



Agenda Date: 10/3/07
Agenda Item: 2F

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

ENERGY

IN THE MATTER OF THE PETITION OF)	DECISION AND ORDER
NEW JERSEY NATURAL GAS COMPANY)	APPROVING STIPULATION
FOR THE ANNUAL REVIEW AND)	FOR PROVISIONAL RATES
REVISION OF ITS BASIC GAS SUPPLY)	
SERVICE (BGSS) FOR FISCAL YEAR 2008)	DOCKET NO. GR07060358
IN THE MATTER OF THE PETITION OF)	
NEW JERSEY NATURAL GAS COMPANY)	
FOR THE ANNUAL REVIEW OF ITS)	
CONSERVATION INCENTIVE PROGRAM (CIP))	DOCKET NO. GR07060359
FOR FISCAL YEAR 2008)	

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND

In accordance with the New Jersey Board of Public Utilities ("Board") January 6, 2003 Order in Docket No. GX01050304, New Jersey Natural Gas Company ("Petitioner," "Company," or "NJNG") filed its annual Basic Gas Supply Service ("BGSS") petition with the Board on June 1, 2007. The Company's petition sought to implement, effective October 1, 2007, its Periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism of

\$1.0433¹ per therm after taxes. The BGSS year is for the twelve months ended September 30, 2008. Additionally, on the same date, the Company filed a petition seeking to (1) establish its initial after-tax Conservation Incentive Program ("CIP")² recovery rates as and (2) decrease its Weather Normalization Clause ("WNC") rate from \$0.0373 per therm after taxes to \$0.0102 per therm after taxes.

The June 1, 2007 petition proposed to establish CIP charges and credits for Residential Non-Heat Customers, Residential Heat Customers, and for Commercial Customers, resulting in a total charge of approximately \$14.3 million. The non-weather related component of the CIP would be approximately \$6.4 million. This increase in revenue would be offset by a related after-tax BGSS gas supply cost reduction of \$11.4 million. The decrease in annual revenue to the Company from its proposed WNC decrease would be approximately \$17.5 million. The net annual revenue decrease to the Company would be approximately \$3.3 million. The combined proposed changes in the Company's CIP and WNC rates would result in a net decrease of approximately 0.3 percent or \$.43 per month after tax to the total bill of an average residential heating customer utilizing 100 therms per month.

On August 13, 2007, the Company filed an amended CIP Petition, proposing to (1) revise its proposed initial CIP rates, and (2) eliminate its request to modify the WNC rate. . The resulting total increase in annual revenue to the Company from its proposed CIP rate would be approximately \$16.7 million. The non-weather component of the revenue increase would be approximately \$7.9 million compared to BGSS savings of \$11.4 million.

On August 24, 2007, the Company filed an amended BGSS petition proposing to revise its current BGSS rate from \$1.0974 per therm after taxes to \$1.0433 per therm after taxes. The Company made no revision of its proposed CIP recovery rates indicated in its August 13 Petition. The annual revenue decrease to the Company from its BGSS rate change would be approximately \$27 million. The Company's proposed decrease of its BGSS rate would result in a decrease of approximately 3.6 percent or \$5.41 per month after tax, to the average NJNG

¹The rate of \$1.0433 reflected a proposed rate decrease, now indicated in the Company's Amended Filing of August 24, 2007.

² The CIP was approved by the Board in Docket No. GR05120120 in Board Order dated October 12 and December 12, 2006 ("CIP Order"). The CIP permits the Company to encourage customers to conserve energy without incurring a financial penalty related to decreased sales volumes, and provides for a rate adjustment related to changes in average use per customer when compared to a pre-established benchmark. The non-weather related CIP surcharges are limited to corresponding decreases in specific gas supply related costs incorporated in the Company's BGSS rates. The CIP surcharge is also subject to a ROE cap of 10.5 percent.

residential heating customer using 100 therms monthly. The annual revenue increase to the Company from implementation of its initial CIP rates would remain at approximately \$16.7 million. The impact of the Company's proposed revised CIP rate would remain at an increase of approximately 1.7 percent or \$2.61 per month after tax, to the average NJNG residential heating customer using 100 therms monthly. The Company's combined proposed rate changes would result in a net annual revenue decrease of approximately \$10.3 million. The Company's net proposed rate changes would result in a decrease of approximately 1.8 percent or \$2.80 per month after tax, to the average NJNG residential heating customer using 100 therms monthly.

