New Jersey Natural Gas

August 18, 2014

VIA FEDEX AND E-MAIL

Board of Public Utilities
Hon. Kristi Izzo, Secretary
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: In the Matter of the Board's Review of the Applicability and Calculation of a Consolidated Tax Adjustment
BPU Docket No. EO12121072

Dear Secretary Izzo:

Please accept these comments on behalf of New Jersey Natural Gas Company ("NJNG") in response to the Board of Public Utilities ("Board" or "BPU") "Notice of Opportunity to Provide Additional Information" dated June 18, 2014 in the above referenced docket. An additional ten copies of these comments are enclosed. An electronic copy of these comments has also been provided to rule.comments@bpu.nj.state.us. Please note that NJNG is also a party to the New Jersey Utilities Association ("NJUA") response filed on behalf of the participating utility companies.

NJNG is providing additional information for the Board's consideration in this matter. NJNG concurs with NJUA's comments that utilities do not support the use of a Consolidated Tax Adjustment ("CTA") in New Jersey rate-setting proceedings. However, should the Board determine that some form of a CTA is appropriate within the rate-setting process; NJNG believes a further modification to Staff's proposal is appropriate. Specifically, any CTA should exclude the results associated with Renewable Energy ("RE") non-regulated investments made in New Jersey from the calculation.

Staff's proposal, in part, would provide incremental mitigation to electric utilities which have electric transmission operations subject to the jurisdiction of the Federal Energy Regulatory Commission by excluding the financial results of the transmission operations from an electric utility's CTA calculation. In the same vein, NJNG believes that non-regulated RE investments made in New Jersey should also be excluded from the CTA calculation. These non-regulated RE investments support the State's Energy Master Plan and Renewable Portfolio Standard. New Jersey customers and society in general, receive the financial, environmental, and health benefits of investments in RE. These investments are made by the non-regulated affiliates of the utility and therefore, sharing tax benefits, such as bonus depreciation, is unwarranted, resulting in a disproportionate share inuring to, through their inclusion in the CTA, regulated utility customers. The RE tax benefits are counted on by the non-regulated entities in determining the feasibility of making investments in RE and allocating those tax benefits to regulated utility customers will result in the unintended consequence of less non-regulated investments in RE being undertaken in New Jersey in the long term. In addition, non-regulated affiliates of NJ utilities are competitively disadvantaged with other RE providers who have full utilization of these tax benefits in their financial operations.

We respectfully request that the Board, if it deems some type of a CTA is appropriate, to consider excluding non-regulated investments in RE projects in New Jersey from the CTA calculation for the reasons set forth above.

Respectfully submitted,

Andrew K. Dembia

Andrew K. Dembia
New Jersey Natural Gas Company

C: Jerome May
Jackie Galka
Jake Gertsman
Mark Beyer
Rosalie Serapiglia