellectual Property Law Team, Legal Office, U.S. Army Combat Capabilities Development Command, Armaments Center, at Picatinny Arsenal, attorney).

Joseph F. Accardo, Jr., Deputy General Counsel and Justin Incardone, Assistant General Regulatory Counsel, for Participant Public Service Electric and Gas Company.

James H. Laskey, Esq., Norris McLaughlin, P.A. for Participant New Jersey Utility Shareholders Association.

TO: THE HONORABLE JACOB S. GERTSMAN, ADMINISTRATIVE LAW JUDGE:

BACKGROUND

On October 5, 2018, New Jersey Natural Gas ("NJNG," the "Company," or "Petitioner") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking deferred accounting treatment for costs associated with upgrades to the Company's information technology ("IT") systems ("Deferred Accounting Petition"). The Company requested Board approval of the authority to defer on its books actually incurred costs associated with Project NEXT and not otherwise recovered through its current base rates. In addition, the Company also requested permission to accrue Allowance for Funds Used During Construction ("AFUDC") associated with the Project NEXT costs using the "Modified Federal Energy Regulatory Commission formula" to determine its AFUDC rate consistent with the method approved and used for NJNG's Safety Acceleration and Facility Enhancement ("SAFE") Extension II ("SAFE II") and New Jersey Reinvestment in System Enhancement ("NJRISE") programs.

On March 29, 2019, NJNG filed a Petition with the Board for authority pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and N.J.A.C. 14:1-5.12 to: (i) increase its base rates and charges for gas service by $128.22 million; (ii) establish a Phase II proceeding to address the cost recovery for the Company's Southern Reliability Link ("SRL") intra-state gas transmission project; (iii) implement certain other rate and tariff revisions; and (iv) change its existing depreciation rates pursuant to N.J.S.A. 48:2-18 ("Base Rate Petition").

In the Base Rate Petition, NJNG proposed a test-year ending August 31, 2019. The Base Rate Petition as originally filed was based upon five (5) months of actual data and seven (7) months of estimated data. As the case progressed, the estimated data was replaced by actual data, and, on September 30, 2019, the Company filed its update consisting of twelve (12) months of actual data ("12 + 0 update"). The proposed annual revenue increase as shown in the Company's 12 + 0 update was $134.313 million.

On April 11, 2019, the Company filed a motion with the Board to consolidate the Deferred Accounting Petition and the Base Rate Petition. No party opposed the motion. On May 15, 2019, the Board transmitted the Deferred Accounting Petition and the Base Rate Petition to the Office of Administrative Law ("OAL") as a contested case, with a direction that the OAL consolidate the two (2) matters. The matter was assigned to the Honorable Jacob S. Gertsman, Administrative Law Judge ("ALJ").

On June 14, 2019, ALJ Gertsman conducted a prehearing conference in the consolidated matter. On August 23, 2019, ALJ Gertsman issued a prehearing order establishing procedures and hearing dates for the conduct of this case.

The parties to this case are Petitioner, the Staff of the Board ("Board Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and intervenor United States Department of Defense/Federal Executive Agencies ("DOD/FEA"). Participants are Public Service Electric and Gas Company and the New Jersey Utility Shareholders Association (hereinafter collectively referred to as the "Parties").

Pursuant to appropriate 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, two (2) public hearings were held in Freehold Township, New Jersey on September 26, 2019 and two (2) public hearings were held in Rockaway Township, New Jersey on October 3, 2019. Three (3) members of the public appeared at the September 26, 2019 public hearings and made statements in opposition to SRL; no members of the public appeared at the October 3, 2019 public hearings. In addition, the Board received written comments in opposition to the Base Rate Petition.

The Company responded in writing to more than 600 discovery requests, many of which had multiple parts. In addition, discovery and settlement conferences were held by the Parties, with the Company responding to additional informal discovery questions, both orally and in writing..

The Company filed direct, supplemental and revised testimony..

Evidentiary hearings were scheduled for six (6) dates between January 21, 2020 and February 12, 2020. Prior to the commencement of such hearings, the Parties conducted meetings to discuss settlement, and as a result, this stipulation of settlement ("Stipulation") was agreed to by NJNG, Rate Counsel, Board Staff and DOD/FEA (hereinafter collectively referred to as the "Signatory Parties"). This settlement was reached before any other Signatory Party filed testimony.

The Signatory Parties hereto agree and stipulate as follows:

STIPULATED MATTERS

Revenue Increase

1. For the calculation of the revenue requirement in this case based on 20-year weather normalization, the Signatory Parties agree to a rate base of $1.765 billion, a rate of return of 6.95%, and an increase in revenue requirement of $62.20 million, exclusive of New Jersey Sales and Use Tax ("SUT"). The 6.95% rate of return is obtained based on a capital structure of 54.00% common equity with a cost rate of 9.60% and 46.00% long term debt with a cost rate of 3.83%. The $62.20 million increase in revenue requirement can be derived from the following calculation:

Rate Base	$1,765 million
Rate of Return	x 6.95%
Operating Income Requirement	$122.592 million
Pro-Forma Operating Income	$78.147million
Operating Income Deficiency	$44.445 million
Revenue Factor	x 1.3995
Revenue Requirements	$62.200 million

2. As a result of this Stipulation, the typical residential sales heating customer, using 100 therms of gas during a month, will receive an increase of $10.04 or 9.6 percent on their monthly bill from $104.23 to $114.27. The typical residential heating customers using 1,000 therms annually will receive an increase of $102.80 or 9.7 percent in their annual bill, from $1,059.90 to $1,162.70.

3. This Stipulation finalizes the prudency of the rates approved for SAFE II and NJ RISE investments through June 30, 2019.

4. The base rate revenue increase agreed to in this Stipulation reflects a three (3) year amortization for the following items:

   - Rate Case Expense - This item represents a normalized level of expense incurred for rate case expense. The Rate Case Expense component is reduced by 50 percent, which is not recoverable through customer rate charges. The amount to be amortized for financial reporting purposes for this item is $0.263 million.
   - Compressed Natural Gas – Pursuant to the Board's Order in Docket No. GR11060361 dated June 18, 2012, NJNG agreed that customers utilizing the CNG stations built under the CNG Pilot Program will be charged $0.20 per therm to offset the program's revenue requirement. The amount to be amortized for this item is a credit of $0.439 million. The deferral of the CNG charge will cease coincident with the end of the Test Year and be recorded as utility operating revenue prospectively.

