



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

DIVISION OF ENERGY

IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY)
FOR THE ANNUAL REVIEW AND REVISION)
OF ITS SOCIETAL BENEFITS CLAUSE)
("SBC") FACTORS AND THE WEATHER)
NORMALIZATION CLAUSE (WNC) FACTOR FOR)
THE 2004-2005 WINTER PERIOD)

**ORDER ADOPTING
STIPULATION**

DOCKET NO. GR05100846

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND

On September 30, 2005, New Jersey Natural Gas Company ("NJNG" or "Company") filed: (1) a petition with the Board of Public Utilities ("Board" or "BPU") for the approval of proposed changes in its Societal Benefits Clause ("SBC") factors ("the 2005 SBC filing") to be effective January 1, 2006; and (2) the Company's annual Weather Normalization Clause ("WNC") final calculation and supporting documentation for the 2004-2005 winter period ("the 2004-2005 WNC filing").

The 2005 SBC filing proposed to decrease the Remediation Adjustment Clause ("RAC") Factor, to increase the New Jersey Clean Energy Program ("NJCEP") factor, to increase the Transportation Initiation Clause ("TIC") factor, to eliminate the Consumer Education Program ("CEP") factor and to maintain the existing statewide Universal Service Fund ("USF") factor. Overall, the Company's proposed modifications to these components of the SBC would result in no rate change to the Company's total SBC factor. The Company also proposed to recover lost revenues related to energy savings measures installed prior to December 31, 2003. The Company proposed that lost revenues be recovered through a reduction to NJNG's Market Development Fund ("MDF"). The Company's 2004-2005 WNC filing reflects a \$2.1 million margin excess owed to customers. According to the Company, the \$2.1 million margin excess was due to colder than normal weather for the 2004-2005 winter period (October 1, 2004 through May 31, 2005).

On October 25, 2006, the Company made its annual SBC filing in Docket No. GR06100746 for calendar year 2007, and its annual WNC filing in Docket No. GR06100747 for the 2005-2006

Winter Period (October 1, 2005 through May 31, 2006) ("2006 Case"). NJNG proposed that 1) individual rate components requested in the 2005 Case be addressed in the resolution of the 2006 Case in order to more accurately reflect current balances and more recent projections in the SBC and WNC; 2) the overall rate treatment for the individual SBC components be addressed as part of the 2006 Case and 3) the new rates and rate components proposed in the 2006 case take effect January 1, 2007, on a provisional basis. The Company also proposed in the 2006 Case to apply the WNC margin excess for the 2004-2005 Winter Period of approximately \$2.1 million toward the CEP balance of approximately \$11,000 with the remainder applied to a margin deficiency for the 2005-2006 Winter Period of approximately \$10.3 million, and to increase the WNC factor from \$0.0000 per therm to \$0.00192 per therm (including taxes) on a compressed basis between January 1, 2007 and ending September 30, 2007, in order to target completed recovery by the beginning of the next heating season.

As a result of proposals contained in its 2006 Case, the Company proposed for purposes of this 2005 Case to 1) maintain its BPU-authorized and approved after-tax overall SBC rate of \$0.0633 per therm which consists of the following rate components: the after-tax RAC rate of \$0.0260 per therm, as approved by Board Order dated April 13, 2006 in Docket No. GR04121565, and as adjusted to reflect a change in New Jersey tax laws, effective July 1, 2006 (\$0.0258 to \$0.0260) will remain constant; no change in NJNG's after-tax CEP rate of \$0.0000 per therm; the statewide, after-tax USF factor (including the Lifeline program) effective November 1, 2006 of \$0.0277 per therm will remain unchanged; no change to the after-tax NJ Clean Energy factor of \$0.0096 per therm, as adjusted for a change in New Jersey tax laws, that took effect July 1, 2006 (\$0.0095 to \$0.0096); NJNG's after-tax TIC factor of \$0.0000 per therm will remain constant; and no change to NJNG's after-tax WNC factor of \$0.0000 per therm.

The 2005 SBC filing and the 2004-2005 WNC filing were retained at the Board and assigned Docket Number GR05100846. No public hearing was necessary because the 2005 SBC filing did not propose any increase in the overall SBC rate and the 2004-2005 WNC filing resulted in money owed to customers. When the SBC and WNC balances are trued-up, if there is any increase in NJNG's rates associated with the proposed costs contained in the instant docket, it is contingent upon the holding of a public hearing before implementation of the rate increase.

