



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

**DIVISION OF ENERGY &**  
**OFFICE OF CLEAN ENERGY**

IN THE MATTER OF THE PETITION OF NEW JERSEY )	DECISION AND ORDER
NATURAL GAS COMPANY FOR APPROVAL OF )	ADOPTING PARTIAL
REGIONAL GREENHOUSE GAS INITIATIVE )	STIPULATION
PROGRAMS AND ASSOCIATED COST RECOVERY )	
MECHANISMS PURSUANT TO <u>N.J.S.A. 48:3-98.1</u> )	DOCKET NO. GO10030225

(SERVICE LIST ATTACHED)

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

**Marc B. Lasky, Esq.**, Morgan, Lewis and Bockius LLP, Attorney for Jersey Central Power and Light Company

**Philip J. Passanante, Esq.**, Assistant General Counsel, Attorney for Atlantic City Electric Company

**BY THE BOARD:**

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a stipulation executed by New Jersey Natural Gas Company ("NJNG" or "Company"), the Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Signatory Parties"), proposing a partial resolution of the above-captioned matter and requesting that the Board issue an Order approving the stipulation. The remaining parties to this matter, Jersey Central Power and Light Company ("JCP&L") and Atlantic City Electric Company ("ACE"), did not execute the settlement but informed the Board that they neither support nor oppose it.

## **BACKGROUND AND PROCEDURAL HISTORY**

On January 13, 2008, L. 2007, c. 340 (the “Act”) was signed into law by former Governor Jon Corzine based on the New Jersey Legislature’s findings that renewable energy, energy efficiency, conservation measures, and increased use of renewable energy resources must be essential elements of the State’s energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the renewable energy, conservation, and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1 (a)(1), an electric or gas public utility may, among other things, provide and invest in renewable energy, energy efficiency and conservation programs in its service territory on a regulated basis. Such investment in renewable energy, energy efficiency and conservation programs may be eligible for rate treatment approved by the BPU, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility’s rate base, or recovering the utility’s technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any renewable energy, energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

On July 17, 2009, the Board authorized NJNG to implement three energy efficiency programs: 1) Home Performance with Energy Star (“HPES”) Enhancements; 2) Enhanced Warm Advantage Rebate Program, and 3) Commercial Customer Direct Install Program (collectively, the “NJNG SAVEGREEN Project”) as part of former Governor Corzine’s Economic Stimulus Plan (“July 17 Order”).<sup>1</sup> The programs were designed to complement or supplement existing New Jersey Clean Energy Program (“NJCEP”) offerings including the ongoing WARMAdvantage, COOLAdvantage, HPES, Commercial Direct Install and Smart Start Building programs. The NJNG programs were to be available to eligible customers for approximately twelve months. In the event there was still program funding available after that period, NJNG could continue to offer the approved programs through December 31, 2010. To date, according to information provided by the Company, NJNG has created and filled more than twenty (20) new jobs and provided support for local heating, ventilation, and air conditioning (“HVAC”) contractor job growth and retention.

### **March 2010 Filing**

On March 29, 2010, NJNG filed the instant petition with the Board. On April 27, 2010, Staff notified NJNG that the filing was administratively complete.<sup>2</sup>

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<sup>1</sup> I/M/O Energy Efficiency Programs and Associated Cost Recovery Mechanisms AND I/M/O the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057, Order dated July 17, 2009.

<sup>2</sup> N.J.S.A. 48: 3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Board Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day period. I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day period for a Board determination commenced on March 29, 2010.

In the filing, the Company sought approval to implement four energy-efficiency programs and one solar energy program ("Proposed Programs") with associated cost recovery. NJNG proposed to continue offering much of what is currently included in the NJNG SAVEGREEN Project for an additional three years along with some additional programs. The Company's filing proposed the following programs:

1. Residential Energy Efficiency Program ("REEP")
2. Access to Affordable Energy Pilot Program ("Access")
3. Commercial Energy Efficiency Program ("CEEP")
4. Fostering Environmental and Economic Development ("FEED")
5. Solar Energy Program ("SEP").

The total proposed investment for these programs was \$102 million. The Company submitted supporting direct testimonies and schedules of Thomas J. Massaro and Daniel P. Yardley.

As part of the petition, NJNG requested that the Board approve a cost recovery mechanism which would authorize the Company to recover all Proposed Program costs, including the costs of certain rebates, customer incentives, SEP assets, associated incremental operations and maintenance expenses, and the carrying costs associated with the Proposed Programs. NJNG proposed to recover the costs through the existing Board-approved Rider F to the NJNG tariff, originally approved as the Energy Efficiency Rider ("EER") in the NJNG SAVEGREEN Project. This rider would be renamed the Energy Efficiency and Renewable Energy Rider ("EERE") and would be the mechanism for recovery of future approved RGGI costs as well as the remaining recovery associated with the NJNG SAVEGREEN Project. NJNG proposed no change to the current EER rate included in Rider F.

By Order dated May 12, 2010, the Board retained this matter for review and hearing as authorized by N.J.S.A. 48:2-32, and designated Commissioner Nicholas Asselta as the presiding officer in this proceeding. Subsequently on May 14, 2010, Commissioner Asselta issued an Order adopting a procedural schedule for this matter ("Procedural Schedule").

On May 27, 2010, a motion to intervene was filed by JCP&L, which was granted by Commissioner Asselta in an Order signed on June 16, 2010. Subsequently, on June 16, 2010, ACE filed a motion to intervene. Commissioner Asselta granted ACE's motion in an Order dated July 13, 2010.

Pursuant to the Procedural Schedule, on July 9, 2010, Rate Counsel submitted the direct testimony of David E. Dismukes, David Nichols, and Andrea Crane.

NJNG published notice of the petition in newspapers in general circulation in its service territory which described the filing, and included the date, time and place of the four public hearings, and also served notice on the county executives and clerks of all municipalities within the Company's service territory. Public hearings were held on July 26, 2010 in Freehold, NJ, and August 2, 2010 in Rockaway Township. No members of the public attended the hearings for this matter.

### **PROPOSED STIPULATION<sup>3</sup>**

After negotiations, the Company, Rate Counsel and Staff agreed to certain modifications of the Proposed Programs and the cost recovery mechanism, and on September 14, 2010, the Signatory Parties executed a stipulation ("Stipulation"). On September 15, 2010, JCP&L and ACE filed letters with the Board indicating that they neither supported nor opposed the Stipulation.

Below are the key provisions of the Stipulation:

14. The Signatory Parties agree that as of January 1, 2011, NJNG can offer certain residential and commercial energy-efficiency programs (designated herein as the "Preliminary RGGI Programs"), for an initial period of twelve months, subject to the provisions of Paragraphs 16, 17, 18, 19, 20, 21 and 22 below. Specifically, for the Preliminary RGGI Programs, NJNG will reduce the originally proposed level of investment for the initial twelve month period related to energy efficiency to be recovered from ratepayers to no more than \$9.6 million, a reduction of approximately \$49.9 million.
  - (a) For purposes of settlement, NJNG agrees to reduce, without prejudice and subject to the agreement in Paragraphs 16, 17, 18, 19, 20, 21 and 22 below, the originally proposed three year RGGI Program to one year at this time.
  - (b) Furthermore, the Company's requests for the following energy-efficiency offers contained within the March 29, 2010 filing will be reserved (see Paragraphs 21 and 22 below): incentives for residential electric air conditioning and water heaters; and incentives for commercial heating, cooling and water heating.
15. It is agreed that the Preliminary RGGI Programs as described in Exhibit F are consistent with the current programs through the SAVEGREEN Project, with the following modifications:
  - (a) NJNG will reduce the proposed incentive for gas boilers from \$1,200 to \$900 and modify the anticipated participation rate for Seal-up work (formerly designated as Tier II) from 2,500 in the first year of operation to 2,000;
  - (b) For the funding of Tier III incentives, NJNG will lower the incentive from \$5,000 to \$3,000 to remain consistent with the current HPES incentive levels through NJCEP. Furthermore, it is agreed that NJNG will only provide Tier III funding for those projects in the NJNG service territory that are incremental to those included in the underlying NJCEP 2011 HPES Tier III

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<sup>3</sup> Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.



budget as determined through the Board proceeding establishing the 2011 NJCEP budget. That is, the Company will only be able to fund the Tier III HPES incentives after deducting the projects forecasted to be accomplished through the NJCEP budget from the NJNG proposed participation rate of 1,000; and

- (c) NJNG will provide a no interest on-bill repayment plan for eligible residential customers making energy-efficiency investments through the HPES portion of the Preliminary RGGI Program for customer investments up to \$7.23 million, as included in Exhibit F. As described more fully below, payments made by participating customers will be an offset to this investment. Consistent with the existing zero-percent financing option available through HPES for all eligible customers statewide, the customer repayment period for the NJNG on-bill repayment plan will be ten years. The associated return and taxes are included in the overall revenue requirement as incurred and the principal will be repaid by participating customers as an offset to the revenue requirement as included in Exhibit C. The Company agrees at this time to withdraw without prejudice the financing program originally proposed on March 29, 2010 as described Paragraph 4 (a) above.