The total amount to be amortized is a credit of $0.176 million over the three (3) year period.

5. The base rate revenue increase agreed to in this Stipulation reflects an adjustment for consolidated federal income taxes.

6. The Signatory Parties recognize that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in NJNG's current Conservation Incentive Program ("CIP") tariff must be updated in order to align these aspects of the CIP tariff with the Board's approval of new base rates in this proceeding. These factors and rates are included in Rider "I" of the Company's Tariff attached herein as Attachment A.

7. The Signatory Parties agree the Company's composite depreciation rate shall be increased from the currently-approved rate of 2.40 percent to 2.78 percent. The overall composite rate of 2.78 percent consists of an investment rate of 1.90 percent and the net salvage rate of 0.88 percent. The agreed upon depreciation rates by account are set forth in Attachment B to the Stipulation.

Depreciation Review

8. NJNG agrees to conduct the analyses set forth in Attachment C to this Stipulation.

Customer Service Standards

9. NJNG will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance at the Board quarterly and annual reports, as specified, concerning activity at its walk-in and payment centers and concerning the Company's performance in relation to certain service measures, as detailed in

Attachment D. NJNG commits to continue meeting the customer service benchmarks specified in Attachment D.

Southern Reliability Link ("SRL") Phase II

10. NJNG withdraws its request for a Phase II proceeding regarding the rate treatment of the SRL.

Project NEXT

11. NJNG withdraws its request for deferred accounting treatment in BPU Docket No. GR18101096.

Service Agreements

12. The Signatory Parties agree that upon the Board's issuance of a final Order approving this Stipulation, the current Service Agreements are acceptable and shall be deemed approved, and that BPU Docket No GR08030415 will be closed.

Tariff and Rate Design

13. Attached to this Stipulation as Attachment E is a schedule entitled "New Jersey Natural Gas Company, Base Rates and Revenues at Present and Proposed Rates." The Signatory Parties stipulate that this schedule represents the rate design methodology and billing determinants to be utilized in this case, integrating a monthly customer charge of $10 applicable to the Residential Service classification, inclusive of applicable sales taxes, amongst other rate changes.

14. The Signatory Parties agree that the tariff modifications described in Attachment F to this Stipulation are reasonable, appropriate and shall be implemented upon Board approval.

15. The Signatory Parties agree that NJNG's proposed new natural gas vehicle ("NGV") tariff for company-owned NGV facilities on customers' premises shall not be implemented at this time.

16. The Company agrees to submit as part of its next base rate case the Staff average and peak cost of service study ("COSS") referenced in the Board's Order in Docket No. GR07110889 at page 9, along with all associated workpapers. Submission of the Staff COSS in the next base rate case does not imply endorsement of the Staff methodology by the Company. The Company, as well as any other party to that future proceeding, is free to submit its preferred COSS and supporting workpapers. *See* Attachment G.

DOD/FEA Issues

17. The DOD/FEA agrees that the rates and revenues as set forth in Attachment E resolve the DOD/FEA's rate design issues for this matter.

18. The Signatory Parties reserve their rights to proffer different Cost of Service Studies in the Company's next base rate case.

19. NJNG will provide daily metering information (by therm) to the DOD/FEA for all meters on the Picatinny Arsenal installation in a mutually acceptable format.

20. Pursuant to Section 11 of the Standard Terms and Conditions of the Company's Tariff, the Company and DOD/FEA agree to jointly evaluate the potential for an off-tariff

rate or discounted rate for the various DOD installations served by the Company. Both the Company and the DOD/FEA shall provide each other with all necessary information, and shall work cooperatively to identify a rate to be billed to the DOD installations taking into account cost considerations that are unique to the DOD installations. Within 90 days after Board approval of this Stipulation, the Company shall provide a proposal to DOD/FEA to promptly effectuate the evaluation. The Company and the DOD/FEA recognize that any such off-tariff rate or discounted rate is subject to Board approval.

Balancing Charges

21. The balancing charge related to inventory has been updated through this rate case to $0.0011 per therm based on the pre-tax rate of return of 8.97% agreed to herein and the resulting after-tax Balancing Charge is $0.1088 per therm, a decrease of $0.0010 per therm from the current rate of $0.1098 per therm. The balancing charge related to inventory will remain fixed until new rates become effective in the Company's next base rate case.

22. The balancing charge will continue to be adjusted in the Company's annual Basic Gas Supply Service ("BGSS") filings to reflect only updated pipeline demand charges, credit adjustments and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the balancing charge. The firm volumes from which the pipeline demand portion of the balancing charge is determined will also be updated. The Company's recalculation will be subject to

review as part of the annual BGSS proceedings. The Company will continue to credit all balancing revenues from customers in the Balancing Rate Classes to its BGSS.

MISCELLANEOUS

23. The undersigned Signatory Parties stipulate and agree that this Stipulation fully disposes of all issues in controversy in this proceeding, is consistent with law, and is in the public interest. This Stipulation 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 provision of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall 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 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.

24. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

25. 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, Rate Counsel, Intervenor and the Participants 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 Signatory Parties further acknowledge that a Board Order approving, rejecting, or modifying 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.

26. The Signatory Parties request that this Stipulation be considered at the Board's November 13, 2019 regularly scheduled Agenda Meeting.

27. The Signatory Parties agree to accept as service delivery by courier ("hand delivery") of the BPU Order ("Order") approving this Stipulation, in whole or in part. The Signatory Parties agree that such method of hand delivery shall be sufficient service of the Order.

WHEREFORE, the undersigned Signatory Parties hereto respectfully submit this Stipulation to Your Honor and the Board for its review and request (1) the issuance of an Initial Decision approving this Settlement in its entirety in accordance with the terms contained herein, and (2) the Board approve this Settlement, in its entirety with the terms contained herein through an Order on all rate and tariff issues.

NEW JERSEY NATURAL GAS COMPANY
PETITIONER

By: Andrew K Dembia
ANDREW K. DEMBIA
REGULATORY AFFAIRS COUNSEL

DIVISION OF RATE COUNSEL
STEFANIE BRAND
DIRECTOR

By: Sarah H. Steindel / F.T.-F.
SARAH H. STEINDEL
ASSISTANT DEPUTY RATE COUNSEL

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

By: Renee Greenberg 10-28-2019
RENEE GREENBERG
DEPUTY ATTORNEY GENERAL

UNITED STATES DEPARTMENT OF DEFENSE/FEDERAL EXECUTIVE AGENCIES
INTERVENOR

By: ______________________
KENNETH J. HANKO, Esq.

