



January 19, 2009

***VIA FEDERAL EXPRESS***

Ms. Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Re: NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF AN ACCELERATED  
ENERGY INFRASTRUCTURE INVESTMENT  
PROGRAM, AND FOR APPROVAL OF NECESSARY  
CHANGES TO GAS RATES AND CHANGES IN  
THE COMPANY'S TARIFF FOR GAS SERVICE  
BPU DOCKET NOS. GR07110889 and GR0901 \_\_\_\_\_

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the petition of New Jersey Natural Gas Company for approval of an Accelerated Energy Infrastructure Investment Program pursuant to N.J.S.A. 48:2-23, and for approval of necessary changes to gas rates and changes in the Company's tariff for gas service pursuant to N.J.S.A. 48: 2-21 and 48:2-21.1.

Copies of the petition, including the supporting exhibits, are also being served electronically upon the Department of the Public Advocate, Division of Rate Counsel and the Division of Law.

Kindly acknowledge receipt of this filing by date stamping the enclosed copy of this letter and returning same in the self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in blue ink that reads 'Tracey Thayer'.

Tracey Thayer  
Director, Regulatory Affairs Counsel

Enclosures

C: Service List

**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF AN ACCELERATED  
ENERGY INFRASTRUCTURE INVESTMENT PROGRAM  
PURSUANT TO N.J.S.A. 48:2-23, AND FOR APPROVAL OF NECESSARY  
CHANGES TO GAS RATES AND CHANGES IN THE  
COMPANY'S TARIFF FOR GAS SERVICE  
PURSUANT TO N.J.S.A 48:2-21  
NJ BPU DOCKET NOS. GR07110889 AND GR0901\_\_\_\_\_**

**SERVICE LIST**

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**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF AN ACCELERATED  
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PURSUANT TO N.J.S.A. 48:2-23, AND FOR APPROVAL OF NECESSARY  
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COMPANY'S TARIFF FOR GAS SERVICE  
PURSUANT TO N.J.S.A 48:2-21  
NJ BPU DOCKET NOS. GR07110889 AND GR0901\_\_\_\_\_**

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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 APPROVAL OF AN ACCELERATED</b>	)	
<b>ENERGY INFRASTRUCTURE INVESTMENT</b>	)	<b>PETITION</b>
<b>PROGRAM PURSUANT TO N.J.S.A. 48:2-23, AND</b>	)	
<b>FOR APPROVAL OF NECESSARY CHANGES TO</b>	)	
<b>GAS RATES AND CHANGES IN THE</b>	)	<b>DOCKET NOS.</b>
<b>COMPANY’S TARIFF FOR GAS SERVICE</b>	)	<b>GR07110889,</b>
<b>PURSUANT TO N.J.S.A 48:2-21</b>	)	<b>GR0901_____</b>

**To: THE HONORABLE COMMISSIONERS OF  
THE NEW JERSEY BOARD OF PUBLIC UTILITIES:**

New Jersey Natural Gas Company (“NJNG”, the “Company”, or the “Petitioner”), respectfully petitions the New Jersey Board of Public Utilities (“the Board”) pursuant to N.J.S.A. 48:2-23, 48:2-21 and 48:2-21.1 as follows:

1. NJNG is a corporation duly organized under the laws of the State of New Jersey and is a public utility engaged in the distribution and transportation of natural gas subject to the jurisdiction of the Board. The Company’s principal business office is located at 1415 Wyckoff Road, Wall, New Jersey 07719. Petitioner is a local natural gas distribution company providing regulated retail natural gas service to customers within Monmouth and Ocean counties, as well as portions of Middlesex and Morris counties.

2. Communications and correspondence relating to this filing should be sent to:

Mark R. Sperduto, Vice President Regulatory Affairs  
and  
Tracey Thayer, Esq., Director, Regulatory Affairs Counsel  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P. O. Box 1464  
Wall, New Jersey 07719  
Phone: (732) 938-1214 (Sperduto)  
Phone: (732) 919-8025 (Thayer)  
Fax: (732) 938-2620

3. This Petition is accompanied by the following supporting schedules, program information and Exhibits that are attached hereto and made part of this Petition:

- Exhibit 1: NJNG Capital Investment Projects  
Exhibit 2: NJNG Weighted Average Cost of Capital Calculation  
Exhibit 3: Draft Public Notice

### **Background**

4. Petitioner is subject to regulation by the Board for the purposes of assuring safe, adequate and proper natural gas service pursuant to N.J.S.A. 48:2-23, including the furnishing and performance of natural gas service in the public interest in a manner that will permit Petitioner to maintain its public utility infrastructure, including the property, plant, facilities and equipment that comprise Petitioner's natural gas distribution and transmission system throughout its service territory, in such condition as to enable it to do so.

