



Agenda Date: 9/16/10
Agenda Item: 2B

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)	DECISION AND ORDER
NATURAL GAS COMPANY TO ESTABLISH THE)	
RATES NECESSARY TO RECOVER CAPITAL)	APPROVING STIPULATION FOR
INVESTMENT COSTS ASSOCIATED WITH THE)	PROVISIONAL AIP RATES
ACCELERATED ENERGY INFRASTRUCTURE)	
INVESTMENT PROGRAM AND FOR APPROVAL OF)	
NECESSARY RELATED CHANGES TO GAS RATES)	
IN THE COMPANY'S TARIFF)	BPU DOCKET NO. GR10060384

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

Sarah H. Steindel, Esq. and Henry M. Ogden, Esq., Assistant Deputy Rate Counsels, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

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

BY THE BOARD:

On October 16, 2008 in response to the worldwide economic downturn and seeking to mitigate its effects on New Jersey, Governor Jon Corzine announced plans to provide immediate assistance for New Jersey residents and long term economic growth options through an "Economic Stimulus Plan." Governor Corzine called on the New Jersey Board of Public Utilities ("Board") and the State's public utilities to aid in that plan by implementing the policy changes to be proposed in the State's Energy Master Plan.

On January 20, 2009, New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition in Docket Nos. GR09010052 and GR07110889 requesting that the Board approve fourteen capital projects as part of its Accelerated Energy Infrastructure Investment Program ("AIP") and simultaneously approve the recovery of \$70.8 million of associated investments and costs through NJNG's base rates. NJNG also requested that the filing be considered in

conjunction with the recently finalized NJNG base rate case¹ in which the Board most recently had issued an Order on October 3, 2008, by allowing that case to be reopened for the sole purpose of considering the AIP proposal and recovery of the costs associated with the capital projects ("AIP Projects").

On April 28, 2009, the Board issued an Order approving a stipulation, in Docket Nos. GR09010052 and GR07110889, entered into among NJNG, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel")², and Staff. That Order approved the preliminary design and eventual construction of the fourteen AIP Projects as well as the cost recovery mechanism proposed by NJNG. The stipulation also provided that the authorized investments will be recovered through an across the board adjustment to customer classes that will impact natural gas revenues for each class of service by the same percentage.

On June 10, 2010, NJNG filed a petition seeking Board approval to adjust its base rates to recover \$5.24 million related to the capital investment costs associated with actual investments in the AIP Projects through April 30, 2010, and estimated investments through August 31, 2010. Approval of the rate requested would result in an increase of \$0.0093 per therm on a residential customer's bill, an increase of 0.7 percent.

After publication of notices in newspapers of general circulation throughout the Company's gas service territory, public hearings were held on July 26, 2010, in Freehold Borough and on August 2, 2010, in Rockaway Township. No members of the public appeared and commented on the filing.

On August 27, 2010 NJNG filed updated data reflecting actual investments in the AIP Projects through June 30, 2010, reducing the requested base rate increase from \$5.24 million to \$4.17 million. Approval of the revised request would translate into an increase of \$0.0072 per therm or 0.5 percent for a residential heating customer.

The Company, Staff and Rate Counsel (collectively, the "Parties") determined that additional time is needed to complete the review of NJNG's proposed AIP rate. However, the Parties also agreed that in keeping with the terms of the Board's April 28, 2009 Order and NJNG's August 27, 2010 filing of updated data, implementation of an AIP rate, on a provisional basis subject to refund with interest, is reasonable at this time.

The Parties executed a Stipulation for Provisional AIP Rates ("Stipulation") dated September 2, 2010 that provides for the following:

- The Company's AIP rate shall be provisionally established at \$0.0072 per therm.
- The impact on a typical residential heating customer using 100 therms per month will be an increase of \$0.72 after tax or 0.5%.
- The Company will provide an updated tariff sheet reflecting the provisional rate.

