



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 1<sup>st</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 THE )  
ANNUAL REVIEW AND REVISION OF ITS BASIC )  
GAS SUPPLY SERVICE (BGSS) AND )  
CONSERVATION INCENTIVE PROGRAM (CIP) )  
RATES FOR F/Y 2023 )

DECISION AND ORDER  
APPROVING STIPULATION FOR  
PROVISIONAL RATES

BPU DOCKET NO. GR22060373

**Parties of Record:**

**Brian O. Lipman, Esq.**, Director, New Jersey Division of Rate Counsel  
**Andrew K. Dembia, Esq.**, on behalf of New Jersey Natural Gas Company

BY THE BOARD:

On June 1, 2022, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting authority to modify its current periodic Basic Gas Supply Service ("BGSS") rate, its Balancing Charge rate and Conservation Incentive Program ("CIP") rates ("2022 BGSS Petition"). By this Order, the Board considers a stipulation of settlement ("Stipulation") executed by NJNG, Board Staff ("Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") requesting that the Board approve changes in the BGSS, CIP and Balancing Charge rates on a provisional basis, subject to refund with interest.

**BACKGROUND/PROCEDURAL HISTORY**

By Order dated January 6, 2003 in Docket No. GX01050304, 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 gas cost filing for the BGSS year beginning October 1.<sup>1</sup> In addition, the January 2003 BGSS Order authorized each GDC to self-implement up to a five percent (5%) BGSS rate 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 the Board and Rate Counsel.

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<sup>1</sup> In 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, Order dated January 6, 2003 ("January 2003 BGSS Order").

## **2022 BGSS PETITION**

Pursuant to the January 2003 BGSS Order, on June 1, 2022, NJNG filed the 2022 BGSS Petition requesting authority to increase the Company's current per therm periodic BGSS rate from \$0.3974 to \$0.5681 effective October 1, 2022.<sup>2</sup> The Company projects that its recoverable gas costs would be approximately \$87.31 million higher than what is recovered in current rates. With the rates currently in effect, the residential customer class is expected to be over-recovered by approximately \$14.68 million by September 30, 2022. Under the proposed rate, the residential customer class is expected to be under-recovered by approximately \$0.006 million as of September 30, 2023.

The calculated increase in the BGSS rate is due primarily to significant changes in the natural gas market resulting in higher commodity gas costs related to market pricing as compared to last year, combined with the impact of the Texas Eastern Transmission ("TETCo") rate case, which increased NJNG's demand charges by approximately 25%, or \$17.0 million per year effective April 1, 2022, as well as Eastern Gas Transmission and Storage ("EGTS") rate case, which increased the Company's demand charges by approximately 74%, or \$9 million, effective April 1, 2022.

In the 2022 BGSS Petition, the Company also sought authority to increase its per therm Balancing Charge rate from \$0.1235 to \$0.1380. The Balancing Charge is included in the delivery charge for certain sales and transportation customers and its revenues are credited to the BGSS. It consists of two (2) components: 1) carrying charges on inventory costs; and 2) demand charges. The proposed balancing charge results in an additional \$9.64 million increase to BGSS revenues.

The 2022 BGSS Petition also sought approval of the following per therm revised CIP rates to be effective October 1, 2022: Group I Residential Non-Heating— a charge of \$0.0088, Group II Residential Heating – a charge of \$0.0497, Group III General Service – Small – a charge of \$0.0194, and Group IV General Service – Large – a charge of \$0.0221.<sup>3</sup> The CIP calculations result in a current year margin deficiency of approximately \$27.23 million – that includes \$20.53 million related to weather, which was warmer than normal, and a non-weather related margin deficiency of \$6.7 million. This is a \$14.63 million increase in CIP recoveries as compared to last year's approved rates.

Based upon the 2022 BGSS Petition, the combined impact of the proposed changes on a typical residential heating customer using 100 therms per month would be an increase of \$21.56, or approximately 15.8%.

On July 15, 2022, the Company updated its CIP schedules and as a result, the CIP rates for Groups II, III and IV were lower than what was originally filed ("July Update").

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<sup>2</sup> All rates quoted herein include losses and Sales and Use Tax ("SUT") unless otherwise stated.

<sup>3</sup> 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.

