



Agenda Date: 9/27/19  
Agenda Item: 2C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF NEW )  
JERSEY NATURAL GAS COMPANY FOR )  
APPROVAL OF BASE RATE ADJUSTMENT )  
PURSUANT TO THE NJ RISE AND SAFE II )  
PROGRAMS ) DOCKET NO. GR19030419

**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 March 29, 2019, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition ("March 2019 Petition") with the New Jersey Board of Public Utilities ("Board") seeking authority to establish rates to recover annualized increases in the revenue requirements associated with the New Jersey Reinvestment in System Enhancement program ("NJ RISE Program"), and the extension of its Safety Acceleration and Facility Enhancement ("SAFE") program ("SAFE II Program") (collectively, "Programs"). By this Order, the Board considers a Stipulation of Settlement ("Stipulation") executed by NJNG, Board Staff, and the New Jersey Division of Rate Counsel (collectively, "Parties") intended to resolve the Company's requests related to the March 2019 Petition.

**BACKGROUND**

By Order<sup>1</sup> dated July 23, 2014, the Board authorized NJNG to invest up to \$102.5 million in its NJ RISE Program designed to bolster its utility infrastructure so that it may be better able to withstand the effects of future Major Storm Events.<sup>2</sup> The NJ RISE Order also authorized NJ

<sup>1</sup> In re the Board's Establishment of a Generic Proceeding to Review the Costs, Benefits and Reliability Impacts of Major Storm Event Mitigation Efforts and In re the Petition of New Jersey Natural Gas Company for Approval of the NJ RISE Program and Associated Rate Recovery Mechanism.; Docket Nos. AX13030197 and GR13090828 (July 23, 2014) ("NJ RISE Order").

<sup>2</sup> "Major Storm Event" is defined as sustained impact on or interruption of utility service resulting from conditions beyond the control of the utility that affect at least ten percent (10%) of the customers in area.

RISE Program expenditures to be recovered through future base rate adjustments. The following NJ RISE Program investments are to be made over a five (5) year period:

	\$ millions
Sea Bright Project	3.5
North Seaside Project	6.0
South Seaside Project	25.0
Long Beach Island Project	30.0
Long Beach Island Regulator Station	3.0
Excess Flow Valve ("EFV") Project	<u>35.0</u>
Total NJ RISE Program	102.5

By Order<sup>3</sup> dated September 23, 2016, the Board authorized NJNG to recover investments associated with the Company's NJ RISE Program, as well as NJNG's SAFE II Program.

Additionally, pursuant to the September 23, 2016 Order, NJNG was to invest up to \$157.5 million<sup>4</sup> in the SAFE II Program, to be recovered through future base rate adjustments. These investments are to be completed on or before September 30, 2021.

The September 23, 2016 Order also approved a cost recovery mechanism that allowed for annual rate adjustments for spending related to the NJ RISE Program and SAFE II Program investments. In addition, the September 2016 Order required that NJNG file a base rate case with the Board no later than November 2019.

### **March 2019 Petition**

On March 29, 2019, NJNG filed the March 2019 Petition with the Board seeking approval to recover annualized increases in the revenue requirements associated with NJ RISE Program and SAFE II Program investments through June 30, 2019. Specifically, NJNG sought recovery of \$8.726 million for both Programs; approximately \$2.042 million in revenue related to NJ RISE Program expenditures, and approximately \$6.685 million in revenue related to SAFE II Program costs. The Company's March 2019 Petition was based on actual costs through February 28, 2019, and projected program expenditures from March 1, 2019 through June 30, 2019.

<sup>3</sup> 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 the 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 and OAL PUC 00738-16, (September 23, 2016) ("September 2016 Order").

<sup>4</sup> According to the September 2016 Order, the total cost of the SAFE II Program is estimated at \$200 million. However, \$42.5 million of that amount is not recoverable through SAFE II. The remaining amount of \$157.5 million is recoverable through the SAFE II mechanism.

On July 18, 2019, NJNG updated the March 2019 Petition ("July 2019 Update") to include actual NJ RISE and SAFE II Program expenditures through June 30, 2019. The July 2019 Update sought recovery of \$7.843 million for both Programs; approximately \$1.372 million in revenue related to NJ RISE Program expenditures, and approximately \$6.471 million in revenue related to SAFE II Program costs. The revenue requirements decreased by \$0.67 million for the NJ RISE Program, and decreased by \$0.214 million for the SAFE II Program. The Company's July 2019 Update reflects a net reduction in the proposed combined revenue requirements of \$0.883 million.

