



Agenda Date: 9/11/19

Agenda Item: 2D

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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 2020)

DECISION AND ORDER APPROVING
STIPULATION FOR PROVISIONAL
BGSS AND CIP RATES

DOCKET NO. GR19050675

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:

On May 31, 2019, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition ("2019 BGSS/CIP Petition") with the New Jersey Board of Public Utilities ("Board") seeking approval to modify its Periodic Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") rates. The 2019 BGSS/CIP Petition also sought approval to modify NJNG's Balancing Charge rate. By this Decision and Order, the Board considers a Stipulation for Provisional Rates ("Stipulation") executed by NJNG, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Parties") requesting that the Board approve changes in the Periodic BGSS, CIP, and Balancing Charge rates on a provisional basis, subject to refund with interest.

BACKGROUND

By Order dated January 6, 2003, 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 BGSS cost filing for the BGSS year beginning October 1.¹ In addition, the January 2003 BGSS Order authorized 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 BGSS rate at any time during the year upon five (5) days' notice to Board Staff and Rate Counsel.

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).

In accordance with the January 2003 BGSS Order, on May 31, 2019, NJNG filed its 2019 BGSS/CIP Petition with the Board seeking to decrease its Periodic BGSS rate from its current after tax level of \$0.4129² per therm to \$0.3984 per therm effective October 1, 2019. The Company also proposed to increase its balancing charge rate by \$0.0250 per therm, from \$0.0848 per therm, to \$0.1098 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 2019 BGSS/CIP Petition also sought approval of the following per therm CIP³ rates to be effective October 1, 2019: Residential Non-Heating – a charge of \$0.0690, Residential Heating – a charge of \$0.0112, Small General Service – a credit of \$0.0181, and Large General Service – a charge of \$0.0007.

The proposed CIP rates would yield an overall increase of \$13.8 million (after-tax) in NJNG's CIP revenues, comprised of the following elements:

Annual Post-Tax CIP Rates/Revenues (\$million)				
Group Description	Existing Charge / (Credit) Per Therm	Proposed Charge / (Credit) Per Therm	Change in Per Therm Rate	Change in Revenue Recovery
Group I-Res. Non Heat	\$0.0320	\$0.0690	\$0.0370	\$0.1
Group II- Res. Heat	(\$0.0141)	\$0.0112	\$0.0253	\$12.4
Group III- G.S. Small	(\$0.0354)	(\$0.0181)	\$0.0173	\$0.7
Group IV- G.S. Large	(\$0.0034)	\$0.0007	\$0.0041	\$0.6
Total				\$13.8

EDF Motion to Intervene

On June 18, 2019, Martin C. Rothfelder, Esq., filed a motion to intervene in these proceedings on behalf of the Environmental Defense Fund ("EDF"). On June 25, 2019, EDF filed a revised motion ("EDF's Motion").⁴ According to EDF's Motion, EDF is a New York corporation and

² All rates quoted include Sales and Use Tax ("SUT").

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 The only revisions included corrections to the docket numbers which were inaccurate in the initial motion.

operates as a non-profit membership organization whose mission is to preserve the natural systems on which all life depends. EDF states that it and its members have a direct and substantial interest in the issues raised in this proceeding and they will be directly affected by the outcome. Further, EDF states that it will not be adequately represented by any other party. EDF asserts that it would bring a perspective and expertise to this proceeding that would assist the Board in developing a full and complete record.

Regarding the issues in this proceeding, EDF states that NJNG's gas purchasing strategies, including estimated supply and demand requirements, should be viewed in light of the objectives and goals contained in the Draft Energy Master Plan ("EMP") that was issued by the Board on June 10, 2019. In light of the State's ambitious climate policies and the EMP's goals around decreasing gas consumption, EDF questions the 15-year precedent agreement ("PennEast Agreement") that NJNG executed with its affiliate, the PennEast Pipeline Company, LLC, for firm transportation service. EDF acknowledges that review of the rates set for the PennEast pipeline are within the purview of the Federal Energy Regulatory Commission. However, EDF contends that NJNG's agreement to purchase services from PennEast are appropriately a consideration in this proceeding as the BGSS proceeding involves review of gas utility overall gas purchasing strategies and whether the utility is seeking to procure a portfolio that provides maximum benefit to customers. EDF contends that the agreement warrants increased Board scrutiny given the affiliate relationship.