After the exchange of discovery and extensive settlement discussions, the Company, Rate Counsel and Board Staff ("the Parties") entered into a Stipulation dated March 9, 2007 ("March 9, 2007 Stipulation"). At its July 27, 2007 agenda meeting, the Board considered and rejected the March 9, 2007 Stipulation. The March 9, 2007 Stipulation is considered null and void.

The Parties then renegotiated the terms of the previously rejected March 9, 2007 Stipulation which resulted in the attached stipulation dated October 2, 2007.

STIPULATION

The key provisions of the October 2, 2007 Stipulation are as follows¹:

¹ The cited paragraphs referenced herein are in the settlement documents. This is only a summary; the full settlement document controls, subject to the Board's findings and conclusions contained herein.

(1) The Company's currently-effective after-tax SBC billing factor, including its RAC, CEP, USF and Lifeline, the NJCEP², WNC, and TIC factors shall continue to remain in effect until changed by further Order of the Board.

a. NJNG's CEP costs (including carrying costs) eligible for recovery through the CEP factor totaled approximately \$11,000.00 as of September 30, 2006. NJNG shall not seek recovery of these CEP costs. Upon Board approval of this stipulation, NJNG shall file revised tariff sheets that conform to the terms and conditions of the Board's Order in the instant docket.

b. NJNG's Clean Energy costs (including carrying costs) eligible for recovery through the New Jersey Clean Energy Program ("NJCEP") totaled approximately \$13.5 million as of December 31, 2006. The current NJCEP component does not provide for rate recovery of all eligible program costs, therefore these costs are included for recovery in the 2006 case.

c. NJNG's TIC costs (including carrying costs) eligible for recovery through the TIC totaled approximately \$213,000 as of December 31, 2006. Because the TIC component of NJNG's SBC is currently set at \$0.000, these costs are included in the 2006 case.

d. NJNG's RAC costs (including carrying costs) eligible for recovery through the RAC factor totaled approximately \$10.9 million as of September 30, 2005. The currently effective \$0.0260 after-tax rate per therm for the RAC component of the SBC will remain unchanged.

2. The Company proposed to reduce its MDF fund by approximately \$1.1 million to reflect lost revenues associated with and relating to energy savings measures installed prior to December 31, 2003. The amount of lost revenues to be recovered by NJNG, if any, will not be determined in this docket and the parties reserved their rights related to this issue for determination in a future base rate proceeding filed by NJNG..
3. Except as noted below, all issues raised by the Company's September 30, 2005 filing relating to the Company's SBC TIC and WNC factors, including RAC factor expenditures incurred by the Company during the period July 1, 2004 through June 30, 2005, and all CEP, USF and Lifeline and NJCEP expenditures included in the filing, have been examined and are resolved.
4. The Company will provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the close of each RAC recovery year, which will include the calculation of actual volumes that recovered the RAC factor and the resultant net expense or credit amount which is to be carried over to the next recovery year. Recovery and adjustment of the RAC Factor shall also continue to be subject to the same conditions as set forth in the Stipulations approved by the Board in its December 21, 1994 "Order Adopting Initial Decision" in Docket No. GR94070333, and its November 22, 1995 "Decision and Order Adopting Initial Decision and Stipulation" in Docket No. GR95090409.
5. The Parties agree that expenditures the Company recovers through the RAC factor are subject to audit. Such audit may be through a review of the Company's Internal Audits

²Formerly designated as Demand Side Management Adjustment Clause ("DSMAC"), or Comprehensive Resource Analysis ("CRA").

conducted in relation to this proceeding or through any other audit mechanism **determined** to be appropriate by the Board.

