



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF NEW)	DECISION AND ORDER
JERSEY NATURAL GAS COMPANY FOR)	APPROVING INITIAL DECISION
THE ANNUAL REVIEW AND REVISION OF)	AND STIPULATION FOR
ITS BASIC GAS SUPPLY SERVICE (BGSS))	FINAL RATES
AND CONSERVATION INCENTIVE)	
PROGRAM (CIP) RATES FOR FY 2017)	DOCKET NO. GR16060482
)	OAL DOCKET NO. PUC 17365-16

Parties of Record:

Andrew K. Dembia, Esq., for New Jersey Natural Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers an Initial Decision executed by the Administrative Law Judge ("ALJ") and Stipulation for Final Rates ("Stipulation") executed by New Jersey Natural Gas Company ("NJNG" or "Company"), Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") intended to resolve the Company's requests related to the above docketed matter.

By Order dated January 6, 2003,¹ in Docket No. GX01050304 ("January 2003 BGSS Order"), the Board directed each of New Jersey's four (4) gas distribution companies ("GDCs") to submit to the Board by June 1 its annual Basic Gas Supply Service ("BGSS") cost filing for the BGSS year beginning October 1. In addition, the January 2003 BGSS Order authorizes each GDC to: a) self-implement up to a five (5) percent BGSS increase effective December 1 of the current year and February 1 of the following year with one (1) month's advance notice to the Board and Rate Counsel; and b) implement a decrease in its BGSS rate at any time during the year upon five (5) days' notice to the Board and Rate Counsel.

¹ In re the Board Review I/M/O the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act, N.J.S.A. 48:3-49 et seq. – BGSS Pricing, BPU Docket No. GX01050304, Order dated January 6, 2003 ("January Order").

In accordance with the January 2003 BGSS Order, on June 1, 2016, the Company filed with the Board its annual BGSS petition ("2017 BGSS/CIP Petition") proposing to decrease the current per therm rate² from \$0.4804 to \$0.4280 effective October 1, 2016, anticipated to result in a decrease of \$24.2 million in annual revenues, and stating its intention to provide bill credits over the months of November 2016 through February 2017, further reducing revenues and customer bills with the amount to be determined in the fall of 2016. The 2017 BGSS/CIP Petition was based on actual data from October 1, 2014 through April 30, 2016 and projected data from May 1, 2016 through September 30, 2018.

The Company also proposed to decrease its balancing charge rate by \$0.0040 per therm, from \$0.0679 to \$0.0639 per therm, to reflect updated costs. Supply imbalances occur when transportation customers use more or less gas than the amount delivered by their third party supplier. The balancing charge represents the cost to NJNG's transportation customers for NJNG providing gas from its BGSS portfolio to adjust for transportation customers' over/under consumption. On September 23, 2016, the Board issued an Order approving the August 15, 2015 NJNG Base Rate Case Stipulation in BPU Docket No. GR15111304³ ("2015 Rate Case Stipulation") which provides for the balancing charge to also be applied to sales customers in the appropriate rate classes and the BGSS rate to be reduced by the balancing charge. All balancing charge revenues from sales and transportation customers are credited to the BGSS. In the 2015 Rate Case Stipulation, the parties to that case agreed to an inventory portion of the balancing charge of \$0.0025 per therm (pre-tax). The pre-tax inventory component of \$0.0025 per therm plus a pre-tax demand charge component of \$0.0556 per therm result in an after-tax balancing charge of \$0.0622 per therm. The after-tax periodic BGSS rate in the Company's tariff effective October 1, 2016 is \$0.3658 per therm (\$0.4280 less the Balancing Charge of \$0.0622 per therm).

The 2017 BGSS/CIP Petition also sought approval of the following changes to the Company's Conservation Incentive Program ("CIP")⁴ rates to be effective October 1, 2016: Residential Non-Heating ("Group I Residential Non-Heat customers") – a charge of \$0.0226, Residential Heating ("Group II Residential Heat customers") – a charge of \$0.0563, Small General Service ("Group III Small Commercial customers") – a charge of \$0.1000, and Large General Service ("Group IV Large Commercial customers") – a charge of \$0.0834.

