



Agenda Date: 9/9/20
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)
APPROVAL OF BASE RATE ADJUSTMENTS)
PURSUANT TO ITS NJ RISE AND SAFE II)
PROGRAMS) DOCKET NO. GR20030279

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 30, 2020, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a 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 its 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”) (“March 2020 Petition”). 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 2020 Petition.

BACKGROUND

By Order 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.¹ The NJ RISE Order also authorized NJ RISE Program expenditures to be recovered through future base rate adjustments. The following NJ RISE Program investments were to be made over a five (5) year period:

¹ “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 of the customers in area. See 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, BPU Docket Nos. AX13030197 and GR13090828, Order dated July 23, 2014, (“NJ RISE Order”).

	\$ 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 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 Program.²

Additionally, pursuant to the September 2016 Order, NJNG was to invest up to \$157.5 million in the SAFE II Program to be recovered through future base rate adjustments.³ These investments were to be completed on or before September 30, 2021. The September 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.

March 2020 Petition

On March 30, 2020, NJNG filed the March 2020 Petition seeking approval to recover annualized increases in the revenue requirements associated with the NJ RISE Program and the SAFE II Program (collectively, "Programs"). The March 2020 Petition sought approval to recover \$1.117 million in revenue related to NJ RISE Program expenditures through June 30, 2020, and \$6.329 million in revenue related to SAFE II Program costs through June 30, 2020. The March 2020 Petition was based on actual costs through February 29, 2020, and projected Program expenditures from March 1, 2020 through June 30, 2020.

² 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 Nos. GR15111304 and OAL PUC 00738-16, Order dated September 23, 2016, ("September 2016 Order").

³According 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 accelerated recovery. The remaining amount of \$157.5 million is recoverable through the SAFE II mechanism.

On July 22, 2020, NJNG updated the March 2020 Petition to include actual NJ RISE and SAFE II Program expenditures through June 30, 2020. The NJ RISE Program revenue requirement decreased to \$0.920 million while the SAFE II Program revenue requirement decreased to \$6.127 million. The update reflects a reduction in the proposed revenue requirements of \$0.399 million. The updated revenue requirement calculations are shown in the following table:

NJ RISE/SAFE II - Revenue Requirements-Roll in Calculation at 6/30/20			
		NJ RISE	NJ SAFE II
1	Goss Plant	\$8,076,644	\$47,011,709
2	Accumulated Depreciation	(\$79,152)	\$11,260,918
3	Net Plant	\$7,997,492	\$58,272,626
4	Accumulated Deferred Taxes	(\$31,864)	(\$242,663)
5	Rate Base	\$7,965,628	\$58,029,964
6	Rate of Return-After taxes	6.45%	6.45%
7	Return Requirement-After taxes	\$513,902	\$3,743,797
8	Depreciation Expense, net	\$143,269	\$706,001
9	O&M Credit- Leak Repair, net	\$0	(\$71,890)
10	Sub-total [lines 7+8+9]	\$657,171	\$4,377,908
11	Revenue Factor	1.3995	1.3995
12	Roll-In Revenue Requirement	\$919,711	\$6,126,882

After publication of notice in newspapers of general circulation in the Company's service territory, telephonic public hearings were held at 4:30 p.m. and 5:30 p.m. on August 17, 2020.⁴ No members of the public attended or filed comments related to the Company's filing.

STIPULATION

Upon review of the March 2020 Petition and updates thereto, and subsequent to conducting and reviewing responses to discovery, the Parties executed the Stipulation, which provides as follows:⁵

12. The Company shall implement the base rates associated with the updated annualized increase in the revenue requirement of \$7.05 million as shown in Attachment A of the Stipulation, and the associated rate design provided in the July 2020 Update as detailed in Attachment B of the Stipulation. The Company shall implement the rates specified in Attachment B of the Stipulation upon Board approval.
13. The impact of the increased rates, which reflect Sales and Use Tax at the current rate, to the typical residential heating customer using 100 therms in a month is \$1.11 or approximately 1.0 percent (1.0%). Calculations showing the rate impacts are summarized in Attachment C of the Stipulation

⁴ Due to the COVID-19 pandemic, public hearings were held telephonically.

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 Stipulation.

