



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

DIVISION OF 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 )

ORDER APPROVING  
INITIAL DECISION  
AND STIPULATION

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 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 with one month's advance notice to the Board and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"). In accordance with the above noted Order, on May 30, 2008, New Jersey Natural Gas Company ("Petitioner," "Company," or "NJNG") filed, with the Board, its annual petition to

establish new BGSS rates for the period October 1, 2008 through September 30, 2009. The Company's petition sought to increase its BGSS rate applicable to residential and small commercial customers 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 translated into an increase of approximately \$27.10 per month, or approximately 18.0 percent, for the average residential customer using 100 therms per month.

Also on May 30, 2008, the Company filed a Conservation Incentive Program ("CIP")<sup>1</sup> petition that sought to (1) revise the level of its CIP recovery rates for the CIP year, October 1, 2008 through September 30, 2009, resulting in an \$8.0 million increase in revenues to NJNG which translated into 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 resulting from this change in the WNC was approximately \$7.4 million, which translated into 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 requested BGSS increase, the WNC decrease and the CIP revisions would have been approximately \$128.9 million (including taxes). The combined proposed changes in the Company's BGSS, CIP, and WNC rates would have resulted in a net increase of approximately 18.0% or \$27.10 per month after taxes to the total bill of an average residential heating customer utilizing 100 therms per month.

As part of its 2009 BGSS filing, the Company also proposed to implement an inverted BGSS pricing mechanism that would become effective October 1, 2009, and would result in higher unit prices for residential customers with monthly consumption in excess of 250 therms.

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 1, 2008 and/or February 1, 2009 after prior notice to the Board and Rate Counsel,

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<sup>1</sup>The 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%.

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 July 31, 2009 hearing, 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, 2009.

On September 22, 2008, 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 a Stipulation for Provisional BGSS, CIP, and WNC Rates ("Stipulation For Provisional Rates") which reduced the Company's original request by approximately \$65.1 million in recognition of the decline in natural gas market costs. The Stipulation for Provisional Rates solely addressed establishing new provisional BGSS, CIP, and WNC rates for the Company. The Parties recognized in the Stipulation that additional time was needed to allow for a complete review of the Company's 2008 BGSS, CIP, and WNC filings. The Stipulation provided for a provisional increase in the Company's periodic BGSS rate to \$1.177 per therm after tax; and the implementation of a per therm, after tax credit to the rate for Group I Residential Non-Heat customers of \$0.0265 for the impact of the CIP; established the per therm after tax CIP rate of \$0.0378 for Group II Residential Heat customers and \$0.0424 for Group III Commercial customers, and decreased the WNC factor to \$0.0015. The Stipulation provided 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 instead of the \$128.9 million initially requested. 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.

On October 3, 2008, the Board approved the Stipulation for Provisional Rates.

On October 14, 2008, this case was transmitted to the Office of Administrative Law ("OAL") and assigned to Administrative Law Judge ("ALJ") Walter Braswell.

Following further review and discussions, the Parties entered into the attached Stipulation, dated May 20, 2009 for BGSS, CIP, and WNC Rates to be implemented on a final basis. The Stipulation also provides for a revision of the calculation of interest on the Company's over- and under-recovered BGSS balances, basing calculation of interest on a twenty-four month period, October 1, 2008 through September 30, 2010.

### STIPULATION

The key provisions of the Stipulation are as follows:

The BGSS rate of \$1.1770 per therm including taxes, approved by the Board on a provisional basis, shall be deemed to be the final rate.

- II The 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, shall be deemed to be the final rates.
- III The filed for decrease in the WNC rate to \$0.0015 per therm including taxes, shall be deemed to be the final rate.
- IV The proposal to implement an inverted BGSS pricing mechanism as part of the Company's 2009 BGSS proceeding is hereby withdrawn. However, the Company has the right to re – submit such a proposal in a future proceeding.
- V The Company will modify its method of calculating interest on its BGSS under or over-recovery balances, basing interest on the twenty-four month period of October 1, 2008 through September 30, 2010. If at the end of this period interest is owed, that amount will be credited to BGSS ratepayers as of October 1, 2010.
- VI Within ninety days of the receipt by the Company of the Board Order in this proceeding, the Parties will hold a technical conference to review the Company's current hedging program and, if necessary and warranted, to discuss and consider changes on a going-forward basis.

