



**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	)	ORDER APPROVING INITIAL
JERSEY GAS COMPANY FOR THE ANNUAL REVIEW	)	DECISION AND STIPULATION
AND REVISION OF ITS BASIC GAS SUPPLY	)	FOR FINAL BGSS, CIP AND
SERVICE (BGSS), ITS CONSERVATION INCENTIVE	)	WNC RATES
PROGRAM (CIP) FACTORS, AND FOR MODIFICATION	)	
TO ITS WEATHER NORMALIZATION CLAUSE (WNC)	)	DOCKET NOS. GR09060432
FACTOR FOR FISCAL YEAR 2010	)	AND GR09060433

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

**Felicia Thomas-Friel Esq.**, Deputy Public Advocate, **Henry Ogden Esq.**, **Judith Appel Esq.**, Assistant Deputy Public Advocates, Division of Rate Counsel (**Stefanie A. Brand Esq.**, Director)

**Alex Moreau Esq.**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Paula Dow Esq.**, Attorney General of New Jersey)

(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").

On June 1, 2009, New Jersey Natural Gas Company ("Company," or "NJNG") filed its annual BGSS petition, requesting a decrease in its BGSS revenues of \$121.8 million (including taxes). The Company's filing sought to decrease its periodic BGSS rate for applicable sales customers from \$1.1770 per therm to \$0.9095 per therm (including taxes) for the BGSS year of October 1, 2009 through September 30, 2010, to be effective October 1, 2009. This proposal included an increase in NJNG's balancing charge from \$0.0762 per therm (including taxes) to \$0.0789 per

therm (including taxes). The net effect of the requested changes represented a decrease of approximately \$26.75 per month, or 15.7% for the average residential sales heating customer using 100 therms per month.

Also on June 1, 2009, NJNG made a Conservation Incentive Program ("CIP") filing that proposed to (1) revise the level of its CIP<sup>1</sup> recovery rates for the CIP year, October 1, 2009 through September 30, 2010. The Company's proposal resulted in a total decrease in revenues to NJNG of approximately \$15.6 million which translated into a decrease of approximately \$2.99 per month or 1.8%, for the average residential heating customer using 100 therms per month. The recovery of non-weather related CIP charges is limited to corresponding decreases in specific supply related costs that have been incorporated in the Company's BGSS rates. The Company reported total CIP related revenue of \$4.1 million, deducted a negative amount of \$1.1 million representing colder than normal weather,<sup>2</sup> and added \$569,000 representing the CIP value carried over from the CIP year ending September 30, 2008. The net resulting amount is \$5.7 million representing the non-weather related portion of CIP revenue. Total reductions in capacity based BGSS costs were \$8.1 million which included a reduction of \$2 million in fixed BGSS capacity costs through a permanent, pre-arranged release of 15,000 dekatherms per day of firm transportation capacity on Iroquois Gas.

NJNG's petition also requested a decrease in its Weather Normalization Clause ("WNC") rate from \$0.0015 per therm after taxes to \$0.0001 per therm after taxes for the 2005-2006 winter period. The decrease in annual revenue to the Company from the proposed decrease in its WNC rates was approximately \$0.8 million, which translated to a decrease of \$0.14 per month or 0.08 percent for the average residential sales heating customer using 100 therms per month.

The net annual revenue decrease to the Company from the BGSS decrease, the WNC decrease and the CIP revisions was approximately \$138.2 million (including taxes). Approval of the combined proposed changes in the Company's BGSS, CIP, and WNC rates would result in a net decrease of approximately 17.6% or \$29.88 per month after taxes to the total bill of an average residential heating customer using 100 therms per month.

In August 2009, the Company determined that a further decrease in BGSS rates was appropriate, based on natural gas market conditions.

