



STATE OF NEW JERSEY
Board of Public Utilities
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ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF THE EXTENSION OF ENERGY EFFICIENCY PROGRAMS AND THE ASSOCIATED COST RECOVERY MECHANISM PURSUANT TO <u>N.J.S.A.</u> 48:3-98.1)	ORDER ADOPTING STIPULATION
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)	DOCKET NO. GO12070640
AND)	
)	
IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF THE COST RECOVERY ASSOCIATED WITH ENERGY EFFICIENCY PROGRAM)	
)	
)	
)	DOCKET NO. GR12070641

Parties of Record:

Tracey Thayer, Esq., Attorney for Petitioner, New Jersey Natural Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board") considers a stipulation executed by New Jersey Natural Gas Company ("NJNG" or "Company"), the Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Parties"), which resolves the above-captioned matters.

BACKGROUND AND PROCEDURAL HISTORY

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law by former Governor Corzine based on the New Jersey Legislature's findings that energy efficiency and conservation measures must be essential elements of the State's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey.

The Legislature also found that public utility involvement and competition in the conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1 (a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis. Such investment in energy efficiency and conservation programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board, and the Board must make a decision on the requested cost recovery within 180 days of receipt of a complete petition. N.J.S.A. 48:3-98.1 (b).

On July 17, 2009, the Board authorized NJNG to implement three energy efficiency programs: 1) Home Performance with Energy Star ("HPwES") Enhancements; 2) Enhanced Warm Advantage Rebate Program; and 3) Commercial Customer Direct Install Program as part of former Governor Corzine's Economic Stimulus Plan announced in October 2008¹ ("Original Programs"). The Original Programs were designed to complement or supplement existing New Jersey Clean Energy Program ("NJCEP") offerings including the ongoing WarmAdvantage, COOLAdvantage, HPwES, Commercial Direct Install and Smart Start Building programs. The NJNG programs were to be available to eligible customers for approximately twelve months. In the event there was still program funding available after that period, NJNG could continue to offer the approved programs through December 31, 2010.

By Order dated September 24, 2010, the Board authorized NJNG to extend and expand the Original Programs through December 31, 2011² ("September 2010 Order"). In addition to authorizing modifications to the Original Programs, the September 2010 Order also authorized the Company to implement an OPOWER pilot through which customers obtain information about their specific energy use in comparison to comparable households, an incremental incentive for Combined Heat and Power ("CHP") projects undertaken in conjunction with NJCEP, and a program that offers eligible commercial customers an opportunity for customized provisions, Fostering Environmental and Economic Development ("FEED") (collectively, "NJNG SAVEGREEN Project").

By Order dated January 18, 2012, the Board authorized NJNG to continue its existing SAVEGREEN Project and implement certain proposed SAVEGREEN program changes through December 31, 2012, or twelve months from the date the Order approving the SAVEGREEN extension was served, whichever was later.

¹ I/M/O Energy Efficiency Programs and Associated Cost Recovery Mechanisms and I/M/O the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057, Order dated July 17, 2009.

² I/M/O the Petition of New Jersey Natural Gas for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanisms Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO10030225, Order dated September 24, 2010.

July 2012 Filing NJNG

On July 9, 2012, ("July Filing") NJNG filed a petition in Docket No. GO12070640 requesting approval of an extension of the Company's existing energy-efficiency programs offered through the SAVEGREEN Project and its associated cost recovery mechanisms. As part of the July Filing, the Company requested that the Board approve certain modifications to its current programs. The July Filing was accompanied by supporting schedules, program descriptions, financial and other related information.

Also on July 9, 2012, NJNG submitted its annual SAVEGREEN Cost Recovery Filing ("EE Rate Recovery filing") in Docket No. GR12070641, to establish rates ("EE rates") to be collected through the Board approved NJNG Tariff Sheet Rider F ("Rider F"). That filing had been made coincident but separate from NJNG's annual Basic Gas Supply Service filings and included updates to the SAVEGREEN investment levels, operating costs and reconciled rate recoveries to actual costs.

On August 8, 2012, Board Staff notified NJNG that the July Filing was found to be administratively complete pursuant to the terms of the Board's May 12, 2008 Order in Docket No. EO08030164, and that the 180-day period prescribed by N.J.S.A. 48:3-98.1 (b) for a final Board determination on cost recovery commenced as of July 9, 2012, the date of the filing. Consequently, the statutory 180-day review period would expire on January 5, 2013 ("Review Date").

On September 13, 2012, the Board issued an Order retaining this matter for consideration and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Mary Anna Holden as the presiding officer. Additionally, the Board adopted a procedural schedule agreed to by the "Parties."

Discovery questions in this matter were propounded by Rate Counsel and Staff, and NJNG provided responses to all requests. On October 26, 2012, Rate Counsel filed the direct testimonies of witnesses Robert J. Henkes and Robert Fagan. Public notice was provided for four public hearings scheduled for December 19, 2012, in Freehold Township and December 20, 2012, in Rockaway Township, New Jersey. No members of the public attended any of the public hearings, and no written comments were received.