5. Petitioner is also subject to regulation by the Board for the purposes of setting its retail rates to assure safe, adequate and proper natural gas service pursuant to N.J.S.A. 48:2-21.

6. Petitioner is continuously engaged in the construction, operation and maintenance of its public utility infrastructure, including the property, plant, facilities and equipment that comprise the natural gas distribution and transmission system utilized to serve approximately 485,000 customers throughout the NJNG service territory. Moreover, as part of its ordinary capital spending planning cycle, Petitioner continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution and transmission system and to ensure the continuation of safe, adequate and proper service.

7. Petitioner has recently determined, however, that it is both reasonable and prudent to accelerate its capital spending at this time, to both facilitate its operations and to support economic development and job growth in New Jersey, through capital investments in infrastructure projects directly associated with and providing reliability, safety, system integrity and the conservation and preservation of the environment.

8. Accordingly, Petitioner requests that the Board approve an Accelerated Infrastructure Investment Program (“AIP”), and also approve the recovery of known and measurable costs for such projects included with the AIP, the details of which are set forth below. In order to provide the most benefits to customers and to ensure an effective

implementation, NJNG is proposing that this program be applicable for those projects initiated within the AIP for a period of approximately two years, or as of the date the associated projects are completed. To effectuate the benefits of this program and to expedite the Board's review of the proposals herein, NJNG is asking that the Board, in reviewing this matter, re-open NJNG's most recent base rate case for the sole purpose of considering the AIP proposal and cost recovery approach included herein. On October 3, 2008, the Board issued its Decision and Order in Docket No. GR07110889, adopting the terms of the Stipulation entered into by NJNG, Board Staff and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), the only active parties participating in settlement (October 3 Order). Given that the determinations in that case were based on a thorough and complete record developed and an analysis conducted of the Company's operations and financial condition resulting in a Board Decision and Order establishing just and reasonable rates effective October 3, 2008, it is reasonable and appropriate for that case to be re-opened to review and approve the AIP and the base rate adjustments proposed herein.

### **The Accelerated Infrastructure Program**

9. Petitioner proposes to implement the AIP by planning, constructing, installing, and subsequently operating and maintaining a variety of capital infrastructure replacement, reinforcement and expansion projects (the "AIP Projects"), all as more specifically identified and set forth on Exhibit 1. As shown further on Exhibit 1, Petitioner estimates that the

construction expenditures required to effectuate the AIP total approximately \$70.8 million. Each of the AIP Projects relates directly to the reliability, safety, and system integrity of Petitioner's distribution and transmission system and/or to Petitioner's conservation or environmental preservation programs and initiatives. Exhibit 1 also provides details regarding the design, size, construction cost estimates and timing for the commencement and completion of each of the AIP Projects. In addition, Petitioner estimates the proposed AIP Projects will create 75 – 100 jobs through the construction of the projects described herein. These workforce development estimates do not include any additional potential employment increases related to construction supply, services or material businesses that would result from this construction. As they ripple through the economy, these additional benefits could have a substantial positive impact on the economy. For example, based on a study from the Arlington, Virginia based Associated General Contractors Association, a billion dollars in stimulus funding could create or sustain 17,500 jobs in New Jersey.

**Duration/Term of the AIP**

10. Petitioner proposes a duration or term of approximately two years for the AIP Projects beginning on the effective date of the AIP, as approved by the Board, through and including completion of AIP Projects that have commenced construction no later than December 31, 2010.