After public hearings, on September 4, 2009, representatives of NJNG, the Board's Staff ("Staff"), and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") entered into a stipulation ("Stipulation for Provisional Rates") which decreased the Company's original request by approximately \$12.2 million, based on natural gas market conditions in August 2009, and provided for an annual after tax revenue decrease to NJNG of approximately \$150.4 million on a provisional basis; subject to refund with interest on any net over-recovered BGSS balance. The Parties agreed that it would be both reasonable and in the public interest for the Board to authorize the proposed BGSS, CIP, and WNC rate

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<sup>1</sup> The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 and extended by an Order dated January 20, 2010. 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 10.3%.

<sup>2</sup> Warmer than normal weather would be represented by a positive amount.

changes on a provisional basis with any over-recovery of BGSS costs at the end of the BGSS period credited with appropriate interest to the Company's Periodic BGSS clause.

On September 16, 2009, the Board approved the Stipulation for Provisional Rates.

On May 4, 2010, following further review and discussions, the Parties entered into a second stipulation ("Stipulation for Final Rates") which recommends that the previously approved provisional BGSS, CIP, and WNC rates be made final.

The Stipulation for Final Rates contains the following key provisions:

- The provisional BGSS rate of \$0.8828 per therm including taxes will be the final rate.
- The provisional balancing charge of \$0.0789 per therm after taxes will be the final rate.
- The provisional after tax CIP rates will be the final rates.
- The provisional WNC rate of \$0.0001 per therm on an after-tax basis, will be the final rate.
- The Company's additional BGSS savings of \$2 million annually related to the release of 15,000 dekatherms per day of Iroquois capacity are appropriate to include within the CIP BGSS savings calculation.
- The Company will continue to provide electronically to the Parties in this proceeding on a monthly basis, 1) the BGSS New York Mercantile Exchange ("NYMEX") Update report (S-NCHART-1) and 2) the Cost of Gas per Therm (S-NCHART-2).

The net annual revenue decrease to the Company from the BGSS decrease, the WNC decrease and the CIP revisions would have been approximately \$138.2 million (including taxes). The combined proposed changes in the Company's Periodic BGSS, CIP, and WNC rates would have resulted in a net decrease of approximately 17.6% or \$29.88 per month after taxes to the total bill of an average residential heating customer utilizing 100 therms per month.

Three public hearings in this matter were held in Rockaway, Freehold, and Toms River, New Jersey on August 10, 11, and 17, 2009 respectively. 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, 2009 and/or February 1, 2010 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. No members of the public appeared at the hearings to provide comments related to the Company's request to decrease its periodic Periodic BGSS rates, revise its CIP rates, or decrease its WNC rates.

On August 2009, NJNG proposed 1) a further decrease in its Periodic BGSS rate to \$0.8828 per therm including taxes; 2) a further decrease in its balancing charge to \$0.0816 per therm

including taxes based on conditions in the natural gas markets; 3) to let the CIP and WNC rates proposed in its June 1, 2009 filing to remain unchanged.

On September 4, 2009, 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"), entered into a Stipulation for Provisional BGSS, CIP, and WNC Rates ("Stipulation For Provisional Rates") which reduced the Company's original request by approximately \$12.2 million. The Stipulation for Provisional Rates solely addressed establishing new provisional Periodic 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 2009 BGSS, CIP, and WNC filings. During discussions it was determined that, based on current natural gas market conditions, a further decrease in BGSS rates was possible. The Stipulation provided for a provisional decrease in the Company's Periodic BGSS rate to \$0.8828 per therm after tax; the implementation of per therm after tax CIP rates for Group I Residential Non-Heat customers of \$0.0435, Group II Residential Heat customers of \$0.0079, Group III General Service – Small customers of \$0.0184, and Group IV General Service – Large customers of \$0.0260; and decreased the WNC factor to \$0.0001 per therm including taxes. The Stipulation provided for BGSS/CIP/WNC rates that would produce a net decrease in the Company's annual revenue in the amount of approximately \$150.4 million instead of the decrease of \$138.2 million initially requested. The stipulated change represented an overall decrease from current rates of approximately 19.0%, or \$32.55 per month, for a typical residential sales service customer using 100 therms per month.

On September 16, 2009, the Board approved the Stipulation For Provisional Rates and such rates were implemented on that date.

