



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

**ENERGY**

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 FY 2007 )

ORDER ADOPTING  
STIPULATION

DOCKET NO. GR06060415

(SERVICE LIST ATTACHED)

BY THE BOARD:

**BACKGROUND**

In accordance with the New Jersey Board of Public Utilities' ("Board") January 6, 2003 Order in Docket No. GX01050304, New Jersey Natural Gas Company ("Petitioner," "Company," or "NJNG") filed its annual Basic Gas Supply Service ("BGSS") petition with the Board on June 1, 2006. The Company's petition sought to (1) decrease its Periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism from \$1.2597 per therm including taxes to \$1.1493 per therm including taxes; and (2) modify its BGSS interest calculation methodology, whereby in lieu of interest being calculated on a monthly basis at the Company's authorized overall rate of return, as done under the current methodology, the interest rate used for the calculation would be the prevailing Societal Benefits Clause rate. The Company's proposed adjustment to its Periodic BGSS rate would result in a decrease of approximately 6.6 percent or \$11.04 per therm after tax, to the average NJNG residential heating customer using 100 therms monthly. The BGSS year was for the twelve months ended September 30, 2007.

Pursuant to L. 2006, c. 44, the New Jersey sales tax rate increased from 6 percent to 7 percent effective July 15, 2006. Due to the enactment of L. 2006, c. 44, NJNG sought to decrease its Periodic BGSS rate by \$0.1115 per therm including taxes, effective October 1, 2006, thereby decreasing NJNG's current after tax rate of \$1.2716 per therm to \$1.1601 per therm after taxes. The resulting decrease to the average NJNG residential heating customer using 100 therms monthly would be \$11.15. The annual revenue decrease to the Company would be approximately \$53.4 million.

The Company also provided preliminary notice to the Board, in its petition, that it intended to issue refunds in September 2006 to its Periodic BGSS customers, based upon Periodic BGSS volumes consumed by individual customers during the period of February 1, 2006 through August 31, 2006. On August 25, 2006, the Company notified the Board that it was refunding a

total of \$22.5 million pre-tax BGSS recovery to all Periodic BGSS customers based upon their Periodic BGSS usage for the period from February 1, 2006 to July 14, 2006. The pre-tax refund per therm amounted to \$0.1137. The estimated average refund per customer amounted to \$52.57.

This matter was transmitted to the Office of Administrative Law ("OAL") as a contested case and assigned to Administrative Law Judge Richard McGill.

On July 13, 2006, two public hearings in this matter were held in Freehold, New Jersey. One hearing was held in the afternoon and the other was held in the evening.<sup>1</sup> The public hearings were preceded by notices in newspapers of general circulation throughout the Company's service territory. The public notices also advised customers that the Board granted the Company the discretion to self-implement an increase in its BGSS rates to be effective December 1, 2007 and/or February 1, 2008, 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. No members of the public appeared at the public hearings.

On August 17, 2006, NJNG, Rate Counsel, and Board Staff, the only parties to this proceeding (collectively, the Parties) entered into a Stipulation that provided for a provisional decrease in the Company's BGSS rates effective October 1, 2006. On September 29, 2006, the Board approved the Stipulation.

Following a review by, and subsequent discussions among the Parties, on March 6, 2008, the Parties entered into the attached Stipulation.

On March 20, 2008, ALJ McGill issued his Initial Decision recommending Board approval of the Stipulation.

By letter dated April 21, 2008, Tracey Thayer of the Company, in response to a request from Sarah Steindel and Henry Ogden of the Department of the Public Advocate, Division of Rate Counsel, provided the following information to Rate Counsel and Board Staff: (1) a statement indicating that the Company made a one-time credit of \$300,000 to the current BGSS deferred cost balance, (2) information concerning the suspension of the summer meter reading schedule, (3) a statement explaining the impact of updating the base load factors used to estimate customers' usage for months in which the Company does not obtain an actual meter reading, supported by a schedule showing changes resulting from the base load factor updates, and (4) (a) internal memoranda recommending that meters be read on a monthly basis, (b) a schedule comparing the estimated cost impacts of manual meter reading to that of AMR (Automated Meter Reading), and (c) a schedule showing the price estimate for the Company's current meter reading system using AMR technology based on a portion of the Company's territory and one-year deployment. According to the terms set forth in the Stipulation, indicated below, the \$300,000 credit was to be made within five days of Board approval of this Stipulation. Similarly, the other information provided to Rate Counsel was to be so provided within five days of such Board approval. However, the Company explained that it was providing this information in advance of Board approval to assist Rate Counsel in its review of the Company's meter reading