**Proposed Accounting Treatment for the AIP**

11. Petitioner proposes the following accounting treatment for all reasonable and prudently-incurred capital investment costs, including but not limited to the costs of engineering, design and construction or property acquisition, including labor, materials and other overheads, associated with each of the AIP Projects (“Capital Investment Costs”):

(a) Capital Investment Costs for each of the AIP Projects will be separately tracked by an NJNG work order in a Construction Work In Progress (“CWIP”) account;

(b) Petitioner will record a monthly accrual of Allowance for Funds Used During Construction (“AFUDC”) which will be capitalized or included in the CWIP balance as follows:

(i) when Petitioner’s total CWIP balance, including CWIP associated with AIP Projects, is less than Petitioner’s outstanding short-term debt (“S/T debt”) balance, the applicable AFUDC rate will be equal to Petitioner’s monthly cost of S/T debt; or

(ii) when Petitioner’s total CWIP balance, including CWIP associated with AIP Projects, is greater than Petitioner’s outstanding S/T debt, the applicable AFUDC rate will be equal to Petitioner’s overall weighted-average cost of capital (“WACC”), as defined in Paragraph 11(d) herein; or

(iii) when an AIP Project is placed into service, but not yet reflected in customer rates, the AFUDC rate will be equal to Petitioner's WACC.

(c) In determining the CWIP base upon which to apply the AFUDC rate, a deduction will be made for any CWIP amount currently approved and included in customer base rates; and

(d) The WACC to be used for purposes of calculating AFUDC accruals under the AIP will be the rate of return most recently approved for Petitioner and authorized by the Board in the October 3 order, including an adjustment to the rate for long-term debt ("L/T debt") to account for current capital market conditions with respect to the cost rates for L/T debt. The WACC as authorized by the Board in the October 3 Order and the Petitioner's proposed adjustment with respect to L/T debt based on current market conditions are shown on Exhibit 2, pages 1 and 2.

### **Proposed AIP Cost Recovery Mechanism**

12. The Company proposes to recover its AIP Project costs and expenses, including the Capital Investment Costs for the AIP Projects as described above, and all associated depreciation and incremental operation and maintenance costs, through an annual adjustment to Petitioner's base rates. Petitioner will make an annual AIP cost recovery filing with the Board in June of each year, with a copy provided to Rate Counsel, coincident with but separate from the annual Basic Gas Supply Service ("BGSS") filings. Petitioner will also provide public notice of any proposed base rate adjustments under the annual AIP cost

recovery filing coincident with the requisite notice currently provided to customers for proposed BGSS changes. Following approval by the Board, the annual AIP base rate adjustment will occur separately from, but at the same time as, the effectiveness of Petitioner's annual BGSS proceedings.

13. Petitioner's annual AIP base rate adjustment will include the following elements:

(a) a rate of return on Petitioner's investment calculated by multiplying the current CWIP balance, including previously-capitalized AFUDC, or Petitioner's plant-in-service balance associated with AIP Projects, by Petitioner's WACC as described herein in Paragraph 11(d), including an adjustment for income taxes;

(i) The WACC to be used when calculating the rate of return for AIP cost recovery purposes is shown on Exhibit 2, page 2 and, when adjusted for income taxes, results in a rate of 12.4%.

(b) depreciation expense, for AIP Projects placed into service, based upon Petitioner's currently-effective composite depreciation rate of 2.34%, as approved by the Board in the October 3 Order; and

(c) incremental operation and maintenance expenses, if any, associated with AIP Projects.

14. Petitioner's annual AIP base rate adjustment filing will be subject to review by the Board Staff and Rate Counsel, prior to the approval and issuance of an Order by the Board establishing that the proposed rates are just and reasonable.

**Approval of the AIP Is In the Public Interest**

15. The activities and costs associated with the replacement, reinforcement and expansion of NJNG's utility infrastructure is a seminal element in NJNG's overarching responsibility to serve as a public utility in the State of New Jersey. Accordingly, NJNG continuously engages in the construction and maintenance of its public utility infrastructure, including the distribution and transmission property, plant, facilities and equipment that comprise the natural gas system used to serve customers throughout its service territory. The construction projects included herein as elements of the AIP are part of NJNG's ordinary capital investments related to ongoing planning and construction to replace, reinforce and expand the NJNG infrastructure in order to maintain reliability to best serve customers and to ensure the continuation of safe, adequate and proper service to customers.