Responses to the Motion

On July 3, 2019, NJNG filed a Response in Opposition to the Motion to Intervene ("NJNG's Opposition") submitted by EDF. NJNG opposes EDF's intervention because, according to NJNG: 1) the outcome of this case will not and cannot lawfully result in a substantial, specific, and direct effect on EDF, 2) the issues raised by EDF are outside the scope of this docket; 3) EDF's lawful interests, are no different than the interests of the other parties, and 4) the inclusion of EDF in this proceeding would cause confusion and undue delay resolution. Additionally, NJNG argues that EDF should not be allowed to take part in this case in the limited role of participant. Specifically, NJNG contends that EDF's concerns about the environment and energy efficiency markets are appropriately addressed in more generally applicable proceedings in which EDF is and/or has already participated, for example, the Board's stakeholder process for its EMP and the BPU's proceedings related to the Clean Energy Act. Regarding the PennEast Agreement, NJNG contends that the appropriate venue for questions about affiliate relationships is in a BPU affiliate standards audit proceeding. NJNG points out that while NJNG's affiliate, NJR Pipeline Company, is one of the developers of the PennEast pipeline project, NJNG is not an affiliate of PennEast. NJNG also points out that it is not seeking recovery of any costs related to the PennEast Agreement in this proceeding. Regarding the issues of rates and charges being sought by Petitioner, NJNG contends that the interest of EDF's members as ratepayers are already represented by Rate Counsel.

On July 2, 2019, Rate Counsel submitted a letter in support of granting intervenor status to EDF. On July 3, 2019, Rate Counsel submitted a revised letter in support of granting intervenor status to EDF.⁵ Rate Counsel concurs with EDF that its members in NJNG's service territory will be directly affected by the outcome of this proceeding and states that EDF has shown that its members have a unique measurable and constructive focus on environmental issues that might not be addressed by other parties.

⁵ The revisions included an errata and the addition of counsel for EDF, Martin C. Rothfelder, Esq., to the service list.

On July 16, 2019, EDF submitted a reply to NJNG's Opposition. EDF contends that NJNG's Opposition presents a narrow, unsupported view of the proceeding as involving only the 2019/2020 BGSS rates and cost data and it misstates EDF's interests. EDF states that its interest in this proceeding is whether the PennEast Agreement will provide "maximum benefit" to NJNG's BGSS customers and is compatible with the state's climate goals and strategies. EDF disputes NJNG's claim that Rate Counsel can represent its interests and points out that Rate Counsel stated that EDF's members "have a unique measurable and constructive focus that might not be adequately addressed by other parties." EDF claims that to deny it full rights of intervention in this proceeding would deprive it of its fundamental right of due process to litigate issues that have a direct and substantial impact on it and that granting EDF participant status, in the alternative, would not adequately protect EDF's interests. EDF disputes NJNG's characterization that it is not an affiliate of PennEast and notes that New Jersey Resources Corporation (as the parent of NJR Pipeline Company) is the 20 percent interest holder in the pipeline. EDF disputes NJNG's claim that granting intervention to EDF will cause delays. To the contrary, EDF states that it would assist the Board in developing a full record clarifying environmental and economic issues in NJNG's capacity planning for BGSS services.

On July 17, 2019, Rate Counsel filed a reply to NJNG's Opposition. Rate Counsel disputes NJNG's implication that EDF's interests are already represented by Rate Counsel. Rate Counsel noted that EDF's expertise includes facilitating beneficial outcomes and Rate Counsel typically does not offer expertise regarding environmental issues and therefore EDF's perspective is not duplicative. Rate Counsel is in support of EDF's motion for intervention or in the alternative, the Board's designation as a Participant in this matter. In the event that the Board denies EDF's request for intervention and does not grant EDF participant status, alternatively, Rate Counsel recommends that EDF be granted intervenor status in the generic BGSS stakeholder proceeding ("Generic Capacity Proceeding").⁶

On August 13, 2019, NJNG submitted discovery responses updating its BGSS, Balancing Charge, and CIP schedules. The Company's updated calculations produce a BGSS rate and CIP rates for Groups II, III, and IV that are lower than originally filed. Therefore, the Company has indicated that it proposes that these lower updated rates be approved on a provisional basis effective October 1, 2019. Approval of the updated BGSS rate of \$0.3753 per therm would result in an overall decrease of after-tax revenue of approximately \$18.7 million to the current estimated annual BGSS revenue of \$205.6 million. Approval of the updated CIP rates for Groups II, III, and IV of \$0.0079, a credit rate of \$0.0208, and a credit rate of \$0.0043 per therm, respectively, and the requested CIP rate for Group I of \$0.0690 per therm would result in an overall increase of after-tax revenue of approximately \$11.4 million to the current estimated annual CIP revenue of (\$8.7) million. Implementation of these revised BGSS and CIP rates combined with the requested Balancing Charge of \$0.1098, would result in an overall increase of after-tax revenue of approximately \$9.2 million.