6. The Company represents that its RAC filing in this proceeding does not include the recovery of any administrative, legal, consulting or other costs associated with Natural Resource Damage ("NRD") claims being investigated by the New Jersey Department of Environmental Protection. Therefore, the Parties stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the rate recoverability under the Company's RAC clause, of NRD damages or related costs, if any. The Parties expressly reserve their rights to argue their respective positions on these and related issues in future proceedings, as appropriate.
7. The Company's instant filing does not include legal costs and litigation expenses associated with the Long Branch Mass Tort litigation and the *Pro Se* Litigation. The Parties stipulate and agree that such expenditures shall not be approved for rate recovery in this docket. The Company shall defer all such legal costs and litigation expenses in a separate RAC sub-account and related issues are addressed in the Stipulation on Reserved Issues in the 2006 case. This 2005 case does not contain costs related to, or the resolution of, issues arising from NJNG's twenty year cost containment insurance policy and a twenty year environmental response compensation and liability insurance policy ("Kemper Policies"). All issues relating to the Kemper Policies are resolved in the Stipulation on Reserved Issues in the 2006 case.
8. Rate Counsel and Staff further reserve the right to review in a future proceeding whether and to what extent the Company's non-assessment of its SBC billing factors to certain non-tariff-based customers is consistent with EDECA, which provides in N.J.S.A. 48:3-60 that the SBC shall be collected as a non-bypassable charge imposed on all electric public utility customers and gas public utility customers, as appropriate; provided, however, that Rate Counsel and Staff agree to defer their review of this issue pending the resolution of NJNG's Management Audit in Docket No. GA05100909, and the New Jersey Energy Master Plan proceeding in which docket and proceeding this same issue is expected to be addressed.
9. Whenever the purchase or sale of real property relating to the Company's former MGP sites is considered by the Company to facilitate the remediation of those sites, or when the Company sells MGP-related property that has been remediated, any such sales or purchases should occur at arms-length and seek to optimize the economic value of the property and thereby minimize the rate impact to the Company's customers.

DISCUSSION AND FINDINGS

The Board, having reviewed the Stipulation in this proceeding, **HEREBY FINDS** it to be reasonable, in the public interest, and in accordance with law. Accordingly, the Board **HEREBY ADOPTS** the attached Stipulation in its entirety and **HEREBY INCORPORATES** the terms and conditions as though set forth herein effective as of the date of this Order.


The Board **HEREBY DIRECTS** the Company to provide a final reconciliation of its annual RAC recovery within ninety (90) days of the completion of each RAC recovery year. This reconciliation will include the calculation of actual volumes which recovered the RAC factor and the resultant net expense or credit amount which is to be carried over to the next RAC recovery year.

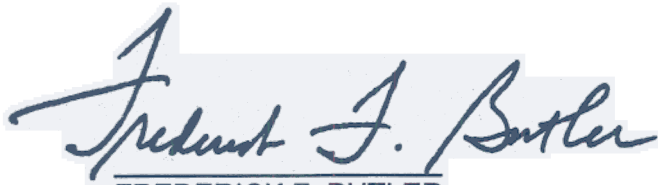
The Board HEREBY DIRECTS the Company to defer all legal costs and litigation expenses associated with the Long Branch Mass Tort litigation in a separate RAC sub-account.

Petitioner's SBC costs shall remain subject to ongoing 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. Nothing herein shall limit the Board from taking any such actions.

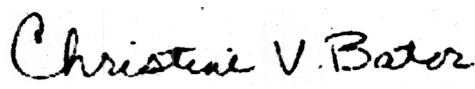
DATED: 10/3/07

BOARD OF PUBLIC UTILITIES
BY:



JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

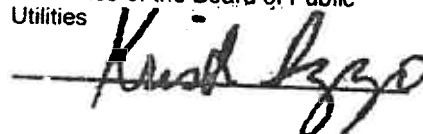

JOSEPH L. FIORDALISO
COMMISSIONER


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 Revision of its Societal Benefits Clause
Factors and the Weather Normalization Clause Factor for the 2004-2005 Winter Period
Docket No. GR05100846

Service List

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

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

Sheila Iannaccone, Chief
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Henry Rich, Supervisor
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

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

Edward Beslow
Legal Specialist
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sarah Steindel, Esq.
Office of the Ratepayer Advocate
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, NJ 07101

Felicia Thomas-Friel, Esq.
Division of the Ratepayer Advocate
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, NJ 07101

Scott Sumliner, Accountant 2
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

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

New Jersey Natural Gas Company
Societal Benefits Charge
Net impact of Proposed Rate Change
BPU, DOCKET NO. GR05100846

(\$/therm)

	Component of	Current		Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
RAC	Delivery Price	0.0243	0.0260	0.0243	0.0260	0.0000	0.0000
TIC	Delivery Price	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
CEP	Delivery Price	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
NJ Clean Energy	Delivery Price	0.0090	0.0096	0.0090	0.0096	0.0000	0.0000
USF	Delivery Price	<u>0.0259</u>	<u>0.0277</u>	<u>0.0259</u>	<u>0.0277</u>	<u>0.0000</u>	<u>0.0000</u>
NET IMPACT		<u>0.0592</u>	<u>0.0633</u>	<u>0.0592</u>	<u>0.0633</u>	<u>0.0000</u>	<u>0.0000</u>