Date: October 28, 2019.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP

Applicable to the following service classifications:

RS	Residential Service
GSS	General Service - Small
GSL	General Service - Large
ED	Economic Development

I. DEFINITION OF TERMS AS USED HEREIN

1. *Actual Number of Customers* – The Actual Number of Customers ("ANC") shall be determined on a monthly basis for each of the Customer Class Groups to which the Conservation Incentive Program ("CIP") Clause applies. The ANC shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books, plus any Incremental Large Customer Count Adjustment.

2. *Actual Usage per Customer* – the Actual Usage per Customer ("AUC") shall be determined in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The AUC shall equal the aggregate actual booked sales for the month as recorded on the Company's books divided by the Actual Number of Customers for the corresponding month.

3. *Adjustment Period* - shall be the year beginning immediately following the conclusion of the Annual Period.

4. *Annual Period* – shall be the twelve consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

5. *Average 13 Month Common Equity Balance* - shall be the common equity balance at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13).

6. *Baseline Usage per Customer* – the Baseline Usage per Customer ("BUC") shall be stated in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The BUC shall be rounded to the nearest one tenth of one therm.

NEW JERSEY NATURAL GAS COMPANY

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

7. *Customer Class Group* – For purposes of determining and applying the CIP, customers shall be aggregated into four separate recovery class groups. The Customer Class Groups shall be as follows:

   Group I: RS (non-heating customers only)
   Group II: RS (heating customers only)
   Group III: GSS, ED using less than 5,000 therms annually
   Group IV: GSL, ED using 5,000 therms or greater annually

8. *Forecast Annual Usage* – the Forecast Annual Usage ("FAU") shall be the projected total annual throughput for all customers within the applicable Customer Class Group. The FAU shall be estimated based on normal weather.

9. *Incremental Large Customer Count Adjustment* – the Company shall maintain a list of incremental commercial and industrial customers added to its system on or after September 1, 2019 whose connected load is greater than that typical for the Company's average commercial and industrial customer. For purposes of the CIP, large incremental customers shall be those customers whose connected load exceeds 5,500 cubic feet per hour ("CFH"). A new customer at an existing location previously connected to NJNG's facilities shall not be considered an incremental customer. The Actual Number of Customers for the Customer Class Group shall be adjusted to reflect the impact of all such incremental commercial or industrial customers. Specifically, the Incremental Large Customer Count Adjustment for the applicable month shall equal the aggregate connected load for all active customers that exceed the 5,500 CFH threshold divided by 2,750 CFH less the number of active customers, rounded to the nearest whole number.

10. *Margin Revenue Factor* – the Margin Revenue Factor ("MRF") shall be the weighted-average margin rate as quoted in the individual service classes to which the CIP applies. The MRFs by Customer Class Group are as follows:

Group I (RS non-heating):	\$0.4599
Group II (RS heating):	\$0.4599
Group III (GSS, ED using less than 5,000 therms annually)	\$0.4057
Group IV (GSL, ED using 5,000 therms or greater annually)	\$0.2707

The MRF shall be reset each time new base rates are placed into effect.

NEW JERSEY NATURAL GAS COMPANY

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

II. BASELINE USAGE PER CUSTOMER

The BUC for each Customer Class Group by month are as follows:

Month	Group I: RS Non-Heating	Group II: RS Heating	Group III: GSS, ED using less than 5,000 therms annually	Group IV: GSL, ED using 5,000 therms or greater annually
Oct.	13.2	43.7	49.8	901.2
Nov.	10.8	94.9	117.5	1,678.0
Dec.	15.4	163.9	212.6	2,611.5
Jan.	16.9	191.4	259.1	3,002.3
Feb.	15.9	163.3	228.5	2,514.6
Mar.	13.7	122.3	165.1	1,879.5
Apr.	11.0	78.0	91.4	1,413.6
May	9.7	39.8	37.2	898.1
Jun.	16.8	25.9	22.6	602.8
Jul.	16.4	22.5	23.9	551.6
Aug.	12.0	19.7	20.5	516.0
Sep.	13.5	18.7	19.7	483.0
Total Annual	165.3	984.1	1,247.9	17,052.2

The BUC shall be reset each time new base rates are placed into effect.

III. DETERMINATION OF THE CONSERVATION INCENTIVE PROGRAM RATE

1. At the end of the Annual Period, a calculation shall be made that determines for each Customer Class Group the deficiency or excess to be surcharged or credited to customers pursuant to the CIP mechanism. The deficiency or excess shall be calculated each month by multiplying the result obtained from subtracting the Baseline Usage per Customer from the Actual Usage per Customer by the Actual Number of Customers and then multiplying the resulting therms by the Margin Revenue Factor.

NEW JERSEY NATURAL GAS COMPANY

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

2. The normal degree days and degree day consumption factors per customer to be used for the calculation of the weather related change in customer usage, are set forth below:

		Consumption Factors per customer (therms per customer per degree day)		
Month	**Degree Days**	**Group II- Residential Heating**	**Group III- GSS**	**Group IV- GSL**
October	244	0.1237	0.1828	1.7462
November	510	0.1644	0.2260	2.2656
December	811	0.1882	0.2680	2.6026
January	977	0.1981	0.2821	2.7395
February	818	0.1959	0.2758	2.6686
March	676	0.1896	0.2581	2.4235
April	347	0.1741	0.1893	1.8671
May	126	0.1429	0.1691	1.6262

These consumption factors per customer shall be multiplied by the actual number of customers to determine the consumption factors. The weather related change in customer usage shall be calculated as the difference between actual degree days and the above normal degree days multiplied by the consumption factors, and multiplying the result by the margin revenue factors as defined in Section I.10. of this Rider.