16. In addition to the energy-efficiency programs that will be offered, NJNG will participate in the proposed OPOWER pilot program for three years, providing a pool of residential customers in NJNG's service territory with information on their energy usage. The results of this program will be provided to Rate Counsel and BPU Staff.
17. The Signatory Parties also agree that the NJNG Combined Heat and Power ("CHP") program will be implemented as proposed with the following modification: the Company will amortize the costs over five years but will not earn a return as originally proposed. If during the term of the Preliminary RGGI Programs NJCEP faces additional funding constraints and the Company anticipates that the full amount reserved for CHP investments will not be expended, the Parties agree that NJNG may propose to allocate all or a portion of that amount to other ongoing NJCEP commercial programs with notice to the Parties, with a reasonable opportunity for the Parties to review and comment on any proposed transfer consistent with Paragraph 28 below.
18. The Signatory Parties also agree that NJNG can offer the FEED program to eligible customers pursuant to the Tariff for three years. NJNG agrees for purposes of settlement that requests related to any potential FEED projects will be submitted to the BPU Staff and Rate Counsel for a 60-day review and comment period, with the exception of FEED Class I projects which will be submitted for Board review and approval prior to implementation. Further, NJNG agrees to provide the following information in any FEED project application that is submitted: a specific program description; a summary of the anticipated benefits

to the individual customer, the Company and other ratepayers, if applicable; and, an estimate of the costs to the customer with available relevant documentation. (See Exhibit B to the Stipulation for the proposed FEED Tariff).

19. In resolution of this proceeding and in consideration of the pending BPU review of the NJCEP transition, the Parties agree that NJNG is authorized to offer the Preliminary RGGI Programs and the associated on-bill repayment plan for twelve months effective as of January 1, 2011, subject to Paragraph 20 below. It is agreed that work related to any Preliminary RGGI Program offers, with the exception of the CHP project as described below, may continue into 2012 for close-out and completion of any approved or committed project under the NJNG Preliminary RGGI Programs. Given the approval and implementation cycles associated with the NJCEP Pay for Performance Program, the close-out and completion time for CHP may extend into 2013.
20. In resolution of this proceeding and in consideration of the pending BPU review of the NJCEP transition, the Signatory Parties agree that, if no Order(s) or policy directions related to the NJCEP and the EMP with an effective date of December 31, 2011 have been issued by the BPU as of that date, the Preliminary RGGI Program may continue to be offered by NJNG past December 31, 2011 on a quarterly basis provided that there are unspent monies in the NJNG Preliminary RGGI Program budget until such Board direction is provided. The maximum investment levels permitted in any quarterly period shall not exceed one-fourth of the annual levels set forth in Exhibits A and F attached to the Stipulation.
21. In resolution of this proceeding and in consideration of the pending review and further resolution of the transition of the NJCEP, NJNG agrees that decisions and agreements regarding issues related to the proposed Access and SEP programs, as well as the energy-efficiency programs originally proposed through REEP, CEEP and program offers for years 2 and 3 as originally requested (collectively, the "Reserved Issues") will be reserved without prejudice, to be considered at a future date. The Signatory Parties' agreement to reserve these matters shall not be deemed precedential with respect to any position any of the Parties may take on the Reserved Issues in the future.
22. In exchange for the agreements made herein, and for good and sufficient consideration, the Signatory Parties agree that the 180-day period within which this RGGI filing is to be decided, pursuant to N.J.S.A. 48:3-98.1(b) (the "180-day period"), which in this proceeding commenced on March 29, 2010, shall be tolled and suspended concerning the Reserved Issues as of the date this Stipulation is executed by the Parties. After the BPU issues an Order or takes action on the EMP or the transition of the NJCEP programs, NJNG may initiate discussions with the Parties to establish a procedural schedule to address the Reserved Issues. The running of the 180-day period shall commence again as of the date that NJNG files a petition with the Board in this Docket requesting that the Board's consideration of the Reserved Issues, whether in their entirety or any part or parts thereof, proceed. To the extent that NJNG makes any substantive changes to the Reserved Issues, this shall constitute new filing under N.J.S.A. 48:3-98.1. This petition shall include a detailed explanation of the basis for the proceeding with the Reserved Issues together with supporting information, including updated schedules and discovery responses pertaining to the Reserved

Issues. Furthermore, NJNG will not object to reasonable requests for extensions of up to 30 days to the time remaining in the 180-day period. Additionally, NJNG reserves the right to submit a subsequent RGGI filing that may encompass new RGGI programs as well as some or all of the Reserved Issues and the elements of the Preliminary RGGI Program. Such subsequent new filing will be subject to all procedural requirements of N.J.S.A. 48:3-98.1 as of the date it is filed if found to be a complete filing.

23. The Signatory Parties understand that the Board may, specifically as part of its review and consideration of the transition of the NJCEP, in its Order(s) or policy direction, terminate in whole or in part the SAVEGREEN Project programs, including amendments made herein (NJNG Preliminary RGGI Programs) and may or may not include the NJNG SAVEGREEN Project programs in part or in whole including the amendments made herein (NJNG Preliminary RGGI Programs) in any Board approved NJCEP transition Order or policy. However, the Parties also agree that NJNG can close-out and complete any approved or committed Preliminary RGGI Program projects as agreed to in Paragraph 19 above.
24. The Signatory Parties agree that the Company will be authorized to defer and recover all Preliminary RGGI Program costs, including the rebate costs, customer incentives and associated reasonable and prudent incremental O&M expenses. (See Exhibit C attached to the Stipulation). The rebate costs, customer incentive costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG's Tariff Sheet Rider F. (A copy is attached to the Stipulation as Exhibit D). The Preliminary RGGI Program costs shall be subject to the terms set forth on Rider F and, as discussed in Paragraphs 6 and 7, shall be recovered through a per therm EERE charge applicable to all applicable jurisdictional throughput on the NJNG system. The estimated revenue requirements of the Preliminary RGGI Program including associated O&M expenses and assuming full customer participation are shown on Exhibit C, attached to the Stipulation.
25. In resolution of this proceeding, NJNG agrees that the Preliminary RGGI Program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period effective January 1, 2011 on a straight line basis, with the return on the unamortized investments based upon the Company's overall weighted average cost of capital ("WACC"), inclusive of income taxes as authorized by the Board in NJNG's most recent base rate case, BPU Docket No. GR07110889. Those rates are 11.44% inclusive of income taxes and 7.76% after-tax. The customer repayment period for the on-bill repayment offer will be ten years pursuant to Paragraph 15(c) herein. In computing the return component of its costs, NJNG will, in addition to the amortization of its investments, deduct the depreciation and applicable deferred income taxes related to the amortization of RGGI program costs (except, as discussed in Paragraph 17, those associated with the CHP program) over a five-year period for book purposes and over one year for tax purposes. The initial revenue requirement, assuming full customer participation, is detailed in Exhibit C.

26. The initial Board approved Preliminary RGGI Program investments and operating costs will be reconciled to actual in filings to be submitted on or before June 1 of each year in which recovery will be sought. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.
27. As proposed in the original RGGI filing, the Company requests that the Board maintain the current after-tax EER rate, to be designated as an EERE rate, of \$0.0127 established in Docket No. GO09010057 and approved by the Board in an Order dated July 17, 2009. Thereafter, the Company will make an annual RGGI Program cost recovery filing by June 1 to establish future EERE rates. That filing will target an effective date of the immediately following October 1, in conjunction with NJNG's annual Basic Gas Supply Service filing. The annual RGGI filing will include information regarding actual costs and recoveries for the previous year, as well as projected costs and volumes for the upcoming year. Any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the Board in the Company's most recent base rate case, BPU Docket No. GR07110889, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. In each annual filing, the sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the upcoming year as part of the calculation of Preliminary RGGI Program cost over/under-recoveries. It is anticipated that the impact of the Preliminary RGGI Program over the first five years of the amortization period, assuming full customer participation, will average approximately \$5.92 per year, an increase of approximately 0.4 percent on a typical residential heating customer using 1000 therms annually. (See Exhibit E of the Stipulation for projected customer bill impacts.)
28. To provide flexibility in responding to market conditions, customer demand and future NJCEP budgetary considerations or any other eventualities which may arise during the term of the Preliminary RGGI Program, the Signatory Parties agree that NJNG may propose to adjust incentive levels to be offered to its customers or to shift program budgets through a written notice to Board Staff and Rate Counsel. NJNG will provide a full description of the budget re-allocation proposed, along with supporting schedules. Board Staff and Rate Counsel agree to provide an expedited response to such communication within ten (10) business days. At that time, the proposal and any responses or replies submitted by Board Staff, Rate Counsel and NJNG will be presented to the Board for review and issuance of an Order. NJNG will not seek to increase or re-allocate the budget of any Preliminary RGGI program to any other Preliminary RGGI program budget where spending/budgets has decreased or been eliminated based on a written determination by the Board that it is cost ineffective.

- 29 NJNG will submit detailed data regarding the Preliminary RGGI Program activity and expenses through the Program Manager Data Tracking Sheets as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and SAVEGREEN programs. The Company will submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report.

## **DISCUSSION AND FINDINGS**

The Board, having carefully reviewed the record in this matter, including the petition, testimony and the Stipulation, **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with law. Accordingly, the Board **HEREBY APPROVES** the attached Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein.

As the Board noted in its July 17 Order approving the NJNG SAVEGREEN Project, customers who install energy efficiency measures reduce their usage of electricity and natural gas, thus lowering their energy costs. Increased investments in cost-effective energy efficiency measures help lower electricity and natural gas costs for the customers who implement those measures, and also reduce costs and help to manage the rate overall for electricity customers by reducing usage of electricity from the grid at times of peak demand when wholesale electricity prices are highest, and by mitigating the need for additional generation, transmission, and distribution infrastructure to serve peak demand since peak demand has a large impact on electric rates and costs to customers. The Board also noted that increasing energy efficiency improves the competitiveness of New Jersey businesses through reduced energy costs and reduced vulnerability to substantial increases in the prices of fossil fuels and of the electricity generated using those fuels.

