



Agenda Date: 4/18/19
Agenda Item: 2B

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 JERSEY NATURAL GAS COMPANY FOR THE ANNUAL REVIEW AND REVISION OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND ITS CONSERVATION INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2019)
DECISION AND ORDER APPROVING)
INITIAL DECISION AND STIPULATION)
FOR FINAL RATES)
DOCKET NO. GR18050586)
OAL DOCKET NO. PUC 16087-18)

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.

BACKGROUND

By Order dated January 6, 2003,¹ 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 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 implement a decrease in its

¹In re 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 (January 6, 2003). ("January 2003 BGSS Order")

BGSS rate at any time during the year upon five (5) days' notice to the Board and Rate Counsel.

2018 BGSS/CIP Petition

In accordance with the January 2003 BGSS Order, on May 29, 2018, NJNG filed its 2018 BGSS/CIP Petition with the Board seeking to maintain its Periodic BGSS rate at its current after tax level of \$0.3646² per therm effective October 1, 2018. The Company also proposed to increase its balancing charge rate by \$0.0174 per therm, from \$0.0681 to \$0.0855 per therm, to reflect updated costs. Supply imbalances occur when transportation customers use more or less gas than the amount they agreed to take from a 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. All balancing charge revenues from transportation customers are credited to the BGSS. For sales customers, the balancing charge is included as a component of the delivery charge and deducted from the BGSS charge to provide a BGSS "Price-to-Compare." There is no balancing charge related impact on sales customers' bills, as the balancing charge is deducted from the BGSS price and added to the delivery price.

The 2018 BGSS/CIP Petition also sought approval of the following changes to the Company's after-tax per therm Conservation Incentive Program ("CIP")³ rates to be effective October 1, 2018: Residential Non-Heating – a charge of \$0.0320; Residential Heating – a credit of \$0.0141, Small General Service – a credit of \$0.0354; and Large General Service – a credit of \$0.0034. The proposed CIP rates would yield an overall decrease of \$33.0 million (after-tax) in NJNG's CIP revenues.

Pursuant to the CIP Order, any non-weather related CIP surcharges must be offset by reductions in BGSS related costs. According to the 2018 BGSS/CIP Petition, the Company has a non-weather related margin credit of approximately \$0.33 million. Since the current year CIP results are credits, the Basic Gas Supply Savings Test⁴ and the Variable Margin Revenue Test are not applicable

On August 15, 2018, the Company updated the discovery response related to its Balancing Charge to account for the impact of the 2017 Tax Cut and Jobs Act on the inventory portion of the Balancing Charge. The revised Balancing Charge was \$0.0848 per therm, which resulted in an overall increase in after-tax revenue of approximately \$11.0 million to the current estimated Balancing Charge revenue of \$45.0 million.

² All rates quoted include Sales and Use Tax.

³ The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 ("CIP Order"). The CIP was further extended by Orders dated January 21, 2010 in Docket No. GR05120120 and May 21, 2014 in Docket No. GR13030185. The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS rates and subject to return on equity limits.

⁴ 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.

After publication of notice in newspapers in general circulation in the Company's service territory, on August 22 and 23, 2018, public hearings regarding this docket were held in Freehold and Rockaway, respectively. No members of the public appeared at any of the hearings or submitted written comments on the petition.

On September 17, 2018, the Board issued an Order ("September 2018 Provisional Order") in this docket approving a stipulation for provisional rates executed by the Parties. The September 2018 Provisional Order authorized NJNG to implement the proposed Balancing Charge and CIP rates, as well as maintain the current Periodic BGSS rate on a provisional basis. As a result of the September 2018 Provisional Order, a typical residential heating customer using 1,000 therms annually experienced a decrease in their bill of approximately \$37.40 or 3.7%.

On November 4, 2018, this matter was transferred to the Office of Administrative Law as a contested case and was assigned to ALJ Jacob S. Gertsman. A telephonic pre-hearing conference was held on November 28, 2018. ALJ Gertsman issued a Prehearing Order dated December 18, 2018, establishing the procedural schedule.