<b>NJ RISE/SAFE II - Revenue Requirements-Roll in Calculation at 6/30/19</b>			
		<b>NJ RISE</b>	<b>SAFE II</b>
1	Gross Plant	\$13,456,244	\$53,940,279
2	Accumulated Depreciation	(\$47,571)	\$14,457,467
3	Net Plant	\$13,408,674	68,397,746
4	Accumulated Deferred Taxes	(\$49,026)	(\$344,771)
5	Rate Base	\$13,359,648	\$68,052,976
6	Rate of Return-After taxes	6.40%	6.40%
7	Return Requirement-After taxes	\$854,777	\$4,354,165
8	Depreciation Expense, net	\$125,649	\$341,532
9	O&M Credit- Leak Repair, net	\$0	(\$71,890)
10	Sub-total [lines 7+8+9]	\$980,426	\$4,623,807
11	Revenue Factor	1.3995	1.3995
12	Roll-In Revenue Requirement	\$1,372,106	\$6,471,018

After publication of notice in newspapers of general circulation in the Company's service territory, public hearings were held at 4:30 p.m. and 5:30 p.m. in Freehold and Rockaway on August 21 and 22, 2019, respectively. No members of the public commented at the hearings or filed written comments.

**STIPULATION**

Upon review of the March 2019 Petition and the July 2019 Update, and subsequent to conducting and reviewing responses to discovery, on August 28, 2019, the Parties executed the Stipulation, which provides as follows:<sup>5</sup>

12. The Company shall implement the base rates associated with the updated annualized increase in the revenue requirement of \$7.84 million as shown in Attachment A of the Stipulation, and the associated rate design provided in the July 2019 Update as detailed in Attachment B of the Stipulation. The Company

<sup>5</sup> 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.

shall implement the rates specified in Attachment B of the Stipulation effective October 1, 2019.

13. The impact of the increased rates, which reflect Sales and Use Tax ("SUT") at the current rate, to the typical residential heating customer using 100 therms in a month is \$1.22 or approximately 1.2 percent (1.2%). Calculations showing the rate impacts are summarized in Attachment C of the Stipulation.
14. The Parties agree that pursuant to the terms of the September 2016 Base Rate Order, NJNG may implement these rates effective October 1, 2019. The rate adjustments established in the Stipulation shall be provisional and subject to refund as set forth in the September 2016 Base Rate Order. Nothing in the Stipulation will preclude any party from raising any objection in the next base rate case relating to the prudence of the NJ RISE and SAFE II projects and the related expenditures.
15. 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 FINDING**

After review of the record in this matter including the March 2019 Petition, the July 2019 Update, and the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY APPROVES** the rate adjustments reflected in the Stipulation on a provisional basis, subject to refund and review for prudence in the base rate case that the Company filed in March 2019 under the terms of the September 2016 Order. As a result of the Stipulation, a typical residential heating customer using 1,000 therms annually will see an increase in their annual bill of \$12.40 or approximately 1.2%.

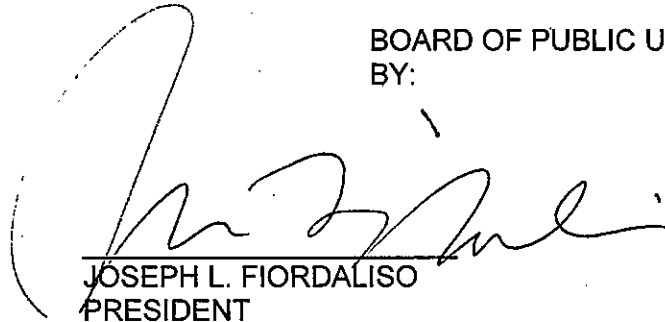
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by October 1, 2019.

The Company's costs, including those related to the NJ RISE Program and SAFE II Program, 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 30, 2019.

DATED: 9/27/19

BOARD OF PUBLIC UTILITIES  
BY:



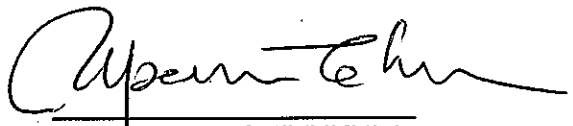
JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



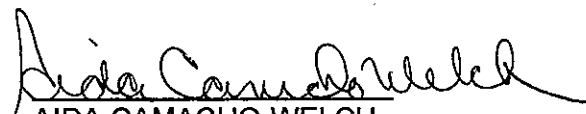
DIANNE SOLOMON  
COMMISSIONER



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  
APPROVAL OF BASE RATE ADJUSTMENT PURSUANT TO THE NJ RISE AND SAFE II  
PROGRAMS - DOCKET NO. GR19030419