3. Recovery of margin deficiency associated with non-weather related changes in customer usage will be subject to a BGSS savings test and a Margin Revenue recovery limitation ("recovery tests"). Recovery of non-weather related margin deficiency will be limited to the smaller of (1) the level of BGSS savings achieved when such savings are less than 75 percent of the non-weather related margin deficiency, i.e. BGSS savings test, and (2) 6.5 percent of variable margins for the CIP Annual Period, i.e., Margin Revenue recovery limitation. Any amount that exceeds the above limitations may be deferred for future recovery and is subject to either or both of the recovery tests in a future year consistent with the amount by which either or both of the non-weather related margin deficiency exceeded the recovery tests. For the purposes of this calculation, the value of the weather related portion shall be calculated as set forth in Section III.2. of this Rider I.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

4. In addition, the CIP shall not operate to permit the Company to recover any portion of a deficiency that will cause the Company to earn in excess of a 9.60% return on common equity for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Company's rate of return on common equity shall be calculated by dividing the Company's regulated jurisdictional net income for the Annual Period by the Company's average 13-month common equity balance for such Annual Period, all as reflected in the Company's monthly reports to the Board of Public Utilities. The Company's regulated jurisdictional net income shall be calculated by subtracting from total net income (1) other income, net of associated taxes, (2) margins retained from Off-System Sales and Capacity release, net of associated taxes, (3) margins retained from the Storage Incentive Program, net of associated taxes, and (4) margins retained from the energy efficiency programs of Rider "F", net of associated taxes. The Company's average thirteen-month common equity balance for any Annual Period shall be the Company's average total common equity less the Company's average common equity investment in unregulated subsidiaries.
5. The amount to be surcharged or credited shall equal the eligible aggregate deficiency or excess for all months during the Annual Period determined in accordance with the provisions herein, divided by the Forecast Annual Usage for the Customer Class Group.

IV. TRACKING THE OPERATION OF THE CONSERVATION INCENTIVE PROGRAM

The revenues billed, or credits applied, net of taxes and assessments, through the application of the Conservation Incentive Program Rate shall be accumulated for each month of the Adjustment Period and applied against the CIP excess or deficiency from the Annual Period and any cumulative balances remaining from prior periods.

In accordance with P.L. 1997, c. 192, as amended by P.L. 2006, c. 44, P.L. 2009, c. 240, and P.L. 2016, c. 57, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT") and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

The annual filing for the adjustment to the CIP rate shall be concurrent with the annual filing for BGSS. The CIP factor shall be credited/collected on a basis within the Delivery Charge for all service classifications stated above.

The currently effective CIP factor by Customer Class Group are as follows:

Group I (RS non-heating):	$0.0690
Group II (RS heating):	$0.0079
Group III (GSS, ED using less than 5,000 therms annually):	($0.0208)
Group IV (GSL, ED using 5,000 therms or greater annually):	($0.0043)

For the recovery of the October 2018 through September 2019 CIP margin deficiency, the recovery of the margin deficiency associated with non-weather related change in customer usage included in the above factors are offset by the BGSS savings component, as set forth in Rider A. The BGSS savings component is embedded within the Periodic BGSS Charge and the Monthly BGSS Charge.

Attachment B

Statement A

NEW JERSEY NATURAL GAS
Comparison of Current and Proposed Accrual Rates
Filed: VG Procedure / RL Technique
Settled VG Procedure / RL Technique

	Current			Proposed		
Account Description	Investment	Net Salvage	Total	Investment	Net Salvage	Total
A	B	C	D=B+C	E	F	G=E+F
STORAGE AND PROCESSING PLANT						
361.00 Structures and Improvements	1.50%	0.13%	1.63%	1.31%	0.12%	1.43%
362.00 Gas Holders	0.94%	0.38%	1.32%	0.94%	0.38%	1.32%
363.20 Vaporizing Equipment	2.18%	-1.07%	1.11%	2.30%	-1.14%	1.16%
363.30 Compressor Equipment	2.02%	0.10%	2.12%	1.85%	0.09%	1.94%
363.40 Measuring and Regulating Equipment	0.89%	0.05%	0.94%	2.64%	0.14%	2.78%
363.50 Other Equipment	-2.61%	-0.15%	-2.76%	-3.93%	-0.21%	-4.14%
Total Storage and Processing Plant	1.04%	-0.18%	0.86%	1.81%	-0.16%	1.66%
TRANSMISSION PLANT						
366.00 Structures and Improvements	3.09%	0.31%	3.40%	3.13%	0.30%	3.43%
367.00 Mains	1.67%	0.77%	2.44%	1.49%	0.88%	2.37%
369.00 Measuring and Regulating Equipment	2.04%	1.53%	3.57%	2.03%	1.52%	3.55%
Total Transmission Plant	1.75%	0.91%	2.66%	1.60%	1.00%	2.60%
DISTRIBUTION PLANT						
375.01 Structures and Improvements	1.66%	0.04%	1.70%	1.77%	0.07%	1.84%
376.00 Mains - Steel	1.66%	1.19%	2.85%	1.49%	1.34%	2.83%
376.26 Mains - Plastic	1.11%	0.28%	1.39%	1.53%	0.91%	2.44%
378.00 Meas. and Reg. Station Equip. - General	2.84%	2.25%	5.09%	3.22%	2.49%	5.71%
380.01 Services - Steel	1.84%	0.56%	2.40%	1.60%	0.79%	2.39%
380.21 Services - Plastic	1.11%	0.10%	1.21%	1.57%	0.92%	2.49%
381.00 Meters	2.84%		2.84%	3.16%	0.07%	3.23%
382.00 Meter Installations	2.63%	1.45%	4.08%	2.96%	1.55%	4.51%
383.00 House Regulators						
384.00 House Regulator Installations						
385.00 Meas. and Reg. Equipment - Industrial	2.43%	0.26%	2.69%	3.42%	0.35%	3.77%
387.00 Other Equipment	5.73%	0.84%	6.57%	7.87%	1.15%	9.02%
Total Distribution Plant	1.41%	0.44%	1.85%	1.72%	0.98%	2.70%
GENERAL PLANT						
Depreciable						
390.02 Leasehold Improvements	4.04%	-0.62%	3.42%	2.48%	-1.00%	1.48%
392.00 Transportation Equipment	12.85%	-2.18%	10.67%	4.57%	-1.48%	3.09%
396.00 Power Operated Equipment	4.60%		4.60%	0.19%		0.19%
Total Depreciable	10.16%	-1.69%	8.47%	3.88%	-1.31%	2.57%
Amortizable						
391.01 Furniture, Fixtures and Equipment	2.35%		2.35%	← 25 Year Amortization →		2.35%
391.02 Information Systems	10.48%		10.48%	← 10 Year Amortization →		8.81%
391.03 Data Handling Equipment	4.28%		4.28%	← 10 Year Amortization →		5.60%
391.04 Computer Software	19.32%		19.32%	← 10 Year Amortization →		7.42%
393.00 Stores Equipment	2.18%		2.18%	← 35 Year Amortization →		2.18%
394.00 Tools, Shop and Garage Equipment	4.90%		4.90%	← 20 Year Amortization →		4.90%
395.00 Laboratory Equipment	2.84%		2.84%	← 35 Year Amortization →		2.84%
397.00 Communication Equipment	5.55%		5.55%	← 20 Year Amortization →		1.12%
Total Amortizable	11.76%		11.76%			6.36%
Total General Plant	11.26%	-0.53%	10.73%	5.58%	-0.41%	5.16%
TOTAL UTILITY	1.9%	0.4%	2.4%	1.90%	0.88%	2.78%

