Agenda Date: 11/21/24
Agenda Item: 2B

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 1st 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 AN INCREASE IN GAS BASE RATES, 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, AND OTHER REQUESTED RELIEF	)	DECISION AND ORDER APPROVING STIPULATION BPU DOCKET NO. GR24010071 OAL DOCKET NO. PUC 02298-24

Parties of Record:

Andrew K. Dembia, Esq., Regulatory Affairs Counsel, New Jersey Natural Gas Company
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Murray E. Bevan, Esq., on behalf of NRG Energy, Inc. and its affiliates

BY THE BOARD:

On January 31, 2024, pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, and N.J.A.C. 14:1-5.12, New Jersey Natural Gas Company ("NJNG" or "Company"), a public utility of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed a petition for approval of an increase in its current base rates for service in the amount of approximately $222.60 million, excluding Sales and Use Tax ("SUT"), to be effective for service provided on and after March 1, 2024 ("Petition"). By this Decision and Order, the Board will consider an Initial Decision ("Initial Decision") issued by the Administrative Law Judge Jacob S. Gertsman ("ALJ Gertsman") approving a Stipulation of Settlement ("Stipulation") signed by NJNG, Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and NRG Energy, Inc. ("NRG") (collectively, "Parties") resolving all issues in controversy in this matter.

BACKGROUND AND PROCEDURAL HISTORY

NJNG is engaged in the transmission and distribution of natural gas to approximately 576,000 residential and commercial customers within Monmouth and Ocean Counties, as well as portions of Burlington, Middlesex, and Morris Counties.

According to the Petition, the Company's current base rates and charges for natural gas service are not sufficient at their current level. The Company alleged that, if left unchanged, the current base rates will 1) impair NJNG's ability to meet operating and maintenance expenses, taxes, and fixed charges, and 2) impair NJNG's ability to earn a reasonable rate of return on the fair value of the Company's property. As such, the Company sought Board approval to increase existing rates and change or alter existing classifications in the Company's tariff.

By the Petition, NJNG requested:

1. A return on equity of 10.42%;
2. To increase rates and charges for natural gas service that would result from the proposed amendments to the Company's tariff;
3. To update the underlying inventory related costs of its Balancing Charge rate;
4. To incorporate the results of its cost of service study supporting the implementation of new base rates;
5. To revise its existing depreciation rates;
6. To update its tariff for certain modifications and revisions;
7. Authority for recovery of, and on, capital expenses incurred due to Transportation Safety Administration Security Directives; and
8. Recovery of regulatory assets recorded on the Company's balance sheet, including a two (2)-year amortization of these assets.
    a. Rate Case Expenses – This item represents a normalized level of expense incurred for rate case expense.
    b. COVID-19 Arrearages – This item represents amounts deferred on the Company's books related to the COVID-19 pandemic.[1]
    c. Management Audit – On September 7, 2022, in Board Docket No. GA22020074, the Board directed Liberty Consulting Group to perform a two (2)-phase audit of NJNG for the period January 2014 through December 2023.[2]
    d. Benchmarking Study – By Order dated September 7, 2022, in Board Docket No. QO21071023, the Board required NJNG to perform a benchmarking study as a result of the Clean Energy Act.[3]

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[1] In re the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic, BPU Docket No. AO20060471, Order dated July 2, 2020.

[2] See In re an Audit of the Affiliated Transactions Between New Jersey Natural Gas Company and the New Jersey Resources Corporation and its Affiliates and NJNG's Compliance with Affiliate Relations and Fair Competition Standards and Electric Discount and Energy Competition Act and a Comprehensive Management Audit of New Jersey Natural Gas Company Pursuant to N.J.S.A. 48:2-16.4, 48:3-49, 48:3-58 and N.J.A.C. 14:3-12.1 – 14:4-3 et seq., BPU Docket No. GA22020074.

[3] In re the Implementation of P.L. 2018, C.17 – Energy and Water Benchmarking of Commercial Buildings, BPU Docket No. QO21071023, Order dated September 7, 2022.

By Order dated February 21, 2024, the Board suspended the proposed rates until July 1, 2024.[4] This matter was subsequently transmitted to the Office of Administrative Law ("OAL") for hearings as a contested case and assigned to ALJ Gertsman.

On May 8, 2024, ALJ Gertsman issued a Prehearing Order setting a procedural schedule. By a separate order dated May 8, 2024, ALJ Gertsman granted intervener status to NRG and participant status to Public Service Electric and Gas Company, South Jersey Gas Company and Elizabethtown Gas Company.

On May 15, 2024, NJNG updated the Petition to include nine (9) months of actual information and three (3) of estimated information. Based upon the provided update, the proposed revenue requirement was modified to an increase of $219.58 million.

By Order dated June 27, 2024, the Board issued an order further suspending the proposed rates until November 1, 2024.[5]

Following proper public notice, two (2) virtual public hearings were held on June 27, 2024, at 4:30 p.m. and 5:30 p.m. with ALJ Gertsman presiding. No members of the public attended the public hearings. The Board received six (6) comments relating to this matter; four (4) written comments opposed this matter, and one (1) written comment was in support. In addition, the Board received one (1) phone call in opposition to this matter. All comments were made a part of the record.

On August 7, 2024, NJNG updated the Petition to include twelve (12) months of actual information and zero (0) of estimated information. Based upon the provided update, the proposed revenue requirement was modified to an increase of $219.86 million.

STIPULATION

Following comprehensive discovery and settlement discussions, the Parties executed the Stipulation, the key elements which are as follows:[6]

Revenue Increase

1. For the calculation of the revenue requirement in this base rate case, the Parties agree to a rate base of $3.25 billion (rounded), an overall rate of return of 7.08%, and an increase in revenue requirement of $157 million (exclusive of SUT). The 7.08% rate of return is obtained based on a capital structure of 54.00% common equity with a cost rate of 9.60%

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[4] In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Base Rates, 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, and Other Requested Relief, BPU Docket No. GR24010071, OAL Docket No. PUC 02298-24, Order dated February 21, 2024.

[5] In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Base Rates, 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, and Other Requested Relief, BPU Docket No. GR24010071, OAL Docket No. PUC 02298-24, Order dated June 27, 2024.

[6] Although summarized herein, should there be any contradiction between the terms of this summary and the terms of the Stipulation, the terms of the Stipulation control, subject to the finding and conclusion in this Order. Paragraphs are lettered and/or numbered to coincide with the Stipulation.

and 46.00% long-term debt with a cost rate of 4.11%. The $157 million increase in revenue requirement can be derived from the following calculation:

Rate Base	$3,245,021,000
Rate of Return	x 7.08%
Operating Income Requirement	$229,593,000
Pro-Forma Operating Income	$117,682,000
Operating Income Deficiency	$111,911,000
Revenue Factor	x 1.4029
Revenue Requirements	$157,000,000

2. As a result of the Stipulation, an average residential sales heating customer using 80.1 therms of gas per month and 961.4 therms annually, will see an increase in their monthly bill of $19.38 or 15.7%, from $123.63 to $143.01 and an increase in their annual bill of $232.55 or 15.7%, from $1,483.92 to $1,716.47. A typical residential sales heating customer using 100 therms of gas per month, will see an increase in their monthly bill of $23.94 or 15.8%, from $151.62 to $175.56. A typical residential heating customer using 1,000 therms annually will see an increase in their annual bill of $241.40 or 15.7%, from $1,538.20 to $1,779.60.

3. The base rate revenue increase agreed to in the Stipulation reflects a three (3)-year amortization for the following items:

    i. Rate Case Expense - This item represents a normalized level of expense incurred for rate case expense. The Rate Case Expense component is reduced by fifty percent (50%), which is not recoverable through customer rate charges. The amount to be amortized for financial reporting purposes for this item is $0.567 million.

    ii. COVID-19 Arrearages – This item represents amounts deferred on the Company's books related to the COVID-19 pandemic. Pursuant to the Board's Order dated July 2, 2020, in BPU Docket No. AO20060471, affected utilities were authorized to create a COVID-19 regulatory asset to defer on their books and records any arrearages incurred due to the COVID-19 pandemic during the period March 9, 2020, through March 15, 2023.[7] NJNG ceased deferring COVID-19 costs on December 31, 2022. As of December 31, 2022, NJNG has recorded a regulatory asset of $3.89 million.

    iii. Management Audit – Pursuant to the Board's Order dated September 7, 2022, in BPU Docket No. GA22020074, the Board directed Liberty Consulting Group to perform a two (2)-phase audit of NJNG for the period January 2014 through December 2023. The audit is on-going at this time. Phase One is an audit of affiliated transactions of NJNG and New Jersey Resources, NJNG's affiliates and any competitive services it offers and its

[7] In re the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic, BPU Docket No. AO20060471, Order dated July 2, 2020.

compliance with the Board's Affiliate and Fair Competition Standards. Phase Two is a comprehensive management audit. Accordingly, the costs incurred by NJNG for this audit have been deferred on the Company's books and records for recovery in NJNG's base rate case. The Company will recover $1.75 million related to the audit proceeding.

iv. Benchmarking Study - By Board Order dated September 7, 2022, in BPU Docket No. QO21071023, the Board required NJNG to perform a benchmarking study as a result of the Clean Energy Act.[8] The Order permitted the Company to defer on its books and records the cost of this study to be recovered in its next base rate case. NJNG has recorded and deferred $158,000 for this matter.

4. The base rate revenue increase agreed to in the Stipulation reflects an adjustment for consolidated federal income taxes.

5. In addition, the base rate revenue increase agreed to in the Stipulation excludes executive incentive compensation costs.

6. The Stipulation also resolves the prudency of the rates approved for the Company's Infrastructure Investment Program ("IIP") investments through June 30, 2024. The Parties reviewed the Company's investments in its IIP and recommend that the Board find those investments to be reasonable and prudent. The Parties further recommend that the Board find that NJNG's recovery of certain IIP costs through the approved provisional cost recovery mechanism is final and no longer subject to refund.

7. For purposes of any Earnings Test for the Company's IIP and/or Conservation Incentive Program ("CIP"), the Company shall utilize a Cash Working Capital amount of $90.00 million.

8. The Parties recognize that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in NJNG's current CIP tariff must be updated in order to align these aspects of the CIP tariff with the Board's approval of new base rates in this proceeding. These factors and rates are included in Rider "I" of the Company's Tariff attached to the Stipulation as Attachment A.

9. The Parties agree that the Company's composite depreciation rate shall be increased to 3.21%. The overall composite rate of 3.21% consists of an investment rate of 1.99% and the net salvage rate of 1.22%. The agreed upon depreciation rates by account are set forth in Attachment B to the Stipulation.