Following publication of notices in newspapers in general circulation in the Company's service territory, public hearings were conducted on August 15, 2022 at 4:30 p.m. and 5:30 p.m.<sup>4</sup> No members of the public attended or filed comments related to the Company's 2022 BGSS Petition.

### **STIPULATION**

Following an initial review and discussions, the Parties determined that additional time is needed to complete a review of the 2022 BGSS Petition and the July Update. Accordingly, the Parties executed the Stipulation, which provides, in part, as follows:<sup>5</sup>

10. The Parties to this proceeding, discussed the matters at issue in the Stipulation. As a result of those discussions, the Parties determined that additional time is needed to complete a comprehensive 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 requested BGSS rate, the requested CIP rate for Group I, the updated CIP rates for Groups II, III and IV, and the requested Balancing Charge rate, on a provisional basis and subject to the terms of the Stipulation, would be reasonable at this time.
11. 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) increase the Company's Periodic BGSS rate to \$0.5681 per therm after-tax; 2) increase the Company's Balancing Charge rate to \$0.1380 per therm after-tax; and 3) adjust the following CIP rates all on a per-therm, after-tax basis: \$0.0088 for Group I Residential Non-Heat customers; \$0.0442 for Group II Residential Heat customers; \$0.0180 for Group III Small Commercial customers; and \$0.0142 for Group IV General Service Large customers.
12. The Parties agree that these rates will be effective upon Board approval. These changes are on a provisional basis, subject to refund with interest, and allow for an opportunity for a full review at the Office of Administrative Law ("OAL"), and final approval by the Board.
13. The Stipulation results in an overall increase of approximately \$21.01 per month, or 15.4 percent (15.4%), 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 an increase of 12.5 percent (12.5%), the Balancing Charge rate reflects an increase of 1.1 percent (1.1%), and the CIP rate reflects an increase of 1.8 percent (1.8%). The overall impact to the average residential non-heat sales customer using 25 therms per month is an increase of \$6.86 per month, or 17.2 percent (17.2%). The overall impact to the average small commercial sales customer using 100 therms per month is an increase of approximately \$18.42 per month, or 11.6 percent (11.6%). The total bill for large commercial sales customers is decreasing by approximately (\$14.64) or 0.7 percent (0.7%) 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 \$107.82 million. Exhibit A to the Stipulation provides the impacts of the above rate changes.

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<sup>4</sup> Due to the COVID-19 pandemic, public hearings were held virtually.

<sup>5</sup> Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order. Paragraphs are numbered to coincide with the Stipulation.

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**

The Board carefully reviewed the record in this proceeding, including the 2022 BGSS Petition, the July Update and the attached Stipulation, and **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY APPROVES** on a provisional basis:

1. An increase in the Company's per therm BGSS rate to \$0.5681;
2. An increase in the Company's per therm Balancing Charge rate to \$0.1380; and
3. The implementation of the following per therm CIP rates:
  - A charge of \$0.0088 for Group I Residential Non-Heat customers;
  - A charge of \$0.0442 for Group II Residential Heat customers;
  - A charge of \$0.0180 for Group III Small Commercial customers; and
  - A charge of \$0.0142 for Group IV General Service Large customers.

Any net over-recovered BGSS, Balancing Charge and CIP balance at the end of the BGSS period shall be subject to refund with interest. The above changes shall be made effective for services rendered on and after October 1, 2022.

Based upon the Stipulation, a typical residential heating customer using 100 therms per month will see a monthly bill increase of \$21.01, or approximately 15.4%.

The Board **HEREBY DIRECTS** NJNG to file revised tariff sheets conforming to the terms of the Stipulation prior to September 30, 2022.

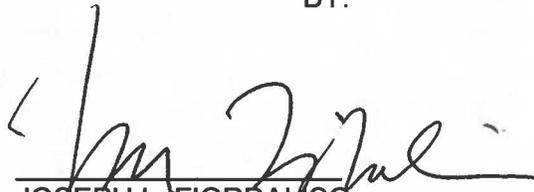
The Board **FURTHER DIRECTS** Staff to transmit this matter to the OAL for a full review of the changes requested by the Company pending final approval by the Board.

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

The effective date of this Order is September 14, 2022.