By Order dated December 19, 2012, the Board approved a stipulation executed by the Parties extending the Review Date to February 1, 2013, to provide additional time to complete the administrative processing and review of the petition and accompanying materials, and to provide the Board with sufficient time to issue a final determination in this matter. Additionally, by Order January 23, 2013, the Board approved a stipulation to further extend the Review Date to June 30, 2013.

STIPULATION

Following numerous in-person and telephonic meetings, NJNG, Rate Counsel and Staff reached an agreement and executed a Stipulation of Settlement ("Stipulation") on June 10, 2013 resolving all issues. The Parties have agreed to the following salient terms³:

³ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion of this Order. Paragraphs are numbered to reflect numbering in the Stipulation.

24. NJNG can continue the SAVEGREEN programs and implement certain proposed SAVEGREEN program changes as described in the stipulation and shown on Attachment 1 to the Stipulation. Detailed descriptions of the proposed programs are provided in Attachment 2 to the Stipulation. These programs are to be offered through June 30, 2015, subject to the terms of Paragraph 29. Schedules showing the expected participation rates from the program and detailing the proposed program investments, expected revenue requirements and rate impacts are provided in Attachment 3 to the Stipulation.
25. NJNG agrees that it will withdraw the request to offer the oil tank removal grant at this time and the proposal to provide grants matching those offered by NJCEP for commercial customers participating in the SmartStart program.
26. NJNG can continue the residential SAVEGREEN programs with the modifications listed below and included on Attachment 1.
- NJNG will offer a \$500 grant to customers participating in the NJCEP WARMAdvantage program for purchases of qualifying furnaces or boilers.
 - A mandatory audit at no charge will be provided to encourage these customers to move into HPwES.
 - Customers installing both a WARMAdvantage qualified furnace or boiler and water heater are eligible to receive either the \$500 furnace/boiler grant listed above OR the opportunity to participate in the on-bill repayment plan ("OBRP") in an amount up to \$6,500 at zero percent interest and to be repaid by the participating customer over 5 years.
 - A mandatory audit at no charge will be provided to encourage these customers to install additional energy efficiency measures under the HPwES program.
 - An audit will also be offered at no charge to customers purchasing a WARMAdvantage qualified water heater to encourage further participation in HPwES measures but there will be no grant offered for the purchase of a water heater only
 - Customers participating in HPwES are entitled to an OBRP up to \$10,000 at zero percent interest and repayable over 10 years; NJNG will provide a grant up to \$5,000, in lieu of a grant funded by the NJCEP, for those customers participating in the OBRP for HPwES work.
 - Customers starting with WARMAdvantage work noted above (installing both a WARMAdvantage qualified furnace or boiler and water heater) who take advantage of the \$6,500 OBRP and then move into the HPwES program by pursuing further measures may be eligible for a maximum of \$10,000 OBRP (for WARMAdvantage and HPwES work) with a payback period extended from 5 to 10 years. The HPwES work must be initiated within 6 months of the audit work

and energy savings must be consistent with NJCEP minimum savings thresholds.

- NJNG will provide home energy audits at no charge to customers with income levels too high to participate in the Comfort Partners program but at or below 400 percent of the Federal poverty level.
 - NJNG will provide home energy audits at the request of customers with income level above 400 percent of the Federal poverty level at a charge of \$250, with those fees used to offset overall program costs.
 - NJNG can offer the OBRP to commercial customers participating in the NJCEP DI program in an amount covering the difference between the NJCEP grant and the allowable level of DI program costs. Currently, based on the NJCEP grant levels, NJNG will provide the OBRP in an amount up to \$37,500 to be paid back by the participating customers over two years. NJNG will adjust that amount to coincide with any future NJCEP grant level changes.
27. NJNG can continue the Access pilot and FEED programs as described in Paragraphs 8 and 9 herein during the term agreed to in this Stipulation. NJNG will provide quarterly reports, within 60 days from the end of each quarter, on relevant program participation metrics, beginning with the quarter ending September 30, 2013. Those reports will include the following information: 1) information on new systems installed (e.g. AFUE, HSPG, etc.) for each participant; 2) natural gas consumption before and after participation in the Access pilot for each participant; 3) NJNG will make best efforts to obtain customers' electric consumption before and after participation in Access; 4) installed measure cost for each participant; and 5) Access pilot program costs. Actual energy savings will be determined at the conclusion of the Access Pilot which will be no later than June 30, 2015. Additionally, it is agreed that NJNG can continue through June 30, 2015 the promotion of residential customer participation in OPOWER or a similarly structured program, as described in Paragraph 9.
28. Work related to any specific SAVEGREEN offer or application that has been initiated prior to the end date of June 30, 2015 may continue for close-out and completion purposes within the budget levels agreed to herein.
29. NJNG is permitted to shift between the anticipated grant and OBRP budget projections, as shown on Attachment 3, subject to actual participation levels and overall budget considerations. Additionally, in light of the two year term, the Company can carry forward up to 15 percent of the approved revenue requirement for the residential and commercial programs to the subsequent year. Consistent with the terms of the January 2012 Order, the Company agrees to provide written notice to Staff and Rate Counsel for any proposed changes between residential and commercial program funding levels or any change in incentive amounts resulting from Board approved changes to NJCEP incentive levels, including a description of the proposed budget re-allocation with supporting schedules.