16. NJNG's proposal is consistent with the comprehensive Economic Stimulus Package recently proposed by the Honorable Jon Corzine. Additionally, the economic recovery proposals of President Barack Obama and Vice President Joseph Biden are very much aligned with the New Jersey Economic Stimulus Package, with a coordinated focus on infrastructure projects, job creation, energy efficiency and renewable energy. Petitioner's proposal to accelerate its ordinary capital spending at this time is both reasonable and

prudent, from an operational perspective and to support economic development and job growth in New Jersey. Petitioner will do so by increasing its utility infrastructure investments directly associated with capital investment projects necessary for reliability, safety, system integrity and the conservation and preservation of the environment. NJNG is confident that its AIP investment plan will have a positive impact on the State's economy in light of the added work force necessary to support the construction activities.

#### **Rate Design**

17. Petitioner proposes to recover the AIP costs by annually adjusting the volumetric base rate component of the delivery charge for the applicable rate classes, coincident with the Petitioner's annual adjustment to its BGSS price. Petitioner proposes to allocate the costs associated with the AIP to the Petitioner's rate classes in the same manner as approved in the October 3 Order. Accordingly, the costs would be allocated to the classes based on an across-the-board change which impacts the base revenues for each class by the same percentage. In determining the base volumetric revenue for each class and the rate to be effective each October, the associated volumes will be based on the weather normalized forecast for the upcoming annual period of October through September.

#### **Proposed Effective Date**

18. Petitioner proposes that the Board approve the AIP and associated infrastructure cost recovery on or before February 24, 2009, or in the shortest practical time frame, within the law.

**Public Notice**

19. NJNG will provide notice of this filing to all of its customers through the publication of a notice in newspapers of general circulation. A copy of the draft public notice is provided in Exhibit 3. In addition, NJNG will give notice of any future increase in rates and modification of its Tariff related to this Petition to all of its customers through the publication of notice in the newspapers of general circulation, coincident with the notice related to the annual BGSS filing.

Notice this filing will be served electronically upon the Division of Law and upon the Director, Division of Rate Counsel, Department of the Public Advocate. Moreover, copies of the Company's filing will be available at each of NJNG's Customer Service Centers.

**Miscellaneous**

20. In light of the expeditious nature of this filing, Petitioner respectfully requests a waiver of the informational filing requirements set forth in N.J.A.C. 14:1-5.12(a) (1) through (5), and a waiver of any and all other applicable Board filing requirements as may be necessary to enable the Board to grant the relief requested herein in the shortest practical time frame, within the law. Additionally, NJNG requests that the Board retain this filing for review on an expedited basis, to meet the State goals for infrastructure development more expeditiously.

**WHEREFORE**, Petitioner requests that the Board:

(1) re-open NJNG's most recent base rate case for the sole purpose of considering the AIP program and the cost recovery mechanism included herein;

(2) authorize and approve the AIP and the related infrastructure cost recovery mechanism, pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and 48:2-23, on or before February 24, 2009, or in the shortest practical time frame, within the law;

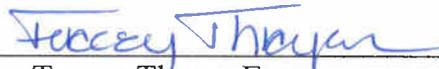
(3) waive the informational filing requirements of N.J.A.C. 14:1-5.12(a) (1) through (5), and any and all other applicable Board filing requirements as may be necessary to enable the Board to grant the relief requested herein; and

(4) grant such other and further relief as may be required.

Respectfully submitted,

New Jersey Natural Gas Company

By



Tracey Thayer Esq.

Director, Regulatory Affairs Counsel  
New Jersey Natural Gas Company

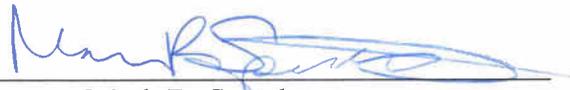
STATE OF NEW JERSEY )  
:  
COUNTY OF MONMOUTH)

**VERIFICATION**

MARK R. SPERDUTO of full age, being duly sworn according to law, on his oath deposes and says:

1. I am Vice President, Regulatory Affairs for New Jersey Natural Gas Company, the Petitioner in the foregoing Petition.

2. I have read the annexed Petition, along with the Exhibits attached thereto, and the matters and things contained therein are true to the best of my knowledge and belief.