On December 28, 2018, NJNG submitted a notice to the Board, Board Staff and Rate Counsel of its intent to self-implement a BGSS rate adjustment based on a 5% increase of the monthly bill of a typical residential customer using 100 therms to be effective February 1, 2019. That self-implementing adjustment increased the BGSS rate from \$0.3646 to \$0.4129 per therm.

STIPULATION

Following discovery, the Parties met to discuss the issues in this matter. As a result, on March 20, 2019, the Parties executed the Stipulation, which provides for the following:⁵

15. The Parties agree that the previously approved provisional rates, as described in the Stipulation should be deemed to be final rates. Those rates, effective October 1, 2018 are: 1) the Company's periodic BGSS rate of \$0.3646 per therm after-tax; 2) the Company's Balancing Charge rate of \$0.0848 per therm after-tax; and 3) the following CIP rates all on an after-tax basis: a charge of \$0.0320 per therm for Group I Residential Non-Heat customers; a credit of \$0.0141 per therm for Group II Residential Heat customers; a credit of \$0.0354 per therm for Group III Small Commercial customers; and a credit of \$0.0034 per therm for Group IV Large Commercial customers. As a result of the Stipulation, the provisional rates included in the Stipulation will be final and remain in effect until further Board Order or further action by the Company in accordance with the January 2003 BGSS Order.
16. The Parties also note that, based on the self-implementing increase of February 1, 2019, the current BGSS rate is \$0.4129 per therm on an after-tax basis. The February 1, 2019 self-implementing increase will be reviewed in the Company's 2020 annual BGSS filing to be submitted by June 1, 2019.

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.

17. The Company's future annual BGSS gas cost filing shall continue to comply with the "Annual BGSS Minimum Filing Requirements" ("MFRs") adopted by the Board by Order dated June 20, 2003 in Docket No. GR02100760 et al. Additionally, in its next BGSS filing the Company agrees to provide an MFR index detailing the page number or exhibit where each MFR is addressed in the filing. A copy of the seventeen MFRs are attached to the Stipulation as Attachment B.

On March 25, 2019, ALJ Gertsman 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 Gertsman'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 Paragraph 15 of the Stipulation. The following are the final per therm rates: 1) Periodic BGSS rate of \$0.3646; 2) Balancing Charge rate of \$0.0848; and 3) the following per therm CIP rates: a charge of \$0.0320 for Residential Non-Heating customers; a credit rate of \$0.0141 for Residential Heating customers; a credit rate of \$0.0354 for Small General Service customers, and a credit rate of \$0.0034 for Large General Service customers. Any net over-recovery on the BGSS, Balancing Charge and CIP at the end of the BGSS period is subject to refund with interest. The February 1, 2019 self-implementing increase will be reviewed in the Company's 2020 annual BGSS filing to be submitted by June 1, 2019.

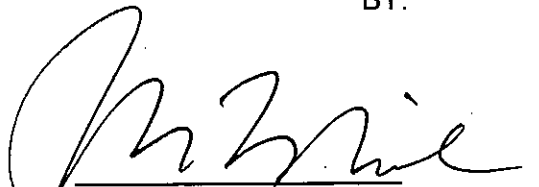
The Company is **HEREBY DIRECTED** to file revised tariff sheets conforming to the terms and conditions of this Order by May 1, 2019.

The Company's costs, including those related to BGSS and CIP, 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.

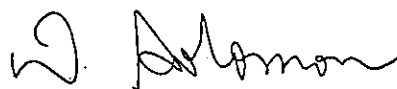
This Order shall be effective on April 28, 2019.

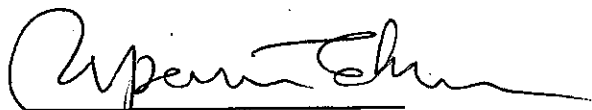
DATED: 4/18/19


BOARD OF PUBLIC UTILITIES
BY:


JOSEPH L. FIORDALISO
PRESIDENT

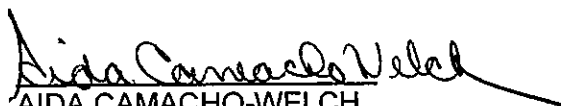

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST:


AIDA CAMACHO-WELCH
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 ITS CONSERVATION INCENTIVE PROGRAM (CIP) RATES FOR FISCAL YEAR 2019

DOCKET NO. GR18050586
OAL DOCKET NO. PUC 16087-18

SERVICE LIST

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 16087-18.

