



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

ENERGY

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 FY 2008)

ORDER ADOPTING
STIPULATION

DOCKET NO. GRO7060358

IN THE MATTER OF THE PETITION OF NEW JERSEY)
NATURAL GAS COMPANY FOR THE ANNUAL REVIEW)
OF ITS CONSERVATION INCENTIVE PROGRAM (CIP))
FOR FY 2008)

DOCKET NO. GRO7060359

(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 maintain its expected 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 June 1, the Company filed a petition seeking to (1) establish its initial after-tax Conservation Incentive Program ("CIP")² recovery rates as a component of delivery rates, and (2) decrease its

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 supply related costs incorporated in the Company's BGSS Rates. The CIP surcharge is also subject to a ROE cap of 10.5%.

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. The 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 taxes 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 impact of the Company's proposed revised CIP rate would be 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 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 to 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 taxes, to the average NJNG 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 taxes, 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 taxes, to the average NJNG residential heating customer using 100 therms monthly.

This matter was transmitted to the Office of Administrative Law ("OAL") as a contested case and assigned to Administrative Law Judge ("ALJ") Douglas Hurd.

On September 18, 2007, a public hearing in this matter was held in Freehold, New Jersey. The public hearing was preceded by notices in newspapers of general circulation throughout the Company's service territory. 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 1, 2007 and/or February 1, 2008, with each increase capped at 5% of the total NJNG

supply related costs incorporated in the Company's BGSS Rates. The CIP surcharge is also subject to a ROE cap of 10.5%.

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 hearing.

On October 1, 2007, representatives of NJNG, Rate Counsel, and Board Staff, the only parties to this proceeding (collectively, "the Parties") executed a Stipulation in which they concurred that the Company's requested BGSS and CIP rates should be implemented on a provisional basis.

On October 3, 2007, the Board approved the provisional rates.

Following a review by, and subsequent discussions among the Parties, on June 13, 2008, the Parties entered into the attached Stipulation in which they concurred that the provisional rates, approved by the Board on October 3, 2007, should be made final.

On June 19, 2008, ALJ Hurd issued his Initial Decision recommending Board approval of the Stipulation.

STIPULATION³

The key provisions of the Stipulation are as follows:

- I The BGSS rate of \$1.0433 per therm, approved by the Board on a provisional basis (after taxes) on October 3, 2007, shall be deemed to be a final rate.
- II The CIP rates (after taxes) of \$0.0126 per therm for Group I Residential Non-Heat customers, \$0.0261 per therm for Group II Residential Heat customers, and \$0.0248 per therm for Group III Commercial customers, shall be deemed to be the final rates.

DISCUSSION AND FINDINGS

The Board, having reviewed the Initial Decision and Stipulation in this proceeding, HEREBY FINDS them to be reasonable, in the public interest, and in accordance with law. Accordingly, the Board HEREBY ADOPTS the attached Initial Decision and Stipulation in their entirety and HEREBY INCORPORATES their terms and conditions as though set forth herein.

The Board HEREBY DIRECTS that a decrease in the Company's after-tax per-therm BGSS rates for all applicable service classifications from \$1.0974 per therm to \$1.0433 per therm after taxes be made final, to be effective as of the date of this Order. Any over-recovery at the end of the BGSS period shall be subject to refund with interest.

The Board HEREBY DIRECTS that the establishment of the Company's after-tax per-therm CIP rates of \$0.0126 per therm for Group I Residential Non-Heat customers, \$0.0261 per therm for Group II Residential Heat customers, and \$0.0248 per therm for Group III Commercial

³This is only a summary of the key provisions. The Stipulation of Settlement is the controlling document, subject to the findings and conclusions set forth in this Order.

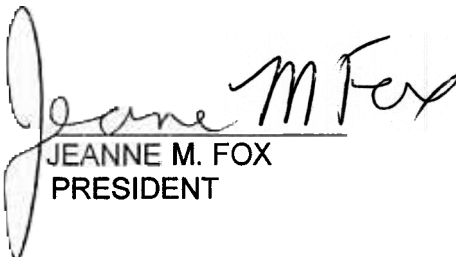
customers be made final, to be effective as of the date of this Order. Any over-recovery at the end of the BGSS period shall be subject to refund with interest.

The Company is HEREBY DIRECTED to file the appropriate tariff pages that conform to the terms and conditions of this Order within ten (10) business days from the date of this Order.

The Company's BGSS and CIP costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any Board Ordered audit.

DATED: 8/11/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

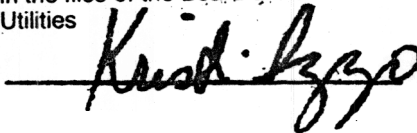

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



In the Matter of the Petition of New Jersey Natural Gas
Company for the Annual Review and Revision of its
Basic Gas Supply Service (BGSS) for
Fiscal Year 2008
Docket No. GRO7060358

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. GRO7060359

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 6101-07

AGENCY DKT. NOS.

