



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

DIVISION OF ENERGY

IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS COMPANY )  
FOR THE ANNUAL REVIEW AND REVISION )  
OF ITS SOCIETAL BENEFITS CLAUSE )  
("SBC") FACTORS FOR CALENDAR YEAR )  
2007 )

ORDER ADOPTING  
PARTIAL STIPULATION  
DOCKET NO. GR06100746

IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS COMPANY )  
FOR THE ANNUAL REVIEW AND REVISION )  
OF ITS WEATHER NORMALIZATION CLAUSE )  
("WNC") FACTOR FOR THE 2005-2006 WINTER )  
PERIOD )

DOCKET NO. GR06100747

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

BACKGROUND

On October 25, 2006 NJNG made a filing with the Board of Public Utilities ("Board" or "BPU") seeking approval of proposed Societal Benefits Clause ("SBC") factors for the calendar year 2007 ("the 2006 SBC filing"). The proposed SBC rate, after taxes would increase from \$0.0633 to \$0.0680 per therm, resulting in an annual increase of \$3.5 million. The 2006 SBC filing sought to; (1) decrease the Remediation Adjustment Clause ("RAC") factor from \$0.0260 to \$0.0215 per therm, after tax; (2) maintain the Universal Service Fund ("USF") factor at the existing statewide USF rate of \$0.0277 per therm, after tax; (3) increase the Transportation Initiation Clause ("TIC") factor from \$0.0000 to \$0.0004 per therm, after tax; (4) increase the New Jersey Clean Energy Program ("NJCEP") factor from \$0.0096 per therm to \$0.0184 per therm, after tax; and (5) eliminate the Consumer Education Program ("CEP") factor of \$0.0000 from the Company's tariff. The 2006 SBC filing was assigned Docket No. GR06100746.

On November 10, 2006, the Company made its annual Weather Normalization Clause ("WNC") filing for the 2005-2006 winter period ("the 2005-2006 WNC filing"). The 2005-2006 WNC filing reflected a margin deficiency (amount owed by customers) of approximately \$10.3 million. NJNG proposed to apply its margin excess of \$2.1 million from the pending 2004-2005 Weather Normalization Clause filing toward this margin deficiency and to increase the WNC factor from \$0.0000 per therm to \$0.0192 per therm, after tax, for a compressed nine month period beginning January 1, 2007 and ending September 30, 2007, in order to target completed recovery by the beginning of the next heating season. The annual revenue increase associated with the proposed WNC rate amounted to \$8.8 million, including tax. The WNC filing was assigned Docket No. GR06100747.

The combined impact of the Company's proposal for the SBC and WNC resulted in an increase in annual revenues in the amount of \$12.3 million which equated to an increase of \$2.39 per month or a 1.6 percent increase to the total bill of an average residential heating customer utilizing 100 therms per month.

A Letter of Amendment ("Amended Filing") to NJNG's original filings in Docket Nos. GR06100746 and GR06100747 was filed with the Board on January 24, 2007. The Amended Filing, proposed to be effective April 1, 2007, contained revised SBC rates totaling \$0.0725 per therm, after tax. The revised SBC rates would produce an increase in annual revenues of \$6.8 million. The Amended Filing also proposed a revised WNC rate of \$0.0599 per therm, after tax. The revised WNC rate would produce an increase in annual revenues of \$8.7 million. The increase in the amended SBC rate request resulted from the exclusion of the originally proposed RAC decrease which is subject to further review in this docket. The increase in the amended WNC rate request resulted from the compression of the WNC rate over the period from April 1, 2007 through September 30, 2007 versus the originally proposed nine month period. The Amended Filing resulted in a combined SBC/WNC annual revenue increase of \$15.5 million which resulted in a proposed increase of \$6.91 per month or 4.55 percent for the average residential heating customer using 100 therms per month.