AGENCY DKT. NO. GR18050586

**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 FISCAL YEAR 2019.**

**Mark G. Kahrer, Vice President, Regulatory Affairs, Andrew K. Dembia, Regulatory
Affairs Counsel, for petitioner**

**Geoffrey Gersten and Alex Moreau, Deputy Attorneys General, for Staff of the Board of
Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)**

**Felicia Thomas-Friel and Maura Caroselli, Assistant Deputies Rate Counsel, for
Division of Rate Counsel (Stefanie A. Brand, Director)**

Record Closed: March 22, 2019

Decided: March 25, 2019

OAL DKT. NO. PUC 16087-18

BEFORE JACOB S. GERTSMAN, ALJ t/a:

This proceeding involves a petition filed on May 25, 2018, by New Jersey Natural Gas Company (Company), for its annual filing for Basic Gas Supply Service (BGSS) and the Company's related requests to modify the BGSS and Conservation Incentive Program (CIP) rates, and to modify the Balancing Charge rate, pursuant to N.J.S.A. 48-2-21.

The petition was transmitted to the Office of Administrative Law (OAL) on November 7, 2018, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on November 28, 2018. Duly-noticed public hearings were held prior to the transmittal to the OAL, on August 22, 2018, in Freehold Township, New Jersey and on August 23, 2018, in Rockaway Borough, New Jersey. No members of the public appeared at either hearing nor were any written comments received.

Evidentiary hearings were scheduled for May 9, 2019. Prior to the commencement of the hearings, the parties filed on March 21, 2019, a Stipulation of Settlement (J-1), resolving all issues in this proceeding. Said Stipulation of Settlement has been signed by petitioner, Staff of the Board of Public Utilities, and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

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

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

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

OAL DKT. NO. PUC 16087-18

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 25, 2019
DATE



JACOBS S. GERTSMAN, ALJ t/a

Date Received at Agency: 3.26.19

Date Mailed to Parties: _____

JSG/nd

OAL DKT. NO. PUC 16087-18

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

RECEIVED

2019 MAR 22 A 10:55

STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

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. GR18050586
REVISION OF ITS BASIC GAS SUPPLY)	OAL DOCKET NO. PUC 16087-18
SERVICE (BGSS) AND ITS)	
CONSERVATION INCENTIVE PROGRAM)	
(CIP) RATES FOR F/Y 2019)	

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

Renee Greenberg, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

TO: THE HONORABLE JACOB S. GERSTMAN, ADMINISTRATIVE LAW
JUDGE AND
THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1. New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition in Docket No. GR18050586 on May 25, 2018 ("2019 Annual Filing"), requesting that the New Jersey Board of Public Utilities ("BPU" or "Board") approve NJNG's 2019 Annual Filing to: 1) maintain the Company's Periodic Basic Gas Supply Service ("BGSS") effective October 1, 2018; 2) approve an increase to the Company's Balancing Charge effective October 1, 2018; and 3) approve decreases to the Company's Conservation Incentive Program ("CIP") recovery rates for Group II Residential Heat customers, Group III General Service – Small customers, and Group IV General

Service – Large customers and an increase to the CIP recovery rate for Group I Residential Non-Heat customers effective October 1, 2018.

2. Specifically, the 2019 Annual Filing requested that the BPU maintain the existing per therm after-tax Periodic BGSS rate of \$0.3646 that is applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism. As requested by Board Staff, NJNG's filing reflected market conditions as of May 10, 2018 and was based on a one-year BGSS recovery period.

