



Agenda Date: 6/21/13

Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY)	DECISION AND ORDER
NATURAL GAS COMPANY FOR THE ANNUAL REVIEW)	APPROVING STIPULATION FOR
AND REVISION OF ITS BASIC GAS SUPPLY SERVICE)	FINAL RATES
(BGSS) AND CONSERVATION INCENTIVE PROGRAM)	
(CIP) FACTORS FOR FISCAL YEAR 2013)	DOCKET NO. GR12060472
)	OAL DOCKET NO. PUC 03556-13

Parties of Record:

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

BY THE BOARD:

Per the generic Order of the New Jersey Board of Public Utilities ("Board") dated January 6, 2003, in Docket No. GX01050304 ("January Order"), each of New Jersey's four gas distribution companies ("GDCs") is directed to submit to the Board by June 1 its annual Basic Gas Supply Service ("BGSS") cost filing for the BGSS year beginning October 1. In addition, the January Order authorizes each GDC: to a.) self-implement up to a 5% BGSS increase effective December 1 of the current year and February 1 of the following year with one month's advance notice to the Board and the Division of Rate Counsel ("Rate Counsel"); and b.) implement a decrease in its BGSS rate at any time during the year upon five days' notice to the Board and Rate Counsel.

In accordance with the January Order, on June 1, 2012, New Jersey Natural Gas Company ("Company" or "NJNG") filed with the Board its annual BGSS petition ("Petition") to establish new rates for the BGSS year of October 1, 2012 through September 30, 2013.

The Petition projected an under-recovered BGSS balance at the end of the current BGSS year (September 30, 2012) of \$13.4 million, decreasing to a more moderate under-recovered balance of \$6.5 million by September 30, 2013¹.

The Company proposed to maintain its after-tax periodic BGSS billing factor for residential and small commercial customer sales customers at its after-tax level of \$0.6681 per therm, and in

¹ Updated for actuals through April, 2013, the Company projects that the current BGSS after-tax per therm rate of \$0.6681 will reduce the under-recovered balance to less than \$0.5 million by September 30, 2013.

response to changing market conditions, the Company would consider the utilization of bill credits, refunds, and self-implemented BGSS price adjustments to manage any projected over/under recoveries through September 2013.

The Petition included a Conservation Incentive Program ("CIP")² proposal seeking approval of the following changes to the Company's after-tax per therm CIP rates effective October 1, 2012:

Group	Group Description	Per Therm		
		Proposed Rate	In-place Rate	Increase (Decrease)
I	Residential Non-Heat	\$0.0152	\$0.0255	(\$0.0103)
II	Residential Heat	\$0.0352	\$0.0066	\$0.0286
III	General Service - Small	\$0.0850	\$0.0464	\$0.0386
IV	General Service - Large	\$0.0681	\$0.0391	\$0.0290

These CIP rate-changes for the CIP year of October 1, 2012 through September 30, 2013 were estimated to generate a net increase in NJNG's CIP revenues of \$17.80 million (\$16.64 million pre-tax) to NJNG, comprised of the following elements:

	TABLE II - CIP (\$000)			Prior Period (Over) Recovery (\$000)	CIP Increase to be Recovered (\$Mil.)
	Non-Weather	Weather	Total		
Group I - Res. No Heat	\$103	\$0	\$103	(\$58)	\$0.05
Group II - Res. Heat	\$7,347	\$22,351	\$29,697	(\$15,117)	\$14.61
Group III - G. S. Small	\$1,718	\$1,544	\$3,263	(\$687)	\$2.58
Group IV - G.S. Large	\$5,332	\$4,529	\$9,861	(\$1,367)	\$8.51
Total	\$14,500	\$28,424	\$42,924	(\$17,229)	\$25.75
Projected CIP at Then Current Rates					(\$9.11)
Difference Excl. SUT					\$16.64
Difference Incl. SUT					\$17.80

The Company's proposed CIP rate changes translated to an increase of \$2.86 (2.4%) for the Residential Heat customer using 100 therms per month, and \$28.60 (2.4%) using 1,000 therms for the year.

² The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 ("CIP Order"). The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS Rates and subject to return on equity limits.

Pursuant to the Board's October 12, 2006 and January 20, 2010 Orders in Docket Nos. GR05121020, any non-weather related CIP surcharges must be offset by reductions in BGSS related costs. Based on the Company's filing, after adjusting for the warmer than normal weather for the heating season period October 2011 through May 2012, the non-weather CIP value to be recovered in the current year was calculated at \$14.5 million. As this amount was less than the NJNG released capacity savings of \$14.9 million, the Company maintained that it had met the BGSS savings test. In addition, as the Company's estimated average return on common equity for the year ending September 30, 2012 of 9.89%³ was less than the 10.3% ceiling, the Company argued that it was entitled to recover both of its weather and non-weather margin CIP deficiencies, totaling \$42.9 million.

TABLE-III (below) identifies by customer group the net \$17.8 million revenue increase for the BGSS/CIP year that began on October 1, 2012 as proposed in the Petition:

TABLE – III Customer Categories		CIP Recoveries [Millions]		
Group	Group Description	At Proposed Rates	At In-place Rates	Change
I	Residential Non-Heat	\$0.05	\$0.08	(\$0.03)
II	Residential Heat	\$15.63	\$2.93	\$12.70
III	General Service - Small	\$2.76	\$1.51	\$1.25
IV	General Service - Large	\$9.11	\$5.23	\$3.88
		\$27.55	\$9.75	\$17.80

The Company also proposed to increase its after-tax balancing charge by \$0.0054 per therm, from \$0.0844 to \$0.0898, to reflect up-dated costs. Supply imbalances occur when transportation customers use more or less gas than the amount they agreed to take from a third party supplier. The balancing charge represents the cost to NJNG's transportation customers for NJNG providing gas from its BGSS portfolio to adjust for transportation customers' over/under consumption. All balancing charge revenues from transportation customers are credited to the BGSS. For sales customers, the balancing charge is included as a component of the delivery charge and deducted from the BGSS charge in order to provide a BGSS "Price-to-Compare." There is no balancing charge related impact on sales customers' bills, as the balancing charge is deducted from the BGSS price and added to the delivery price.

After publication of notice in newspapers in general circulation in the Company's service territory, on July 27 and August 8, 2012, public hearings in this matter were held in Freehold and Rockaway, respectively. No members of the public appeared at either of the hearings.

Following a review by, and subsequent discussions among, representatives of NJNG, Rate Counsel and Board Staff (collectively, "the Parties") determined that additional time was needed to complete a comprehensive review of NJNG's proposed BGSS, CIP and balancing charge

³The actual rate of return on average common equity as of September 30, 2012 was 10.1%.

rates. However, as indicated in a stipulation signed by the Parties on September 17, 2012, they agreed that approval of the following proposed rates on a provisional basis subject to refund with interest was reasonable at that time, with an opportunity for a full review at the Office of Administrative Law, if necessary, and final approval by the Board:

TABLE - IV	AFTER-TAX
PROVISIONALLY APPROVED	RATES PER THERM
BGSS	\$0.6681
Balancing Charge	\$0.0898
CIP:	
Residential Non-Heat	\$0.0152
Residential - Heat	\$0.0352
Commercial - Small	\$0.0850
Commercial - Large	\$0.0681

On October 4, 2012, the Board approved the Parties' September 17, 2012 Stipulation for Provisional Rates, effective October 12, 2012, reflecting the above "After-Tax Rates Per Therm", and ordered that the matter be transmitted to the OAL for full review and an Initial Decision, and then returned to the Board.

STIPULATION⁴ FOR FINAL RATES

Subsequent to the issuance of discovery and discussions on the matters at issue, on May 21, 2013, the Parties entered into a stipulation ("Stipulation") agreeing that the provisionally approved rates reflected above in TABLE - IV be made final, and remain in effect until further Board Order, or Company action in accordance with the January BGSS Order.

The Parties concur that the savings generated by the release of contracted pipeline capacity, referenced in Paragraphs 8, 9 and 10 of the Stipulation, are eligible to offset non-weather related CIP recoveries.

The Parties have reviewed the Company's proposal with respect to additional types of transactions to be included in the Company's current capacity release programs as specified in Paragraphs 7, 15 and 16 of the Stipulation, and agree that the Company can undertake the additional types of transactions, subject to continuing review in future BGSS proceedings and inclusion in on-going monthly off-system sales and capacity release reporting.

The Company will continue to e-mail the Parties in this proceeding the monthly "BGSS NYMEX Update Report" ("Exhibit B" attached to the Stipulation) and the "Calculation of Net Cost of Gas per Therm" report ("Exhibit C" attached to the Stipulation).

On May 31, 2013, Administrative Law Judge Pelios issued his Initial Decision finding the Stipulation to be voluntary, dispositive of all issues in controversy, and consistent with the law.

⁴ Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order

DISCUSSION AND FINDING

The Board, having carefully reviewed the Initial Decision and Stipulation for Final BGSS and CIP Rates in this proceeding, **HEREBY FINDS** that, subject to the terms and conditions set forth below, the Initial Decision and Stipulation are reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** their terms and conditions as though fully set forth herein.

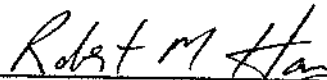
The Board **HEREBY APPROVES** the after-tax per therm BGSS rate of \$0.6681, applicable to residential and small commercial customers, as final.⁵ The Board **HEREBY APPROVES** the Company's after-tax per therm balancing charge of \$0.0898 as final.

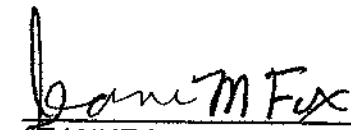
The Board **HEREBY APPROVES** the Company's after-tax per therm CIP rates of \$0.0152 for Group I Residential Non-Heat Customers, \$0.0352 for Group II Residential Heat Customers, \$0.0850 for Group III General Service - Small Commercial Customers, and \$0.0681 for Group IV General Service - Large Commercial Customers, as final.