After publication of notice in newspapers in general circulation in the Company's service territory, on August 21 and 22, 2019, 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.

⁶ The generic BGSS stakeholder proceeding referred to by Rate Counsel was later captioned and docketed as: In the Matter of the Exploration of Gas Capacity and Related Issues, BPU Docket No. GO19070846

STIPULATION

Because additional time is needed to complete the review of the proposed rates to ensure that the costs are adequately explained, reconciled, and addressed, and the resulting rates are reasonable, on August 28, 2019, the Parties executed the Stipulation for provisional rates. The Stipulation provides the following:⁷

9. The Parties have discussed certain matters at issue herein. As a result of those discussions, the Parties have determined that additional time is needed to complete the final review of NJNG's proposed BGSS, Balancing Charge, and CIP rates. Additionally, during the discussions, the Company proposed and the Parties agreed that implementation of the updated BGSS rate, the requested CIP rate for Group I, the updated CIP rates for Group II, III, and IV, and the requested Balancing Charge rate, on a provisional basis and subject to the terms in the Stipulation, would be reasonable at this time.
10. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it is both reasonable and in the public interest for the Board to authorize the following: 1) decrease the Company's Periodic BGSS rate to \$0.3753 per therm after-tax; 2) increase the Company's Balancing Charge rate to \$0.1098 per therm after-tax; and 3) adjust the following CIP rates all on a per-therm, after-tax basis: \$0.0690 for Group I Residential Non-Heat customers; \$0.0079 for Group II Residential Heat customers; (\$0.0208) for Group III Small Commercial customers; and (\$0.0043) for Group IV General Service Large customers.
11. It is agreed by the Parties that these rates will be effective as of the later of October 1, 2019 or the effective date of the Board Order adopting this Stipulation. These changes are on a provisional basis, subject to refund with interest, an opportunity for a full review at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board.
12. The Stipulation results in an overall increase of approximately 0.9 percent, or \$0.94 per month 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 3.7 percent, the Balancing Charge rate reflects an increase of 2.4 percent, and the CIP rate reflects an increase of 2.2 percent. The overall impact to the average residential non-heat sales customer using 25 therms per month is an increase of 1.8 percent or \$0.61 per month. The overall impact to the average small commercial sales customer using 100 therms per month is an increase of approximately 0.2 percent or \$0.20 per month. The total bill for large commercial sales customers is decreasing by approximately 0.1 percent or \$1.08 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 \$9.2 million. Exhibit A to the Stipulation provides the impacts of the above rate changes.

⁷ 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.

13. In accordance with the Board's January 6, 2003 Order in BPU Docket No. GX01050304, the Company may seek to implement provisional increases in its periodic BGSS rate of up to 5% to be effective December 1, 2019 and February 1, 2020, if the Company determines that such increases are necessary to permit it to avoid a BGSS underrecovery balance at September 30, 2020. The self-implementing increases will be provisional and subject to true-up in connection with the next annual BGSS filing. NJNG is permitted to decrease its BGSS rate at any time upon five (5) days' notice and the filing of supporting documentation with the Board and Rate Counsel.
14. The Company will submit final tariff sheets within five (5) business days of the effective date of the Board's Order in this docket conforming to the agreed upon rates and terms set-forth in the Stipulation.

DISCUSSION AND FINDINGS

EDF Motion

In ruling on a motion to intervene, N.J.A.C. 1:1-16.3(a) requires that the decision-maker consider the following factors:

1. The nature and extent of the moving party's interest in the outcome of the case;
2. Whether that interest is sufficiently different from that of any other party so as to add measurably and constructively to the scope of the case;
3. The prospect for confusion and delay arising from inclusion of the party; and
4. Other appropriate matters.