Customer Service Standards

10. NJNG will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance of the Board quarterly and annual reports, as specified in BPU Docket No. GR21030679 and as shown in Attachment C of the Stipulation.

[8] In re the Implementation of P.L. 2018, c.17 – Energy and Water Benchmarking of Commercial Buildings, BPU Docket No. QO21071023, Order dated September 7, 2022.

11. NJNG will also provide reports twice per year on March 30th and September 30th identifying the number of residential customers in arrears of $100.00 or greater, the total and median amount of arrearages owed by its customers, and the number of customer disconnections for non-payment. The report will also provide the number of customers in $250 increment of arrearages, with the first category reflecting $100.00 to $250.00 (e.g., 200 customers owe between $100.00 and $250.00, 50 owe between $251.00 and $500.00, 100 owe between $501.00 and $1,000.00, etc.)

Stafford LNG Plant

12. As part of its next base rate case filing, the Company agrees to submit a report that demonstrates that the Stafford liquefied natural gas ("LNG") plant remains used and useful.[9] The report may address, but will not necessarily be limited to, the following issues:

    i. Compare the cost and benefits of the Stafford LNG plant's continued utilization to the cost and benefits of its retirement and the replacement of peak supply with alternative sources, if necessary;
    ii. Capital requirements;
    iii. Operating expenses;
    iv. Review for existing facility and equipment with end-of-life expectation;
    v. Depreciation and amortization expense (including remaining plant book value);
    vi. Timing and resources necessary to achieve sustainable peak delivery rates;
    vii. LNG gas supply cost (specifically from the Stafford LNG plant);
    viii. Alternative peak gas supply options/costs;
    ix. Assessment of existing and ongoing environmental, social and operating risks and liabilities;
    x. Abandonment, demolition, and remediation costs;
    xi. Salvage value/revenue offsets for land and equipment;
    xii. Alternative use case(s) for LNG plant facilities (including land) and associated peaking supply capacity; and
    xiii. Customer rate impact scenarios that include and exclude the Stafford LNG plant.

    Should the Company determine that it cannot meet its forecasted design day demand requirements across its system without relying on the Stafford LNG facility for peaking supply and/or pressure support following completion of the report, the Company shall provide to Board Staff and Rate Counsel an explanation in writing that indicates (1) the hydraulic simulations upon which the Company relied and which demonstrates that the Stafford LNG facility has been and continues to be necessary to meet peak day requirements; and (2) the need for Stafford LNG gas supply in light of NJNG's recently expanded gas supply portfolio and new transportation contract. In addition, the Company shall provide (1) a detailed portfolio analysis that depicts the correlation between the Company's historical and forecast demand and its supply portfolio, as well as demonstrates that the Stafford LNG facility has and will continue to be utilized to meet peak demand; (2) a correlation of historical and forecast utilization for peak shaving with heating degree days based upon peak shaving dispatch records and projections; (3) any

[9] As defined under <u>In re N.J. Power & Light Co.</u>, 9 N.J. 498, 509 (1952).

load reductions attributable to electrification; and (4) a dispatch queue that depicts the utilization and dispatch of the Stafford LNG facility relative to other gas supply sources.

Tariff and Rate Design

13. Attached to the Stipulation as Attachment D is a schedule entitled "Allocation of Proposed Revenue Adjustments to Base Rates" and "New Jersey Natural Gas Company, Base Rates and Revenues at Present and Proposed Rates." The Parties stipulate that this schedule represents the rate design methodology and billing determinants to be utilized in this case, integrating a monthly customer charge of $12.00 ($11.25 excluding SUT) applicable to the Residential Service classification, inclusive of applicable sales taxes, amongst other rate changes.

14. The Parties agree the Company will modify Section 4.2 and Section 6.12 of the Standard Terms and Conditions of the Company's Tariff. Section 4.2 will be modified to reduce the normal residential facilities to be replaced at no cost to "up to 50 feet of normal residential facilities." In addition, the Company will reduce the threshold for waiving a required deposit through the following language: "The Company shall waive a required deposit of $500 or less." Section 6.12 will be modified to comply with the 2016 Order on I/M/O the Petition of SJP Residential Properties, LLC for a waiver of B.P.U. No. 15 Gas, Original Sheet No. 22 Standard Terms and Conditions No. 8.3.1, BPU Docket No. GW16040290 to allow for meters de minimus use such as only for cooking gas. Attachment E to the Stipulation includes Sheet No. 16 of the Company's Tariff with these modifications in redline format.

15. Attached to the Stipulation as Attachment F is a summary of tariff modifications. The Parties agree that the tariff modifications described in Attachment F to the Stipulation are reasonable, appropriate and shall be implemented upon Board approval.

16. As part of its next base rate case, the Company agrees to submit Staff's Average and Peak Cost of Service Study ("COSS") as referenced in the Board's Order in Docket No. GR07110889, along with all associated work papers.[10] Submission of the Staff COSS in the next base rate case does not imply endorsement of the Staff methodology by the Company. The Company, as well as any other party to that future proceeding, is free to submit its preferred COSS and supporting work papers. See Attachment G of the Stipulation.

Balancing Charges

17. The balancing charge related to inventory has been updated through this rate case to $0.0014 per therm based on the pre-tax rate of return of 9.10% agreed to in the Stipulation and the resulting after-tax Balancing Charge is $0.1889 per therm, an increase of $0.0005 per therm from the rate of $0.1884 per therm included in the Company's pending 2025 Basic Gas Supply Service ("BGSS") Filing in Docket No. GR24060372. The balancing charge related inventory will remain fixed until new rates become effective in the Company's next base rate case.

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[10] In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Rates, Depreciation Rates for Gas Property, and for Changes in the Tariff for Gas Service Pursuant to N.J.S.A. 48:2-18 and N.J.S.A. 48:2-21, BPU Docket No. GR07110889, Order dated October 3, 2008.

18. The balancing charge will continue to be adjusted in the Company's annual BGSS filings to reflect only updated pipeline demand charges, credit adjustments and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the balancing charge. The firm volumes from which the pipeline demand portion of the balancing charge is determined will also be updated. The Company's recalculation will be subject to review as part of the annual BGSS proceedings. The Company will continue to credit all balancing revenues from customers in the Balancing Rate Classes to its BGSS.

Ocean County Landfill ("OCLF") Renewable Natural Gas ("RNG") Project

19. The Company is not seeking recovery of any costs associated with OCLF RNG project in this matter.

20. The Company has provided the agreement entered into by NJNG to purchase RNG from OCLF in discovery response to RCR-POL-25 and it is currently not a consideration in this matter.

Tracking / Reporting

21. The Company shall track, by incident, any and all costs associated with the repair, replacement and/or restoration of plant damaged due to a failure of any party to follow the Underground Facility Protection Act (N.J.S.A. 48:2-73 et seq.) or N.J.A.C. 14:2. The Company shall differentiate incidents for which the Company or contractors performing service for the Company receives a Notice of Probable Violation from those which another party is responsible.

22. The Company shall provide annual reports by no later than February 15th of each year that show by month, and in total for the calendar year, 1) the total number of service extensions provided, 2) the number of these extensions for which a deposit or contribution was required, 3) the number of extensions provided where the extension cost did not exceed ten (10) times the annual distribution revenue, 4) the number of extensions where the extension cost exceeded ten (10) times the annual distribution revenue, but the Company waived the deposit or contribution based on the number of feet of the extension or the amount of the required deposit pursuant to section 4.2 of the Company's tariff, 5) the total dollar amount waived under part 4) of this reporting requirement, 6) the total number of extensions where no deposit and or contribution was required from the customer, and 7) the total number of new customers added during the year where an extension of service was required. In addition, the reports will include a detailed description of, and cost information for, any projects during the year wherein the Company installed new facilities to meet the needs of new, and / or prospective customers wherein the facilities cost $20,000 or more and were installed without applying the above ten (10 times) formula to a specific applicant or applicants that submitted an application for an extension.

INITIAL DECISION

By the Initial Decision, ALJ Gertsman found that the Parties voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law. As such, ALJ Gertsman ordered the Parties to comply with the terms of the Stipulation, and recommended the Initial Decision to the Board for adoption, modification, or rejection in accordance with N.J.S.A. 52:14B-10.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement for a requested rate increase pursuant to N.J.S.A. 48:2-21, the Board must independently review the record and determine, based upon substantial evidence therein, that the figures to which the Parties stipulated are just and reasonable.[11] The Board, upon careful review of the record in this matter, including the Petition, updates thereto, the Stipulation, and the Initial Decision, agrees with ALJ Gertsman's finding that the Stipulation is just and reasonable, voluntarily agreed to by the Parties, resolves of all issues in the proceeding, and is consistent with the law. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues addressed during the pendency of the proceeding. Therefore, based upon the Board's review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and Stipulation to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and Stipulation attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation as if fully set forth herein.

Based upon the Stipulation, a typical residential sales heating customer using 100 therms of gas per winter month, will see an increase in their monthly winter bill of $23.94 or 15.8%, from $151.62 to $175.56.

[11] In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247, 270 (App. Div.), certif. denied, 152 N.J. 12 (1997); N.J.S.A. 48:2-21(d).

The rates approved by this Order will become effective for service rendered on and after November 21, 2024. The Company is **<u>HEREBY</u> <u>DIRECTED</u>** to file tariff sheets consistent with this Order by November 21, 2024. The Board **<u>HEREBY</u> <u>DIRECTS</u>** Staff to review the compliance tariff filings for consistency with this Order.

The Company's rates remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

This Order shall be effective on November 21, 2024.

DATED: November 21, 2024

BOARD OF PUBLIC UTILITIES
BY:

CHRISTINE GUHL-SADOVY
PRESIDENT

DR. ZENON CHRISTODOULOU
COMMISSIONER

MARIAN ABDOU
COMMISSIONER

MICHAEL BANGE
COMMISSIONER

ATTEST:

DAWN A. GRAY
EXECUTIVE ASSISTANT

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 AN INCREASE IN GAS BASE RATES, 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, AND OTHER REQUESTED RELIEF

BPU DOCKET NO. GR24010071
OAL DOCKET NO. PUC 02298-2024

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION
APPROVING SETTLEMENT
OAL DKT. NO. PUC 02298-24
AGENCY DKT. NO. GR24010071

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN THE GAS BASE RATES, FOR CHANGE 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, AND OTHER REQUESTED RELIEF.