SERVICE LIST

**NJNG:**

1415 Wyckoff Road  
Post Office Box 1464  
Wall, NJ 07719

Andrew Dembia, Esq.  
[adembia@njng.com](mailto:adembia@njng.com)

Mark G. Kahrer  
[mkahrer@njng.com](mailto:mkahrer@njng.com)

James Corcoran  
[jcorcoran@njng.com](mailto:jcorcoran@njng.com)

Tina Trebino  
[ttrebino@njng.com](mailto:ttrebino@njng.com)

Judy DeSalvatore  
[jdesalvatore@njng.com](mailto:jdesalvatore@njng.com)

Maura Clark  
[mclark@njng.com](mailto:mclark@njng.com)

**Board of Public Utilities:**

Post Office Box 350  
Trenton, NJ 08625-0350

**Division of Energy**

Stacy Peterson, Director  
[stacy.peterson@bpu.nj.gov](mailto:stacy.peterson@bpu.nj.gov)

Paul Lupo, Bureau Chief  
[paul.lupo@bpu.nj.gov](mailto:paul.lupo@bpu.nj.gov)

**Counsel's Office**

Heather Weisband, Esq.  
Senior Counsel  
[heather.weisband@bpu.gov](mailto:heather.weisband@bpu.gov)

**Rate Counsel:**

Post Office Box 003  
Trenton, NJ 08625

Stefanie Brand, Esq., Director  
[sbrand@rpa.nj.gov](mailto:sbrand@rpa.nj.gov)

Brian Lipman, Esq., Litigation Manager  
[blipman@rpa.nj.gov](mailto:blipman@rpa.nj.gov)

Felicia Thomas-Friel, Esq.  
[ftomas@rpa.nj.gov](mailto:ftomas@rpa.nj.gov)

Maura Caroselli, Esq.  
[mcaroselli@rpa.nj.gov](mailto:mcaroselli@rpa.nj.gov)

Henry M. Ogden, Esq.  
[hogden@rpa.nj.gov](mailto:hogden@rpa.nj.gov)

Shelly Massey, Paralegal  
[smassey@rpa.nj.gov](mailto:smassey@rpa.nj.gov)

**Rate Counsel Consultant:**

Robert J. Henkes  
Henkes Consulting  
7 Sunset Road  
Old Greenwich, CT 06870  
[rhenkes@optonline.net](mailto:rhenkes@optonline.net)

**Division of Law:**

Post Office Box 45029  
Newark, New Jersey 07101

Geoffrey Gersten, DAG  
[geoffrey.gersten@law.njoag.gov](mailto:geoffrey.gersten@law.njoag.gov)

Renee Greenberg, DAG  
[renee.greenberg@law.njoag.gov](mailto:renee.greenberg@law.njoag.gov)



September 4, 2019

The Honorable Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
P.O. Box 350  
Trenton, NJ 08625-0350

RE: In the Matter of the Petition of New Jersey Natural Gas Company For  
Approval of Base Rate Adjustments pursuant to its NJ RISE and SAFE II  
Programs  
BPU Docket No. GR19030419

Dear Secretary Camacho-Welch:

Enclosed with this letter is a fully executed Stipulation 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 fluid and cursive, with a large loop at the end.

Andrew K. Dembia  
Regulatory Affairs Counsel

AKD:sf  
Encl.

**In The Matter Of The Petition Of New Jersey Natural Gas Company for Approval  
of a Base Rate Adjustment Pursuant to the NJ RISE and SAFE II Programs  
BPU Docket No. GR19030419  
SERVICE LIST**

NJNG

Mark G. Kahrer  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

James Corcoran  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Tina Trebino  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Andrew Dembia  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Judy DeSalvatore  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

NJ BOARD OF PUBLIC  
UTILITIES

\* Stacy Peterson  
N.J. Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor  
Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Illene Lampit  
N.J. Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor  
Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Scott Sumliner  
N.J. Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor  
Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Oneil Hamilton  
N.J. Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor  
Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Paul Lupo  
N.J. Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor  
Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350

- Indicates individuals designated to receive hard copies of discovery.



**In The Matter Of The Petition Of New Jersey Natural Gas Company for Approval  
of a Base Rate Adjustment Pursuant to the NJ RISE and SAFE II Programs  
BPU Docket No. GR19030419  
SERVICE LIST**

DIVISION OF RATE COUNSEL

- \* Stefanie A. Brand, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625
  
- Felicia Thomas-Friel, Esq.  
Division of the Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625
  
- Brian Lipman, Litigation Manager  
Division of the Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625
  
- Henry Ogden  
Division of the Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625
  
- Maura Caroselli  
Division of the Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625
  