---

<sup>1</sup> The public hearings in this matter were held together with public hearings in another pending NJNG matter, *In the Matter of the Petition of New Jersey Natural Gas Company for the Implementation of a Conservation and Usage Adjustment*, BPU Docket No. GR05121020.

processes and proposed modifications in the Company's currently pending base rate case in Docket No. GR07110889.

## STIPULATION<sup>2</sup>

The key provisions of the Stipulation are as follows:

- The BGSS rate of \$1.1601 per therm, approved by the Board on a provisional basis (after taxes) on September 29, 2006, shall be deemed to be a final rate.
- II NJNG's request for a modification to its BGSS interest calculation methodology is withdrawn by the Company.
  - III The Stipulation resolves all issues related to the amounts of the gas costs and recoveries claimed by the Company in the instant filing. With respect to the pending NJNG BGSS case, Docket No. GR07060358, Rate Counsel agrees not to challenge NJNG's practice of using "calendarized" revenues (estimated total revenue attributable to gas deliveries in a calendar month) for the purpose of determining its gas cost recoveries and deferred gas costs.
  - IV NJNG will make a one-time credit to its current BGSS deferred cost balance of \$300,000 within five days of the Final Board Order approving this Stipulation. This credit will be the responsibility of NJNG's shareholders. NJNG will not seek to recover this amount from ratepayers.
  - V In 2007, NJNG suspended the summer meter reading schedule approved by the Board in Docket No. GO98050266U in Orders dated July 8, 1998 and June 9, 1999. During the months of June, July and August, NJNG customers will now be read on a standard bi-monthly cycle meter reading basis. Within five days of the Board Order in this case, the Company will provide Rate Counsel and Board Staff with copies of all memoranda, reports, supporting calculations and analyses, and other documents related to NJNG's decision to suspend the summer meter reading schedule. NJNG will not resume the previous summer meter reading schedule without further Order of the Board, and after notice has been provided to Rate Counsel and Staff.
  - VI NJNG has updated the base load factors used to estimate customers' usage for the months in which the Company does not obtain an actual meter reading. Within five days of the Board Order in this case, the Company will provide Rate Counsel and Board Staff with copies of all memoranda, reports, supporting calculations and analyses, and other documents related to such base load factor updates.
  - VII NJNG will conduct additional operational reviews of its meter reading process, including the consideration of possible modifications to its current bi-monthly meter reading schedule included in the Company's Tariff. The results of the operational review will be provided and subject to discovery and review by Rate Counsel, Board Staff, and other parties in the Company's current base rate case, Docket No. GR07110889. Any related memoranda, reports, supporting calculations and analyses, and other documents related

---

<sup>2</sup> This is only a summary of the key provisions. The Stipulation of Settlement is the controlling document, subject to the findings and conclusions set forth in this Order.

to such reviews that are currently in existence will be provided to Rate Counsel, Staff and other parties within five days of the Board Order in this case.

VIII NJNG is currently conducting an internal review of the therm and revenue recognition process which is a component of the deferred gas costs and gas cost recoveries. The Company will provide a detailed report concerning the outcome of that internal review and all memoranda, reports, supporting calculations and analyses and other documents related to such review. The results of that review will be provided in the Company's 2008 BGSS filing to be made no later than June 1, 2008.

