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NOTICE OF STAKEHOLDER MEETING¹

IN THE MATTER OF NATURAL GAS COMMODITY AND DELIVERY CAPACITIES IN THE STATE OF NEW JERSEY – INVESTIGATION OF THE CURRENT AND MID-TERM FUTURE SUPPLY AND DEMAND

Docket No. GO20010033

April 29, 2021 at 10:00 a.m.
Virtual Format via Zoom:

https://zoom.us/webinar/register/WN_xSW-jPcwRESmQWveOFJG2w

Pursuant to the "Open Public Meetings Act," N.J.S.A. 10:4-6, et seq., the New Jersey Board of Public Utilities ("NJBP" or "Board") hereby gives notice of a stakeholder meeting in the Board's ongoing investigation into the natural gas commodity and delivery capacities in the State of New Jersey. This investigation is designed to "explore whether sufficient capacity has been secured to serve all of New Jersey's firm gas customers" through 2030, including whether sufficient natural gas capacity exists on the regional interstate pipeline system to meet the future Peak Day Demand Forecast of New Jersey's Gas Distribution Companies (GDCs) and other aspects of the natural gas system.

Prior to the restructuring of the natural gas market and the introduction of retail choice, the GDCs were responsible for securing sufficient transportation capacity on the interstate natural gas pipeline system to meet the needs of all firm customers. Once the market was restructured, many natural gas customers migrated to competitive suppliers, known as Third Party Suppliers (TPS), and the GDCs were incentivized to not just release, but permanently shed excess firm transportation capacity on the interstate natural gas pipeline system. Retail natural gas customers that do not shop with a TPS continue to purchase their natural gas service through New Jersey's Basic Gas Supply Service (BGSS) program, which purchases commodity and transportation sufficient to meet the needs of those non-shopping customers. However, the GDCs do not procure transportation or commodity to serve the needs of firm gas customers that elect to purchase their natural gas from a TPS.

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On July 12, 2018, in Docket No. G017121241, the New Jersey Utility Association explained that the GDCs have firm upstream capacity for BGSS sales obligations, but do not have sufficient transportation capacity contracts to serve the entire load for TPS firm transportation customers. By Order dated February 27, 2019, the Board directed Staff to initiate this stakeholder process to explore whether there is sufficient gas capacity secured to meet New Jersey customer needs prospectively.

In the course of the stakeholder process in Docket No. GO19070846, New Jersey Natural Gas (NJNG) submitted comments on October 16, 2019, which included a report by Levitan & Associates, Inc. (LAI) commissioned by NJNG. In response, the Environmental Defense Fund and the New Jersey Conservation Foundation (collectively EDF/NJCF) submitted comments on October 22, 2019 disputing some portions of the LAI report, and included an affidavit of Greg Lander, President of Skipping Stone, who conducted an analysis of gas supply available in New Jersey on behalf of EDF/NJCF. The LAI Report and Lander Affidavit reached different conclusions about the medium and long-term capacity needs; however, neither report identified a near-term capacity shortfall (absent an unforeseen, catastrophic disruption of the interstate pipeline network).

During its December 20, 2019 agenda meeting, the Board, consistent with N.J.S.A. 48:2-19(a) and N.J.S.A. 48:3-58(r), directed Staff to take the necessary steps to hire an consultant to independently examine the current and future natural gas capacity outlook for New Jersey. During its May 20, 2020 agenda meeting, the Board approved an RFQ for the independent consultant.

With this Public Notice, NJBPU is now seeking stakeholder feedback to guide the next phase of the investigation. Specifically, the Board seeks comment on the following issues:

1. Design Day Issues:

Background: Currently, New Jersey GDCs plan for design day firm demand by contracting for firm transmission capacity on interstate pipelines, as well as using other off-system and on-system peaking resources. A design day is defined as a 24-hour period of demand which is used as a basis for planning gas capacity requirements. It is based on a historic peak day, usually a day with extremely cold weather, when usage of natural gas for building heating is high. Two New Jersey GDCs (Elizabethtown Gas (ETG) and South Jersey Gas (SJG)) use a design day with a once-in-30 years chance of such weather occurring (i.e., a 3% chance in a given year), or 63-65 heating degree days (HDD) to calculate their design day firm demand. New Jersey Natural Gas (NJNG), in contrast, uses a design day with a once-in-90 years chance (about a 1% chance in a given year), or about 71 HDD. NJNG's design day firm demand is therefore about 55% higher than its actual historical peak day firm demand since 2016, while the design day firm demand of ETG and SJG is about 40% higher than actual historical peak firm demand since 2016. According to a 2016 study conducted by the American Gas Association, GDCs typically use design days that range between 1-in-30 years to 1-in-90 years. A once-in-90 year planning criteria leads to a lower probability of the design day occurring than a once-in-30 year criteria, so it provides greater reliability, but it also comes at a higher cost. A higher annual design day firm demand target implies a greater need for resources, including (for example) commodity supply and storage, and firm resources (and implies higher spending to acquire/maintain such resources) to meet the demand.