On May 20, 2009, ALJ Braswell issued his Initial Decision recommending Board approval of the Stipulation.

#### DISCUSSION AND FINDINGS

The Board, having carefully reviewed the Initial Decision and Stipulation in this proceeding, HEREBY FINDS that, subject to the terms and conditions set forth below, the Initial Decision and Stipulation are 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.

The Board HEREBY DIRECTS that the increase in the Company's after-tax per-therm BGSS rate to \$1.1770, applicable to residential and small commercial customers, be made final, effective as of the date of this Order. Any net over-recovery on the BGSS at the end of the BGSS period shall be subject to refund with interest calculated using the method adopted in the Stipulation.

The Board HEREBY DIRECTS that the Company's after-tax per-therm CIP rates of 1) a credit of \$0.0265 for Group I Residential Non-Heat Customers, 2) a charge of \$0.0378 for Group II Residential Heat Customers, and 3) a charge of \$0.0424 for Group III Commercial Customers, be made final effective as of the date of this Order.

The Board HEREBY DIRECTS that the decrease in the Company's after-tax per-therm WNC rate to \$0.0015 be made final, effective as of the date of this Order.

The Board HEREBY APPROVES the calculation of interest on NJNG's BGSS under- or over-recovery balances based on the twenty-four month period of October 1, 2008 through September 30, 2010. The Board HEREBY DIRECTS that the Company credit any interest owed to BGSS ratepayers for that period on October 1, 2010.

The Board HEREBY DIRECTS that, within ninety days of the receipt by the Company of this Order, the Parties initiate a technical conference to collectively review the Company's current hedging program in a collaborative manner and, if necessary and warranted, discuss and consider changes on a going-forward basis. The Board HEREBY DIRECTS the Company to submit a report to the Board describing the results of those meetings by December 31, 2009.

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 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: 6/10/09

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

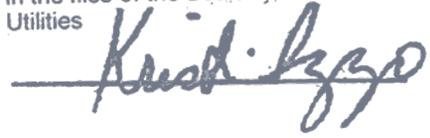
  
NICHOLAS ASSELTA  
COMMISSIONER

  
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. aGR08050370

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MOREAU  
TENZER  
COMBS  
GAS  
ENERGY



*State of New Jersey*  
OFFICE OF ADMINISTRATIVE LAW

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LLF

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 13103-08N

AGENCY DKT. NO. GR08050369

& GR08060370

IN THE MATTER OF NEW JERSEY NATURAL GAS  
COMPANY ANNUAL REVIEW AND REVISION OF  
ITS BASIC GAS SUPPLY SERVICE (BGSS) FOR  
FY 2009 ANNUAL REVIEW OF ITS  
CONSERVATION INCENTIVE PROGRAM (CIP)  
FOR FY 2009 AND MODIFICATION TO ITS  
WEATHER NORMALIZATION CLAUSE (WNC)  
FACTOR FOR FY 2009

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Tracey Thayer, Esq., appearing on behalf of petitioner (New Jersey Natural  
Gas Company)

Henry M. Ogden, Esq. and Sarah H. Steindel, Esq. appearing on behalf of  
the Division of Rate Counsel

Alex Moreau and Jessica Campbell, Deputy Attorney Generals, for  
respondent (Anne Milgram, Attorney General of New Jersey,  
Attorney)

Record Closed: May 20, 2009

Decided: May 20, 2009

BEFORE WALTER M. BRASWELL, ALJ

On October 29, 2008, this matter was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F 1 to- 13. The matter was scheduled for a prehearing conference on December 11, 2008 at which time evidentiary hearings were scheduled for May 18 and 20, 2009. Prior to the hearing date the parties reached a settlement and requested that the hearing dates be adjourned. The fully executed Stipulation of Settlement, which is attached hereto and made part hereof, was received by the OAL on May 20, 2009.

have reviewed the record and terms of the Stipulation of Settlement and **FIND:**

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

I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby concluded.

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 (45) 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.

May 20, 2009  
DATE

Date Received at Agency: 5/21/09  
AKA.