If the standard for intervention is not met, N.J.A.C. 1:1-16.5 provides for a more limited form of involvement in the proceeding as a "participant." N.J.A.C. 1:1-16.6(a) provides that "[a]ny person or entity with a significant interest in the outcome of a case may move for permission to participate."

In ruling on a motion to participate the trier of fact shall consider "whether the participant's interest is likely to add constructively to the case without causing undue delay or confusion." N.J.A.C. 1:1-16.6(b). Under N.J.A.C. 1:1-16.6(c), such participation is limited to the right to argue orally, or file a statement or brief, or file exceptions, or all of these as determined by the trier of fact.

As the Board has stated in previous proceedings, application of these standards involves an implicit balancing test. The need and desire for development of a full and complete record, which involves consideration of a diversity of interests, must be weighed against the requirements of the New Jersey Administrative Code, which recognizes the need for prompt and expeditious administrative proceedings by requiring that an intervener's interest be specific, direct and different from that of the other parties so as to add measurably and constructively to the scope of the case. See In re the Joint Petition of Public Service Electric and Gas Company and Exelon Corporation for Approval of a Change in Control, BPU Docket No. EM05020106 (June 8, 2005).

The Board has considered the positions of EDF, Rate Counsel, and NJNG regarding EDF's status in this proceeding. While EDF raises several issues, its main concerns appear to stem from the PennEast Agreement. EDF questions NJNG's decision to enter into this agreement in light of the objectives and goals contained in the EMP. NJNG contends that EDF's concerns about the environment and energy efficiency markets are appropriately addressed in more generally applicable proceedings. NJNG also points out that it is not seeking any costs related to the PennEast Agreement in this proceeding. Finally, NJNG contends that the interest of EDF's members as ratepayers are already represented by Rate Counsel. Rate Counsel notes that it does not typically offer expertise regarding environmental issues and therefore EDF's perspective is not duplicative of its own.

As EDF notes, the BGSS proceeding involves review of gas utility overall gas purchasing strategies and whether the utility is seeking to procure a portfolio that provides maximum benefit to customers. EDF further questions NJNG's adding capacity without a commensurate increase in load growth. However, as pointed out by NJNG, it is not seeking any costs related to the PennEast Agreement in this proceeding. Therefore, a review of the PennEast Agreement is not likely to add to a determination on the how NJNG's purchasing strategies affect NJNG's BGSS costs in this proceeding. The prudence of this potential added capacity is appropriately reviewed when NJNG seeks recovery of costs associated with the capacity. Further, the issues raised by EDF related to the PennEast Agreement would be best addressed in other proceedings such as the EMP proceeding and the Generic Capacity Proceeding as these issues are outside the scope of this proceeding. The Generic Capacity Proceeding will also explore various gas capacity issues which may have an impact on any future prudence determination regarding proposed added capacity.

Therefore, the Board **FINDS** that the inclusion of EDF in this proceeding would not aid constructively to the case and could confuse or delay the matter. See N.J.A.C. 1:1016.3(a). The Board **FURTHER FINDS** that EDF's interest with respect to the BGSS costs that are under review in this proceeding is not sufficiently different from that of other parties. Id. Regarding EDF's interest with respect to environmental issues, as noted above, the Board believes there are other appropriate proceedings in which these issues should be addressed. Therefore, based upon the foregoing, and after balancing the need to develop a complete record with the need for prompt review necessitated by statute, the Board **HEREBY DENIES** EDF's motion.

The Board, having reviewed the record to-date in this proceeding and the attached Stipulation, **HEREBY FINDS** that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein.

The Board **HEREBY APPROVES** on a provisional basis the following per therm rates:

- (1) a decrease to the Company's BGSS rate to \$0.3753 per therm;
- (2) an increase in the Company's per therm Balancing Charge rate to \$0.1098 and
- (3) the implementation of the following per therm CIP rates:
 - a charge of \$0.0690 for Residential Non-Heating customers;
 - a charge of \$0.0079 for Residential Heating customers;
 - a credit rate of \$0.0208 for Small General Service customers; and
 - a credit rate of \$0.0043 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. All rate changes shall be effective for service rendered on and after October 1, 2019.

Based on the Stipulation, a typical residential heat sales customer using 100 therms per month will see an overall increase in their monthly bill of approximately \$0.94 or 0.9 percent.