² All rates quoted include sales and use tax ("SUT") unless otherwise specified. On November 14, 2016, the Board issued a Secretary's Letter under Docket No. ER16111054, for all New Jersey electric and gas utilities, pursuant to P.L. 2016, c. 57, that the SUT to be charged to customers for utility service had been changed from 7.0% to 6.875% effective January 1, 2017. Accordingly, NJNG implemented the 6.875 percent SUT rate as of January 1, 2017, making the necessary changes to all of rates and tariffs to reflect that decrease.

³ In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Base Rates and for Changes in its Tariff for Gas Service, Approval of Safe Program Extension, and Approval of Safe Extension and NJ RISE Rate Recovery Mechanisms Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and for Changes to Depreciation Rates for Gas Property Pursuant to N.J.S.A. 48:2-18, BPU Docket No. GR15111304, Order dated September 23, 2016.

⁴ The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006. By Order dated May 21, 2014 in Docket No. GR13030185, the Board authorized NJNG to continue its CIP. The CIP encourages the Company to foster customer conservation by allowing it to recover margins associated with a defined use per customer. The non-weather related CIP surcharges are subject to tests associated with variable margins and reductions in BGSS related costs. Total CIP surcharges are subject to return on equity limits.

According to the 2017 BGSS/CIP Petition, the non-weather related CIP value subject to the tests is \$11.269 million. As this amount was less than the variable margin recovery cap of \$13.022 million and the Company-identified BGSS related reductions of \$14.007 million, the Company maintains that it has met the tests. In addition, as the Company's estimated return on equity at September 30, 2016 of 7.83% was less than the 10.3% ceiling, the Company looks to pass through to customers the combined weather and non-weather margin CIP shortfall of \$39.701 million. The Company's proposal translated into an annual increase of \$78.70 (8.2%) for a residential heating customer using 1,000 therms.

After publication of notice in newspapers in general circulation in the Company's service territory, public hearings in this matter were conducted on August 16, 2016 in Rockaway Township and August 17, 2016 in Freehold Township. No members of the public appeared at any of the public hearings, and no written comments were received by the Board, the Company or Rate Counsel.

On September 16, 2016, the Company notified the Board and Rate Counsel that it was implementing a bill credit of \$0.1666 per therm to its Periodic BGSS customers to be effective from November 1, 2016 through February 28, 2017, reducing BGSS revenues by \$48 million, with the average residential customer realizing a total credit of approximately \$103 (over the four month period), translating to an annual bill reduction of 10.6% for customers using 1,000 therms per year.

On September 23, 2016, the Board issued an Order ("September 2016 Provisional Order") in this docket approving a stipulation executed by the Parties. The September 2016 Provisional Order authorized NJNG to implement the 2017 BGSS/CIP Petition rates on a provisional basis.

On November 14, 2016, this matter was transferred to the Office of Administrative Law as a contested case and assigned to Administrative Law Judge ("ALJ") Thomas R. Betancourt.

STIPULATION

Following discovery, the Parties met to discuss the issues in this matter. As a result, on February 13, 2017, the Parties executed the Stipulation. The Stipulation provides for the following:⁵

16. The Parties agree that the previously approved after-tax per therm provisional rates, as described in paragraphs nine (9), ten (10), and twelve (12) of the Stipulation, should be made final. Those rates, effective October 1, 2016 through December 31, 2016 are: 1) the Company's Periodic BGSS rate of \$0.3658; 2) the Company's balancing charge of \$0.0622; and 3) the following CIP rates: a charge of \$0.0226 for Group I Residential Non-Heat customers; a charge of \$0.0563 for Group II Residential Heat customers; a charge of \$0.1000 for Group III Small Commercial customers; and a charge of \$0.0834 for Group IV Large Commercial customers. Those rates reflecting the SUT change effective on and after January 1, 2017 are: 1) the Company's Periodic BGSS rate of \$0.3654; 2) the Company's balancing charge of \$0.0621; and 3) the following CIP rates: a charge of \$0.0226 for Group I Residential Non-Heat customers; a charge of

⁵ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Each paragraph is numbered to coincide with the paragraphs in the Stipulation.

\$0.0562 for Group II Residential Heat customers; a charge of \$0.0999 for Group III Small Commercial customers; and a charge of \$0.0833 for Group IV Large Commercial customers.