3. The 2019 Annual Filing also requested a \$0.0174 per therm increase to the NJNG after-tax balancing charge, thereby increasing it from \$0.0681 to \$0.0855. As approved by the Board on September 23, 2016 in BPU Docket No. GR15111304 ("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. The Balancing Charge is a component of the delivery charge for certain sales and transportation customers and all Balancing Charge revenues are credited to BGSS. The requested change results in an overall increase of after-tax revenue of approximately \$11.5 million to the current estimated annual Balancing Charge revenue of \$45.0 million.

4. Within the 2019 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 2019, October 1, 2018 through September 30, 2019, requesting that the BPU approve the implementation of updated CIP factors effective October 1, 2018. The requested changes result in an overall decrease of after-tax revenue of approximately \$33.0 million to the current estimated

annual CIP revenue of \$24.5 million. Specifically, the Company is seeking approval for the following changes to its after-tax per therm CIP factors: 1) a \$0.0244 increase to the current rate of \$0.0076 for Group I Residential Non-Heat customers resulting in the proposed rate of \$0.0320; 2) a \$0.0541 decrease to the current rate of \$0.0400 resulting in the proposed credit rate of \$0.0141 for Group II Residential Heat customers; 3) a decrease of \$0.0656 to the current rate of \$0.0302 for Group III Small Commercial customers resulting in the proposed credit rate of \$0.0354; and 4) a decrease of \$0.0341 to the current rate of \$0.0307 resulting in the proposed credit rate of \$0.0034 for Group IV Large Commercial customers, all effective as of October 1, 2018.

5. 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. Additionally, recovery of the current year margin deficiency must meet an earnings test. The Company reported total estimated CIP related margin credit for CIP year 2018, October 1, 2017 through September 30, 2018, of approximately \$2.2 million with \$1.9 million margin credit related to weather and \$0.3 million credit related to non-weather factors. Since the current year total CIP margin variance and the non-weather related margin variance are credits, the tests are not applicable.

6. Modifying the Balancing Charge, and CIP rates will result in a requested overall decrease of approximately \$3.67 per month, or 3.7 percent, to the average residential heating customer (Group II) using 100 therms per month. The impact to the average residential non-heat customer (Group I) using 25 therms per month from these requested rate changes will be an increase of \$1.05, or 3.4 percent, to the average small commercial customer (Group III) using 100

therms a month will be a decrease of \$4.82, or 4.2 percent, and to the average large commercial customer (Group IV) using 1200 therms a month will be a decrease of \$40.92, or 3.3 percent. The above Balancing Charge and CIP rate changes result in a decrease in annual after-tax revenues to NJNG of approximately \$21.5 million.

7. On August 15, 2018, the Company submitted a discovery response updating the proposed Balancing Charge to reflect the impact of the 2017 Tax Cut and Jobs Act on the inventory portion of the Balancing Charge. The revised Balancing Charge is \$0.0848 per therm and results in an overall increase of after-tax revenue of approximately \$11.0 million to the current estimated annual Balancing Charge revenue of \$45.0 million.

8. After publication of notice in newspapers of general circulation in NJNG's service territory, public hearings were scheduled and conducted on August 22, 2018 in Freehold Township and on August 23, 2018 in Rockaway Borough. No members of the public appeared at either hearing nor were any written comments received by the BPU, NJNG or the New Jersey Division of Rate Counsel ("Rate Counsel").

9. NJNG, Board Staff, and Rate Counsel (collectively, the "Parties"), the only Parties to this proceeding, discussed certain matters at issue in this proceeding and determined that additional time was needed to complete the review of NJNG's proposed BGSS, Balancing Charge, and CIP rates. Additionally, during the discussions, the Parties agreed that maintenance of the Company's BGSS rate and the implementation of the revised increase to the Company's Balancing Charge and the changes to the CIP rates, on a provisional basis, would be reasonable and accordingly executed a stipulation for provisional rates. The Balancing Charge and CIP rate changes result in a decrease in annual after-tax revenues to NJNG of approximately \$22.0 million.