30. As part of the pending NJCEP administrator transition and the utility working group process in the pending Comprehensive Resource Analysis ("CRA") proceeding⁴, the Parties understand that modifications may be made to NJCEP programs and policy directions. NJNG agrees to review the approved SAVEGREEN programs in cooperation with Staff and Rate Counsel to ensure alignment with NJCEP programs and administration. If necessary, modifications will be proposed.
31. NJNG will arrange for an independent evaluation of the SAVEGREEN programs to be initiated no later than January 1, 2015 and completed no later than January 1, 2016. The Company will meet with Staff and Rate Counsel to discuss the outcomes from this evaluation and any implications to be considered for future SAVEGREEN program modifications. Additionally, NJNG agrees to participate fully in any NJCEP evaluation work as discussed in the March 2013 BPU Staff Straw Proposal in the CRA⁵.
32. The Company will be authorized to defer and seek recovery of all reasonable and prudent SAVEGREEN Program Costs, including the grant costs, customer incentives, and associated reasonable and prudent incremental O&M expenses as noted on Attachment 3. The grant costs, customer incentives, customer financing costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG's Rider F. The SAVEGREEN Program Costs shall be subject to the terms set forth in Rider F and shall be recovered through a per therm EE charge relative to all applicable jurisdictional throughput on the NJNG distribution system as provided in Rider F. The estimated revenue requirements, including associated O&M expenses and assuming full estimated customer participation, are shown on Attachment 2.
33. NJNG agrees that the SAVEGREEN program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period, on a straight line basis, with the return on the unamortized investments based upon a rate of 6.9 percent (inclusive of a 9.75 percent return on equity weighted at 53.5 percent of total capital) and 10.5 percent return inclusive of income taxes, with the exception of the Access Program, which will be amortized without a return. As currently structured, the customer repayment periods for the OBRP offers will be two, five and ten years, depending on the program and total funds made available pursuant to Paragraph 26 herein. In computing the return component of its costs, NJNG will, in addition to the amortization of its investments, deduct the depreciation and applicable deferred income taxes related to the amortization of SAVEGREEN Program Costs over a five-year and ten-year period for book purposes, and over one year for tax purposes. NJNG will continue to calculate the monthly net investment balances by subtracting from the monthly net investment balances the current month-end accumulated amortization balances.

⁴ In the Matter of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2013-2016 Clean Energy Program, BPU Docket No. EO11050324v.

⁵ *Id.*

34. The SAVEGREEN program investments and operating costs will be reconciled to actual recoveries from the EE Rate in the EE Rate Recovery filings to be submitted on or before June 1st of each year, for which the Company may seek recovery as described further in Paragraph 36. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.
35. Pursuant to NJNG's instant EE Rate Recovery filing, Docket No. GR12070641, the Parties request that the Board approve the after-tax EE rate of \$0.0327 per therm to be effective as of July 1, 2013 or as of the date of the service of the Board Order approving this Stipulation. Proposed Tariff sheets reflecting this rate are provided as Attachment 4 hereto. Any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the Board in the Company's most recent base rate case, BPU Docket No. GR07110889 or the rate of return as agreed to herein whichever is less, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. The sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the upcoming year as part of the calculation of the cost over/under-recoveries.
36. The Company will make an EE Rate Recovery filing on or before June 1, 2014 seeking an October 2014 effective date.
37. NJNG will continue to submit detailed data regarding the SAVEGREEN programs and expenses through the Program Manager Data Tracking Sheets (IMS Data Entry Workbooks) as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN programs. The Company will submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report. Furthermore, NJNG agrees to work with BPU Staff on developing additional reporting elements related to the OBRP, including but not necessarily limited to repayment information and will make best efforts to reach resolution within 60 days but no later than 90 days of the effective date of the Board Order approving this stipulation.

DISCUSSION AND FINDING

The Board has carefully reviewed the record to date in this matter including the July Filing, testimonies, responses and the Stipulation. The Stipulation and the extension to June 30, 2015 provides for a reasonable time frame for continuing the SAVEGREEN Programs with modifications, given the pending NJCEP administrator transition and the utility working group process in the pending Comprehensive Resource Analysis ("CRA") proceeding which could result in policy directives for NJ CEP Programs and their design. The requested extension will allow the SAVEGREEN Programs to continue until the policy directives that result from the CRA proceeding are known. The Stipulation calls for NJNG to review the approved SAVEGREEN programs in cooperation with Staff and Rate Counsel to ensure alignment with NJCEP

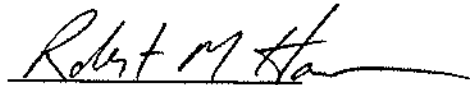
programs and administration, and if necessary, for modifications to be proposed to conform to any such changes. Based on this review, the Board **HEREBY FINDS** that the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein. The Board **HEREBY DIRECTS** the Parties to comply with the terms and condition of the Stipulation.