On March 30, 2001, in Docket Nos. GX99030121 and GO99030123, the Board approved the Market Development Fund ("MDF"). This fund was designed to fund certain gas transportation related incentives, as well as the allocable portion of consumer education costs otherwise applicable to non-residential customers. On October 31, 2006, the MDF expired with an unused funding level of approximately \$1.2 million, pursuant to the Board's Order in Docket No. GR99100778, dated November 13, 2003.

Public hearings in the 2006 SBC and 2005-2006 WNC filings were held in Freehold, New Jersey on December 20, 2006 and February 22, 2007. No members of the public spoke in opposition to the proposed increases.

On March 9, 2007, in the Company's previous SBC proceeding, in Docket No. GR05100846 ("2005 filing"), a Stipulation was executed in which the Company, Rate Counsel and Board Staff ("the Parties") agreed that additional time was needed to complete the review of the Company's RAC factor and other related RAC issues reserved by the Parties in that proceeding. On March 12, 2007, in the instant dockets, a Partial Stipulation ("Partial Stipulation") was executed by the Parties on the remaining issues. On July 27, 2007, both the Stipulation of March 9 and Partial Stipulation of March 12 were considered by the Board but were not approved.

On September 19, 2007, the RAC issues previously reserved from the 2005 filing were addressed in a separately executed Stipulation by the Parties, titled "Previously-Reserved Mass Tort Insurance and Other MGP ("Manufactured Gas Plant")-Related Issues."

After the exchange of discovery and settlement discussions, the Parties entered into the attached Partial Stipulation dated October 2, 2007. The Partial Stipulation provides for SBC/WNC rates that would produce an increase in the Company's annual revenue in the amount of \$15.0 million.

### PARTIAL STIPULATION

The key provisions of the Partial Stipulation are as follows<sup>1</sup>:

- 1) The Parties stipulate and agree that it is appropriate to increase NJNG's SBC and WNC factors by a total of \$0.0224 per therm, from \$0.0633 per therm to \$0.0857 per therm, after tax. This increase is comprised of the following individual, after-tax, factors:
  - a) no change in the USF statewide factor of \$0.0277 per therm. Through the USF factor, the Company would collect approximately \$19.5 million annually (after tax) for the statewide USF program.
  - b) an increase in the NJCEP factor from \$0.0096 per therm to \$0.0185 per therm. The NJCEP factor would enable the Company to collect approximately \$13.0 million of after-tax NJCEP related costs during the twelve months ending September 30, 2008. This amount includes carrying costs of approximately \$354,000.
  - c) recovery of TIC expenditures of approximately \$270,000 (including carrying costs of approximately \$61,000) through the Basic Gas Supply Service ("BGSS") in the month of the Board Order in the instant proceeding.
  - d) no change in the RAC factor of \$0.0260 per therm, after tax, until changed by further Order of the Board. The Company's RAC costs eligible for recovery through the RAC factor (including carrying costs of approximately \$2.3 million) total approximately \$14.7 million as of September 30, 2006.
  - e) an increase in the WNC factor from \$0.0000 per therm to \$0.0135 per therm after tax. The Company's WNC margin deficiency balance eligible for recovery through the WNC factor total approximately \$8.1 million; applicable to the twelve month period ending September 30, 2008.
  - f) A credit to the BGSS of the balance in the Market Development Fund ("MDF") as of September 30, 2007 (approximately \$1.2 million), in the month of the Board Order in the instant proceeding.

---

<sup>1</sup> The cited paragraphs referenced herein are in the settlement documents. This is only a summary; the full settlement document controls, subject to the Board's findings and conclusions contained herein.