In the July 17 Order, the Board found that a substantial investment by electric and gas utilities in energy efficiency would assist in creating jobs, would continue to build a foundation for a more energy-efficient economy in New Jersey that will support long-term economic growth, and would take a step toward transition of the administration of energy efficiency programs from the NJCEP to the electric and gas utilities. In addition, the Board found that NJNG's program would have a significant and real benefit on employment in the State, including not only jobs directly attributable to the program but also indirect impacts with respect to jobs created in other sectors of New Jersey's economy for labor, materials, and services, and "induced" impacts resulting from spending by the added employees for local goods and services. The Board also found these programs to be cost effective, as demonstrated by the cost benefit analysis performed by the Center for Economic, Energy and Environmental Policy.

Additionally, in the July 17 Order, the Board noted the extent of the worldwide economic crisis and the need to take action to support employment in New Jersey. The Board took note that the national unemployment rate rose from 6.9 percent in the fourth quarter of 2008, to 8.5 percent in March 2009, 8.9 percent in April, and 9.4 percent in May, the latest period for which statistics were then available.<sup>4</sup> Since then, economic signals have been mixed; however, the

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<sup>4</sup> Bureau of Labor Statistics, "The Employment Situation: May 2009," <http://www.bls.gov/news.release/empsit.nr0.htm>, accessed June 30, 2009

nationwide employment situation has not improved; the Bureau of Labor Statistics reports unemployment holding steady at 9.6 percent.<sup>5</sup>

Preliminary program data from NJNG indicates that as of early September 2010, the HPES Enhancements and the Enhanced Warm Advantage Rebate Program approved as part of NJNG's SAVEGREEN Program have provided the incentives, in whole or in part, for over 3,000 energy audits, over 3,000 rebates, and hundreds of HPES Tier II and Tier III energy efficiency measures. In addition, these programs have created 20 jobs within the Company. This figure does not account for the residential contracting jobs created or saved by these programs. The Board **FINDS** that these programs have had the effect of promoting energy efficiency with the potential for reducing peak demand and thereby lowering costs to customers. In addition, the Board **FINDS** that these programs have created and preserved jobs, particularly for residential and small business contractors. The Board further **FINDS** that it is reasonable to anticipate that the programs to be continued as part of the NJNG Preliminary RGGI Programs will continue to provide these economic and environmental benefits.

The Preliminary RGGI Programs also complement the NJCEP Combined Heat and Power ("CHP") initiative currently in effect. The 2008 Energy Master Plan ("EMP") set a goal of 1500 MW of CHP by 2020 to help participating customers lower their energy costs. There has been demand for CHP, which fosters economic development by encouraging more CHP developers to come into New Jersey, and reducing demand on the electric grid. The Board **FINDS** that the CHP program will provide a means of promoting more efficient generation for large customers and will assist these companies in becoming more competitive in the region and nationally.

The Stipulation also includes several new programs. The OPOWER program is a component of the Company's REEP proposal and is designed to provide data on the efficacy of information as a tool in changing energy-use patterns. OPOWER, proposed as a three-year pilot, will include both a group of customers to be provided customized information on their energy usage and access to internet tools as well as a control group. Because the program covers multiple years, Staff and the Board will be able to observe the energy savings achieved, if any, from one annual energy cycle to the next. The Board **FINDS** that the 3-year OPOWER pilot program will provide a means to assess the effectiveness of attempting to change energy consumption patterns, and may increase enrollment in other energy efficiency programs through an information-only approach.

The FEED program is designed to offer individualized savings to eligible commercial customers. Since each project is developed and approved for a specific customer, the projects can be tailored to meet the needs of the rapidly changing energy market. Since associated investment and costs would be paid by individual customers, there will be no rate impact. This program is in line with the Board's policy goal of promoting economic development with its potential for creating new jobs. The program is proposed for a period of three years. Some of these customized projects are anticipated to require lengthy planning and implementation times; even the equipment required may take significantly longer to acquire than that typically used in the residential energy efficiency projects developed through the WARMAdvantage and HPES programs. In addition, this program targets industrial and commercial customers, and in order to optimize project benefits it may be necessary to coordinate with the Pay for Performance or CHP programs which have timelines in excess of one year. Moreover, in the case of FEED

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<sup>5</sup> Bureau of Labor Statistics, "Employment Situation Summary," <http://bls.gov/news.release/empsit.nr0.htm>, accessed September 3, 2010

Class I projects, such projects will be submitted for Board review and approval prior to implementation thus allowing for a full analysis prior to approval.

At this time, the Board is engaged in an extensive public process concerning the transition of the existing NJCEP to a new model. This process started with the Board's caucus meeting on August 12, 2010, and will continue with stakeholder input through fall 2010 that will provide a basis for a series of Staff recommendations to the Board for its consideration. Various directions for the program are being considered, and many complex policy and legal issues are involved. The final result of this process is expected sometime in 2011. Simultaneously, Staff, as directed by Governor Christie at his April 20, 2010 Energy Forum in New Brunswick, is spearheading a comprehensive review and revision of the 2008 EMP to assist in New Jersey's economic development. A draft revision of the EMP is scheduled to be produced by the end of 2010.

Based on the current situation as described above, the Board **FINDS** that approving these programs for a more limited time period and on a reduced budget is reasonable in light of the ongoing discussions surrounding the revision of the EMP and the transition of the NJCEP. The Board **FINDS** that providing for a quarterly continuation of those programs approved for only one year in the event that no orders or policy directions have issued with respect to the NJCEP and the EMP by December 31, 2011, and provided that unspent monies remain in the program budget, provides a mechanism for these programs to continue, within reasonably defined time frames, while final agency action remains pending.

The Signatory Parties have agreed that decisions and agreements regarding certain proposals contained in the Company's filing will be reserved without prejudice, to be considered at a future date. These Reserved Issues include the Access and SEP programs, as well as the energy-efficiency programs originally proposed through REEP and CEEP and program offers for years 2 and 3 as originally requested. These programs raise some complex legal and policy issues that require additional review and discussion. The Board **FINDS** that these issues are properly reserved at this time.

With respect to the cost recovery agreed to by the Signatory Parties, the Board notes that this is limited program<sup>6</sup>, and any extension of the program beyond the time frames specifically provided for in the Stipulation will require a petition, public notice and hearings, and Board review and approval. . In addition, the Board has considered the fact that the Preliminary RGGI Programs will have no immediate rate impact on customers as the current EER rate (to be designated as the EERE rate) will remain at the level established in the Board's July 17 Order approving the NJNG SAVEGREEN Project. Any potential bill impact in future years will be reviewed in the annual filings to be made by NJNG by June 1 of each year.

The Board **HEREBY RATIFIES** all provisional rulings by Commissioner Asselta for the reasons stated in his Orders.

The Board **HEREBY DIRECTS** NJNG to file tariff sheets consistent with the Stipulation and Order within five (5) business days from the date the Order is executed.


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<sup>6</sup> Per Paragraph 22 of the Stipulation, the Signatory Parties agreed that the NJNG Preliminary RGGI Programs may continue to be offered by NJNG beyond December 31, 2011 on a quarterly basis, provided that there are unspent monies in the NJNG Preliminary RGGI Program budget and that the Board has not issued an Order or provided policy direction on the NJCEP transition or the EMP.


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

DATED: 9/24/10

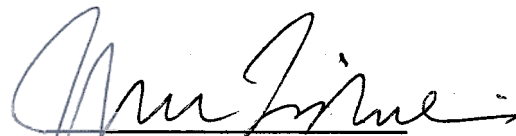
BOARD OF PUBLIC UTILITIES  
BY:



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PRESIDENT



JEANNE M. FOX  
COMMISSIONER



JOSEPH L. FIORDALISO  
COMMISSIONER



NICHOLAS ASSELTA  
COMMISSIONER



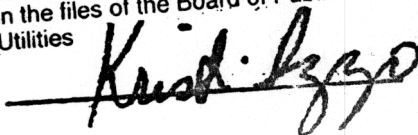
ELIZABETH RANDALL  
COMMISSIONER

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 for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanisms Pursuant to

N.J.S.A. 48:3-98.1

DOCKET NO. GO10030225

SERVICE LIST

<b>BOARD OF PUBLIC UTILITIES</b>		
Jerome May Board of Public Utilities Two Gateway Center Newark, NJ 07102	Alice Bator Board of Public Utilities Two Gateway Center Newark, NJ 07102	Michael Winka Board of Public Utilities Two Gateway Center Newark, NJ 07102
Stacy Peterson Board of Public Utilities Two Gateway Center Newark, NJ 07102	John Zarzycki Board of Public Utilities Two Gateway Center Newark, NJ 07102	Naji Ugoji Board of Public Utilities Two Gateway Center Newark, NJ 07102
Scott Hunter Board of Public Utilities Two Gateway Center Newark, NJ 07102	John Teague Board of Public Utilities Two Gateway Center Newark, NJ 07102	Mona Mosser Board of Public Utilities Two Gateway Center Newark, NJ 07102
Jamal Garner Board of Public Utilities Two Gateway Center Newark, NJ 07102	Kristi Izzo, Secretary Board of Public Utilities Two Gateway Center Newark, NJ 07102	
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<b>DEPARTMENT OF LAW &amp; PUBLIC SAFETY</b>		
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<b>NJNG</b>		
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<b>INTERVENORS</b>		
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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 APPROVAL OF REGIONAL  
GREENHOUSE GAS INITIATIVE  
PROGRAMS AND ASSOCIATED COST  
RECOVERY MECHANISMS PURSUANT  
TO N.J.S.A. 48:3-98.1**

**BPU DOCKET NO. GO10030225**

**STIPULATION**

**APPEARANCES:**

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

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, **Kurt S. Lewandowski, Esq.**, and **Judith B. Appel, Esq.**, Assistant Deputy Rate Counsels, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel)

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

**Marc B. Lasky, Esq.**, Morgan, Lewis and Bockius LLP, Attorneys for Jersey Central Power & Light Company

**Philip J. Passanante, Esq.**, Assistant General Counsel, Atlantic City Electric Company

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

**BACKGROUND**

1        On March 29, 2010, New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition (the "Petition") in Docket No. GO10030225 requesting that the

New Jersey Board of Public Utilities ("BPU" or the "Board") approve a number of energy-efficiency programs and a renewable energy program ("the RGGI<sup>1</sup> Programs"), pursuant to N.J.S.A. 26:2C-45 and 48:3-98.1 (the "Act"). These programs were proposed in part to address the energy-efficiency and conservation goals of the Act and the goals and policy direction encompassed in the New Jersey Energy Master Plan ("EMP"). The Act provides for, subject to certain conditions, the investment by a natural gas or electric utility in customer or utility side energy-efficiency and renewable energy programs in its service territory on a regulated basis.