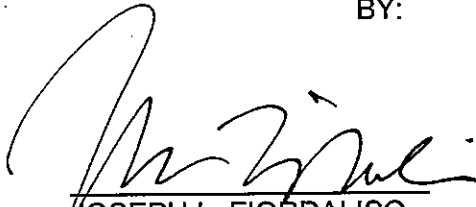
The Company is **HEREBY DIRECTED** to file revised tariff sheets conforming to the terms and conditions of this Order by October 1, 2019.

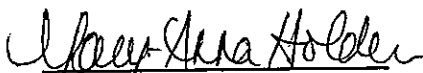
The Company's costs, including those related to BGSS and CIP, remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

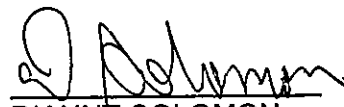
This Order shall be effective on September 21, 2019.

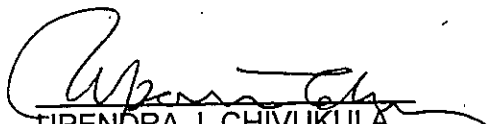
DATED: 9/11/19

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 F/Y 2020
DOCKET NO. GR19050675

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September 4, 2019

Honorable Aida Camacho- Welch, Secretary
N.J. Board of Public Utilities
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Re: 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 2020
BPU Docket No. GR19050675

Dear Secretary Camacho-Welch:

Enclosed with this letter is a fully executed Stipulation for Provisional Rates
in the above captioned matter.

Please do not hesitate to contact me at 732-938-1073 if you need any
additional information.

Very truly yours,

A handwritten signature in black ink that reads 'Andrew K. Dembia'. The signature is written in a cursive style with a large, looped 'D' at the end.

Andrew K. Dembia
Regulatory Affairs Counsel

AKD:sf
Encl.

**NEW JERSEY NATURAL GAS COMPANY ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND CONSERVATION
INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2020
DOCKET NO. GR19050675**

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**NEW JERSEY NATURAL GAS COMPANY ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND CONSERVATION
INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2020
DOCKET NO. GR19050675**

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**NEW JERSEY NATURAL GAS COMPANY ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND CONSERVATION
INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2020
DOCKET NO. GR19050675**

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

**IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY)
FOR THE ANNUAL REVIEW AND) BPU DOCKET NO. GR19050675
REVISION OF ITS BASIC GAS SUPPLY)
SERVICE (BGSS) AND ITS)
CONSERVATION INCENTIVE PROGRAM)
(CIP) RATES FOR F/Y 2020)**

STIPULATION FOR PROVISIONAL RATES

APPEARANCES:

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

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, and Maura Caroselli, Esq., Assistant Deputy Rate Counsel, 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 NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1. New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition in Docket No. GR19050675 on May 31, 2019 (“2020 Annual Filing”) requesting that the New Jersey Board of Public Utilities (“BPU” or “Board”) approve NJNG’s 2020 Annual Filing to: 1) decrease the Company’s Periodic Basic Gas Supply Service (“BGSS”) rate effective October 1, 2019; 2) increase the Company’s Balancing Charge effective October 1, 2019; and 3) increase 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, 2019.

2. Specifically, the 2020 Annual Filing requested that the BPU decrease the Company's existing per therm after-tax Periodic BGSS rate of \$0.4129 that is applicable to residential and small commercial customers, subject to the Periodic BGSS Pricing Mechanism, to \$0.3984 per therm. As requested by Board Staff, NJNG's filing reflected market conditions as of May 9, 2019 and was based on a one-year BGSS recovery period. If approved, the requested changes would result in an overall decrease of after-tax revenue of approximately \$7.2 million to the current estimated annual BGSS revenue of \$205.6 million.

3. The 2020 Annual Filing also requested a \$0.0250 per therm increase to the NJNG after-tax balancing charge from \$0.0848 to \$0.1098. 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 would result in an overall increase of after-tax revenue of approximately \$16.6 million to the current estimated annual Balancing Charge revenue of \$56.3 million.