- g) Upon Board approval of this Partial Stipulation, the Company's CEP and TIC factors will be terminated and there will be no remaining balance in the MDF.
- 2) The parties stipulate and seek Board approval of the proposed changes in the Company's SBC and WNC rates with a total net after-tax impact of \$0.0224 per therm, and to authorize the separately-noted rate changes that apply to the individual SBC and WNC factors indicated in the paragraph above. The stipulated overall price change represents an overall increase from the rates currently in effect of approximately 1.5%, or \$2.24 per month for a typical residential sales service customer using 100 therms per month. This action will lead to an increase in annual SBC/WNC revenue to NJNG of approximately \$15.0 million.
- 3) The Parties stipulate and agree that all issues raised by the Company's filing herein relating to the Company's SBC, TIC and WNC factors, including RAC factor expenditures incurred by the Company during the period July 1, 2005 through June 30, 2006, and all CEP, USF and Lifeline, NJ Clean Energy, and TIC expenditures included in the Company's filing, have been examined and are resolved.

#### DISCUSSION AND FINDINGS

The Board, having reviewed the Partial Stipulation in this proceeding, HEREBY FINDS the Partial Stipulation to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the attached Partial Stipulation in its entirety and HEREBY INCORPORATES the terms and conditions as though set forth herein.

NJNG is HEREBY DIRECTED to credit the balance of the Company's MDF to its BGSS during the month of October 2007.

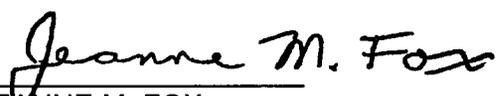
The Company's CEP and TIC factors are HEREBY TERMINATED.

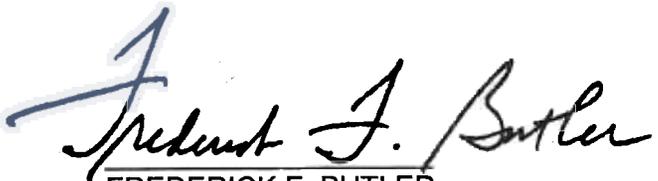
The Company is HEREBY DIRECTED to file the appropriate tariff pages that conform to the terms and conditions of this order within ten (10) business days from the date of this Order.

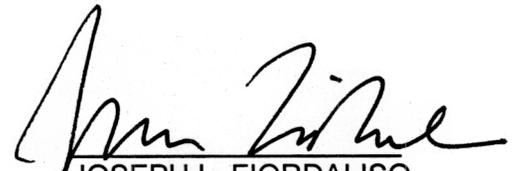
Petitioner's SBC costs shall remain subject to ongoing audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit. Nothing herein shall limit the Board from taking any such actions.

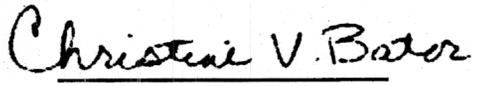
DATED: 10/3/07

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

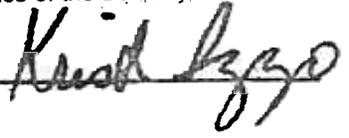
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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



In the Matter of the Petition of New Jersey Natural Gas  
Company for the Annual Review and Revision of its  
Societal Benefits Clause Factors  
Docket No. GR06100746

In the Matter of the Petition of New Jersey Natural Gas  
Company for the Annual Review and Revision of its  
Weather Normalization Clause Factors  
Docket No. GR06100747

Service List

Tracey Thayer, Esq.  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Edward Beslow  
Legal Specialist  
NJ Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Nusha Wyner, Director  
Division of Energy  
Two Gateway Center  
NJ Board of Public Utilities  
Newark, NJ 07102

Felicia Thomas-Friel, Esq.  
Division of the Ratepayer Advocate  
11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

Sheila Iannaccone, Chief  
Division of Energy  
NJ Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Scott Sumliner, Accountant 1  
Division of Energy  
NJ Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Henry Rich, Supervisor  
Division of Energy  
NJ Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Elise Goldblatt, DAG  
Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street  
Newark, NJ 07102

Babette Tenzer, DAG  
Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street  
Newark, NJ 07102

**New Jersey Natural Gas Company**  
**Societal Benefits Charge and Weather Normalization Clause**  
**Net Impact of Proposed Rate Change**  
**BPU. DOCKET NOS. GR06100746 and GR06100747**