10. On September 17, 2018, the Board issued an Order ("September 2018 Order") in this proceeding approving the stipulation and authorizing the Company to: 1) maintain the Company's existing periodic BGSS rate of \$0.3646 per therm after-tax; 2) increase the Company's balancing charge to \$0.0848 per therm after tax; and 3) decrease the following CIP rates all on an after-tax basis to: a credit of \$0.0141 per therm for Group II Residential Heat customers; a credit of \$0.0354 per therm for Group III Small Commercial customers; and, a credit of \$0.0034 per therm for Group IV Large Commercial customers; and 4) increase the CIP rate on an after tax basis to \$0.0320 per therm for Group I Residential Non-Heat customers. Those rates, effective October 1, 2018, 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. A full schedule of applicable bill impacts by rate class is attached hereto as Attachment A.

11. On November 4, 2018, this matter was transmitted to the OAL as a contested case and was assigned to the Honorable Jacob S. Gertsman, Administrative Law Judge ("ALJ"). A telephonic pre-hearing conference was held on November 28, 2018. ALJ Gertsman issued a Prehearing Order dated December 18, 2018 establishing the procedural schedule.

12. On December 28, 2018, NJNG notified the BPU and the Rate Counsel of its intent to self-implement a 5 percent increase on February 1, 2019 pursuant to the BPU's January 6, 2003 Order in Docket No. GX01050304. This increase results in an after-tax BGSS rate of \$0.4129, is provisional and subject to true-up in the next annual BGSS filing made by NJNG.

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

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

STIPULATED ISSUES

15. The Parties agree that the previously approved provisional rates, as described above in Paragraph 10 should be deemed by Your Honor and the Board to be final rates. Those rates, effective October 1, 2018 are: 1) the Company's periodic BGSS rate of \$0.3646 per therm after-tax; 2) the Company's Balancing Charge rate of \$0.0848 per therm after-tax; and 3) the following CIP rates all on an after-tax basis: a charge of \$0.0320 per therm for Group I Residential Non-Heat customers; a credit of \$0.0141 per therm for Group II Residential Heat customers; a credit of \$0.0354 per therm for Group III Small Commercial customers; and a credit of \$0.0034 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 Generic Order.

16. The Parties also note that, based on the self-implementing increase of February 1, 2019, the current BGSS rate is \$0.4129 per therm on an after-tax basis. The February 1, 2019 self-implementing increase will be reviewed in the Company's 2020 annual BGSS filing to be submitted by June 1, 2019.

17. The Company's future annual BGSS gas cost filing shall continue to comply with the "Annual BGSS Minimum Filing Requirements" ("MFRs") adopted by the Board by Order dated June 20, 2003 in Docket No. GR02100760 *et al.* Additionally, in its next BGSS filing the Company agrees to provide an MFR index detailing the page number or exhibit where each MFR is addressed in the filing. A copy of the seventeen MFRs are attached hereto as Attachment B.

18. 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, 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.

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

20. 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 recommend that the Board transmit this proceeding to the OAL for an opportunity for a full review of all issues in this matter. The Parties further acknowledge that a Board Order 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 the Your Honor issue 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
ANDREW K. DEMBIA, ESQ.
New Jersey Natural Gas

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

By: Maura Caroselli
MAURA CAROSELLI, ESQ.
ASSISTANT DEPUTY RATE COUNSEL

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

By: Renee Greenberg 3/20/2019
RENEE GREENBERG, ESQ.
DEPUTY ATTORNEY GENERAL

Date: March 20, 2019

ER 1805-0586
PUC 16087-18

New Jersey Natural Gas Company
Net Impact of Proposed Rate Changes
BPU Docket No. GR18050586
FY 2019

(\$/therm)

<u>Rate Impact for Group I - Residential Non-Heating Customers</u>									
Component of		6/1/18 Rates		Proposed 10/1/18 Rates		Change		Total Bill % Impact	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax		
BGSS	BGSS	\$0.3419	\$0.3646	\$0.3419	\$0.3646	\$0.0000	\$0.0000	0.0%	
Balancing Charge	Delivery Rate	0.0639	0.0681	0.0795	0.0848	0.0156	0.0167	1.4%	
CIP	Delivery Rate	0.0071	0.0076	0.0300	0.0320	0.0229	0.0244	2.0%	
NET IMPACT		\$0.4129	\$0.4403	\$0.4514	\$0.4814	\$0.0385	\$0.0411	3.3%	