The Company's gas costs will remain subject to audit by the Board. 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

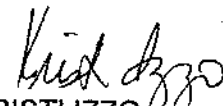
BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT

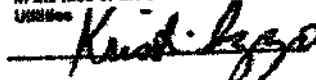

JEANNE M. FOX
COMMISSIONER


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 in the files of the Board of Public Utilities



⁵ The Board notes that on May 24, 2013 NJNG filed a notice of intent to decrease its periodic BGSS price from the current pre-tax level of \$0.6681 to \$0.6056 effective June 1, 2013.

In the Matter of the Petition of New Jersey Natural Gas Company For the Annual Review and Revision of Its Basic Gas Supply Service (BGSS), and Review and Revision of its Conservation Incentive Program (CIP) Factors for year 2013 – Docket No. GR12060472

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

NEW JERSEY NATURAL GAS CO
RECEIVED
JUN 06 2013
REGULATORY AFFAIRS

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 03556-13

AGENCY DKT. NO. GR12060472

**IN MATTER OF NEW JERSEY NATURAL GAS
COMPANY'S ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SERVICE (BGSS) AND
CONSERVATION INCENTIVE PROGRAM (CIP)
FACTORS**

Tracey Thayer, Esq., for petitioner

Alex Moreau, Deputy Attorney General, for respondent (Jeffrey S. Chiesa,
Attorney General of New Jersey, attorney)

Sarah H. Steindel, Esq., for Division of Rate Counsel, appearing pursuant to
N.J.A.C. 1:1-5.4(a)2

James W. Glassén, Esq., for Division of Rate Counsel, appearing pursuant to
N.J.A.C. 1:1-5.4(a)2

Record Closed: May 22, 2013

Decided: May 31, 2013

BEFORE ELIA A. PELIOS, ALJ:

This proceeding involves New Jersey Natural Gas Company's annual review and revision of its basic gas supply service and conservation incentive program factors. The petition was transmitted to the Office of Administrative Law on March 13, 2013, for determination as a contested case.

The parties filed, on May 22, 2013, a Stipulation of Settlement (J-1) which resolves all issues in this proceeding. Said Stipulation of Settlement has been signed by all parties, indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

May 31, 2013

DATE

Date Received at Agency:

Date Mailed to Parties:

/mel



ELIA A. PELIOS, ALJ

6/4/13

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement



New Jersey
Natural Gas

May 21, 2103

VIA FEDERAL EXPRESS #7998-110-8008

The Honorable Elia Pelios
Office of Administrative Law
9 Quakerbridge Plaza
P.O. Box 049
Trenton, NJ 08625-049

2013 MAY 22 A 11:30
OFFICE OF ADMINISTRATIVE LAW

**Re: IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR THE ANNUAL REVIEW AND APPROVAL OF ITS BASIC GAS SUPPLY
SERVICE (BGSS) AND ITS CONSERVATION INCENTIVE PROGRAM (CIP)
FACTORS FOR FISCAL YEAR 2013**

**OAL Docket No. PUC 03556-2013S
BPU Docket No. GR12060472**

Dear Judge Pelios:

I am pleased to report that a Stipulation of Settlement resolving all issues has been entered into among New Jersey Natural Gas Company, the Staff of the New Jersey Board of Public Utilities (the Board) and the New Jersey Division of Rate Counsel, the only parties to the above captioned proceeding. A copy of the fully executed document is attached hereto and we would greatly appreciate having an Initial Decision prepared as soon as possible.

In light of the resolution of this case, I am also notifying you that the previously scheduled telephonic conference for June 11, 2013 can be cancelled. If you have any questions or need additional information, I can be reached at (732) 919-8025.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tracey Thayer".

Tracey Thayer, Esq.
Director, Regulatory Affairs Counsel

TT:jpc

C: Service List (electronically only)

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

**IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY)
FOR THE ANNUAL REVIEW AND) BPU DOCKET NO. GR12060472
REVISION OF ITS BASIC GAS SUPPLY) OAL DOCKET NO. PUC 03556-2013
SERVICE (BGSS) AND ITS)
CONSERVATION INCENTIVE PROGRAM)
(CIP) FACTORS FOR F/Y 2013)
)**

STIPULATION FOR FINAL BGSS AND CIP RATES

APPEARANCES:

Tracey Thayer, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Sarah H. Steindel, Esq. and James W. Glassen, Esq., Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (Stefanie Brand, Esq., Director)

Alex Moreau and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey)

TO: THE HONORABLE ELIA A. PELIOS, ADMINISTRATIVE LAW JUDGE

BACKGROUND

1. Pursuant to the terms of a generic Order of the New Jersey Board of Public Utilities (the "Board" or "BPU") dated January 6, 2003 ("Generic Order"), in Docket No. GX01050304 ("January Order"), New Jersey Natural Gas Company ("NJNG" or the "Company") was directed to submit an annual Basic Gas Supply Service ("BGSS") cost filing for the BGSS year starting each October 1. Additionally, in a Board Order dated December 12, 2006, NJNG received approval for the Conservation Incentive Program ("CIP") in Docket No.

GR05120120 ("2006 CIP Order") and agreed to submit annual rate filings in conjunction with the annual BGSS cost filings. Those filings reflect the CIP year of October 1 – September 30. As approved by the Board on October 3, 2008 in BPU Docket No. GR07110889 ("Base Case Order"), NJNG is authorized to adjust its balancing charge in the annual BGSS filing to reflect updated costs. For transportation customers, the balancing charge is a component of the delivery charge and all balancing charge revenues from transportation customers are credited to BGSS. For sales customers, the balancing charge is deducted from the BGSS charge and included as a component of the delivery charge in order to provide a "Price-to-Compare." Since the balancing charge is deducted from the BGSS price and added to the delivery price there is no balancing-related impact on a sales customer's bill.

2. Accordingly, NJNG filed a petition in Docket No. GR12060472 on June 1, 2012 ("June 1 Filing"), requesting that the New Jersey Board of Public Utilities (the "BPU" or "Board") approve NJNG's annual filing to: 1) maintain the current Basic Gas Supply Service ("BGSS") rates for the period October 1, 2012 through September 30, 2013; 2) approve an increase to the Company's Balancing Charge; and 3) approve the implementation of updated Conservation Incentive Program ("CIP") factors effective October 1, 2012. The Company also proposed certain enhancements to the current Board-approved capacity release incentive program with no associated rate impact.

3. Specifically, the petition requested that the BPU maintain the current per therm after-tax Periodic BGSS rate of \$0.6681 that is applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism. As requested by Board Staff, NJNG's filing reflected market conditions as of May 10, 2012 based on a one-year BGSS recovery period. For the October 2012 through September 2013 BGSS year, NJNG's filing

included an estimated beginning deferred balance underrecovery of \$13.4 million and an estimated ending deferred balance underrecovery of \$6.5 million.

4. The petition also requested a \$0.0054 per therm increase to the NJNG after-tax balancing charge, thereby increasing the per therm after-tax balancing charge from \$0.0844 to \$0.0898 resulting in a \$0.6 million increase to the current estimated annual balancing charge revenue of from transportation customers.

5. Within the June 1 Filing, as authorized in the CIP Order, the Company also submitted its annual CIP filing for CIP year 2013, October 1, 2012 through September 30, 2013, requesting that the BPU approve the implementation of updated CIP factors effective October 1, 2012 resulting in an overall increase of after-tax revenue of approximately \$17.8 million. The Company is seeking approval for the following changes to its after-tax per therm CIP factors: 1) a decrease of \$0.0103 from the current rate of \$0.0255 for Group I Residential Non-Heat customers resulting in the proposed charge of \$0.0152; 2) an increase of \$0.0286 to the current rate of \$0.0066 resulting in the proposed charge of \$0.0352 for Group II Residential Heat customers; 3) an increase of \$0.0386 to the current charge of \$0.0464 for Group III Small Commercial customers resulting in the proposed charge of \$0.0850; and 4) an increase of \$0.0290 to the current charge of \$0.0391 resulting in the proposed charge of \$0.0681 for Group IV Large Commercial customers, all effective as of October 1, 2012. Pursuant to the Board's 2006 CIP Order and the January 20, 2010 Order ("2010 CIP Order") in Docket No. GR05121020, any non-weather related CIP surcharges must be at least offset by reductions in related BGSS costs. The Company reported for year 2012, October 1, 2011 through September 30, 2012 CIP accruals of \$42.9 million with \$28.4 million related to weather and \$14.5 million non-weather related. The Company has identified \$14.9 million in qualifying BGSS savings

available to offset non-weather related charges for the October 2012 through September 2013 CIP recovery period. The Company further asserts that recovery of the \$42.9 million margin deficiency will not result in a return on equity in excess of 10.3 percent.

6. The changes to the BGSS and CIP rates were proposed to result in an overall increase of approximately \$2.86 per month, or 2.4 percent, to the average residential heating customer (Group II) using 100 therms per month. The impact to the average residential non-heat customer (Group I) from the requested rate changes resulted in a decrease of 0.7 percent per month, to the average small commercial customer (Group III) an increase of 2.9 percent per month, and to the average large commercial customer (Group IV) an increase of 2.9 percent. The above changes resulted in an overall increase of after-tax revenue resulting from the proposed CIP-related changes of approximately \$17.8 million.

7. The Petition also requested enhancements to the current capacity release incentive program in order to include the following types of transactions that generate benefits for customers by allowing third parties to utilize and pay for transportation or storage capacity the Company occasionally may not need to serve the requirements of its firm on-system customers: capacity management transactions with counterparties where NJNG receives a reservation charge for the release of capacity to a counterparty; supply transactions with counterparties where NJNG receives a reservation charge for the commitment to purchase supply from a counterparty; and restructuring, including termination, of capacity with various pipelines and storage providers to update NJNG's assets with the value of the reduction being included in the capacity release sharing mechanism.