- \* Robert Henkes  
Henkes Consulting  
7 Sunset Road  
Old Greenwich, CT 06870

DEPT. OF LAW & PUBLIC  
SAFETY – DIVISION OF LAW

- Caroline Vachier, Section Chief  
Deputy Attorney General  
Dept. of Law & Public Safety -  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101
  
- \* Alex Moreau, DAG  
Deputy Attorney General  
Dept. of Law & Public Safety -  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101
  
- Renee Greenberg  
Deputy Attorney General  
Dept. of Law & Public Safety -  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101

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

IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS )  
COMPANY FOR APPROVAL OF BASE ) BPU Docket No. GR19030419  
RATE ADJUSTMENT PURSUANT TO THE )  
NJ RISE AND SAFE II PROGRAMS )

**STIPULATION**

**APPEARANCES:**

**Andrew K. Dembia, Esq.**, Regulatory Affairs Counsel for the Petitioner, New Jersey Natural Gas Company

**Felicia Thomas-Friel, Esq.**, Managing Attorney – Gas, **Maura Caroselli**, Assistant Deputy Rate Counsel, and **Henry M. Ogden**, Assistant Deputy Rate Counsel New Jersey Division of Rate Counsel (Stefanie A. Brand, 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**

On March 29, 2019, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a Petition (“March 2019 Petition”) with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking BPU approval to recover the revenue requirements associated with certain gas investment costs of the NJ Reinvestment in System Enhancement program (“NJ RISE Program”) and Safety Acceleration and Facility Enhancement Extension program (“SAFE II Program”) incurred through June 30, 2019.

## **BACKGROUND**

1. **NJ RISE**: In an Order dated March 20, 2013, the BPU directed the State's energy utilities to investigate prudent, cost efficient and effective opportunities to enhance utility infrastructure against damage from major storm events. On July 23, 2014, the Board issued a decision and Order ("July 2014 Order") approving a stipulation concerning the NJ RISE Program in Docket Nos. AX13030197 and GR13090828. The July 2014 Order provided approval for NJNG to invest up to \$102.5 million, excluding Allowance for Funds Used During Construction ("AFUDC"), to be recovered through base rate adjustments to undertake six (6) infrastructure projects that the Company maintained would make its distribution system more resilient in anticipation of future major storm events. The NJ RISE Program is a series of capital investment projects to be completed over a period of five (5) years. The projects include the installation of secondary gas distribution mains into the Sea Bright Peninsula, the Seaside Peninsula and Long Beach Island. Additionally, two (2) regulator station reinforcement projects would be undertaken, one in Mantoloking and the other in Ship Bottom on Long Beach Island. Also, an existing back-up regulator station will be relocated from Mantoloking to the mainland. Finally, the Company would be installing approximately 35,000 excess flow valves ("EFVs") on all distribution services in waterfront communities that may be impacted by coastal and back-bay flooding and/or storm surge. The stipulation and July 2014 Order provided for the filing of the March 2019 Petition for cost recovery.

2. The Company's NJ RISE Program rate filing includes a request for recovery in base rates for the actual capital expenditures associated with the NJ RISE projects through June 30, 2019, including actual costs of engineering, design and construction, cost of removal (net of salvage), property acquisition, actual labor, material overheads and capitalized AFUDC. NJNG's March 2019 Petition in this matter sought Board approval for base rate changes to provide for cost recovery associated with the Company's NJ RISE Program.
3. SAFE II: On September 23, 2016, the Board issued a Decision and Order approving a Stipulation regarding the SAFE II Program in Docket No. GR15111304 ("September 2016 Base Rate Order"). The SAFE II Program is an extension of the Company's previously BPU approved SAFE Program in BPU Docket No. GO12030255. The September 2016 Base Rate Order, which included approval of the SAFE II Program, provided for NJNG to invest up to \$200 million, excluding AFUDC, to be recovered through base rate adjustments over the five (5) year term of the SAFE II Program. The SAFE II Program is designed to replace all of the Company's existing unprotected steel mains and services throughout its service territory on or before September 30, 2021. Additionally, the Company has represented that no further SAFE extensions would be required after September 30, 2021.
4. Under the September 2016 Base Rate Order, the Company is required to maintain a Stipulated Base level of capital spending of \$8.5 million per year, which is not recoverable through the SAFE rate mechanism, for the replacement of unprotected steel mains and services during the course of the SAFE II Program. Additionally, if the Company does not replace at least 58.7 miles of main and associated services through the Stipulated Base expenditures by the end date of the program, the costs of completing the work will not be recoverable through the SAFE rate mechanism.