<u>Rate Impact for Group II - Residential Heating Customers</u>									
Component of		6/1/18 Rates		Proposed 10/1/18 Rates		Change		Total Bill % Impact	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax		
BGSS	BGSS	\$0.3419	\$0.3646	\$0.3419	\$0.3646	\$0.0000	\$0.0000	0.0%	
Balancing Charge	Delivery Rate	0.0639	0.0681	0.0795	0.0848	0.0156	0.0167	1.7%	
CIP	Delivery Rate	0.0375	0.0400	(0.0132)	(0.0141)	(0.0507)	(0.0541)	(5.4%)	
NET IMPACT		\$0.4433	\$0.4727	\$0.4082	\$0.4353	(\$0.0351)	(\$0.0374)	(3.7%)	

<u>Rate Impact for Group III - General Service Small Customers</u>									
Component of		6/1/18 Rates		Proposed 10/1/18 Rates		Change		Total Bill % Impact	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax		
BGSS	BGSS	\$0.3419	\$0.3646	\$0.3419	\$0.3646	\$0.0000	\$0.0000	0.0%	
Balancing Charge	Delivery Rate	0.0639	0.0681	0.0795	0.0848	0.0156	0.0167	1.5%	
CIP	Delivery Rate	0.0283	0.0302	(0.0332)	(0.0354)	(0.0615)	(0.0556)	(5.7%)	
NET IMPACT		\$0.4341	\$0.4629	\$0.3882	\$0.4140	(\$0.0459)	(\$0.0489)	(4.2%)	

<u>Rate Impact for Group IV - General Service Large Customers</u>									
Component of		6/1/18 Rates		Proposed 10/1/18 Rates		Change		Total Bill % Impact	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax		
BGSS	BGSS (May 2018)	\$0.3791	\$0.4042	\$0.3634	\$0.3875	(\$0.0157)	(\$0.0167)	(1.6%)	
Balancing Charge	Delivery Rate	0.0639	0.0681	0.0795	0.0848	0.0156	0.0167	1.6%	
CIP	Delivery Rate	0.0288	0.0307	(0.0032)	(0.0034)	(0.0320)	(0.0341)	(3.3%)	
NET IMPACT		\$0.4718	\$0.5030	\$0.4397	\$0.4689	(\$0.0321)	(\$0.0341)	(3.3%)	

For General Service - Large ("GSL") sales customers, there is no impact from the proposed BGSS rate because they are subject to monthly market pricing for their natural gas supply. The GSL BGSS decrease shown above reflects the proposed Balancing Charge change since the Balancing Charge is deducted from the BGSS charge and included as a component of the delivery charge for no impact to the total bill of GSL sales customers.

Projected Annual Post-tax BGSS, CIP, and WNC revenue

Projected Annual Therms:	
Periodic BGSS	476,880 (000s)
Balancing Charge	660,544 (000s)
CIP Group I	2,564 (000s)
CIP Group II	476,518 (000s)
CIP Group III	37,440 (000s)
CIP Group IV	141,068 (000s)

	Projected Revenue at Current Rates	Projected Revenue at Proposed Rates	Change
	\$million	\$million	\$million
BGSS	\$173.9	\$173.9	\$0.0
Balancing Charge	\$45.0	\$56.0	\$11.0
CIP Group I	\$0.02	\$0.08	\$0.08
CIP Group II	\$19.1	(\$6.7)	(\$25.8)
CIP Group III	\$1.1	(\$1.3)	(\$2.5)
CIP Group IV	\$4.3	(\$0.5)	(\$4.8)
IMPACT	\$243.4	\$221.4	(\$22.0)

Attachment A
Page 2 of 2

New Jersey Natural Gas Company
Net Impact of Proposed Rate Changes
BPU Docket No. GR16050586
F/Y 2019