DATED: September 7, 2022

BOARD OF PUBLIC UTILITIES  
BY:

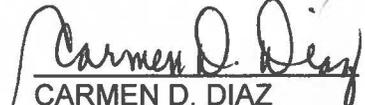
  
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JOSEPH L. FIORDALISO  
PRESIDENT

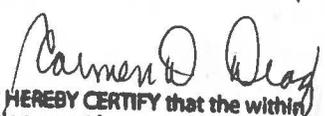
  
\_\_\_\_\_  
MARY-ANNA HOLDEN  
COMMISSIONER

  
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DIANNE SOLOMON  
COMMISSIONER

  
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ROBERT M. GORDON  
COMMISSIONER

  
\_\_\_\_\_  
DR. ZENON CHRISTODOULOU  
COMMISSIONER

ATTEST:   
\_\_\_\_\_  
CARMEN D. DIAZ  
ACTING SECRETARY

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

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR THE ANNUAL  
 REVIEW AND REVISION OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND CONSERVATION  
 INCENTIVE PROGRAM (CIP) RATES FOR FY 2023  
 BPU DOCKET NO. GR22060373

SERVICE LIST

<p><b><u>Board of Public Utilities</u></b>                  44 South Clinton Avenue, 1<sup>st</sup> Floor                  Post Office Box 350                  Trenton, NJ 08625-0350</p> <p>Carmen D. Diaz, Acting Secretary  <a href="mailto:board.secretary@bpu.nj.gov">board.secretary@bpu.nj.gov</a></p> <p>Stacy Peterson, Deputy Executive Director  <a href="mailto:stacy.peterson@bpu.nj.gov">stacy.peterson@bpu.nj.gov</a></p> <p><u>Office of the General Counsel</u></p> <p>Carol Artale, Esq., Deputy General Counsel  <a href="mailto:carol.artale@bpu.nj.gov">carol.artale@bpu.nj.gov</a></p> <p>Heather Weisband, Esq., Senior Counsel  <a href="mailto:heather.weisband@bpu.nj.gov">heather.weisband@bpu.nj.gov</a></p> <p><u>Division of Water and Energy</u></p> <p>Mike Kammer, Director  <a href="mailto:mike.kammer@bpu.nj.gov">mike.kammer@bpu.nj.gov</a></p> <p>Paul Lupo, Bureau Chief  <a href="mailto:paul.lupo@bpu.nj.gov">paul.lupo@bpu.nj.gov</a></p> <p>Ryan Moran  <a href="mailto:ryan.moran@bpu.nj.gov">ryan.moran@bpu.nj.gov</a></p> <p><b><u>New Jersey Division of Law</u></b>                  25 Market Street                  Post Office Box 112                  Trenton, NJ 08625</p> <p>Pamela Owen, ASC, DAG  <a href="mailto:pamela.owen@law.njoag.gov">pamela.owen@law.njoag.gov</a></p> <p>Matko Ilic, DAG  <a href="mailto:matko.ilic@law.njoag.gov">matko.ilic@law.njoag.gov</a></p> <p>Terel Klein, DAG  <a href="mailto:terel.klein@law.njoag.gov">terel.klein@law.njoag.gov</a></p> <p>Daren Eppley, DAG  <a href="mailto:daren.eppley@law.njoag.gov">daren.eppley@law.njoag.gov</a></p>	<p><b><u>New Jersey Natural Gas Company</u></b>                  1415 Wycoff Road                  P.O Box 1464                  Wall, NJ 07719</p> <p>Mark Kahrer  <a href="mailto:mkahrer@njng.com">mkahrer@njng.com</a></p> <p>Andrew Dembia, Esq.  <a href="mailto:adembia@njng.com">adembia@njng.com</a></p> <p>Tina Trebino  <a href="mailto:ttrebino@njng.com">ttrebino@njng.com</a></p> <p>Jayana Shah  <a href="mailto:jshah@njresources.com">jshah@njresources.com</a></p> <p>Anne-Marie Peracchio  <a href="mailto:aperacchio@njng.com">aperacchio@njng.com</a></p> <p><b><u>New Jersey Division of Rate Counsel</u></b>                  140 East Front Street, 4<sup>th</sup> Floor                  Post Office Box 003                  Trenton, NJ 08625</p> <p>Brian Lipman, Esq., Director  <a href="mailto:blipman@rpa.nj.gov">blipman@rpa.nj.gov</a></p> <p>Maura Caroselli, Esq., Managing Attorney  <a href="mailto:mcaroselli@rpa.nj.gov">mcaroselli@rpa.nj.gov</a></p> <p>Sarah H. Steindel, Esq.  <a href="mailto:ssteinde@rpa.nj.gov">ssteinde@rpa.nj.gov</a></p> <p>Carlena Morrison  <a href="mailto:cmorrison@rpa.nj.gov">cmorrison@rpa.nj.gov</a></p> <p><u>Rate Counsel Consultants</u></p> <p>Dr. Karl Pavlovic                  PCMG and Associates                  22 Brooks Avenue                  Gaithersburg, MD 20877  <a href="mailto:kpavlovic@pcmgregcon.com">kpavlovic@pcmgregcon.com</a></p> <p>Dante Mugrace                  PCMG and Associates                  90 Moonlight Court                  Toms River, New Jersey 08753  <a href="mailto:dmugrace@pcmgregcon.com">dmugrace@pcmgregcon.com</a></p>
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August 30, 2022

