



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY
NATURAL GAS COMPANY FOR THE ANNUAL REVIEW
AND REVISION OF ITS BASIC GAS SUPPLY SERVICE
(BGSS) FOR FISCAL YEAR 2009

DECISION AND ORDER
APPROVING STIPULATION
FOR PROVISIONAL RATES

) DOCKET NO. GR08050369

IN THE MATTER OF THE PETITION OF NEW JERSEY)
NATURAL GAS COMPANY FOR THE ANNUAL REVIEW)
OF ITS CONSERVATION INCENTIVE PROGRAM (CIP))
FOR FISCAL YEAR 2009 AND FOR MODIFICATION TO)
ITS WEATHER NORMALIZATION CLAUSE (WNC))
FACTOR FOR) FISCAL YEAR 2009)

) DOCKET NO. GR08050370

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND

Per the generic Order of the Board of Public Utilities ("Board" or "BPU") dated January 6, 2003, in Docket No. GX01050304 ("January BGSS Order"), each of New Jersey's four gas distribution companies ("GDC's), by June 1, submits to the Board its annual Basic Gas Supply Service ("BGSS") gas cost filing for the BGSS year beginning October 1. In addition, the January BGSS Order authorizes, with one month's advance notice to the Board and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), each GDC to self-implement up to a 5% BGSS increase effective December 1 of the current year and February 1 of the following year.

In accordance with the above noted Order, on May 30, 2008, New Jersey Natural Gas Company ("Petitioner," "Company," or "NJNG") filed its annual Basic Gas Supply Service ("BGSS") petition to establish new BGSS rates for the period October 1, 2008 through September 30, 2009 with the Board. The Company's petition sought to increase its Periodic BGSS rate applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism from \$1.0433 per therm to \$1.3146 per therm including taxes, generating a \$128.3 million annual increase in revenues to Petitioner. The Company's request

translates to an increase of approximately \$27.10 per month, or approximately 18 percent, for the average residential customer using 100 therms per month.

Also on May 30, 2008, the Company filed a Conservation Incentive Program ("CIP")¹ petition that seeks to (1) revise the level of its CIP recovery rates for the CIP year, October 1, 2008 through September 30, 2009 resulting in a \$8.0 million increase in revenues to NJNG which translates to an increase of approximately \$1.17 per month or 0.78%, to the average residential heating customer using 100 therms per month and (2) decrease its Weather Normalization Clause ("WNC") rate from \$0.0135 per therm to \$0.0015 per therm including taxes for the 2005-2006 winter period. The decrease in annual revenue is approximately \$7.4 million, which translates to a decrease of \$1.20 per month or 0.8 percent for the average residential heating customer using 100 therms per month.

Pursuant to the Board's October 12, 2006 Order in Docket No. GR05121020, any non-weather related CIP surcharges must be at least offset by reductions in capacity related BGSS costs. The Company reported total CIP related revenue of \$19.9 million with \$9.5 million weather related, and \$10.3 million non-weather related. Total reductions in capacity based BGSS costs were \$10.6 million.

The net annual revenue increase to the Company from the BGSS increase, the WNC decrease and the CIP revisions is approximately \$128.9 million (including taxes). The combined proposed changes in the Company's BGSS, CIP, and WNC rates would result in a net increase of approximately 18.0% or \$27.10 per month after tax to the total bill of an average residential heating customer utilizing 100 therms per month.

On July 31 and September 9, 2008, public hearings in this matter were held in Freehold, New Jersey. The public notice also advised customers that the Board's January BGSS Order granted the Company the discretion to self-implement an increase in its BGSS rates to be effective December 1st of this year and/or February 1st of next year after prior notice to the Board and Rate Counsel, with each increase capped at 5% of the total NJNG residential bill. The public notice also stated that the Company is permitted to decrease its BGSS rate at any time upon two weeks' notice to the Board and Rate Counsel. At the hearing of July 31, approximately nine members of the public attended and three commented in opposition to the proposed net rate increase. No members of the public appeared at the hearing of September 9 to provide comments related to the Company's request to increase its periodic BGSS rates, revise its CIP rates, or decrease its WNC rates.