8. Pursuant to Exhibit E of the Stipulation approved in the 2010 CIP Order, NJNG released various capacity contracts through March 31, 2013 for BGSS savings. As detailed in

the Petition in this proceeding, NJNG has extended the term of the releases for an additional one-year period through March 31, 2014 as detailed in Exhibit A attached hereto.

9. As further detailed in the Petition in this proceeding, NJNG restructured a 40,000 dth per day Dominion Transmission, Inc. contract and reduced the volume by 20,000 dth per day effective November 1, 2011. The BGSS savings for the 2013 CIP recovery year include annual cost savings of \$1,032,957 resulting from the volume reduction as detailed in Exhibit A attached hereto.

10. As a result of the BGSS savings transactions described in paragraphs 8 and 9 above, the Company's BGSS savings available to offset the CIP charge in effect for the 2013 CIP recovery year are approximately \$14.9 million which is detailed in Exhibit A attached hereto.

11. Duly noticed public hearings on these petitions were held on August 7, 2012 in Freehold Township and on August 8, 2012 in Rockaway Borough. No members of the public appeared at the public hearings and no written comments were received by NJNG or the BPU related to this matter. NJNG has received and responded to all written discovery requests received in this proceeding.

12. NJNG, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Signatory Parties"), the only Parties to these proceedings, discussed certain matters at issue in this proceeding and determined that additional time was needed to complete the review of NJNG's proposed BGSS rate, balancing charge, and CIP rates. The Signatory Parties also agreed that maintaining the currently effective BGSS rate, implementing the requested changes to the balancing charge, and implementing the above modifications to the CIP rates, on a provisional basis and subject to the terms below, would be reasonable.

V. Dominion Gas Capacity

A. NJNG released 20,000 dth of Dominion capacity from Lebanon to Chambersburg (3,500 dth) and Leidy (16,500 dth). This release is for a term beginning January 1, 2010 through March 31, 2013. (Contract 100034) *UPDATE: Release has been extended through March 31, 2014.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	20,000	\$ 0.127557	\$ 696,461	\$ 696,461	\$ -	\$ -
2010-2011	365	20,000	\$ 0.127557	\$ 931,166	\$ 931,166	\$ -	\$ -
2011-2012	366	20,000	\$ 0.127557	\$ 933,717	\$ 933,717	\$ -	\$ -
2012-2013	365	20,000	\$ 0.127557	\$ 931,166	\$ 464,307	\$ 466,859	\$ -
2013-2014	182	20,000	\$ 0.127557	\$ 464,307	\$ -	\$ 464,307	\$ -

B. As approved by the BPU on April 27, 2011 in BPU Docket No. GR10060382 and , NJNG has generated additional BGSS savings of \$217,305 for CIP purposes beginning in fiscal year 2012 by not renewing a contract for 10,000 dekatherms per day of winter-season-only firm transportation capacity on Dominion Transmission, Inc., that expired on March 31, 2011. (Contract 700045)

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2011-2012				\$ 217,305	\$ -	\$ -	\$ 217,305
2012-2013				\$ 217,305	\$ -	\$ -	\$ 217,305
2013-2014				\$ 217,305	\$ -	\$ -	\$ 217,305

C. As filed in BPU Docket No. GR1206____, NJNG has generated additional BGSS savings of \$1,032,957 for CIP purposes beginning in fiscal year 2013 by restructuring a contract and reducing the volume by 20,000 dekatherms per day of firm transportation capacity on Dominion Transmission, Inc. (Contract 200447)

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2012-2013	365	20,000	\$ 0.141501	\$ 1,032,957	\$ -	\$ -	\$ 1,032,957
2013-2014	365	20,000	\$ 0.141501	\$ 1,032,957	\$ -	\$ -	\$ 1,032,957

VI. Total of all Savings by Year

CIP Recovery Year	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010 ¹	\$ 8,058,378	\$ 8,058,378	\$ -	\$ -
2010-2011	\$ 5,516,447	\$ 5,516,447	\$ -	\$ -
2011-2012	\$ 13,188,074	\$ 5,634,269	\$ -	\$ 7,553,805
2012-2013	\$ 14,887,907	\$ 4,218,075	\$ 1,426,069	\$ 9,243,762
2013-2014	\$ 13,461,838	\$ 2,799,799	\$ 1,418,276	\$ 9,243,762

¹ The BGSS savings for the 2009-2010 CIP year includes \$653,230 for one month of the value of Texas Eastern STX-M3 capacity and \$2,174,000 for the annual value of the release of 20,000 dth of Iroquois capacity, both of which were part of the BGSS savings identified in the September 30, 2006 CIP Stipulation.

VII. Agreement with NJRES (UPDATE: Agreement has been extended through March 31, 2014.)

A. NJNG and NJRES entered into the following transactions for NJNG's right to call on physical supply at no additional fixed cost. The estimated annual value of the peak day physical call options is \$300,000.

(1) NJNG and NJRES entered into a transaction providing for the sale of up to 28,600 Dth/day of Transco Z6 NNY citygate supply to NJNG. The price for all volumes requested on a monthly basis shall be equal to the first of the month index for Transco Z6 NNY deliveries for the corresponding month as reported in *Inside FERC*. The price for all volumes requested on a daily basis shall be equal to the midpoint daily index for Transco Z6 NNY deliveries for the corresponding day as reported in *Gas Daily*.

(2) NJNG and NJRES entered into a transaction providing for the sale of up to 20,000 Dth/day of Texas Eastern M3 citygate supply to NJNG. The price for all volumes requested on a monthly basis shall be equal to the first of the month index for Texas Eastern M3 deliveries for the corresponding month as reported in *Inside FERC*. The price for all volumes requested on a daily basis shall be equal to the midpoint daily index for Texas Eastern M3 deliveries for the corresponding day as reported in *Gas Daily*.

B. NJNG and NJRES entered into an agreement where NJNG will release its Central New York Oil and Gas (Stagecoach Storage) with a total storage capacity of 1,630,990 to NJRES for the period from January 1, 2010 to March 31, 2013. NJNG initially transferred the gas in storage to NJRES at NJNG's weighted average cost of gas (WACOG) price at January 1, 2010. NJRES will manage the storage and provide delivery to NJNG at NJNG's request at the WACOG price. The WACOG will be reset each October 31st based on the balance at the prior March 31 and rateable injections for April through October at the first of the month index for the Tennessee 500 leg as reported in *Inside FERC* plus applicable FT transport charges.

SAMPLE SCHEDULE

NJNG
BGSS Nymex Update Report
as of 8/3/12

Month	a Nymex 5/10/12	b NYMEX 8/3/12	c = b - a Incr/ (Decr) (Decr)	% Chg	d Sales forecast (dths)	e Hedged volume (dths)	f = d - e Unhedged volume (dths)	g = c x f Change in value unhedged
Jun-12	\$ 2,487	\$ 2,428	\$ (0,058)		995,523	100,000	895,523	\$342,090
Jul-12	\$ 2,569	\$ 2,774	\$ 0,205		996,810	-	996,810	\$208,330
Aug-12	\$ 2,628	\$ 3,010	\$ 0,382					
Sep-12	\$ 2,667	\$ 2,877	\$ 0,210					
Avg Total	\$ 2,588	\$ 2,773	\$ 0,185	7.1%	1,992,333	100,000	1,892,333	\$551,420
Oct-12	\$ 2,757	\$ 2,885	\$ 0,128		2,004,354	-	2,004,354	\$256,557
Nov-12	\$ 3,033	\$ 3,022	\$ (0,011)		4,128,703	1,293,636	2,835,067	(\$31,186)
Dec-12	\$ 3,374	\$ 3,277	\$ (0,097)		7,377,326	6,005,815	1,371,512	(\$133,037)
Jan-13	\$ 3,525	\$ 3,409	\$ (0,116)		8,841,181	7,704,888	1,136,293	(\$131,810)
Feb-13	\$ 3,538	\$ 3,423	\$ (0,115)		7,449,893	6,671,949	777,943	(\$89,463)
Mar-13	\$ 3,520	\$ 3,401	\$ (0,119)		6,004,349	3,934,993	2,069,356	(\$246,253)
Apr-13	\$ 3,500	\$ 3,382	\$ (0,118)		3,133,136	-	3,133,136	(\$369,710)
May-13	\$ 3,536	\$ 3,410	\$ (0,126)		1,524,990	-	1,524,990	(\$192,149)
Jun-13	\$ 3,584	\$ 3,452	\$ (0,132)		1,042,172	-	1,042,172	(\$137,567)
Jul-13	\$ 3,632	\$ 3,497	\$ (0,135)		1,053,535	-	1,053,535	(\$142,227)
Aug-13	\$ 3,650	\$ 3,520	\$ (0,130)		1,025,883	-	1,025,883	(\$133,365)
Sep-13	\$ 3,653	\$ 3,526	\$ (0,127)		1,027,355	-	1,027,355	(\$130,474)
Avg Total	\$ 3,442	\$ 3,350	\$ (0,091)	-2.7%	44,612,878	25,611,281	19,001,597	(\$1,480,684)

a: Nymex rate used for annual BGSS periodic rate filing on June 1, 2012

b: Nymex rate as of date of the report

c: Increase/Decrease in the Nymex rate compared to rate used in the 2013 BGSS filing

d: Sales forecast (includes fuel requirement)

e: 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)