Date Mailed to Parties: **MAY 21 2009**

ljb

Walter M. Braswell  
WALTER M. BRASWELL, ALJ

5-21-09  
Laura Sanders  
DIRECTOR AND  
CHIEF ADMINISTRATIVE LAW JUDGE

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

2009 MAY 20 P 1:54

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 F/Y 2009

OFFICE OF ADMINISTRATIVE LAW  
BPU DOCKET NO. GR08050369

and

and

IN THE MATTER OF THE PETITION OF  
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

BPU DOCKET NO. GR08050370

OAL DOCKET NO. PUC 13103-08

FINAL STIPULATION

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 HONORABLE WALTER BRASWELL, ADMINISTRATIVE LAW JUDGE  
and  
THE NEW JERSEY BOARD OF PUBLIC UTILITIES

Background

On May 30, 2008, New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition in Docket No. GR08050369, in which the Company requested that the New Jersey Board of Public Utilities ("BPU" or the "Board") accept and approve NJNG's

annual reconciliation filing to establish new Basic Gas Supply Service ("BGSS") rates for the period October 1, 2008 through September 30, 2009 ("2009 BGSS Filing"). The Company's 2009 BGSS Filing included a reconciliation of actual versus estimated costs and revenues from the last Board approved rate change for commodity, storage and interstate transportation costs, including the costs and results of natural gas supplies set by hedges; projected rates supported by projected volumes, revenues, and commodity, transportation, storage and transaction costs, including the cost of natural gas supplies set by hedges; deferred balances and the timeframe over which such balances and related rates are to be collected or returned; a written explanation of the circumstances that caused any deferred balances to be accrued; and a written explanation of any significant activities or trends which may have affected costs for the prospective period.<sup>1</sup>

2. The 2009 BGSS Filing specifically 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, which would thereby have increased NJNG's annual BGSS after tax rate from \$1.0433 per therm to \$1.3146 per therm. The requested change represented an increase of approximately \$128.3 million in annual revenues and \$27.10 per month, or 18.0 percent, for the average residential sales heating customer using 100 therms per month.

3. On May 30, 2008, the Company also submitted its annual Conservation Incentive Program ("CIP") filing for the period October 1, 2008 through September 30, 2009, including a request for a modification to the Company's Weather Normalization Clause ("WNC") ("2009 CIP/WNC Filing"). Within the 2009 CIP/WNC Filing, the Company requested that the BPU

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<sup>1</sup> The 2009 BGSS 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.

approve the implementation of updated CIP factors and the implementation of a decrease in rates related to the Company's WNC. Specifically, the Company sought approval through its 2009 CIP/WNC Filing for an after-tax CIP factor of \$(0.0265) per therm for Group I Residential Non-Heat customers, \$0.0378 per therm for Group II Residential Heat customers, and \$0.0424 per therm for Group III Commercial customers, effective as of October 1, 2008. The Company's proposal would result in an overall after-tax increase of \$8 million (\$7.5 million on a pre-tax basis) to annual CIP-related revenues.

4. The 2009 CIP/WNC Filing also included a reconciliation of actual and projected volumes of natural gas sold between October 2007 and September 2008.<sup>2</sup> As a result of that reconciliation, the Company estimated that it would not fully recover its WNC margin deficiency from the 2005-2006 Winter Period by September 30, 2008. As a result, the Company proposed to decrease the after-tax WNC factor of \$0.0135 per therm to \$0.0015 per therm effective October 1, 2008, and to recover the remaining deficiency balance over the following twelve-month period ending September 30, 2009.

5. The combined impact of the requested changes to the BGSS, CIP and WNC rates would have resulted in an increase of approximately \$27.10 per month, or approximately 18 percent, to the average residential heating customer. The impact to the average residential non-heat customer reflected an increase of 13.8 percent per month, and an increase to the average commercial customer 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 would have been approximately \$128.9 million (\$120.5 million on a pre-tax basis).

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<sup>2</sup> The 2009 CIP Filing's reconciliation was for fiscal year 2008 based on actual data for the period October 1, 2007 through April 30, 2008, and projected data for the period May 1, 2008 through September 30, 2008.