Following a review by, and subsequent discussions among representatives of NJNG, Rate Counsel, and Board Staff, the only parties to this proceeding (collectively, "the Parties") the Parties entered into the attached Stipulation for Provisional BGSS, CIP, and WNC Rates ("Stipulation For Provisional Rates") dated September __, 2008. The attached Stipulation for Provisional Rates solely addresses establishing new provisional BGSS, CIP, and WNC rates for the Company. The Parties recognize in the Stipulation that additional time is needed to allow for a complete review of the Company's 2008 BGSS, CIP, and WNC filings. The Parties

¹The CIP was approved by the Board in Docket No. GR05120120 in Orders dated October 12 and December 12, 2006 ("CIP Order"). The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS Rates. The CIP surcharge is also subject to a ROE cap of 10.5%.

recommend that, pending their review and final determination by the Board, the Board should authorize on a provisional basis, subject to refund and interest on any net over-recovered BGSS balance, the Company's proposed increase in its BGSS rates, proposed revision of its CIP rates, and proposed decrease in its WNC rates. The Parties recommend that the Company's request for provisional implementation of its periodic BGSS rates, CIP rates, and WNC rates should be effective October 1, 2008. The Stipulation provides for BGSS/CIP/WNC rates that would produce a net increase in the Company's annual revenue in the amount of approximately \$63.8 million.

STIPULATION FOR PROVISIONAL RATES

The key provisions of the Stipulation are as follows:

- 1) The Parties have determined that additional time is needed to complete the review of NJNG's proposed BGSS rate, CIP rates, WNC rate, and related issues. However, the Parties also agree that the implementation of the proposed BGSS price increase, CIP factor, and WNC rate decrease on a provisional basis, are reasonable at this time.
- 2) The Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it would be both reasonable and in the public interest for the Board to authorize the following:
 - a) an increase in the periodic BGSS rate to \$1.1770 per therm including taxes,
 - b) the implementation of the filed for CIP rates, on a per therm after tax basis, of a credit of \$0.0265 for Group I Residential Non-Heat Customers, a charge of \$0.0378 for Group II Residential Heat Customers, and a charge of \$0.0424 for Group III Commercial Customers, and
 - c) the filed for decrease in the WNC rate to \$0.0015 per therm including taxes, effective October 1, 2008.

The BGSS, CIP, and WNC price changes would be charged on a provisional basis, subject to refund with interest on any net BGSS over-recovery, an opportunity for a full review at the OAL, if necessary, and final approval by the Board. The stipulated change represents an overall increase from current rates of approximately 8.8%, or \$13.34 per month, for a typical residential sales service customer using 100 therms per month. This action will lead to an increase in annual revenue to NJNG of approximately \$63.8 million.

DISCUSSION AND FINDINGS

The Board, having carefully reviewed the record to date in this proceeding and the attached Stipulation, HEREBY FINDS that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein. The Board HEREBY APPROVES on a provisional basis, the Company's implementation of an increase in the Company's after-tax per-therm BGSS rate to \$1.1770 effective as of the date of this Order. The Board HEREBY APPROVES on a provisional basis, the Company's implementation of after-tax per-therm CIP rates of a credit of \$0.0265 for Group I Residential Non-Heat Customers, a charge of \$0.0378 for Group II Residential Heat Customers, and a charge of \$0.0424 for Group III Commercial Customers, effective October 3, 2008. The Board HEREBY APPROVES on a provisional basis, the Company's implementation of a decrease in the Company's after-tax per-

therm WNC rate to \$0.0015 effective October 3, 2008. Any net over-recovery on the BGSS at the end of the BGSS period shall be subject to refund with interest.

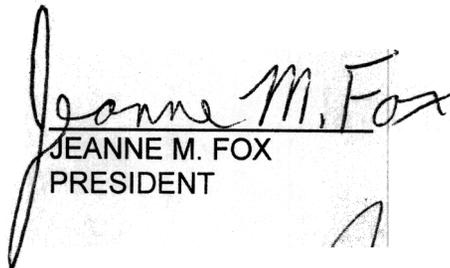
Accordingly, the Board HEREBY ORDERS that this docket matter be continued at the OAL for full review and an Initial Decision and then returned to the Board for a Final Decision.