IX Company's gas costs and recoveries will remain subject to audit by the Board. The Board's approval of this Stipulation shall not preclude or prohibit the Board from taking any such actions deemed to be appropriate as a result of any such audit. This Stipulation is not intended to affect in any way the Board's authority in connection with any Board-ordered audit, including, without limitation, any future audits of the NJNG's Levelized Gas Adjustment Clause and/or BGSS Clause.

#### DISCUSSION AND FINDINGS

The Board, having reviewed the Initial Decision and Stipulation in this proceeding, HEREBY FINDS them 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 set forth herein.<sup>3</sup>

The Board HEREBY ORDERS that the decrease in the Company's after-tax per-therm BGSS rates for all applicable service classifications from \$1.2716 per therm to \$1.1601 per therm after taxes be made final, effective on the date of this Order. Any over-recovery at the end of the BGSS period shall be subject to refund with interest.

The Board HEREBY ORDERS the Company to issue a one-time credit to its current BGSS deferred cost balance of \$300,000 within five days of the date of this Order.

The Board HEREBY ORDERS the Company to provide Rate Counsel and Board Staff with copies of all memoranda, reports, supporting calculations and analyses, and other documents related to its decision to suspend the summer meter reading schedule, within five days of the date of this Order.

The Board HEREBY ORDERS the Company to provide Rate Counsel and Board Staff within five days of the date of the Order with copies of all memoranda, reports, supporting calculations and analyses, and other documents related to the Company's updated base load factors used to estimate customers' usage for the months in which the Company does not obtain an actual meter reading.

---

<sup>3</sup> The Board acknowledges, as noted earlier in this Order, that in an April 21, 2008 letter from Tracey Thayer of NJNG to Ms. Steindel and Mr. Ogden of the Department of the Public Advocate, Division of Rate Counsel, the Company has provided certain information and represents that certain obligations in the Stipulation have been satisfied in advance of the Board's approval of the Stipulation. The issue whether the letter and information in the letter satisfy the terms of the Stipulation is not before the Board. Therefore, the Board sets out in the following paragraphs the Company's obligations under the Stipulation and makes no determination whether those obligations have been satisfied.

The Board HEREBY ORDERS the Company to conduct additional operational reviews of the meter reading process, including the consideration of possible modifications to the current bi-monthly meter reading schedule included in the Company's Tariff. The Company is HEREBY ORDERED to provide in its current base rate case, Docket No. GR07110889, copies of all memoranda, reports, supporting calculations and analyses, and other documents related to such reviews that are currently in existence, within five days of this Board Order, to Rate Counsel, Board Staff, and other parties to the base rate case.

The Board HEREBY ORDERS that the results of NJNG's internal review of its term and revenue recognition process be provided in the Company's 2008 BGSS filing to be made no later than June 1, 2008. The Company is to provide a detailed report concerning the outcome of that review and all memoranda, reports, supporting calculations and analyses and other documents related to such review.

The Board HEREBY ORDERS that NJNG file the appropriate revised tariff sheets within ten (10) days of this Order.

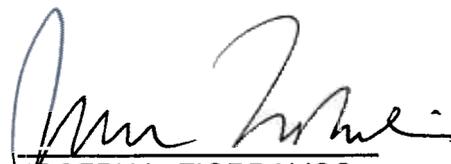
The Company's BGSS costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any Board ordered audit.

DATED: 5/8/08

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

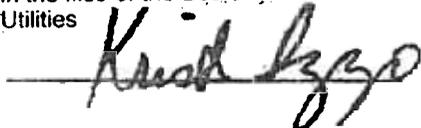
  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

  
NICHOLAS ASSELTA  
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  
Basic Gas Supply Service Factors  
Docket No. GRO6060415

Service List

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

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

Sheila Iannaccone, Chief  
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

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

Suzanne Patnaude, Esq.  
Legal Specialist  
NJ Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Felicia Thomas-Friel, Esq.  
Division of Rate Counsel  
31 Clinton Street -11th Floor  
P.O. Box 46005  
Newark, NJ 07101

Sarah Steindel, Esq.  
Division of Rate Counsel  
31 Clinton Street -11th Floor  
P.O. Box 46005  
Newark, NJ 07101