<u>Impact on Residential Non-Heating Customers</u>				
25 therm bill				
6/1/18 Rates				
	Customer Charge	\$8.62	\$8.62	
	Delivery	\$0.5221	\$13.06	
	BGSS	\$0.3646	\$9.12	
	Total	\$0.8697	\$30.79	
Proposed Rates- effective 10/1/18				
	Customer Charge	\$8.62	\$8.62	
	Delivery	\$0.5632	\$14.06	
	BGSS	\$0.3646	\$9.12	
	Total	\$0.9278	\$31.82	
	Increase/(Decrease)		\$1.03	
	Increase/(Decrease) as a percent		3.3%	
<u>Impact on Residential Heating Customers</u>				
100 therm bill 1,000 therm annual bill				
6/1/18 Rates				
	Customer Charge	\$8.62	\$8.62	\$103.44
	Delivery	\$0.5545	\$55.45	\$554.50
	BGSS	\$0.3646	\$36.46	\$364.60
	Total	\$0.9191	\$100.53	\$1,022.54
Proposed Rates- effective 10/1/18				
	Customer Charge	\$8.62	\$8.62	\$103.44
	Delivery	\$0.5171	\$51.71	\$517.10
	BGSS	\$0.3646	\$36.46	\$364.60
	Total	\$0.8817	\$96.79	\$965.14
	Increase/(Decrease)		(\$3.74)	(\$37.40)
	Increase/(Decrease) as a percent		(3.7%)	(3.7%)
<u>Impact on Commercial GSS Customers</u>				
100 therm bill				
6/1/18 Rates				
	Customer Charge	\$26.11	\$26.11	
	Delivery	\$0.6139	\$51.39	
	BGSS	\$0.3646	\$36.46	
	Total	\$0.8785	\$113.98	
Proposed Rates- effective 10/1/18				
	Customer Charge	\$26.11	\$26.11	
	Delivery	\$0.4650	\$46.50	
	BGSS	\$0.3646	\$36.46	
	Total	\$0.8296	\$109.07	
	Increase/(Decrease)		(\$4.89)	
	Increase/(Decrease) as a percent		(4.3%)	
<u>Impact on Commercial GSL Customers</u>				
1200 therm bill				
6/1/18 Rates				
	Customer Charge	\$50.09	\$50.09	
	Demand Charge	\$1.84	\$176.84	
	Delivery	\$0.4367	\$524.04	
	BGSS (May 2018)	\$0.4042	\$485.04	
	Total	\$0.8400	\$1,235.81	
Proposed Rates- effective 10/1/18				
	Customer Charge	\$50.09	\$50.09	
	Demand Charge	\$1.84	\$176.84	
	Delivery	\$0.4193	\$503.16	
	BGSS (May 2018)	\$0.3875	\$465.00	
	Total	\$0.8068	\$1,194.89	
	Increase/(Decrease)		(\$40.02)	
	Increase/(Decrease) as a percent		(3.3%)	

**New Jersey Natural Gas Company
BGSS Minimum Filing Requirements (MFR) Index**

Minimum Filing Requirement

1. Motion, Supporting Testimony & Tariff Modifications
2. Computation of Proposed BGSS Rate
3. Public Notice with Proposed Impact on Bills
4. Actual and Forecasted Refund Amounts
5. Cost of Gas Sendout by Component
6. BGSS Contribution and Credit Offsets
7. Over/Under Recovery Comparisons
8. Wholesale Gas Pricing Assumptions
9. GCUA Recoveries and Balances
10. Historical Service Interruptions
11. Gas Price Hedging Activities
12. Storage Gas Volumes, Prices and Utilization
13. Affiliate Gas Supply Transactions
14. Supply and Demand Data
15. Actual Peak Day Supply and Demand
16. Capacity Contract Changes
17. FERC Pipeline Activities

Annual BGSS Minimum Filing Requirements

1. Motion, Supporting Testimony & Tariff Modifications

In support of its filing, a GCD should provide supporting testimony which addresses any material events or major factors affecting either the prior period's deferred gas balance or its forecasted BGSS rate. In addition to the associated motion, redlined tariff sheets should be provided for all proposed tariff changes.

2. Computation of Proposed BGSS Rates

A summary schedule should show all of the forecasted BGSS cost components and applicable credits which comprise the basis for the proposed BGSS rates that are to become effective October 1st. The cost components and applicable credits should be provided with all material amounts broken out separately.