As a result of the Stipulation, the provisional rates included in this paragraph will be final and remain in effect until further Board Order or further action by the Company in accordance with the Board's January 2003 BGSS Order.

On March 8, 2017, ALJ Betancourt issued his Initial Decision finding that the Parties voluntarily agreed to the terms of the Stipulation, and that the Stipulation disposed of all matters in controversy and is consistent with the law.

DISCUSSION AND FINDING

Having reviewed the record in this matter, including ALJ Betancourt's Initial Decision and the Stipulation, the Board **FINDS** that the Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board **FINDS** the Initial Decision, which adopts the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation, attached hereto as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein.

The Board **HEREBY APPROVES** as final the Company's previously approved after-tax per therm rates as described in Paragraphs 16 of the Stipulation. Those rates, effective October 1, 2016 through December 31, 2016 are: 1) the Company's Periodic BGSS rate of \$0.3658; 2) the Company's balancing charge of \$0.0622; and 3) the following CIP rates: a charge of \$0.0226 for Group I Residential Non-Heat customers; a charge of \$0.0563 for Group II Residential Heat customers; a charge of \$0.1000 for Group III Small Commercial customers; and a charge of \$0.0834 for Group IV Large Commercial customers.

The above rates, inclusive of the SUT change effective on and after January 1, 2017 are: 1) the Company's Periodic BGSS rate of \$0.3654; 2) the Company's balancing charge of \$0.0621; and 3) the following CIP rates: a charge of \$0.0226 for Group I Residential Non-Heat customers; a charge of \$0.0562 for Group II Residential Heat customers; a charge of \$0.0999 for Group III Small Commercial customers; and a charge of \$0.0833 for Group IV Large Commercial customers.

The Board **HEREBY ORDERS** NJNG to file tariffs consistent with the Board's Order within five (5) days of service of this Order.

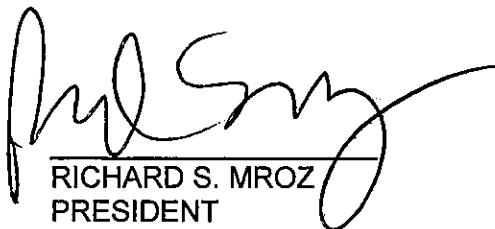
The Company's costs, including those related to BGSS, will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The effective date of this Order is May 1, 2017.

DATED:

4/21/17

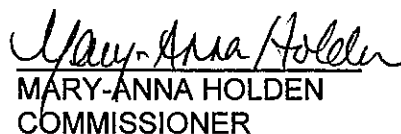
BOARD OF PUBLIC UTILITIES
BY:



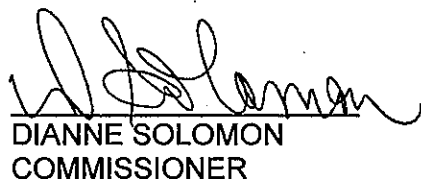
RICHARD S. MROZ
PRESIDENT



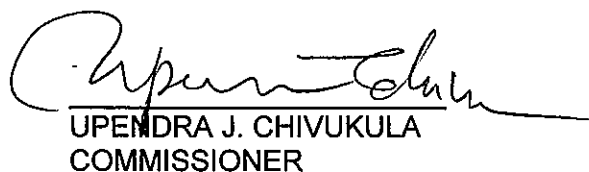
JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

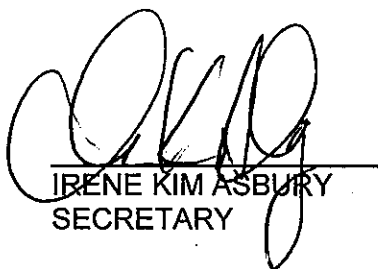


DIANNE SOLOMON
COMMISSIONER



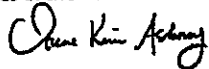
UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:



IRENE KIM ASBURY
SECRETARY

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



IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR THE
ANNUAL REVIEW AND REVISION OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND
CONSERVATION INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2017
BPU DOCKET NO. GR16060482
OAL DOCKET NO. PUC 17365-16