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") on October 1, 2007, the Parties entered into the attached Stipulation for Provisional BGSS and CIP Rates ("Stipulation for Provisional Rates") dated October 1, 2007.. The attached Stipulation for Provisional Rates solely addresses establishing new provisional BGSS and CIP rates for the Company. The remaining issues will be addressed in the normal course of business. Among the provisions in the Stipulation is the agreement that additional time is needed by the Parties to allow for a complete review of the Company's 2007 BGSS and CIP filings. In addition, the Parties recommend that pending their review and final determination by the Board, it would be reasonable for the Board to authorize on a provisional basis, subject to refund and interest on any net over-recovered BGSS balance, the Company's proposed decrease in its BGSS rates and proposed establishment of its initial CIP rates. The Parties agree that a price decrease in NJNG's BGSS rates and establishment of NJNG's CIP rates on a provisional basis, are reasonable at this time so that NJNG's customers may receive the benefit of the net price decrease.

The Parties agree that the Company's above request for provisional implementation of its periodic BGSS rates and CIP rates should be effective October 3, 2007. The above-referenced BGSS and CIP rate filings were transmitted to the Office of Administrative Law ("OAL") on July 5, 2007 and assigned to Administrative Law Judge ("ALJ") Douglas Herd for an opportunity for full review at the OAL and subsequent final Board approval. Upon be advised that the Parties entered into stipulation that resulted in a rate decrease, pursuant to N.J.A.C. 1:1-3.3(a) the Board requested the return of the instant dockets from the OAL for the sole purpose of consideration of the Stipulation for Provisional Rates at its October 3, 2007 agenda meeting. All other aspects of these dockets, including final review of any interim rates that may be approved by the Board, will continue to be heard at the OAL.

On September 18, 2007 a public hearing in this matter was held in Freehold, New Jersey. The public notice also advised customers that the Board granted the Company the discretion to self-implement an increase in its BGSS rates to be effective December 1st of this year and/or February 1st of next year, with each increase capped at 5 percent of the total NJNG residential bill. The public notice also stated that the Company is permitted to decrease its BGSS rate at

any time upon two weeks' notice to the Board and Rate Counsel. No members of the public appeared at the public hearings to provide comments related to the Company's request to decrease its periodic BGSS rates or establish its initial CIP rates.

After the exchange of discovery and settlement discussions, the Parties entered into the attached Stipulation for Provisional Rates dated October 1, 2007. The Stipulation provides for BGSS/CIP rates that would produce a net decrease in the Company's annual revenue in the amount of \$10.3 million.

STIPULATION FOR PROVISIONAL RATES

The key provisions of the Stipulation are as follows:

- 1) The Parties have determined that additional time is needed to complete the review of NJNG's proposed BGSS rate, CIP rates, and related issues. However, the Parties also agree that the implementation of the proposed BGSS price decrease and CIP factor, on a provisional basis, are reasonable at this time.
- 2) The Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it would be both reasonable and in the public interest for the Board to authorize the proposed decrease in the periodic BGSS rate to \$1.0433 per therm after tax and the implementation of the proposed CIP rates, on a per therm after tax basis, of \$0.0126 for Group I Residential Non-Heat Customers, \$0.0261 for Group II Residential Heat Customers, and \$0.0248 for Group III Commercial Customers, effective October 3, 2007, or as of a later date should the Board so decide. The BGSS and CIP price changes would be on a provisional basis, subject to refund with interest on any net BGSS over-recovery, an opportunity for a full review at the OAL, if necessary, and final approval by the Board. The stipulated change represents an overall decrease from current rates of approximately 1.8 percent, or \$2.80 per month, for a typical residential sales service customer using 100 therms per month. This action will lead to a decrease in annual revenue to NJNG of approximately \$10.3 million.

