Good morning.

My name is Steve Westhoven. I am the President and Chief Operating Officer of New Jersey Resources and its principal subsidiary, New Jersey Natural Gas.

I would like to thank Director Cynthia Holland, the Board of Public Utilities and the members of Governor Murphy's Energy Master Plan committee for the opportunity to speak with you today on the need for Sustainable and Resilient Infrastructure.

New Jersey Resources is a diversified energy provider with a strong, long-term commitment to sustainable business practices. We are a major investor in New Jersey's solar energy market and one of the leading solar providers in the state.

And, for almost a decade, our principal subsidiary, New Jersey Natural Gas, has successfully deployed energy efficiency solutions to reduce energy demand and help our customers lower their energy costs, lower emissions and protect the environment.

My primary purpose in testifying before today's committee is to discuss our ability, as a natural gas utility and a lifeline service provider, to ensure that our customers have reliable heat when they need it most --- on the coldest days of the year.

New Jersey's natural gas utilities have a regulatory obligation to procure natural gas supply and the associated delivery capacity in order to provide safe and reliable service.

The fact is that the natural gas utilities in New Jersey are facing increasing challenges during the winter season to meet these obligations for their current and growing number of customers who rely on natural gas to heat their homes and support their businesses.

Our primary challenge is the inability to acquire additional capacity from the existing interstate pipeline infrastructure serving our state.

Without additional capacity, we simply cannot access adequate supply to meet our growing customer needs and provide a safety reserve as a prudent planning practice during cold weather.

There are also risks associated with New Jersey's lack of pipeline diversity bringing natural gas supply into this state.

Our natural gas utility currently depends on two pipelines for nearly 90 percent of our supply capacity. The disruption of supply on either one of these pipelines in the winter heating season would jeopardize the health and safety of potentially hundreds of thousands of New Jersey residents.

We have an obligation to ensure reliable heat in the winter. So, it is with urgency that I am coming before you today to raise awareness about these time-sensitive, statewide issues for New Jersey's natural gas utilities.

I am here to convey the extraordinary importance of addressing this projected shortage, the reliability risks associated with a lack of pipeline diversity, and the need to propose solutions in New Jersey's next Energy Master Plan. While we fully support and are actively participating in efforts to achieve a clean energy future in New Jersey, reliable service must be ensured to our customers along the way.

According to the U.S. Energy Information Administration, about three-fourths of the households in New Jersey now use natural gas as their primary home heating fuel.

The benefits of natural gas are clear.

It is affordable – up to four times less than the cost of electric heat.

It is cleaner – it produces less than half of the greenhouse gas emissions from other fossil fuels.

And, it is reliable – a benefit that is increasingly at risk in New Jersey today.

There has been growing demand for natural gas for decades, but the resources necessary to bring additional supply into New Jersey to meet this rising demand have not been met.

While mandated and aggressive energy efficiency measures will help offset a portion of the anticipated demand, additional capacity will be essential to address the remaining natural gas supply and reliability gaps, particularly as we transition to more renewables in a clean energy economy.

Importantly, I want to be clear and make the distinction that these projected natural gas shortages are not inclusive of New Jersey's power sector, which will only exacerbate the challenges we face during the transition to renewable energy.

The existing supply and resiliency concerns stem from the fact that the interstate pipeline companies serving New Jersey are fully subscribed, which means natural gas utilities cannot purchase additional firm capacity to meet demand.

This is a regional problem, impacting other states such as New York and Massachusetts.

Without additional supply infrastructure, our utility and other New Jersey natural gas utilities estimate a shortage of natural gas to meet our coldest-day demand needs. And, without greater diversification of our supply infrastructure, the risks of a major disruptive outage affecting service to our customers continues to loom.

New Jersey's natural gas utilities are currently tapping into safety reserves to meet growing demand, which is not sustainable or consistent with the prudent planning process that natural gas utilities undertake to ensure reliable service to customers.

Based on supply forecasts, by 2021, our company may not have access to sufficient supply of natural gas to serve its customers.

We must urgently work together and find a supply solution, including enhanced reliable infrastructure, to increase capacity and resiliency.

Any suggestion that the state does not have a natural gas capacity shortage is simply incorrect.

While it is the position of some advocates to prohibit all future fossil fuel infrastructure investments, policies that compromise safety and reliability, and put our citizens at risk, will also undermine efforts to obtain the public support needed to meet our clean energy goals.

In addition to our concerns about meeting growing demand needs during the coldest days of the year, there are increasing and significant reliability risks due to a lack of pipeline diversity for New Jersey's natural gas customers.

In April 2016, there was a pipeline incident that caused a natural gas supply disruption to New Jersey and other states in the Northeast. The emergency

repairs and inspections that were necessary to restore service took several months.

Let me repeat that timeframe – it took months, not weeks, to restore natural gas service due to the safety processes we must undertake block by block to recover from an outage.

New Jersey Natural Gas experienced an average of 64 percent reductions in pipeline capacity deliveries to our system during the initial 11 days of this pipeline disruption. If this occurred on a cold day in the winter, over 250,000 households could have lost their gas supply.

Statewide, millions of people would have been impacted.

The solution to addressing this preparedness risk is to identify and incorporate diverse natural gas supplies and interconnections to multiple interstate sources as a priority to build natural gas system resilience.

This supply diversity would help New Jersey mitigate and prepare for the potential loss of supply from an interstate pipeline disruption, while protecting customers from an outage that could impact health, life and safety for New Jersey residents during a cold weather event.

Since Superstorm Sandy, New Jersey has taken extraordinary efforts to strengthen our resiliency against a catastrophic natural disaster such as flooding.

We have raised and elevated homes and businesses. And, under the leadership of the Board of Public Utilities, we have aggressively hardened in-state pipeline delivery systems against future storm events.

We need to do the same for our interstate pipeline network. We need to plan for diverse supply access, so if supply is disrupted on one pipeline system, there are alternatives to ensure we can heat our customers' homes, hospitals, schools and businesses.

If prudent planning is not done by the natural gas utilities and the state, the public will, and should, question what went wrong. We will all be held accountable.

New Jersey Natural Gas is working closely with the BPU on these preparedness issues and we recommend, again with urgency, that they are reflected in the updated New Jersey Energy Master Plan. Ensuring safe and reliable service during our efforts to achieve a clean energy future is essential to our success.

As the state defines the future role of natural gas and its resilient and sustainable infrastructure in its clean energy goals, the ability to access adequate supply to heat people's homes, fuel the economy and meet our obligation to our municipalities, hospitals and other essential service providers during the coldest days of the year **must** be a high priority.

Our customers must be the **highest** priority.

Natural gas will continue to be a key element in helping the State transition to a clean energy economy by 2050.

As New Jersey looks to a clean energy future, natural gas will also continue to play an essential role in the power sector, balancing the intermittent output of renewables to maintain grid reliability as we add more solar, wind and new technologies to the mix.

The low cost of natural gas helps keep customer rates affordable, while accelerating investments in renewables such as solar and wind energy. Natural gas also provides measurable air quality benefits by displacing coal and other fossil fuels such as oil which have higher greenhouse gas, sulfur dioxide and particulate emissions.

In closing, as we transform our energy sector, we must not compromise the needs of our customers who depend on us to provide affordable, reliable service.

The BPU's stakeholder process to inform New Jersey's Energy Master Plan has provided us the opportunity to bring these important customer issues hopefully to the forefront of this planning effort.

We appreciate the opportunity to participate in today's proceeding and share our view on New Jersey's energy future. Thank you.