Courtney L. Schultz, Esq. and **Colleen A. Foley**, Esq., for petitioner, New Jersey Natural Gas Company (Saul Ewing, LLP, attorneys)

Steven Chaplar and **Meliha Arnautovic**, Deputy Attorneys General, for Staff of the Board of Public Utilities (Matthew J. Platkin, Attorney General of New Jersey, attorney)

Maura Caroselli, Esq., Managing Attorney, and **Brian Lipman**, Director, for Division of Rate Counsel

Murray E. Bevan, Esq. and **Jennifer McCave**, Esq., for intervenors, NRG Energy, Inc., and its affiliates Reliant Energy Northeast, LLC, d/b/a NRG Home/NRG Business; Energy Plus Natural Gas LP; Xoom Energy New Jersey, LLC; Stream Energy New Jersey, LLC; Direct Energy Services, LLC; Direct Energy Business, LLC; Direct Energy Business Marketing, LLC; and Gateway Energy Services Corporation (NRG) (Bevan, Mosca & Giuditta P.C., attorneys)

Aaron I. Karp, Esq., Associate Counsel-Regulatory, for participant, PSE&G Services Corporation

Sheree L. Kelly, Esq., Regulatory Affairs Counsel, for participants South Jersey Gas Company and Elizabethtown Gas Company

Record Closed: October 25, 2024 Decided: November 4, 2024

BEFORE **JACOB S. GERTSMAN**, ALJ t/a:

This proceeding involves a petition by New Jersey Natural Gas Company (NJNG), for approval of an increase in gas base rates, for changes in its tariff for gas service pursuant to N.J.S.A. 48:21 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 and other requested relief. The petition was filed with the Board of Public Utilities (Board) on January 31, 2024, and transmitted to the Office of Administrative Law (OAL) on February 20, 2024, for determination as a contested case.

The matter was assigned to the undersigned who conducted the initial case management conference on April 23, 2024. The motions to intervene and participate were granted by order dated May 8, 2024. Duly noticed public hearings were held via Zoom Video Communications (Zoom) on June 27, 2024, at 4:30 p.m. and 5:30 p.m. No members of the public appeared at either hearing, and no written comments were received.

Evidentiary hearings were scheduled for November 20 and 21, 2024, and December 11 and 12, 2024. The parties have agreed to settle this case and have entered into an agreement. [1] Having reviewed the terms of their agreement, I have determined that the settlement is voluntary, consistent with the law, and fully dispositive of all issues in controversy between the parties in this case.

I **ORDER** that the settlement agreement is **APPROVED**, that its terms are **INCORPORATED** into this decision, and that this case is **CONCLUDED**.

[1] Said Stipulation of Settlement has been signed by the petitioner, Staff of the Board of Public Utilities, the Division of Rate Counsel, and the Intervenors. Several reminders were sent to the parties requesting that the participants submit either a letter of no objection or opposition to the settlement, however none were received. The participants may still file their positions on the settlement directly to the Board.

I **FILE** my decision with the **BOARD OF PUBLIC UTILITIES** for consideration. This recommended decision may be adopted, modified, or rejected by **BOARD OF PUBLIC UTILITIES**, who is empowered by law to make a final decision in this case. If the **BOARD OF PUBLIC UTILITIES** does not so act within 45 days, and unless such time limit is otherwise extended, this recommended decision becomes a final decision in accordance with N.J.S.A. 52:14B-10.

November 4, 2024
DATE

JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency:

Date Mailed to Parties:

JSG/cab

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN GAS BASE RATES, 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, AND OTHER REQUESTED RELIEF	**STIPULATION OF SETTLEMENT** OAL DOCKET NO. PUC 02298-24 BPU DOCKET NO. GR24010071

APPEARANCES:

Andrew K. Dembia, Esq., Regulatory Affairs Counsel, **Colleen A. Foley, Esq.** and **Courtney L. Schultz, Esq.** (Saul Ewing LLP), and **Gregory Eisenstark, Esq.** (Cozen O'Connor, P.C.), for Petitioner, New Jersey Natural Gas Company.

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

Brian O. Lipman, Director, **Maura Caroselli,** Managing Attorney, **Brian Weeks, Mamie Purnell, Megan Lupo, Robert Glover,** and **Emily Lam**, Assistant Deputy Rate Counsels for the New Jersey Division of Rate Counsel.

Murray E. Bevan, Esq. and **Jennifer McCave, Esq.**, Bevan, Mosca & Giuditta, P.C., for Intervenors NRG Energy, Inc. and its affiliates.

TO: THE HONORABLE JACOB S. GERTSMAN, ADMINISTRATIVE LAW JUDGE:

BACKGROUND

On January 31, 2024, New Jersey Natural Gas ("NJNG," "Company," or "Petitioner") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking authority pursuant to N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, N.J.S.A 48:2-18, N.J.A.C. 14:1-5.12, and N.J.A.C. 14:1-5.7 to: i) increase its base rates and charges for gas service by $222.60 million, excluding Sales and Use Tax

("SUT"); ii) implement certain rate and tariff revisions; and iii) revise its existing depreciation rates ("Base Rate Petition"). The Company filed direct and updated testimony in support of its request in the Base Rate Petition.

In the Base Rate Petition, NJNG proposed a test-year ending June 30, 2024. The Base Rate Petition as originally filed included five (5) months of actual data and seven (7) months of forecasted data. As the case progressed, the forecasted data was replaced by actual data. On May 15, 2024, NJNG updated the Base Rate Petition to include nine (9) months of actual data and three (3) months of forecasted data ("9+3 Update"). Based on the 9+3 Update, the Company's proposed revenue requirement was $219.58 million. On August 6, 2024, the Company filed its update consisting of twelve (12) months of actual data ("12+0 Update") and associated post-test year adjustments. The proposed annual revenue increase as shown in the Company's 12+0 Update was $219.86 million.

On February 20, 2024, the Board transmitted the Base Rate Petition to the Office of Administrative Law ("OAL") as a contested case. The matter was subsequently assigned to the Honorable Jacob S. Gertsman, Administrative Law Judge ("ALJ Gertsman").

On February 21, 2024, the Board issued an Order suspending the Company's proposed rates until July 1, 2024. On June 27, 2024, the Board issued a second Order further suspending the Company's rates until November 1, 2024.

On April 23, 2024, ALJ Gertsman conducted a prehearing conference in the matter. On May 8, 2024, ALJ Gertsman issued a prehearing order establishing procedures and hearing dates for the conduct of this case. By a second order, on May 8, 2024, ALJ Gertsman ruled on pending motions to intervene and participate, which were not opposed by the Company or the New Jersey Division of Rate Counsel ("Rate Counsel").

The parties to this case are the Petitioner, Board Staff ("Staff"), Rate Counsel, NRG Energy, Inc. and its affiliates ("NRG Companies"), and the participants are Public Service Electric and Gas Company, South Jersey Gas Company, and Elizabethtown Gas Company (hereinafter collectively referred to as the "Parties").

Notice having been published in newspapers of general circulation within NJNG's service territory, and served upon affected municipalities and counties within the Company's service area, two (2) virtual public hearings were held on June 27, 2024 at 4:30 pm and 5:30 pm. No members of the public appeared at the public hearings, however, the Board received written comments in opposition to the Base Rate Petition.

Throughout the proceeding, the Company responded to discovery requests and the Parties held discovery and settlement conferences.

Evidentiary hearings were scheduled for four (4) dates between November 20, 2024, and December 12, 2024. Prior to the commencement of such hearings, the Parties conducted meetings to discuss settlement, and as a result, this stipulation of settlement ("Stipulation") was agreed to by NJNG, Rate Counsel, Staff and the NRG Companies (collectively, "Signatory Parties"). The settlement was reached before any Signatory Party, other than the Company, filed testimony.

The Signatory Parties hereto agree and stipulate as follows:

STIPULATED MATTERS

Revenue Increase

1. For the calculation of the revenue requirement in this base rate case, the Signatory Parties agree to a rate base of $3.25 billion (rounded), an overall rate of return of 7.08%, and an increase in revenue requirement of $157 million (exclusive of SUT). The 7.08% rate of

return is obtained based on a capital structure of 54.00% common equity with a cost rate of 9.60% and 46.00% long-term debt with a cost rate of 4.11%. The $157 million increase in revenue requirement can be derived from the following calculation:

Rate Base	$3,245,021,000
Rate of Return	x 7.08%
Operating Income Requirement	$229,593,000
Pro-Forma Operating Income	$117,682,000
Operating Income Deficiency	$111,911,000
Revenue Factor	x 1.4029
Revenue Requirements	$157,000,000

2. As a result of this Stipulation, an average residential sales heating customer using 80.1 therms of gas per month and 961.4 therms annually, will see an increase in their monthly bill of $19.38 or 15.7%, from $123.63 to $143.01 and an increase in their annual bill of $232.55 or 15.7%, from $1,483.92 to $1,716.47. A typical residential sales heating customer using 100 therms of gas per month, will see an increase in their monthly bill of $23.94 or 15.8%, from $151.62 to $175.56. A typical residential heating customer using 1,000 therms annually will see an increase in their annual bill of $241.40 or 15.7%, from $1,538.20 to $1,779.60.

3. The base rate revenue increase agreed to in this Stipulation reflects a three (3)-year amortization for the following items:

    i. Rate Case Expense - This item represents a normalized level of expense incurred for rate case expense. The Rate Case Expense component is reduced by 50%, which is not recoverable through customer rate charges.

The amount to be amortized for financial reporting purposes for this item is $0.567 million.

ii. COVID-19 Arrearages – This item represents amounts deferred on the Company's books related to the COVID-19 pandemic. Pursuant to the Board's Order dated July 2, 2020, in BPU Docket No. AO20060471, affected utilities were authorized to create a COVID-19 regulatory asset to defer on their books and records any arrearages incurred due to the COVID-19 pandemic during the period March 9, 2020, through March 15, 2023.[1] NJNG ceased deferring COVID-19 costs on December 31, 2022. As of December 31, 2022, NJNG has recorded a regulatory asset of $3.89 million.

iii. Management Audit – Pursuant to the Board's Order dated September 7, 2022, in BPU Docket No. GA22020074, the Board directed Liberty Consulting Group to perform a two (2)-phase audit of NJNG for the period January 2014 through December 2023. The audit is on-going at this time. Phase One is an audit of affiliated transactions of NJNG and New Jersey Resources, NJNG's affiliates and any competitive services it offers and its compliance with the Board's Affiliate and Fair Competition Standards. Phase Two is a comprehensive management audit. Accordingly, the costs incurred by NJNG for this audit have been deferred on the Company's

[1] In re the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic, Docket No. AO20060471, Order dated July 2, 2020.

books and records for recovery in NJNG's base rate case. The Company will recover $1.75 million related to the audit proceeding.

iv. Benchmarking Study - By Board Order dated September 7, 2022, in BPU Docket No. QO21071023, the Board required NJNG to perform a benchmarking study as a result of the Clean Energy Act.[2] The Order permitted the Company to defer on its books and records the cost of this study to be recovered in its next base rate case. NJNG has recorded and deferred $158,000 for this matter.