***VIA ELECTRONIC TRANSMISSION***

Acting Secretary Carmen Diaz  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

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 2023  
BPU Docket No. GR22060373

Dear Acting Secretary Diaz:

Enclosed please find, on behalf of New Jersey Natural Gas Company, a fully  
executed Stipulation of Settlement in the above captioned matter.

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

Respectfully submitted,

A handwritten signature in blue ink that reads 'Andrew K Dembia'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Andrew K Dembia, Esq.  
Regulatory Affairs Counsel

AKD/sf

Encl.

C: Service List

**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 2023  
DOCKET NO. GR22060373**

**SERVICE LIST**

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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 2023  
DOCKET NO. GR22060373**

**SERVICE LIST**

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

<b>IN THE MATTER OF THE PETITION OF</b>	)	
<b>NEW JERSEY NATURAL GAS COMPANY</b>	)	<b><u>STIPULATION FOR</u></b>
<b>FOR THE ANNUAL REVIEW AND</b>	)	<b><u>PROVISIONAL RATES</u></b>
<b>REVISION OF ITS BASIC GAS SUPPLY</b>	)	
<b>SERVICE (BGSS) AND ITS</b>	)	<b>BPU DOCKET NO. GR22060373</b>
<b>CONSERVATION INCENTIVE PROGRAM</b>	)	
<b>(CIP) RATES FOR F/Y 2023</b>	)	

**APPEARANCES:**

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

**Maura Caroselli, Esq.**, Deputy Rate Counsel, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel and **Megan Lupo, Esq.**, Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (Brian O. Lipman, Esq., Director)

**Terel Klein**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Matthew J. Platkin**, Acting Attorney General of New Jersey)

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

**BACKGROUND**

1. On June 1, 2022, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“BPU” or “Board”) requesting to: 1) increase the Company’s Periodic Basic Gas Supply Service (“BGSS”) rate effective October 1, 2022; 2) increase the Company’s Balancing Charge effective October 1, 2022; and 3) increase the Company’s Conservation Incentive Program (“CIP”) recovery rates for Group I Residential Non-Heat customers, Group II Residential Heat customers, and Group III General Service – Small customers, and decrease the CIP recovery rate for Group IV General Service – Large customers effective October 1, 2022 (“Petition”).

2. Specifically, NJNG requested that the Company's existing per therm after-tax Periodic BGSS rate of \$0.3974 that is applicable to residential and small commercial customers, subject to the Periodic BGSS Pricing Mechanism, be increased to \$0.5681 per therm. As requested by Board Staff, NJNG's Petition reflected market conditions as of May 10, 2022, and was based upon a one (1)-year BGSS recovery period. The requested change would result in an overall increase of after-tax revenue of approximately \$87.31 million from the current estimated annual BGSS revenue of \$203.28 million.

3. The Company also requested an increase to the NJNG after-tax per therm balancing charge of \$0.1235 to \$0.1380. As approved by the Board on November 17, 2021 in BPU Docket No. GR21030679, 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.<sup>1</sup> The Rate 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 \$9.64 million from the current estimated annual Balancing Charge revenue of \$82.14 million.