&GR07060359

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CASE MANAGEMENT
2008 JUN 30 PM 3:56
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.
GR07060358

**IN THE MATTER OF NEW JERSEY NATURAL
GAS COMPANY ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SUPPLY SERVICE (BGSS)
FOR F/Y 2008.**

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

**Henry M. Ogden and Sarah H. Steindel, Assistant Deputy Public Advocates,
appearing for Department of the Public Advocate, Division of Rate
Counsel (Ronald K. Chen, Public Advocate, attorney)**

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

Record Closed: June 18, 2008

Decided: June 19, 2008

BEFORE DOUGLAS H. HURD, ALJ:

This matter was transmitted to the Office of Administrative Law (OAL) on July 1, 2007, for determination as a contested case, pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13.

The parties have agreed to a settlement and have prepared a Final Stipulation indicating the terms thereof, which is attached and fully incorporated herein.

have reviewed the record and the settlement terms and I **FIND**:

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

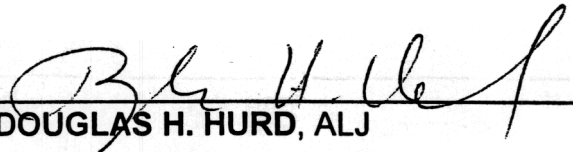
I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1, and that the settlement should be approved. I approve the settlement and, therefore, **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

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

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

June 19, 2008

DATE



DOUGLAS H. HURD, ALJ
Receipt Acknowledged:

6/30/08


DATE



BOARD OF PUBLIC UTILITIES

Mailed to Parties:

JUN 24 2008



COURT ADMINISTRATIVE LAW JUDGE

DATE

OFFICE OF ADMINISTRATIVE LAW

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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

FINAL STIPULATION

APPEARANCES:

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

Henry M. Ogden, Esq. and Sarah H. Steindel, Esq., Assistant Deputy Public Advocates, Department of the Public Advocate, Division of Rate Counsel (Ronald K. Chen, Public Advocate, Stefanie A. Brand, Esq., Director)

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**

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 represented 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 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 resulted 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 was an increase of 0.75% per month and to the average commercial customer an increase of 1.7% per month. This proposal resulted in an after-tax increase of \$16.71 million (\$15.6 on a pre-tax basis) to annual CIP-related revenues. The non-weather related component of the revenue after-tax increase was \$7.9 million (\$7.4 million on a pre-tax basis) compared to related after-tax BGSS gas supply cost reductions already included in BGSS rates of \$11.4 million (\$10.6 million on a pre-tax basis). The combined impact of the

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.

BGSS and CIP changes resulted in an overall decrease in annual after-tax revenue of 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, discussed certain matters at issue in these proceedings and initially agreed that additional time was needed to complete the review of NJNG's BGSS and CIP petitions. Since the Parties also agreed that the implementation of the proposed BGSS price decrease and the proposed CIP factor, on a provisional basis, was reasonable, a Stipulation for Provisional Rates ("Provisional Stipulation") was executed on October 1, 2007. The BPU issued an Order on October 3, 2007 ("October 3 Order"), adopting the terms of the Provisional Stipulation. As a result, the combined impact of the BGSS and CIP price changes on the average residential sales heating customer using approximately 100 therms per month was a decrease of \$2.80, or 1.8 percent per month.

5. Following additional discussions, the Parties now Stipulate and agree that it would be both reasonable and in the public interest for the Board to make the rates approved in the Provisional Stipulation final. The rates approved by the BPU October 3 Order are the periodic BGSS rates of \$1.0433 per therm after tax and the 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. The Parties agree that there are no additional items at issue in this proceeding.

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.

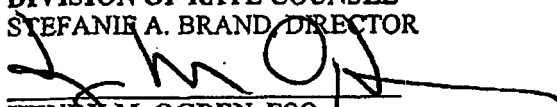
8. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither NJNG, the Board, its Staff, nor Rate Counsel shall be deemed to have approved, agreed to,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

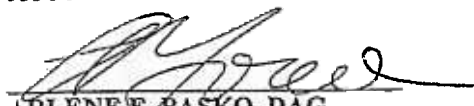
**NEW JERSEY NATURAL GAS
PETITIONER**

By: 
TRACEY THAYER, ESQ.
New Jersey Natural Gas

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

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

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

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

Date: June 13, 2008



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(609) 588-6584

A copy of the administrative law judge's
decision is enclosed.

This decision was mailed to the
parties on JUN 24 2008.

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NEWARK, N.J.

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BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

SOUTH

Laura Sanders, Director
and
Chief Administrative Law Judge

Board of Public Utilities
2 Gateway Center
Newark, NJ 07102

Date: 6/26/08

T93-478
CRO 7060358

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We are hereby forwarding to you our complete file jacket(s) for the matter(s) listed. Kindly sign to acknowledge receipt of the specified file jacket(s), keeping a copy for yourself and returning the original to our messenger.

Should a listed jacket not be included in this batch, please note this on the transmittal sheet or call Ms. Kathy Knapp (609) 588-6545.

6/01/08

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AGENCY RECEIPT