The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within seven (7) business days from the effective date of this Order.

The Company's gas costs will remain subject to 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.

DATED: 10/3/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

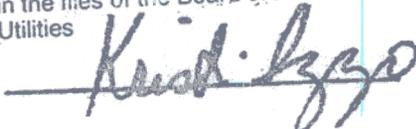

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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 Approval of Its Basic Gas Supply Service (BGSS) for Fiscal Year 2009 Docket No. GR08050369

In the Matter of the Petition of New Jersey Natural Gas Company For the Annual Review of Its Conservation Incentive Program (CIP) for Fiscal Year 2009 And for Modification to its Weather Normalization Clause (WNC) Factor for Fiscal Year 2009 Docket No. GR08050370

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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) BPU DOCKET NO. GR08050369
REVISION OF ITS BASIC GAS SUPPLY)
SERVICE (BGSS) FOR F/Y 2009) AND
AND)
IN THE MATTER OF THE PETITION OF) BPU DOCKET NO. GR08050370
NEW JERSEY NATURAL GAS COMPANY)
FOR THE ANNUAL REVIEW OF ITS
CONSERVATION INCENTIVE PROGRAM
FOR F/Y 2009 AND FOR MODIFICATION TO
ITS WEATHER NORMALIZATION CLAUSE
(WNC) FACTOR FOR F/Y 2009

STIPULATION FOR PROVISIONAL RATES

APPEARANCES:

Tracey Thayer, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Henry M. Ogden, Esq. and Sarah H. Steindel, Esq., Assistant Deputy Public Advocates, Department of the Public Advocate, Division of Rate Counsel (Ronald K. Chen, Public Advocate, Stefanie A. Brand, Esq., Director)

Alex Moreau and Jessica Campbell, Deputy Attorneys 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. New Jersey Natural Gas Company ("NJNG") filed a petition in Docket No. GR08050369 on May 30, 2008, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve NJNG's annual filing to establish new Basic Gas Supply Service ("BGSS") rates for the period October 1, 2008 through September 30, 2009. The petition

requested that the BPU approve an increase of \$0.2713 per therm after tax in NJNG's periodic BGSS rate applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism, effective October 1, 2008, thereby increasing NJNG's annual BGSS after tax rate from \$1.0433 per therm to \$1.3146 per therm.¹ This requested change represents an increase of approximately \$27.10 per month, or 18.0 percent, for the average residential sales heating customer using 100 therms per month. The projection of NJNG's under-/over-recovery of natural gas costs was based on market conditions as of the time of the May 30, 2008 filing with a proposed one-year BGSS recovery period. This proposal would increase after-tax BGSS revenues by \$128.3 million.

2. Also on May 30, 2008, the Company submitted its annual Conservation Incentive Program ("CIP") filing for CIP year 2009, October 1, 2008 through September 30, 2009, requesting that the BPU approve the implementation of updated CIP factors and the implementation of a decrease in the Company's Weather Normalization Clause ("WNC") rate related to the 2005-6 winter period. In this request, the Company is seeking approval for the following changes to its after-tax per therm CIP factors: (a) a decrease from a charge of \$0.0126 to a credit of \$0.0265 for Group I Residential Non-Heat customers, (b) an increase in the charge from \$0.0261 to \$0.0378 for Group II Residential Heat customers, and (c) an increase in the charge from \$0.0248 to \$0.0424 for Group III Commercial customers effective as of October 1, 2008. This proposal will result in an after-tax increase of \$8 million to annual CIP-related revenues, which have been offset by reductions in gas costs, as described below. This change represents an increase of approximately \$1.17 per month, or .78 percent, for the average

¹ The May 30 filing also included testimony, schedules and data that are responsive to and consistent with the Minimum Filing Requirements (MFRs) for annual BGSS filings, pursuant to the Board's generic BGSS Order in Docket No. GX01050304.

residential sales heating customer using 100 therms per month. Pursuant to the Board's October 12, 2006 Order in Docket No. GR05121020, any non-weather related CIP surcharges must be at least offset by reductions in capacity related BGSS costs. The Company reported total CIP related revenue of \$19.9 million with \$9.5 million weather related and \$10.3 million non-weather related. Total reductions in capacity based BGSS costs were \$10.6 million.