4. The base rate revenue increase agreed to in this Stipulation reflects an adjustment for consolidated federal income taxes.

5. In addition, the base rate revenue increase agreed to in this Stipulation excludes executive incentive compensation costs.

6. This Stipulation also resolves the prudency of the rates approved for the Company's Infrastructure Investment Program ("IIP") investments through June 30, 2024. The Signatory Parties reviewed the Company's investments in its IIP and recommend that the Board find those investments to be reasonable and prudent. The Signatory Parties further recommend that the Board find that NJNG's recovery of certain IIP costs through the approved provisional cost recovery mechanism is final and no longer subject to refund.

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[2] In re the Implementation of P.L. 2018, C.17 – Energy and Water Benchmarking of Commercial Buildings, Docket No. QO21071023, Order dated September 7, 2022.

7. For purposes of any Earnings Test for the Company's IIP and/or Conservation Incentive Program ("CIP"), the Company shall utilize a Cash Working Capital amount of $90.00 million.

8. The Signatory Parties recognize that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in NJNG's current CIP tariff must be updated in order to align these aspects of the CIP tariff with the Board's approval of new base rates in this proceeding. These factors and rates are included in Rider "I" of the Company's Tariff attached herein as Attachment A.

9. The Signatory Parties agree that the Company's composite depreciation rate shall be increased to 3.21%. The overall composite rate of 3.21% consists of an investment rate of 1.99% and the net salvage rate of 1.22%. The agreed upon depreciation rates by account are set forth in Attachment B to this Stipulation.

Customer Service Standards

10. NJNG will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance of the Board quarterly and annual reports, as specified in BPU Docket No. GR21030679 and as shown in Attachment C.

11. NJNG will also provide reports twice per year on March 30th and September 30th identifying the number of residential customers in arrears of $100.00 or greater, the total and median amount of arrearages owed by its customers, and the number of customer disconnections for non-payment. The report will also provide the number of customers in $250 increment of arrearages, with the first category reflecting $100.00 to $250.00 (e.g.,

200 customers owe between $100.00 and $250.00, 50 owe between $251.00 and $500.00, 100 owe between $501.00 and $1,000.00, etc.)

Stafford LNG Plant

12. As part of its next base rate case filing, the Company agrees to submit a report that demonstrates that the Stafford liquefied natural gas ("LNG") plant remains used and useful.[3] The report may address, but will not necessarily be limited to, the following issues:

i. Compare the cost and benefits of the Stafford LNG plant's continued utilization to the cost and benefits of its retirement and the replacement of peak supply with alternative sources, if necessary;
ii. Capital requirements;
iii. Operating expenses;
iv. Review for existing facility and equipment with end-of-life expectation;
v. Depreciation and amortization expense (including remaining plant book value);
vi. Timing and resources necessary to achieve sustainable peak delivery rates
vii. LNG gas supply cost (specifically from the Stafford LNG plant);
viii. Alternative peak gas supply options/costs;
ix. Assessment of existing and ongoing environmental, social and operating risks and liabilities;
x. Abandonment, demolition, and remediation costs;
xi. Salvage value/revenue offsets for land and equipment;
xii. Alternative use case(s) for LNG plant facilities (including land) and associated peaking supply capacity; and
xiii. Customer rate impact scenarios that include and exclude the Stafford LNG plant.

Should the Company determine that it cannot meet its forecasted design day demand requirements across its system without relying on the Stafford LNG facility for peaking supply and/or pressure support following completion of the report, the Company shall provide to Board Staff and Rate Counsel an explanation in writing that indicates (1) the hydraulic simulations upon which the Company relied and which demonstrates that the

[3] As defined under In re N.J. Power & Light Co., 9 N.J. 498, 509 (1952).

Stafford LNG facility has been and continues to be necessary to meet peak day requirements; and (2) the need for Stafford LNG gas supply in light of NJNG's recently expanded gas supply portfolio and new transportation contract. In addition, the Company shall provide (1) a detailed portfolio analysis that depicts the correlation between the Company's historical and forecast demand and its supply portfolio, as well as demonstrates that the Stafford LNG facility has and will continue to be utilized to meet peak demand; (2) a correlation of historical and forecast utilization for peak shaving with heating degree days based upon peak shaving dispatch records and projections; (3) any load reductions attributable to electrification; and (4) a dispatch queue that depicts the utilization and dispatch of the Stafford LNG facility relative to other gas supply sources.

Tariff and Rate Design

13. Attached to this Stipulation as Attachment D is a schedule entitled "Allocation of Proposed Revenue Adjustments to Base Rates" and "New Jersey Natural Gas Company, Base Rates and Revenues at Present and Proposed Rates." The Signatory Parties stipulate that this schedule represents the rate design methodology and billing determinants to be utilized in this case, integrating a monthly customer charge of $12.00 ($11.25 excluding SUT) applicable to the Residential Service classification, inclusive of applicable sales taxes, amongst other rate changes.

14. The Signatory Parties agree the Company will modify Section 4.2 and Section 6.12 of the Standard Terms and Conditions of the Company's Tariff. Section 4.2 will be modified to reduce the normal residential facilities to be replaced at no cost to "up to 50 feet of normal residential facilities." In addition, the Company will reduce the threshold for waiving a

required deposit through the following language: "The Company shall waive a required deposit of $500 or less." Section 6.12 will be modified to comply with the 2016 Order on I/M/O the Petition of SJP Residential Properties, LLC for a waiver of B.P.U. No. 15 Gas, Original Sheet No. 22 Standard Terms and Conditions No. 8.3.1, BPU Docket No GW16040290 to allow for meters for de minimus use such as only for cooking gas. Attachment E to this Stipulation includes Sheet No. 16 of the Company's Tariff with these modifications in redline format.

15. Attached to this Stipulation as Attachment F is a summary of tariff modifications. The Signatory Parties agree that the tariff modifications described in Attachment F to this Stipulation are reasonable, appropriate and shall be implemented upon Board approval.

16. As part of its next base rate case, the Company agrees to submit Board Staff's Average and Peak Cost of Service Study ("COSS") as referenced in the Board's Order in Docket No. GR07110889, along with all associated work papers.[4] Submission of the Board Staff COSS in the next base rate case does not imply endorsement of the Board Staff methodology by the Company. The Company, as well as any other party to that future proceeding, is free to submit its preferred COSS and supporting workpapers. See Attachment G.

Balancing Charges

17. The balancing charge related to inventory has been updated through this rate case to $0.0014 per therm based on the pre-tax rate of return of 9.10% agreed to herein and the

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[4] In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Rates, Depreciation Rates for Gas Property, and for Changes in the Tariff for Gas Service Pursuant to N.J.S.A. 48:2-18 and N.J.S.A. 48:2-21, BPU Docket No. GR07110889, Order dated October 3, 2008.

resulting after-tax Balancing Charge is \$0.1889 per therm, an increase of \$0.0005 per therm from the rate of \$0.1884 per therm included in the Company's pending 2025 Basic Gas Supply Service ("BGSS") Filing in Docket No. GR24060372. The balancing charge related inventory will remain fixed until new rates become effective in the Company's next base rate case.

18. The balancing charge will continue to be adjusted in the Company's annual BGSS filings to reflect only updated pipeline demand charges, credit adjustments and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the balancing charge. The firm volumes from which the pipeline demand portion of the balancing charge is determined will also be updated. The Company's recalculation will be subject to review as part of the annual BGSS proceedings. The Company will continue to credit all balancing revenues from customers in the Balancing Rate Classes to its BGSS.

<u>Ocean County Landfill ("OCLF") Renewable Natural Gas ("RNG") Project</u>

19. The Company is not seeking recovery of any costs associated with OCLF RNG project in this matter.

20. The Company has provided the agreement entered into by NJNG to purchase RNG from OCLF in discovery response to RCR-POL-25 and it is currently not a consideration in this matter.

<u>Tracking / Reporting</u>

21. The Company shall track, by incident, any and all costs associated with the repair, replacement and/or restoration of plant damaged due to a failure of any party to follow the Underground Facility Protection Act (N.J.S.A. 48:2-73 et seq.) or N.J.A.C. 14:2. The

Company shall differentiate incidents for which the Company or contractors performing service for the Company receives a Notice of Probable Violation from those which another party is responsible.

22. The Company shall provide annual reports by no later than February 15th of each year that show by month, and in total for the calendar year, 1) the total number of service extensions provided, 2) the number of these extensions for which a deposit or contribution was required, 3) the number of extensions provided where the extension cost did not exceed ten (10) times the annual distribution revenue, 4) the number of extensions where the extension cost exceeded ten (10) times the annual distribution revenue, but the Company waived the deposit or contribution based on the number of feet of the extension or the amount of the required deposit pursuant to section 4.2 of the Company's tariff, 5) the total dollar amount waived under part 4) of this reporting requirement, 6) the total number of extensions where no deposit and or contribution was required from the customer, and 7) the total number of new customers added during the year where an extension of service was required. In addition, the reports will include a detailed description of, and cost information for, any projects during the year wherein the Company installed new facilities to meet the needs of new, and / or prospective customers wherein the facilities cost $20,000 or more and were installed without applying the above ten (10 times) formula to a specific applicant or applicants that submitted an application for an extension.

Miscellaneous

23. The undersigned Signatory Parties stipulate and agree that this Stipulation fully disposes of all issues in controversy in this proceeding, is consistent with law, and is in the public

interest. 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 provision of this Stipulation is not accepted and approved in its entirety by the Board, any Signatory 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 the Board, in any applicable order(s), does not adopt this Stipulation in its entirety then any Signatory 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.

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

25. 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, Staff, Rate Counsel, and the NRG Companies 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 Signatory Parties further acknowledge that a Board Order approving, rejecting, or modifying 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.

26. The Signatory Parties request that this Stipulation be considered at the Board's November 21, 2024 regularly scheduled Agenda Meeting with rates effective as soon as possible thereafter.

27. The Signatory Parties agree to accept as service delivery by electronic mail ("email delivery") of the Board Order approving this Stipulation, in whole or in part. The Signatory Parties agree that such method of email delivery shall be sufficient service of the Order.