4. In the Petition, as authorized by the Board in Docket Nos. GR05121020 and GR13030185, the Company also submitted its annual CIP rate filing for CIP year 2023, October 1, 2022 through September 30, 2023, requesting that the BPU approve the implementation of

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<sup>1</sup> In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Base Rate and for Changes in its Tariff for Gas Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 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. GR21030679, Order dated November 17, 2021, ("Rate Case Order").

updated CIP factors effective October 1, 2022.<sup>2</sup> The requested changes result in an overall increase in after-tax revenue of approximately \$14.63 million from the current estimated annual CIP revenue of 13.42 million. Specifically, the Company is seeking approval for the following changes to its after-tax, per therm CIP factors: 1) a \$0.0895 increase to the current credit rate of \$0.0807 for Group I Residential Non-Heat customers resulting in the proposed rate of \$0.0088; 2) a \$0.0304 increase to the current rate of \$0.0193 resulting in the proposed rate of \$0.0497 for Group II Residential Heat customers; 3) a \$0.0004 increase to the current rate of \$0.0190 for Group III Small Commercial customers resulting in the proposed rate of \$0.0194; and 4) a \$0.0043 decrease to the current rate of \$0.0264 resulting in the proposed rate of \$0.0221 for Group IV Large Commercial customers, all effective as of October 1, 2022.

5. Pursuant to the May 2014 Order, 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 (75%) 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 (6.5%) of aggregate variable margins. The March 3, 2021 BPU Order in Docket Nos. QO19010040 and GO20090622 approving NJNG's Energy Efficiency programs to be effective July 1, 2021 modified the Variable Margin Revenue Test requiring that the recoverable non-weather CIP amounts shall not exceed 4.0 percent (4.0%) of the aggregate variable margin

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<sup>2</sup> In re the Petition of New Jersey Natural Gas Company for Authority to Implement Conservation and Usage Adjustment, BPU Docket No. GR05121020, Order dated January 20, 2010, AND In re the Petition of New Jersey Natural Gas Company and South Jersey Gas Company for Authority to Continue the Conservation Incentive Program, BPU Docket No. GR13030185, Order dated May 21, 2014, ("May 2014 Order").

revenues during the deferral period commencing July 1, 2021 and ending June 30, 2022.<sup>3</sup> Additionally, recovery of the current year margin deficiency must meet an earnings test. The Company reported a total estimated CIP related margin deficiency for CIP year 2022, October 1, 2021 through September 30, 2022, of approximately \$27.23 million, with a \$20.53 million margin deficiency related to weather, and \$6.7 million margin deficiency related to non-weather factors. The amount of the BGSS Savings required to meet the BGSS Savings test is 75 percent (75%) of the non-weather change or \$5.03 million. The Company identified approximately \$14.44 million in BGSS savings available to offset non-weather related CIP margin deficiency and charges for the October 2022 through September 2023 recovery period. Under the Variable Margin Test, the recovery limitation is \$14.45 million based upon 4.0 percent (4.0%) of the aggregate variable margins reported by the Company for October 1, 2021 through June 30, 2022 and 6.5 percent of the aggregate variable margins reported by the Company for July 1, 2022 through September 30, 2022. 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 Petition. The Company also provided testimony that the margin deficiency will not result in a return on equity in excess of 9.60 percent (9.6%).

6. Modifying the BGSS, Balancing Charge, and CIP rates as requested in the Petition would result in an overall increase of approximately \$21.56 per month, or 15.8 percent (15.8%), to the average residential heating customer (Group II) using 100 therms per month. The impact to

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<sup>3</sup> In re the Matter of the Implementation of L. 2018, C. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs and In re the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Program and the Associated Cost Recovery Mechanism Pursuant to the Clean Energy Act, N.J.S.A. 48:3-87.8 et seq. and 48:3-98.1 et seq., BPU Docket Nos. QO19010040 and GO20090622, Order dated March 3, 2021, ("March 2021 Order").

the average residential non-heat customer (Group I) using 25 therms per month from these requested rate changes would result in an increase of \$6.86, or 17.2 percent (17.2%), to the average small commercial customer (Group III) using 100 therms a month will be an increase of \$18.56, or 11.7 percent (11.7%), and to the average large commercial customer (Group IV) using 1200 therms a month would result in a decrease of \$5.16, or 0.2 percent (0.2%). The above BGSS, Balancing Charge, and CIP rate changes result in an increase in annual after-tax revenues to NJNG of approximately \$111.58 million.