DISCUSSION AND FINDINGS

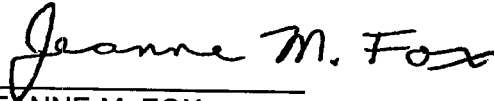
The Board, having carefully reviewed the record to date in this proceeding and the attached Stipulation, HEREBY FINDS that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein. The Board HEREBY APPROVES on a provisional basis, the Company's implementation of a decrease in the Company's after-tax per-therm BGSS rate to \$1.0433 effective October 3, 2007. The Board

HEREBY APPROVES on a provisional basis, the Company's implementation of after-tax per-therm CIP rates of \$0.0126 for Group I Residential Non-Heat Customers, \$0.0261 for Group II Residential Heat Customers, and \$0.0248 for Group III Commercial Customers, effective October 3, 2007. Any net over-recovery on the BGSS at the end of the BGSS period shall be subject to refund with interest.

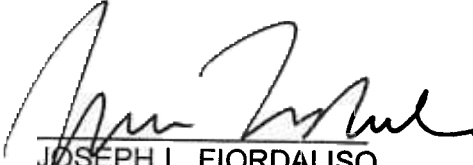
The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within ten (10) business days from the effective date of this Order. The Company's gas costs will remain subject to audit by the Board. This decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 10/3/07


BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

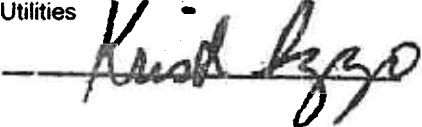

FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
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 2008
Docket No. GR07060358

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 2008
Docket No. GR07060359

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

IN THE MATTER OF THE PETITION OF)	
NEW JERSEY NATURAL GAS COMPANY)	
FOR THE ANNUAL REVIEW AND)	BPU DOCKET NO. GR07060358
REVISION OF ITS BASIC GAS SUPPLY)	
SERVICE (BGSS) FOR F/Y 2008)	
AND)	AND
THE ANNUAL REVIEW OF ITS)	BPU DOCKET NO. GR07060359
CONSERVATION INCENTIVE PROGRAM)	
FOR F/Y 2008		OAL DOCKET NO. 06101-2007S

STIPULATION FOR PROVISIONAL RATES

APPEARANCES:

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

Henry M. Ogden, Esq. and Sarah H. Steindel, Esq., Assistant Deputy Public Advocates, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen,** Public Advocate, **Kimberly K. Holmes,** Acting Director)

Arlene Pasko and Alex Moreau, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram,** Attorney General of New Jersey)

TO: THE HONORABLE DOUGLAS H. HURD, ADMINISTRATIVE LAW JUDGE
and
THE NEW JERSEY BOARD OF PUBLIC UTILITIES

1. New Jersey Natural Gas Company ("NJNG") filed a petition in Docket No. GR07060358 on June 1, 2007, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") accept NJNG's annual reconciliation filing for its Basic Gas Supply Service ("BGSS") for the NJNG BGSS year of October 1, 2007 through September 30, 2008. That petition was amended on August 24, 2007, requesting that the BPU approve a decrease in NJNG's periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing

Mechanism by \$0.0541 per therm after tax, effective October 3, 2007, thereby decreasing NJNG's BGSS after tax rate of \$1.0974 per therm to \$1.0433 per therm.¹ This change represents a decrease of approximately \$5.41 per month, or 3.6 percent, for the average residential sales heating customer using 100 therms per month. The projection of NJNG's under-/over-recovery of natural gas costs was based on market conditions as of the time of the June 1, 2007 filing with a proposed one-year BGSS recovery period. This proposal will result in an after-tax decrease of \$27.0 million (\$25.2 million on a pre-tax basis) to annual BGSS-related revenues.