WHEREFORE, the undersigned Signatory Parties hereto respectfully submit this Stipulation to Your Honor and the Board for its review and request (1) the issuance of an Initial Decision approving this Settlement in its entirety in accordance with the terms contained herein, and (2) the Board approve this Settlement, in its entirety with the terms contained herein, through an Order on all rate and tariff issues.

NEW JERSEY NATURAL GAS COMPANY
PETITIONER

By: Andrew K. Dembia
ANDREW K. DEMBIA
NEW JERSEY NATURAL GAS COMPANY

DIVISION OF RATE COUNSEL
BRIAN O. LIPMAN
DIRECTOR

By: Maura Caroselli GR24010071 10/25/24
MAURA CAROSELLI
MANAGING ATTORNEY

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

By: ______________________________
STEVEN CHAPLAR
DEPUTY ATTORNEY GENERAL

NRG COMPANIES
INTERVENORS

By: ______________________________
MURRAY BEVAN, Esq.
BEVAN, MOSCA & GIUDITTA, P.C.

Date: October 25, 2024

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP

Applicable to the following service classifications:

RS	Residential Service
GSS	General Service - Small
GSL	General Service - Large
ED	Economic Development

I. DEFINITION OF TERMS AS USED HEREIN

1. ***Actual Number of Customers*** – The Actual Number of Customers ("ANC") shall be determined on a monthly basis for each of the Customer Class Groups to which the Conservation Incentive Program ("CIP") applies. The ANC shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books, plus any Incremental Large Customer Count Adjustment.

2. ***Actual Usage per Customer*** – the Actual Usage per Customer ("AUC") shall be determined in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The AUC shall equal the aggregate actual booked sales for the month as recorded on the Company's books divided by the Actual Number of Customers for the corresponding month.

3. ***Adjustment Period*** - shall be the year beginning immediately following the conclusion of the Annual Period.

4. ***Annual Period*** – shall be the twelve consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

5. ***Baseline Usage per Customer*** – the Baseline Usage per Customer ("BUC") shall be stated in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The BUC shall be rounded to the nearest one tenth of one therm.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (continued)

6. ***Customer Class Group*** – For purposes of determining and applying the CIP, customers shall be aggregated into four separate recovery class groups. The Customer Class Groups shall be as follows:

   Group I: RS (non-heating customers only)
   Group II: RS (heating customers only)
   Group III: GSS, ED using less than 5,000 therms annually
   Group IV: GSL, ED using 5,000 therms or greater annually

7. ***Forecast Annual Usage*** – the Forecast Annual Usage ("FAU") shall be the projected total annual throughput for all customers within the applicable Customer Class Group. The FAU shall be estimated based on normal weather.

8. ***Incremental Large Customer Count Adjustment*** – the Company shall maintain a list of incremental commercial and industrial customers added to its system on or after July 1, 2024 whose connected load is greater than that typical for the Company's average commercial and industrial customer. For purposes of the CIP, large incremental customers shall be those customers whose connected load exceeds 5,600 cubic feet per hour ("CFH"). A new customer at an existing location previously connected to NJNG's facilities shall not be considered an incremental customer. The Actual Number of Customers for the Customer Class Group shall be adjusted to reflect the impact of all such incremental commercial or industrial customers. Specifically, the Incremental Large Customer Count Adjustment for the applicable month shall equal the aggregate connected load for all active customers that exceed the 5,600 CFH threshold divided by 2,800 CFH less the number of active customers, rounded to the nearest whole number.

9. ***Margin Revenue Factor*** – the Margin Revenue Factor ("MRF") shall be the weighted-average margin rate as quoted in the individual service classes to which the CIP applies. The MRFs by Customer Class Group are as follows:

Group I (RS non-heating):	$0.8005
Group II (RS heating):	$0.8005
Group III (GSS, ED using less than 5,000 therms annually)	$0.6792
Group IV (GSL, ED using 5,000 therms or greater annually)	$0.4301

The MRF shall be reset each time new base rates are placed into effect.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (continued)

II. BASELINE USAGE PER CUSTOMER

The BUC for each Customer Class Group by month are as follows:

Month	Group I: RS Non-Heating	Group II: RS Heating	Group III: GSS, ED using less than 5,000 therms annually	Group IV: GSL, ED using 5,000 therms or greater annually
Oct.	15.5	46.5	51.1	989.8
Nov.	15.2	95.3	120.5	1,724.0
Dec.	20.8	153.3	198.0	2,532.3
Jan.	24.7	182.4	252.4	2,913.0
Feb.	22.2	158.1	221.5	2,519.9
Mar.	18.8	127.1	173.5	2,172.0
Apr.	13.0	69.3	85.9	1,319.2
May	10.9	37.4	33.5	875.5
Jun.	14.1	24.1	20.6	557.9
Jul.	17.8	24.6	25.9	582.1
Aug.	13.0	21.5	20.1	536.6
Sep.	15.8	21.8	21.4	537.4
Total Annual	201.8	961.4	1,224.4	17,259.7

The BUC shall be reset each time new base rates are placed into effect.

III. DETERMINATION OF THE CONSERVATION INCENTIVE PROGRAM RATE

1. At the end of the Annual Period, a calculation shall be made that determines for each Customer Class Group the deficiency or excess to be surcharged or credited to customers pursuant to the CIP mechanism. The deficiency or excess shall be calculated each month by multiplying the result obtained from subtracting the Baseline Usage per Customer from the Actual Usage per Customer by the Actual Number of Customers and then multiplying the resulting therms by the Margin Revenue Factor.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (continued)

2. The normal degree days and degree day consumption factors per customer to be used for the calculation of the weather related change in customer usage, are set forth below:

		Consumption Factors per customer (therms per customer per degree day)		
Month	**Degree Days**	**Group II- Residential Heating**	**Group III- GSS**	**Group IV- GSL**
October	225	0.1657	0.1751	2.7072
November	516	0.1814	0.2266	2.7409
December	793	0.1932	0.2702	2.8367
January	954	0.1971	0.2838	2.8794
February	801	0.1971	0.2786	2.8778
March	658	0.1932	0.2594	2.8781
April	346	0.1894	0.2192	2.8582
May	122	0.1971	0.2065	2.8611

These consumption factors per customer shall be multiplied by the actual number of customers to determine the consumption factors. The weather related change in customer usage shall be calculated as the difference between actual degree days and the above normal degree days multiplied by the consumption factors, and multiplying the result by the margin revenue factors as defined in Section I.10. of this Rider.

3. Recovery of margin deficiency associated with non-weather related changes in customer usage will be subject to a BGSS savings test and a Margin Revenue recovery limitation (“recovery tests”). Recovery of non-weather related margin deficiency will be limited to the smaller of (1) the level of BGSS savings achieved when such savings are less than 75 percent of the non-weather related margin deficiency, i.e. BGSS savings test, and (2) 6.5 percent of variable margins for the CIP Annual Period, i.e., Margin Revenue recovery limitation. Any amount that exceeds the above limitations may be deferred for future recovery and is subject to either or both of the recovery tests in a future year consistent with the amount by which either or both of the non-weather related margin deficiency exceeded the recovery tests. For the purposes of this calculation, the value of the weather related portion shall be calculated as set forth in Section III.2. of this Rider I.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (continued)

4. In addition, cost recovery under the CIP is contingent on an earnings test for the Annual Period. If the calculated return on equity ("ROE") exceeds the Company's most recently approved ROE by fifty (50) basis points or more, cost recovery under the CIP shall not be allowed. For purposes of this section, the Company's rate of return on common equity shall be calculated by dividing the Company's regulated jurisdictional net income for the Annual Period by the Company's average jurisdictional common equity balance for such Annual Period The Company's regulated jurisdictional net income shall be calculated by subtracting from total net income (1) the CIP booked margin revenue accruals, net of associated taxes, (2) other income, net of associated taxes, (3) margins retained from Off-System Sales and Capacity release, net of associated taxes, (4) margins retained from the Storage Incentive Program, net of associated taxes, and (5) margins retained from the energy efficiency programs of Rider "G", net of associated taxes. The Company's average jurisdictional common equity balance for any Annual Period shall be derived by multiplying the average of the Company's beginning and ending net rate base for the Annual Period by the equity ratio approved in the Company's most recent rate case.
5. The amount to be surcharged or credited shall equal the eligible aggregate deficiency or excess for all months during the Annual Period determined in accordance with the provisions herein, divided by the Forecast Annual Usage for the Customer Class Group.

IV. TRACKING THE OPERATION OF THE CONSERVATION INCENTIVE PROGRAM

The revenues billed, or credits applied, net of taxes and assessments, through the application of the Conservation Incentive Program Rate shall be accumulated for each month of the Adjustment Period and applied against the CIP excess or deficiency from the Annual Period and any cumulative balances remaining from prior periods.

In accordance with P.L. 1997, c. 192, as amended by P.L. 2006, c. 44, P.L. 2009, c. 240, and P.L. 2016, c. 57, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT") and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (continued)

The annual filing for the adjustment to the CIP rate shall be concurrent with the annual filing for BGSS. The CIP factor shall be credited/collected on a basis within the Delivery Charge for all service classifications stated above.

The currently effective CIP factor by Customer Class Group are as follows:

Group I (RS non-heating):	$0.0409
Group II (RS heating):	$0.0903
Group III (GSS, ED using less than 5,000 therms annually):	$0.0509
Group IV (GSL, ED using 5,000 therms or greater annually):	$0.0367

For the recovery of the October 2023 through September 2024 CIP margin deficiency, the recovery of the margin deficiency associated with non-weather related change in customer usage included in the above factors are offset by the BGSS savings component, as set forth in Rider A. The BGSS savings component is embedded within the Periodic BGSS Charge and the Monthly BGSS Charge.