Further, the Board **HEREBY APPROVES** the after-tax EE rate of \$.0327 per therm as requested in the EE Rate Recovery filing, effective for service rendered on and after the later of the date this Order is served or July 1, 2013, and **HEREBY ORDERS** the Company to file final compliance tariffs within (5) days of service of this Order. An average residential heating service customers using 100 therms a month would receive an approximate increase in their monthly bills of \$2.00 or 1.7%, from \$115.45 to \$117.45.


The SAVEGREEN Program costs will remain subject to audit. This decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit

DATED: 6/21/13

BOARD OF PUBLIC UTILITIES
BY:

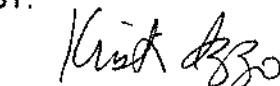

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JEANNE M. FOX
COMMISSIONER

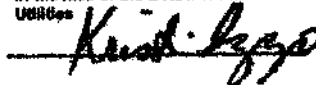

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
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Utilities



IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR
APPROVAL OF THE EXTENSION OF ENERGY EFFICIENCY PROGRAMS AND THE
ASSOCIATED COST RECOVERY MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1
BPU DOCKET NO. GR12070640

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR
APPROVAL OF THE COST RECOVERY ASSOCIATED WITH ENERGY EFFICIENCY
PROGRAMS,
BPU DOCKET NO. GR12070641

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

**IN THE MATTER OF THE
PETITION OF NEW JERSEY NATURAL
GAS COMPANY FOR APPROVAL OF
THE EXTENSION OF ENERGY-
EFFICIENCY PROGRAMS AND THE
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MECHANISM PURSUANT TO N.J.S.A.
48:3-98.1**

BPU DOCKET NO. GO12070640

**IN THE MATTER OF THE PETITION
OF NEW JERSEY NATURAL GAS
COMPANY FOR APPROVAL OF THE
COST RECOVERY ASSOCIATED
WITH ENERGY EFFICIENCY
PROGRAMS**

BPU DOCKET NO. GR12070641

STIPULATION

APPEARANCES:

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Alex Moreau and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Thomas R. Calcagni,** Acting Attorney General of the State of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

1. On July 9, 2012, New Jersey Natural Gas Company (“NJNG” or the “Company”) filed a petition (the “Petition”) in Docket No. GO12070640. That filing requested the New Jersey Board of Public Utilities (the “BPU” or “Board”) to approve an extension with modifications of the energy-efficiency programs made available to NJNG customers through The SAVEGREEN™ Project® pursuant to The Global Warming Response Act, N.J.S.A. 26:2C-45, and The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-98.1 (hereinafter, the “Acts”). These programs had been initially proposed in early 2009 in part to address the energy-efficiency and conservation goals of the Acts and were subsequently modified with the stated objective of aligning with the goals and policy direction encompassed in the 2011 New Jersey Energy Master Plan (the “2011EMP”). The Acts provide for, subject to certain conditions, the investment by a natural gas or electric utility in customer or utility side energy-efficiency and renewable energy programs in its service territory on a regulated basis.

2. Also on July 9, 2012, NJNG submitted its annual SAVEGREEN cost recovery filing (“EE Rate Recovery filing”) filing in Docket No. GR12070641 to establish rates (“EE rates”) to be collected through the Board approved NJNG Tariff Sheet Rider F (“Rider F”). That filing has generally been made coincident with but separate from NJNG’s annual Basic Gas Supply Service filings and is to include updates to the SAVEGREEN investment levels, operating costs, and reconcile rate recoveries to actual cost results. By letter dated June 1, 2012, NJNG notified the BPU and the New Jersey Division of Rate Counsel (“Rate Counsel”) that the Company’s 2012 EE Rate Recovery filing would be delayed and submitted to the BPU on or after July 1, 2012. To avoid confusion, as well as to ensure consistency and accuracy, NJNG submitted the SAVEGREEN filing and the 2012 EE Rate Recovery filing at the same time.

PROPOSALS IN CURRENT FILINGS

3. The Petition in the instant docket (GO12070640) was filed with supporting testimony of Thomas J. Massaro and Daniel P. Yardley, program descriptions and schedules providing financial information requesting Board approval to extend, with certain modifications, the energy-efficiency programs (the "EE Programs") and the on-bill repayment plan options ("OBRP") operating through SAVEGREEN as authorized by a Board Order dated January 18, 2012 in Docket No. GR11070425 ("January 2012 Order"). The Company requested that the Energy Efficiency Programs continue for a four-year period commencing January 1, 2013 or from the date of receipt of the Board's Order in this proceeding. The Petition stated that the modifications sought by NJNG and described below were proposed in response to market demands, State policy changes and customer needs. NJNG also sought approval to continue the currently Board-approved cost recovery methodology authorized in a Board Order dated July 17, 2009 in Docket Nos. EO09010056 and GO09010057 ("July 2009 Order").