2. In an Order dated May 12, 2008 in Docket No. EO08030164<sup>2</sup> (the "May 12 Order"), the Board established Minimum Filing Requirements ("MFRs") for filings submitted pursuant to Section 13 of the Act. Pursuant to the May 12 Order, a utility contemplating filing a petition for energy-efficiency, conservation programs and/or Class I renewable energy and a related cost recovery mechanism must meet with Board Staff ("Staff") and the Division of Rate Counsel ("Rate Counsel") at least 30 days prior to filing its petition to discuss the nature of the program and the program cost recovery mechanism to be proposed in the petition, as well as the MFRs to be submitted along with the petition. NJNG held a pre-filing meeting on February 26, 2010 to discuss its proposed program.

3. Pursuant to a Board Order dated July 17, 2009 in the matter of the Company's Economic Stimulus Energy Efficiency Program Petition ("E3 Petition"), BPU Docket No. GO09010057, the Company implemented three energy efficiency programs: 1) Home Performance with Energy Star ("HPES") Enhancements; 2) Enhanced WARMAdvantage

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<sup>1</sup> Also known as the Regional Greenhouse Gas Initiative ("RGGI").

<sup>2</sup> I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs in Their Respective Service Territories on a Regulated Basis, BPU Docket No. EO08030164, Order dated May 12, 2008.

Rebate Program; and 3) Commercial Customer Direct Install Program. (collectively, the "SAVEGREEN Project"). To date, through SAVEGREEN NJNG has created and filled more than 20 new jobs and provided support for local heating, ventilation and air conditioning ("HVAC") contractor job growth and retention. In the current SAVEGREEN program as approved by the BPU, NJNG offers enhancements to the NJCEP HPES program, and provides an opportunity for up to \$10,000 of zero-percent financing through a third party lender for eligible measures installed through HPES. NJNG is also now providing funding for HPES customer incentives in the NJNG service territory. Additionally, for customers initially replacing equipment, NJNG provides an enhanced rebate for qualified WARMAdvantage furnace or boiler purchases as long as the customer participates in an HPES audit. Similar offers are available to commercial customers with residential-sized equipment to encourage energy efficiency in that sector. Finally, the SAVEGREEN program supports NJCEP's Direct Install incentives by making those benefits available to an additional number of commercial customers in NJNG's service territory.

4. NJNG filed a Petition in the instant matter seeking Board approval pursuant to the Act of four proposed energy-efficiency programs and one proposed renewable energy program ("the RGGI Programs"). The Petition also sought approval for an associated cost recovery mechanism. In the Petition, the Company proposed to continue offering much of what is currently included in the SAVEGREEN Project for an additional three years, along with proposals for certain program expansions and a residential solar lease program. Specifically, the Company's filing proposed the following:

- (a) As part of the Residential Energy Efficiency Program ("REEP"), NJNG proposed enhanced rebates of the current NJCEP WARMAdvantage and

COOLAdvantage programs while continuing to promote the "whole-house" approach by requiring participation in an HPES audit at no cost to the customer. NJNG also proposed a discounted financing opportunity through a third-party lender to eligible customers who pursue energy-efficiency upgrades through HPES. As part of REEP, NJNG also proposed to conduct a pilot program through OPOWER, a service provider that has worked with many utilities in assessing residential customer responses to energy-efficiency information.

(b) The Company's Petition included the Access to Affordable Energy ("Access") program, a new offer directed to certain residential customers receiving benefits from New Jersey's Universal Service Fund ("USF"). Through Access, eligible USF recipients relying on an electric heat source would receive financial incentives to convert to high-efficiency natural gas heating equipment.

(c) For commercial customers, NJNG proposed the Commercial Energy Efficiency Program ("CEEP") through which incentives would be provided to supplement those available through both NJCEP's SmartStart program and the NJCEP combined heat and power ("CHP") program.

(d) Additionally, NJNG included a program that would have no rate impact on its customers but was designed to offer individualized savings to eligible commercial customers. Entitled Fostering Environmental and Economic Development ("FEED"), this program and Tariff mechanism would provide qualified commercial and industrial customers with the opportunity to benefit from energy-efficiency and economic development opportunities. NJNG would work with each individual customer to develop customized incentives or

repayment structures. There is no impact on NJNG ratepayers since the associated investment and costs would be repaid by the individual customers participating in FEED.

(e) NJNG also proposed a renewable energy program, the Solar Energy Program ("SEP"), which offers residential customers an opportunity to access the environmental and financial benefits of renewable energy by leasing a solar energy system that is owned and maintained by NJNG.

5. The Company's Petition was accompanied by supporting schedules, program descriptions, financial and other related information pursuant to the MFRs. A letter was received from Staff dated April 27, 2010, noting that the Petition and accompanying information were found to be administratively complete pursuant to the May 12 Order.

6. As part of its Petition, the Company requested regulated recovery of the energy-efficiency and renewable investments as provided in the Act, asking that the Board approve a cost recovery mechanism through which the Company would be authorized to recover all RGGI Program costs, including the costs of certain rebates, customer incentives, SEP assets, associated incremental operations and maintenance ("O&M") expenses and the carrying costs associated with the RGGI Programs. It was proposed that these costs would be recovered through a per therm charge to all applicable jurisdictional throughput on the NJNG system. The Company proposed to recover the RGGI costs through the existing Board-approved Rider F to the NJNG Tariff, originally approved as the Energy Efficiency Rider ("EER") related to the SAVEGREEN Project. This rider, renamed the Energy Efficiency and Renewable Energy Rider ("EERE"), would be the mechanism for recovery of future approved RGGI Program costs as well as the

remaining recovery associated with the SAVEGREEN Project. In the Petition, NJNG proposed no change to the current EER rate included in Rider F.

7. If fully subscribed, the energy-efficiency and solar lease RGGI Programs were anticipated to result in approximately \$102 million of investment with that amount to be recovered through Rider F over a ten-year period from the month in which they are incurred. Assuming full participation in the proposed programs, the anticipated impact for the typical residential heat customer using 1,000 therms annually would be approximately 0.6 percent or an average of \$8.14 per year over a 15-year period. The rate impact will include credits from the SEP for the last five years after the program costs are recovered. NJNG proposed that there initially be no change to the current EER rate through September 30, 2011 with a filing to be made on or before June 1, 2011 to determine the subsequent EERE rate.

8. On May 12, 2010, the Board issued an Order retaining this matter at the agency for consideration and, pursuant to N.J.S.A. 48:2-32, designated BPU Commissioner Nicholas Asselta as the presiding officer. On May 14, 2010, Commissioner Asselta issued an Order setting forth a procedural schedule for this matter ("Procedural Schedule").

9. On May 27, 2010 and June 16, 2010, Jersey Central Power & Light Company ("JCP&L") and Atlantic City Electric Company ("ACE"), respectively, submitted motions for intervention in this proceeding. By an undated Order that was signed on June 16, 2010, JCP&L was granted intervention and pursuant to an Order dated July 13, 2010, ACE's motion for intervention was granted. To date, no other party has sought intervention in this case.

10. Discovery questions in this matter were propounded by Board Staff and Rate Counsel, and the Company has provided responses to all 124 requests.



11. Pursuant to the Procedural Schedule, Rate Counsel filed the direct testimony of David E. Dismukes, David Nichols, and Andrea Crane on July 9, 2010.

12. Public notice was provided by NJNG for four public hearings on the proposed RGGI Programs that were held on the following times and dates at locations in the NJNG service territory: hearings at 3:30 pm and 5:30 pm on July 26, 2010, in Freehold Borough and hearings at 3:30 pm and 5:30 pm on August 2, 2010, in Rockaway Township. No members of the public appeared at any of the public hearings.

13. Subsequent to the completion and review of discovery and the public hearings, and after discovery and settlement meetings among NJNG, Board Staff, and Rate Counsel, with telephonic participation of JCP&L and ACE (the "Parties"), the following agreement has been reached in resolution of this case.

Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by representatives of NJNG, Rate Counsel and BPU Staff ("the Signatory Parties") as follows:

### **STIPULATED MATTERS**

14. The Signatory Parties agree that as of January 1, 2011, NJNG can offer certain residential and commercial energy-efficiency programs (designated herein as the "Preliminary RGGI Programs"), for an initial period of twelve months, subject to the provisions of Paragraphs 16, 17, 18, 19, 20, 21 and 22 below. Specifically, for the Preliminary RGGI Programs, NJNG will reduce the originally proposed level of investment for the initial twelve month period related to energy efficiency to be recovered from ratepayers to no more than \$9.6 million, a reduction of approximately \$49.9 million.