3. Additionally, based upon actual and projected volumes of natural gas sold between October 2007 and September 2008, the Company estimates that it will not have collected the authorized funds related to the WNC 2005-2006 Winter Period. By reducing the current WNC rate from \$0.0135 per therm after-tax to \$0.0015 per therm after-tax, the Company anticipates recovering the remaining WNC balance over the period ending September 30, 2009. This proposal will result in an after-tax decrease of \$7.4 million

4. The requested changes to the BGSS, CIP and WNC rates result in a requested total increase of approximately \$27.10 per month, or 18 percent, to the average residential heating customer. The impact to the average residential non-heat customer from this request would be an increase of 13.8 percent per month and to the average commercial customer is an increase of 18.8 percent per month. The resulting overall increase in annual after-tax revenue resulting from the BGSS increase, WNC modifications and CIP-related revenues is approximately \$128.9 million

5. An initial public hearing on these petitions was held on July 31, 2008, in Freehold Borough, New Jersey with a second hearing on September 9, 2008 at the same location. Members of the public attended the first hearing and made comments in opposition to the proposed rate increase. There were no members of the public in attendance at the second public hearing.

6. NJNG, Board Staff and the Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”), collectively the Parties, the only Parties to these proceedings, have discussed certain matters at issue herein. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of NJNG’s proposed BGSS rate, the CIP rate, the modification to the WNC factor and other aspects of the Company’s BGSS and CIP filings. However, the Parties also agree that the implementation of the increase to the Company’s BGSS prices, the CIP factor and a decrease to the WNC, on a provisional basis, is reasonable at this time. During the discussions, the Company proposed and the Parties agreed that the original overall requested increase should be reduced by approximately \$65.1 million to reflect the decrease in costs in the natural gas market since the original filing date for a total increase of 8.8%.

7. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it is both reasonable and in the public interest for the Board to authorize the implementation of an increase in the Company’s periodic BGSS rate to \$1.177 per therm after tax, the implementation of the proposed CIP rates of a credit on a per therm after tax basis of \$0.0265 for Group I Residential Non-Heat customers, the rates of \$0.0378 for Group II Residential Heat customers and \$0.0424 for Group III Commercial customers, and a decrease of the WNC factor to \$0.0015 effective as of October 3, 2008, or as of any such date that the Board so decides. These price changes are on a provisional basis, subject to refund with interest on any net BGSS and/or CIP over-recovery, an opportunity for a full review at the Office of Administrative Law, if necessary, and final approval by the Board. This Stipulation represents an overall increase of \$0.1334 from the rates currently in effect, approximately 8.8 percent, or \$13.34 per month for a typical residential sales service customer

using 100 therms per month. The overall impact to the average residential non-heat sales customer is an increase of 5.6 percent and to the average small commercial sales customer these changes represent an increase of approximately 9.5 percent. These rate changes will lead to an increase in annual after-tax revenue to NJNG of approximately \$63 million.

8. The Company will file updated tariff sheets reflecting the provisional rates agreed to by the Parties within seven (7) days of the Board's issuance of a written Order approving this Stipulation.

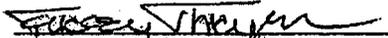
9. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved 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.

10. 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.

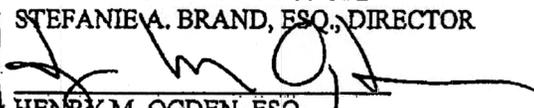
It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither NJNG, the Board, its Staff, nor Rate Counsel shall be deemed to have approved, agreed to, or 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.

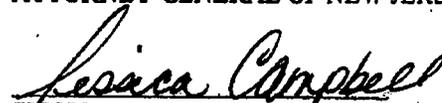
NEW JERSEY NATURAL GAS
PETITIONER

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Date: September 12, 2008