Impact on Residential Heating Customers- Assume 100 therm bill

		1000 therm annual bill per BPU	
Current Prices		Monthly	Report Card
Customer Charge	\$6.60	\$6.60	\$79.20
Delivery	100 \$0.3929	\$39.29	\$392.90
BGSS	100 \$1.0595	\$105.95	\$1,059.50
Total	\$1.4524	\$151.84	\$1,531.60
Proposed Prices			
Customer Charge	\$6.60	\$6.60	\$79.20
Delivery	100 \$0.3929	\$39.29	\$392.90
BGSS	100 \$1.0595	\$105.95	\$1,059.50
Total	\$1.4524	\$151.84	\$1,531.60
Additional Increase in Monthly bill		\$0.00	\$0.00
Increase as a %		0.0%	0.0%

Annual Post-tax SBC revenue

Jurisdictional annual therms 582,373 (000s)

	Projected Revenue at Current Rates \$million	Projected Revenue at Proposed Rates \$million	Change \$million
RAC	\$15.1	\$15.1	\$0.0
TIC	0.0	0.0	0.0
CEP	0.0	0.0	0.0
NJ Clean Energy	5.6	5.6	0.0
USF statewide	16.1	16.1	0.0
SBC IMPACT	<u>\$36.9</u>	<u>\$36.9</u>	<u>\$0.0</u>

**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)
REVISION OF ITS SOCIETAL BENEFITS)
CLAUSE ("SBC") FACTORS AND THE)
WEATHER NORMALIZATION CLAUSE)
(WNC) FACTOR FOR THE 2004-2005
WINTER PERIOD**

**BPU Docket No.
GR05100846**

STIPULATION

APPEARANCES:

Frederick W. Peters, Esq., Law Offices of Frederick W. Peters, and **Tracey Thayer, Esq.**, New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Felicia Thomas-Friel, Esq., Deputy Public Advocate, **Judith B. Appel, Esq.**, Assistant Deputy Public Advocate, and **Henry Ogden, Esq.**, Assistant Deputy Public Advocate, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen**, Public Advocate of New Jersey, **Stefanie A. Brand, Esq.**, Director, Division of Rate Counsel)

Babette Tenzer, Deputy Attorney General, Department of Law & Public Safety- Division of Law- for the Board of Public Utilities (**Anne Milgram**, Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

1. On September 30, 2005 New Jersey Natural Gas Company ("NJNG" or the "Company") filed its annual petition in Docket No. GR05100846 seeking approval from the New Jersey Board of Public Utilities ("BPU" or "Board") of the proposed 2005 Societal Benefits Clause ("SBC") factors and the Weather Normalization ("WNC") clause factors for the 2004-2005 Winter Period ("2005 Cases"). The SBC includes the Remediation Adjustment

("RA") clause, the Universal Service Fund ("USF"), the Consumer Education Program ("CEP"), the New Jersey Clean Energy ("NJ Clean Energy") program.¹ The rate for the Transportation Initiation Clause ("TIC") is also included in this petition.

2. The SBC was established as part of the Electric Discount and Energy Competition Act ("EDECA"), N.J.S.A. 48:3-49 et seq., for the recovery of costs associated with the following activities: RA costs incurred by NJNG for the clean-up of former manufactured gas plant sites; payments to the USF and Lifeline programs, a fund established by the Board to make the cost of electricity and natural gas more affordable to qualifying residential customers in New Jersey; NJNG's allocated share of statewide energy efficiency and renewable energy expenditures through the NJ Clean Energy; and costs related to consumer education programs related to competition through the CEP. Through a separate clause, the TIC rate recovers the costs associated with NJNG's compliance with the statewide Electronic Data Interchange process for communications between electric and natural gas utilities and third party suppliers pursuant to an order dated March 22, 2000 in Docket No. GX99030121 et al.

3. In its 2005 Case, the Company proposed to decrease its RA factor, to increase its NJ Clean Energy and TIC factors, to eliminate its CEP factor, and to make no change to its USF factor. Overall these proposals would have resulted in no rate change to the Company. The Company also proposed to recover certain lost revenues relating to energy savings measures installed prior to December 31, 2003, pursuant to certain language in the Board's Order dated

¹ Formerly designated as Demand Side Management Adjustment Clause ("DSMAC"), or Comprehensive Resource Analysis ("CRA").