(a) For purposes of settlement, NJNG agrees to reduce, without prejudice and subject to the agreement in Paragraphs 16, 17, 18, 19, 20, 21 and 22 below, the originally proposed three year RGGI Program term to one year at this time.

(b) Furthermore, the Company's requests for the following energy-efficiency offers contained within the March 29, 2010 filing will be reserved (see Paragraphs 21 and 22 below): incentives for residential electric air conditioning and water heaters; and incentives for commercial heating, cooling and water heating.

15. It is agreed that the NJNG RGGI Programs as described in Exhibit F are consistent with the current programs through the SAVEGREEN Project, with the following modifications:

(a) NJNG will reduce the proposed incentive for gas boilers from \$1,200 to \$900 and modify the anticipated participation rate for Seal-up work (formerly designated as Tier II) from 2,500 in the first year of operation to 2,000;

(b) For the funding of Tier III incentives, NJNG will lower the incentive from \$5,000 to \$3,000 to remain consistent with the current HPES incentive levels through

NJCEP. Furthermore, it is agreed that NJNG will only provide Tier III funding for those projects in the NJNG service territory that are incremental to those included in the underlying NJCEP 2011 HPES Tier III budget as determined through the Board proceeding establishing the 2011 NJCEP budget. That is, the Company will only be able to fund the Tier III HPES incentives after deducting the projects forecasted to be accomplished through the NJCEP budget from the NJNG proposed participation rate of 1,000; and

(c) NJNG will provide a no interest on-bill repayment plan for eligible residential customers making energy-efficiency investments through the HPES portion of the Preliminary RGGI Program for customer investments up to \$7.23 million, as included in Exhibit F. As described more fully below, payments made by participating customers will be an offset to this investment. Consistent with the existing zero-percent financing option available through HPES for eligible customers statewide, the customer repayment period for the NJNG on-bill repayment plan will be ten years. The associated return and taxes are included in the overall revenue requirement as incurred and the principal will be repaid by participating customers as an offset to the revenue requirement as included in Exhibit C. The Company agrees at this time to withdraw without prejudice the financing program originally proposed on March 29, 2010 as described in Paragraph 4 (a) above.

16. In addition to the energy-efficiency programs that will be offered, NJNG will participate in the proposed OPOWER pilot program for three years, providing a pool of residential customers in NJNG's service territory with information on their energy usage. The results of this program will be provided to Rate Counsel and BPU Staff.

17. The Signatory Parties also agree that the NJNG CHP program will be implemented as proposed with the following modification: the Company will amortize the costs over five years but will not earn a return as originally proposed. If, during the term of the Preliminary RGGI Programs, NJCEP faces additional funding constraints and the Company anticipates that the full amount reserved for CHP investments will not be expended, the Signatory Parties agree that NJNG may propose to allocate all or a portion of that amount to other ongoing NJCEP commercial programs with notice and a reasonable opportunity to the Signatory Parties to review and comment on any proposed transfer consistent with Paragraph 28 below.

18. The Signatory Parties also agree that NJNG can offer the FEED program to eligible customers pursuant to the NJNG Tariff for three years. NJNG agrees for purposes of settlement that requests related to any potential FEED projects will be submitted to the BPU Staff and Rate Counsel for a 60-day review and comment period, with the exception of FEED Class I projects which will be submitted for Board review and approval prior to implementation. Further, NJNG agrees to provide the following information in any FEED project application that is submitted: a specific program description; a summary of the anticipated benefits to the individual customer, the Company and other ratepayers, if applicable; and, an estimate of the costs to the customer with available relevant documentation. (See Exhibit B for the proposed FEED Tariff).

19. In resolution of this proceeding and in consideration of the pending BPU review of the NJCEP transition, the Signatory Parties agree that NJNG is authorized to offer the Preliminary RGGI Programs and the associated on-bill repayment plan for twelve months effective as of January 1, 2011, subject to Paragraph 20 below. It is agreed that work related to

any Preliminary RGGI Program offers, with the exception of the CHP project as described below, may continue into 2012 for close-out and completion of any approved or committed project under the NJNG Preliminary RGGI Programs. Given the approval and implementation cycles associated with the NJCEP Pay for Performance Program, the close-out and completion time for CHP may extend into 2013.

20. In resolution of this proceeding and in consideration of the pending BPU review of the NJCEP transition, the Signatory Parties agree that, if no Order(s) or policy directions related to NJCEP and the EMP with an effective date of December 31, 2011 have been issued by the BPU as of that date, the Preliminary RGGI Program may continue to be offered by NJNG on a quarterly basis past December 31, 2011 provided that there are unspent monies in the NJNG Preliminary RGGI Program budget until such Board direction is provided. The maximum investment levels permitted in any quarterly period shall not exceed one-fourth of the annual levels set forth in Exhibits A and F attached hereto.

21 In resolution of this proceeding and in consideration of the pending review and further resolution of the transition of the NJCEP, NJNG agrees that decisions and agreements regarding issues related to the proposed Access and SEP programs, as well as the energy-efficiency programs originally proposed through REEP, CEEP and program offers for years 2 and 3 as originally requested (collectively, the "Reserved Issues") will be reserved without prejudice, to be considered at a future date. The Signatory Parties' agreement to reserve these matters shall not be deemed precedential with respect to any position any of the Signatory Parties may take on the Reserved Issues in the future.

22. In exchange for the agreements made herein, and for good and sufficient consideration, the Signatory Parties agree that the 180-day period within which this RGGI filing

is to be decided, pursuant to N.J.S.A. 48:3-98.1(b) (the “180-day period”) which in this proceeding commenced on March 29, 2010, shall be tolled and suspended concerning the Reserved Issues as of the date this Stipulation is executed by all Signatory Parties. After the BPU issues an Order or takes action on the EMP or the transition of the NJCEP programs, NJNG may initiate discussions with the Signatory Parties to establish a procedural schedule within which the Reserved Issues will be addressed. The running of the 180-day period shall commence again as of the date that NJNG files a petition with the Board in this Docket requesting that the Board’s consideration of the Reserved Issues, whether in their entirety or any part or parts thereof, proceed. To the extent that NJNG makes any substantive changes to the Reserved Issues, this shall constitute a new filing under N.J.S.A. 48:3-98.1. This petition shall include a detailed explanation of the basis for the proceeding with the Reserved Issues together with supporting information, including updated schedules and discovery responses pertaining to the Reserved Issues. Furthermore, NJNG will not object to reasonable requests for extensions of up to 30 days to the time remaining in the 180-day period. Additionally, NJNG reserves the right to submit a subsequent RGGI filing that may encompass new RGGI programs as well as some or all of the Reserved Issues and the elements of the Preliminary RGGI Program. Such subsequent new filing will be subject to all procedural requirements of N.J.S.A. 48:3-98.1 as of the date it is filed if found to be a complete filing.

23. The Signatory Parties understand that the Board may, specifically as part of its review and consideration of the transition of the NJCEP in its Order(s) or policy direction, terminate in whole or in part the SAVEGREEN Project programs, including amendments made herein (Preliminary RGGI Programs) and may or may not include the SAVEGREEN Project programs in part or in whole including the amendments made herein (Preliminary RGGI

Programs) in any Board approved NJCEP transition Order or policy. However, the Signatory Parties also agree that NJNG can close-out and complete any approved or committed Preliminary RGGI Program projects as agreed to in Paragraph 19 above.

24. The Signatory Parties agree that the Company will be authorized to defer and recover all Preliminary RGGI Program costs, including the rebate costs, customer incentives and associated reasonable and prudent incremental O&M expenses. (See Exhibit C attached hereto). The rebate costs, customer incentive costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG's Tariff Sheet Rider F. (A copy is attached hereto as Exhibit D). The Preliminary RGGI Program costs shall be subject to the terms set forth on Rider F and, as discussed in Paragraphs 6 and 7 above, shall be recovered through a per therm EERE charge applicable to all applicable jurisdictional throughput on the NJNG system. The estimated revenue requirements of the Preliminary RGGI Program, including associated O&M expenses and assuming full customer participation, are shown on Exhibit C, attached hereto.

25. In resolution of this proceeding, NJNG agrees that the Preliminary RGGI Program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period effective January 1, 2011 on a straight line basis, with the return on the unamortized investments based upon the Company's overall weighted average cost of capital ("WACC"), inclusive of income taxes as authorized by the Board in NJNG's most recent base rate case, BPU Docket No. GR07110889. Those rates are 1.44% inclusive of income taxes and 7.76% after-tax. The customer repayment period for the on-bill repayment offer will be ten years pursuant to Paragraph 15(c) herein. In computing the return component of its costs, NJNG will, in addition to the amortization of its investments, deduct the depreciation

and applicable deferred income taxes related to the amortization of RGGI program costs (except, as discussed in Paragraph 17, those associated with the CHP program) over a five-year period for book purposes and over one year for tax purposes. The initial revenue requirement, assuming full customer participation, is detailed in Exhibit C.

26. The initial Board approved Preliminary RGGI Program investments and operating costs will be reconciled to actual in filings to be submitted on or before June 1 of each year in which recovery will be sought. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.