On October 28, 2009, this case was transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Gail Cookson.

On January 20, 2010, the Board approved a Stipulation in Docket No. GR05121020 that extended the CIP for NJNG and South Jersey Gas Company through September 30, 2013. Included within that case were updated BGSS savings.

On January 25, 2010, the Company provided updated schedules based on the CIP case approved on January 20. As a result of that CIP case, total reductions in capacity based BGSS costs were revised from \$12.6 million to \$8.1 million.

Following further review and discussions, the Parties entered into the attached Stipulation, dated April 28, 2010 for BGSS, CIP, and WNC Rates to be implemented on a final basis.

### **THE PROPOSED STIPULATION<sup>3</sup>**

The key provisions of the Stipulation for Final BGSS, CIP and WNC rates are as follows:

1. The BGSS rate of \$0.8828 per therm including taxes, approved by the Board on a provisional basis, shall be deemed to be the final rate.

<sup>3</sup> Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

2. The balancing charge of \$0.0789 per therm including taxes shall be deemed to be the final rate.
3. The following CIP rates, on a per therm after tax basis, shall be deemed to be final rates: \$0.0435 for Group I Residential Non-Heat Customers, \$0.0079 for Group II Residential Heat Customers, \$0.0184 for Group III General Service - Small Customers, and \$0.0260 for General Service – Large Customers.
4. The filed for decrease in the WNC rate to \$0.0001 per therm including taxes, shall be deemed to be the final rate.
5. The Company's additional BGSS savings of \$2 million annually related to the release of 15,000 dekatherms per day of Iroquois capacity are appropriate to include within the CIP BGSS savings calculation.
6. NJNG will continue to provide electronically to the Parties in this proceeding on a monthly basis the following updated information: 1) the BGSS New York Mercantile Exchange ("NYMEX") Update report (S-NCHART-1) and 2) the Cost of Gas per Therm (S-NCHART-2), attached as Exhibits A and B to the Stipulation, respectively. The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be completed using the NYMEX that is the basis for NJNG's BGSS filing and is to be submitted to the Parties on the third business day of the month.

On May 4, 2010, ALJ Cookson issued her Initial Decision recommending Board approval of the Stipulation finding the Stipulation to be in the public interest and in accordance with the law.

#### **DISCUSSION AND FINDINGS**

The Board, having carefully reviewed the Initial Decision and Stipulation for Final BGSS, CIP and WNC rates 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 their terms and conditions as though fully set forth herein.

The Board HEREBY DIRECTS that the decrease in the Company's after-tax per-therm Periodic BGSS rate to \$0.8828, 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.

The Board HEREBY DIRECTS that the increase in the Company's after-tax per-therm balancing charge to \$0.0789 per therm, be made final, effective as of the date of this Order.

The Board HEREBY DIRECTS that the Company's after-tax per-therm CIP rates of a credit of \$0.0435 for Group I Residential Non-Heat Customers, \$0.0079 for Group II Residential Heat Customers, \$0.0184 for Group III General Service - Small Customers, and \$0.0260 for Group IV General Service – Large 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 \$0.0001 be made final, effective as of the date of this Order.

The Board HEREBY FINDS that the Company's additional BGSS savings of \$2 million annually, related to the release of 15,000 dekatherms per day of Iroquois capacity, are appropriate to be included within the CIP BGSS savings calculation.

The Board HEREBY DIRECTS the Company to continue to provide electronically to the Parties in this proceeding on a monthly basis the following updated information: 1) the BGSS NYMEX Update report (S-NCHART-1) and 2) the Cost of Gas per Therm (S-NCHART-2), attached as Exhibits A and B to the Stipulation, respectively. These charts are to be completed consistent with the terms of the Stipulation.