(\$/therm)

|                       | Component of   | Current       |               | Proposed      |               | Change        |               |
|-----------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                       |                | Pre-tax       | Post-tax      | Pre-tax       | Post-tax      | Pre-tax       | Post-tax      |
| RAC                   | Delivery Price | 0.0243        | 0.0260        | 0.0243        | 0.0260        | 0.0000        | 0.0000        |
| NJ Clean Energy       | Delivery Price | 0.0090        | 0.0096        | 0.0173        | 0.0185        | 0.0083        | 0.0089        |
| USF <sup>1</sup>      | Delivery Price | <u>0.0259</u> | <u>0.0277</u> | <u>0.0259</u> | <u>0.0277</u> | <u>0.0000</u> | <u>0.0000</u> |
| <b>NET SBC IMPACT</b> |                | 0.0592        | 0.0633        | 0.0675        | 0.0722        | 0.0083        | 0.0089        |
| WNC                   | Delivery Price | <u>0.0000</u> | <u>0.0000</u> | <u>0.0126</u> | <u>0.0135</u> | <u>0.0126</u> | <u>0.0135</u> |
| <b>NET IMPACT</b>     |                | <u>0.0592</u> | <u>0.0633</u> | <u>0.0801</u> | <u>0.0857</u> | <u>0.0209</u> | <u>0.0224</u> |

**Impact on Residential Heating Customers- Assume 100 therm bill**

| Current Prices         | Customer Charge                            |     |                 | 1000 therm annual bill per BPU |                   |
|------------------------|--|-----|-----------------|--------------------------------|-------------------|
|                        |  |     |                 | Monthly                        | Report Card       |
|                        |  |     |                 | \$6.60                         | \$79.20           |
|                        | Delivery                                   | 100 | \$0.3929        | \$39.29                        | \$392.90          |
|                        | BGSS                                       | 100 | \$1.0595        | \$105.95                       | \$1,059.50        |
|                        | <b>Total</b>                               |     | <u>\$1.4524</u> | <u>\$151.84</u>                | <u>\$1,531.60</u> |
| <b>Proposed Prices</b> |  |     |                 |                                |                   |
|                        | Customer Charge                            |     | \$6.60          | \$6.60                         | \$79.20           |
|                        | Delivery                                   | 100 | \$0.4153        | \$41.53                        | \$415.30          |
|                        | BGSS                                       | 100 | \$1.0595        | \$105.95                       | \$1,059.50        |
|                        | <b>Total</b>                               |     | <u>\$1.4748</u> | <u>\$154.08</u>                | <u>\$1,554.00</u> |
|                        | <b>Additional Increase in Monthly bill</b> |     |                 | \$2.24                         | \$22.40           |
|                        | <b>Increase as a %</b>                     |     |                 | 1.5%                           | 1.5%              |

**Projected Annual Revenue**

|                                       |                |
|---------------------------------------|----------------|
| Projected SBC, TIC, MDF annual therms | 704,937 (000s) |
| Projected WNC annual therms           | 646,054 (000s) |

**Projected Annual Pre-tax Revenue**

|                 | Projected Revenue at Current Rates \$million | Projected Revenue at Proposed Rates \$million | Change \$million |
|-----------------|--|---|------------------|
| RAC             | \$17.1                                       | \$17.1  | \$0.0            |
| NJ Clean Energy | 6.3  | 12.2  | 5.9              |
| USF statewide   | 18.3   | 18.3  | 0.0              |
| WNC             | <u>0.0</u>                                   | <u>8.1</u>                                    | <u>8.1</u>       |
| <b>IMPACT</b>   | <u>\$41.7</u>                                | <u>\$55.7</u>                                 | <u>\$14.0</u>    |

**Projected Annual Post-tax Revenue**

|                 | Projected Revenue at Current Rates \$million | Projected Revenue at Proposed Rates \$million | Change \$million |
|-----------------|--|---|------------------|
| RAC             | \$18.3                                       | \$18.3  | \$0.0            |
| NJ Clean Energy | 6.8  | 13.0  | 6.3              |
| USF statewide   | 19.5   | 19.5  | 0.0              |
| WNC             | <u>0.0</u>                                   | <u>8.7</u>                                    | <u>8.7</u>       |
| <b>IMPACT</b>   | <u>\$44.6</u>                                | <u>\$59.6</u>                                 | <u>\$15.0</u>    |

<sup>1</sup> On October 23, 2006, The Board approved the USF billing factor of \$0.0277 per therm effective November 1, 2006 in BPU Docket No. ER06070525.