NJNG Base Rate Case & Deferred Accounting Filing
BPU Docket No. GR18101096 and GR19030420

For projects in which a new transmission main is being installed and an existing transmission main is being retired NJNG will provide a study of the physical use of excavation for the purpose of retiring facilities, as compared to the physical use of excavation for the purpose of installing facilities. For any excavation that is used both for the purpose of retiring facilities and for the purpose of installing facilities, this study will include the relative physical use of that excavation for the purpose of installing facilities compared to the relative physical use of that excavation for the purpose of retiring facilities. NJNG will also provide a study as described in the prior two sentences for projects in which a new distribution main is being installed and an existing distribution main is being retired and for projects in which new service lines are being installed and existing service lines are being retired.

NJNG will provide a study showing the cost to retire existing transmission mains, and separately the cost to retire distribution mains and separately the cost to retire service lines when no new facilities are being installed. In each of these studies the cost of excavation, traffic control, and restoring the surface (including any paving) will each be shown separately.

NJNG will provide a study showing the cost to install new transmission mains, and separately the cost to install new distribution mains when no existing facilities are being retired. Separately for each of the five different ways NJNG uses to install new service lines, as shown in RCR-DEP-44, NJNG will provide a study showing the cost to install a new service line when no existing facilities are being retired (other than retiring an existing service line into which a new service line is inserted). In each of these studies the cost of excavation, traffic control, and restoring the surface (including any paving) will each be shown separately.

Large scale projects will be assumed in all of the studies. "Excavation" includes any method of moving or removing sub-surface soil and/or covering materials such as asphalt or concrete, including trenching, backfilling, plowing, drilling, using a "mole", or pushing or vibrating through the soil.

Prior to NJNG's next base rate case, the Company will file with the Board the study, detailed workpapers, the assumptions and procedures used, and a drawing of each project studied showing the facilities retired, the facilities installed, the excavations, and the activities that occurred in each excavation.

NJNG Base Rate Case 2019
Docket Nos. GR18101096 and GR19030420

WALK-IN CENTERS

The Company shall continue efforts to educate customers regarding the availability of NJNG walk-in customer service centers as a place to pay bills, without a fee, and to educate customers about any other services offered at the walk-in center. NJNG will focus these efforts on the Asbury Park and Lakewood communities. Those efforts may include but are not limited to:

1. Providing customer education by partnering with community organizations, including organizations which primarily serve low-income populations, non-English speaking populations, and/or people with disabilities.
2. Creating visual advertising or brochures about the availability of walk-in centers which may be displayed or distributed by or within community organizations.
3. Developing bill messages and/or bill inserts in English, Spanish and other appropriate languages which detail the availability and purpose of the walk-in centers.
4. Interacting with customers and providing written materials detailing the availability and services offered at walk-in centers at community tabling events with multi-lingual NJNG staff, where appropriate.
5. Including Customer walk-in center hours and location information in the Company's monthly customer newsletter.

The Company agrees to report quarterly to the BPU Director of the Division of Customer Assistance and Rate Counsel the total number of payments made at each walk-in center. The Company will report annually the total number of payments made at walk-in locations, whether operated by the Company or a third-party vendor, separated by city or town in NJNG's service territory.

CUSTOMER SERVICE STANDARDS

The Company will submit to Rate Counsel and BPU Staff a quarterly report, or annual report as specified below, providing the results of the Company's monthly performance in relation to the following metrics. These Customer Service Standards for quarterly and/or annual reporting will continue to be provided to Rate Counsel and Board Staff as agreed in the Company's prior base rate case proceeding, BPU Docket Number GR15111304, as set forth in the Board's Decision and Order Approving Stipulation dated September 23, 2016.

1. Call Center

(A) Percentage of Calls Answered within 30 seconds
Measure: Service Level
Benchmark: 80% of calls answered within 30 seconds
Definition: Measured in seconds from the time the call is placed in the call queue. Includes calls handled through the Interactive Voice Response ("IVR") automated system. Measured monthly, reported quarterly.

(B) Abandoned Call Percentage (ACP)
Measure: ACP
Benchmark: 5% or less of calls abandoned
Definition: The number of calls to the IVR system that are terminated by the caller before reaching the selected destination. Measured monthly, reported quarterly.

(C) Average Speed of Answer (ASA)

Measure: ASA
Benchmark: Track and monitor only.
Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Measured monthly, reported quarterly.

2. Meter Reading and Billing

(A) Meter Reading
Measure: Percentage of all meters read
Benchmark: 95% of meters read
Definition: The percentage of all meters read on cycle within the Company's territory. Measured monthly, reported quarterly.

(B) Meter Reading by Town

Measure: Percentage of all meters read listed by each town within the Company's territory

Benchmark: Track and monitor only

Definition: The percentage of meters read on cycle within each town of the Company's territory. Measured and reported annually.

(C) Billing Accuracy

Benchmark: 20 or fewer rebills per 1,000 customers

Definition: The number of rebills per 1,000 customers measured as all bills mailed to customers that are later adjusted, cancelled or re-issued. Measured monthly, reported quarterly.

3. **Safety and Reliability**

(A) Safety

Measure: Leak Response Time

Benchmark: 95% of calls responded to within 60 minutes

Definition: Leak, odor and emergency call response measured from the initial customer call to the time qualified personnel arrive at the location to either assess or implement a "make safe" condition. Measured monthly, reported quarterly.

Exception reporting: Provide a quarterly report to the BPU for all leak, odor and emergency calls that are not responded to within 60 minutes, giving the reasons for the delay.