Mark R. Spurduto

Sworn and subscribed to )  
before me this 19<sup>th</sup> day )  
of January, 2009 )



**LISA HAMILTON**  
**NOTARY PUBLIC FOR NEW JERSEY**  
Commission Expires: January 4, 2010



## **NJNG Capital Investment Projects**

### **Morris County**

#### **Project: Hanover Line Replacement**

**Estimated Cost:** \$21.0 million

**Description:** Replacement of existing 8 miles of 8" steel transmission main, vintage 1960's, with 12" steel main. The line delivers gas from a Texas Eastern (TE) Gate Station, and is a major supply to our Northern Division in Morris County. Capacity improvement will be obtained by installing a 12" main operating at higher pressures. The main runs through very rough terrain from the TE Gate Station at Columbia Turnpike & Route 24 in Hanover Township, northwest along Park Avenue, Cedar Knolls Road, Boulevard Road, Malapardis Road to Route 10, then continues along Route 10 terminating at Park Avenue - Denville Station.

**Estimated Start Date:** Construction Mid-2010 (Design Mid-2009)

**Estimated Complete Date:** Mid-2011

#### **Project: Thatcher Line Replacement**

**Estimated Cost:** \$5.7 million

**Description:** Replacement of approximately 4 miles of 8" steel main with 12" steel main. This main is a primary system of the Northern Division distribution system in Morris County. The main begins at the Rockaway / Dover Township border and continues west along Route 46, including various roads through Dover. The main continues northwest into Wharton Borough, running along a railroad right-of-way ending at Main Street in Wharton.

**Estimated Start Date:** Construction Late-2010 (Design Late-2009)

**Estimated Complete Date:** Mid-2011

#### **Project: Flanders System Reinforcement**

**Estimated Cost:** \$1.3 million

**Description:** Installation of approximately 2 miles of 8" plastic distribution main for system reliability in Mount Olive Township, Morris County. This distribution system is located in the most western portion of the Northern Division Morris County. The proposed route begins at Flanders Road, east of Marilyn Terrace and continues west along Flanders Road to Mt. Olive Road. The main then continues north along Route 46 ending at Netcong Road, Mount Olive Township.

**Estimated Start Date:** Construction Mid-2010

**Estimated Complete Date:** Late-2010

**Monmouth County**

**Project: Franklin Trunk Line Replacement**

**Estimated Cost:** \$6.5 million

**Description:** Replacement of 10” steel main, vintage 1940’s, with 16” steel main. The main runs along various roads and right-of-way from Eatontown to Long Branch, Monmouth County, and is approximately 3.5 miles in length.

**Estimated Start Date:** Construction early-2010, pending easement acquisitions.

**Estimated Complete Date:** Mid-2011

**Project: Route 36 Pump System Reinforcement**

**Estimated Cost:** \$1.3 million

**Description:** Replacement of approximately 1 mile of 8” bare steel distribution main, vintage 1930’s, with a 12” steel main. The system is the primary backbone of the Bayshore distribution system in Monmouth County. This main runs along Route 36, from Laurel Avenue in Hazlet Township, east to Main Street in Middletown.

**Estimated Start Date:** Construction Late-2010 (Design Early-2010)

**Estimated Complete Date:** Early-2011

**Project: Western Freehold Regulator Station**

**Estimated Cost:** \$1.2 million

**Description:** Installation of a new regulator station for supply and reliability to the distribution system of western Freehold Township, Monmouth County, due to continued growth in the area. The Station is being planned in the vicinity of Route 527 & Route 537, pending land and easement acquisition.

**Estimated Start Date:** Construction Late-2009 (Design Mid-2009)

**Estimated Complete Date:** Mid-2010

**Project: Northern Howell System Reinforcement (Adelphia-Farmingdale)**

**Estimated Cost:** \$1.0 million

**Description:** Replacement of approximately 2.8 miles of 3” bare steel distribution main, vintage 1930’s, with a 6” plastic main. The main is a primary feed of the northern Howell distribution system. The Project route runs, in segments, along Route 547 (Adelphia-Farmingdale Road) from Halls Mills Road, Freehold Township, and east to Colts Neck Road, Farmingdale.