December 22, 2004 in Docket No. EX04040276. The lost revenues were to be recovered through a reduction to the Company's Market Development Fund ("MDF").²

4. On September 30, 2005, the Company also filed its annual WNC final calculation and supporting documentation for the 2004-2005 Winter Period. The Company's WNC filing resulted in a total WNC margin excess of approximately \$2.1 million that was owed to customers due to colder than normal weather for the 2004-2005 Winter Period (October 1, 2004 through May 31, 2005).

5. On October 25, 2006, the Company made its annual SBC filing in Docket No. GR06100746 for calendar year 2007, and its annual WNC filing in Docket No. GR06100747 for the 2005-2006 Winter Period (October 1, 2005 through May 31, 2006) ("2006 Case"). As part of the 2006 Case, the Company proposed that the individual rate components requested in the 2005 Case be addressed in the resolution of the 2006 Case in order to more accurately reflect current balances and more recent projections in the SBC and WNC. The Company also proposed that the overall rate treatment for the individual SBC components be addressed as part of the 2006 Case, and that the new rates and rate components proposed therein be made effective January 1, 2007, on a provisional basis. The Company also proposed in the 2006 Case to apply the WNC margin excess for the 2004-2005 Winter Period of approximately \$2.1 million toward the CEP balance of approximately \$11,000 with the remainder applied to a margin deficiency for the 2005-2006 Winter Period of approximately \$10.3 million, and to increase the WNC factor

² The MDF, as initially approved by the Board in an order dated March 30, 2001 in Docket Nos. GX99030121 and GO99030123, was designed to fund certain gas transportation related incentives. The MDF expired by its terms on October 31, 2006 with an unused funding level of approximately \$1.2 million.

from \$0.0000 per therm to \$0.00192 per therm (after tax) on a compressed basis between January 1, 2007 and ending September 30, 2007, in order to target completed recovery by the beginning of the next heating season.

6. In light of the proposals in the 2006 Case, the Company proposed for purposes of this 2005 Case to maintain its BPU-authorized and approved after-tax overall SBC rate of \$0.0633 per therm consisting of the following individual rates: no change to the after-tax RA rate of \$0.0260 per therm, as approved by Board Order dated April 13, 2006 in Docket No. GR04121565, and as adjusted to reflect a change in New Jersey tax laws, effective July 1, 2006 (\$0.0258 to \$0.0260); no change to the after-tax CEP rate of \$0.0000 per therm; no change to the statewide, after-tax USF factor (including the Lifeline program) effective November 1, 2006 of \$0.0277 per therm; no change to the after-tax NJ Clean Energy factor of \$0.0096 per therm, as adjusted for a change in New Jersey tax laws, effective July 1, 2006 (\$0.0095 to \$0.0096); no change to the after-tax TIC factor of \$0.0000 per therm; and no change to the after-tax WNC factor of \$0.0000 per therm. These rates are shown on Attachment A to this Stipulation.

7. The Company's 2005 Case was not transmitted to the Office of Administrative Law nor, given the absence of any proposed change in rates, was a public hearing required under N.J.S.A. 48:2-21. The Company understands that Board approval of the amounts requested by this stipulation, if there is any increase associated with the proposed costs, is contingent upon the holding of a public hearing before implementation.

8. Representatives of NJNG, Board Staff and the New Jersey Department of the Public Advocate, Division of the Rate Counsel ("Rate Counsel") (collectively, the "Parties"), the only parties to these proceedings, have conducted extensive discovery and met to discuss the

matters at issue in these proceedings. A stipulation was executed among the Parties on March 9, 2007 but was not approved by the Board ("March 2007 Stipulation") and, upon Board approval of this Stipulation executed in September 2007 ("September Stipulation"), the March 2007 Stipulation should be considered null and void. The Parties have reached this September Stipulation addressing the issues related to the Company's SBC billing factor, including its related RA, CEP, USF and Lifeline, and NJ Clean Energy, and the Company's WNC, TIC, and MDF factors.

9. Specifically, based upon and subject to the terms and conditions set forth herein, the Parties **STIPULATE AND AGREE** that:

(a) The Company's currently-effective after-tax SBC billing factor, including its RA, CEP, USF and Lifeline, and NJ Clean Energy, and the Company's WNC and TIC factors shall continue to remain in effect until changed by further Order of the Board in the 2006 Case.