5. The Company's SAFE II Program rate filing includes a request for recovery in base rates for the actual capital expenditures associated with SAFE II through June 30, 2019, including the replacement of existing unprotected steel mains and services. The SAFE II Program rate filing and updates included documentation providing that the Company expended \$8.5 million in Stipulated Base capital spending during the twelve (12) month period from July 1, 2018 through June 30, 2019.
6. As agreed to by the parties and set forth in the September 2016 Base Rate Order, the rate design for the SAFE II Program and NJ RISE Program annual rate adjustments would be structured to reflect the same rate design methodology used to set rates in the Company's most recent approved base rate case.
7. NJNG's March 2019 Petition in this matter sought Board approval for base rate changes to provide for cost recovery associated with the Company's NJ RISE Program and SAFE II Program (collectively, "Programs"). These Programs were addressed in the September 2016 Base Rate Order that adopted a Stipulation that provided for the filing of requests for the recovery of revenue requirements associated with the Programs in March 2019.<sup>1</sup>
8. NJNG's March 2019 Petition sought authority to establish rates to recover an annualized

---

<sup>1</sup> The September 2016 Base Rate Order provides at Paragraph 22b:

Revenue Requirements associated with SAFE Extension investments that are placed into service through and including June 30, 2018 shall go into base rates effective October 1, 2018. NJNG shall make its initial filing for such rates in March 2018, and update such filing for actual data through June 30, 2018 by July 31, 2018, including actual data on the 'Stipulated Base' expenditures.

The September 2016 Base Rate Order provides at Paragraph 34:

The Parties agree that the NJ RISE incremental capital investments as authorized by Board Order in Docket Nos. AX13030197 and GR13090828 will be recovered in base rates in the same manner as the SAFE Extension Cost Recovery mechanism set forth above. The NJ RISE and SAFE Extension annual rate filings shall be combined for administrative ease."

increase in revenue requirement of \$8.73 million. The proposed revenue requirement increase is associated with the Programs' investment costs. The annualized increase in revenue requirement was supported by Schedule NJNG-NJ RISE-1 and Schedule NJNG-SAFE II-1 attached to the March 2019 Petition, which was based upon actual expenditures through February 28, 2019 and projected expenditures through June 30, 2019, and was the basis for the proposed increased base rates.

9. Notice of the Company's March 2019 Petition, including the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's service territory, and was served on the Clerks of the municipalities, the Clerks of the Board of Chosen Freeholders, and the County Executives within the Company's service territory. In accordance with that notice, public hearings on the Company's requests were held on the following dates at two (2) locations in NJNG's service territory: two (2) hearings on August 21, 2019 in Freehold, New Jersey and two (2) hearings on August 22, 2019 in Rockaway, New Jersey. No members of the public provided comments on these matters at the hearings in Freehold and Rockaway, nor were any written comments received by the BPU, NJNG or the New Jersey Division of Rate Counsel ("Rate Counsel").
10. On July 17, 2019, the Company provided updated schedules ("July 2019 Update") in these matters, which replaced the projected data in the original schedules with actual data through June 30, 2019. Updated Schedules NJNG-NJ RISE-1 and NJNG-SAFE II-1 reflect the updated annualized increase to revenue requirements associated with the Programs' investment costs. The updated annual increase in revenue requirement reflected in that schedule is lower than the increase in annual revenue requirement initially proposed in this matter. The Company proposed updated rates, as described below, are designed to

recover the revenue requirement increases from the updated Schedules of \$7.84 million.

11. Upon reviewing the March 2019 Petition and the July 2019 Update, conducting and reviewing responses to discovery, Staff of the New Jersey Board of Public Utilities (“Board Staff”), Rate Counsel, and NJNG, the only parties to this proceeding (collectively, “Parties”), stipulate and agree as follows:

**STIPULATED ISSUES**

12. The Company shall implement the base rates associated with the updated annualized increase in the revenue requirement of \$7.84 million as shown in Attachment A, and the associated rate design provided in the July 2019 Update as detailed in Attachment B. The Company shall implement the rates specified in Attachment B effective October 1, 2019.
13. The impact of the increased rates, which reflect Sales and Use Tax (“SUT”) at the current rate, to the typical residential heating customer using 100 therms in a month is \$1.22 or approximately 1.2 percent (1.2%). Calculations showing the rate impacts are summarized in Attachment C.
14. The Parties agree that pursuant to the terms of the September 2016 Base Rate Order, NJNG may implement these rates effective October 1, 2019. The rate adjustments established herein shall be provisional and subject to refund as set forth in the September 2016 Base Rate Order. Nothing herein will preclude any party from raising any objection in the next base rate case relating to the prudence of the NJ RISE and SAFE II projects and the related expenditures.
15. 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.

16. 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 that 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.
17. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
18. 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, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.
19. 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 respectfully request that the Board issue a Decision and Order approving this Stipulation in its entirety, in accordance with the terms hereof, as soon as reasonably possible in order to implement these rates as of the later of October 1, 2019 or the effective date of the Board Order approving this Stipulation.