**Estimated Start Date:** Construction Late-2009 (Design Mid-2009)

**Estimated Complete Date:** Early-2010

**Ocean County**

**Project: Toms River Loop**

**Estimated Cost:** \$16.1 million

**Description:** Installation of approximately 6.5 miles of 24" steel transmission main in Manchester & Toms River Townships, Ocean County. This main will provide a secondary feed for system reliability to southern Ocean County that is currently reliant on a single 12" steel main. The route runs along Route 70, starting at Route 527 continuing southwest to a right-of-way running parallel to Route 37 and ending at the Toms River Station.

**Estimated Start Date:** Construction Mid-2010 (Design Mid-2009)

**Estimated Complete Date:** Mid-2011

**Project: Ocean County - Backbone System Expansion**

**Estimated Cost:** \$6.5 million

**Whiting/Manchester Township Project Description:** Installation of approximately 3.5 miles of 12" steel main and 2.25 miles of 8" plastic distribution main in the Whiting area of Manchester Township, Ocean County. The first main segment runs along Route 530 from Schoolhouse Road to Township Line Road. The next segment continues along Route 614 (Lacey Road) from route 530 to Schoolhouse Road. The final segment then continues along Lake Road from Route 530 and loops the Roosevelt City Development along Coolidge Avenue to Route 539, and back to Route 530.

**Egg Harbor Township Project Description:** Installation of approximately 3 miles of 8" plastic distribution main. This main will provide reliable gas service to the southern most portions of Ocean County. The main will run along Route 9, from Mathistown Road, Little Egg Harbor Township, Ocean County, south to Bass River Township, Burlington County

**Stafford Township Project Description:** Installation of approximately 4,500 feet of 8" plastic distribution main in Stafford Township. The main will run parallel along Route 72 providing gas service to portions of Stafford Township west of the Garden State Parkway.

**Estimated Start Date:** Construction Mid - 2009

**Estimated Complete Date:** Late-2009 to Mid-2010

**Project: Route 35, Bay Head Replacement**

**Estimated Cost:** \$3.0 million

**Description:** Replacement of approximately 3.5 miles of 8" bare steel distribution main, vintage 1930's, with a 12" steel main. The main is the primary system of the Point Pleasant - Seaside distribution system, and is being replaced prior to the repaving / reconstruction of Route 35 by the NJDOT. The main runs along Route 35 from Johnson Street, Bay Head and continues South to Bay Lane, South Mantoloking Beach (Brick Twp), Ocean County.

**Estimated Start Date:** Construction Late-2009 (Design Mid-2009)

**Estimated Complete Date:** Mid-2010

**Project: Lakehurst System Reinforcement**

**Estimated Cost:** \$2.3 million

**Description:** Installation of approximately 1.25 miles of 16" steel main to reinforce the Lakehurst-Whiting distribution system and improve system reliability in the area. The main runs along Route 70 from Route 547 west to the Lakehurst Circle, Lakehurst, Ocean County.

**Estimated Start Date:** Construction Late-2010 (Design Early-2010)

**Estimated Complete Date:** Early 2011

**Project: Jackson Regulator Station**

**Estimated Cost:** \$1.8 million

**Description:** Installation of a new regulator station for supply and reliability to the distribution system of Jackson Township, Ocean County as a result of continued growth in the western portion of Monmouth County. The Station is being planned in the vicinity of Route 526 & Route 527, pending land and easement acquisition.

**Estimated Start Date:** Construction Early-2010 (Design Late-2009)

**Estimated Complete Date:** Mid-2010

**Project: Long Beach Island System Reinforcement**

**Estimated Cost:** \$1.7 million

**Description:** Installation of approximately 2.2 miles of 12" steel main to reinforce system reliability of Long Beach Island. Existing inlet pressure to the single feed regulator station serving this area requires pressure improvement. The main route runs along Hilliard Boulevard from Route 9 to Route 180, Stafford Township, Ocean County.

**Estimated Start Date:** Construction Late-2009 (Design Mid-2009)

**Estimated Complete Date:** Mid-2010

**Project: Lakewood Regulator Station Replacement**

**Estimated Cost:** \$1.5 million

**Description:** Replacement of the existing Regulator Station located in a residential area of Lakewood Township, Ocean County to insure system integrity and reliability. The Station is being planned in the vicinity of Hope Chapel Road or Clearstream Road, pending land and easement acquisition.