f: 'Unhedged' volume consists of sales volume forecast less 'hedged' volume

g: Not necessarily representative of a change in under/over-recovery value

SAMPLE SCHEDULE

8-NC-HART-2

**New Jersey Natural Gas Company
Calculations of Net Cost of Gas Per Therms**

Page 1

	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Actual Jul-12	Actual Aug-12	Actual Sep-12	12 Month Weighted Average
1 NYMEX - \$/MMBtu - Included in BOSS Filing	\$4.4390	\$4.6770	\$4.7920	\$4.9080	\$4.9870	\$4.8378	\$4.7078	\$4.7200	\$4.7880	\$4.8140	\$4.8380	\$4.8480	\$4.8480
2 NYMEX - Actual Settlement	\$3.7980	\$3.9240	\$3.9940	\$3.9940	\$3.9780	\$3.9980	\$3.9980	\$3.9980	\$3.9980	\$3.9980	\$3.9980	\$3.9980	\$3.9980
3 Premium Gas Cost	\$0.2417	\$0.2274	\$0.2503	\$0.2216	\$0.3460	\$0.1620	\$0.4518	\$0.0887	\$0.1156	\$0.1481	\$0.1833	\$0.1721	\$0.2837
4 Gas Withdrawn From Storage Cost	\$0.0871	\$0.0288	\$0.3512	\$0.3878	\$0.2415	\$0.7878	\$0.0804	\$0.0017	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.2837
5 Freight Volume Discounted Cost	\$0.4412	\$0.2109	\$0.1280	\$0.1005	\$0.1282	\$0.2887	\$0.2733	\$0.7138	\$0.8744	\$0.7147	\$0.7942	\$0.7980	\$0.3484
6 Pipeline Demand Cost	\$0.0115	\$0.0160	\$0.0344	\$0.0236	\$0.0280	\$0.6102	\$0.0088	\$0.0174	\$0.0332	\$0.0171	\$0.0178	\$0.0186	\$0.0125
7 Weighted Average Fuel Cost	\$0.8816	\$1.1888	\$0.7340	\$0.7413	\$0.7488	\$0.7416	\$0.7251	\$0.8283	\$0.8232	\$0.8789	\$0.9150	\$0.8287	\$0.8029
8 Other Costs													
9 Total Gross Cost of Gas Per Therms	\$4.8870	\$5.2320	\$4.2870	\$4.2790	\$4.3780	\$3.7830	\$4.3400	\$4.3770	\$4.3380	\$4.3870	\$4.3700	\$4.3870	\$4.3870

	Actual Oct-10	Actual Nov-10	Actual Dec-10	Actual Jan-11	Actual Feb-11	Actual Mar-11	Actual Apr-11	Actual May-11	Actual Jun-11	Actual Jul-11	Actual Aug-11	Actual Sep-11	12 Month Weighted Average
10 NYMEX - Actual Settlement	\$4.4406	\$4.4656	\$4.3286	\$4.3734	\$4.4488	\$4.3476	\$4.4673	\$4.3381	\$4.3660	\$4.0106	\$4.0810	\$4.0553	\$4.3478
11 Premium Gas Cost	\$3.8089	\$3.9328	\$3.9455	\$3.9584	\$3.9386	\$3.9782	\$3.9986	\$3.9986	\$3.9986	\$3.9986	\$3.9986	\$3.9986	\$3.9986
12 Gas Withdrawn From Storage Cost	\$0.4412	\$0.2109	\$0.1280	\$0.1005	\$0.1282	\$0.1513	\$0.2712	\$0.5886	\$0.8512	\$0.6791	\$0.6847	\$0.6878	\$0.2837
13 Pipeline Demand Cost	\$0.0088	\$0.0072	\$0.0044	\$0.0232	\$0.0227	\$0.0084	\$0.0088	\$0.0271	\$0.0370	\$0.0312	\$0.0235	\$0.0386	\$0.0150
14 Weighted Average Fuel Cost	\$0.8816	\$0.8823	\$0.8793	\$0.8849	\$0.8863	\$0.8816	\$0.8780	\$0.8866	\$0.8829	\$0.8917	\$0.9488	\$0.9372	\$0.8829
15 Other Costs													
16 Total Gross Cost of Gas Per Therms	\$4.8870	\$5.2320	\$4.2870	\$4.2790	\$4.3780	\$3.7830	\$4.3400	\$4.3770	\$4.3380	\$4.3870	\$4.3700	\$4.3870	\$4.3870

25 NYMEX - Actual Settlement

	Actual Oct-10	Actual Nov-10	Actual Dec-10	Actual Jan-11	Actual Feb-11	Actual Mar-11	Actual Apr-11	Actual May-11	Actual Jun-11	Actual Jul-11	Actual Aug-11	Actual Sep-11	12 Month Weighted Average
26 Flowing Gas Cost	\$0.4406	\$0.4656	\$0.3286	\$0.3734	\$0.4488	\$0.3476	\$0.4673	\$0.3381	\$0.3660	\$0.0106	\$0.0810	\$0.0553	\$0.3478
27 Hedged Volume Discounted Cost	\$3.8089	\$3.9328	\$3.9455	\$3.9584	\$3.9386	\$3.9782	\$3.9986	\$3.9986	\$3.9986	\$3.9986	\$3.9986	\$3.9986	\$3.9986
28 Pipeline Demand Cost	\$0.4412	\$0.2109	\$0.1280	\$0.1005	\$0.1282	\$0.1513	\$0.2712	\$0.5886	\$0.8512	\$0.6791	\$0.6847	\$0.6878	\$0.2837
29 Storage Demand Cost	\$0.0088	\$0.0072	\$0.0044	\$0.0232	\$0.0227	\$0.0084	\$0.0088	\$0.0271	\$0.0370	\$0.0312	\$0.0235	\$0.0386	\$0.0150
30 Weighted Average Fuel Cost	\$0.8816	\$0.8823	\$0.8793	\$0.8849	\$0.8863	\$0.8816	\$0.8780	\$0.8866	\$0.8829	\$0.8917	\$0.9488	\$0.9372	\$0.8829
31 Variable Pipeline Cost													
32 Other Costs													
33 Total Gross Cost of Gas Per Therms	\$4.8870	\$5.2320	\$4.2870	\$4.2790	\$4.3780	\$3.7830	\$4.3400	\$4.3770	\$4.3380	\$4.3870	\$4.3700	\$4.3870	\$4.3870

Estimates:

- Flowing Gas Cost = Gas purchased for delivery in city gate during month - not injected into storage
- Flowing Gas includes the net effect of WACOG cost accounting.
- Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawal, loss, line loss
- Withdrawals include NYMEX international costs only. Pipeline delivery charges are included in total costs; storage fees are not tracked separately.
- Hedged Volume Discounted Cost = Hedged Volume delivered to city gate - not injected into storage
- Non-Mtr storage withdrawals are part of NYMEX supply hedging. Hedged costs are included in total costs, not tracked separately.
- Pipeline Demand Cost = Fixed Pipeline costs
- Storage Demand Cost = Fixed Storage related costs
- Storage & Transport demand charges are reported as a combined total on the Pipeline Demand Cost row.
- Weighted Average Fuel Cost = Commodity fuel % for each pipeline - represents portion of gas shipped but is not tracked by pipeline
- Delivery & Fuel costs are included in total costs; not tracked separately.
- Variable Pipeline Cost = Pipeline Charge per therm shipped
- Delivery & Fuel costs are included in total costs, not tracked separately.

SAMPLE SCHEDULE

New Jersey Natural Gas Company Calculation of Net Cost of Gas Per Therm

Page 2

	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Estimate Jul-12	Estimate Aug-12	Estimate Sep-12	12 Month Weighted Average
Credits, Refunds, & Recoveries Per Therm:													
1 Asset Management Credits	\$0.0281	\$0.0420	\$0.0465	\$0.0394	\$0.0282	\$0.0322	\$0.0097	\$0.0467	\$0.0335	\$0.0140	\$0.0143	\$0.0143	\$0.0338
2 Off-system sales	\$0.0051	\$0.0077	\$0.0004	\$0.0040	\$0.0287	\$0.0462	\$0.0985	\$0.1593	\$0.1450	\$0.1549	\$0.1681	\$0.1538	\$0.0589
3 Capacity releases	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
4 On System Credits to BGSB-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
5 Supplier Refunds	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
6 Gas for Company Use	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
7 Line Loss	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
8 Transfer to Non BGSB-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
9 Over / Under Recovery & Interest to Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
10 Other	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
11 Total Credits, Refunds, & Recoveries per Therm	\$0.0332	\$0.0497	\$0.0469	\$0.0434	\$0.0569	\$0.0782	\$0.1082	\$0.1467	\$0.1435	\$0.1649	\$0.1724	\$0.1643	\$0.0927
12 Total Net Cost Per Therm (Pa.1,Line.22 - Pa.2,Line.11)	\$0.0668	\$0.0503	\$0.0531	\$0.0566	\$0.0431	\$0.0218	\$0.0003	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000

	Actual Oct-10	Actual Nov-10	Actual Dec-10	Actual Jan-11	Actual Feb-11	Actual Mar-11	Actual Apr-11	Actual May-11	Actual Jun-11	Actual Jul-11	Actual Aug-11	Actual Sep-11	Weighted Average
Credits, Refunds, & Recoveries Per Therm:													
13 Asset Management Credits	\$0.0470	\$0.0580	\$0.0498	\$0.0840	\$0.0647	\$0.0410	\$0.0151	\$0.0252	\$0.0885	\$0.0748	\$0.0830	\$0.0388	\$0.0802
14 Off-system sales	\$0.0437	\$0.0384	\$0.0141	\$0.0097	\$0.0120	\$0.0165	\$0.0344	\$0.0603	\$0.1125	\$0.1348	\$0.1322	\$0.1238	\$0.0281
15 Capacity releases	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
16 On System Credits to BGSB-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
17 Supplier Refunds	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
18 Gas for Company Use	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
19 Line Loss	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
20 Transfer to Non BGSB-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
21 Over / Under Recovery & Interest to Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
22 Other	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
23 Total Credits, Refunds, & Recoveries per Therm	\$0.0907	\$0.0964	\$0.0639	\$0.0937	\$0.0767	\$0.0575	\$0.0151	\$0.0855	\$0.1986	\$0.2096	\$0.2152	\$0.1628	\$0.1082
24 Total Net Cost Per Therm (Pa.1,Line.22 - Pa.2,Line.23)	\$0.0770	\$0.0539	\$0.0692	\$0.0629	\$0.0264	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000

Footnotes:
 On System Credits to BGSB-P Customers = Ineligible Sales, Compression, Basico Plant Transfers, Sayreville, Fortbad River, Dorem Power, etc.
 Line Losses = Gross Cost of Gas per Therm x Line Loss Percentage
 Indicate that Line 12 equals the projected BGSB-P rate or provide a calculator below that reconciles the two numbers.