**NEW JERSEY NATURAL GAS COMPANY  
PETITIONER**

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

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

By:   
NAURA 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  
DEPUTY ATTORNEY GENERAL

GR 19030419

Date: August<sup>28</sup>, 2019

**Attachment A**  
**SCHEDULE NJNG-NJ RISE-1**

**NJ RISE PROGRAM**  
**Roll-in Calculation**

Investment End Date 6/30/2019

**RATE BASE CALCULATION**

	<b>Total</b>
Gross Plant	\$13,456,244
Accumulated Depreciation	(\$47,571)
Net Plant	\$13,408,674
Accumulated Deferred Taxes	(\$49,026)
Rate Base	\$13,359,648
Rate of Return - Net of Tax (SCHEDULE NJNG-NJ RISE-2)	6.40%
Return Requirement	\$854,777
Depreciation Exp, net	\$125,649
	\$980,426
Revenue Factor (SCHEDULE NJNG-NJ RISE-3)	1.3995
<b>Total Revenue Requirement</b>	<b>\$1,372,106</b>

**SUPPORT**

**Gross Plant**

Plant in-service	\$13,309,161
AFUDC - Debt	\$43,378
AFUDC - Equity	\$103,705
<b>Total Gross Plant</b>	<b>\$13,456,244</b>

**Accumulated Depreciation**

Accumulated Depreciation	(\$47,571)
<b>Net Accumulated Depreciation</b>	<b>(\$47,571)</b>

**Depreciation Expense (Net of Tax)**

Depreciable Plant (xAFUDC-E)	\$13,352,539
AFUDC-E	\$103,705
Depreciation Rate	<b>By Asset Class</b>
Depreciation Expense	\$174,779
Tax @ 28.11%	49,131
<b>Depreciation Expense (Net of Tax)</b>	<b>\$125,649</b>

**NJ RISE PROGRAM**  
**Weighted Average Cost of Capital (WACC)**

SAFE Extension Capital Structure					
Type	Ratio	Cost	Weighted Cost	Net of Tax	Pre-tax
Long Term Debt	45.07%	3.89%	1.76%	1.26%	1.76%
Short Term Debt	2.43%	1.00%	0.02%	0.02%	0.02%
Common Equity	52.50%	9.75%	5.12%	5.12%	7.12%
	100.00%		6.90%	6.40%	8.90%

Federal Income Tax	21.00%
State NJ Business Income Tax	9.00%
Tax Rate	28.11%

**NJ RISE PROGRAM**  
**Revenue Factor Calculation**

Revenue Increase	100.0000
Uncollectible Rate	0.3230
BPU Assessment Rate	0.2311
Rate Counsel Assessment Rate	<u>0.0553</u>
Income before State of NJ Bus. Tax	99.3906
State of NJ Bus. Income Tax @ 9.00%	<u>8.9452</u>
Income Before Federal Income Taxes	90.4454
Federal Income Taxes @ 21%	<u>18.9935</u>
Return	<u>71.4519</u>
Revenue Factor	<u><u>1.3995</u></u>

**Attachment A**  
**SCHEDULE NJNG-SAFE II-1**

**SAFE II PROGRAM**  
**Roll-in Calculation**

Investment End Date 6/30/2019

**RATE BASE CALCULATION**

	<b>Total</b>
Gross Plant	\$53,940,279
Accumulated Depreciation	\$14,457,467
Net Plant	\$68,397,746
Accumulated Deferred Taxes	(\$344,771)
Rate Base	\$68,052,976
Rate of Return - After-Tax (SCHEDULE NJNG-SAFE II-2)	6.40%
Return Requirement	\$4,354,165
Depreciation Exp, net	\$341,532
O&M Credit - Leak Repair, net	(\$71,890)
	\$4,623,807
Revenue Factor (SCHEDULE NJNG-SAFE II-3)	1.3995
<b>Total Revenue Requirement</b>	<b>\$6,471,018</b>

**SUPPORT**

**Gross Plant**

Plant in-service	\$53,784,721
AFUDC - Debt	\$46,628
AFUDC - Equity	\$108,929
<b>Total Gross Plant</b>	<b>\$53,940,279</b>

**Accumulated Depreciation**

Accumulated Depreciation	(\$413,621)
Cost of Removal	\$14,871,088
<b>Net Accumulated Depreciation</b>	<b>\$14,457,467</b>