Unlike electric power utilities, gas utilities cannot conduct rolling blackouts or brownouts if supplies are short or demand surges. If the gas system cannot meet demand, there is a risk of a flame-out, which can be dangerous and would require re-lighting every customer's

pilot light individually by utility personnel, which could take three or more days. Different GDCs in New Jersey use significantly different design day criteria.

Questions for Stakeholders:

- a. Should New Jersey be moving towards common design day reliability criteria?
 - b. Are there reasons for allowing different GDCs to utilize different design day reliability criteria?
 - c. How does the selection of higher or lower design day reliability criteria affect the issue of whether, in your view, there are sufficient gas resources into New Jersey to maintain system reliability?
 - d. Please discuss the costs and the benefits associated with using a 1-in-90 year design basis day versus a 1-in-30 year design basis day, with a focus on impacts to system reliability, customer affordability, and any other tradeoffs.
2. Non-Pipe Alternatives:

The Board is interested in examining a diverse array of alternatives to ensure the State can meet the needs of natural gas customers in a variety of circumstances and conditions. The Board specifically identified non-pipe alternatives, such as peak demand management programs, as tools to explore in this proceeding.

Questions for Stakeholders:

- a. How have voluntary peak management demand programs been structured in other jurisdictions or related industries? For example, how much would it cost to purchase and install directly controllable thermostats for all firm heating customers? Would smart meters be required as well? What would be the cost of these? Are there other examples of peak management demand programs, and what best practices can the State implement for these programs?
- b. Consider a program in which smart thermostats controlled directly by the GDC during potential supply disruption were provided to all firm heating customers at no cost to the customer, and the capital cost to the GDC could be included in rate base. Please describe the benefits and consequences of such a program. How should Staff consider the program in terms of cost to provide reliability? Would it be equitable to all customers?
- c. What would be the potential uptake and impact of a “time of use” (TOU) program? For example, if a TOU or other peak demand-management program was offered to customers based on smart thermostats, would an opt-out program have a bigger impact than an opt-in program? If so, what would be the magnitude? Would it be more effective to offer an option to customers to opt in or opt out based on a level of emergency (e.g., yellow, orange, or red) where there would be different price incentives based on the level of the emergency?
- d. How would the impact of TOU pricing affect a firm heating customer’s monthly bill in the winter? What are the ways that this could be mitigated without dampening the incentive to conserve? For example, should peak prices be tied not to the

wholesale price of natural gas, which can be extremely volatile, but rather be set as an adder to existing BGSS prices, with the adder tied to projected day-ahead sendout? Should such prices be capped?

- e. What are the limits to the efficacy of peak demand reduction programs?
- f. What are the pros and cons of relying on government emergency orders to cope with a potential emergency (for example, orders shutting down businesses), rather than having peak demand programs in place?
- g. Are there other measures the Board should consider to ensure the reliability of the natural gas system?

Due to the COVID 19 pandemic, the stakeholder meeting will be conducted virtually on **April 29, 2021 at 10 a.m. ET.**

Interested parties may register at:

https://zoom.us/webinar/register/WN_xSW-jPcwRESmQWveOFJG2w

Comments

Staff will accept written and emailed comments on this matter through **5 p.m. on May 13, 2021.** While all comments will be given equal consideration and will be made part of the final record of this proceeding, the recommended method for submission of comments is via email or the portal to ensure timely receipt while the Board continues to work remotely due to the COVID-19 pandemic. Emailed comments may be filed in either pdf or Word format to board.secretary@bpu.nj.gov, or through the Board's External Access Portal after obtaining a MyNewJersey Portal ID. Once an account is established, you will need an authorization code, which can be obtained upon request by emailing the Board's IT Helpdesk at BPUIHELPDESK@bpu.nj.gov. Detailed instructions for e-filing can be found on the Board's home page at <https://www.nj.gov/bpu/agenda/efiling>. Written comments may also be submitted to the Board Secretary, Aida Camacho, at the Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, Trenton, Post Office Box 350, New Jersey 08625-0350. All comments should include the name of the petition and the docket number, and all emails should include the docket number in the subject line.

Any questions regarding this matter should be directed to Kevin Nedza at Kevin.Nedza@bpu.nj.gov.



Aida Camacho-Welch
Secretary of the Board

Dated: April 20, 2021

Persons interested in attending the above Meeting who require special accommodations because of disability should contact the Office of the Secretary of the Board at (609) 292-1554 at least one (1) day prior to the Meeting date so that appropriate arrangements can be made.