2. Also on June 1, 2007, the Company submitted its first annual Conservation Incentive Program ("CIP") filing for fiscal year 2008, October 1, 2007 through September 30, 2008. That petition was amended on August 13, 2007, requesting that the BPU approve the implementation of after-tax per therm CIP factors of \$0.0126 for Group I Residential Non-Heat customers, \$0.0261 for Group II Residential Heat customers, and \$0.0248 for Group III Commercial customers effective as of October 3, 2007. This request results in an increase of approximately \$2.61, or 1.7 percent per month, to the average residential heating customer. The impact to the average residential non-heat customer is an increase of 0.75% per month and to the average commercial customer is an increase of 1.7% per month. This proposal will result in an after-tax increase of \$16.66 million (\$15.6 on a pre-tax basis) to annual CIP-related revenues. The non-weather related component of the revenue after-tax increase will be \$7.9 million (\$7.4 million on a pre-tax basis) compared to related after-tax BGSS gas supply cost reductions of \$11.4 million (\$10.6 million on a pre-tax basis). The resulting overall decrease in annual after-

¹ 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.

tax revenue resulting from the BGSS reductions and CIP-related revenues is approximately \$10.3 million (\$9.6 million on a pre-tax basis).

3. A public hearing on these petitions was held on September 18, 2007, in Freehold Borough, New Jersey. No members of the public appeared.

4. Representatives of NJNG, Board Staff and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (the Parties), the only Parties to these proceedings, have discussed certain matters at issue in these proceedings. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of NJNG's proposed BGSS rate, the CIP rate and other aspects of the Company's BGSS and CIP petitions. However, the Parties also agree that the implementation of the proposed BGSS price decrease and the proposed CIP factor, on a provisional basis, is reasonable at this time. The combined impact of the BGSS and CIP price changes on the average residential sales heating customer using approximately 100 therms per month is a decrease of \$2.80, or 1.8 percent per month.

5. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it would be both reasonable and in the public interest for the Board to authorize the proposed decrease in the Company's periodic BGSS rate to \$1.0433 per therm after tax and the implementation of the proposed per therm after tax CIP rates of \$0.0126 for Group I Residential Non-Heat customers, \$0.0261 for Group II Residential Heat customers, and \$0.0248 for Group III Commercial customers, effective as of October 3, 2007, or as of a later date should the Board so decide. This BGSS price decrease and the CIP price increase are on a provisional basis, subject to refund with interest on any net BGSS and/or CIP over-recovery, an opportunity for a full review at the Office of Administrative Law, if

necessary, and final approval by the Board. The stipulated change represents an overall decrease from the rates currently in effect of approximately 1.8%, or \$2.80 per month for a typical residential sales service customer using 100 therms per month. The overall impact to the average residential non-heat sales customer is a decrease of 2.4% and to the average small commercial sales customer is a decrease of approximately 2%. This action will lead to a decrease in annual revenue to NJNG of approximately \$10.3 million.

6. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

7. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

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

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS
PETITIONER**

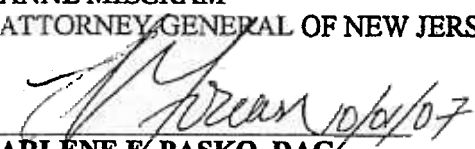
TRACEY THAYER, ESQ.
New Jersey Natural Gas

**DEPARTMENT OF THE PUBLIC ADVOCATE
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DIVISION OF RATE COUNSEL
KIMBERLY K. HOLMES, ACTING DIRECTOR**

HENRY M. OGDEN, ESQ.
ASSISTANT DEPUTY PUBLIC ADVOCATE

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

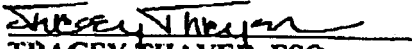
By:


**ARLENE E. PASKO, DAG
ALEX MOREAU, DAG**

September , 2007

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS
PETITIONER**

By: 
TRACEY THAYER, ESQ.
New Jersey Natural Gas

**DEPARTMENT OF THE PUBLIC ADVOCATE
RONALD K. CHEN, PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL
KIMBERLY K. HOLMES, ACTING DIRECTOR**

By:  *October 1, 2007*
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ASSISTANT DEPUTY PUBLIC ADVOCATE

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

By: _____
**ARLENE E. PASKO, DAG
ALEX MOREAU, DAG**

Date: September , 2007