**Depreciation Expense (Net of Tax)**

Depreciable Plant (xAFUDC-E)	\$53,831,350
AFUDC-E	\$108,929
Depreciation Rate	1.39%/1.21%
Depreciation Expense	\$725,498
Depreciation Expense Retirements	\$250,422
Tax @ 28.11%	133,544
<b>Depreciation Expense (Net of Tax)</b>	<b>\$341,532</b>

**SAFE II PROGRAM**  
**Weighted Average Cost of Capital (WACC)**

SAFE II Capital Structure					
Type	Ratio	Cost	Weighted Cost	Net of Tax	Pre-tax
Long Term Debt	45.07%	3.89%	1.76%	1.26%	1.76%
Short Term Debt	2.43%	1.00%	0.02%	0.02%	0.02%
Common Equity	52.50%	9.75%	5.12%	5.12%	7.12%
	100.00%		6.90%	6.40%	8.90%

Federal Income Tax	21.00%
State NJ Business Income Tax	9.00%
Tax Rate	28.11%

**Attachment A**  
**SCHEDULE NJNG-SAFE II-3**

**SAFE II PROGRAM**  
**Revenue Factor Calculation**

Revenue Increase	100.0000
Uncollectible Rate	0.3230
BPU Assessment Rate	0.2311
Rate Counsel Assessment Rate	<u>0.0553</u>
Income before State of NJ Bus. Tax	99.3906
State of NJ Bus. Income Tax @ 9.00%	<u>8.9452</u>
Income Before Federal Income Taxes	90.4454
Federal Income Taxes @ 21%	<u>18.9935</u>
Return	<u>71.4519</u>
Revenue Factor	<u><u>1.3995</u></u>

New Jersey Natural Gas Company  
Base Rates and Revenues at Present and Proposed Rates

Component (a)	Amount (b)	Units (c)	Present Rates		Proposed Rates		
			Rate (d)	Revenue (e)	Rate (f)	Revenue (g)	Increase (h)
			RS		RS		
<b>Residential Service</b>							
Customer Charge	6,156,005	Bills	\$ 8.16	\$ 50,232,999	\$ 8.25	\$ 50,787,040	
Volumetric Charge	490,148,407	Therms	0.3656	179,198,258	0.3761	184,344,816	
<b>Total Base Revenues</b>				\$ 229,431,257		\$ 235,131,856	2.5%

			GSS		GSS		
<b>General Service Small (less than 5,000 Annual Therms)</b>							
Customer Charge	372,190	Bills	\$ 24.73	\$ 9,204,248	\$ 25.01	\$ 9,308,461	
Volumetric Charge	38,597,990	Therms	0.3377	13,034,541	0.3493	13,482,278	
Volumetric Charge - A/C	89,845	Therms	0.0724	6,505	0.0742	6,666	
<b>Total Base Revenues</b>				\$ 22,245,294		\$ 22,797,405	2.5%

			GSL		GSL		
<b>General Service Large (5,000 + Annual Therms)</b>							
Customer Charge	98,322	Bills	\$ 48.93	\$ 4,810,886	\$ 51.17	\$ 5,031,127	
Demand Charge	10,782,342	Therms	1.7247	18,596,306	1.7283	18,635,122	
Volumetric Charge	131,208,255	Therms	0.2623	34,415,925	0.2712	35,583,679	
Volumetric Charge - A/C	168,050	Therms	0.0724	12,167	0.0742	12,489	
<b>Total Base Revenues</b>				\$ 57,835,283		\$ 59,262,396	2.5%



New Jersey Natural Gas Company  
Base Rates and Revenues at Present and Proposed Rates

Component (a)	Amount (b)	Units (c)	Present Rates		Proposed Rates		Increase (h)
			Rate (d)	Revenue (e)	Rate (f)	Revenue (g)	
<b>Firm Transportation Service*</b>			<u>FT</u>		<u>FT</u>		
Customer Charge	1,416	Bills	\$ 222.19	\$ 314,701	\$ 254.42	\$ 360,350	
Demand Charge	2,278,548	Therms	1.8083	4,120,298	1.8592	4,236,276	
Volumetric Charge	27,969,227	Therms	0.0748	2,092,098	0.0748	2,092,098	
<b>Total Base Revenues</b>				<b>\$ 6,527,097</b>		<b>\$ 6,688,724</b>	<b>2.5%</b>
<b>Distributed Generation - Commercial*</b>			<u>DGC</u>		<u>DGC</u>		
Customer Charge	169	Bills	\$ 49.96	\$ 8,429	\$ 50.64	\$ 8,544	
Demand Charge	301,385	Therms	1.3476	406,147	1.4004	422,060	
Volumetric Charge - Winter	2,719,450	Therms	0.0604	164,255	0.0604	164,255	
Volumetric Charge - Summer	2,326,750	Therms	0.0298	69,337	0.0298	69,337	
<b>Total Base Revenues</b>				<b>\$ 648,168</b>		<b>\$ 664,196</b>	<b>2.5%</b>
<b>Natural Gas Vehicle / Compressed Natural Gas Service</b>			<u>NGV / CNG</u>		<u>NGV / CNG</u>		
Customer Charge	60	Bills	\$ 51.06	\$ 3,064	\$ 51.90	\$ 3,114	
Volumetric Charge	1,304,368	Therms	0.1654	215,742	0.1695	221,090	
<b>Total Base Revenues</b>				<b>\$ 218,806</b>		<b>\$ 224,204</b>	<b>2.5%</b>
<b>TOTAL SYSTEM BASE DISTRIBUTION REVENUES</b>				<b>\$ 316,905,905</b>		<b>\$ 324,768,782</b>	<b>2.5%</b>