**Docket No. GR08050369 - 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**

**Docket No. GR08050370 - 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**

**Jerome May, Director, Division of Energy, presented this matter.**

**BACKGROUND AND DISCUSSION:**

On May 30, 2008, New Jersey Natural Gas Company ("the Company"), in compliance with Board policy, filed its annual petition with the Board requesting review and approval of its BGSS factor. The Company requested an increase to its Basic Gas Supply Service ("BGSS") rates. The Company also filed a petition requesting revisions to its Conservation Incentive program ("CIP") rates for Fiscal Year 2009, in compliance with the Board's Order dated December 12, 2006 in Docket No. GR05120120. In this same petition, the Company requested a decrease in its Weather Normalization Clause ("WNC") rates. The Company proposed that all of the new rates become effective October 1, 2008. If approved as requested, the BGSS/CIP/WNC filing would have resulted in an approximately \$128.9 million increase in annual revenue from customers. The impact of the Company's request on the overall price for the average residential heating customer utilizing 100 therms per month would have amounted to an increase of \$27.10 per month or 18.0 %.

Following an extensive exchange of discovery as well as several settlement conferences, the Company, the Department of the Public Advocate, Division of Rate Counsel and Board Staff ("the Parties") executed a Stipulation for Provisional Rates agreeing to 1) a decrease of the Company's requested BGSS rates to reflect a decrease in costs in the natural gas market since the Company's original filing date and 2) implementation of the Company's requested CIP and WNC rates, providing for BGSS/CIP/WNC rates that would produce an increase in annual revenue of \$63.8 million for NJNG subject to refund. The Parties also agreed to the Company calculating interest on its BGSS under or over-recovery balances based on a twenty-four month period. The impact of the Stipulation on the overall price for the average residential heating customer utilizing 100 therms per month would amount to an increase of \$13.34 per month or 8.8%.

On October 3, 2008, the Board approved the Stipulation for Provisional BGSS, CIP and WNC Rates.

Following further review and discussions, the Parties entered into the attached Stipulation, dated May 20, 2009 agreeing that the Company's provisional BGSS, CIP, and WNC Rates should be implemented on a final basis. The Stipulation also provides for interest on the Company's BGSS costs to be calculated using the twenty-four month period October 1, 2008 through September 30, 2010. The Stipulations also requires the Parties to review the Company's current hedging policies and provide a report to the Board by December 31, 2009.

On May 20, 2009, ALJ Braswell issued his Initial Decision recommending Board approval of the Stipulation.

The Board approved Staff's recommendation to adopt the Initial Decision and Stipulation with rates effective on and after the date of the Board's Order.

6. As part of its 2009 BGSS Filing, the Company also proposed to implement an inverted BGSS pricing mechanism. As proposed, the inverted BGSS mechanism would become effective October 1, 2009, and would result in higher unit prices for residential customers with monthly consumption in excess of 250 therms.

7. 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.

8. Following extensive discovery, 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, met and discussed the issues raised herein. As a result of those discussions, the Parties initially determined that additional time was 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/WNC Filings. However, the Parties also agreed that the implementation of the changes to the Company's BGSS prices, the CIP factor and the WNC, on a provisional basis, was reasonable. 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, which would result in a total BGSS rate increase for residential customers of approximately 8.8 percent, instead of the originally-proposed increase for residential customers of approximately 18 percent. Accordingly, a Stipulation for Provisional Rates ("Provisional Stipulation") was executed among the Parties on September 22, 2008.

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9. On October 3, 2008, the Board issued its "Decision and Order Approving Stipulation for Provisional Rates" (the "October 3 Order"), adopting the terms of the Provisional Stipulation and approving the agreed-upon price changes on a provisional basis, subject to refund with interest on any net BGSS and/or CIP over-recovery, and an opportunity for a full review at the Office of Administrative Law, if necessary. As a result, the new, lower combined impact of the BGSS, CIP and WNC price changes represented an overall increase of \$0.1334 per therm to the average residential customer from the rates previously in effect. As noted, these provisional rates reflected an increase of approximately \$63.8 million in annual revenues and an 8.8 percent, or approximately \$13.34 per month increase, for a typical residential sales service customer using 100 therms per month.