The Board HEREBY DIRECTS NJNG to file revised tariff sheets within ten (10) business of receipt of this Order to be effective for service rendered on and after 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: 6/7/10

BOARD OF PUBLIC UTILITIES  
BY:

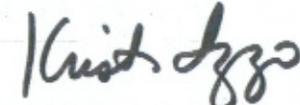
  
LEE A. SOLOMON  
PRESIDENT

  
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COMMISSIONER

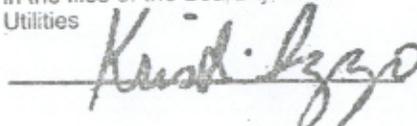
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
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), its Conservation Incentive Program (CIP)  
Factors and for Modification to its Weather Normalization Clause (WNC)  
Factor For Fiscal Year 2010 Docket No. GR09060432 and GR09060433

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*State of New Jersey*  
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 13360-09

AGENCY DKT. NO. GR09060432  
GR09060433

**I/M/O NEW JERSEY NATURAL GAS COMPANY  
FOR THE ANNUAL AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS) AND  
ITS CONSERVATION INCENTIVE PROGRAM (CIP)  
FACTORS AND FOR MODIFICATION OF ITS  
WEATHER NORMALIZATION CLAUSE (WNC)  
FACTOR FOR FY 2010**

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**Tracey Thayer, Esq.**, for petitioner New Jersey Natural Gas Company (Tracey Thayer, Director, Regulatory Affairs Counsel)

**Alex Moreau**, Deputy Attorney General, for the Staff of the Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey, attorney)

**Judith B. Appel**, Assistant Deputy Public Advocate, for Division of Rate Counsel (Stefanie A. Brand, Acting Public Advocate, attorney)

Record Closed: May 3, 2010

Decided: May 4, 2010

BEFORE **GAIL M. COOKSON, ALJ**:

On June 1, 2009, New Jersey Natural Gas Company filed with the Board of Public Utilities for approval of its annual filing to establish the Basic Gas Supply Service rates for

the period October 1, 2009 through September 30, 2010, approve the implementation of modified Conservation Incentive Program (CIP) factors and decrease the Weather Normalization Clause (WNC) related to recovery from the 2005-2006 winter. The file 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, on November 19, 2009. A prehearing conference was convened telephonically on December 23, 2009. The opportunity for the public to be heard on the rate decrease was scheduled and heard by the BPU prior to transmittal of the matter. Staff and Rate Counsel undertook discovery and analysis of the petitioner's request for rate relief.

At the time of the prehearing conference, the parties reported that they were circulating a proposed stipulation that would resolve all the issues in dispute. Accordingly, and on that basis, I deferred scheduling any plenary hearing dates. On May 3, 2010, I received a fully-executed Stipulation of all parties to this matter that more completely sets forth the terms and conditions of the settlement of all issues raised by the filing of New Jersey Natural Gas Company.

I have reviewed the record and terms of the Stipulation 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 Stipulation of Settlement meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the matter be deemed dismissed with prejudice and that these proceedings be and are hereby concluded.

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

OAL DKT. NO. PUC 13360-09

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 4, 2010  
DATE

*Gail M. Cookson*  
GAIL M. COOKSON, ALJ

Date Received at Agency:

5-6-10  
*Laura Sanders*

Date Mailed to Parties: MAY 6 2010

DIRECTOR AND  
CHIEF ADMINISTRATIVE LAW JUDGE

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

<b>IN THE MATTER OF THE PETITION OF</b>	)	
<b>NEW JERSEY NATURAL GAS COMPANY</b>	)	
<b>FOR THE ANNUAL REVIEW AND</b>	)	<b>BPU DOCKET NOS. GR09060432</b>
<b>REVISION OF ITS BASIC GAS SUPPLY</b>	)	<b>GR09060433</b>
<b>SERVICE (BGSS) AND ITS</b>	)	<b>OAL DOCKET NO. PUCRL 13360-</b>
<b>CONSERVATION INCENTIVE PROGRAM</b>	)	<b>2009N</b>
<b>(CIP) FACTORS AND FOR</b>	)	
<b>MODIFICATION TO ITS WEATHER</b>	)	
<b>NORMALIZATION CLAUSE (WNC)</b>	)	
<b>FACTOR FOR F/Y 2010</b>	)	