(i) NJNG's CEP costs (including carrying costs) total approximately \$11,000 as of September 30, 2006. NJNG shall not seek recovery of these CEP costs. Upon Board approval of this Stipulation, NJNG shall file conforming tariff sheets as necessary to eliminate all references to the CEP component within the Company's tariff;

(ii) NJNG's NJ Clean Energy costs (including carrying costs of approximately \$307,000) eligible for recovery through the NJ Clean Energy factor total approximately \$13.5 million as of December 31, 2006. The NJ Clean Energy rate component currently does not recover all of the eligible costs; these additional costs are included for recovery in the Company's 2006 Case;

NJNG's TIC costs (including carrying costs of approximately \$13,200) eligible for recovery through the TIC total approximately \$213,000 as of December 31, 2006. Since the TIC factor is currently \$0.0000 per therm, these costs are included for recovery in the Company's 2006 Case; and

NJNG's RA costs (including carrying costs of approximately \$2 million) eligible for recovery through the RA factor total approximately \$10.9 million as of September 30, 2005. The \$0.0260 after-tax rate per therm for the RA component of the SBC is not changing at this time.

(b) The Company proposed in the 2005 Case to recover lost revenues relating to energy savings measures installed through the period ending December 31, 2003. The lost revenues were proposed to be recovered through a reduction of \$1,128,714 to the MDF balance due to be returned customers. The parties agree the amount of lost revenues recoverable by NJNG, if any, will not be determined in this proceeding and reserve their rights related to this issue for determination in a future base rate proceeding filed by NJNG.

(c) Except as noted below, all issues raised by the Company's filing herein relating to the Company's SBC, TIC and WNC factors, including RA factor expenditures incurred by the Company during the period July 1, 2004 through June 30, 2005, and all CEP, USF and Lifeline, NJ Clean Energy, and TIC expenditures included in the Company's filing, have been examined and are resolved.

10. The Company agrees to provide a final reconciliation of its annual RA factor recovery within ninety (90) days of the completion of each RA recovery year, which reconciliation will include the calculation of actual volumes that recovered the RA factor and the

resultant net expense or credit amount which is to be carried over to the next recovery year. Recovery and adjustment of the RA Factor is subject to the Parties' review of NJNG's RA expenditures and reconciliation thereof in NJNG's 2006 Case. Recovery of the RA Factor shall also continue to be subject to the same conditions as set forth in the Stipulations approved by the Board in its December 21, 1994 "Order Adopting Initial Decision" in Docket No. GR94070333, and its November 22, 1995 "Decision and Order Adopting Initial Decision and Stipulation" in Docket No. GR95090409.

11. As part of this Stipulation, the Parties agree that expenditures the Company recovers through the RA factor are subject to audit. Such audit may be through a review of the Company's Internal Audits conducted in relation to this proceeding or through any other audit mechanism determined to be appropriate by the Board.

12. The Company represents that its RA Filing in this 2005 Case does not include the recovery of any administrative, legal, consulting or other costs associated with Natural Resource Damage ("NRD") claims currently being investigated by the New Jersey Department of Environmental Protection. The Parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the Company's RA clause, of NRD damages or related costs, if any. The Parties expressly reserve their rights to argue their respective positions on these and related issues in future proceedings, as appropriate.

13. The Company's 2005 Case does not include legal costs and litigation expenses associated with the Long Branch Mass Tort litigation,³ and the *Pro Se* Litigation.⁴ The Parties stipulate and agree that such expenditures shall not be approved for recovery in this docket. The Company shall defer all such legal costs and litigation expenses in a separate RA subaccount and related issues are addressed in the "Stipulation on Reserved Issues" in the 2006 Case. Moreover, this 2005 Case does not include costs related to or the resolution of issues arising from the Company's purchase of a 20-year cost containment insurance policy and a 20-year Environmental Response Compensation and Liability Insurance Policy ("Kemper Policies"). The Parties agree in this 2005 Case that all issues relating to the Kemper Policies are being resolved in the "Stipulation on Reserved Issues" in the 2006 Case.