3. Public Notice with Proposed Impact on Bills

A copy of the Company's Public Notice should be provided with details concerning the impact of the proposed BGSS rates on typical gas bills at various winter therm utilization levels.

4. Actual and Forecasted Refund Amounts

Schedules should be provided which show actual and estimated refund amounts for the reconciliation period as well as the estimated refunds for the projected period beginning October 1. The schedule should identify the refunds by month and should provide associated information on the applicable FERC docket involved.

5. Cost of Gas Sendout by Component
Monthly data showing the derivation of all cost components shown on the BGSS Computation Schedule should be provided for the reconciliation and projected periods. The monthly data should also provide detail on applicable volumes by customer classification.

6. BGSS Contribution and Credit Offsets
Monthly data showing the derivation of all BGSS cost offsets, including interruptible margins, capacity transactions, pipeline refunds and other credits should be provided for the reconciliation and projected periods.

7. Over/Under Recovery Comparisons
Schedules should be provided which show the derivation of the monthly over or under recoveries plus cumulative balances for the reconciliation and projected period. For the reconciliation period, a schedule should also show the calculation of the monthly actual or estimated accrued interest. These schedules should include prospective data shown for projected period based on the prevailing BGSS rate and, alternatively, based on the requested BGSS rate.

8. Wholesale Gas Pricing Assumptions
The GDC should provide schedules which detail the monthly gas prices for the reconciliation and projected periods. The schedules should show the prices utilized in developing the existing BGSS rate and those utilized for projecting the proposed BGSS rate. To the degree third party price indexes or forecasts are the basis for such gas prices, associated documentation should also be provided.

9. GCUA Recoveries and Balances

Schedules should be provided that show monthly data for the GCUA since its inception. The data should provide the unamortized balances, recoveries, and accrued interest by month with any associated workpapers.

10. Historical Service Interruptions

A schedule should be provided which details any service interruptions during the past 12 months. The schedule should show the dates of the interruptions, the service categories affected, and whether each interruption was operational or economic in nature.

11. Gas Price Hedging Activities

The GDC should provide copies of its last four quarterly hedging reports as filed with the Board. It should also provide a schedule covering both the reconciliation and projected period which shows monthly gas purchase volume requirements and price hedged volumes broken down into discretionary and non-discretionary components which allow evaluation of compliance with the GDC's established hedging objectives.

12. Storage Gas Volumes, Prices and Utilization

Schedules should be provided which show the GDC's monthly data for LNG, LPG, and pipeline storage volumes. The schedules should show volumes and dollars for balances, injections, and withdrawals with all data shown on a Dth basis.

13. Affiliate Gas Supply Transactions

The GDC's filing should have disclosure of all gas supply and capacity transactions with any affiliates during the reconciliation or forecasted periods. The disclosure should provide the nature, terms, and conditions of any such transactions, the date

of the transactions, and evidence that the gas supply or capacity resources transactions were at market rates.

14. Supply and Demand Data

Schedules should be provided that show the GDC's firm requirements and gas supplies by component on an annual, heating season and non-heating season basis. The data should be provided for the reconciliation period and the two prior and two prospective annual periods.

15. Actual Peak Day Supply and Demand

The GDC should provide data for the five highest demand days, for each of the last three years, showing date, temperature or HDD, firm and interruptible volumes and the sources of supply used to meet the associated volume requirement.

16. Capacity Contract Changes

The GDC filing should provide details concerning any changes to its interstate pipeline contracts (entitlements, storage capacities, daily deliverability, transportation, or associated costs) which have been made or occurred during the past 24 months or are planned for the next 12 months. To the degree any significant changes have been made or are planned, a narrative should discuss operational and cost consequences as well as the rationale for the changes.

17. FERC Pipeline Activities

The GDC's filing should provide details on any pending FERC dockets which would affect the cost or services received from the GDC's supplying pipelines. The GDC should also provide details concerning its participation in such dockets and a listing of any filings or testimony made by the GDC or on its behalf.