4. As noted earlier, on that same day, NJNG submitted an EE Rate Recovery filing in BPU Docket No. GR12070641. That filing sought Board approval to change the after-tax EE rate to \$0.0327 per therm, for recovery of all deferred SAVEGREEN costs, including rebate costs, customer incentive payments, customer financing costs and associated reasonable and prudent incremental operation and maintenance ("O&M") expenses including administrative costs, marketing, sales calls and training costs (collectively referred to as "Program Costs") initially approved in the July 2009 Order, as well as those associated with the pending filing to

extend the SAVEGREEN programs. This proposed rate represents a \$0.0200 increase from the current after-tax rate per therm, resulting in an increase to the overall bill of the average residential heating customer using 1000 therms annually of approximately 1.7 percent.

RESIDENTIAL PROGRAMS PROPOSED

5. For residential customers, NJNG originally proposed to offer an incremental grant of \$300, in addition to the grant available for the installation of high-efficiency furnaces and boilers under the WARMAdvantage program managed by the New Jersey Clean Energy Program. The amount of the proposed incremental grant was based on the expectation that the United States Department of Energy (“DOE”) would be implementing increased energy efficiency standards for furnaces. NJNG also proposed a \$300 grant for customers installing a high-efficiency water heater and, for those customers simultaneously installing both pieces of qualified equipment, NJNG would offer the option of either the \$900 grant or the opportunity for receipt of up to \$6,500 through the OBRP at 0 percent interest for up to 5 years. To be eligible for receiving either the grant or the OBRP option, customers would be required to have a Building Performance Institute (“BPI”) certified audit performed by NJNG.

6. To encourage residential customers to pursue additional energy efficiency measures under the Home Performance with Energy Star (“HPwES”) programs managed by NJCEP, NJNG proposed that customers who installed WARMAdvantage qualified equipment would have the opportunity for an increase in the OBRP (up to a combined total of \$10,000) and a grant up to \$5000 for the completion of HPwES energy-efficiency measures. NJNG proposed that it would continue its practice of providing funding for grants for HPwES work for customer participating in the OBRP, in lieu of NJCEP-funded grants. Work must be initiated within 6

months of having received the HPwES audit and result in an additional energy savings of at least 10 percent. Also, NJNG proposed to provide an HPwES audit at no charge to customers in the underserved middle-income level (at or below 400 percent of the Federal poverty level).

7. In order to encourage eligible customers who are participating in WARMAdvantage to convert from oil heat to the use of natural gas, NJNG proposed a grant to cover a portion of the costs associated with removing an existing oil tank. Up to \$1,200 could be available for the removal of an underground oil tank and up to \$800 for the removal of an above ground oil tank.

8. NJNG sought approval to continue the Access to Affordable Energy Pilot Program (“Access”) approved by the Board in the January 2012 Order with no change in funding. This program serves to assist low-income customers currently relying on electric resistance heat and receiving benefits from the BPU’s Universal Service Fund (“USF”) by offering conversions to high-efficiency gas heating equipment or high-efficiency electric heat pumps. In addition to providing these customers with energy savings from more efficient heating equipment, this offer could result in a reduction to the amount of financial support other customers must provide through the USF program. This program also includes the collection of data to evaluate the resulting energy savings.

9. NJNG also proposed that two previously approved pilot programs be continued. The first, Fostering Environmental and Economic Development (“FEED”) was approved in a Board Order dated September 24, 2010 (the “September 2010 Order”) and is a program that provides certain commercial and industrial customers with financial assistance for energy-efficiency and economic development opportunities with no direct rate subsidy on NJNG’s non-

participating customers. The second, entitled OPOWER and also authorized in the September 2010 Order, is direct mail program with a companion online tool providing customers with information related to energy efficiency and conservation that is customized to their individual situations. Potential energy savings based upon changes to usage patterns and equipment is accessed by participating customers through the Company's web site, providing suggestions for change and solutions tailored to each individual customer.

COMMERCIAL PROGRAMS PROPOSED

10. For the commercial sector, NJNG proposed that certain customers whose accounts are designated as commercial but who would be installing residential-sized energy-efficient equipment as defined by NJCEP could be eligible for the residential equipment incentives and OBRP options described in Paragraph 5. Additionally, the Company proposed to offer those customers participating in the NJCEP Direct Install ("DI") program with the opportunity to participate in the OBRP (with zero percent interest and a two-year payback period) for the amounts of an eligible project not covered by the currently effective NJCEP grant. Finally, those customers participating in the NJCEP SmartStart Program could be eligible for grants from NJNG matching those provided by NJCEP.

OTHER PROPOSALS

11. Pursuant to the structure approved by the Board in the September 2010 Order, NJNG proposed that work related to a SAVEGREEN program may continue into 2017 for close-out and completion of projects approved or committed prior to December 31, 2016.