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

IN THE MATTER OF THE PETITION OF)	
NEW JERSEY NATURAL GAS COMPANY)	
FOR THE ANNUAL REVIEW AND)	BPU DOCKET NO. GR12060472
REVISION OF ITS BASIC GAS SUPPLY)	OAL DOCKET NO. PUC 03556-2013
SERVICE (BGSS) AND ITS)	
CONSERVATION INCENTIVE PROGRAM)	
(CIP) FACTORS FOR F/Y 2013)	
)	

STIPULATION FOR FINAL BGSS AND CIP RATES

APPEARANCES:

Tracey Thayer, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Sarah H. Steindel, Esq. and James W. Glassen, Esq., Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (Stefanie Brand, Esq., Director)

Alex Moreau and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey)

TO: THE HONORABLE ELIA A. PELIOS, ADMINISTRATIVE LAW JUDGE

BACKGROUND

I. Pursuant to the terms of a generic Order of the New Jersey Board of Public Utilities (the "Board" or "BPU") dated January 6, 2003 ("Generic Order"), in Docket No. GX01050304 ("January Order"), New Jersey Natural Gas Company ("NJNG" or the "Company") was directed to submit an annual Basic Gas Supply Service ("BGSS") cost filing for the BGSS year starting each October 1. Additionally, in a Board Order dated December 12, 2006, NJNG received approval for the Conservation Incentive Program ("CIP") in Docket No.

GR05120120 (“2006 CIP Order”) and agreed to submit annual rate filings in conjunction with the annual BGSS cost filings. Those filings reflect the CIP year of October 1 – September 30. As approved by the Board on October 3, 2008 in BPU Docket No. GR07110889 (“Base Case Order”), NJNG is authorized to adjust its balancing charge in the annual BGSS filing to reflect updated costs. For transportation customers, the balancing charge is a component of the delivery charge and all balancing charge revenues from transportation customers are credited to BGSS. For sales customers, the balancing charge is deducted from the BGSS charge and included as a component of the delivery charge in order to provide a “Price-to-Compare.” Since the balancing charge is deducted from the BGSS price and added to the delivery price there is no balancing-related impact on a sales customer’s bill.

2. Accordingly, NJNG filed a petition in Docket No. GR12060472 on June 1, 2012 (“June 1 Filing”), requesting that the New Jersey Board of Public Utilities (the “BPU” or “Board”) approve NJNG’s annual filing to: 1) maintain the current Basic Gas Supply Service (“BGSS”) rates for the period October 1, 2012 through September 30, 2013; 2) approve an increase to the Company’s Balancing Charge; and 3) approve the implementation of updated Conservation Incentive Program (“CIP”) factors effective October 1, 2012. The Company also proposed certain enhancements to the current Board-approved capacity release incentive program with no associated rate impact.

3. Specifically, the petition requested that the BPU maintain the current per therm after-tax Periodic BGSS rate of \$0.6681 that is applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism. As requested by Board Staff, NJNG’s filing reflected market conditions as of May 10, 2012 based on a one-year BGSS recovery period. For the October 2012 through September 2013 BGSS year, NJNG’s filing

included an estimated beginning deferred balance underrecovery of \$13.4 million and an estimated ending deferred balance underrecovery of \$6.5 million.

4. The petition also requested a \$0.0054 per therm increase to the NJNG after-tax balancing charge, thereby increasing the per therm after-tax balancing charge from \$0.0844 to \$0.0898 resulting in a \$0.6 million increase to the current estimated annual balancing charge revenue of from transportation customers.

5. Within the June 1 Filing, as authorized in the CIP Order, the Company also submitted its annual CIP filing for CIP year 2013, October 1, 2012 through September 30, 2013, requesting that the BPU approve the implementation of updated CIP factors effective October 1, 2012 resulting in an overall increase of after-tax revenue of approximately \$17.8 million. The Company is seeking approval for the following changes to its after-tax per therm CIP factors: 1) a decrease of \$0.0103 from the current rate of \$0.0255 for Group I Residential Non-Heat customers resulting in the proposed charge of \$0.0152; 2) an increase of \$0.0286 to the current rate of \$0.0066 resulting in the proposed charge of \$0.0352 for Group II Residential Heat customers; 3) an increase of \$0.0386 to the current charge of \$0.0464 for Group III Small Commercial customers resulting in the proposed charge of \$0.0850; and 4) an increase of \$0.0290 to the current charge of \$0.0391 resulting in the proposed charge of \$0.0681 for Group IV Large Commercial customers, all effective as of October 1, 2012. Pursuant to the Board's 2006 CIP Order and the January 20, 2010 Order ("2010 CIP Order") in Docket No. GR05121020, any non-weather related CIP surcharges must be at least offset by reductions in related BGSS costs. The Company reported for year 2012, October 1, 2011 through September 30, 2012 CIP accruals of \$42.9 million with \$28.4 million related to weather and \$14.5 million non-weather related. The Company has identified \$14.9 million in qualifying BGSS savings

available to offset non-weather related charges for the October 2012 through September 2013 CIP recovery period. The Company further asserts that recovery of the \$42.9 million margin deficiency will not result in a return on equity in excess of 10.3 percent.

6. The changes to the BGSS and CIP rates were proposed to result in an overall increase of approximately \$2.86 per month, or 2.4 percent, to the average residential heating customer (Group II) using 100 therms per month. The impact to the average residential non-heat customer (Group I) from the requested rate changes resulted in a decrease of 0.7 percent per month, to the average small commercial customer (Group III) an increase of 2.9 percent per month, and to the average large commercial customer (Group IV) an increase of 2.9 percent. The above changes resulted in an overall increase of after-tax revenue resulting from the proposed CIP-related changes of approximately \$17.8 million.

7. The Petition also requested enhancements to the current capacity release incentive program in order to include the following types of transactions that generate benefits for customers by allowing third parties to utilize and pay for transportation or storage capacity the Company occasionally may not need to serve the requirements of its firm on-system customers: capacity management transactions with counterparties where NJNG receives a reservation charge for the release of capacity to a counterparty; supply transactions with counterparties where NJNG receives a reservation charge for the commitment to purchase supply from a counterparty; and restructuring, including termination, of capacity with various pipelines and storage providers to update NJNG's assets with the value of the reduction being included in the capacity release sharing mechanism.

8. Pursuant to Exhibit E of the Stipulation approved in the 2010 CIP Order, NJNG released various capacity contracts through March 31, 2013 for BGSS savings. As detailed in

the Petition in this proceeding, NJNG has extended the term of the releases for an additional one-year period through March 31, 2014 as detailed in Exhibit A attached hereto.

9. As further detailed in the Petition in this proceeding, NJNG restructured a 40,000 dth per day Dominion Transmission, Inc. contract and reduced the volume by 20,000 dth per day effective November 1, 2011. The BGSS savings for the 2013 CIP recovery year include annual cost savings of \$1,032,957 resulting from the volume reduction as detailed in Exhibit A attached hereto.

10. As a result of the BGSS savings transactions described in paragraphs 8 and 9 above, the Company's BGSS savings available to offset the CIP charge in effect for the 2013 CIP recovery year are approximately \$14.9 million which is detailed in Exhibit A attached hereto.

11. Duly noticed public hearings on these petitions were held on August 7, 2012 in Freehold Township and on August 8, 2012 in Rockaway Borough. No members of the public appeared at the public hearings and no written comments were received by NJNG or the BPU related to this matter. NJNG has received and responded to all written discovery requests received in this proceeding.

12. NJNG, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Signatory Parties"), the only Parties to these proceedings, discussed certain matters at issue in this proceeding and determined that additional time was needed to complete the review of NJNG's proposed BGSS rate, balancing charge, and CIP rates. The Signatory Parties also agreed that maintaining the currently effective BGSS rate, implementing the requested changes to the balancing charge, and implementing the above modifications to the CIP rates, on a provisional basis and subject to the terms below, would be reasonable.

Accordingly, on October 4, 2012, the Board issued an Order ("October 2012 Order") in this proceeding authorizing the Company to: 1) maintain the Company's periodic BGSS rate of \$0.6681 per therm after-tax; 2) increase the Company's balancing charge to \$0.0898 per therm after-tax; and 3) adjust the following CIP rates all on an after-tax basis: \$0.0152 per therm for Group I Residential Non-Heat customers; \$0.0352 per therm for Group II Residential Heat customers; \$0.0850 per therm for Group III Small Commercial customers; and, \$0.0681 per therm for Group IV Large Commercial customers. Those rates, effective as of October 12, 2012, are on a provisional basis, subject to refund with interest, an opportunity for a full review at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board.

STIPULATED ISSUES

13. The Signatory Parties have reached an agreement that the previously approved provisional rates, as described above in Paragraph 12, should be deemed by the Board to be final rates, following the issuance of an Initial Decision from Judge Pelios recommending adoption of these stipulated matters, specifically; 1) the Company's periodic BGSS rate of \$0.6681 per therm after tax; 2) the Company's balancing charge of \$0.0898 per therm after-tax; and 3) the following CIP rates all on an after-tax basis: \$0.0152 per therm for Group I Residential Non-Heat customers; \$0.0352 per therm for Group II Residential Heat customers; \$0.0850 per therm for Group III Small Commercial customers; and \$0.0681 per therm for Group IV Large Commercial customers. As a result of this Stipulation, the rates approved in the October 2012 Order will remain in effect until further Board Order or further action by the Company in accordance with the Generic Order.