NEW JERSEY NATURAL GAS

Account Description		Current (at 9/30/2023)			Proposed (at 9/30/2023)		
		Investment	Net Salvage	Total	Investment	Net Salvage	Total
A		B	C	D=B+C	E	F	G=E+F
STORAGE AND PROCESSING PLANT							
361.00	Structures and Improvements	1.31%	0.12%	1.43%	1.31%	0.14%	1.45%
362.00	Gas Holders	0.94%	0.38%	1.32%	0.94%	0.43%	1.37%
363.20	Vaporizing Equipment	2.30%	-1.14%	1.16%	2.30%	-1.15%	1.15%
363.30	Compressor Equipment	1.85%	0.09%	1.94%	1.85%	0.09%	1.94%
363.40	Measuring and Regulating Equipment	2.64%	0.14%	2.78%	2.64%	0.13%	2.77%
363.50	Other Equipment	-3.93%	-0.21%	-4.14%	-3.93%	-0.12%	-4.05%
363.52	Other Equipment - Hydrogen	3.70%	0.00%	3.70%	3.70%	0.14%	3.84%
	Total Storage and Processing Plant	1.92%	-0.15%	1.77%	1.92%	-0.13%	1.86%
TRANSMISSION PLANT							
366.00	Structures and Improvements	3.13%	0.30%	3.43%	3.13%	0.28%	3.41%
367.00	Mains	1.46%	0.88%	2.34%	1.46%	1.02%	2.48%
369.00	Measuring and Regulating Equipment	2.03%	1.52%	3.55%	2.03%	1.21%	3.24%
	Total Transmission Plant	1.52%	0.95%	2.47%	1.52%	1.04%	2.54%
DISTRIBUTION PLANT							
375.01	Structures and Improvements	1.77%	0.07%	1.84%	1.77%	0.07%	1.84%
376.00	Mains - Steel	1.49%	1.34%	2.83%	1.49%	1.35%	2.84%
376.26	Mains - Plastic	1.50%	0.94%	2.44%	1.50%	1.24%	2.74%
378.00	Meas. and Reg. Station Equip. - General	3.22%	2.49%	5.71%	3.22%	1.99%	5.21%
380.01	Services - Steel	1.60%	0.79%	2.39%	1.60%	2.52%	4.12%
380.21	Services - Plastic	1.48%	0.94%	2.42%	1.48%	1.97%	3.45%
381.00	Meters	3.16%	0.07%	3.23%	3.16%	0.04%	3.20%
382.00	Meter Installations	2.96%	1.55%	4.51%	2.96%	1.76%	4.72%
385.00	Meas. and Reg. Equipment - Industrial	3.42%	0.35%	3.77%	3.42%	0.27%	3.69%
387.00	Other Equipment	7.87%	1.15%	9.02%	7.87%	1.27%	9.14%
	Total Distribution Plant	1.66%	1.00%	2.66%	1.66%	1.45%	3.85%
GENERAL PLANT							
	Depreciable						
390.02	Structures and Improvements	2.48%	-1.00%	1.48%	2.48%	-0.06%	2.42%
392.00	Transportation Equipment	4.57%	-1.48%	3.09%	4.57%	-0.86%	3.71%
396.00	Power Operated Equipment	0.19%	0.00%	0.19%	0.19%	0.00%	0.19%
	Total Depreciable	3.12%	-1.14%	1.98%	3.12%	-0.32%	4.12%
	Amortizable						
391.01	Furniture, Fixtures and Equipment	3.95%	0.00%	3.95%	← 25 Year Amortization →		4.00%
391.02	Information Systems	8.93%	0.00%	8.93%	← 10 Year Amortization →		10.00%
391.03	Data Handling Equipment	5.57%	0.00%	5.57%	← 10 Year Amortization →		10.00%
391.04	Computer Software	8.10%	0.00%	8.10%	← 10 Year Amortization →		10.00%
393.00	Stores Equipment	2.86%	0.00%	2.86%	← 35 Year Amortization →		2.86%
394.00	Tools, Shop and Garage Equipment	5.00%	0.00%	5.00%	← 20 Year Amortization →		5.00%
395.00	Laboratory Equipment	2.86%	0.00%	2.86%	← 35 Year Amortization →		2.86%
397.00	Communication Equipment	5.00%	0.00%	5.00%	← 20 Year Amortization →		5.00%
	Total Amortizable	7.64%	0.00%	7.64%	8.92%	0.00%	8.92%
	Total General Plant	5.43%	-0.56%	4.87%	6.08%	-0.15%	5.93%
	TOTAL UTILITY	1.94%	0.85%	2.79%	1.99%	1.22%	3.21%

NEW JERSEY NATURAL GAS COMPANY
BPU QUARTERLY REPORT
DOCKET NO. GR21030679

			Oct-21	Nov-21	Dec-21	**FYTD**	Jan-22	Feb-22	Mar-22	**FYTD**	Apr-22	May-22	Jun-22	**FYTD**	Jul-22	Aug-22	Sep-22	**FYTD**	**Goals**
1)	(A)	Percent of Calls Answered Within 30 Seconds																	**82.00%**
	(B)	Abandoned Call Rate																	**5% or less**
	(C)	Average Speed of Answer (in seconds)																	N/A
2)	(A)	Percent of On-Cycle Meter Reads																	95%
	(B)	Meter Read by Town[1]	SEE FOOTNOTE BELOW																N/A
	(C)	Rebills/1,000 Customers																	20 or Fewer
3)	(A)	Leak/Odor Responded to Within 60 Minutes																	**99.85%**
	(B)	Percent of Customer Service Appointments Met																	**99.90%**
4)	(A)	Escalated Complaints to the BPU/1,000 Customers																	0.57
	(B)	Customer Satisfaction																	**89.00%**
5)		Walk-In Centers (# of Payments):																	
		Location: Rockaway																	N/A
		Location: Wall																	N/A
		Location: Asbury Park																	N/A
		Location: Lakewood																	N/A
6)		Payments at Non-NJNG Locations[2]	SEE FOOTNOTE BELOW																N/A
7)		Residential Disconnects for non-payment[3]	SEE FOOTNOTE BELOW																N/A
8)		Commercial Disconnects for non-payment[4]	SEE FOOTNOTE BELOW																N/A
9)		Financial Assistance	SEE SHEET LABELED FINANCIAL ASSISTANCE																N/A
10)		Deferred Payments	SEE SHEETS LABELED DPA																N/A
11)		Payments from NJNG to Western Union[5]	SEE FOOTNOTE BELOW																N/A

Notes:

1 - Provided Annually (Due 10/31/2024)
2 - Provided Annually (Due 10/31/2024)
3 & 4 - Provided Annually (Due 10/31/2024) The data for metrics 7 & 8 will start with October 2017 and be in a similar fashion to RCR-CUS-10, which provides the total per year only
5 - Provided Annually (Due 10/31/2024)

New Jersey Natural Gas Company
Allocation of Proposed Revenue Adjustments to Base Rates
(In Thousands of Dollars)

Description (A)	Current Base Revenue (B)	Allocation of Proposed Revenue Adjustment (C)	Proposed Base Revenues (D) = (B) + (C)
Rate Schedule:			
Residential Service	363,785	114,907	478,692
General Service - Small	35,800	11,308	47,108
General Service - Large	87,803	27,734	115,538
Firm Transportation Service	6,927	2,188	9,115
Distributed Generation Service - Commercial	1,309	414	1,723
Electric Generation Service	-	-	-
NGV / CNG Service	583	184	768
Interruptible Transportation	838	265	1,103
Total	497,046	157,000	654,046

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

			Present Rates		Proposed Rates	
Component	**Amount**	**Units**	**Rate**	**Revenue**	**Rate**	**Revenue**
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**
			RS		**RS**	
Residential Service						
Customer Charge	6,463,796	Bills	$ 10.32	$ 66,706,377	$ 11.25	$ 72,717,708
Volumetric Charge	507,132,873	Therms	0.5858	297,078,437	0.8005	405,959,865
						-
Total Base Revenues				**$ 363,784,814**		**$ 478,677,572**

			Present Rates		Proposed Rates	
			GSS		**GSS**	
General Service Small (less than 5,000 Annual Therms)						
Customer Charge	387,486	Bills	$ 39.39	$ 15,263,086	$ 51.58	$ 19,986,544
Volumetric Charge	39,917,071	Therms	0.5143	20,529,350	0.6792	27,111,675
Volumetric Charge - A/C	68,780	Therms	0.1106	7,607	0.1455	10,008
Total Base Revenues				**$ 35,800,043**		**$ 47,108,226**

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

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			GSL		GSL	
General Service Large (5,000 + Annual Therms)						
Customer Charge	96,004	Bills	$ 97.54	$ 9,364,207	$ 128.96	$ 12,380,645
Demand Charge	10,326,803	Therms	3.2000	33,045,769	4.2204	43,583,239
Volumetric Charge	138,479,510	Therms	0.3277	45,379,735	0.4301	59,560,037
Volumetric Charge - A/C	124,012	Therms	0.1106	13,716	0.1455	18,044
Total Base Revenues				**$ 87,803,427**		**$ 115,541,965**

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			FT		FT	
Firm Transportation Service*						
Customer Charge	2,101	Bills	$ 328.25	$ 689,532	$ 422.04	$ 886,550
Demand Charge	1,963,450	Therms	2.3447	4,603,701	3.3763	6,629,195
Volumetric Charge	19,223,339	Therms	0.0850	1,633,984	0.0832	1,599,382
Total Base Revenues				**$ 6,927,216**		**$ 9,115,127**

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

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			DGC		DGC	
Distributed Generation - Commercial*						
Customer Charge	336	Bills	$ 97.54	$ 32,773	$ 128.96	$ 43,331
Demand Charge	418,434	Therms	2.2040	922,229	2.8136	1,177,307
Volumetric Charge - Winter	3,010,331	Therms	0.0744	223,969	0.0991	298,324
Volumetric Charge - Summer	2,976,979	Therms	0.0438	130,392	0.0685	203,923
Total Base Revenues				**$ 1,309,363**		**$ 1,722,884**

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			EGS		EGS	
Electric Generation Service						
Customer Charge	0	Bills	$ 877.26	$ -	$ 914.42	$ -
Demand Charge - Year-Round Firm	0	Therms	1.5132	-	1.8757	-
Demand Charge - Off-Peak Firm	0	Therms		-	0.6253	-
Volumetric Charge	0	Therms	0.0047	-	0.0094	-
Total Base Revenues				**$ -**		**$ -**

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

Component (a)	Amount (b)	Units (c)	Present Rates Rate (d)	Present Rates Revenue (e)	Proposed Rates Rate (f)	Proposed Rates Revenue (g)
			NGV / CNG		NGV / CNG	
Natural Gas Vehicle / Compressed Natural Gas Service						
Customer Charge	60	Bills	$ 97.54	$ 5,852	$ 128.96	$ 7,738
Volumetric Charge	1,493,145	Therms	0.2771	413,750	0.3701	552,613
CNG Charge	818,676	Therms	0.2000	163,735	0.2532	207,289
Total Base Revenues				**$ 583,338**		**$ 767,639**
			Interruptible		Interruptible	
Interruptible Service						
Customer Charge	300	Bills	$ 537.38	$ 161,214	$ 679.95	$ 203,985
Volumetric Charge - with Alternate Fuel	13,703,957	Therms	0.0494	676,975	0.0656	898,980
Volumetric Charge - without Alternate Fuel	0	Therms	0.2753	-	0.4127	-
Total Base Revenues				**$ 838,189**		**$ 1,102,965**
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				**$ 497,046,390**		**$ 654,036,378**

Increase	**156,989,988**
TARGET Increase	**157,000,000**
Difference	**($10,012)**

STANDARD TERMS & CONDITIONS

4. GAS DISTRIBUTION MAIN AND SERVICE EXTENSIONS

4.1 GENERAL PROVISIONS

The Company will construct, own, and maintain gas mains located on streets and highways and on rights-of-way acquired by the Company. The formulae for the extension of utility service set forth below shall not serve to prevent the parties hereto from exercising their rights under the N.J.S.A. 48:2-27 and the applicable New Jersey Administrative Code provisions.