(B) Reliability

Measure: Percentage of service appointments met

Benchmark: 95% or greater of service appointments met

Definition: The percentage of appointments completed within the four-hour window scheduled, as required by Board rules. Includes appointments for meter installations, disconnects and reconnects, billing investigations, initial and final meter reads. Excludes regularly scheduled meter reads, gas leaks/emergencies/outages, and appointments missed by the customer. Measured monthly, reported quarterly.

4. **Overall Customer Service and Satisfaction**

(A) BPU Complaints

Measure: Customer complaints/contact to the BPU

Benchmark: Less than one complaint/contact per 1,000 customers annually

Definition: The number of verbal or written complaints/contacts made to the BPU, not including complaints to the Company, which are measured as an annual average number of complaints per 1,000 customers. The Company also shall report BPU complaints by root cause category, such as billing, collection, etc. Measured monthly, reported quarterly.

(B) Customer Satisfaction

Measure: Customer satisfaction based on Company's Transaction Survey

Benchmark: 94.5% (same as Company's stated internal goal for FY 2015)

Definition: The weighted percentage of responses with a rating of six or greater, on a ten point scale, to the question "overall satisfaction with NJNG" on the Transaction Survey. The percentage is weighted based on the number of transactions that occur for each of the areas surveyed. Measured monthly, reported quarterly.

After receipt of the quarterly report and/or annual report where specified herein, Board Staff or Rate Counsel may request a meeting and the Company agrees to accommodate this request to discuss the contents of the report(s). The schedule for submitting the quarterly and annual reports will remain the same. The quarterly report will be filed within thirty days after the end of each quarter. The annual report will be filed within thirty days after the end of each fiscal year.

New Jersey Natural Gas Company
Base Rates and Revenues at Present and Proposed Rates

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			RS		RS	
Residential Service						
Customer Charge	6,067,565	Bills	$ 8.25	$ 50,057,412	$ 9.38	$ 56,913,761
Volumetric Charge	486,292,604	Therms	0.3761	182,894,648	0.4500	223,645,969
CIP Revenues				1,239,578		-
Total Base Revenues				$ 234,191,638		$ 280,559,730
			GSS		GSS	
General Service Small (less than 5,000 Annual Therms)						
Customer Charge	365,724	Bills	$ 25.01	$ 9,146,757	$ 31.89	$ 11,662,939
Volumetric Charge	38,490,990	Therms	0.3493	13,444,903	0.4057	15,615,795
Volumetric Charge - A/C	65,308	Therms	0.0742	4,846	0.0884	5,773
CIP Revenues				(958,524)		-
Total Base Revenues				$ 21,637,982		$ 27,284,507
			GSL		GSL	
General Service Large (5,000 + Annual Therms)						
Customer Charge	97,816	Bills	$ 51.17	$ 5,005,265	$ 73.50	$ 7,189,505
Demand Charge	10,768,003	Therms	1.7283	18,610,339	2.4000	25,843,207
Volumetric Charge	138,936,648	Therms	0.2712	37,679,619	0.2707	37,610,151
Volumetric Charge - A/C	169,569	Therms	0.0742	12,582	0.0884	14,990
CIP Revenues				(535,537)		
Total Base Revenues				$ 60,772,269		$ 70,657,853
			FT		FT	
Firm Transportation Service*						
Customer Charge	1,423	Bills	$ 254.42	$ 361,956	$ 254.42	$ 361,956
Demand Charge	2,294,963	Therms	1.8592	4,266,832	1.8592	4,266,832
Volumetric Charge	24,691,308	Therms	0.0748	1,846,910	0.0748	1,846,910
Total Base Revenues				$ 6,475,698		$ 6,475,698

New Jersey Natural Gas Company
Base Rates and Revenues at Present and Proposed Rates

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			DGC		DGC	
Distributed Generation - Commercial*						
Customer Charge	178	Bills	$ 50.64	$ 8,992	$ 75.00	$ 13,317
Demand Charge	327,213	Therms	1.4004	458,229	1.7800	582,440
Volumetric Charge - Winter	2,513,218	Therms	0.0604	151,798	0.0615	154,563
Volumetric Charge - Summer	2,729,113	Therms	0.0298	81,328	0.0309	84,330
Total Base Revenues				$ 700,347		$ 834,649
			NGV / CNG		NGV / CNG	
Natural Gas Vehicle / Compressed Natural Gas Service						
Customer Charge	60	Bills	$ 51.90	$ 3,114	$ 75.00	$ 4,500
Volumetric Charge	1,332,706	Therms	0.1695	225,894	0.2014	268,407
CNG Charge	658,720	Therms		-	0.2000	131,744
Total Base Revenues				$ 229,008		$ 404,651
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				$ 324,006,942		$ 386,217,087

Increase	62,210,145
TARGET Increase	62,200,000
Difference	$10,145

NJNG Base Rate Case GR19030420

NEW JERSEY NATURAL GAS COMPANY

New Jersey Natural Gas Company Tariff – BPU No. 9 Gas is being replaced by New Jersey Natural Gas Company Tariff – BPU No. 10 Gas which includes modifications to various Tariff sheets. Many of these changes represent minor changes in language to provide clarifications and necessary updates. Descriptions of the significant changes to the Tariff are presented in the following sections:

I. Standard Terms and Conditions
II. Firm and Non-Firm Service Classifications
III. Service Classification Marketer and Broker Requirements ("MBR") renamed Third Party Supplier Requirements ("TPS")
IV. Service Classification Fostering Environmental and Economic Development ("FEED")
V. Riders

I. Standard Terms and Conditions

- *Section 2.2 Account Opening Charge (Sheet No. 11)*

  Added language to allow account opening fees to be waived if a field visit is not required to establish service..

- *Section 2.6 Account Opening Charge (Sheet No. 12)*

  Modified language to allow customers to request a change to their service classification if their character or use of gas service has changed.

- *Section 4.2 Gas Distribution Main Extensions (Sheet No. 16)*

  Modified the amount of a deposit to be waived from less than $500 to $3,000 or less.

- *Section 4.3 Land Development – Main Extension and Service Line Connections (Sheet No. 18)*

  Modified language to change "may" to "shall" require a deposit and added language to allow waiving of a deposit from the applicant for the amount of the deposit that is less than or equal to ten (10) times the annual distribution revenue for the applicant's ultimate residents under contract.