14. The Parties agree that pursuant to the terms of the September 2016 Order, NJNG may implement these rates effective October 1, 2020 or upon a date determined by the Board. The rate adjustments established in the Stipulation shall be provisional and subject to refund as set forth in the September 2016 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.

DISCUSSION AND FINDING

The Board, having reviewed the record in this matter including the March 2020 Petition, updates thereto, and the Stipulation, **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 Company's next base rate case. As a result of the Stipulation, a typical residential heating customer using 100 therms in a winter month will see an increase in their monthly bill of \$1.11 or approximately 1.0%.

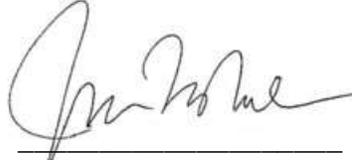
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by October 1, 2020.

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.

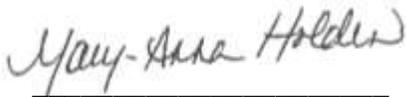
This Order shall be effective on September 30, 2020.

DATED: September 9, 2020

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



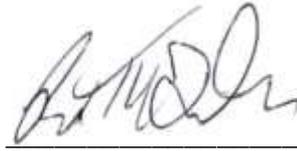
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

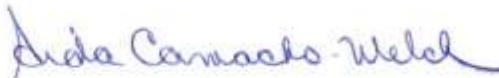


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

**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. GR20030279**

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August 20, 2020

The Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd 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. GR20030279

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 blue ink that reads 'Andrew K. Dembia'.

Andrew K. Dembia
Regulatory Affairs Counsel

AKD:sf

Enclosures

C: Service List

**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. GR20030279

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**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. GR20030279

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

IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS)
COMPANY FOR APPROVAL OF BASE) BPU Docket No. GR20030279
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)

Terel Klein, 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 30, 2020, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a 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, 2020 (“March 2020 Petition”).

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 approving a stipulation concerning the NJ RISE Program in Docket Nos. AX13030197 and GR13090828 ("July 2014 Order"). 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 that 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 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 2020 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, 2020, 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 2020 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 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 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, 2020, including the replacement of existing unprotected steel mains and services. The SAFE II Program rate filing and updates include documentation providing that the Company expended \$8.5 million in Stipulated Base capital spending during the 12 month period from July 1, 2019 through June 30, 2020.
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 recently approved base rate case.
7. NJNG's March 2020 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 2020.¹
8. NJNG's March 2020 Petition sought authority to establish rates to recover an annualized

¹ 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 \$7.45 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 2020 Petition, which was based upon actual expenditures through February 28, 2020 and projected expenditures through June 30, 2020, and was the basis for the proposed increased base rates.

9. Notice of the Company's March 2020 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, two telephonic public hearings on the Company's requests were held on August 17, 2020. No members of the public provided comments on these matters at the hearings, nor were any written comments received by the BPU, NJNG or the New Jersey Division of Rate Counsel ("Rate Counsel").
10. On July 22, 2020, the Company provided updated schedules which replaced the projected data in the original schedules with actual data through June 30, 2020 ("July 2020 Update"). The July 2020 Update reflects 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 \$7.05 million.
11. Upon reviewing the March 2020 Petition, the July 2020 Update, and 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 \$7.05 million as shown in Attachment A, and the associated rate design provided in the July 2020 Update as detailed in Attachment B. The Company shall implement the rates specified in Attachment B upon Board approval.
13. The impact of the increased rates, which reflect Sales and Use Tax at the current rate, to the typical residential heating customer using 100 therms in a month is \$1.11 or approximately 1.0 percent (1.0%). 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, 2020 or upon a date determined by the Board. 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, 2020 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: _____
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: _____
TEREL KLEIN
DEPUTY ATTORNEY GENERAL

Date: August 20, 2020

NJ RISE PROGRAM
Roll-in Calculation

Investment End Date 6/30/2020

RATE BASE CALCULATION

	Total
Gross Plant	\$8,076,644
Accumulated Depreciation	(\$79,152)
Net Plant	\$7,997,492
Accumulated Deferred Taxes	(\$31,864)
Rate Base	\$7,965,628
Rate of Return - Net of Tax (SCHEDULE NJNG-NJ RISE-2)	6.45%
Return Requirement	\$513,902
Depreciation Exp, net	\$143,269
	\$657,171
Revenue Factor (SCHEDULE NJNG-NJ RISE-3)	1.3995
Total Revenue Requirement	\$919,711