4. Within the 2020 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 2020, October 1, 2019 through September 30, 2020, requesting that the BPU approve the implementation of updated CIP factors effective October 1, 2019. The requested changes would result in an overall increase of after-tax revenue of approximately \$13.8 million to the current

estimated annual CIP revenue of (\$8.7) million. Specifically, the Company is seeking approval for the following changes to its after-tax, per therm CIP factors: 1) a \$0.0370 increase to the current rate of \$0.0320 for Group I Residential Non-Heat customers, resulting in the proposed rate of \$0.0690; 2) a \$0.0253 increase to the current credit rate of \$0.0141, resulting in the proposed rate of \$0.0112 for Group II Residential Heat customers; 3) an increase of \$0.0173 to the current credit rate of \$0.0354 for Group III Small Commercial customers, resulting in the proposed credit rate of \$0.0181; and 4) a \$0.0041 increase to the current credit rate of \$0.0034, resulting in the proposed rate of \$0.0007 for Group IV Large Commercial customers, all effective as of October 1, 2019.

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 deficiency for CIP year 2019, October 1, 2018 through September 30, 2019, of approximately \$3.8 million, with \$2.1 million margin deficiency related to weather and \$1.7 million margin deficiency 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 \$1.3 million. The Company identified approximately \$18.2 million in BGSS savings available to offset non-weather related CIP margin deficiency and charges for the October 2019 through September 2020 recovery period. Under the Variable Margin Test, the recovery limitation is \$14.9 million based on the aggregate variable margins reported by the Company. 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 based upon the information and representations contained in the Company's filing. The Company also provided testimony that the margin deficiency will not result in a return on equity in excess of 9.75 percent.

6. Modifying the BGSS, Balancing Charge, and CIP rates would result in a requested overall increase of approximately \$3.58 per month, or 3.5 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 would be an increase of \$1.19, or 3.6 percent, to the average small commercial customer (Group III) using 100 therms a month would be an increase of \$2.78, or 2.4 percent, and to the average large commercial customer (Group IV) using 1200 therms a month would be an increase of \$4.92, or 0.4 percent. The above BGSS, Balancing Charge, and CIP rate changes would result in an increase in annual after-tax revenues to NJNG of approximately \$23.1 million.

7. On August 13, 2019, the Company submitted discovery responses updating its BGSS, Balancing Charge, and CIP schedules. The Company's updated calculations produce a BGSS rate and CIP rates for Groups II, III, and IV that were lower than originally filed. Therefore, the Company has indicated that it proposes that these lower updated rates be approved on a provisional basis effective October 1, 2019. Approval of the updated BGSS rate of \$0.3753 per therm would result in an overall decrease of after-tax revenue of approximately \$18.7 million to the current estimated annual BGSS revenue of \$205.6 million. Approval of the updated CIP rates for Groups II, III, and IV of \$0.0079, a credit rate of \$0.0208, and a credit rate of \$0.0043 per therm, respectively, and the requested CIP rate for Group I of \$0.0690 per therm would result in an overall increase of after-tax revenue of approximately \$11.4 million to the current estimated

annual CIP revenue of (\$8.7) million. Implementation of these revised BGSS and CIP rates combined with the requested Balancing Charge of \$0.1098, would result in an overall increase of after-tax revenue of approximately \$9.2 million.

8. After publication of notice in newspapers of general circulation in NJNG's service territory, public hearings were scheduled and conducted on August 21, 2019 in Freehold Township and on August 22, 2019 in Rockaway Township. 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").

STIPULATED ISSUES

9. NJNG, Board Staff, and Rate Counsel (collectively, the "Parties"), the only Parties to this proceeding, discussed certain matters at issue herein. As a result of those discussions, the Parties determined that additional time is needed to complete the final review of NJNG's proposed BGSS, Balancing Charge, and CIP rates. Additionally, during the discussions, the Company proposed, and the Parties agreed, that implementation of the updated BGSS rate, the requested CIP rate for Group I, the updated CIP rates for Group II, III, and IV, and the requested Balancing Charge rate, on a provisional basis and subject to the terms below, would be reasonable at this time.

10. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it is both reasonable and in the public interest for the Board to authorize the following: 1) decrease the Company's Periodic BGSS rate to \$0.3753 per therm after-tax; 2) increase the Company's Balancing Charge rate to \$0.1098 per therm after-tax; and 3) adjust the following CIP rates all on a per-therm, after-tax basis: \$0.0690 for Group I Residential Non-Heat customers; \$0.0079 for Group II Residential Heat customers; a credit rate

of \$0.0208 for Group III Small Commercial customers; and a credit rate of \$0.0043 for Group IV General Service Large customers.