- *Section 5.4 Change in Existing Installations (Sheet No.19)*

  Modified language to broaden the provision to require customers to pay for all requested changes to an existing service line or metering facilities. The modification addresses a federal regulation issued by the Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation, to provide customers the right to request to have an Excess Flow Valve ("EFV") installed on their existing gas service line at their own expense. The regulation was effective April 14, 2017, was published in the Federal Register, Vol. 81, No. 199 (October 14, 2016), and is in the Federal Code of Regulations at 49 CFR Part 192.

II. Firm and Non-Firm Service Classifications

- Modifications to the General Service – Small ("GSS") customers (Sheet No. 56) and General Service – Large ("GSL") customers (Sheet No. 59) commercial air conditioning and pool heating rates to clarify the charges and credits that are presented on customer bills.
- Addition of a provision to Service Classification Electric Generation Service ("EGS") reserving NJNG's right to reject nominations, in whole or in part, for deliveries in excess of the associated customers' estimated usage in order to be able to limit supplies delivered during pipeline OFO restrictions (Sheet No. 71).
- Addition of a provision to Service Classification EGS to address the acceptable tolerance for any positive imbalance, where a customer uses less than was delivered, to be zero during an OFO issued by the applicable interstate pipeline (Sheet No. 72).
- Modifications to the Natural Gas Vehicles ("NGV) and Compressed Natural Gas ("CNG") rates per gasoline gallon equivalent ("GGE") to three decimal places in order to match the pricing displayed at the public refueling facilities (Sheet Nos.76-77, 97, 263-266).
- Modifying the pricing for Service Classification Incremental Gas Service ("IGS") to ensure that customers under Service Classification IGS will be charged for the highest cost the Company has incurred if its cost of LNG, or of gas purchased, is greater than the Monthly BGSS or market prices during the period when IGS service is provided (Sheet No. 86).

III. Service Classification MBR renamed TPS

- *Conditions Precedent (Sheet No. 88)*
  Modifications to clarify the deposit amount a TPS is required to post to serve customers on the Company's system.

- *FT, DGC-FT, CNG, NGV Commercial, and IS (Sheet No. 90)*
  Addition of a provision reserving NJNG's right to reject nominations, in whole or in part, for deliveries in excess of the associated customers' estimated usage in order to be able to limit supplies delivered during pipeline OFO restrictions (Sheet No. 90).

- *Payment (Sheet No. 97)*
  Addition of a provision to reserve NJNG's right to cease new enrollments for a TPS in arrears and to indicate that the Company may remove a TPS from NJNG's system in the event the TPS is in arrears.

IV. Service Classification FEED

- Eliminate Service Classification FEED.

V. Riders

- *Rider "E" New Jersey's Clean Energy Program ("NJCEP")*
  - Modification to the carrying costs calculation language in its Tariff applicable to the NJCEP Program to be consistent with the carrying costs calculation currently in effect for the Remediation Adjustment "RA" Rider (Sheet No. 171).

- *Rider "I" CIP*
  - Revisions to the baseline use per customer for each class based on test year billing determinants, the margin factors based on the base rates, the large customer adjustment based on the GSL baseline use per customer, and weather consumption factors based on test year billing determinants (Sheet Nos. 179-181).
  - Revisions to the return on equity test language to reflect the agreed upon return on equity of 9.60 percent and to include a more specific description of deductions to net income to reflect jurisdictional net income (Sheet No. 182).

I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in its Gas Rates, Depreciation Rates, for Gas Property, and for Changes in the Tariff for Gas Service, Pursuant to N.J.S.A. 48:2-18, 48:2-21

BPU Docket No. GR07110889
Staff Discovery Requests

S- NJNG-RD-45 RE: Yardley Testimony at Exhibit DPY-5: Average and Peak COSS

Please provide a full cost of service study, including Schedules A through D, which incorporates the following modifications to the average and peak study submitted as DPY-5. Changes not specified below indicate that the original account classification and allocation factors depicted in DPY-5 should be retained. Automatic changes to internal classification and allocation factors should continue to flow from the specific modifications listed below, as is the case within the original DPY-5 COSS. Classification and allocation of Accumulated Reserve for Depreciation and O&M accounts should track attendant plant accounts.

a) Eliminate the existing customer classification and allocation of rate base accounts 301 through 303. Classify and allocate these costs using the total plant classification factor ("PLANT") and allocation factors ("PLANT_D", "PLANT_C", AND "PLANT_E") used to classify and allocate General Plant accounts 393-396.

b) Modify the "PEAK_AVERAGE" allocator to affect a 57.8 percent weighting to the average (throughput) component and a 42.2 percent weighting to the design peak demand component. If practicable, separately depict allocated class commodity costs on the "commodity" line and demand allocated costs on the "demand" line appearing under the affected accounts in Schedule B. Apply the modified classification regime and the modified "PEAK_AVERAGE" allocator throughout the COSS in place of the original "PEAK_AVERAGE" allocator and to the additional accounts specified below.

c) For all plant accounts classified as "DIST_PLANT", separately depict the demand, customer, and commodity allocated costs based upon the introduction of the partial commodity classification and allocation of costs prescribed in (b) above.

d) Regarding account 376- Distribution Mains, replace the current demand/customer classification and allocation with the demand/commodity classification prescribed in (b) above. Allocate costs to the classes using the modified "PEAK_AVERAGE" allocator described above.

I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in its Gas Rates, Depreciation Rates, for Gas Property, and for Changes in the Tariff for Gas Service, Pursuant to N.J.S.A. 48:2-18; 48:2-21

BPU Docket No. GR07110889
Staff Discovery Requests

e) Regarding account 380- Services, execute the following classification and allocation steps for each of the classes RSG-Heating, RSG-Non- Heating, General Service-Small, General Service-Large:

(1) Retain the interclass allocators for Services derived/depicted at DPY-3, Schedule D, p.1, along with the resulting interclass allocations of Services costs depicted at S-NJNG-RD-35, Schedule B-1, Services;

(2) For the allocated costs depicted at the response to S-NJNG-RD-35, Schedule B-1, Services, classify to the customer component the cost equivalent to the product of the average embedded cost of the smallest size service *currently connecting existing customers* times *the average service length* (data from the response to S-NJNG-RD-40. If the average embedded cost is not available, deflate the marginal (replacement) cost of the smallest size service currently being installed utilizing the average service life for these services (data from the response to S-NJNG-40 and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at Section G-1. Classify the balance of allocated Services investment to the demand component.