14. Rate Counsel and Staff have reviewed the BGSS transactions and savings calculations as referenced in Paragraphs 8, 9 and 10 above and are in agreement that the savings

are eligible to offset non-weather related CIP recoveries as provided in the Board-approved Stipulations in Docket No. GR05121020.

15. The Parties have reviewed the Company's proposal with respect to additional types of transactions to be included in the Company's current capacity release program as described in Paragraph 7. The Parties agree that the Company can undertake these additional types of transactions which will be subject to continuing review in future BGSS proceedings and inclusion in the ongoing monthly off system sales and capacity release reporting. In the Company's annual BGSS filings, the Company will provide information regarding the utilization of any gas supply purchases associated with the capacity management and supply transactions described in Paragraph 7. The information shall include the dates the supply was purchased, the associated volume and price, and how the supply was utilized. The margin sharing for these additional types of transactions shall be eligible for margin sharing through the expiration (October 31, 2015) of the existing incentives approved in the Board's August 18, 2011 Order in Docket No. GR11040195 ("August 2011 Order").

16. Pursuant to the August 2011 Order, the Company is to petition the Board at least six months prior to October 31, 2015 seeking approval to continue the BGSS incentive program. The Parties agree that a collaborative process can be initiated prior to that filing to evaluate and discuss possible alternative approaches to enhancing or replacing elements of the BGSS incentive program to ensure that NJNG's customers will continue to benefit. NJNG agrees that an initial collaborative process will commence by July 31, 2013.

17. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX update report (also known as S-NJNG Chart-1) attached hereto as Exhibit B; and 2) a monthly

report showing the calculation of net cost of gas per therm for the prior month (attached hereto as Exhibit C). The chart included as Exhibit B is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart included as Exhibit C is to be submitted to the Parties on approximately the 15th of the month following the month in which the information is collected.

18. 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 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 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.

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

20. 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, Board 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. All rates are subject to audit by the Board.

WHEREFORE, the Signatory Parties hereto do respectfully submit that Your Honor issue an Initial Decision adopting this Stipulation and request that the Board issue a Decision and Order approving that Initial Decision and this Stipulation in the entirety, in accordance with the terms hereof, as soon as reasonably possible.

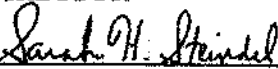
**NEW JERSEY NATURAL GAS
PETITIONER**

By:


TRACEY THAYER, ESQ.
New Jersey Natural Gas

**DIVISION OF RATE COUNSEL
STEFANIE BRAND, ESQ.
DIRECTOR**

By:


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ASSISTANT DEPUTY RATE COUNSEL

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES
JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY**

By:


ALEX MOREAU
DEPUTY ATTORNEY GENERAL

Date: May 21, 2013

**New Jersey Natural Gas
CIP BGSS Savings**

The following contract restructurings are consistent with the accompanying explanation of BGSS Savings in Paragraph 17 of the January 14, 2010 Stipulation in BPU Docket No. GR05121020 approved by the BPU on January 21, 2010. The capacity releases described below are being released to NJRES.

The total values for each transaction have been separated into three categories as described below:

Recurring Initial Savings Identified -	Savings identified in the January 14, 2010 Stipulation in BPU Docket No. GR05121020 revised for the impact of the Tennessee Rate Case in Section III.
Savings From Extension -	Savings from the extension of various releases included in the Recurring Initial Savings Identified.
Additional Savings -	Savings identified for new transactions since the January 21, 2010 approval.

I. Waddington to South Commack Iroquois Capacity

NJNG has permanently released 15,000 dth of Iroquois capacity from Waddington to South Commack. This release is at maximum rates. (Contract 570.01)

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	365	15,000	\$ 0.36460	\$ 1,996,185	\$ 1,996,185	\$ -	\$ -
2010-2011	365	15,000	\$ 0.36460	\$ 1,996,185	\$ 1,996,185	\$ -	\$ -
2011-2012	366	15,000	\$ 0.36460	\$ 2,001,654	\$ 2,001,654	\$ -	\$ -
2012-2013	365	15,000	\$ 0.36460	\$ 1,996,185	\$ 1,996,185	\$ -	\$ -
2013-2014	365	15,000	\$ 0.36460	\$ 1,996,185	\$ 1,996,185	\$ -	\$ -

II. Tranco Capacity

A. NJNG released 5,000 dth of Tranco capacity from CNG Leidy to Tranco Z6 NNY. This release is at maximum rates for a term beginning January 1, 2010 through March 31, 2013. (Contract 1000628) *UPDATE: Release has been extended through March 31, 2014 at a fixed rate.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	5,000	\$ 0.11870	\$ 162,026	\$ 162,026	\$ -	\$ -
2010-2011	365	5,000	\$ 0.11870	\$ 216,628	\$ 216,628	\$ -	\$ -
2011-2012	366	5,000	\$ 0.11870	\$ 217,221	\$ 217,221	\$ -	\$ -
2012-2013	365	5,000	\$ 0.11870	\$ 216,628	\$ 108,017	\$ 108,611	\$ -
2013-2014	182	5,000	\$ 0.11870	\$ 108,017	\$ -	\$ 108,017	\$ -

B. NJNG released 3,250 dth of Tranco capacity from National Fuel Wharton to Tranco Z6 NNY. This release is at maximum rates for a term beginning January 1, 2010 through March 31, 2013. (Contract 1000674) *UPDATE: Release has been extended through March 31, 2014 at a fixed rate.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	3,250	\$ 0.11870	\$ 105,317	\$ 105,317	\$ -	\$ -
2010-2011	365	3,250	\$ 0.11870	\$ 140,808	\$ 140,808	\$ -	\$ -
2011-2012	366	3,250	\$ 0.11870	\$ 141,194	\$ 141,194	\$ -	\$ -
2012-2013	365	3,250	\$ 0.11870	\$ 140,808	\$ 70,211	\$ 70,597	\$ -
2013-2014	182	3,250	\$ 0.11870	\$ 70,211	\$ -	\$ 70,211	\$ -

C. NJNG released 10,350 dth of Tranco capacity from CNG Leidy to Tranco Z6 NNY. This release is at maximum rates for a term beginning January 1, 2010 through March 31, 2013. (Contract 1003834) *UPDATE: Release has been extended through March 31, 2014 at a fixed rate.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	10,350	\$ 0.11870	\$ 335,393	\$ 335,393	\$ -	\$ -
2010-2011	365	10,350	\$ 0.11870	\$ 448,419	\$ 448,419	\$ -	\$ -
2011-2012	366	10,350	\$ 0.11870	\$ 449,647	\$ 449,647	\$ -	\$ -
2012-2013	365	10,350	\$ 0.11870	\$ 448,419	\$ 223,595	\$ 224,824	\$ -
2013-2014	182	10,350	\$ 0.11870	\$ 223,595	\$ -	\$ 223,595	\$ -

III. Tennessee Capacity

A. NJNG released 11,000 dth of Tennessee capacity from Tennessee Z5 East Aurora to Tennessee Z4 Browns Run. This release is for a term beginning January 1, 2010 through March 31, 2013. (Contract 64306). *UPDATE: Contract was terminated January 8, 2012. Savings continue at Tennessee rate case approved rates.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	11,000	\$ 0.019726	\$ 59,237	\$ 59,237	\$ -	\$ -
2010-2011	365	11,000	\$ 0.019726	\$ 79,200	\$ 79,200	\$ -	\$ -
2011-2012	366	11,000	\$ 0.150816	\$ 607,184	\$ 607,184	\$ -	\$ -
2012-2013	365	11,000	\$ 0.200153	\$ 803,614	\$ 803,614	\$ -	\$ -
2013-2014	365	11,000	\$ 0.200153	\$ 803,614	\$ 803,614	\$ -	\$ -

B. NJNG released 10,728 dth of Tennessee capacity from Tennessee Z4 Stagecoach to Tennessee Z5 Ramsey. This release is for a term beginning January 1, 2010 through March 31, 2013. (Contract 64307, subsequently updated to 92050 and currently 92392). *UPDATE: 2012 and 2013 values have been updated for Tennessee rate case approved rates. Release has been extended through March 31, 2014.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	10,728	\$ 0.278795	\$ 816,518	\$ 816,518	\$ -	\$ -
2010-2011	365	10,728	\$ 0.278795	\$ 1,091,681	\$ 1,091,681	\$ -	\$ -
2011-2012	366	10,728	\$ 0.170539	\$ 669,614	\$ 669,614	\$ -	\$ -
2012-2013	365	10,728	\$ 0.126404	\$ 494,964	\$ 246,804	\$ 248,160	\$ -
2013-2014	182	10,728	\$ 0.126404	\$ 246,804	\$ -	\$ 246,804	\$ -

IV. Texas Eastern Capacity

A. NJNG released 10,000 dth of Texas Eastern capacity from CNG Leidy (5,000 dth) and Chambersburg (5,000 dth) to Texas Eastern M3. This release is at maximum rates for a term beginning January 1, 2010 through March 31, 2013. (Contract 910060) *UPDATE: Release has been extended through March 31, 2014 at a fixed rate.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	10,000	\$ 0.167770	\$ 458,012	\$ 458,012	\$ -	\$ -
2010-2011	365	10,000	\$ 0.167770	\$ 612,361	\$ 612,361	\$ -	\$ -
2011-2012	366	10,000	\$ 0.167770	\$ 614,038	\$ 614,038	\$ -	\$ -
2012-2013	365	10,000	\$ 0.167770	\$ 612,361	\$ 305,341	\$ 307,019	\$ -
2013-2014	182	10,000	\$ 0.167770	\$ 305,341	\$ -	\$ 305,341	\$ -