11. It is agreed by the Parties that these rates will be effective as of the later of October 1, 2019 or the effective date of the Board Order adopting this Stipulation. These changes are on a provisional basis, subject to refund with interest, an opportunity for a full review at the Office of Administrative Law (“OAL”), if necessary, and final approval by the Board.

12. This Stipulation results in an overall increase of approximately 0.9 percent, or \$0.94 per month 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 3.7 percent, the Balancing Charge rate reflects an increase of 2.4 percent, and the CIP rate reflects an increase of 2.2 percent. The overall impact to the average residential non-heat sales customer using 25 therms per month is an increase of 1.8 percent or \$0.61 per month. The overall impact to the average small commercial sales customer using 100 therms per month is an increase of approximately 0.2 percent or \$0.20 per month. The total bill impact for large commercial sales customers is decreasing by approximately 0.1 percent or \$1.08 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 \$9.2 million. Exhibit A to this Stipulation provides the impacts of the above rate changes.

13. In accordance with the Board’s January 6, 2003 Order in BPU Docket No. GX01050304, the Company may seek to implement provisional increases in its periodic BGSS rate of up to 5% to be effective December 1, 2019 and February 1, 2020 if the Company determines that such increases are necessary to permit it to avoid a BGSS under recovery balance at September 30, 2020. The self-implementing increases will be provisional and subject to true-up in connection

with the next annual BGSS filing. NJNG is permitted to decrease its BGSS rate at any time upon five (5) days' notice and the filing of supporting documentation with the Board and Rate Counsel.

14. The Company will submit final tariff sheets within five (5) business days of the effective date of the Board's Order in this docket conforming to the agreed upon rates and terms set-forth in the above paragraphs.

15. 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.

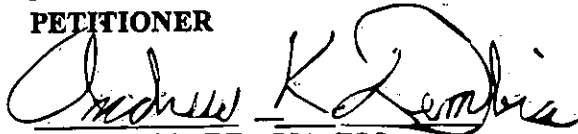
16. The Parties agree that this Stipulation is binding on them for all purposes herein.

17. It is specifically understood and agreed that this Stipulation represents a negotiated agreement 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 Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible to implement these rates as of October 1, 2019 or the effective date of the Board Order approving this Stipulation.

**NEW JERSEY NATURAL GAS
PETITIONER**

By:



ANDREW K. DEMBLA, ESQ.
New Jersey Natural Gas

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

By:



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**GURBIR S. GREWAL
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Attorney for the Staff of the Board of Public Utilities**

By:


RENEE GREENBERG, ESQ.
DEPUTY ATTORNEY GENERAL

Date: August ²⁸, 2019

New Jersey Natural Gas Company
Net Impact of Proposed Rate Changes
BPU Docket No. GR19050675
FY 2020

(\$/therm)

Rate Impact for Group I - Residential Non-Heating Customers

Component of	5/1/19 Rates		Proposed 10/1/19 Rates		Change		Total Bill % impact
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	\$0.3872	\$0.4129	\$0.3520	\$0.3753	(\$0.0352)	(\$0.0376)	(2.8%)
Balancing Charge	0.0795	0.0848	0.1030	0.1098	0.0235	0.0250	1.9%
CIP	0.0300	0.0320	0.0647	0.0690	0.0347	0.0370	2.8%
NET IMPACT	\$0.4967	\$0.5297	\$0.5197	\$0.5541	\$0.0230	\$0.0244	1.8%

Rate Impact for Group II - Residential Heating Customers

Component of	5/1/19 Rates		Proposed 10/1/19 Rates		Change		Total Bill % impact
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	\$0.3872	\$0.4129	\$0.3520	\$0.3753	(\$0.0352)	(\$0.0376)	(3.7%)
Balancing Charge	0.0795	0.0848	0.1030	0.1098	0.0235	0.0250	2.4%
CIP	(0.0132)	(0.0141)	0.0074	0.0079	0.0206	0.0220	2.2%
NET IMPACT	\$0.4535	\$0.4836	\$0.4624	\$0.4930	\$0.0089	\$0.0094	0.9%

Rate Impact for Group III - General Service Small Customers

Component of	5/1/19 Rates		Proposed 10/1/19 Rates		Change		Total Bill % impact
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	\$0.3872	\$0.4129	\$0.3520	\$0.3753	(\$0.0352)	(\$0.0376)	(3.3%)
Balancing Charge	0.0795	0.0848	0.1030	0.1098	0.0235	0.0250	2.2%
CIP	(0.0332)	(0.0354)	(0.0195)	(0.0208)	0.0137	0.0146	1.3%
NET IMPACT	\$0.4335	\$0.4623	\$0.4355	\$0.4643	\$0.0020	\$0.0020	0.2%