Increase 7,862,877  
**TARGET Increase 7,843,124**  
Difference \$19,753

\* In BPU Docket No. GR15111304, the settlement rate design increased fixed charges for Firm Transportation and Distributed Generation - Commercial customers and decreased their volumetric charges. The rates above reflect the maintenance of the rate case volumetric charge and increase to the fixed charges.

New Jersey Natural Gas Company  
Net Impact of Proposed Rate Changes

<u>Impact on Residential Non-Heating Customers</u>			
		25 therm bill	
<b>4/1/19 Rates</b>			
	Customer Charge	\$8.70	\$8.70
	Delivery	\$0.5651	\$14.13
	BGSS	\$0.4129	\$10.32
	<b>Total</b>	<b>\$0.9780</b>	<b>\$33.15</b>
<b>Proposed Rates- effective 10/1/19</b>			
	Customer Charge	\$8.80	\$8.80
	Delivery	\$0.5763	\$14.41
	BGSS	\$0.4129	\$10.32
	<b>Total</b>	<b>\$0.9892</b>	<b>\$33.53</b>
	<b>Increase</b>		<b>\$0.38</b>
	<b>Increase as a percent</b>		<b>1.1%</b>
<u>Impact on Residential Heating Customers</u>			
		100 therm bill	1000 therm annual bill
<b>4/1/19 Rates</b>			
	Customer Charge	\$8.70	\$8.70
	Delivery	\$0.5190	\$51.90
	BGSS	\$0.4129	\$41.29
	<b>Total</b>	<b>\$0.9319</b>	<b>\$101.89</b>
			<b>\$1,036.30</b>
<b>Proposed Rates- effective 10/1/19</b>			
	Customer Charge	\$8.80	\$8.80
	Delivery	\$0.5302	\$53.02
	BGSS	\$0.4129	\$41.29
	<b>Total</b>	<b>\$0.9431</b>	<b>\$103.11</b>
			<b>\$1,048.70</b>
	<b>Increase</b>		<b>\$1.22</b>
	<b>Increase as a percent</b>		<b>1.2%</b>
			<b>1.2%</b>
<u>Impact on Commercial GSS Customers</u>			
		100 therm bill	
<b>4/1/19 Rates</b>			
	Customer Charge	\$26.37	\$26.37
	Delivery	\$0.4680	\$46.80
	BGSS	\$0.4129	\$41.29
	<b>Total</b>	<b>\$0.8809</b>	<b>\$114.46</b>
<b>Proposed Rates- effective 10/1/19</b>			
	Customer Charge	\$26.67	\$26.67
	Delivery	\$0.4803	\$48.03
	BGSS	\$0.4129	\$41.29
	<b>Total</b>	<b>\$0.8932</b>	<b>\$115.99</b>
	<b>Increase</b>		<b>\$1.53</b>
	<b>Increase as a percent</b>		<b>1.3%</b>
<u>Impact on Commercial GSL Customers</u>			
		1200 therm bill	
<b>4/1/19 Rates</b>			
	Customer Charge	\$52.17	\$52.17
	Demand Charge	\$1.84	\$176.64
	Delivery	\$0.4196	\$503.52
	BGSS (July 2019)	\$0.3814	\$457.68
	<b>Total</b>	<b>\$0.8010</b>	<b>\$1,190.01</b>
<b>Proposed Rates- effective 10/1/19</b>			
	Customer Charge	\$54.56	\$54.56
	Demand Charge	\$1.84	\$176.64
	Delivery	\$0.4291	\$514.92
	BGSS (July 2019)	\$0.3814	\$457.68
	<b>Total</b>	<b>\$0.8105</b>	<b>\$1,203.80</b>
	<b>Increase</b>		<b>\$13.79</b>
	<b>Increase as a percent</b>		<b>1.2%</b>