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

-----  
IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS COMPANY )  
FOR THE ANNUAL REVIEW AND )  
REVISION OF SOCIETAL BENEFITS )  
CLAUSE (SBC) FACTORS FOR )  
CALENDAR YEAR 2007 )  
-----

BPU DOCKET NO. GR06100746

-----  
IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS COMPANY )  
FOR THE ANNUAL REVIEW AND )  
REVISION OF THE WEATHER )  
NORMALIZATION CLAUSE (WNC) )  
FACTOR FOR THE 2005-2006 )  
WINTER PERIOD )  
-----

BPU DOCKET NO. GR06100747

PARTIAL STIPULATION

APPEARANCES:

Tracey Thayer, Esq., New Jersey Natural Gas Company, and Frederick W. Peters,  
Law Offices of Frederick W. Peters, for the Petitioner, New Jersey Natural Gas Company

Felicia Thomas-Friel, Deputy Public Advocate, Henry M. Ogden, Esq., Assistant  
Deputy Public Advocate, Department of the Public Advocate, Division of Rate Counsel  
(Ronald K. Chen, Public Advocate of New Jersey, Stefanie A. Brand, Esq., Director,  
Division of the Rate Counsel)

Babette Tenzer, Deputy Attorney General, for the Staff of the New Jersey Board of  
Public Utilities (Anne Milgram, Attorney General of New Jersey)

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

1. On October 26, 2006, New Jersey Natural Gas Company ("NJNG" or the "Company") filed its annual petition in Docket No. GR06100746 seeking approval from the New Jersey Board of Public Utilities ("BPU" or "Board") for the Societal Benefits Clause ("SBC") factors for calendar year 2007 ("2006 Case"). In Docket No. GR06100747, filed on November 10, 2006, NJNG sought BPU approval of the Weather Normalization Clause ("WNC") review and revisions for the 2005-2006 Winter Period. Through these petitions, the Company was seeking a 1.6 percent increase, resulting in a \$12.2 million change in revenues. The following per therm after-tax rates were proposed: a decrease in the Remediation Adjustment ("RA") factor from \$0.0260 to \$0.0215, maintenance of the Universal Service Fund ("USF") factor at the statewide rate of \$0.0277, the establishment of a rate for the Transportation Initiation Clause ("TIC") from \$0.0000 to \$0.0004, an increase in the New Jersey Clean Energy Program ("NJCEP") factor from \$0.0096 to \$0.0184, the elimination of the Consumer Education Program ("CEP") clause, and an increase to the WNC factor from \$0.0000 to \$0.0192. NJNG also proposed to apply its WNC margin excess for the 2004-2005 Winter Period (October 1, 2004 through May 31, 2005) of approximately \$2.1 million toward the CEP balance of approximately \$11,000 with the remainder applied to a WNC margin deficiency for the 2005-2006 Winter Period (October 1, 2005 through May 31, 2006) of approximately \$10.3 million. The changes proposed in the initial filings resulted in an increase of approximately 1.6 percent for the average residential heating customer using 100 therms per month or

approximately \$2.39 per month. NJNG requested that the Board approve its proposed rates, on a provisional basis, effective January 1, 2007.