7. On July 15, 2022, the Company submitted a response to Discovery Request RCR-A-0008 updating the CIP schedules. The CIP rates for Groups II, III, and IV in the update are lower than originally filed. The updated after-tax CIP rates per therm are a charge of \$0.0442 for Group II, a charge of \$0.0180 for Group III, and a charge of \$0.0142 for Group IV. The updated CIP rates for Groups II, III, and IV and the filed after-tax CIP rate for Group I of \$0.0088 per therm result in an overall increase of after-tax revenue of approximately \$10.87 million to the current estimated annual CIP revenue of \$13.42 million. The CIP rates combined with the requested BGSS rate of \$0.5681, and Balancing Charge of \$0.1380, result in an overall increase in after-tax revenue of approximately \$107.82 million.

8. After publication of notice in newspapers of general circulation in NJNG's service territory, public hearings were scheduled and conducted virtually on August 15, 2022. No members of the public participated at either hearing nor were any written comments received by the BPU, NJNG or the New Jersey Division of Rate Counsel ("Rate Counsel").

9. 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, 2022 and February 1, 2023, after 30 days prior notice

and the filing of supporting documentation with Board Staff and Rate Counsel, if the Company determines that such increases are necessary to permit it to avoid a BGSS under recovery balance at September 30, 2023.<sup>4</sup> If noticed and implemented, the self-implementing increases would 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 Board Staff and Rate Counsel.

### **STIPULATED ISSUES**

10. NJNG, Board Staff, and Rate Counsel (collectively, "Parties"), the only Parties to this proceeding, discussed the matters at issue herein. As a result of those discussions, the Parties determined that additional time is needed to complete a comprehensive 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 requested BGSS rate, the requested CIP rate for Group I, the updated CIP rates for Groups 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.

11. 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) increase the Company's Periodic BGSS rate to \$0.5681 per therm after-tax; 2) increase the Company's Balancing Charge rate to \$0.1380 per therm after-tax; and 3) adjust the following CIP rates all on a per-therm, after-tax basis: \$0.0088 for Group I

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<sup>4</sup> In 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, Order dated January 6, 2003, ("January 2003 BGSS Order").

Residential Non-Heat customers; \$0.0442 for Group II Residential Heat customers; \$0.0180 for Group III Small Commercial customers; and \$0.0142 for Group IV General Service Large customers.

12. The Parties agree that these rates will be effective upon Board approval. These changes are on a provisional basis, subject to refund with interest, and allow for an opportunity for a full review at the Office of Administrative Law (“OAL”), and final approval by the Board.

13. This Stipulation of Settlement (“Stipulation”) results in an overall increase of approximately \$21.01 per month, or 15.4 percent (15.4%), 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 an increase of 12.5 percent (12.5%), the Balancing Charge rate reflects an increase of 1.1 percent (1.1%), and the CIP rate reflects an increase of 1.8 percent (1.8%). The overall impact to the average residential non-heat sales customer using 25 therms per month is an increase of \$6.86 per month, or 17.2 percent (17.2%). The overall impact to the average small commercial sales customer using 100 therms per month is an increase of approximately \$18.42 per month, or 11.6 percent (11.6%). The total bill for large commercial sales customers is decreasing by approximately (\$14.64) or 0.7 percent (0.7%) 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 \$107.82 million. Exhibit A to this Stipulation provides the impacts of the above rate changes.

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 they consider the Stipulation to be binding on them for all purposes herein.

17. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. All rates are subject to audit by the Board. The Parties recommend that the Board transmit this proceeding to the OAL for an opportunity for a full review of all issues in this matter. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

**WHEREFORE**, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible in order to implement these upon approval by the Board.