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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 17365-16

AGENCY DKT. NO. GR16060482

IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY'S
ANNUAL REVIEW AND REVISION OF ITS
BASIC GAS SUPPLY SERVICE (BGSS) AND
CONSERVATION INCENTIVE PROGRAM (CIP)
FACTORS FOR YEAR 2017

Andrew K. Dembia, Esq., for petitioner New Jersey Natural Gas Company

Alex Moreau Deputy Attorney General, for respondent Board of Public Utilities
(Christopher Porrino, Attorney General of New Jersey, attorney)

Henry M. Ogden, Assistant Deputy Rate Counsel, for respondent Division of
Rate Counsel (Stefanie A. Brand, Director, New Jersey Division of Rate
Counsel)

Record Closed: February 14, 2017

Decided: March 8, 2017

BEFORE THOMAS R. BETANCOURT, ALJ:

This matter was transmitted and filed with the Office of Administrative Law (OAL) on November 16, 2016 for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F 1 to- 13. An in-person prehearing conference was held on

January 12, 2017, wherein the parties determined discovery deadlines and a hearing date was scheduled for April 27, 2017. On February 14, 2017, Andrew Dembia, Esq. advised the undersigned, via email, that the parties had reached a settlement and attached a fully executed Stipulation of Settlement dated February 8, 2017. A copy of the executed Settlement Agreement is attached and made a part hereof.

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

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

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

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

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

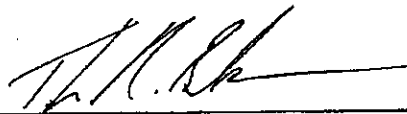
March 8, 2017

DATE

Date Received at Agency:

Date Mailed to Parties:

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THOMAS R. BETANCOURT, ALJ

March 8, 2017 / db

March 8, 2017 / db

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

**IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY)
FOR THE ANNUAL REVIEW AND) BPU DOCKET NO. GR16060482
REVISION OF ITS BASIC GAS SUPPLY)
SERVICE (BGSS) AND ITS)
CONSERVATION INCENTIVE PROGRAM)
(CIP) RATES FOR F/Y 2017)**

STIPULATION FOR FINAL RATES

APPEARANCES:

Andrew Dembia, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Felicia Thomas-Friel, Deputy Rate Counsel, Henry M. Ogden, Esq. and Maura Caroselli, Esq., Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (Stefanie Brand, Esq., Director)

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Christopher S. Porrino, Attorney General of New Jersey)

**TO: THE HONORABLE THOMAS BETANCOURT, ADMINISTRATIVE LAW
JUDGE AND
THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

BACKGROUND

1. New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition in Docket No. GR16060482 on June 1, 2016 ("2017 Annual Filing"), requesting that the New Jersey Board of Public Utilities (the "BPU" or "Board") approve NJNG's 2017 Annual Filing to: 1) decrease the Company's Periodic Basic Gas Supply Service ("BGSS") effective October 1, 2016; 2) approve a decrease to the Company's Balancing Charge effective October 1, 2016; and 3) approve increases to the Company's Conservation Incentive Program ("CIP") recovery rates for Group I Residential Non-Heat customers, Group II Residential Heat customers, Group III General

Service -- Small customers, and Group IV General Service -- Large customers effective October 1, 2016.

2. Specifically, the petition in the 2017 Annual Filing requested that the BPU decrease the existing per therm after-tax Periodic BGSS rate of \$0.4804 that is applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism to \$0.4280 per therm. As requested by Board Staff, NJNG's filing reflected market conditions as of May 10, 2016 and was based on a one-year BGSS recovery period. The requested change results in an overall decrease of after-tax revenue of approximately \$24.2 million to the estimated annual BGSS revenue of \$221.5 million.

3. The Company's filing further indicated the Company intends to implement bill credits to its Periodic BGSS customers during the months of November 2016, December 2016, January 2017, and February 2017.