**Estimated Start Date:** Construction Late-2010 (Design Late-2009)

**Estimated Complete Date:** Mid-2011

ID	County	Task Name	Duration	Start	Timeline																
					Qtr 4	1st Half		2nd Half		1st Half		2nd Half		1st Half		2nd Half					
						Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4				
1	Morris County	<b>Hanover Line Replacement</b>	<b>522 days</b>	<b>Tue 9/1/09</b>																	
2		Design	261 days	Tue 9/1/09																	
3		Construction	261 days	Wed 9/1/10																	
4		<b>Thatcher Line Replacement</b>	<b>456 days</b>	<b>Thu 10/1/09</b>																	
5		Design	217 days	Thu 10/1/09																	
6		Construction	239 days	Mon 8/2/10																	
7		<b>Flanders System Reinforcement</b>	<b>370 days</b>	<b>Mon 8/3/09</b>																	
8		Design	216 days	Mon 8/3/09																	
9		Construction	154 days	Tue 6/1/10																	
10	Monmouth County	<b>Franklin Trunk Line Replacement</b>	<b>565 days</b>	<b>Wed 4/1/09</b>																	
11		Design	283 days	Wed 4/1/09																	
12		Construction	261 days	Tue 6/1/10																	
13		<b>Route 36 Pump System Reinforcement</b>	<b>261 days</b>	<b>Fri 1/1/10</b>																	
14		Design	195 days	Fri 1/1/10																	
15		Construction	66 days	Fri 10/1/10																	
16		<b>Western Freehold Regulator Station</b>	<b>325 days</b>	<b>Wed 7/1/09</b>																	
17		Design	130 days	Wed 7/1/09																	
18		Construction	152 days	Mon 3/1/10																	
19		<b>Northern Howell System Reinforcement</b>	<b>241 days</b>	<b>Mon 6/1/09</b>																	
20		Design	108 days	Mon 6/1/09																	
21		Construction	131 days	Mon 11/2/09																	
22	Ocean County	<b>Toms River Loop</b>	<b>544 days</b>	<b>Mon 6/1/09</b>																	
23		Design	283 days	Mon 6/1/09																	
24		Construction	261 days	Thu 7/1/10																	
25		<b>Ocean County - Backbone System Expansion</b>	<b>414 days</b>	<b>Mon 3/2/09</b>																	
26		Whiting Design	240 days	Mon 3/2/09																	
27		Whiting Construction	327 days	Wed 7/1/09																	
28		Bass River Design	131 days	Wed 4/1/09																	
29		Bass River Construction	130 days	Thu 10/1/09																	
30		Stafford Design	109 days	Fri 5/1/09																	
31		Stafford Construction	83 days	Mon 8/3/09																	
32		<b>Route 35 Bay Head Replacement</b>	<b>261 days</b>	<b>Wed 7/1/09</b>																	
33		Design	153 days	Wed 7/1/09																	
34		Construction	108 days	Mon 2/1/10																	
35		<b>Lakehurst System Reinforcement</b>	<b>325 days</b>	<b>Fri 1/1/10</b>																	
36		Design	195 days	Fri 1/1/10																	
37		Construction	130 days	Fri 10/1/10																	
38		<b>Long Beach Island System Reinforcement</b>	<b>349 days</b>	<b>Mon 6/1/09</b>																	
39		Design	218 days	Mon 6/1/09																	
40		Construction	131 days	Thu 4/1/10																	
41		<b>Jackson Regulator Station</b>	<b>218 days</b>	<b>Thu 10/1/09</b>																	
42		Design	107 days	Thu 10/1/09																	
43		Construction	88 days	Thu 4/1/10																	
44		<b>Lakewood Regulator Station Replacement</b>	<b>456 days</b>	<b>Thu 10/1/09</b>																	
45		Design	261 days	Thu 10/1/09																	
46		Construction	195 days	Fri 10/1/10																	