**STIPULATION FOR FINAL BGSS, CIP AND WNC RATES**

**APPEARANCES:**

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

**Judith B. Appel, Esq.** and **Henry M. Ogden, Esq.**, Assistant Deputy Public Advocates, Department of the Public Advocate, Division of Rate Counsel (Stefanie A. Brand, Acting Public Advocate and Director)

**Alex Moreau**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

**TO: THE HONORABLE GAIL COOKSON, ADMINISTRATIVE LAW JUDGE**

**BACKGROUND**

1. New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition in Docket No. GR09060432 on June 1, 2009 ("June 1 Filing"), 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, 2009 through September 30,

2010, approve the implementation of modified CIP factors, and decrease the WNC rate related to recovery from the 2005-2006 winter period.

2. Specifically, the petition requested that the BPU approve a decrease of \$0.2675 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, 2009, thereby decreasing NJNG's annual BGSS after-tax rate from \$1.1770 per therm to \$0.9095 per therm.<sup>1</sup> The requested change represents a decrease of approximately \$26.75 per month, or 15.7 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 included in the above-mentioned filing was based on market conditions as of the June 1 Filing based on a one-year BGSS recovery period. The proposal would decrease after-tax BGSS revenues by \$121.8 million.

3. The petition also requested a \$0.0027 per therm increase to the NJNG after-tax balancing charge, thereby increasing the per therm after-tax balancing charge from \$0.0762 to \$0.0789. As approved by the Board on October 3, 2008 in BPU Docket No. GR07110889 ("Base Case Order"), NJNG is authorized to adjust its balancing charge in the annual BGSS filing to reflect updated costs. All Balancing Charge revenues from transportation customers are credited to BGSS. In order to provide a BGSS "Price-to-Compare" for sales customers, the balancing charge is included as a component of the delivery charge and deducted from the BGSS charge.

4. Within the June 1 filing, the Company submitted its annual Conservation Incentive Program ("CIP") filing for CIP year 2010, October 1, 2009 through September 30,

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<sup>1</sup> The June 1 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.

2010, requesting that the BPU approve the implementation of modified CIP factors and the implementation of a decrease in the Company's Weather Normalization Clause ("WNC") rate related to recovery from the 2005-2006 winter period prior to the implementation of the CIP. In this filing, the Company sought approval for the following changes to its after-tax per therm CIP factors: (i) an increase from a credit of \$0.0265 to a charge of \$0.0435 for Group I Residential Non-Heat customers, (ii) a decrease in the charge from \$0.0378 to \$0.0079 for Group II Residential Heat customers, (iii) a decrease in the charge from \$0.0424 to \$0.0184 for Group III Small Commercial customers, and (iv) a decrease in the charge from \$0.0424 to \$0.0260 for Group IV Large Commercial customers effective as of October 1, 2009. This proposal would result in an overall after-tax decrease of \$15.6 million to annual CIP-related revenues. The CIP changes represent a decrease of approximately \$2.99 per month, or 1.8 percent, for the average 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 charges must be at least offset by certain types of reductions in BGSS costs including, but not limited to, reductions in fixed capacity costs. The June 1 filing included total CIP related revenue of \$4.1 million with (\$1.1) million related to colder than normal weather and \$5.7 million non-weather related. Total reductions in BGSS costs were \$12.6 million which included a reduction of \$2 million in fixed BGSS capacity costs through a permanent, pre-arranged release of 15,000 dekatherms per day of firm transportation capacity on Iroquois Gas. Notification of this BGSS capacity reduction was provided to the Parties on October 24, 2008. On January 25, 2010, NJNG submitted updated schedules that included BGSS savings based on the terms of a Stipulation extending the CIP through September 30, 2013 and approved by the BPU on January 20, 2010 in Docket No. GR05121020. Accordingly, the BGSS Savings available for CIP comparison in BGSS Year 2010

(October 1, 2009 – September 30, 2010) is \$8.1 million as reflected on updated Exhibit C, Schedule 6, pages 1 and 2, as submitted to the Parties in this proceeding on January 25, 2010. Since there are sufficient BGSS savings available to offset the required non-weather related amount, there is no impact on customers or to rates from that amount.