SUPPORT

Gross Plant

Plant in-service	\$7,901,575
AFUDC - Debt	\$45,845
AFUDC - Equity	\$129,223
Total Gross Plant	\$8,076,644

Accumulated Depreciation

Accumulated Depreciation	(\$79,152)
Net Accumulated Depreciation	(\$79,152)

Depreciation Expense (Net of Tax)

Depreciable Plant (xAFUDC-E)	\$7,947,421
AFUDC-E	\$129,223
Depreciation Rate	By Asset Class
Depreciation Expense	\$199,290
Tax @ 28.11%	56,020
Depreciation Expense (Net of Tax)	\$143,269

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	46.00%	3.83%	1.76%	1.27%	1.76%	
Common Equity	54.00%	9.60%	5.18%	5.18%	7.21%	
	100.00%		6.95%	6.45%	8.97%	

Total	
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>

SAFE II PROGRAM
Roll-in Calculation

Investment End Date 6/30/2020

RATE BASE CALCULATION

	Total
Gross Plant	\$47,011,709
Accumulated Depreciation	\$11,260,918
Net Plant	\$58,272,626
Accumulated Deferred Taxes	(\$242,663)
Rate Base	\$58,029,964
Rate of Return - After-Tax (SCHEDULE NJNG-SAFE II-2)	6.45%
Return Requirement	\$3,743,797
Depreciation Exp, net	\$706,001
O&M Credit - Leak Repair, net	(\$71,890)
	\$4,377,908
Revenue Factor (SCHEDULE NJNG-SAFE II-3)	1.3995
Total Revenue Requirement	\$6,126,882

SUPPORT

Gross Plant

Plant in-service	\$46,844,299
AFUDC - Debt	\$43,533
AFUDC - Equity	\$123,876
Total Gross Plant	\$47,011,709

Accumulated Depreciation

Accumulated Depreciation	(\$630,862)
Cost of Removal	\$11,891,780
Net Accumulated Depreciation	\$11,260,918

Depreciation Expense (Net of Tax)

Depreciable Plant (xAFUDC-E)	\$46,887,832
AFUDC-E	\$123,876
Depreciation Rate	Various
Depreciation Expense	\$1,151,739
Depreciation Expense Retirements	\$169,682
Tax @ 28.11%	276,056
Depreciation Expense (Net of Tax)	\$706,001

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	46.00%	3.83%	1.76%	1.27%	1.76%
Common Equity	54.00%	9.60%	5.18%	5.18%	7.21%
	100.00%		6.95%	6.45%	8.97%

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

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)
<u>Residential Service</u>			<u>RS</u>		<u>RS</u>	
Customer Charge	6,263,031	Bills	\$ 9.38	\$ 58,747,230	\$ 9.51	\$ 59,561,424
Volumetric Charge	497,800,520	Therms	0.4599	228,938,459	0.4690	233,468,444
Total Base Revenues				\$ 287,685,689		\$ 293,029,868

<u>General Service Small (less than 5,000 Annual Therms)</u>			<u>GSS</u>		<u>GSS</u>	
Customer Charge	374,620	Bills	\$ 31.89	\$ 11,946,646	\$ 32.68	\$ 12,242,596
Volumetric Charge	38,058,355	Therms	0.4057	15,440,275	0.4153	15,805,635
Volumetric Charge - A/C	35,502	Therms	0.0884	3,138	0.0900	3,195
Total Base Revenues				\$ 27,390,059		\$ 28,051,426

<u>General Service Large (5,000 + Annual Therms)</u>			<u>GSL</u>		<u>GSL</u>	
Customer Charge	98,929	Bills	\$ 73.50	\$ 7,271,282	\$ 75.77	\$ 7,495,850
Demand Charge	10,794,865	Therms	2.4000	25,907,677	2.4688	26,650,363
Volumetric Charge	130,573,781	Therms	0.2707	35,346,323	0.2711	35,398,552
Volumetric Charge - A/C	184,780	Therms	0.0884	16,335	0.0900	16,630
Total Base Revenues				\$ 68,541,615		\$ 69,561,396