12. NJNG proposed funding flexibility in two manners to appropriately address customer needs, market and economic conditions, the impact of variations in weather and

possible State policy changes. The Company sought clarification that, based on revenue requirements, the current funding flexibility permits shifting funds between the grant and OBRP incentives. Additionally, in light of the multi-year approach included in the SAVEGREEN extension filing, it was proposed that the funding flexibility would allow the Company to carry forward up to 20 percent of the approved revenue requirement for the residential and commercial programs to subsequent years. The Company offered to limit funding flexibility by preventing the shift of funds between residential and commercial programs.

13. Based on the terms of the January 2012 Order, the Company proposed to again provide written notice to the BPU Staff and Rate Counsel for any changes between residential and commercial program funding levels or any change in incentive amounts, including a description of the proposed budget re-allocation with supporting schedules. Additionally, if funds allocated for SAVEGREEN in 2012 were not fully expended or committed by January 18, 2013, NJNG would transfer those amounts to SAVEGREEN work in future years.

14. NJNG also proposed to arrange for an independent evaluation of the SAVEGREEN programs that would be initiated after two full years of operation following approval of the proposed programs. Following that, it was proposed that the Company would meet with BPU Staff and Rate Counsel to discuss the outcomes from that evaluation and any implications to be considered as part of program changes to be filed by NJNG in 2016.

15. NJNG requested that the Board approve the continued use of deferred accounting for all costs associated with the SAVEGREEN programs, including the costs of the grants, customer incentives, O&M expenses, amortization expense, return on investments and income taxes. The recovery of those Program Costs shall continue to be through a per-therm charge

applicable to all jurisdictional volumes through NJNG's distribution system. The investments associated with the SAVEGREEN programs will be amortized over a two-, five-, or ten-year period from the month in which they are incurred. It was proposed that the recovery continue to be through Rider F, the BPU-approved mechanism now in place for the recovery of SAVEGREEN Program Costs.

PROCEDURAL HISTORY

16. Pursuant to the statutory requirements, the Parties participated in a pre-filing conference call for the SAVEGREEN extension filing on June 1, 2012 at which time NJNG provided an overview of the upcoming filing and a discussion of the information to be submitted. The filing, as noted above, was submitted to the BPU on July 9, 2012. A letter was received from BPU Staff dated August 8, 2012, noting that the Petition and accompanying information were found to be administratively complete. On September 13, 2012, the Board issued an Order retaining this matter at the agency for consideration and, pursuant to N.J.S.A. 48:2-32, designating BPU Commissioner Mary-Anna Holden as the presiding officer. In that same Order, the Board approved an initial procedural schedule for this matter.

17. To date, no party has sought intervention in either of these cases.

18. Discovery questions in this matter were propounded by BPU Staff and Rate Counsel, and the Company has provided responses.

19. Public notice was provided by NJNG for four public hearings on the SAVEGREEN extension and the EE rate filing that were held on the following locations, dates and times: hearings at 4:30 pm and 5:30 p.m. on December 19, 2012, in Freehold Township and hearings at 4:30 p.m. and 5:30 p.m. on December 20, 2013, in Rockaway Township. No

members of the public appeared at any of the public hearings and no written comments were received by the BPU, NJNG or Rate Counsel.

20. Rate Counsel filed the direct testimony of Robert Fagan and Matthew I. Kahal on October 26, 2012.

21. In order to provide additional time to review NJNG's filing and to continue settlement discussions, representatives of BPU Staff, Rate Counsel and NJNG (the "Signatory Parties") entered into a Stipulation extending the statutorily mandated 180-day review period for the SAVEGREEN extension to February 1, 2013 and the Board approved that Stipulation in an Order dated December 19, 2012. Subsequently, the Board approved an agreement among the Signatory Parties extending the approved SAVEGREEN programs and the review period for Docket No. GO12070640 through June 30, 2013.

22. On March 28, 2013, NJNG submitted the rebuttal testimonies of Paul A. Moul and Thomas J. Massaro. Discovery on those documents was propounded by BPU Staff and Rate Counsel.

23. Subsequent to the review of discovery and the completion of public hearings, and after discovery and settlement meetings among the Signatory Parties, the following agreement has been reached in resolution of this case.

Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by the Signatory Parties as follows:

STIPULATED MATTERS

24. The Signatory Parties agree that NJNG can continue the SAVEGREEN programs and implement certain proposed SAVEGREEN program changes as described herein and shown on Attachment 1 hereto. Detailed descriptions of the proposed programs are provided in Attachment 2 hereto. These programs are to be offered through June 30, 2015, subject to the terms of Paragraph 29. Schedules showing the expected participation rates from the program and detailing the proposed program investments, expected revenue requirements and rate impacts are provided in Attachment 3 hereto.

25. In resolution of this proceeding, NJNG agrees that it will withdraw the request to offer the oil tank removal grant (Paragraph 7 herein) at this time and the proposal to provide grants matching those offered by NJCEP for commercial customers participating in the SmartStart program (Paragraph 10 herein).

26. The Signatory Parties agree that, in resolution of this proceeding, NJNG can continue the residential SAVEGREEN programs with the modifications listed below and included on Attachment 1 hereto.