2. The RA rate provides recovery of costs incurred by NJNG for the clean-up of former manufactured gas plant sites. The USF is a fund established by the Board to make the cost of electricity and natural gas more affordable to qualifying residential customers in New Jersey. The NJCEP surcharge is designed to recover costs incurred for NJNG's allocated share of statewide energy efficiency and renewable energy expenditures. TIC rates recover the costs associated with NJNG's compliance with the statewide Electronic Data Interchange process for communications between electric and natural gas utilities and third party suppliers pursuant to an order dated March 22, 2000 in Docket No. GX99030121 et al.

3. A notice was published in the Asbury Park Press, the Daily Record and the Ocean County Observer on December 1, 2006, notifying customers that the public hearing on these two petitions was to be held on December 20, 2006, in Freehold Borough, New Jersey. No members of the public appeared at that hearing.

4. On January 25, 2007, NJNG amended its filing to request Board approval of a higher level of increase to the overall SBC and WNC rate due to a compressed period over which the rates would be collected and the exclusion in this case of the RA decrease which was to be considered at a later date. The Company requested a combined increase in the SBC, WNC and TIC factors of \$0.0239 per therm on an after-tax basis (an increase from \$0.0633 to \$0.1324 per therm). The increase in the WNC request resulted from compressing the recovery period over estimated sales from April 1, 2007 through September 30, 2007. The changes proposed in the amended filing result in a \$15.5 million increase in revenues, an increase of approximately 4.55 percent for the average residential heating customer using 100 therms per month or \$6.91.

5. A second notice was published in the Asbury Park Press, the Daily Record and the Ocean County Observer on February 2, 2007, notifying customers that a second public hearing on the Amended Petition was to be held on February 22, 2007, in Freehold Borough, New Jersey. No members of the public appeared at that hearing.

6. Representatives of NJNG, the Staff of the Board (Staff) and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (collectively, the Parties), the only parties to these proceedings, discussed certain matters at issue in these proceedings and determined that additional time was needed to complete the review of NJNG's RA factor and other RA related issues reserved by the Parties in Docket No. GR05100846 (the "2005 Case"). A stipulation on the remaining issues in the 2006 Case was initially executed on March 12, 2007 but was not adopted by the BPU. Based on subsequent discussions, the Parties have prepared this Partial Stipulation in resolution of the remaining issues in 2006 Case. The RA issues previously reserved from the 2005 Case have been considered and resolved in a separate document entitled Final Stipulation Concerning Previously-Reserved Mass Tort, Insurance and Other MGP-Related Issues. The Parties agree that the changes requested for all other rates under consideration within these two dockets in the 2006 Case are reasonable and should be implemented through Board approval of this Partial Stipulation.

7. The Parties stipulate and request that the BPU approve an increase in NJNG's SBC and WNC factors by a total of \$0.0224 per therm, or approximately 1.5%, from \$0.0633 per therm to \$0.0857 per therm, after tax. The stipulated combined price change represents an overall increase from the rates currently in effect of approximately 1.5%, or \$2.24 per month for a typical residential sales heating customer using 100 therms per month. This action will lead to an increase in annual revenue to NJNG of approximately \$15.0 million. This increase is

comprised of the following individual factors and the specific dollar amount to be collected or returned through each rate component is described below and shown on Schedule A.

(i) The Parties propose to maintain the currently effective USF statewide factor of \$0.0277 per therm after-tax until changed by further Order of the Board. The USF component of the SBC is designed to enable the Company to collect approximately \$18.3 million, on a pre-tax basis, annually for the statewide USF program;

(ii) The Parties request approval of an increase in the NJCEP factor from \$0.0096 per therm to \$0.0185 per therm after-tax. NJNG's NJ Clean Energy costs (including carrying costs of approximately \$354,000) eligible for recovery through the NJ Clean Energy factor total approximately \$12.2 million as of December 31, 2007. The NJCEP component of the SBC is designed to enable the Company to recover approximately \$12.2 million of pre-tax NJ Clean Energy related costs during the twelve months ending September 30, 2008;

The Parties agree that NJNG can recover TIC expenditures of approximately \$270,000 (including carrying costs of approximately \$61,000) which will be included in the month of the Board order in this proceeding in the Basic Gas Supply Service ("BGSS");