4. The petition also requested a \$0.0040 per therm decrease to the NJNG after-tax balancing charge, thereby decreasing it from \$0.0679 to \$0.0639. As approved by the Board on October 3, 2008 in BPU Docket No. GR07110889 ("Base Case Order"), NJNG is to adjust its balancing charge in the annual BGSS filing to reflect updated pipeline demand charges, credit adjustments and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the balancing charge. The Base Case Order also provides for the inventory portion of the balancing charge to be updated in a base rate case. For transportation customers, the balancing charge is a component of the delivery charge and all balancing charge revenues from transportation customers are credited to BGSS. In order to provide a "Price-to-Compare" for sales customers, the balancing charge is deducted from the BGSS charge and included as a component of the delivery charge in order to provide a "Price-to-Compare." Since

the balancing charge is deducted from the BGSS price, and added to the delivery price, there is no balancing-related impact on a sales customer's bill.

5. Within the 2017 Annual Filing, as authorized by the Board in Docket Nos. GR05121020 and GR13030185, the Company also submitted its annual CIP rate filing for CIP year 2017, October 1, 2016 through September 30, 2017, requesting that the BPU approve the implementation of updated CIP rates effective October 1, 2016. The requested changes result in an overall increase of after-tax revenue of approximately \$46.9 million to the then current estimated annual CIP revenue of (\$5.5) million. Specifically, the Company is seeking approval for the following changes to its after-tax per therm CIP rates: 1) a \$0.0629 increase to the then current credit rate of (\$0.0403) for Group I Residential Non-Heat customers resulting in the proposed rate of \$0.0226; 2) a \$0.0787 increase to the then current credit rate of (\$0.0224) resulting in the proposed rate of \$0.0563 for Group II Residential Heat customers; 3) an increase of \$0.0872 to the then current rate of \$0.0128 for Group III Small Commercial customers resulting in the proposed rate of \$0.1000; and 4) an increase of \$0.0495 to the then current rate of \$0.0339 resulting in the proposed rate of \$0.0834 for Group IV Large Commercial customers, all effective as of October 1, 2016.

6. Pursuant to the Board's May 21, 2014 Order in Docket No. GR13030185, recovery of any non-weather related CIP surcharges are subject to a BGSS Savings Test under which the Company must have BGSS savings of at least 75 percent of the non-weather related margin deficiency and a Variable Margin Test under which the non-weather related margin deficiency must be less than or equal to 6.5 percent of aggregate variable margins. The Company reported total estimated CIP related margin deficiency for CIP year 2016, October 1, 2015 through September 30, 2016, of \$39.7 million with \$28.4 million margin deficiency related to weather and

\$11.3 million related to non-weather factors. The amount of the BGSS Savings required to meet the BGSS Savings test is 75 percent of the non-weather change or \$8.5 million. Under the Variable Margin Test, the recovery limitation is \$13.0 million. The Company has identified approximately \$14.0 million in BGSS savings available to offset non-weather related CIP margin deficiency and charges for the October 2016 through September 2017 recovery period. Since the non-weather related CIP margin deficiency is less than the BGSS Savings and the Variable Margin Test recovery limitation, the Company has met both tests. The Company also provided testimony that the margin deficiency will not result in a return on equity in excess of 10.3 percent.

7. The Petition requested an increase of approximately 2.7 percent, or \$2.63 per month to the total bill for a typical residential heat sales customer using 100 therms per month. The components of the agreed-upon rates are as follows: BGSS rate reflects a decrease of 5.5 percent and the CIP rate reflects an increase of 8.2 percent. The overall impact to the average residential non-heat sales customer using 25 therms per month is an increase of 0.9 percent or \$0.26 per month and to the average small commercial sales customer using 100 therms per month, these changes represent an increase of approximately 3.1 percent or \$3.48 per month. The total bill for large commercial sales customers are increasing by approximately 5.4 percent or \$59.40 per month for a customer using 1200 therms a month. These rate changes represent an increase in annual after-tax revenue to NJNG of approximately \$22.8 million.

8. Public hearings on this petition were held on August 16, 2016 in Rockaway Borough and on August 17, 2016 in Freehold Township. No members of the public appeared at either hearing nor were any written comments received by the BPU, NJNG or Rate Counsel.

