



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)	DECISION AND ORDER
JERSEY NATURAL GAS COMPANY FOR THE)	APPROVING INITIAL DECISION
ANNUAL REVIEW AND REVISION OF ITS BASIC)	AND STIPULATION FOR FINAL
GAS SUPPLY SERVICE (BGSS) AND)	RATES
CONSERVATION INCENTIVE PROGRAM (CIP))	
RATES FOR F/Y 2021)	BPU DOCKET NO. GR20060378
)	OAL DOCKET NO. PUC 09349-20

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Andrew K. Dembia, Esq., on behalf of New Jersey Natural Gas Company

BY THE BOARD:

On May 29, 2020, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking approval to modify its Basic Gas Supply Service (“BGSS”) and Conservation Incentive Program (“CIP”) rates (“2020 BGSS/CIP Petition”). In the 2020 BGSS/CIP Petition, NJNG also sought approval to modify its Balancing Charge rate. By this Order, the Board considers an Initial Decision executed by Administrative Law Judge (“ALJ”) Jacob S. Gertsman, and a Stipulation of Settlement (“Stipulation”) executed by NJNG, Board Staff (“Staff”), and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, “Parties”) intended to resolve the Company’s requests related to the above docketed matter.

BACKGROUND

By Order dated January 6, 2003 in Docket No. GX01050304, the Board directed each of New Jersey’s four (4) gas distribution companies (“GDCs”), to submit to the Board by June 1 its annual BGSS gas cost filing for the BGSS year beginning October 1.¹ In addition, the January 2003 BGSS Order authorized each GDC to self-implement up to a five (5) percent BGSS rate increase

¹ In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act N.J.S.A. 48:3-49 et seq. – BGSS Pricing, BPU Docket No. GX01050304, Order dated January 6, 2003 (“January 2003 BGSS Order”).

effective December 1 of the current year, and February 1 of the following year, with one (1) month's advance notice to the Board and Rate Counsel, and implement a decrease in its BGSS rate at any time during the year upon five (5) days' notice to the Board and Rate Counsel.

2020 BGSS/CIP PETITION

In accordance with the January 2003 BGSS Order, on May 29, 2020, the Company filed the 2020 BGSS/CIP Petition requesting authority to decrease its current per therm periodic BGSS rate from \$0.3753 to \$0.3320 effective October 1, 2020.² As a result of the proposed periodic BGSS rate, the Company's annual BGSS revenues would be reduced by approximately \$21.7 million. Based upon market conditions at the time of the filing, NJNG estimated the BGSS ending balance would be approximately \$7.9 million over recovered as of September 30, 2020. The BGSS ending balance at September 30, 2021 was estimated to be an under-recovery of approximately \$2.4 million.

In the 2020 BGSS/CIP Petition, NJNG also sought to decrease its per therm Balancing Charge from \$0.1088 to \$0.1026. 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 to provide a BGSS "Price-to-Compare." There is no balancing charge related impact on sales customer's bills as the balancing charge is deducted from the BGSS price and added to the delivery price. The proposed Balancing Charge would result in an additional decrease in BGSS revenues of \$4.1 million.

Additionally, NJNG sought approval of the following per therm CIP rates to be effective October 1, 2020:³

1. Group I Residential Non-Heating– a charge of \$0.0173;
2. Group II Residential Heating – a charge of \$0.0427;
3. Group III General Service – Small – a charge of \$0.0400; and
4. Group IV General Service – Large – a charge of \$0.0303

The CIP calculations result in an overall increase in after-tax revenue of approximately \$23.8 million, which includes \$19.9 million related to weather, which was warmer than normal, and a non-weather related margin deficiency of \$3.9 million.

Through discovery, the Company updated its CIP rate schedules. As a result of the update, the calculations for CIP Groups I and II had a lower rate than originally proposed, while Groups III and IV were higher than originally proposed. The updated CIP calculations resulted in an overall increase in after-tax revenue of approximately \$17.6 million. As a result of the update, the overall decrease in after-tax revenue for the 2020 BGSS/CIP Petition is approximately \$8.2 million.

² All rates quoted herein include losses and Sales and Use Tax ("SUT") unless otherwise stated.

³ 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 was further extended by Orders dated January 21, 2010 in Docket No. GR05120120 and May 21, 2014 in Docket No. GR13030185. 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.

After publication of notices in newspapers in general circulation in the Company's service territory, public hearings were conducted telephonically on August 17, 2020 at 4:30 pm and 5:30 pm.⁴ No members of the public appeared at the hearings or filed comments with the Board regarding the 2020 BGSS/CIP Petition.