The Parties propose to maintain the currently effective RA factor of \$0.0260 per therm after-tax until changed by further Order of the Board. NJNG's RA costs (including carrying costs of approximately \$2.3 million) eligible for recovery through the RA factor total approximately \$14.7 million as of September 30, 2006;

(v) The Parties request approval of an increase in the WNC factor from \$0.0000 per therm to \$0.0135 per therm after-tax. NJNG's WNC margin deficiency balance eligible for recovery through the WNC factor total approximately \$8.1 million. The WNC factor

is designed to enable the Company to recover approximately \$8.1 million of pre-tax WNC margin deficiency during the twelve months ending September 30, 2008;

(vi) The Parties agree that the balance in the Market Development Fund ("MDF") as of September 30, 2007 of approximately \$1.2 million will be credited in the month of the Board order in this proceeding to the BGSS.

(viii). The Parties further agree that upon approval of this Partial Stipulation for the 2006 Case NJNG's CEP and TIC factors will be terminated and there will be no remaining balance in the MDF. The accrual of funds for the MDF ended as of October 31, 2006 pursuant to the terms of the November 13, 2003 Board Order approving the Stipulation in Docket No. GR99100778 et al. although the return of the remaining funds to customers is being addressed in this Stipulation.

8. WHEREFORE, the Parties stipulate and seek BPU approval of the proposed changes in the Company's SBC and WNC rates with a total net after-tax impact of \$0.0224 per therm, and to authorize the separately-noted rate changes that apply to the individual SBC and WNC factors in Paragraph 7 above.

9. All issues raised by the Company's filing herein relating to the Company's SBC, TIC and WNC factors, including RA factor expenditures incurred by the Company during the period July 1, 2005 through June 30, 2006, and all CEP, USF and Lifeline, NJ Clean Energy, and TIC expenditures included in the Company's filing, have been examined and are resolved.

10. The Parties stipulate and agree that this Stipulation disposes of issues in controversy, is consistent with the law, and is in the public interest. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be

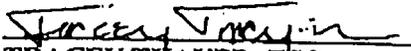
accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), 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.

11. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein. As part of this Stipulation, the Parties agree that expenditures the Company recovers through the RA factor are subject to audit. Such audit may be through a review of the Company's Internal Audits conducted in relation to this proceeding or through any other audit mechanism determined to be appropriate by the Board.

12. 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, neither NJNG, the Board, its Staff, nor Rate Counsel shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.

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

**NEW JERSEY NATURAL GAS  
PETITIONER**

By:   
**TRACEY THAYER, ESQ.**  
New Jersey Natural Gas Company

**RONALD K. CHEN  
PUBLIC ADVOCATE OF NEW JERSEY  
DEPARTMENT OF THE PUBLIC ADVOCATE  
DIVISION OF RATE COUNSEL  
STEFANIE A. BRAND, ESQ., DIRECTOR**

By:   
**FELICIA THOMAS-FRIEL, ESQ.**  
DEPUTY PUBLIC ADVOCATE  
**HENRY M. OGDEN, ESQ.**  
ASSISTANT DEPUTY PUBLIC ADVOCATE

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
ANNE MILGRAM, ATTORNEY GENERAL OF NEW JERSEY**

  
**BABETTE TENZER**  
DEPUTY ATTORNEY GENERAL

October 2, 2007

**New Jersey Natural Gas Company  
Social Benefits Charge and Weather Normalization Clause  
Net Impact of Proposed Rate Change  
BPU, DOCKET NOS. GR06100746 and GR06100747**