9. By letter to dated September 16, 2016, due to changes in market prices and supply conditions since the time of the instant filing, NJNG notified the Board that it would implement a bill credit of approximately \$48 million, on an after-tax basis, for residential and small commercial customers subject to the Periodic BGSS pricing. The credit would be effective as of November 1, 2016 and continue through February 28, 2017, four winter months with high consumption patterns. The after-tax credit of (\$0.1666) per therm would be applicable to each customer's usage during the four months that it is in effect. Although the impact of this credit varies from customer to customer based on individual usage patterns and weather patterns experienced during the four months, the average residential heating customer could receive a total credit of approximately \$103 or 18 percent of the total bill, over the four month period. That impact translates to a 10.6 percent reduction to the total bill on an annual basis for the average residential heating customer.

10. NJNG, Board Staff, and Rate Counsel (collectively, the "Parties"), the only Parties to this proceeding, have discussed certain matters at issue in this proceeding and determined that additional time was needed to complete the review of NJNG's proposed BGSS rate, balancing charge, and CIP rates. The Parties also agreed that implementing the decreases to the Company's Periodic BGSS rate and balancing charge, and implementing the above modifications to the CIP rates, on a provisional basis would be reasonable and accordingly executed a Stipulation for provisional rates. On September 23, 2016, the Board issued an Order ("September 2016 Order") in this proceeding approving the Stipulation and authorizing the Company to: 1) decrease the Company's periodic BGSS rate to \$0.4280 per therm after-tax; 2) decrease the Company's

balancing charge to \$0.0622 per therm after tax¹ and 3) adjust the following CIP rates all on an after-tax basis to: \$0.0226 per therm for Group I Residential Non-Heat customers; \$0.0563 per therm for Group II Residential Heat customers; \$0.1000 per therm for Group III Small Commercial customers; and, \$0.0834 per therm for Group IV Large Commercial customers. Those rates, effective as of October 1, 2016, were subject to refund with interest, with an opportunity for a full review at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board.

11. On September 23, 2016, the Board issued an Order approving the August 12, 2016 NJNG Base Rate Case Stipulation in BPU Docket No. GR15111304 ("2015 Rate Case Stipulation") where the Parties agreed that in addition to transportation customers, the Company will apply balancing charges to sales customers in the appropriate rate classes and the BGSS rate will be the current BGSS rate less the Balancing Charge. As a result, the after-tax periodic BGSS rate in the Company's Tariff effective October 1, 2016 is \$0.3658 per therm (\$0.4280 less the Balancing Charge of \$0.0622 per therm).

12. On November 14, 2016, this matter was transmitted to the OAL as a contested case and was assigned to the Honorable Thomas Betancourt, Administrative Law Judge ("ALJ"). An in-person pre-hearing conference was held on January 12, 2017. ALJ Betancourt issued a Prehearing Order dated January 12, 2017 establishing the procedural schedule.

13. Pursuant to P.L. 2016, c. 57, the New Jersey Sales and Use Tax ("SUT") to be charged to customers for utility service has been changed from 7 percent to 6.875 percent effective January 1, 2017. All sales on and after the effective date are to have the new rate applied. Accordingly,

¹ In the 2015 Rate Case Stipulation, the Parties agreed to an inventory portion of the balancing charge of \$0.0025 per therm resulting in a decrease to the Company's after-tax balancing charge to \$0.0622 per therm, which includes the pre-tax inventory component of \$0.0025 per therm and pre-tax demand charge component of \$.0556 per therm.

NJNG has implemented the 6.875 percent SUT rate as of January 1, 2017, making the necessary changes to all of our rates and tariffs to reflect that decrease.

14. NJNG has received and responded to all discovery requests that have been propounded in this proceeding by BPU Staff and Rate Counsel.