27. As proposed in the original RGGI filing, the Company requests that the Board maintain the current after-tax EER rate, to be designated as an EERE rate, of \$0.0127 established in Docket No. GO09010057 and approved by the Board in an Order dated July 17, 2009. Thereafter, the Company will make an annual RGGI Program cost recovery filing by June 1 to establish future EERE rates. That filing will target an effective date of the immediately following October 1, in conjunction with NJNG's annual Basic Gas Supply Service filing. The annual RGGI filing will include information regarding actual costs and recoveries for the previous year, as well as projected costs and volumes for the upcoming year. Any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the Board in the Company's most recent base rate case, BPU Docket No. GR07110889, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-



of-tax basis. In each annual filing, the sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the upcoming year as part of the calculation of Preliminary RGGI Program cost over/under-recoveries. It is anticipated that the impact of the Preliminary RGGI Program over the first five years of the amortization period, assuming full customer participation, will average approximately \$5.92 per year, an increase of approximately 0.4 percent on a typical residential heating customer using 1000 therms annually. (See attached Exhibit E for projected customer bill impacts.)

28. To provide flexibility in responding to market conditions, customer demand and future NJCEP budgetary considerations or any other eventualities which may arise during the term of the Preliminary RGGI Program, the Signatory Parties agree that NJNG may propose to adjust incentive levels to be offered to its customers or to shift program budgets through a written notice to Board Staff and Rate Counsel. NJNG will provide a full description of the budget re-allocation proposed, along with supporting schedules. Board Staff and Rate Counsel agree to provide an expedited response to such communication within ten (10) business days. At that time, the proposal and any responses or replies submitted by Board Staff, Rate Counsel and NJNG will be presented to the Board for review and issuance of an Order. Additionally, NJNG will not seek to increase or re-allocate the budget of any Preliminary RGGI program to any other Preliminary RGGI program budget where that program has been eliminated by NJCEP.

29. NJNG will submit detailed data regarding the Preliminary RGGI Program activity and expenses through the Program Manager Data Tracking Sheets as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and SAVEGREEN Project programs. The Company will submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report.

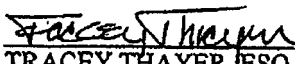
30. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Signatory 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 Signatory 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.

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


32. 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, the Board Staff, and 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, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Signatory 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 COMPANY  
PETITIONER**

By:  9/14/10  
TRACEY THAYER, ESQ.  
Director, Regulatory Affairs Counsel

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

  
KURT S. LEWANDOWSKI, ESQ.  
Assistant Deputy Rate Counsel

**STAFF OF THE STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES  
PAULA T. DOW  
ATTORNEY GENERAL OF THE STATE OF NEW JERSEY**

By:  09/14/10  
ALEX MOREAU  
Deputy Attorney General

9/14/10

**New Jersey Natural Gas  
RGGI Program**

**Program Unit Costs and Projected Participation Rates**

	Participation Rates				Unit Cost	Gross Investments (\$000)			
	Year 1	Year 2	Year 3	Total		Year 1	Year 2	Year 3	Total
<b>Residential</b>									
Gas Furnace	3,500			3,500	900	\$ 3,150	\$ -	\$ -	\$ 3,150
Gas Boiler	500			500	900	450	-	-	450
Hot Water	-			-	200	-	-	-	-
Tankless Hot Water	-			-	500	-	-	-	-
Solar Hot Water	-			-	2,000	-	-	-	-
SEER 16 EER 13 Air Cond.	-			-	600	-	-	-	-
SEER 15 EER 12.5 Air Cond.	-			-	400	-	-	-	-
SEER 14.5 EER 12 Air Cond.	-			-	300	-	-	-	-
Tier II Seal-Up	2,000			2,000	1,000	2,000	-	-	2,000
Tier III Rebate	1,000			1,000	3,000	3,000	-	-	3,000
									\$ 8,800
<b>Commercial</b>									
Cooling					10,000	\$ -	\$ -	\$ -	\$ -
Heating					2,000	-	-	-	-
Water Heating					1,500	-	-	-	-
Combined Heat and Power	1				1,000,000	1,000	-	-	1,000
									\$ 1,000
<b>Access to Affordable Energy</b>									
Low Income Conversion					5,000	\$ -	\$ -	\$ -	\$ -
<b>Solar</b>									
Building Applied Solar					33,000	\$ -	\$ -	\$ -	\$ -
Building Integrated Solar					18,000	-	-	-	-
									\$ -
<b>TOTAL ALL PROGRAMS</b>						\$ 9,600	\$ -	\$ -	\$ 9,600

## NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

Original Sheet No. 94

**SERVICE CLASSIFICATION - FEED****FOSTERING ENVIRONMENTAL AND ECONOMIC DEVELOPMENT SERVICE****AVAILABILITY**

This service is available to any qualifying commercial and industrial customers on: a voluntary basis; alone or in conjunction with any other applicable rate schedule and to customers that meet the stated eligibility requirements and contract terms and conditions with the Company for service under the FEED program.

**CHARACTER OF SERVICE**

Firm or Interruptible gas service where Customer may either purchase gas supply from the Company's Rider "A" for Basic Gas Supply Service ("BGSS") or from an independent Marketer or Broker.

**CONDITIONS PRECEDENT**

In order to be a qualifying customer, the customer must meet one or more of the following conditions:

1. For new customers, the customer must intend to utilize natural gas to provide significant environmental or economic development benefits within NJNG's service territory or in a manner that increases system utilization.
2. An existing customer that materially expands its use of natural gas.
3. An existing Customer that provides significant environmental or economic development benefits within NJNG's service territory or that increases system utilization.

**APPLICATION**

This Rate Classification allows the Company to offer customer specific services under terms and conditions as agreed to between the Company and Customer, including, but not limited to, the following:

1. FEED Incentive or Discounted Rates designed to encourage environmental improvements or development within the Company's service territory or enhance the Company's system utilization (FEED Class 1). FEED Class 1 may be used separately or in conjunction with FEED Class 2 or FEED Class 3.
2. FEED Special Developmental Rates designed to allow the Company to recover from the Customer the Company's capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the Contract related to distribution system and mains expansions (FEED Class 2).
3. FEED Special Developmental Rates designed to encourage significant, new and/or environmental or economic development projects in NJNG's service territory and allow the Company to install and/or operate equipment and facilities to fulfill the Contract and recover from the Customer the Company's capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the Contract related to non-traditional equipment (FEED Class 3). The projects will not be included in the Company's rate base.

Date of Issue: , 2010  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719

Effective for service rendered on  
and after , 2010

## NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

Original Sheet No. 95

**SERVICE CLASSIFICATION - FEED****FOSTERING ENVIRONMENTAL AND ECONOMIC DEVELOPMENT SERVICE (continued)****SPECIAL CONTRACT AND PROVISIONS****1. Contract**

The Customer and the Company shall enter into a contract detailing the rates, charges, terms and other conditions. At the conclusion of the specified term of the Contract, any continuing service to the Customer shall be charged under the terms and conditions of the then-applicable Tariff rate schedule for similarly situated customers.

**2. Contract Terms**

The Contract will include details regarding length of the initial term and any renewal options, a specified term for the recovery of the Company's capital investment in facilities and all related costs, charges and expenses, the operational terms and conditions, the rates and charges applicable under the Contract, and other provisions to fully define the obligations and rights of the parties.

**3. Significant Economic Benefit**

Customers must intend to: create new jobs or avoid potential job reductions in New Jersey; or otherwise provide material benefits in the areas of economic development or infrastructure enhancements which might not be attained absent the contract under this Service Classification.

**4. Significant Environmental Benefit**

Customers must intend to: install or modernize equipment that uses energy more efficiently; reduce carbon emissions; achieve goals under a State or Federal Energy Plan or policy as may be established from time to time; or otherwise intend to provide measurable benefits to improve New Jersey's environment.

**BILLING**

Recovery of the Company's costs including but not limited to, the capital investment, fees, expenses, costs, other charges and a return on investment shall be billed under a separately stated charge on the Customer's bill, which shall be determined for each individual Customer and specified in the Contract.

**REGULATORY REVIEW**

The Company shall file the Contract and any other terms and conditions with the Staff of the New Jersey Board of Public Utilities (Board Staff) and the New Jersey Division of Rate Counsel (Rate Counsel) for review, together with information regarding how service under the Contract provides significant environmental or economic benefit or improves system utilization. The Company shall also include in the filing: a specific program description; summary of the benefits to the Company, customer and other ratepayers; and cost estimate and documentation. The Company shall request Board Staff and Rate Counsel review FEED Class 2 and FEED Class 3 filings and comment within sixty (60) days, at which time, absent objections, the Contract and any other terms and conditions shall take effect. Any subsequent amendments following implementation of the FEED Class 2 or FEED Class 3 Contract that modify the terms of the Contract shall be submitted to Board Staff and Rate Counsel for review and comment within sixty (60) days of the effective date of such amendment, and absent objections by Board Staff and Rate Counsel, the amendment(s) shall take effect, as prescribed. For FEED Class 1 Contracts, the Company shall request Board Staff and Rate Counsel review the filing and any subsequent amendments and comment within sixty (60) days. FEED Class 1 contracts will be submitted for Board approval prior to implementation.

Date of Issue: , 2010  
 Issued by: Mark R. Sperduto, Vice President  
 Wall, NJ 07719

Effective for service rendered on  
 and after, 2010

***NEW JERSEY NATURAL GAS COMPANY***

***BPU No. 8 - Gas***

***Original Sheet No. 96***

***SERVICE CLASSIFICATION - FEED***

***FOSTERING ENVIRONMENTAL AND ECONOMIC DEVELOPMENT SERVICE (continued)***

***PAYMENT***

Bills are due within ten (10) days after the Company sends the bill and subject to a late payment charge as set forth in Paragraph 8.9 of the Standard Terms and Conditions of this Tariff.

***TERMS AND CONDITIONS***

When applicable, service is subject to the Standard Terms and Conditions of this Tariff and the Contract.