10. On October 14, 2008, this case was transmitted to the Office of Administrative Law ("OAL") and assigned to the Honorable Walter Braswell. A telephonic pre-hearing conference took place on December 11, 2008 at which all Parties were represented. Hearing dates that had been scheduled for May 18 and 20, 2009 were cancelled by the Parties in light of the ongoing settlement discussions.

### Final Stipulation

11. Following additional discovery and discussions among the Parties, the Parties now stipulate and agree that it is both reasonable and in the public interest for the Board to make the rates authorized in the Provisional Stipulation final. Specifically, the Parties agree that the rates approved by the Board in the October 3 Order, which increased the Company's periodic BGSS rate to \$1.177 per therm after tax; implemented a per therm, after tax credit to the rate for Group I Residential Non-Heat customers of \$0.0265 for the impact of the CIP; established the per therm after tax CIP rate of \$0.0378 for Group II Residential Heat customers and \$0.0424 for Group III Commercial customers, and decreased the WNC factor to \$0.0015, should be deemed to be final rates. These rates will remain subject to audit by the Board.

12. The Parties further stipulate and agree that the proposal to implement an inverted BGSS pricing mechanism as part of the Company's 2009 BGSS proceeding is hereby withdrawn by the Company, without prejudice to the Company's right to re-submit an inverted BGSS pricing proposal in a future proceeding.

13. The Parties agree that the calculation of interest on any over- and under-recovered BGSS balances shall be based on the twenty-four (24) month period of October 1, 2008 through September 30, 2010. Also, it is agreed that, if at the end of the above 24-month period, interest is owed, that amount will be credited to BGSS customers as of October 1, 2010.

14. Within 90 days of the receipt by the Company of a written Board Order in this proceeding, the Parties will initiate a technical conference to collectively review the Company's current hedging program in a collaborative manner and, if necessary and warranted, to discuss and consider changes on a going-forward basis.

15. Finally, the Parties agree that there are no additional items at issue in this proceeding.

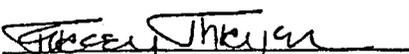
16. This Final Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Final Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Final Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Final 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 Final Stipulation as though this Final Stipulation had not been signed.

17. 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 Final Stipulation to be binding on them for all purposes herein.

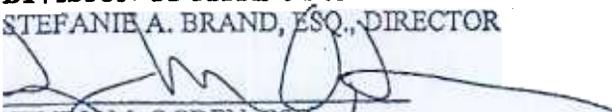
18. It is specifically understood and agreed that this Final Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, the Board, Board Staff, or Rate Counsel shall not be deemed to have approved, agreed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

WHEREFORE, the Parties hereto do respectfully submit this Final Stipulation and request that the Administrative Law Judge issue an Initial Decision approving this Final Stipulation in its entirety and that the Board issue a Decision and Order adopting that Initial Decision, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS  
PETITIONER**

By:   
TRACEY THAYER, ESQ.  
New Jersey Natural Gas

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

By:   
HENRY M. OGDEN, ESQ.  
SARAH H. STEINDEL, ESQ.  
ASSISTANT DEPUTY PUBLIC ADVOCATES

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

By:   
JESSICA CAMPBELL, DAG  
ALEX MOREAU, DAG  
DEPUTY ATTORNEYS GENERAL

Date: May 20, 2009

COPY



COPY

State of New Jersey  
OFFICE OF ADMINISTRATIVE LAW  
33 Washington Street  
Newark, New Jersey 07102  
(973) 648-6008  
(973-648-6058)

Robert J. Giordano, ALJ &  
Manager of Organizational Development

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MAY 21 2009  
OFFICE OF ADMINISTRATIVE LAW  
NEWARK, NEW JERSEY

NORTH

Date MAY 21 2009

Re: Initial Decisions for Receipt

We are hereby forwarding to you the following decisions from the office of Administrative Law. **Receipt is acknowledged as of the next business day of the date indicated below.** Should a listed decision not be included in this batch, please call 973-648-6008.

OAL Docket No. PUC	Case Name
<u>13103-08</u>	<u>New Jersey</u>
	<u>NATURAL GAS Co.</u>

Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

Date: 5/21/09

Board of Public Utilities