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

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



***State of New Jersey***  
**OFFICE OF ADMINISTRATIVE LAW**

**INITIAL DECISION**  
**SETTLEMENT**

OAL DKT. NO. PUC 11432-06

BPU DKT. NO. GR06060415

**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 FY 2007.**

---

**Tracey Thayer, Esq., for New Jersey Natural Gas Company**

**John A. Hoffman, Esq., and Matthew M. Weissman, Esq., for New  
Jersey Natural Gas Company (Wilentz, Goldman & Spitzer,  
attorneys)**

**Babette Tenzer, Deputy Attorney General, and Jessica Campbell,  
Deputy Attorney General, for the Staff of the Board of Public  
Utilities (Anne Milgram, Attorney General of New Jersey, attorney)**

**Felicia Thomas-Friel, Deputy Public Advocate, for the Division of Rate  
Counsel (Ronald K. Chen, Public Advocate, attorney)**

Record Closed: March 10, 2008

Decided: March 20, 2008

**BEFORE RICHARD McGILL, ALJ:**

On June 1, 2006, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition with the Board of Public Utilities ("Board"), requesting approval of NJNG's annual reconciliation filing for its Basic Gas Supply Service ("BGSS") and its proposed BGSS gas cost recovery factors for fiscal year 2007. The petition sought to decrease

**OAL DKT. NO. PUC 11432-06**

the periodic BGSS rate applicable to residential and certain small commercial and industrial customers by \$0.1104 per therm after tax effective September 1, 2006. The effect was to decrease the after tax rate of \$1.2597 per therm to \$1.1493 per therm.

After a public hearing on the petition was held on July 13, 2006, in Freehold, New Jersey, the parties agreed to a Stipulation for Provisional Rates to implement a BGSS rate decrease from \$1.2716 to \$ 1.1601 per therm after tax effective October 1, 2006. The Stipulation for Provisional Rates was approved by the Board by Order dated September 29, 2006.

The matter was transmitted to the Office of Administrative Law on November 28, 2006, for determination as a contested case. Prior to hearing, the parties filed a Stipulation, which resolves all issues in this case. The main provision of the Stipulation is that the provisional rate of \$1.1601 per therm as approved by the Board on September 29, 2006, shall be deemed to be a final rate. The Stipulation also provides for the withdrawal of the Company's request for a modification to the BGSS interest calculation methodology and resolution of various additional issues.

Having reviewed the record and the settlement terms, I **FIND** as follows:

- 1 The parties here voluntarily agreed to the settlement as evidenced by their signatures or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

OAL DKT. NO. PUC 11432-06

Therefore, I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 17:27-19.1 and that the settlement should be approved. Accordingly, it is **ORDERED** that the parties comply with the terms of the settlement, and it is **FURTHER ORDERED** that proceedings in this matter be concluded.

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.

Mar. 20, 2008  
DATE

Rich McGill  
RICHARD MCGILL, ALJ

Date Received at Agency:

3-26-08

Mailed to Parties:

John Sanders

MAR 26 2008  
DATE

**DIRECTOR AND  
CHIEF ADMINISTRATIVE LAW JUDGE**  
OFFICE OF ADMINISTRATIVE LAW

dh

**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. GR06060415  
REVISION OF ITS BASIC GAS SUPPLY )  
SERVICE (BGSS) FOR F/Y 2007 )  
)  
)  
)  
)**

**STIPULATION**

**APPEARANCES:**

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

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

**Babette Tenzer 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 HONORABLE RICHARD MCGILL, ADMINISTRATIVE LAW JUDGE AND THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