¹ In the Matter of the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas rates, Depreciation Rates for Gas Property, and for Changes in the Tariff for Gas Service Pursuant to N.J.S.A. 48:2-18 AND N.J.S.A. 48:2-21, Docket No. GR07110889.

² Now constituted as the Division of Rate Counsel.

DISCUSSION AND FINDING

The Board FINDS that, subject to the terms and conditions set forth below, the attached 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 ORDERS that the Company's AIP Rates shall be provisionally established, effective for service rendered on and after the date of this Order, subject to refund with interest and an opportunity for a full review of the prudence of the incurred costs of the AIP Projects.

The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days from the date of this Order.

DATED:

9/16/10

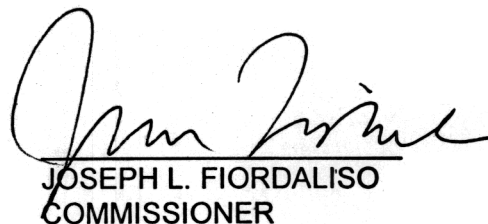
BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT



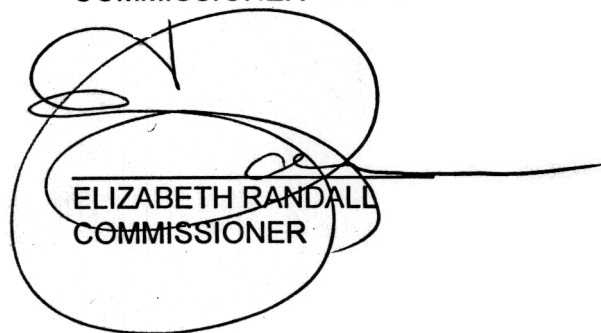
JEANNE M. FOX
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER

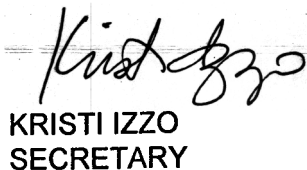


NICHOLAS ASSELTA
COMMISSIONER



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 TO
ESTABLISH THE RATES NECESSARY TO RECOVER CAPITAL INVESTMENT COSTS
ASSOCIATED WITH THE ACCELERATED ENERGY INFRASTRUCTURE INVESTMENT
PROGRAM AND FOR APPROVAL OF NECESSARY RELATED CHANGES TO GAS RATES
IN THE COMPANY'S TARIFF

BPU DOCKET NO. GR10060384

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

**IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
TO ESTABLISH THE RATES NECESSARY
TO RECOVER CAPITAL INVESTMENT
COSTS ASSOCIATED WITH THE
ACCELERATED ENERGY
INFRASTRUCTURE INVESTMENT
PROGRAM AND FOR APPROVAL OF
NECESSARY RELATED CHANGES TO
GAS RATES IN THE COMPANY'S TARIFF**

BPU DOCKET NO. GR10060384

**STIPULATION ON PROVISIONAL
RATES**

APPEARANCES:

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

Sarah H. Steindel, Esq. and Henry M. Ogden, Esq., Assistant Deputy Rate Counsels, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

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

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1. New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition in Docket No. GR10060384 on June 1, 2010, seeking approval from the New Jersey Board of Public Utilities ("BPU" or the "Board") to establish the rates necessary to recover capital

investment costs associated with the Accelerated Energy Infrastructure Investment Program ("AIP") and for approval of the necessary rate changes to the Company's Tariff, pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and 48:2-23.

On January 20, 2009, NJNG filed a petition in Docket Nos. GR09010052 and GR07110889 requesting that the Board approve fourteen capital projects as part of its AIP and simultaneously approve the recovery of the associated investments and costs through NJNG's base rates. NJNG also requested that the filing be considered in conjunction with the NJNG base rate case in which the Board most recently had issued an Order on October 3, 2008 (the "October 2008 Order").