14. Rate Counsel and Board Staff further reserve the right to review in a future proceeding whether and to what extent the Company's non-assessment of its SBC billing factors to certain non-tariff-based customers is consistent with EDECA, which provides in N.J.S.A. 48:3-60 that the SBC shall be collected as a non-bypassable charge imposed on all electric public utility customers and gas public utility customers, as appropriate; provided, however, that Rate Counsel and Board Staff agree to defer their review of this issue pending the resolution of NJNG's Management Audit in BPU Docket No. GA05100909, and the New Jersey Energy

³ The Long Branch Mass Tort litigation refers to a number of complaints filed against the Company in July 2003 relating to the operation and remediation of the Company's former manufactured gas plant (MGP) site in Long Branch, New Jersey. The case was settled in November of 2005.

The *Pro Se* Litigation refers to a number of cases that were filed during and after the Long Branch Mass Tort Litigation. The claims asserted in these cases mirror those made in the Long Branch Mass Tort Litigation.

Master Plan proceeding in which docket and proceeding this same issue is expected to be addressed.

15. Whenever the purchase or sale of real property relating to the Company's former MGP sites is considered by the Company to facilitate the remediation of those sites, or when the Company sells MGP-related property that has been remediated, any such sales or purchases should occur at arms-length and seek to optimize the economic value of the property and thereby minimize the rate impact to the Company's customers.

16. The Parties stipulate and agree that, except for the issues specified above; this Stipulation disposes of issues in controversy, is consistent with the law, and is in the public interest. 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, then 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.

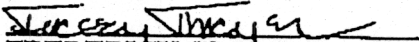
17. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

18. 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 to the Board and request that the Board issue a Decision and Order approving this Stipulation in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

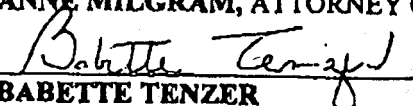
**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By: 
FREDERICK W. PETERS, ESQ.
Law Offices of Frederick W. Peters
TRACEY THAYER, ESQ.
New Jersey Natural Gas Company

**PUBLIC ADVOCATE OF NEW JERSEY
RONALD K. CHEN, PUBLIC ADVOCATE OF NEW JERSEY
DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR, DIVISION OF RATE COUNSEL**

By: 
FELICIA THOMAS-FRIEL, ESQ.
DEPUTY PUBLIC ADVOCATE
JUDITH B. APPEL, ESQ.
HENRY OGDEN, ESQ.
ASSISTANT DEPUTY PUBLIC ADVOCATES

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

By: 
BABETTE TENZER
DEPUTY ATTORNEY GENERAL
DEPARTMENT OF LAW & PUBLIC SAFETY - DIVISION OF LAW

Dated: October 2, 2007

Attachment A

**New Jersey Natural Gas Company
Societal Benefits Charge
Net Impact of Proposed Rate Change
BPU. DOCKET NO. GR05100846**

(\$/therm)

	Component of	Current		Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
RAC	Delivery Price	0.0243	0.0260	0.0243	0.0260	0.0000	0.0000
TIC	Delivery Price	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
CEP	Delivery Price	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
NJ Clean Energy	Delivery Price	0.0090	0.0098	0.0090	0.0098	0.0000	0.0000
USF	Delivery Price	0.0259	0.0277	0.0259	0.0277	0.0000	0.0000
NET IMPACT		0.0582	0.0633	0.0582	0.0633	0.0000	0.0000

Impact on Residential Heating Customers- Assume 100 therm bill

1000 therm
annual bill
per BPU

Current Prices

Customer Charge		\$6.60	Monthly	Report Card
			\$6.60	\$79.20
Delivery	100	\$0.3929	\$39.29	\$392.90
BGSS	100	\$1.0595	\$105.95	\$1,059.50
Total		\$1.4524	\$151.84	\$1,531.60

Proposed Prices

Customer Charge		\$6.60	\$6.60	
Delivery	100	\$0.3929	\$39.29	\$392.90
BGSS	100	\$1.0595	\$105.95	\$1,059.50
Total		\$1.4524	\$151.84	\$1,531.60

Additional Increase in Monthly bill	\$0.00	\$0.00
Increase as a %	0.0%	0.0%

Annual Post-tax SBC revenue

Jurisdictional annual therms	582,373 (000s)
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	Projected Revenue at Current Rates \$million	Projected Revenue at Proposed Rates \$million	Change \$million
RAC	\$15.1	\$15.1	\$0.0
TIC	0.0	0.0	0.0
CEP	0.0	0.0	0.0
NJ Clean Energy	5.6	5.6	0.0
USF statewide	16.1	16.1	0.0
SBC IMPACT	\$36.9	\$36.9	\$0.0