Where it is necessary to provide additional facilities to serve the requirements of either existing customers or new applicants, the Company may require a deposit or a contribution in aid of construction according to the conditions specified below. The Company, in its sole discretion, will determine the appropriate amount of such deposit or contribution in aid of construction. The Extension cost for which the Company receives a deposit or a non-refundable contribution shall include the tax consequences incurred by the Company.

4.2 RESIDENTIAL AND FIRM COMMERCIAL CUSTOMER - MAIN EXTENSION AND SERVICE LINE CONNECTION

The Company will install facilities and make gas main extensions and service line connections to serve individual permanent residential customers and firm commercial customers without alternate fuel capacity and taking service under service classifications included in Rider "I" Conservation Incentive Program (CIP) free of charge where the Extension Cost does not exceed ten (10) times the annual distribution revenue at the baseline usage per customer volume for the Customer's respective CIP group and subject to the terms described in Paragraph 5.2. For residential customers, the Extension Cost shall not include the cost of the meter.

An applicant shall be required to provide an Extension Cost Deposit or a non-refundable contribution in aid of construction for the value of any Extension Cost that is greater than ten (10) times the annual distribution revenue at the baseline usage per customer volume for the Customer's respective CIP group. If the Company accepts an application for an extension of a residential customer, the Company may furnish and place, at no cost to the Customer, up to 50~~200~~ feet of normal residential facilities. The Company shall waive a required deposit of $500~~3,000~~ or less.

For customers taking service under firm service classifications not included in Rider "I" CIP, the Company will install facilities and make gas main extensions and service line connections to serve individual customers without alternate fuel capacity free of charge where the Extension Cost does not exceed ten (10) times the estimated annual distribution revenue, unless otherwise specified in the service classification. An applicant shall be required to provide an Extension Cost Deposit or a non-refundable contribution in aid of construction for the value of any Extension Cost that is greater than ten (10) times the estimated annual distribution revenue and subject to the terms described in Paragraph 5.2; however, the Company shall waive a required deposit of $500~~3,000~~ or less.

STANDARD TERMS & CONDITIONS
~~STANDARD TERMS AND CONDITIONS~~

6. METERING AND MEASURING EQUIPMENT (continued)

6.11 SUB-METERING

Sub-metering, the practice in which the customer of record buys gas from the company and resells it through some metering device to tenants at a profit, is not permitted in any form. Gas service supplied by the Company shall not be resold by the Customer to others except where the Customer is another publicly regulated gas utility company, or where the natural gas is used for conversion to compressed natural gas, or when check-metering as defined below is being used by the Customer.

6.12 CHECK-METERING

Check-metering is defined as the practice in which a Customer, through the use of a gas check meter, monitors or evaluates his own consumption or the consumption of a tenant for accountability or conservation purposes.

Gas check meters are devices that measure the volume of gas being delivered to particular locations in a system after measurement by a utility-owned meter. Gas check meters provide the Customer the means to apportion among the end users the cost of gas service being supplied through the Company meter.

Check-metering is permitted in new or existing buildings or premises where the basic characteristic of service is industrial or commercial. Check-metering is not permitted in new or existing buildings or premises where the basic characteristic of service is residential, except for condominiums or cooperative housing, or where such buildings or premises are publicly financed or government owned or are charitable in nature~~, or where the gas use is restricted to cooking gas~~. Check-metering is not permitted for space heating in residential premises subject to the exceptions set forth above. A single meter may be installed in residential apartment buildings where the owner of the building intends to pay for all residential gas consumption for the apartment building and the gas use is restricted to cooking gas. In these cases, the owner of the building must provide NJNG with a signed agreement that 1) neither it, nor any subsequent owner, will install or operate any meter, measuring device or sub-meter designed to measure the gas service used by individual tenants or otherwise allocate the gas usage to individual apartments, and 2) that neither it, nor any subsequent owner, will attach any appliances other than cooking gas service to the individual units or otherwise attach any other device using gas service to the building.

If the Customer charges the tenant for usage incurred by the tenant, reasonable administrative expenses may be included, but such charges shall not exceed the amount the Company would charge if the tenant was served and billed directly by the Company.

Prior to the installation of any gas check metering devices, the Customer is required to contact the Company in order to ascertain whether the affected premises are located within a utilization pressure area of the Company's distribution system and whether or not the installation of a check metering device will cause any significant pressure drop within the affected premises.

All gas-consuming devices in any tenant unit must be metered through a single gas check-meter.

STANDARD TERMS & CONDITIONS
~~STANDARD TERMS AND CONDITIONS~~

6. METERING AND MEASURING EQUIPMENT (continued)

~~The ownership of all check-metering devices is that of the Customer, along with all incidents in connection with said ownership, including accuracy of the meter reading and billing, liability arising from the presence of the equipment and the maintenance and repair of the equipment. Any additional costs which may result from and are attributable to the installation of check-metering devices shall be borne by the Customer.~~

STANDARD TERMS & CONDITIONS
~~STANDARD TERMS AND CONDITIONS~~

6. METERING AND MEASURING EQUIPMENT (continued)

The ownership of all check-metering devices is that of the Customer, along with all incidents in connection with said ownership, including accuracy of the meter reading and billing, liability arising from the presence of the equipment and the maintenance and repair of the equipment. Any additional costs which may result from and are attributable to the installation of check-metering devices shall be borne by the Customer.

6.13 TAMPERING & OTHER DECEPTIVE PRACTICES

When it is established that Tampering has occurred and the Customer has caused or knowingly benefited from such Tampering, the Customer shall be required to bear all of the costs incurred by the Company including, but not limited to, the following: (a) investigations, (b) inspections, (c) costs related to administrative, civil or criminal proceedings, (d) attorneys' fees, (e) installation of any protective equipment deemed necessary by the Company, and (f) actual costs of damage to equipment.

Furthermore, when Tampering with Company facilities results in incorrect measurement, correctly measured service used without Company authorization or the omission of measurement of the service supplied, and the Customer has benefited from such Tampering, the Customer shall pay for such service as the Company may estimate from available information, to have been used on the premises.

If persons other than the Customer are identified as beneficiaries of service obtained at the Customer's premises by Tampering, or have created or contributed to the Tampering, the Company shall elect to hold such persons liable for all of the aforesaid costs incurred and the value of service (metered or unmetered) received. A "beneficiary" is any person who benefits from such Tampering.

The foregoing remedies against the Customer and other beneficiaries arising from Tampering shall also apply to gas service obtained by fraudulent means, imposture, theft of identity, impersonation, theft of service, theft by deception or other unlawful methods.

6.14 DIVERSION OF SERVICE

Diversion is an unauthorized connection to pipes by which the gas service registers on the Customer's meter, even if such service is being used by other than the Customer of record without his or her knowledge or cooperation. When a Customer alleges, or it is established, that service has been diverted outside of the Customer's premises, the Customer shall not be required to pay for such service without his or her consent. The definitions, procedures, investigations and determination of N.J.A.C. 14:3-7.8, as may be amended or superseded, shall apply.

6.15 SEALING OF METERS AND LOCKING DEVICES

For safety purposes, it is the practice of the Company to seal meters and regulators, and to install locking devices when needed. Removal of seals or locking devices by persons other than authorized Company personnel is prohibited and shall constitute Tampering.

NEW JERSEY NATURAL GAS COMPANY

Summary of Proposed Tariff Changes

New Jersey Natural Gas Company Tariff – BPU No. 11 Gas is being replaced by New Jersey Natural Gas Company Tariff – BPU No. 12 Gas which includes modifications to various Tariff sheets. Many of these changes represent minor changes in language to provide clarifications and necessary updates. Descriptions of the significant changes to the Tariff are presented in the following sections:

I. List of Communities Served
II. Standard Terms and Conditions
III. Service Classification Electric Generation Service ("EGS")
IV. Service Classification Third Party Supplier Requirements ("TPS")
V. Riders

I. List of Communities Served

- Adding Byram Township to reflect its partial franchise.

II. Standard Terms and Conditions

- *Paragraph 4.2 Residential and Firm Commercial Customer – Main Extension And Service Line Connection (Sheet No. 16)*
    - Reduce the normal residential facilities to be replaced at no cost to "up to 50 feet of normal residential facilities."
    - Reduce the threshold for waiving a required deposit to $500 or less.
- *Section 6.12 Check-Metering (Sheet No. 22)*
    - Revised language to clarify the allowance for a single meter for the supply of de minimus amounts of gas pursuant to the Board's June 29, 2016 Order in Docket No. GW16040290.
- *Paragraph 8.7 Equal Payment Plan (Sheet No. 28)*
    - Addition of language to describe the Equal Payment Plan available to customers.

- *Paragraph 8.9 Payment Obligation (Sheet No. 28)*
    - Changing bills to be payable within fifteen (15) days to twenty (20) days in accordance with N.J.A.C. 14:3-3A.3.
    - Changing the notice of discontinuance issuance after the expiration of the 15 day period to 20 day period in accordance with N.J.A.C. 14:3-3A.3.
    - Changing the minimum arrearage for discontinuance of service for nonpayment from $100.00 to $200.00 in accordance with N.J.A.C. 14:3-3A.2.
- *Paragraph 9.2 Customer Acts or Omissions (Sheet No. 30)*
    - Changing the N.J.A.C. reference for nonpayment of any bill to N.J.A.C. 14:3-3A.2 to match the reference included in N.J.A.C. 14:3-3A.1(a)3.

III. Service Classification Electric Generation Service ("EGS")

- Adding language for the addition of Off-Peak firm service available May 15 through September 15 and an associated demand charge (Sheet No. 69).

IV. Service Classification Third Party Supplier ("TPS")

The Company is proposing the following changes to Service Classification TPS.

- *FT, DGC-FT, CNG, NGV Commercial, and IS Service (Sheet No. 90)*
    - Changing the number of days for a TPS whose account is out of balance by more than 30 percent to initiate corrective action from 5 days to 3 days to require the TPS to address the issue in a timelier manner.