- NJNG will offer a \$500 grant to customers participating in the NJCEP WARMAvantage program for purchases of qualifying furnaces or boilers.
 - A mandatory audit at no charge will be provided to encourage these customers to move into HPwES.

- Customers installing both a WARMAdvantage qualified furnace or boiler and water heater are eligible to receive either the \$500 furnace/boiler grant listed above OR the opportunity to participate in the OBRP in an amount up to \$6,500 at zero percent interest and to be repaid by the participating customer over 5 years.
 - A mandatory audit at no charge will be provided to encourage these customers to install additional energy efficiency measures under the HPwES program.
- An audit will also be offered at no charge to customers purchasing a WARMAdvantage qualified water heater to encourage further participation in HPwES measures but there will be no grant offered for the purchase of a water heater only
- Customers participating in HPwES are entitled to an OBRP up to \$10,000 at zero percent interest and repayable over 10 years; NJNG will provide a grant up to \$5,000, in lieu of a grant funded by the NJCEP, for those customers participating in the OBRP for HPwES work.
 - Customers starting with WARMAdvantage work noted above (installing both a WARMAdvantage qualified furnace or boiler and water heater) who take advantage of the \$6,500 OBRP and then move into the HPwES program by pursuing further measures may be eligible for a maximum of \$10,000 OBRP (for WARMAdvantage and HPwES work) with a payback period extended from 5 to 10 years. The HPwES work must be initiated within 6 months of the audit work and energy savings must be consistent with NJCEP minimum savings thresholds.

- NJNG will provide home energy audits at no charge to customers with income levels too high to participate in the Comfort Partners program but at or below 400 percent of the Federal poverty level.
- NJNG will provide home energy audits at the request of customers with income level above 400 percent of the Federal poverty level at a charge of \$250, with those fees used to offset overall program costs. NJNG can offer the OBRP to commercial customers participating in the NJCEP DI program in an amount covering the difference between the NJCEP grant and the allowable level of DI program costs. Currently, based on the NJCEP grant levels, NJNG will provide the OBRP in an amount up to \$37,500 to be paid back by the participating customers over two years. NJNG will adjust that amount to coincide with any future NJCEP grant level changes.

27. The Signatory Parties agree that NJNG can continue the Access pilot and FEED programs as described in Paragraph 8 and 9 herein during the term agreed to in this Stipulation. NJNG will provide quarterly reports, within 60 days from the end of each quarter, on relevant program participation metrics, beginning with the quarter ending September 30, 2013. Those reports will include the following information: 1) information on new systems installed (e.g. AFUE, HSPG, etc.) for each participant; 2) natural gas consumption before and after participation in the Access pilot for each participant; 3) NJNG will make best efforts to obtain customers' electric consumption before and after participation in Access; 4) installed measure cost for each participant; and 5) Access pilot program costs. Actual energy savings will be determined at the conclusion of the Access Pilot which will be no later than June 30, 2015. Additionally, it is agreed that NJNG can continue through June 30, 2015 the promotion of

residential customer participation in OPOWER or a similarly structured program, as described in Paragraph 9.

28. Work related to any specific SAVEGREEN offer or application that has been initiated prior to the end date of June 30, 2015 may continue for close-out and completion purposes within the budget levels agreed to herein.

29. The Signatory Parties agree that NJNG is permitted to shift between the anticipated grant and OBRP budget projections, as shown on Attachment 3, subject to actual participation levels and overall budget considerations. Additionally, in light of the two year term, the Company can carry forward up to 15 percent of the approved revenue requirement for the residential and commercial programs to the subsequent year. Consistent with the terms of the January 2012 Order, the Company agrees to provide written notice to the BPU Staff and Rate Counsel for any proposed changes between residential and commercial program funding levels or any change in incentive amounts resulting from Board approved changes to NJCEP incentive levels, including a description of the proposed budget re-allocation with supporting schedules.

30. As part of the pending NJCEP administrator transition and the utility working group process in the pending Comprehensive Resource Analysis (“CRA”) proceeding¹, the Signatory Parties understand that modifications may be made to NJCEP programs and policy directions. NJNG agrees to review the approved SAVEGREEN programs in cooperation with Board Staff and Rate Counsel to ensure alignment with NJCEP programs and administration. If necessary, modifications will be proposed.

¹In the Matter of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2013-2016 Clean Energy Program, BPU Docket No. EO11050324v.

31. The Signatory Parties agree that NJNG will arrange for an independent evaluation of the SAVEGREEN programs to be initiated no later than January 1, 2015 and completed no later than January 1, 2016. The Company will meet with BPU Staff and Rate Counsel to discuss the outcomes from this evaluation and any implications to be considered for future SAVEGREEN program modifications. Additionally, NJNG agrees to participate fully in any NJCEP evaluation work as discussed in the March 2013 BPU Staff Straw Proposal in the CRA².