15. The Parties have discussed this matter and now hereby **STIPULATE AND AGREE** as follows:

STIPULATED ISSUES

16. The Parties agree that the previously approved provisional rates, as described above in Paragraphs 9,10, and 12 should be deemed by Your Honor and the Board to be final rates. Those rates, effective October 1, 2016 through December 31, 2016 are: 1) the Company's Periodic BGSS rate of \$0.3658 per therm after-tax; 2) the Company's balancing charge of \$0.0622 per therm after tax; and 3) the following CIP rates all on an after-tax basis: a charge of \$0.0226 per therm for Group I Residential Non-Heat customers; a charge of \$0.0563 per therm for Group II Residential Heat customers; a charge of \$0.1000 per therm for Group III Small Commercial customers; and a charge of \$0.0834 per therm for Group IV Large Commercial customers. Those rates reflecting the SUT change effective on and after January 1, 2017 are: 1) the Company's Periodic BGSS rate of \$0.3654 per therm after-tax; 2) the Company's balancing charge of \$0.0621 per therm after tax; and 3) the following CIP rates all on an after-tax basis: a rate of \$0.0226 per therm for Group I Residential Non-Heat customers; a rate of \$0.0562 per therm for Group II Residential Heat customers; a rate of \$0.0999 per therm for Group III Small Commercial customers; and a rate of \$0.0833 per therm for Group IV Large Commercial customers. As a result of this Stipulation, the provisional rates included in this paragraph will be final and remain in effect until further Board

Order or further action by the Company in accordance with the Board's January 3, 2003 Generic Order in Docket No. GX01050304.

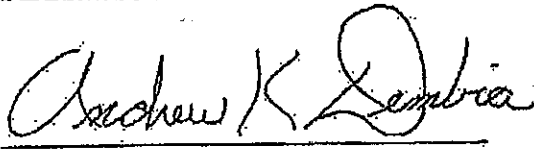
17. This Stipulation represents a mutual balancing of interests, contains interdependent provisions, and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved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

18. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.


19. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, Board Staff, 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. All rates are subject to audit by the Board. The Parties acknowledge that a Board Order approving the Initial Decision approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that Your Honor issues an Initial Decision and that the Board issue an Order approving it in its entirety, in accordance with the terms hereof.

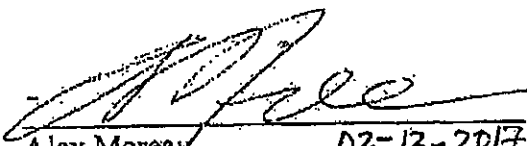
**NEW JERSEY NATURAL GAS
PETITIONER**

By: 
ANDREW K. DEMBIA, ESQ.
New Jersey Natural Gas

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

By: 
HENRY M. OGDEN, ESQ.
ASSISTANT DEPUTY RATE COUNSEL

**CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities**

By: 
Alex Moreau 02-13-2017
DEPUTY ATTORNEY GENERAL

Date: February 8, 2017

Batista, Diana

From: Dembia Andrew <ADembia@NJNG.com>
Sent: Tuesday, February 14, 2017 11:36 AM
To: Batista, Diana; alex.moreau@lps.state.nj.us; 'Henry Ogden'
Subject: RE: PUC 17365-16 IMO Petitioner of NJ Natural Gas Co.'s Annual Review and Revision of its Basic Gas Supply Service and Conservation Incentive Program
Attachments: NJNG BGSS 2016-2017 FINAL Rates Stip.pdf

Good Morning Ms. Batista,

Attached please find a Stipulation of Settlement executed by the parties in the above captioned matter. Would you kindly provide it to Judge Betancourt for his consideration. If acceptable to the Judge, please advise when his Initial Decision would be issued so that the BPU can list it for consideration at their next available Agenda meeting.

Should you have any questions, please do not hesitate to contact me.

Thank you for your assistance in this matter!

Andrew

Andrew K. Dembia
Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, New Jersey 07719
732-938-1073
adembia@njng.com

This email is confidential and is protected by attorney-client, work product and all other applicable privileges.

From: Batista, Diana [<mailto:Diana.Batista@oal.nj.gov>]
Sent: December 06, 2016 4:16 PM
To: alex.moreau@lps.state.nj.us; Dembia Andrew <ADembia@NJNG.com>; goeffrey.gersten@dol.lps.state.nj.us; Stephanie Brand <sbrand@rpa.state.nj.us>
Subject: PUC 17365-16 IMO Petitioner of NJ Natural Gas Co.'s Annual Review and Revision of its Basic Gas Supply Service and Conservation Incentive Program
Importance: High

Dear Parties,

Judge Thomas R. Betancourt has been assigned to hear the above subject matter. Please advise of your availability for an in person prehearing conference for January 12, 2017 at 10:00 a.m. Thank you.