3. In the January 20, 2009 filing, NJNG had proposed fourteen projects for inclusion in the AIP, seeking recovery through base rate treatment for those projects that commenced construction no later than December 31, 2010 to be completed no later August 31, 2011. The Company also proposed that the associated AIP costs through August 31, 2011 of approximately \$70.8 million, prior to the capitalization of Allowance for Funds Used During Construction ("AFUDC"), be recovered through two annual adjustments to the Company's base rates, based on filings to be made with the BPU in 2010 and 2011, coincident with but separate from the annual June 1 Basic Gas Supply Service filing with new base rates proposed to be effective in October 2010 and October 2011, respectively (the "Annual Filing"). Through the Annual Filing, NJNG is to seek BPU approval to recover through base rates all prudently incurred costs associated with the Qualifying Projects. Those costs, entitled "Capital Investment Costs," include the actual costs of engineering, design and construction, cost of removal (net of salvage) and property acquisition, including actual labor, materials, overheads and capitalized AFUDC related to the Qualifying Projects.

4. On April 28, 2009, the Board issued an Order (the "April 2009 Order") approving a Stipulation (the "Stipulation") entered into among NJNG, the New Jersey Division of Rate Counsel ("Rate Counsel") and the Staff of the BPU ("Staff") (the "Parties"). That order approved the preliminary design and eventual construction of the 14 AIP projects ("Qualifying Projects") as well as the cost recovery mechanism proposed by NJNG. It was also agreed in the Stipulation that the authorized investments will be recovered through an across the board adjustment to customer classes that will impact natural gas revenues for each class of service by the same percentage, consistent with the October 2008 Order.

5. Pursuant to the April 2009 Order, the requested revenue requirement related to AIP investments in each of the above-mentioned Annual Filings is to reflect a rate of return calculated as follows: the Company's current CWIP balance associated with the Qualifying Projects as of August, including any previously capitalized AFUDC, and the Company's Qualifying Project plant-in-service investment balance as of August, multiplied by a Weighted Average Cost of Capital ("WACC") of 7.76 percent (6.74 percent tax-effected). The WACC for this purpose is based on the Board's approved rate of return in the October 2008 Order.

6. The AIP base rate adjustment will also include depreciation expense for Qualifying Projects placed into service as of August 31, 2010 and August 31, 2011 respectively, on a composite depreciation rate of 2.34 percent, as approved by the Board in the October 2008 Order.

7. On June 1, 2010, NJNG submitted the first Annual Filing with the BPU seeking approval to recover \$5.24 million related to the capital investment costs associated with actual investments through April 30, 2010 and estimated investments through August 31, 2010. In Schedules 1-12 appended to and made a part of the Petition, NJNG provided the information

requested as Minimum Filing Requirements (“MFRs”) in the April 2009 Order. As proposed, the rate requested would result in an increase of \$0.0093 per therm on a residential customer’s delivery charge, an increase of 0.7 percent to the total bill. On August 4, 2010, the Company provided updated information on the Qualifying Projects for actual expenditures through June 30, 2010.

8. Public notice of this filing was provided and four public hearings on the AIP filing were held on the following dates and locations in the NJNG service territory: two hearings on July 26, 2010, in Freehold Borough and two hearings on August 2, 2010, in Rockaway Township. No members of the public appeared at any of the hearings.

9. Representatives of NJNG, Board Staff and Rate Counsel (the “Parties”), the only Parties to this proceeding have determined that additional time is needed to complete the review of NJNG’s proposed AIP rate. However, the Parties also agree that the implementation of this rate, on a provisional basis, is reasonable at this time.

STIPULATED MATTERS

10. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it is both reasonable and in the public interest for the Board to authorize NJNG to implement the AIP base rate change. Based on actual information provided as of August 27, 2010, the Parties agree that the base rate change in the amount of \$4.2 million will be allocated to each customer class as identified in Attachment 1, consistent with the rate design approved by the BPU in the October 2008 Order. The effect of the proposed rate will now result in an increase of \$0.0072 per therm after tax, an increase of approximately 0.5 percent to the average residential NJNG heating customer and 0.4 percent to

the average residential non-heating customer, as shown on Page 5 of Attachment 1. The terms of the Board's April 28, 2010 Order are incorporated by reference herein.