5. Additionally, based upon actual and projected volumes of natural gas sold between October 2008 and April 2009 and projected volumes for May 2009 through September 2009, the Company estimated that it will not have collected the authorized amount related to the WNC 2005-2006 Winter Period as of September 30, 2009. Through a proposal to reduce the current WNC factor from \$0.0015 per therm after-tax to \$0.0001 per therm after-tax, the Company anticipates recovering the remaining WNC balance over the period ending September 30, 2010. This proposal will result in an after-tax decrease in revenue of \$0.8 million.

6. The changes to the BGSS, CIP and WNC rates requested through the June 1 Filing would result in an overall decrease of approximately \$29.88 per month, or 17.6 percent, to the average residential heating customer using 100 therms per month. The impact to the average residential non-heat customer from this request would be a decrease of 10.5 percent per month and to the average small commercial customer a decrease of 16.1 percent per month. The resulting overall decrease in annual after-tax revenue resulting from the proposed BGSS decrease, WNC modifications and CIP-related revenues is approximately \$138.2 million.

7. Duly noticed public hearings on these petitions were held on August 10, 2009 in Rockaway Township, on August 11, 2009 in Freehold Borough, and on August 17, 2009 in Toms River. There were no members of the public in attendance at the public hearings.

8. In August 2009, NJNG determined that a further decrease in BGSS rates was possible, based on the natural gas market conditions and proposed the following rate changes:

- A decrease of \$0.2942 in the Company's periodic BGSS rate resulting in a new rate of \$0.8828 per therm after-tax
- An increase of \$0.0027 to the Company's balancing charge (no change from June 1 Filing)
- CIP rates on an after-tax basis as follows (no change from June 1 Filing):
  - An increase of \$0.07 to the rates for Group I Residential Non-Heat customers
  - A decrease of \$0.0299 to the rates for Group II Residential Heat customers
  - A decrease of \$0.0240 to the rates for Group III Small Commercial customers
  - A decrease of \$0.0164 on the rates for Group IV Large Commercial customers
- A decrease of \$0.0014 to the WNC factor (no change from June 1 Filing)

9. After discussions among NJNG, BPU Staff, and representatives from the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), collectively the Parties, it was agreed that the implementation of the decrease to the Company's BGSS prices, the increase to the balancing charge, the modifications to the CIP factors, and a decrease to the WNC, should be implemented on a provisional basis. A Stipulation was executed among the Parties and adopted by the BPU in an Order dated September 16, 2009 ("September 16 Order"). The new rates were effective September 16, 2009.

10. The approved provisional rates represent an overall decrease of \$0.3255 per therm after-tax, approximately 19.0 percent, or \$32.55 per month for a typical residential heat sales customer using 100 therms per month. The components of the 19.0 percent decrease are as

follows: BGSS 17.2 percent decrease, CIP 1.7 percent decrease and WNC 0.1 percent decrease.<sup>2</sup> The overall impact to the average residential non-heat sales customer was a decrease of 11.8 percent (\$5.61/month) and to the average small commercial sales customer a decrease of approximately 17.4 percent (\$31.96/month). Large commercial sales customers are not affected by changes in the BGSS charge because they are subject to monthly BGSS market pricing for their natural gas supply. However, delivery rates for these customers were decreased due to the CIP and WNC rate changes noted above by approximately 1.6 percent or \$21.36/month for a customer using 1200 therms a month. The rate changes approved provisionally will lead to a decrease in annual after-tax revenue to NJNG of approximately \$150.4 million.

11. Subsequent to the issuance of the September 16 Order, these cases were transferred to the Office of Administrative Law and the Honorable Gail M. Cookson, Administrative Law Judge, was assigned.