B. As approved by the BPU on May 23, 2012 in Docket No. GR11060331, NJNG has generated additional BGSS savings of \$7.99 million by not renewing 30,000 dth per day of TETCO capacity from STX to M3 at the maximum daily demand rate of \$0.73 per dth beginning November 1, 2011. (Contract 897960)

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2011-2012	335	30,000	\$ 0.730000	\$ 7,336,500	\$ -	\$ -	\$ 7,336,500
2012-2013	365	30,000	\$ 0.730000	\$ 7,993,500	\$ -	\$ -	\$ 7,993,500
2013-2014	365	30,000	\$ 0.730000	\$ 7,993,500	\$ -	\$ -	\$ 7,993,500

V. Dominion Gas Capacity

A. NJNG released 20,000 dth of Dominion capacity from Lebanon to Chambersburg (3,500 dth) and Leidy (16,500 dth). This release is for a term beginning January 1, 2010 through March 31, 2013. (Contract 100034) *UPDATE: Release has been extended through March 31, 2014.*

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010	273	20,000	\$ 0.127557	\$ 696,461	\$ 696,461	\$ -	\$ -
2010-2011	365	20,000	\$ 0.127557	\$ 931,166	\$ 931,166	\$ -	\$ -
2011-2012	366	20,000	\$ 0.127557	\$ 933,717	\$ 933,717	\$ -	\$ -
2012-2013	365	20,000	\$ 0.127557	\$ 931,166	\$ 464,307	\$ 466,859	\$ -
2013-2014	182	20,000	\$ 0.127557	\$ 464,307	\$ -	\$ 464,307	\$ -

B. As approved by the BPU on April 27, 2011 in BPU Docket No. GR10060382 and , NJNG has generated additional BGSS savings of \$217,305 for CIP purposes beginning in fiscal year 2012 by not renewing a contract for 10,000 dekatherms per day of winter-season-only firm transportation capacity on Dominion Transmission, Inc., that expired on March 31, 2011. (Contract 700045)

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2011-2012				\$ 217,305	\$ -	\$ -	\$ 217,305
2012-2013				\$ 217,305	\$ -	\$ -	\$ 217,305
2013-2014				\$ 217,305	\$ -	\$ -	\$ 217,305

C. As filed in BPU Docket No. GR1206____, NJNG has generated additional BGSS savings of \$1,032,957 for CIP purposes beginning in fiscal year 2013 by restructuring a contract and reducing the volume by 20,000 dekatherms per day of firm transportation capacity on Dominion Transmission, Inc. (Contract 200447)

CIP Recovery Year	Days	Release Quantity	Rate	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2012-2013	365	20,000	\$ 0.141501	\$ 1,032,957	\$ -	\$ -	\$ 1,032,957
2013-2014	365	20,000	\$ 0.141501	\$ 1,032,957	\$ -	\$ -	\$ 1,032,957

VI. Total of all Savings by Year

CIP Recovery Year	Total Value	Recurring Initial Savings Identified	Savings from Extension	Additional Savings
2009-2010 ¹	\$ 8,058,378	\$ 8,058,378	\$ -	\$ -
2010-2011	\$ 5,516,447	\$ 5,516,447	\$ -	\$ -
2011-2012	\$ 13,188,074	\$ 5,634,269	\$ -	\$ 7,553,805
2012-2013	\$ 14,887,907	\$ 4,218,075	\$ 1,426,069	\$ 9,243,762
2013-2014	\$ 13,461,838	\$ 2,799,799	\$ 1,418,276	\$ 9,243,762

¹ The BGSS savings for the 2009-2010 CIP year includes \$655,230 for one month of the value of Texas Eastern STX-M3 capacity and \$2,774,000 for the annual value of the release of 20,000 dth of Iroquois capacity, both of which were part of the BGSS savings identified in the September 30, 2006 CIP Stipulation.

VII. Agreement with NJRES (UPDATE: Agreement has been extended through March 31, 2014.)

A. NJNG and NJRES entered into the following transactions for NJNG's right to call on physical supply at no additional fixed cost. The estimated annual value of the peak day physical call options is \$300,000.

(1) NJNG and NJRES entered into a transaction providing for the sale of up to 28,600 Dth/day of Transco Z6 NNY citygate supply to NJNG. The price for all volumes requested on a monthly basis shall be equal to the first of the month index for Transco Z6 NNY deliveries for the corresponding month as reported in *Inside FERC*. The price for all volumes requested on a daily basis shall be equal to the midpoint daily index for Transco Z6 NNY deliveries for the corresponding day as reported in *Gas Daily*.

(2) NJNG and NJRES entered into a transaction providing for the sale of up to 20,000 Dth/day of Texas Eastern M3 citygate supply to NJNG. The price for all volumes requested on a monthly basis shall be equal to the first of the month index for Texas Eastern M3 deliveries for the corresponding month as reported in *Inside FERC*. The price for all volumes requested on a daily basis shall be equal to the midpoint daily index for Texas Eastern M3 deliveries for the corresponding day as reported in *Gas Daily*.

B. NJNG and NJRES entered into an agreement where NJNG will release its Central New York Oil and Gas (Stagecoach Storage) with a total storage capacity of 1,630,990 to NJRES for the period from January 1, 2010 to March 31, 2013. NJNG initially transferred the gas in storage to NJRES at NJNG's weighted average cost of gas (WACOG) price at January 1, 2010. NJRES will manage the storage and provide delivery to NJNG at NJNG's request at the WACOG price. The WACOG will be reset each October 31st based on the balance at the prior March 31 and ratable injections for April through October at the first of the month index for the Tennessee 500 leg as reported in *Inside FERC* plus applicable FT transport charges.

SAMPLE SCHEDULE

NJNG
BGSS Nymex Update Report
as of 8/3/12

Month	a		b		c = b - a		% Chg	d	e	f = d - e	g = o x f
	Nymex 5/10/12		NYMEX 8/3/12		Incr/ (Decr)						
Jun-12	\$ 2,487	\$	\$ 2,429	\$	(0.058)		995,523	100,000	895,523	\$342,090	
Jul-12	\$ 2,569	\$	\$ 2,774	\$	0.205		996,810	-	996,810	\$209,330	
Aug-12	\$ 2,628	\$	\$ 3,010	\$	0.382						
Sep-12	\$ 2,667	\$	\$ 2,877	\$	0.210						
Avg Total	\$ 2,588	\$	\$ 2,773	\$	0.185	7.1%	1,992,333	100,000	1,892,333	\$551,420	
Oct-12	\$ 2,757	\$	\$ 2,885	\$	0.128		2,004,354	-	2,004,354	\$256,557	
Nov-12	\$ 3,033	\$	\$ 3,022	\$	(0.011)		4,128,703	1,293,636	2,835,067	(\$31,186)	
Dec-12	\$ 3,374	\$	\$ 3,277	\$	(0.097)		7,377,326	6,005,815	1,371,512	(\$133,037)	
Jan-13	\$ 3,525	\$	\$ 3,409	\$	(0.116)		8,841,181	7,704,888	1,136,293	(\$131,810)	
Feb-13	\$ 3,538	\$	\$ 3,423	\$	(0.115)		7,449,893	6,671,949	777,943	(\$89,463)	
Mar-13	\$ 3,520	\$	\$ 3,401	\$	(0.119)		6,004,349	3,934,993	2,069,356	(\$246,253)	
Apr-13	\$ 3,500	\$	\$ 3,382	\$	(0.118)		3,133,136	-	3,133,136	(\$369,710)	
May-13	\$ 3,536	\$	\$ 3,410	\$	(0.126)		1,524,990	-	1,524,990	(\$192,149)	
Jun-13	\$ 3,584	\$	\$ 3,452	\$	(0.132)		1,042,172	-	1,042,172	(\$137,567)	
Jul-13	\$ 3,632	\$	\$ 3,497	\$	(0.135)		1,053,535	-	1,053,535	(\$142,227)	
Aug-13	\$ 3,650	\$	\$ 3,520	\$	(0.130)		1,025,883	-	1,025,883	(\$133,365)	
Sep-13	\$ 3,653	\$	\$ 3,526	\$	(0.127)		1,027,355	-	1,027,355	(\$130,474)	
Avg Total	\$ 3,442	\$	\$ 3,350	\$	(0.091)	-2.7%	44,612,878	25,611,281	19,001,597	(\$1,480,684)	

a: Nymex rate used for annual BGSS periodic rate filing on June 1, 2012
b: Nymex rate as of date of the report
c: Increase/Decrease in the Nymex rate compared to rate used in the 2013 BGSS filing
d: Sales forecast (includes fuel requirement)
e: 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)
f: 'Unhedged' volume consists of sales volume forecast less 'hedged' volume
g: Not necessarily representative of a change in under/over-recovery value