Rate Impact for Group IV - General Service Large Customers

Component of	5/1/19 Rates		Proposed 10/1/19 Rates		Change		Total Bill % impact
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	\$0.3807	\$0.4059	\$0.3572	\$0.3809	(\$0.0235)	(\$0.0250)	(2.5%)
Balancing Charge	0.0795	0.0848	0.1030	0.1098	0.0235	0.0250	2.5%
CIP	(0.0032)	(0.0034)	(0.0040)	(0.0043)	(0.0008)	(0.0009)	(0.1%)
NET IMPACT	\$0.4570	\$0.4873	\$0.4562	\$0.4864	(\$0.0008)	(\$0.0009)	(0.1%)

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	497,947 (000s)
Balancing Charge	664,373 (000s)
CIP Group I	2,533 (000s)
CIP Group II	489,639 (000s)
CIP Group III	38,280 (000s)
CIP Group IV	132,939 (000s)

	Projected Revenue at Current Rates \$million	Projected Revenue at Proposed Rates \$million	Change \$million
BGSS	\$205.6	\$186.9	(\$18.7)
Balancing Charge	\$56.3	\$72.9	\$16.6
CIP Group I	\$0.1	\$0.2	\$0.1
CIP Group II	(\$6.9)	\$3.9	\$10.8
CIP Group III	(\$1.4)	(\$0.8)	\$0.6
CIP Group IV	(\$0.5)	(\$0.6)	(\$0.1)
IMPACT	\$253.3	\$262.5	\$9.2

New Jersey Natural Gas Company
Net Impact of Proposed Rate Changes
BPU Docket No. GR19050675
FY 2020

<u>Impact on Residential Non-Heating Customers</u>			
		25 therm bill	
5/1/19 Rates			
Customer Charge		\$8.70	\$8.70
Delivery		\$0.5651	\$14.13
BGSS		\$0.4129	\$10.32
	Total	\$0.9780	\$33.15
Proposed Rates- effective 10/1/19			
Customer Charge		\$8.70	\$8.70
Delivery		\$0.6271	\$15.68
BGSS		\$0.3753	\$9.38
	Total	\$1.0024	\$33.76
	Increase		\$0.61
	Increase as a percent		1.8%
<u>Impact on Residential Heating Customers</u>			
		100 therm bill	1,000 therm annual bill
5/1/19 Rates			
Customer Charge		\$8.70	\$8.70
Delivery		\$0.5190	\$51.90
BGSS		\$0.4129	\$412.90
	Total	\$0.9319	\$1,038.30
Proposed Rates- effective 10/1/19			
Customer Charge		\$8.70	\$104.40
Delivery		\$0.5660	\$566.00
BGSS		\$0.3753	\$375.30
	Total	\$0.9413	\$1,045.70
	Increase		\$0.94
	Increase as a percent		0.9%
<u>Impact on Commercial GSS Customers</u>			
		100 therm bill	
5/1/19 Rates			
Customer Charge		\$26.37	\$26.37
Delivery		\$0.4680	\$46.80
BGSS		\$0.4129	\$41.29
	Total	\$0.8809	\$114.46
Proposed Rates- effective 10/1/19			
Customer Charge		\$26.37	\$26.37
Delivery		\$0.5076	\$50.76
BGSS		\$0.3753	\$37.53
	Total	\$0.8829	\$114.66
	Increase		\$0.20
	Increase as a percent		0.2%
<u>Impact on Commercial GSL Customers</u>			
		1200 therm bill	
5/1/19 Rates			
Customer Charge		\$52.17	\$52.17
Demand Charge		\$1.84	\$176.64
Delivery		\$0.4196	\$503.52
BGSS (May 2019)		\$0.4059	\$487.08
	Total	\$0.8255	\$1,219.41
Proposed Rates- effective 10/1/19			
Customer Charge		\$52.17	\$52.17
Demand Charge		\$1.84	\$176.64
Delivery		\$0.4437	\$532.44
BGSS (May 2019)		\$0.3809	\$457.08
	Total	\$0.8246	\$1,218.33
	Decrease		(\$1.08)
	Decrease as a percent		(0.1%)