11 This rate change will be effective as of October 1, 2010, or as of such date that the Board so decides. This rate is being implemented at this time on a provisional basis, subject to refund with interest, an opportunity for a full review at the Office of Administrative Law (OAL), if necessary, and final approval by the Board. The Parties agree that best efforts will be made to resolve issues in this case, if any, in a reasonable time frame in order to make these rates final as soon as practicable.

12. The Company has provided updated tariff sheets to the Parties reflecting the provisional rates agreed to in this Stipulation.

13. 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.

14. 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.

15. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings.


Except as expressly provided herein, NJNG, Board Staff, or Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. This Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

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.
Director, Regulatory Affairs Counsel

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

By: 
HENRY M. OGDEN, ESQ.
Assistant Deputy Rate Counsel

**PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities**

By: 
ALEX MOREAU
Deputy Attorney General

Date: 9/2/10

AIP REVENUE REQUIREMENT AS OF AUGUST 31, 2010

Capital Expenditures - CWIP as of June 30, 2010	\$ 20,912,267
Capital Expenditures - CWIP thru August 31, 2010 (est)	15,444,122
Capital Expenditures - In Svs	
Accum Dep'n	
AFUDC	
	<u>36,356,389</u>
Deferred Income Tax	<u>-</u>
	<u>36,356,389</u>
Rate of Return - net	<u>6.74%</u>
Depreciation Exp, net	
	<u>2,450,421</u>
Revenue Factor	1.7016
Revenue Requirement	<u>\$ 4,169,636</u>

New Jersey Natural Gas Company
Base Revenues at Present and Proposed Rates
BPU Docket No. GR10060384

Billing Units	Present Rates		Proposed Rates		
	Rate	Revenue	Rate	Revenue	Increase
Residential Service					
		RS		RS	
Customer	5,506,760	\$ 7.71 \$ 42,457,118	\$ 7.71 \$ 42,457,118		
Distribution Service					
Residential Sales	432,026,134	\$ 0.2913 \$ 125,849,213	\$ 0.2981 \$ 128,786,991		
Residential Transport	16,531,828	\$ 0.2913 4,815,721	\$ 0.2981 4,928,138		
Subtotal	448,557,962	\$ 173,122,052	\$ 176,172,246		
Adjustments					
Air Conditioning Discount	13,666	\$ (0.2350) \$ (3,211)	\$ (0.2418) \$ (3,304)		
Total Class Base Revenues		\$ 173,118,841	\$ 176,168,942		1.76%
General Service - Small					
		GS - Small		GS - Small	
Less than 5,000 Annual Therms					
Customer	322,526	\$ 23.36 \$ 7,534,214	\$ 23.36 \$ 7,534,214		
Distribution Service					
Sales	27,984,006	\$ 0.2472 \$ 6,917,646	\$ 0.2555 \$ 7,149,914		
Transport	5,518,480	\$ 0.2472 1,364,168	\$ 0.2555 1,409,972		
Subtotal	33,502,486	\$ 15,816,028	\$ 16,094,099		1.76%
Total Class Base Revenues		\$ 15,816,028	\$ 16,094,099		1.76%
General Service - Large					
		GS - Large		GS - Large	
Greater than 5,000 Annual Therms					
Customer	104,557	\$ 37.38 \$ 3,908,344	\$ 37.38 \$ 3,908,344		
Demand	12,565,210	\$ 1.4019 \$ 17,615,168	\$ 1.4019 \$ 17,615,168		
Distribution Service					
Sales	67,138,862	\$ 0.1948 \$ 13,078,650	\$ 0.2009 \$ 13,488,197		
Transport	69,512,929	\$ 0.1948 13,541,119	\$ 0.2009 13,965,147		
Subtotal	136,651,791	\$ 48,143,280	\$ 48,976,856		1.73%
Total Class Base Revenues		\$ 48,143,280	\$ 48,976,856		1.73%