SAMPLE SCHEDULE

S-NCHART-2

**New Jersey Natural Gas Company
Calculation of Net Cost of Gas Per Therm**

Page 1

	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Estimate Jul-12	Estimate Aug-12	Estimate Sep-12	12 Month Weighted Average
1 NYMEX - 5/10/11 - Included in BGSS Filing	\$4,4130	\$4,5770	\$4,7920	\$4,8080	\$4,8970	\$4,8870	\$4,7070	\$4,7300	\$4,7690	\$4,8140	\$4,8390	\$4,8480	\$0,2837
2 NYMEX - Actual Settlement	\$3,7590	\$3,5240	\$3,3540	\$3,0840	\$2,6780	\$2,4460	\$2,1910	\$2,0380	\$2,4290	\$0,0000	\$0,0000	\$0,0000	\$0,2573
Breakdown of Gross Cost of Gas Per Therm:													
13 Flowing Gas Cost	\$0,3417	\$0,9274	\$0,2503	\$0,2216	\$0,3400	-\$0,1820	\$0,4518	\$0,0987	\$0,1156	\$0,1451	\$0,1633	\$0,1721	\$0,2837
14 Gas Withdrawn From Storage Cost	\$0,0871	\$0,0206	\$0,3512	\$0,3976	\$0,2415	\$0,7078	\$0,0004	\$0,0017	\$0,0000	\$0,0000	\$0,0000	\$0,0000	\$0,2573
15 Hedged Volumes Delivered Cost													
16 Pipeline Demand Cost	\$0,4412	\$0,2109	\$0,1280	\$0,1005	\$0,1292	\$0,2057	\$0,2733	\$0,7186	\$0,6744	\$0,7147	\$0,7342	\$0,7390	\$0,2494
17 Storage Demand Cost													
18 Peaking Cost	\$0,0115	\$0,0100	\$0,0044	\$0,0216	\$0,0060	\$0,0102	\$0,0096	\$0,0174	\$0,0332	\$0,0171	\$0,0176	\$0,0166	\$0,0125
19 Weighted Average Fuel Cost													
20 Variable Pipeline Cost													
21 Other Costs													
22 Total Gross Cost of Gas Per Therm	\$0,8815	\$1,1689	\$0,7340	\$0,7413	\$0,7168	\$0,7416	\$0,7351	\$0,8293	\$0,8232	\$0,8769	\$0,9150	\$0,9297	\$0,8029
23 NYMEX - Actual Settlement													
Breakdown of Gross Cost of Gas Per Therm:													
24 Flowing Gas Cost	\$3,9370	\$3,2820	\$4,2670	\$4,2160	\$4,3160	\$3,7930	\$4,2400	\$4,3770	\$4,3260	\$4,3570	\$4,3700	\$3,8570	
25 Gas Withdrawn From Storage Cost	\$0,4406	\$0,4866	\$0,3296	\$0,3734	\$0,4468	\$0,2476	\$0,4573	\$0,2331	\$0,0690	\$0,0105	\$0,0610	\$0,0533	\$0,3479
26 Hedged Volumes Delivered Cost	\$0,0593	\$0,1626	\$0,4455	\$0,4094	\$0,2868	\$0,4782	\$0,0596	\$0,0388	-\$0,0042	\$0,0000	\$0,0006	\$0,0184	\$0,2998
27 Pipeline Demand Cost													
28 Storage Demand Cost	\$0,4570	\$0,2069	\$0,0987	\$0,0898	\$0,1232	\$0,1513	\$0,2712	\$0,5695	\$0,8312	\$0,8781	\$0,8647	\$0,8378	\$0,2202
29 Peaking Cost													
30 Weighted Average Fuel Cost	\$0,0089	\$0,0072	\$0,0044	\$0,0222	\$0,0227	\$0,0064	\$0,0099	\$0,0271	\$0,0370	\$0,0312	\$0,0235	\$0,0298	\$0,0150
31 Variable Pipeline Cost													
32 Other Costs													
33 Total Gross Cost of Gas Per Therm	\$0,9157	\$0,8623	\$0,8763	\$0,8649	\$0,8603	\$0,8816	\$0,7980	\$0,8665	\$0,8329	\$0,9197	\$0,9488	\$0,9372	\$0,8629

Footnotes:

- Flowing Gas Cost = Gas purchased for delivery to city gate during month - not injected into storage
- ~ Flowing Gas includes the net effect of WACOG cost accounting
- Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawal, fees, line loss
- ~ Withdrawals include NJNG inventoried costs only. Pipeline delivery charges are included in total costs; storage fees are not tracked separately.
- Hedged Volumes Delivered Cost = Hedged Volumes delivered to city gate - not injected into storage
- ~ Nov-Mar storage withdrawals are part of NJNG's supply hedging; Hedged costs are included in total costs, not tracked separately.
- Pipeline Demand Cost = Fixed Pipeline costs
- Storage Demand Cost = Fixed Storage related costs
- ~ Storage & Transport demand charges are reported as a combined total on the Pipeline Demand Cost row.
- Peaking Cost = Peaking Cost includes peaking services, LNG, Propane, etc...
- Weighted Average Fuel Cost = Commodity x fuel % for each pipeline - represents portion of gas shipped that is retained by pipeline
- ~ Delivery & fuel costs are included in total costs; not tracked separately.
- Variable Pipeline Cost = Pipeline Charge per therm shipped
- ~ Delivery & fuel costs are included in total costs; not tracked separately.

SAMPLE SCHEDULE

New Jersey Natural Gas Company
Calculation of Net Cost of Gas Per Therm

Credits, Refunds, & Recoveries Per Therm:

	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Estimate Jul-12	Estimate Aug-12	Estimate Sep-12	12 Month Weighted Average
1 Asset Management Credits	\$0.0231	\$0.0420	\$0.0495	\$0.0394	\$0.0292	\$0.0352	\$0.0087	\$0.0457	\$0.0305	\$0.0140	\$0.0143	\$0.0143	\$0.0339
2 Off-system sales	\$0.0801	\$0.0577	\$0.0304	\$0.0240	\$0.0287	\$0.0482	\$0.0585	\$0.1593	\$0.1450	\$0.1549	\$0.1538	\$0.1538	\$0.0556
3 Capacity release	\$0.0201	\$0.0223	\$0.0182	\$0.0205	\$0.0155	\$0.0108	\$0.0206	\$0.0311	\$0.0229	\$0.0413	\$0.0508	\$0.0463	\$0.0211
4 On System Credits to BGSS-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
5 Supplier Refunds	\$0.0005	\$0.0003	\$0.0001	\$0.0001	\$0.0001	\$0.0002	\$0.0003	\$0.0007	\$0.0009	\$0.0000	\$0.0000	\$0.0000	\$0.0004
6 Gas for Company Use	\$0.0967	\$0.0894	\$0.0747	\$0.0687	\$0.0667	\$0.0656	\$0.0652	\$0.0804	\$0.0857	\$0.0873	\$0.0929	\$0.0914	\$0.0740
7 Line Loss	-\$0.0040	-\$1.3156	\$0.3091	\$0.3386	\$0.3247	\$0.1382	-\$0.0209	-\$0.1123	-\$0.0861	-\$0.0450	-\$0.0278	-\$0.0025	\$0.0573
8 Transfer to Non BGSS-P Customers	\$0.0000	\$1.6167	\$0.0000	\$0.0000	\$0.0000	\$0.0000	-\$0.0350	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
9 Over / Under Recovery & Interest to Customers	\$0.2165	\$0.5039	\$0.4820	\$0.4863	\$0.4648	\$0.3030	\$0.0975	\$0.2049	\$0.1888	\$0.2525	\$0.2906	\$0.3053	\$0.2387
10 Other	\$0.6650	\$0.6650	\$0.2520	\$0.2520	\$0.2520	\$0.4385	\$0.6377	\$0.8244	\$0.6244	\$0.6244	\$0.6244	\$0.6244	\$0.5662
11 Total Credits, Refunds, & Recoveries per Therm													
12 Total Net Cost Per Therm (Per Line 23 - Per Line 11)													

Credits, Refunds, & Recoveries Per Therm:

	Actual Oct-10	Actual Nov-10	Actual Dec-10	Actual Jan-11	Actual Feb-11	Actual Mar-11	Actual Apr-11	Actual May-11	Actual Jun-11	Actual Jul-11	Actual Aug-11	Actual Sep-11	Weighted Average
13 Asset Management Credits	\$0.0470	\$0.0560	\$0.0498	\$0.0840	\$0.0847	\$0.0410	\$0.0151	\$0.0252	\$0.0865	\$0.0745	\$0.0630	\$0.0369	\$0.0602
14 Off-system sales	\$0.0437	\$0.0284	\$0.0141	\$0.0097	\$0.0120	\$0.0185	\$0.0344	\$0.0800	\$0.1125	\$0.1248	\$0.1322	\$0.1236	\$0.0281
15 Capacity release	\$0.0259	\$0.0102	\$0.0222	\$0.0184	\$0.0208	\$0.0235	\$0.0207	\$0.0241	\$0.0292	\$0.0311	\$0.0251	\$0.0255	\$0.0210
16 On System Credits to BGSS-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
17 Supplier Refunds	\$0.0005	\$0.0002	\$0.0001	\$0.0003	\$0.0003	\$0.0003	\$0.0004	\$0.0005	\$0.0009	\$0.0010	\$0.0009	\$0.0009	\$0.0000
18 Gas for Company Use	\$0.1028	\$0.0797	\$0.0854	\$0.0776	\$0.0800	\$0.0779	\$0.0953	\$0.1058	\$0.1188	\$0.1096	\$0.1208	\$0.1116	\$0.0853
19 Line Loss	-\$0.0879	-\$0.0922	-\$0.0754	-\$0.0753	-\$0.0877	-\$0.0575	-\$0.1378	-\$0.1491	-\$0.1950	-\$0.2013	-\$0.1788	-\$0.1423	-\$0.0522
20 Transfer to Non BGSS-P Customers	\$0.1957	\$0.0823	\$0.0963	\$0.1149	\$0.1103	\$0.1016	\$0.0180	\$0.0965	\$0.1529	\$0.1397	\$0.1632	\$0.1573	\$0.1027
21 Over / Under Recovery & Interest to Customers	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600	\$0.7600
22 Other													
23 Total Credits, Refunds, & Recoveries per Therm													
24 Total Net Cost Per Therm (Per Line 33 - Per Line 23)													

Footnotes:

On System Credits to BGSS-P Customers = Interruptible Sales, Cogeneration, Electric Plant Transfers, Seyenville, Forked River, Ocean Power, etc...
Line Loss = Gross Cost of Gas per Therm x Line Loss Percentage
Indicate that Line 12 equals the projected BGSS-P rate or provide a calculation below that reconciles the two numbers.