***Date of Issue: , 2010***  
***Issued by: Mark R. Spurduto, Vice President***  
***Wall, NJ 07719***

***Effective for service rendered on***  
***and after, 2010***

***Filed pursuant to Order of the Board of Public Utilities entered in***  
***Docket No. GR10030225***

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet Nos. 97-150**

**RESERVED FOR FUTURE USE**

***Date of Issue:*** , 2010  
***Issued by:*** Mark R. Sperduto, Vice President  
Wall, NJ 07719

***Effective for service rendered on  
and after, 2010***

***Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR10030225***



Schedule DPY-5 Revised for Settlement

New Jersey Natural Gas  
RGGI Program

Summary of Revenue Requirements  
(\$000)

Year	2013	2014	2015	2017	2018	2019	2020
<u>Residential Efficiency Revenue Requirements</u>							
O&M Expense	\$ 4,340	\$ 626	\$ 316	\$ -	\$ -	\$ -	\$ -
Amortization	1,720	1,720	1,720	1,720	1,720	-	-
Income Taxes	75	131	93	56	19	-	-
Return	157	275	197	118	39	-	-
0% Repayment Plan Income Taxes	120	226	200	173	146	120	93
0% Repayment Plan Return	252	477	421	365	308	252	196
Total	\$ 6,664	\$ 3,455	\$ 2,946	\$ 2,431	\$ 2,233	\$ 372	\$ 289
<u>Commercial Efficiency Revenue Requirements</u>							
O&M Expense	\$ 71	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	200	200	200	200	200	-	-
Income Taxes	-	-	-	-	-	-	-
Return	-	-	-	-	-	-	-
Total	\$ 271	\$ 200	\$ 200	\$ 200	\$ 200	\$ -	\$ -
<u>Access to Affordable Energy Revenue Requirements</u>							
O&M Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-
Return	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule DPY-5 Revised for Settlement

New Jersey Natural Gas  
RGGI Program

Summary of Revenue Requirements  
(\$000)

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Solar Revenue Requirements</u></b>										
O&M Expense	\$ -		\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -
Amortization	-					-	-	-	-	-
ITC Amortization	-					-	-	-	-	-
Income Taxes	-					-	-	-	-	-
ITC Recapture	-					-	-	-	-	-
Return	-					-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Revenue Offsets</u></b>										
Solar Retail Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Solar SREC Revenues	-			-		-			-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 6,935</b>	<b>\$ 3,655</b>	<b>\$ 3,146</b>	<b>\$ 2,631</b>	<b>\$ 2,433</b>	<b>\$ 372</b>	<b>\$ 289</b>	<b>\$ 207</b>	<b>\$ 124</b>	<b>\$ 41</b>

## NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

First Revised Sheet No. 172  
Superseding Original Sheet No. 172RIDER "F"ENERGY EFFICIENCY AND RENEWABLE ENERGY - EEREAVAILABILITY

Applicable to the following service classifications:

RS	Residential Service	ED	Economic Development
DGR	Distributed Generation Residential	FC	Firm Cogeneration
GSS	General Service - Small	NGV	Natural Gas Vehicle
GSL	General Service - Large	IS	Interruptible Service
FT	Firm Transportation	IGS	Incremental Gas Service
DGC	Distributed Generation Commercial		

The Energy Efficiency and Renewable Energy ("EERE") rate is for recovering authorized expenditures related to the energy efficiency and renewable energy programs as approved in BPU Docket Nos. GO09010057 and GR10030225.

DETERMINATION OF THE EERE

The Company shall file an annual request with the Board for implementation of an EERE charge, which shall be applicable to customers on all service classifications to which Rider "F" applies. The EERE recovery year is intended to run from October 1<sup>st</sup> to September 30<sup>th</sup> of each year.

**I. Determination of the Rate**

The EERE rate shall be derived in the following manner:

- (1) An estimate shall be made of the total annual cost related to the programs. This rider will include only expenses for energy efficiency and renewable energy programs approved by the Board in BPU Docket Nos. GO09010057 and GR10030225, unless modified further by Board Order.
- (2) An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers.
- (3) The prospective costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery to determine the total costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit cost recovery rate.

Date of Issue: , 2010  
 Issued by: Mark R. Sperduto, Vice President  
 Wall, NJ 07719

Effective for service rendered on  
 and after, 2010

Filed pursuant to Order of the Board of Public Utilities entered in  
 Docket No. GR10030225

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Second Revised Sheet No. 173  
Superseding First Revised Sheet No. 173***

**RIDER "F"**

**ENERGY EFFICIENCY AND RENEWABLE ENERGY - EERE**

**II. Tracking the Operation of the EERE**

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred costs based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the balance at the end of each EERE recovery year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The EERE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EERE factor is as set forth below:

**\$0.0127**

***Date of Issue: , 2010  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719***

***Effective for service rendered on  
and after , 2010***

***Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR10030225***

Schedule DPY-7 Revised for Settlement

RGGI Program  
Projected BIR Impacts

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	5-Year Average	10-Year Average
<b>Revenue Requirement Summary</b>												
Residential Energy Efficiency	\$ 6,664	\$ 3,456	\$ 2,946	\$ 2,431	\$ 2,233	\$ 372	\$ 289	\$ 207	\$ 124	\$ 41		
Commercial Energy Efficiency	271	200	200	200	200	-	-	-	-	-		
Access to Affordable Energy	-	-	-	-	-	-	-	-	-	-		
Solar	-	-	-	-	-	-	-	-	-	-		
Total	\$ 7,935	\$ 3,856	\$ 3,146	\$ 2,631	\$ 2,433	\$ 372	\$ 289	\$ 207	\$ 124	\$ 41		
<b>Throughput</b>												
	679,000 M Therms											
<b>Per Therm Rate Impact</b>												
Residential Energy Efficiency	\$ 0.0098	\$ 0.0051	\$ 0.0043	\$ 0.0036	\$ 0.0033	\$ 0.0005	\$ 0.0004	\$ 0.0003	\$ 0.0002	\$ 0.0001		
Commercial Energy Efficiency	0.0004	0.0003	0.0003	0.0003	0.0003	-	-	-	-	-		
Access to Affordable Energy	-	-	-	-	-	-	-	-	-	-		
Solar	-	-	-	-	-	-	-	-	-	-		
Total	\$ 0.0102	\$ 0.0054	\$ 0.0046	\$ 0.0039	\$ 0.0036	\$ 0.0005	\$ 0.0004	\$ 0.0003	\$ 0.0002	\$ 0.0001		
Total including SUT	\$ 0.0109	\$ 0.0060	\$ 0.0050	\$ 0.0041	\$ 0.0038	\$ 0.0006	\$ 0.0004	\$ 0.0003	\$ 0.0002	\$ 0.0001		
<b>Typical Annual BIR Impacts</b>												
<b>Residential Non-Heat</b>												
Annual Therms	200	200	200	200	200	200	200	200	200	200		
Typical Annual BIR Impact	\$ 2.18	\$ 1.16	\$ 1.00	\$ 0.82	\$ 0.75	\$ 0.12	\$ 0.10	\$ 0.06	\$ 0.04	\$ 0.02	\$ 1.18	\$ 0.83
<b>Residential Heat</b>												
Annual Therms	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
Typical Annual BIR Impact	\$ 18.90	\$ 6.80	\$ 6.00	\$ 4.10	\$ 3.80	\$ 0.80	\$ 0.80	\$ 0.30	\$ 0.20	\$ 0.10	\$ 6.92	\$ 3.13
<b>General Service Small</b>												
Annual Therms	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200		
Typical Annual BIR Impact	\$ 13.88	\$ 6.86	\$ 6.00	\$ 4.92	\$ 4.66	\$ 0.72	\$ 0.80	\$ 0.38	\$ 0.24	\$ 0.12	\$ 7.10	\$ 3.76
<b>General Service Large</b>												
Annual Therms	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000		
Typical Annual BIR Impact	\$ 163.80	\$ 87.80	\$ 79.80	\$ 61.80	\$ 57.00	\$ 9.00	\$ 7.80	\$ 4.80	\$ 3.80	\$ 1.90	\$ 88.80	\$ 46.96

## Exhibit F

### NJNG Preliminary RGGI Programs

#### **Enhanced Equipment Rebate Structure with NJCEP and NJNG Offers**

To encourage residential customers to move to high-efficiency units when they are making decisions about equipment replacement and to persuade them to also take advantage of the "whole house" approach embodied in New Jersey's Clean Energy Program (NJCEP) Home Performance with Energy Star (HPES) program, NJNG will offer enhanced rebates on the purchase and installation of various types of heating, ventilation and air-conditioning ("HVAC") equipment. The REEP program is intended to capture multiple points of potential energy-efficiency opportunities in the house.

Important notes related to rebate levels:

- The total rebate levels above are generally designed to target paying down the entire cost of installing high-efficiency equipment instead of standard equipment.
- Should NJCEP minimum efficiency levels change during the term of this program, NJNG will not provide rebates for any equipment that does not meet minimum NJCEP efficiency standards and shall notify parties of any required changes.
- Customers who had an HPES audit but did not replace eligible HVAC equipment within the 3 years immediately preceding the date of the New Jersey Board of Public Utilities Order approving this program will be eligible for the NJNG enhanced rebate without an additional audit.