- *RS, GSS, GSL, DGC-Balancing, and NGV Residential (Sheet No. 91)*
    - Changing the amount of a TPS' cumulative under-delivery imbalance during a period of non-payment that warrants the Company to notify the TPS from exceed three (3) times the Daily Delivery Volume to be at least three (3) times the Daily Delivery Volume to address the TPS' under-delivery issue in a timelier manner.
    - Changing the amount of a TPS' cumulative under-delivery imbalance during a period of non-payment that requires the TPS to post and maintain a deposit or letter of credit from exceed five (5) times the Daily Delivery Volume to be at least 5 times the Daily Delivery Volume to address the TPS' under-delivery issue in a timelier manner.

- *Unauthorized Use Charge (Sheet No. 96)*
    - Modifying the Unauthorized Use Charge description to clarify the determination of the charge and be consistent with the language for Delivery Shortfall Charge on Sheet No. 96.

- *Nominations (Sheet No. 98)*
    - Deleting the name of the supplier as required information for nominations as it is not a required field in NJNG's Electronic Bulletin Board (EBB).

- *Payment (Sheet No. 98)*
    - Additional language to clarify that the Company may net all amounts due or owed by the TPS and the Company in the TPS bills .

V. Riders

- *Rider "C" Societal Benefits Charge – SBC*
  - Addition of the SBC as a rider to define its components.
- *Riders "D" through "H"*
  - Riders "D" through "H" have been reordered so that the SBC related riders follow the new Rider "C". Only page number changes and language changes are shown in redline.
- *Rider "H" (current Rider "D") Infrastructure Investment Program – IIP*
  - Additional language to include a description of the IIP Earnings Test (Sheet No. 175).
- *Rider "I" Conservation Incentive Program - CIP*
  - Revisions to the baseline use per customer for each class based on test year billing determinants, the margin factors based on the base rates, the large customer adjustment based on the GSL baseline use per customer, and weather consumption factors based on test year billing determinants (Sheet Nos. 177-179).
  - Modifying the CIP Earnings Test calculation description to be similar to the IIP Earnings Test (Sheet Nos. 176, 180).

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S- NJNG-RD-45 RE: Yardley Testimony at Exhibit DPY-5: Average and Peak COSS

Please provide a full cost of service study, including Schedules A through D, which incorporates the following modifications to the average and peak study submitted as DPY-5. Changes not specified below indicate that the original account classification and allocation factors depicted in DPY-5 should be retained. Automatic changes to internal classification and allocation factors should continue to flow from the specific modifications listed below, as is the case within the original DPY-5 COSS. Classification and allocation of Accumulated Reserve for Depreciation and O&M accounts should track attendant plant accounts.

a) Eliminate the existing customer classification and allocation of rate base accounts 301 through 303. Classify and allocate these costs using the total plant classification factor (“PLANT”) and allocation factors (“PLANT_D”, “PLANT_C”, AND “PLANT_E”) used to classify and allocate General Plant accounts 393-396.

b) Modify the “PEAK_AVERAGE” allocator to affect a 57.8 percent weighting to the average (throughput) component and a 42.2 percent weighting to the design peak demand component. If practicable, separately depict allocated class commodity costs on the “commodity” line and demand allocated costs on the “demand” line appearing under the affected accounts in Schedule B. Apply the modified classification regime and the modified “PEAK_AVERAGE” allocator throughout the COSS in place of the original “PEAK_AVERAGE” allocator and to the additional accounts specified below.

c) For all plant accounts classified as “DIST_PLANT”, separately depict the demand, customer, and commodity allocated costs based upon the introduction of the partial commodity classification and allocation of costs prescribed in (b) above.

d) Regarding account 376- Distribution Mains, replace the current demand/customer classification and allocation with the demand/commodity classification prescribed in (b) above. Allocate costs to the classes using the modified “PEAK_AVERAGE” allocator described above.

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e) Regarding account 380- Services, execute the following classification and allocation steps for each of the classes RSG-Heating, RSG-Non- Heating, General Service-Small, General Service-Large:

(1) Retain the interclass allocators for Services derived/depicted at DPY-3, Schedule D, p.1, along with the resulting interclass allocations of Services costs depicted at S-NJNG-RD-35, Schedule B-1, Services;

(2) For the allocated costs depicted at the response to S-NJNG-RD-35, Schedule B-1, Services, classify to the customer component the cost equivalent to the product of the average embedded cost of the smallest size service *currently connecting existing customers* times *the average service length* (data from the response to S-NJNG-RD-40. If the average embedded cost is not available, deflate the marginal (replacement) cost of the smallest size service currently being installed utilizing the average service life for these services (data from the response to S-NJNG-40 and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at Section G-1. Classify the balance of allocated Services investment to the demand component.

f) Regarding accounts 381.1 – Meters and 381.2 – Remote Metering Devices, execute the following classification and allocations steps for each of the classes.: RSG-Heating, RSG-Non-Heating, General Service-Small, General Service-Large:

(1) Modify the “METERS” allocator for Meters and Remote Metering Devices derived/depicted at DPY-3, Schedule D, p. 1, by excluding the replacement meter costs for those classes whose customer meter installations are industrial in nature and booked to account 385-Industrial Measuring and Regulating Equipment. Utilize the modified “METERS” allocator to derive the revised interclass allocations of Meters costs, replacing those depicted at S-NJNG-RD-35, Schedule B-1;

(2) For the allocated costs depicted at the response to S-NJNG-RD- 35, Schedule B-1, Meters and Remote Metering Devices, classify to the customer component the cost equivalent to the product of the average embedded cost of the smallest size meter *currently connecting existing customers* (data from response to S-NJNG-RD-41 times the number of customers. If the average embedded cost is not available, deflate the marginal (replacement) cost of the smallest size meter *currently being installed* utilizing the *average service life* for these meters (data from the response to S-NJNG-RD- 41 and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at Section G-1. Classify the balance of allocated Meters investment to the demand component.

g) Regarding accounts 382.1- Meter Installations and 382.2- Remote Metering Device Installations, execute the following classification and allocation steps for each of the classes RSG- Heating, RSG-Non-Heating, GSG-Small and GSG-Large:

(1) Retain the "METER_INSTALLATION" allocator for Meter Installations and Remote Metering Device Installations costs derived/depicted at DPY-3, Schedule D, p.1, along with the resulting interclass allocations of related plant depicted at S-NJNG-RD-35, Schedule B-1.

(2) For the allocated costs depicted at the response to S-NJNG-RD-35, Schedule B-1, Meter Installations and Remote Metering Device Installations, classify to the customer component the cost equivalent to the product of the average embedded cost for installations of the smallest size meter *currently connecting existing customers* (data from the response to S-NJNG-RD-41) times the number of customers. If the average embedded cost is not available, deflate the marginal (replacement) cost for installation of the smallest size meter *currently being installed* utilizing the *average service life* for these meters (data from the response to S-NJNG-RD-41) and the most recent bulletin of the Handy-Whitman Index of Public Utility Construction Costs, at G-1. Classify the balance of allocated Meter Installation investment to the demand component.

h) Regarding account 383- House Regulators, follow the classification and allocation prescriptions outline in (f), above, for Meters – account 381.1. That is, retain the interclass allocation but revise the classification to provide for the customer/demand split developed pursuant to (f), 2, above.

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i) Regarding account 384- House Regulator Installations, follow the classification and allocation prescriptions outlined in (g), above, for Meter Installations – account 382.1. That is, retain the interclass allocation but revise the classification to provide for the customer/demand split developed pursuant to (g), 2, above.

j) Account 385- Industrial Measuring and Regulating Station Equipment should be classified and allocated as follows:

Costs allocated to classes under the "LARGE_CUSTOMERS" should be classified on a customer/demand split. Rather than employing the replacement cost of the smallest size meter to define the customer component, utilize the quotient of the average meter cost divided by the total meter cost of each class (spec study, p. 24) to derive the customer component; classify to the demand component the balance of costs allocated to these classes.

k) General Plant accounts 389-Land and Land Rights, 390-Structures and Improvements, 391- Office Furniture and Equipment, 392- Transportation, 397- Communication Equipment, and 398- Miscellaneous Equipment should be classified using the "PLANT" classification factor and allocated utilizing the "PLANT_D" "PLANT_C" AND "PLANT_E" allocators used to classify and allocate General Plant accounts 393-396.

l) Distribution Operations account 876- Metering and Regulating Station Equipment- Industrial should be classified and allocated consistent with the plant account 385 outlined in (j) above.

m) Distribution Operations account 878- Meter and House Regulator expenses should follow the classification and allocation prescription for Meters- account 381 and House Regulators- account 383 as outlined above.

n) Customer Installations expenses- account 879 should be modified to be consistent with the approach used for accounts 382.1 and 382.2, detailed in (g), above.

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o) Maintenance of Measurement and Regulating Station Equipment- Industrial- account 890 should be classified and allocated consistent with the treatment of account 385, detailed in (j) above.

p) Customer Accounts 901-905 should be classified and allocated as follows.

(1) Account 901-Supervision should be classified to the demand, customer, and commodity components utilizing a new indirect classification factor ("CUSTOMER_ACCOUNTS") reflecting the aggregate demand, customer, and commodity classification of costs for accounts 902 through 904, outlined below. The resulting demand, customer, and commodity classified expenses should be allocated on a design day peak demand, number of customers, and throughput ("CUSTOMER_ACCOUNTS_D,C, and E"), respectively.

(2) Account 902- Meter Reading Expenses should be classified utilizing the "DIST-PLANT" classification factor and allocated using the "DIST-PLANT_C" "DIST-PLANT_D" and "DIST-PLANT_E" allocators.

(3) Account- 903- Customer Records and Collection expenses should be classified utilizing the "DIST-PLANT" classification factor and allocated utilizing the "DIST-PLANT_C," "DIST-PLANT_D", and "DIST-PLANT_E" allocators.

(4) Account 904- Uncollectibles should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

(5) Miscellaneous Customer Accounts expenses should be classified and allocated utilizing the new classification and allocation factors prescribed in (p)(1), above.

q) Customer Service and Information accounts 908-910 should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

r) Sales Promotion expense accounts 911 through 916 should be classified and allocated consistent with the "PEAK_AVERAGE" prescription detailed in (b), above.

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s) Regarding Administrative and General Expense Accounts 920-932, replace the "LABOR" and "ADMIN" classification and allocation of accounts 920, 921, 930, and the expenses denoted "PIM Expenditures", "Plant Additions", and "OPP Investment" with the "PLANT" classification and allocation approach referenced in (k) above.