Project: Stimulus Projects 2009\_revised  
Date: Fri 1/16/09

Task Progress Summary External Tasks Deadline

Split Milestone Project Summary External Milestone

NEW JERSEY NATURAL GAS COMPANY  
NJNG WEIGHTED AVERAGE COST OF CAPITAL

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	<u>Amount (millions)</u>	<u>Percent</u>	<u>Embedded Cost</u>	<u>Weighted Cost</u>
Long-Term Debt	\$411,344	41.63%	5.440%	2.26%
Short-Term Debt	66,000	6.68%	2.900%	0.19%
Customers' Deposits	<u>4,447</u>	<u>0.45%</u>	4.790%	<u>0.02%</u>
Total Debt	<u>\$481,791</u>	<u>48.76%</u>		<u>2.48%</u>
Common Equity	<u>506,332</u>	<u>51.24%</u>	10.300%	<u>5.28%</u>
<b>Total</b>	<b><u><u>\$988,123</u></u></b>	<b><u><u>100.00%</u></u></b>		<b><u><u>7.76%</u></u></b>

**NEW JERSEY NATURAL GAS COMPANY**  
**NJNG ADJUSTED WEIGHTED AVERAGE COST OF CAPITAL**

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	<u>Amount</u> (millions)	<u>Percent</u>	<u>Embedded</u> <u>Cost</u>	<u>Weighted</u> <u>Cost</u>	<u>Net of Tax</u>	<u>Pre-Tax</u>
Long-Term Debt	\$411,344	41.63%	7.750%	3.23%	0.00%	3.23%
Short-Term Debt	66,000	6.68%	2.900%	0.19%	0.00%	0.19%
Customers' Deposits	<u>4,447</u>	<u>0.45%</u>	4.790%	<u>0.02%</u>	<u>0.00%</u>	<u>0.02%</u>
Total Debt	\$481,791	48.76%		3.44%	0.00%	3.44%
Common Equity	<u>506,332</u>	<u>51.24%</u>	10.300%	<u>5.28%</u>	<u>5.28%</u>	<u>8.96%</u>
<b>Total</b>	<b><u><u>\$988,123</u></u></b>	<b><u><u>100.00%</u></u></b>		<b><u><u>8.72%</u></u></b>	<b><u><u>5.28%</u></u></b>	<b><u><u>12.40%</u></u></b>

**NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS**  
**Docket Nos. GR07110889 and GR0901\_\_\_\_\_**

**NOTICE OF FILING AND PUBLIC HEARING**

**TO OUR CUSTOMERS:**

**PLEASE TAKE NOTICE** that on January 20, 2009, New Jersey Natural Gas (NJNG or the Company) submitted a filing with the New Jersey Board of Public Utilities (Board) seeking approval for an Accelerated Infrastructure Investment Program (AIP) and approval of necessary rate and tariff changes associated with the AIP.

As proposed by the Company, approval of the AIP would permit the Company to expedite certain capital infrastructure projects and make an annual adjustment to the Company's base rates to reflect the expenses associated with such work. The proposal covers anticipated, ordinary capital expenditures over an approximate two year period, or as of the date the relevant projects are completed. These projects will, among other things, maintain the reliability of NJNG's distribution and transmission system.

At this time, the Company is requesting Board approval to initiate this program and, if approved, there is no immediate impact on customers' rates. However, the proposal would increase current rates after the initial year of program implementation as the costs of infrastructure investments are included in base rates. The magnitude of any increase depends on the actual projects completed and the associated recovery costs of those projects. Any future impact on customers will be determined at a later date by the Board after a subsequent filing by NJNG. Any final disposition of this matter found by the Board to be just and reasonable may result in an upward or downward impact on a customer's bill from the proposal filed by NJNG.

The Board has the statutory authority to approve the AIP and establish the related changes to base rates at levels it finds just and reasonable. Therefore, the Board may establish the new rates at levels other than those proposed by NJNG.

**PLEASE TAKE NOTICE** that the Board has scheduled a public hearing on this petition, although there is no change in NJNG rates proposed at this time, at the following date, time and place:

February ???, 2009  
Freehold Borough Municipal Building  
Council Room  
51 W. Main Street  
Freehold, NJ 07728

The public is invited to attend, and interested persons will be permitted to testify and/or make a statement of their views on the proposed program. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to these hearings to the Board Secretary at the address below. Regardless of whether they attend the hearing, members of the public may submit written comments concerning the Petition to the Board by addressing them to: Kristi Izzo, Secretary, New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102. Copies of the Petition and supporting documents can be reviewed at the NJNG Customer Service Centers or at the New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

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