f) Regarding accounts 381.1 – Meters and 381.2 – Remote Metering Devices, execute the following classification and allocations steps for each of the classes.: RSG-Heating, RSG-Non-Heating, General Service-Small, General Service-Large:

(1) Modify the "METERS" allocator for Meters and Remote Metering Devices derived/depicted at DPY-3, Schedule D, p. 1, by excluding the replacement meter costs for those classes whose customer meter installations are industrial in nature and booked to account 385-Industrial Measuring and Regulating Equipment. Utilize the modified "METERS" allocator to derive the revised interclass allocations of Meters costs, replacing those depicted at S-NJNG-RD-35, Schedule B-1;

(2) For the allocated costs depicted at the response to S-NJNG-RD- 35, Schedule B-1, Meters and Remote Metering Devices, classify to the customer component the cost equivalent to the product of the average embedded cost of the smallest size meter *currently connecting existing customers* (data from

I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in its Gas Rates, Depreciation Rates, for Gas Property, and for Changes in the Tariff for Gas Service, Pursuant to N.J.S.A. 48:2-18, 48:2-21

BPU Docket No. GR07110889
Staff Discovery Requests

response to S-NJNG-RD-41 times the number of customers. If the average embedded cost is not available, deflate the marginal (replacement) cost of the smallest size meter *currently being installed* utilizing the *average service life* for these meters (data from the response to S-NJNG-RD- 41 and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at Section G-1. Classify the balance of allocated Meters investment to the demand component.

g) Regarding accounts 382.1- Meter Installations and 382.2- Remote Metering Device Installations, execute the following classification and allocation steps for each of the classes RSG- Heating, RSG-Non-Heating, GSG-Small and GSG-Large:

(1) Retain the "METER_INSTALLATION" allocator for Meter Installations and Remote Metering Device Installations costs derived/depicted at DPY-3, Schedule D, p.1, along with the resulting interclass allocations of related plant depicted at S-NJNG-RD-35, Schedule B-1.

(2) For the allocated costs depicted at the response to S-NJNG-RD-35, Schedule B-1, Meter Installations and Remote Metering Device Installations, classify to the customer component the cost equivalent to the product of the average embedded cost for installations of the smallest size meter *currently connecting existing customers* (data from the response to S-NJNG-RD-41) times the number of customers. If the average embedded cost is not available, deflate the marginal (replacement) cost for installation of the smallest size meter *currently being installed* utilizing the *average service life* for these meters (data from the response to S-NJNG-RD-41) and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at G-1. Classify the balance of allocated Meter Installation investment to the demand component.

h) Regarding account 383- House Regulators, follow the classification and allocation prescriptions outline in (f), above, for Meters – account 381.1. That is, retain the interclass allocation but revise the classification to provide for the customer/demand split developed pursuant to (f), 2, above.

I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in its Gas Rates, Depreciation Rates, for Gas Property, and for Changes in the Tariff for Gas Service, Pursuant to N.J.S.A. 48:2-18, 48:2-21

BPU Docket No. GR07110889
Staff Discovery Requests

i) Regarding account 384- House Regulator Installations, follow the classification and allocation prescriptions outlined in (g), above, for Meter Installations – account 382.1. That is, retain the interclass allocation but revise the classification to provide for the customer/demand split developed pursuant to (g), 2, above.

j) Account 385- Industrial Measuring and Regulating Station Equipment should be classified and allocated as follows:

Costs allocated to classes under the "LARGE_CUSTOMERS" should be classified on a customer/demand split. Rather than employing the replacement cost of the smallest size meter to define the customer component, utilize the quotient of the average meter cost divided by the total meter cost of each class (spec study, p. 24) to derive the customer component; classify to the demand component the balance of costs allocated to these classes.

k) General Plant accounts 389-Land and Land Rights, 390-Structures and Improvements, 391- Office Furniture and Equipment, 392- Transportation, 397- Communication Equipment, and 398- Miscellaneous Equipment should be classified using the "PLANT" classification factor and allocated utilizing the "PLANT_D" "PLANT_C" AND "PLANT_E" allocators used to classify and allocate General Plant accounts 393-396.

l) Distribution Operations account 876- Metering and Regulating Station Equipment- Industrial should be classified and allocated consistent with the plant account 385 outlined in (j) above.

m) Distribution Operations account 878- Meter and House Regulator expenses should follow the classification and allocation prescription for Meters- account 381 and House Regulators- account 383 as outlined above.

n) Customer Installations expenses- account 879 should be modified to be consistent with the approach used for accounts 382.1 and 382.2, detailed in (g), above.

I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in its Gas Rates, Depreciation Rates, for Gas Property, and for Changes in the Tariff for Gas Service, Pursuant to N.J.S.A. 48:2-18, 48:2-21

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o) Maintenance of Measurement and Regulating Station Equipment- Industrial- account 890 should be classified and allocated consistent with the treatment of account 385, detailed in (j) above.

p) Customer Accounts 901-905 should be classified and allocated as follows.

(1) Account 901-Supervision should be classified to the demand, customer, and commodity components utilizing a new indirect classification factor ("CUSTOMER_ACCOUNTS") reflecting the aggregate demand, customer, and commodity classification of costs for accounts 902 through 904, outlined below. The resulting demand, customer, and commodity classified expenses should be allocated on a design day peak demand, number of customers, and throughput ("CUSTOMER_ACCOUNTS_D,C, and E"), respectively.

(2) Account 902- Meter Reading Expenses should be classified utilizing the "DIST-PLANT" classification factor and allocated using the "DIST-PLANT_C" "DIST-PLANT_D" and "DIST-PLANT_E" allocators.

(3) Account- 903- Customer Records and Collection expenses should be classified utilizing the "DIST-PLANT" classification factor and allocated utilizing the "DIST-PLANT_C," "DIST-PLANT_D", and "DIST-PLANT_E" allocators.

(4) Account 904- Uncollectibles should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

(5) Miscellaneous Customer Accounts expenses should be classified and allocated utilizing the new classification and allocation factors prescribed in (p) (1), above.

q) Customer Service and Information accounts 908-910 should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

r) Sales Promotion expense accounts 911 through 916 should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

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s) Regarding Administrative and General Expense Accounts 920-932, replace the "LABOR" and "ADMIN" classification and allocation of accounts 920, 921, 930, and the expenses denoted "PIM Expenditures", "Plant Additions", and "OPP Investment" with the "PLANT" classification and allocation approach referenced in (k) above.