1 New Jersey Natural Gas Company ("NJNG") filed a petition in Docket No. GR06060415 on June 1, 2006. Through its petition, NJNG requested that the New Jersey Board of Public Utilities ("BPU" or the "Board") accept NJNG's annual reconciliation filing for its Basic Gas Supply Service ("BGSS"), and approve the Company's related request to decrease its annual BGSS revenues by \$53.4 million dollars, and decrease the periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism by \$0.1104 per

therm after tax, effective September 1, 2006, decreasing the after tax rate of \$1.2597 per therm to \$1.1493 per therm. The change requested represents a decrease of approximately 6.6 percent for the average residential 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 June 1, 2006 filing with a proposed one-year BGSS recovery period. The petition also included a request that the BPU approve a proposed modification to the BGSS interest calculation methodology, whereby in lieu of interest being calculated on a monthly basis at the company's authorized overall rate of return, as is done under the current methodology, the interest rate used for the calculation would be the prevailing rate used in the Societal Benefits Clause ("SBC").

2. After due notice, a public hearing on the petition was held on July 13, 2006, in Freehold Borough, New Jersey. No members of the public appeared to provide comments relating to NJNG's request to decrease its Periodic BGSS rate.

3. Pursuant to P.L. 2006, c.44, the New Jersey sales tax rate increased from 6 percent to 7 percent as of July 15, 2006. In light of that, the Company's requested decrease in the Periodic BGSS rate changed slightly such that the price reduction was \$0.1115 per therm including taxes, effective October 1, 2006. Accordingly, the NJNG BGSS rate decreased from \$1.2716 per therm to \$1.1601 per therm after tax. The resulting decrease to the monthly bill for the average NJNG residential heating customer using 100 therms annually became \$11.15. The annual revenue decrease to the Company was approximately \$53.4 million.

4. In light of the Company's request for a price decrease, representatives of NJNG, Board Staff and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") (the "Parties"), the only Parties to these proceedings, agreed in August 2006 that a provisional stipulation implementing the price decrease would be most beneficial to customers.

Following that, the Staff and Rate Counsel would complete their review of NJNG's proposed BGSS rate and other aspects of the Company's BGSS petition.

5. Accordingly, the BPU approved a Stipulation for Provisional Rates in an order dated September 29, 2006 in which it was found that it would be reasonable, in the public interest and in accordance with the law for the Board to adopt the terms of the Stipulation for Provisional Rates, approving a decrease in the periodic BGSS rate to \$1.1601 per therm after tax, effective as of October 1, 2006. The stipulated change represents an overall decrease from the rates then in effect of approximately 6.6 percent or \$11.15 per month for a typical residential sales service customer using 100 therms per month, for a total anticipated decrease in annual revenue to NJNG of approximately \$53.4 million.

6. Subsequent to the date of the Board Order approving Provisional Rates, the Parties continued discussions and discovery while the case was transmitted to the Office of Administrative Law and assigned to the Honorable Richard McGill. Judge McGill conducted a pre-hearing conference on December 12, 2006, with follow-up status conferences on February 21, March 30, July 17, August 30, and October 2, 2007. On the October 2 conference call, it was decided to set a schedule for the completion of discovery, filing of testimony and setting of hearing dates for January 29 and 30, 2008. The evidentiary hearing dates were later cancelled because the Parties were close to reaching an agreement in this docket.

7. The Parties have discussed the remaining matters at issue in this proceeding and, as a result, the following agreement has been reached.

8. Specifically, the Parties **STIPULATE AND AGREE** that the provisional BGSS rate of \$1.1601 per therm on an after-tax basis as approved by the BPU on September 29, 2006, shall be deemed to be a final rate.

9. The request for a modification to the BGSS interest calculation methodology is withdrawn by NJNG.

10. In resolution of additional issues, the Parties agree to the following, subject to the reservation of the Board's authority as set forth in paragraph 14:

a. This Stipulation resolves all issues related to the amounts of the gas costs and recoveries claimed by the Company in the present filing, BPU Docket No. GR06060415. With respect to the pending NJNG BGSS case, Docket No. GR07060358, Rate Counsel agrees not to challenge NJNG's practice of using "calendarized" revenues for the purpose of determining its gas cost recoveries and deferred gas costs.

b. NJNG will make a one-time credit to the current BGSS deferred cost balance of \$300,000 within 5 days of the Board decision in this case. This credit will be the responsibility of NJNG's shareholders. NJNG will not seek to recover this amount from ratepayers.