#### STIPULATED ISSUES

12. NJNG, Board Staff, and representatives from Rate Counsel have further discussed the issues in this proceeding.

13. 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 September 16 Order, which should be deemed to be final, decreased the Company's periodic BGSS rate to \$0.8828 per therm after tax; increased the Company's balancing charge to \$0.0789 per therm after taxes; implemented per therm, after tax CIP charges of \$0.0435 for Group I Residential Non-Heat

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<sup>2</sup> NJNG rates changed slightly as of August 1, 2009 based upon a Board Order dated July 17, 2009 in Docket Numbers EO09010056 and GO09010057, approving Energy Efficiency Programs and an associated cost recovery mechanism. The impact of that changed the original CIP-related decrease of 1.8 percent to 1.7 percent.

customers, \$0.0079 for Group II Residential Heat customers, \$0.0184 for Group III General Service – Small Customers, and \$0.0260 for Group IV General Service – Large Customers; and decreased the WNC factor to \$0.0001. These rates remain subject to audit by the Board.

14. The Company provided updated tariff sheets reflecting the provisional rates agreed to by the Parties and approved by the BPU in the September 16 Order.

15. The Parties also agree the Company's additional BGSS savings of \$2 million annually related to the release of 15,000 dekatherms per day of Iroquois capacity are appropriate to include within the CIP BGSS savings calculation.<sup>3</sup>

16. In addition to finalizing the BGSS, CIP and WNC rates through this Stipulation, the Parties also agree that NJNG will continue to provide electronically to the Parties in this proceeding on a monthly basis the following updated information: 1) the BGSS New York Mercantile Exchange ("NYMEX") Update report (S-NCHART-1) and 2) the Cost of Gas per Therm (S-NCHART-2), attached as Exhibits A and B, respectively. The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be completed using the NYMEX that is the basis for NJNG's BGSS filing and is to be submitted to the Parties on the third business day of the month.

17. 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

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<sup>3</sup> This additional Iroquois capacity release was also included in the terms of a Stipulation extending the CIP through September 30, 2013 and approved by the BPU on January 20, 2010 in Docket No. GR05121020.

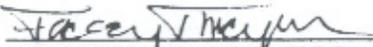
and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

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

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

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Administrative Law Judge issue an Initial Decision for submission to the Board approving the Stipulation 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

**DEPARTMENT OF THE PUBLIC ADVOCATE  
STEFANIE A. BRAND, ESQ., ACTING PUBLIC ADVOCATE AND  
DIRECTOR, DIVISION OF RATE COUNSEL**

By: \_\_\_\_\_  
**JUDITH B. APPEL, ESQ.**  
ASSISTANT DEPUTY PUBLIC ADVOCATE

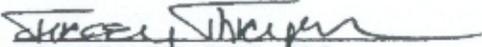
**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
PAULA T. DOW  
ATTORNEY GENERAL OF NEW JERSEY**

By: \_\_\_\_\_  
**ALEX MOREAU**  
DEPUTY ATTORNEY GENERAL

Date: April 28, 2010

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

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PETITIONER**

By:   
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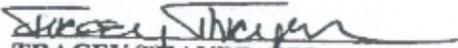
**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
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ATTORNEY GENERAL OF NEW JERSEY**

By:   
**ALEX MOREAU**  
DEPUTY ATTORNEY GENERAL

Date:

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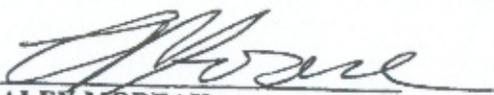
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STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
PAULA T. DOW  
ATTORNEY GENERAL OF NEW JERSEY

By:   
ALEX MOREAU  
DEPUTY ATTORNEY GENERAL

Date:

**S-NCHART-1**  
**BGSS NYMEX Update Report**  
as of September 5, 2009

Exhibit A

Month	BGSS <sup>a</sup>	NYMEX <sup>b</sup>	Incr/ (Decr) <sup>c = b - a</sup>	% Chg	Sales forecast (dths) <sup>d</sup>	Hedged volume (dths) <sup>e</sup>	Unhedged volume (dths) <sup>f = d - e</sup>	Change in value unhedged <sup>g = c x f</sup>
Oct-09	\$	\$	-	-	-	-	-	\$0
Nov-09	\$	\$	-	-	-	-	-	\$0
Dec-09	\$	\$	-	-	-	-	-	\$0
Jan-10	\$	\$	-	-	-	-	-	\$0
Feb-10	\$	\$	-	-	-	-	-	\$0
Mar-10	\$	\$	-	-	-	-	-	\$0
Apr-10	\$	\$	-	-	-	-	-	\$0
May-10	\$	\$	-	-	-	-	-	\$0
Jun-10	\$	\$	-	-	-	-	-	\$0
Jul-10	\$	\$	-	-	-	-	-	\$0
Aug-10	\$	\$	-	-	-	-	-	\$0
Sep-10	\$	\$	-	-	-	-	-	\$0
<b>Avg Total \$</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>
Oct-10	\$	\$	-	-	-	-	-	\$0
Nov-10	\$	\$	-	-	-	-	-	\$0
Dec-10	\$	\$	-	-	-	-	-	\$0
Jan-11	\$	\$	-	-	-	-	-	\$0
Feb-11	\$	\$	-	-	-	-	-	\$0
Mar-11	\$	\$	-	-	-	-	-	\$0
Apr-11	\$	\$	-	-	-	-	-	\$0
May-11	\$	\$	-	-	-	-	-	\$0
Jun-11	\$	\$	-	-	-	-	-	\$0
Jul-11	\$	\$	-	-	-	-	-	\$0
Aug-11	\$	\$	-	-	-	-	-	\$0
Sep-11	\$	\$	-	-	-	-	-	\$0
<b>Avg Total \$</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

**Footnotes:**  
a. Nymer rate used for annual BGSS periodic rate filing  
b. Nymer rate as of date of the report  
c. Increase/Decrease in the Nymer rate compared to rate used for annual BGSS periodic rate filing  
d. Sales forecast (includes fuel requirement)  
e. Hedged volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)  
f. Unhedged volume consists of sales volume forecast less hedged volume  
g. Not necessarily representative of a change in under/over-recovery value



New Jersey Natural Gas Company  
Calculation of Net Cost of Gas Per Therm

Exhibit B  
Page 2

	Estimate	12 Month Weighted Average																				
	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10										
<b>Credits, Refunds, &amp; Recoveries Per Therm:</b>																						
1 Asset Management Credits																						
2 Off-system sales																						
3 Capacity release																						
4 On System Credits to BGSS-P Customers																						
5 Supplier Refunds																						
6 Gas for Company Use																						
7 Line Loss																						
8 Transfer to Non BGSS-P Customers																						
9 Over / Under Recovery & Interest to Customers																						
10 Other																						
11 Total Credits, Refunds, & Recoveries per Therm	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
12 Total Net Cost Per Therm (Pa 1 Line 22 - Pa 2 Line 11)	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	

**Credits, Refunds, & Recoveries Per Therm:**

13 Asset Management Credits	Actual	Estimate	Weighted Average																			
14 Off-system sales	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09										
15 Capacity release																						
16 On System Credits to BGSS-P Customers																						
17 Supplier Refunds																						
18 Gas for Company Use																						
19 Line Loss																						
20 Transfer to Non BGSS-P Customers																						
21 Over / Under Recovery & Interest to Customers																						
22 Other																						
23 Total Credits, Refunds, & Recoveries per Therm	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
24 Total Net Cost Per Therm (Pa 1 Line 33 - Pa 2 Line 23)	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	

**Footnotes:**

On System Credits to BGSS-P Customers = Interruptible Sales, Cogeneration, Electric Plant Transfers, Sayerville, Forked River, Ocean Power, etc...  
Line Loss = Gross Cost of Gas per Therm x Line Loss Percentage  
Indicate that Line 12 equals the projected BGSS-P rate or provide a calculation below that reconciles the two numbers.