**NEW JERSEY NATURAL GAS  
PETITIONER**



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

**BRIAN O. LIPMAN, ESQ., ACTING DIRECTOR  
NEW JERSEY DIVISION OF RATE COUNSEL**

By: */s/ Sarah H. Steindel*  
SARAH H. STEINDEL, ESQ.  
ASSISTANT DEPUTY RATE COUNSEL

**MATTHEW J. PLATKIN  
ACTING ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the Board of Public Utilities**

By:  8/30/22  
TEREL KLEIN, ESQ.  
DEPUTY ATTORNEY GENERAL

Date: August 30, 2022

**New Jersey Natural Gas Company**  
**Net impact of Proposed Rate Changes**  
**BPU Docket No. GR22060373**  
**F/Y 2023**

(\$/therm)

**Rate Impact for Group I - Residential Non-Heating Customers**

	Component of	5/1/22 Rates		Proposed 10/1/22 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
<b>BGSS</b>	BGSS	\$0.3727	\$0.3974	\$0.5328	\$0.5681	\$0.1601	\$0.1707	10.7%
<b>Balancing Charge</b>	Delivery Rate	0.1158	0.1235	0.1294	0.1380	0.0136	0.0145	0.9%
<b>CIP</b>	Delivery Rate	<u>(0.0757)</u>	<u>(0.0807)</u>	<u>0.0083</u>	<u>0.0088</u>	<u>0.0840</u>	<u>0.0895</u>	<u>5.6%</u>
<b>NET IMPACT</b>		<u>\$0.4128</u>	<u>\$0.4402</u>	<u>\$0.6705</u>	<u>\$0.7149</u>	<u>\$0.2577</u>	<u>\$0.2747</u>	<u>17.2%</u>

**Rate Impact for Group II - Residential Heating Customers**

	Component of	5/1/22 Rates		Proposed 10/1/22 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
<b>BGSS</b>	BGSS	\$0.3727	\$0.3974	\$0.5328	\$0.5681	\$0.1601	\$0.1707	12.5%
<b>Balancing Charge</b>	Delivery Rate	0.1158	0.1235	0.1294	0.1380	0.0136	0.0145	1.1%
<b>CIP</b>	Delivery Rate	<u>0.0181</u>	<u>0.0193</u>	<u>0.0415</u>	<u>0.0442</u>	<u>0.0234</u>	<u>0.0249</u>	<u>1.8%</u>
<b>NET IMPACT</b>		<u>\$0.5066</u>	<u>\$0.5402</u>	<u>\$0.7037</u>	<u>\$0.7503</u>	<u>\$0.1971</u>	<u>\$0.2101</u>	<u>15.4%</u>

**Rate Impact for Group III - General Service Small Customers**

	Component of	5/1/22 Rates		Proposed 10/1/22 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
<b>BGSS</b>	BGSS	\$0.3727	\$0.3974	\$0.5328	\$0.5681	\$0.1601	\$0.1707	10.7%
<b>Balancing Charge</b>	Delivery Rate	0.1158	0.1235	0.1294	0.1380	0.0136	0.0145	0.9%
<b>CIP</b>	Delivery Rate	<u>0.0178</u>	<u>0.0190</u>	<u>0.0169</u>	<u>0.0180</u>	<u>(0.0009)</u>	<u>(0.0010)</u>	<u>(0.06%)</u>
<b>NET IMPACT</b>		<u>\$0.5063</u>	<u>\$0.5399</u>	<u>\$0.6791</u>	<u>\$0.7241</u>	<u>\$0.1728</u>	<u>\$0.1842</u>	<u>11.6%</u>

**Rate Impact for Group IV - General Service Large Customers**

	Component of	5/1/22 Rates		Proposed 10/1/22 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
<b>BGSS</b>	BGSS (May 2022)	\$0.8441	\$0.9000	\$0.8305	\$0.8855	(\$0.0136)	(\$0.0145)	(0.8%)
<b>Balancing Charge</b>	Delivery Rate	0.1158	0.1235	0.1294	0.1380	0.0136	0.0145	0.8%
<b>CIP</b>	Delivery Rate	<u>0.0248</u>	<u>0.0264</u>	<u>0.0133</u>	<u>0.0142</u>	<u>(0.0115)</u>	<u>(0.0122)</u>	<u>(0.7%)</u>
<b>NET IMPACT</b>		<u>\$0.9847</u>	<u>\$1.0499</u>	<u>\$0.9732</u>	<u>\$1.0377</u>	<u>(\$0.0115)</u>	<u>(\$0.0122)</u>	<u>(0.7%)</u>

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**

<b>Projected Annual Therms:</b>	
Periodic BGSS	511,512 (000s)
Balancing Charge	665,091 (000s)
CIP Group I	2,616 (000s)
CIP Group II	491,514 (000s)
CIP Group III	41,413 (000s)
CIP Group IV	126,906 (000s)