		<u>FT</u>		<u>FT</u>	
<u>Firm Transportation Service</u>					
Customer Charge	1,426 Bills	\$ 254.42	\$ 362,803	\$ 254.42	\$ 362,803
Demand Charge	2,445,253 Therms	1.8592	4,546,215	1.8592	4,546,215
Volumetric Charge	24,988,966 Therms	0.0748	1,869,175	0.0748	1,869,175
Total Base Revenues		\$ 6,778,192		\$ 6,778,192	

		<u>DGC</u>		<u>DGC</u>	
<u>Distributed Generation - Commercial</u>					
Customer Charge	240 Bills	\$ 75.00	\$ 18,000	\$ 77.31	\$ 18,554
Demand Charge	362,993 Therms	1.7800	646,127	1.8238	662,026
Volumetric Charge - Winter	3,288,610 Therms	0.0615	202,249	0.0616	202,578
Volumetric Charge - Summer	2,881,523 Therms	0.0309	89,039	0.0310	89,327
Total Base Revenues		\$ 955,416		\$ 972,486	

		<u>NGV / CNG</u>		<u>NGV / CNG</u>	
<u>Natural Gas Vehicle / Compressed Natural Gas Service</u>					
Customer Charge	60 Bills	\$ 75.00	\$ 4,500	\$ 77.70	\$ 4,662
Volumetric Charge	1,393,441 Therms	0.2014	280,639	0.2050	285,655
Total Base Revenues		\$ 285,139		\$ 290,317	

TOTAL SYSTEM BASE DISTRIBUTION REVENUES	\$ 391,636,111	\$ 398,683,686
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Increase	7,047,576
TARGET Increase	7,046,593
Difference	\$983

**New Jersey Natural Gas Company
Net impact of Proposed Rate Changes**

<u>Impact on Residential Non-Heating Customers</u>			
			25 therm bill
Current Rates			
	Customer Charge	\$10.00	\$10.00
	Delivery	\$0.7323	\$18.31
	BGSS	\$0.3753	\$9.38
	Total	<u>\$1.1076</u>	<u>\$37.69</u>
Proposed Rates- effective 10/1/20			
	Customer Charge	\$10.14	\$10.14
	Delivery	\$0.7420	\$18.55
	BGSS	\$0.3753	\$9.38
	Total	<u>\$1.1173</u>	<u>\$38.07</u>
	Increase		\$0.38
	Increase as a percent		1.0%
<u>Impact on Residential Heating Customers</u>			
			1000 therm annual bill
			100 therm bill
Current Rates			
	Customer Charge	\$10.00	\$10.00
	Delivery	\$0.6712	\$67.12
	BGSS	\$0.3753	\$375.30
	Total	<u>\$1.0465</u>	<u>\$1,166.50</u>
Proposed Rates- effective 10/1/20			
	Customer Charge	\$10.14	\$121.68
	Delivery	\$0.6809	\$680.90
	BGSS	\$0.3753	\$375.30
	Total	<u>\$1.0562</u>	<u>\$1,177.88</u>
	Increase		\$1.11
	Increase as a percent		1.0%
<u>Impact on Commercial GSS Customers</u>			
			100 therm bill
Current Rates			
	Customer Charge	\$34.00	\$34.00
	Delivery	\$0.5847	\$58.47
	BGSS	\$0.3753	\$37.53
	Total	<u>\$0.9600</u>	<u>\$130.00</u>
Proposed Rates- effective 10/1/20			
	Customer Charge	\$34.85	\$34.85
	Delivery	\$0.5949	\$59.49
	BGSS	\$0.3753	\$37.53
	Total	<u>\$0.9702</u>	<u>\$131.87</u>
	Increase		\$1.87
	Increase as a percent		1.4%
<u>Impact on Commercial GSL Customers</u>			
			1200 therm bill
Current Rates			
	Customer Charge	\$78.37	\$78.37
	Demand Charge	\$2.56	\$245.76
	Delivery	\$0.4572	\$548.64
	BGSS (July 2020)	\$0.3064	\$367.68
	Total	<u>\$0.7636</u>	<u>\$1,240.45</u>
Proposed Rates- effective 10/1/20			
	Customer Charge	\$80.79	\$80.79
	Demand Charge	\$2.63	\$252.48
	Delivery	\$0.4577	\$549.24
	BGSS (July 2020)	\$0.3064	\$367.68
	Total	<u>\$0.7641</u>	<u>\$1,250.19</u>
	Increase		\$9.74
	Increase as a percent		0.8%