(\$/therm)

|                       | Component of   | Current       |               | Proposed      |               | Change        |               |
|-----------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                       |                | Pre-tax       | Post-tax      | Pre-tax       | Post-tax      | Pre-tax       | Post-tax      |
| RAC                   | Delivery Price | 0.0243        | 0.0280        | 0.0243        | 0.0280        | 0.0000        | 0.0000        |
| NJ Clean Energy       | Delivery Price | 0.0090        | 0.0098        | 0.0173        | 0.0185        | 0.0083        | 0.0089        |
| USF <sup>1</sup>      | Delivery Price | <u>0.0258</u> | <u>0.0277</u> | <u>0.0258</u> | <u>0.0277</u> | <u>0.0000</u> | <u>0.0000</u> |
| <b>NET SBC IMPACT</b> |                | 0.0592        | 0.0633        | 0.0876        | 0.0722        | 0.0083        | 0.0089        |
| WNC                   | Delivery Price | 0.0000        | 0.0000        | 0.0128        | 0.0136        | 0.0128        | 0.0136        |
| <b>NET IMPACT</b>     |                | <u>0.0592</u> | <u>0.0633</u> | <u>0.0801</u> | <u>0.0657</u> | <u>0.0208</u> | <u>0.0224</u> |

**Impact on Residential Heating Customers- Assume 100 therm bill**

| Current Prices         | Customer Charge                            |     | 100 therm annual bill | Monthly Report Card |                   |
|------------------------|--|-----|-----------------------|---------------------|-------------------|
|                        |  |     |                       | Monthly             | Report Card       |
|                        |  |     |                       | \$6.80              | \$79.20           |
|                        | Delivery BGSS                              | 100 | \$0.3929              | \$39.29             | \$392.90          |
|                        |  | 100 | \$1.0695              | \$105.95            | \$1,059.50        |
|                        | <b>Total</b>                               |     | <u>\$1.4524</u>       | <u>\$151.84</u>     | <u>\$1,631.80</u> |
| <b>Proposed Prices</b> |  |     |                       |                     |                   |
|                        | Customer Charge                            |     | \$6.80                | \$6.80              | \$79.20           |
|                        | Delivery BGSS                              | 100 | \$0.4153              | \$41.53             | \$415.30          |
|                        |  | 100 | \$1.0695              | \$105.95            | \$1,059.50        |
|                        | <b>Total</b>                               |     | <u>\$1.4748</u>       | <u>\$154.08</u>     | <u>\$1,554.00</u> |
|                        | <b>Additional Increase in Monthly bill</b> |     |                       | \$2.24              | \$22.40           |
|                        | <b>Increase as a %</b>                     |     |                       | 1.5%                | 1.5%              |

**Projected Annual Revenue**

|                                       |                |
|---------------------------------------|----------------|
| Projected SBC, TIC, MDF annual therms | 704,937 (000s) |
| Projected WNC annual therms           | 648,054 (000s) |

**Projected Annual Pre-tax Revenue**

|                 | Projected Revenue at Current Rates \$million | Projected Revenue at Proposed Rates \$million | Change \$million |
|-----------------|--|---|------------------|
| RAC             | \$17.1                                       | \$17.1  | \$0.0            |
| NJ Clean Energy | 8.3  | 12.2  | 5.9              |
| USF statewide   | 18.3   | 18.3  | 0.0              |
| WNC             | 0.0  | 8.1   | 8.1              |
| <b>IMPACT</b>   | <u>\$41.7</u>                                | <u>\$55.7</u>                                 | <u>\$14.0</u>    |

**Projected Annual Post-tax Revenue**

|                 | Projected Revenue at Current Rates \$million | Projected Revenue at Proposed Rates \$million | Change \$million |
|-----------------|--|---|------------------|
| RAC             | \$18.3                                       | \$18.3  | \$0.0            |
| NJ Clean Energy | 6.8  | 13.0  | 6.3              |
| USF statewide   | 19.5   | 19.5  | 0.0              |
| WNC             | 0.0  | 8.2   | 8.2              |
| <b>IMPACT</b>   | <u>\$44.6</u>                                | <u>\$58.8</u>                                 | <u>\$15.0</u>    |

<sup>1</sup> On October 23, 2006, The Board approved the USF billing factor of \$0.0277 per therm effective November 1, 2006 in BPU Docket No. ER08070525.