	Projected Revenue at Current Rates \$million	Projected Revenue at Proposed Rates \$million	Change \$million
<b>BGSS</b>	\$203.28	\$290.59	\$87.31
<b>Balancing Charge</b>	\$82.14	\$91.78	\$9.64
<b>CIP Group I</b>	(\$0.21)	\$0.02	\$0.23
<b>CIP Group II</b>	\$9.49	\$21.72	\$12.23
<b>CIP Group III</b>	\$0.79	\$0.75	(\$0.04)
<b>CIP Group IV</b>	<u>\$3.35</u>	<u>\$1.80</u>	<u>(\$1.55)</u>
<b>IMPACT</b>	<u>\$298.84</u>	<u>\$406.66</u>	<u>\$107.82</u>

New Jersey Natural Gas Company  
Net impact of Proposed Rate Changes  
BPU Docket No. GR22060373  
F/Y 2023

<b>Impact on Residential Non-Heating Customers</b>				25 therm bill	
<b>5/1/22 Rates</b>					
	Customer Charge	\$11.00		\$11.00	
	Delivery	\$0.7547		\$18.87	
	BGSS	\$0.3974		\$9.94	
	<b>Total</b>	<u>\$1.1521</u>		<u>\$39.81</u>	
<b>Proposed Rates- effective 10/1/22</b>					
	Customer Charge	\$11.00		\$11.00	
	Delivery	\$0.8587		\$21.47	
	BGSS	\$0.5681		\$14.20	
	<b>Total</b>	<u>\$1.4268</u>		<u>\$46.67</u>	
	<b>Increase</b>			\$6.86	
	<b>Increase as a percent</b>			17.2%	
<b>Impact on Residential Heating Customers</b>				100 therm bill	1,000 therm annual bill
<b>5/1/22 Rates</b>					
	Customer Charge	\$11.00	\$11.00	\$132.00	
	Delivery	\$0.8547	\$85.47	\$854.70	
	BGSS	\$0.3974	\$39.74	\$397.40	
	<b>Total</b>	<u>\$1.2521</u>	<u>\$136.21</u>	<u>\$1,384.10</u>	
<b>Proposed Rates- effective 10/1/22</b>					
	Customer Charge	\$11.00	\$11.00	\$132.00	
	Delivery	\$0.8941	\$89.41	\$894.10	
	BGSS	\$0.5681	\$56.81	\$568.10	
	<b>Total</b>	<u>\$1.4622</u>	<u>\$157.22</u>	<u>\$1,594.20</u>	
	<b>Increase</b>		\$21.01	\$210.10	
	<b>Increase as a percent</b>		15.4%	15.2%	
<b>Impact on Commercial GSS Customers</b>				100 therm bill	
<b>5/1/22 Rates</b>					
	Customer Charge	\$42.00		\$42.00	
	Delivery	\$0.7737		\$77.37	
	BGSS	\$0.3974		\$39.74	
	<b>Total</b>	<u>\$1.1711</u>		<u>\$159.11</u>	
<b>Proposed Rates- effective 10/1/22</b>					
	Customer Charge	\$42.00		\$42.00	
	Delivery	\$0.7872		\$78.72	
	BGSS	\$0.5681		\$56.81	
	<b>Total</b>	<u>\$1.3553</u>		<u>\$177.53</u>	
	<b>Increase</b>			\$18.42	
	<b>Increase as a percent</b>			11.6%	
<b>Impact on Commercial GSL Customers</b>				1200 therm bill	
<b>5/1/22 Rates</b>					
	Customer Charge	\$104.00		\$104.00	
	Demand Charge	\$3.41		\$327.36	
	Delivery	\$0.5880		\$705.60	
	BGSS (May 2022)	\$0.9000		\$1,080.00	
	<b>Total</b>	<u>\$1.4880</u>		<u>\$2,216.96</u>	
<b>Proposed Rates- effective 10/1/22</b>					
	Customer Charge	\$104.00		\$104.00	
	Demand Charge	\$3.41		\$327.36	
	Delivery	\$0.5903		\$708.36	
	BGSS (May 2022)	\$0.8855		\$1,062.60	
	<b>Total</b>	<u>\$1.4758</u>		<u>\$2,202.32</u>	
	<b>Decrease</b>			(\$14.64)	
	<b>Decrease as a percent</b>			(0.7%)	