Qualifying Equipment	Current NJCEP Equipment Rebate	NJNG Enhanced Rebate	Total Rebate if NJNG audit performed	Gross NJNG Investment
Gas Furnace	\$300	\$900	\$1,200	\$3,150,000
Gas Furnace with ECM	\$400	\$900	\$1,300	Included in above amount
Gas Boiler	\$300	\$900	\$1,200	\$450,000

Rebate	Estimated Annual Participants	Estimated Annual Savings
Gas Furnace/Boiler	4,000	699,000 therms

#### **On-bill Repayment**

Residential customers implementing upgrades through HPES will be eligible to participate in an NJNG no-interest on-bill repayment plan. Payment toward the principal will be made by participating customers. A maximum of \$10,000 will be available to individual customers and is to be repaid over 10 years. Consistent with current E3 terms, customers can take advantage of both the HPES rebates and the repayment plan.

Note: Customers who received an NJNG enhanced rebate through the WARMAdvantage

## Exhibit F

### NJNG Preliminary RGGI Programs

programs will not be eligible for the on-bill repayment plan.

Anticipated Number of Participants	Max. Amount available per customer/Assumed average loan amount	Repayment period	Investment Amount to be repaid by participants
750	\$10,000/\$9640	10 years	\$7,230,000

#### Seal-Up Work Following an HPES Audit

NJNG will also continue to offer up to \$1,000 worth of free air sealing for customers who received the Enhanced NJNG WARMAdvantage rebate to encourage customers toward whole house improvements. Quality control will be assumed by NJNG for these seal-up projects that are not part of the implementation of additional energy saving recommendations.

Number of Participants	Max. Amount available per customer	Estimated Annual Energy Savings	Investment Amount
2,000	\$1,000	170,000 therms	\$2,000,000

#### HPES Customer Rebates/Tier III

Consistent with Paragraph 16(b) of the Preliminary RGGI Stipulation, NJNG will provide HPES customer rebates at the levels being offered by NJCEP and currently estimated at \$3,000. Customers eligible for the current NJCEP WARMAdvantage rebates will also be entitled to the NJNG enhanced rebate, provided that an HPES Audit is completed. NJNG Audit Staff will perform the HPES Audit at no cost to the customer.

Maximum Number of Participants	Max. Amount available per customer	Estimated Annual Energy Savings	Investment Amount
1,000	\$3,000		\$3,000,000

#### Eligibility

These HPES programs are available primarily for residential customers, but NJNG will also offer the enhanced rebate to any small commercial customer installing residential-size HVAC equipment. Boilers must be less than 400 MBH. There would not be an audit requirement for these commercial customers but they would be targeted to participate in other NJCEP programs for other measures.

#### Independent Audits

Based on recent experience promoting HPES, NJNG has found that certain customers prefer scheduling an HPES Audit from an entity other than an HPES contractor. Since the NJCEP program no longer offers an independent audit option, NJNG may perform an HPES Audit upon customer request. In those instances, NJNG will charge the standard HPES Audit price (currently \$125). Any funds generated from the audit would be used to offset the overall RGGI program costs.

## Exhibit F

### NJNG Preliminary RGGI Programs

#### Independent Audits

Number of participants	Estimated Annual Energy Savings
4,000 audits	0

#### OPOWER Pilot

NJNG will contract with OPOWER to conduct a 3-year pilot program to test their service as both an energy-efficiency program that influences customer behavior and as a means to leverage customer participation in other energy-efficiency and conservation programs. As part of this pilot, approximately 25,000 residential customers will receive 6 customized letters per year for three years that provide relevant information on their energy usage. In addition to receiving these letters, participating customers will have access to on-line resources that address potential energy saving options and provide information on actions taken by other similarly situated customers. Through the use of control groups, this program has been shown to be successful in reducing customer energy usage cost-effectively by the transfer of information alone and also in increasing customer participation rates in companion energy-efficiency programs. OPOWER will maintain a control group of NJNG customers to allow result verification within our service territory. NJNG will provide quarterly updates to Rate Counsel and BPU Staff on the status of projects and will share OPOWER results as available.

**Segment I** Residential and certain small commercial customers with HVAC equipment needing immediate or imminent replacement. The program will promote the installation of high efficiency equipment and the installation of other energy-efficiency measures by creating awareness of opportunities identified through the HPES Audit.

**Segment II** Residential homeowners who do not need to immediately replace their HVAC equipment will be targeted since it is mandatory to participate in the HPES Audit at the outset. The program will target the installation of high-efficiency HVAC equipment and the installation of whole house energy conservation measures (weatherization improvements to the building).

#### **Segment I Roles and Responsibilities (Customers needing immediate or imminent equipment replacement before participating in an audit).**

- Any HVAC contractor can install the WARMAdvantage qualified equipment. The work may be subject to WARMAdvantage quality control processes.
- NJNG will perform the HPES Audits at no cost to the customer and process NJNG enhanced rebates.
- Rebates can be assigned to a contractor at customer's request.



## Exhibit F

### NJNG Preliminary RGGI Programs

- HPES contractors must be used to implement any seal-up and advanced energy-efficiency improvements stemming from HPES Audit recommendations. Since this work is integrated into the HPES program, it may be subject to HPES quality control processes.
- NJNG will offer up to \$1,000 of free air sealing for customers who receive the enhanced rebate and will assume quality control responsibility for such work.

#### **Segment II Roles and Responsibilities** (Customers starting with an HPES audit).

- HPES audits must be performed by approved HPES contractors or by NJNG staff.
- Installation work must be performed by HPES contractors that meet NJCEP criteria. Currently, Building Performance Institute (BPI) certification is required.
- NJNG to offer the on-bill repayment program as noted above.
- Consistent with NJCEP treatment of HPES rebates, a customer can assign the rebate to the contractor.
- To expedite contractor and customer cash flow, customers participating in the on-bill repayment plan can assign the rebate to NJNG. That way there is less delay and the contractor receives the full value of the rebate and the costs covered through the on-bill repayment plan upon issuance of NJCEP Work Completion certificate.
- Since this work is integrated into the HPES program, the work may be subject to HPES quality control processes.

NJNG will also offer an incremental incentive for Combined Heat and Power (CHP) to match the current NJCEP incentive up to \$1 million. NJNG proposes to also cover the NJCEP portion of CHP incentives should that program be changed for the 2011 budget or in the future. Those customers with a peak demand over 200 kW for any of the preceding twelve months (or those customers denoted as exceptions to that requirement in the NJCEP program) can take advantage of this incentive and will be required to participate in the NJCEP Pay for Performance program.

Estimated Participants	Estimated Annual Savings Per Unit	Investment Amount	
1	8,322,000 kWhr	\$1,000,000	

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**Morgan Lewis**

C O U N S E L O R S   A T   L A W

A Pennsylvania Limited Liability Partnership

ROBERT A. WHITE  
Partner-in-Charge

**Marc B. Lasky**  
973.993.3133  
mlasky@MorganLewis.com

September 15, 2010

**VIA ELECTRONIC DELIVERY AND  
FEDERAL EXPRESS**

Kristi Izzo, Secretary  
Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

Re: In the Matter of the Petition of New Jersey Natural Gas  
Company for Approval of Regional Greenhouse Gas  
Initiative Programs and Associated Cost Recovery  
Mechanisms Pursuant to N.J.S.A. 48:3-98.1  
Docket No. GO10030225

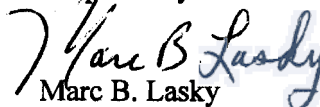
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Dear Secretary Izzo:

This letter is being submitted on behalf of Jersey Central Power & Light Company ("JCP&L"), an intervenor in the above-referenced matter. We have been advised that a Settlement dated on or about September 14, 2010 with respect to this matter signed by New Jersey Natural Gas Company, Staff of the Board of Public Utilities ("Board") and the New Jersey Division of Rate Counsel is being filed with the Board.

JCP&L, which will not be executing the Settlement, does not take a position in support of or in opposition to the Settlement.

Respectfully submitted,

  
Marc B. Lasky

cc: Service List (via electronic delivery)



A PHI Company

September 15, 2010

**VIA FEDERAL EXPRESS and  
ELECTRONIC MAIL**  
**kristi.izzo@bpu.state.nj.us**

Kristi Izzo  
Secretary of the Board  
Board of Public Utilities  
State of New Jersey  
Two Gateway Center  
Newark, New Jersey 07102

**Philip J. Passanante**  
Assistant General Counsel

800 King Street  
Wilmington, DE 19801

P.O. Box 231  
Wilmington, DE 19899-0231

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**RE: I/M/O the Petition of New Jersey Natural Gas Company for Approval of  
Regional Greenhouse Gas Initiative Programs and Associated Cost  
Recovery Mechanisms Pursuant to N.J.S.A. 48:3-98.1  
BPU Docket No. GO10030225**

Dear Secretary Izzo:

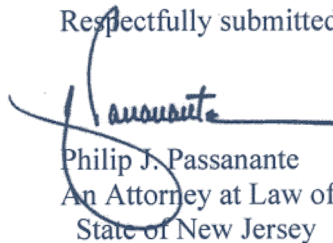
This letter is being submitted on behalf of Atlantic City Electric Company ("ACE"), an intervenor in the above-referenced matter.

We have been advised that a Stipulation of Settlement (dated on or about September 14, 2010) with respect to this matter has been signed by New Jersey Natural Gas Company, Staff of the Board of Public Utilities and the Division of Rate Counsel.

Please be advised that ACE, which will not be executing the Settlement, does not take a position in support of -- or in opposition to -- the Settlement.

Feel free to contact the undersigned with any questions.

Respectfully submitted,

 /jpr  
Philip J. Passanante  
An Attorney at Law of the  
State of New Jersey

cc: Service List

I/M/O the Petition of New Jersey Natural Gas Company for Approval of  
Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery  
Mechanisms Pursuant to N.J.S.A. 48:3-98.1  
**BPU Docket No. GO10030225**

**BPU**

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Board of Public Utilities  
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