c. In 2007, NJNG suspended the summer meter reading schedule approved by the BPU in Docket No. GO98050266U in orders dated July 8, 1998 and June 9, 1999. During the months of June, July and August, NJNG customers will now be read on a standard bi-monthly cycle meter reading basis. Within five days of the BPU decision in this case, the Company will provide Rate Counsel and the BPU Staff with copies of all memoranda, reports, supporting calculations and analyses, and other documents related to NJNG's decision to suspend the summer meter reading schedule. NJNG will not resume the previous summer meter reading schedule without further Order of the Board, and after notice has been provided to Rate Counsel and BPU Staff.

d. NJNG has updated the base load factors used to estimate customers' usage for months for which NJNG does not obtain an actual meter reading. Within five days of the BPU

decision in this case, the Company will provide Rate Counsel and the BPU Staff with copies of all memoranda, reports, supporting calculations and analyses, and other documents related to such base load factor updates.

e. NJNG will conduct additional operational reviews of the meter reading process, including the consideration of possible modifications to the current bi-monthly meter reading schedule included in the NJNG Tariff. The results of the operational review will be provided and subject to discovery and review by Rate Counsel, BPU Staff and other parties in the current NJNG base rate case, Docket No. GR07110889. Any related memoranda, reports, supporting calculations and analyses, and other documents related to such reviews that are currently in existence will be provided to Rate Counsel, BPU Staff and other parties within five days of the BPU decision in this case.

f. NJNG is currently conducting an internal review of the therm and revenue recognition process which is a component of the deferred gas costs and gas cost recoveries. NJNG will provide a detailed report concerning the outcome of that internal review and all memoranda, reports, supporting calculations and analyses and other documents related to such review. The results of that review will be provided in the Company's 2008 BGSS filing to be made no later than June 1, 2008.

11. 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 Administrative Law Judge or 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 Administrative

Law Judge or 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.

12. It is the intent of the Parties that the provisions hereof be approved by the Administrative Law Judge and 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.

13. 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.

14. The Company's gas costs and recoveries will remain subject to audit by the Board. The Board's approval of this Stipulation shall not preclude or prohibit the Board from taking any such actions deemed to be appropriate as a result of any such audit. This Stipulation is not intended to affect in any way the Board's authority in connection with any Board-ordered audit, including, without limitation, any future audits of the NJNG's Levelized Gas Adjustment Clause and/or BGSS Clause.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Administrative Law Judge issue an Initial Decision adopting the terms of this Stipulation and 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

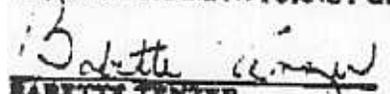
By:

  
TRACEY THAYER, ESQ.

RONALD K. CHEN, PUBLIC ADVOCATE  
DEPARTMENT OF THE PUBLIC ADVOCATE  
DIVISION OF RATE COUNSEL  
STEPHANIE A. BRAND, ESQ., DIRECTOR

FELICIA THOMAS-FRIEL, ESQ.  
DEPUTY PUBLIC ADVOCATE

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

  
EABETTE TENZER  
JESSICA CAMPBELL  
DEPUTY ATTORNEYS GENERAL

Date: March 6, 2008

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Administrative Law Judge issue an Initial Decision adopting the terms of this Stipulation and 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: [Signature]  
TRACEY TRAYER, ESQ.

RONALD K. CHEN, PUBLIC ADVOCATE  
DEPARTMENT OF THE PUBLIC ADVOCATE  
DIVISION OF RATE COUNSEL  
STEPHANIE A. BRAND, ESQ., DIRECTOR

By: [Signature]  
FELICIA THOMAS-FRIEL, ESQ.  
DEPUTY PUBLIC ADVOCATE

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

By: [Signature]  
BARBETTE TENZER  
JESSICA CAMPBELL  
DEPUTY ATTORNEYS GENERAL

Date: March 6, 2008