32. The Signatory Parties agree that the Company will be authorized to defer and seek recovery of all reasonable and prudent SAVEGREEN Program Costs, including the grant costs, customer incentives, and associated reasonable and prudent incremental O&M expenses as noted on Attachment 3 herein. The grant costs, customer incentives, customer financing costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG's Rider F. The SAVEGREEN Program Costs shall be subject to the terms set forth in Rider F and shall be recovered through a per therm EE charge relative to all applicable jurisdictional throughput on the NJNG distribution system as provided in Rider F. The estimated revenue requirements, including associated O&M expenses and assuming full estimated customer participation, are shown on Attachment 3, attached hereto.

33. NJNG agrees that the SAVEGREEN program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period, on a straight line basis, with the return on the unamortized investments based upon a rate of 6.9 percent (inclusive of a 9.75 percent return on equity weighted at 53.5 percent of total capital) and 10.5 percent return inclusive of income taxes, with the exception of the Access Program, which

²*Id.*

will be amortized without a return. As currently structured, the customer repayment periods for the OBRP offers will be two, five and ten years, depending on the program and total funds made available pursuant to Paragraph 26 herein. In computing the return component of its costs, NJNG will, in addition to the amortization of its investments, deduct the depreciation and applicable deferred income taxes related to the amortization of SAVEGREEN Program Costs over a five-year and ten-year period for book purposes and over one year for tax purposes. NJNG will continue to calculate the monthly net investment balances by subtracting from the monthly net investment balances the current month-end accumulated amortization balances.

34. The SAVEGREEN program investments and operating costs will be reconciled to actual recoveries from the EE Rate in the EE Rate Recovery filings to be submitted on or before June 1st of each year, for which the Company may seek recovery as described further in Paragraph 36 herein. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.

35. Pursuant to NJNG's instant EE Rate Recovery filing, Docket No. GR12070641, filed on July 9, 2012 and described in Paragraphs 2 and 4 herein, the Signatory Parties request that the Board approve the after-tax EE rate of \$0.0327 per therm to be effective as of July 1, 2013 or as of the date of the service of the Board Order approving this Stipulation. Proposed Tariff sheets reflecting this rate are provided as Attachment 4 hereto. Any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by

the Board in the Company's most recent base rate case, BPU Docket No. GR07110889 or the rate of return as agreed to herein whichever is less, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. The sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the upcoming year as part of the calculation of the cost over/under-recoveries.

36. The Company will make an EE Rate Recovery filing on or before June 1, 2014 seeking an October 2014 effective date.

37. NJNG will continue to submit detailed data regarding the SAVEGREEN programs and expenses through the Program Manager Data Tracking Sheets (IMS Data Entry Workbooks) as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN programs. The Company will submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report. Furthermore, NJNG agrees to work with BPU Staff on developing additional reporting elements related to the OBRP, including but not necessarily limited to repayment information and will make best efforts to reach resolution within 60 days but no later than 90 days of the effective date of the Board Order approving this stipulation.

38. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any 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

this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), 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.

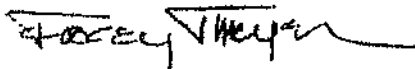
39. It is the intent of the Signatory Parties that the provisions herein be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

40. 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, the BPU Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Signatory Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms herein, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By:


TRACEY THAYER, ESQ.
Director, Regulatory Affairs Counsel

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

By:


SARAH H. STEINDEL, ESQ.
Assistant Deputy Rate Counsel

**THOMAS R. CALCAGNI
ACTING ATTORNEY GENERAL OF
THE STATE OF NEW JERSEY
Attorney for Staff of the Board of Public Utilities**

By:


VERONICA BEKE
Deputy Attorney General

Date:

6/10/2013



New Jersey
Natural Gas

July 9, 2012

VIA FEDERAL EXPRESS

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

Re: IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF THE EXTENSION OF
ENERGY-EFFICIENCY PROGRAMS AND
THE ASSOCIATED COST RECOVERY
MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1
BPU DOCKET NO. GR1207 _____

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the Petition of New Jersey Natural Gas Company for the approval of the extension of energy-efficiency programs offered through The SAVEGREEN™ Project and the associated cost recovery mechanism.

Copies of the petition, including the supporting Exhibits, are also being served upon the New Jersey Division of Rate Counsel and the Division of Law.

Kindly acknowledge receipt of this filing by date stamping the enclosed copy of this letter and returning same in the self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in black ink that reads "Tracey Thayer".

Tracey Thayer
Director, Regulatory Affairs Counsel

TT:jpc
Enclosures
C: Service List



July 9, 2012

VIA FEDERAL EXPRESS

The Honorable Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Re: IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF THE COST RECOVERY
ASSOCIATED WITH ENERGY EFFICIENCY
BPU DOCKET NO. GR1207 _____

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the Petition of New Jersey Natural Gas Company (NJNG) for approval of the Cost Recovery associated with Energy Efficiency Programs.

Copies of the petition, including the supporting Exhibits, are also being served upon the New Jersey Division of Rate Counsel and the Division of Law.

Kindly acknowledge receipt of this filing by date stamping the enclosed copy of this letter and returning same in the self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Tracey Thayer', written in a cursive style.

Tracey Thayer
Director, Regulatory Affairs Counsel

TT:jpc

Enclosures

C: Service List