**New Jersey Natural Gas Company
Base Revenues at Present and Proposed Rates
BPU Docket No. GR10060384**

		<u>Present Rates</u>		<u>Proposed Rates</u>		
<u>Billing Units</u>		<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
Distributed Generation - Commercial						
		<u>DGC</u>		<u>DGC</u>		
Customer	36	\$ 37.38	\$ 1,346	\$ 37.38	\$ 1,346	
Demand	175,376	\$ 0.56	\$ 98,210	\$ 0.56	\$ 98,210	
Distribution Service						
Winter therms	1,536,957	\$ 0.0883	\$ 135,713	\$ 0.0901	\$ 138,480	
Summer therms	<u>1,525,106</u>	\$ 0.0577	<u>87,999</u>	\$ 0.0595	<u>90,744</u>	
Total Class Base Revenues	3,062,063		\$ 323,268		\$ 328,780	1.70%

TOTAL BASE REVENUES

240,401,284

244,571,160

TOTAL BASE REVENUES EXCLUDING FT

237,602,763

241,772,638

1.75%

INCREASE \$ 4,169,875
 TARGET INCREASE \$ 4,169,636 1.75%
 Difference \$ 239

New Jersey Natural Gas Company
Net impact of Proposed Rate Changes
BPU Docket No. GR10060384
F/Y 2011

				(\$/therm)
<u>Impact on Residential Non-Heating Customers</u>				25 therm bill
Current Prices				
Customer Charge	\$8.25	\$8.25		
Delivery	\$0.5366	\$13.42		
BGSS	\$0.8039	\$20.10		
Total	\$1.3405	\$41.76		
Proposed prices- effective 10/1/10				
Customer Charge	\$8.25	\$8.25		
Delivery	\$0.5438	\$13.60		
BGSS	\$0.8039	\$20.10		
Total	\$1.3477	\$41.94		
Increase		\$0.18		
Increase as a percent		0.4%		
<u>Impact on Residential Heating Customers</u>				100 therm bill 1000 therm annual bill
Current Prices				
Customer Charge	\$8.25	\$8.25	\$99.00	
Delivery	\$0.5011	\$50.11	\$501.10	
BGSS	\$0.8039	\$80.39	\$803.90	
Total	\$1.3050	\$138.75	\$1,404.00	
Proposed prices- effective 10/1/10				
Customer Charge	\$8.25	\$8.25	\$99.00	
Delivery	\$0.5083	\$50.83	\$508.30	
BGSS	\$0.8039	\$80.39	\$803.90	
Total	\$1.3122	\$139.47	\$1,411.20	
Increase		\$0.72	\$7.20	
Increase as a percent		0.5%	0.5%	
<u>Impact on Commercial GSS Customers</u>				100 therm bill
Current Prices				
Customer Charge	\$25.00	\$25.00		
Delivery	\$0.4623	\$46.23		
BGSS	\$0.8039	\$80.39		
Total	\$1.2662	\$151.62		
Proposed prices- effective 10/1/10				
Customer Charge	\$25.00	\$25.00		
Delivery	\$0.4712	\$47.12		
BGSS	\$0.8039	\$80.39		
Total	\$1.2751	\$152.51		
Increase		\$0.89		
Increase as a percent		0.6%		
<u>Impact on Commercial GSL Customers</u>				1200 therm bill
Current Prices				
Customer Charge	\$40.00	\$40.00		
Demand Charge	\$1.50	\$175.50		
Delivery	\$0.4117	\$494.04		
BGSS (May 2010)	\$0.6018	\$722.16		
Total	\$1.0135	\$1,431.70		
Proposed prices- effective 10/1/10				
Customer Charge	\$40.00	\$40.00		
Demand Charge	\$1.50	\$175.50		
Delivery	\$0.4183	\$501.96		
BGSS (May 2010)	\$0.6018	\$722.16		
Total	\$1.0201	\$1,439.62		
Increase		\$7.92		
Increase as a percent		0.6%		