By Order dated September 9, 2020, the Board approved a stipulation for provisional rates executed by the Parties.⁵ The September 2020 Provisional Order authorized NJNG to implement a per therm BGSS rate of \$0.3320, implement a per therm Balancing Charge of \$0.1026 and implement the following CIP rates: (\$0.0334) for Group I Residential Non-Heat customers; \$0.0304 for Group II Residential Heat customers; \$0.0400 for Group III Small Commercial customers; and \$0.0303 for Group IV General Service Large Customers. All rates approved in the September 2020 Provisional Order became effective for services rendered on and after October 1, 2020 on a provisional basis, subject to refund. As a result of the September 2020 Provisional Order, a typical residential customer using 100 therms on a monthly basis would see a decrease of \$2.70, or approximately 2.4%.

On September 16, 2020, the Board transmitted this matter to the Office of Administrative Law as a contested case where it was subsequently assigned to ALJ Gertsman.

On November 20, 2020, NJNG filed a letter notifying the Board of its intent to implement a bill credit effective December 1, 2020 through December 31, 2020. The per therm credit of \$0.1220 would be applicable to each customer's usage during the month of December 2020. Although the impact of this credit will vary from customer to customer based upon individual usage patterns and weather patterns experienced during December 2020, NJNG estimated the average residential heating customer could receive a total credit of approximately \$19.00, or 11.2% of the total December 2020 bill. Subsequently, on December 22, 2020, NJNG notified the Board of its intent to implement an additional bill credit effective January 1, 2021 through January 31, 2021. The per therm credit of \$0.1220 per therm would be applicable to each customer's usage during January 2021. An average residential heating customer using 197 therms in January 2021 would receive a total credit of approximately \$24.00.

When combining the two credits, the total estimated credits were approximately \$22.5 million, which would result in the average residential heating customer receiving a total credit of approximately \$43, or \$11% of the total bill over the two (2)-month period.

STIPULATION

Following a review of the 2020 BGSS/CIP Petition and discovery, the Parties executed the Stipulation, which provides for the following:⁶

15. The Parties agree that the Company's previously approved provisional rates, as described in Paragraph 10 of the Stipulation, should be deemed by the Board to

⁴ The hearings were held telephonically due to the COVID-19 pandemic.

⁵ In re the Petition of New Jersey Natural Gas Company's for the Annual Review and Revision of its Basic Gas Supply Service (BGSS) and Conservation Incentive Program (CIP) Rates for F/Y 2021, BPU Docket No. GR20060378, Order dated September 9, 2020 ("September 2020 Provisional Order").

⁶ 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 in this Order. Paragraphs are numbered to coincide with the Stipulation.

be final rates. Those rates, effective October 1, 2020 are: 1) the Company's periodic BGSS rate of \$0.3320 per therm after-tax; 2) the following CIP rates all on an after-tax basis: a credit rate of \$0.0334 per therm for Group I Residential Non-Heat customers; a charge of \$0.0304 per therm for Group II Residential Heat customers; a charge of \$0.0400 per therm for Group III General Service Small Commercial customers; and a charge of \$0.0303 per therm for Group IV General Service Large Commercial customers; and 3) the Balancing Charge rate of \$0.1026 per therm after-tax. As a result of the Stipulation, the provisional rates included in this paragraph will be final and the October 1, 2020 BGSS, CIP, and Balancing Charge rates shall remain in effect until further Board Order or further action by the Company in accordance with the January 2003 BGSS Order.

16. As a result of the rates remaining the same and being finalized, there will be no further impact on a typical residential heating customer's bill since the provisional rate was entered on October 1, 2020 aside from the bill credits issued by the Company as per Paragraph 12 of the Stipulation.
17. The Company's future annual BGSS gas cost filing shall continue to comply with the "Annual BGSS Minimum Filing Requirements" ("MFRs") adopted by the Board by Order dated June 20, 2003 in Docket No. GR02100760 et al. and include an MFR index detailing the page number or exhibit where each MFR is addressed in the filing. A copy of the MFRs are attached to the Stipulation as Attachment B.

On February 11, 2021, ALJ Gerstman issued an Initial Decision approving the Stipulation, finding that the Parties voluntarily agreed to the terms of the Stipulation, and that the Stipulation fully disposed of all matters and is consistent with the law.

DISCUSSION AND FINDINGS

The Board carefully reviewed the record in this proceeding, including ALJ Gertsman's Initial Decision and the Stipulation. The Board **HEREBY FINDS** that the Parties voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. Accordingly, the Board **FURTHER FINDS** that the Initial Decision, which adopts the Stipulation, to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and Stipulation, attached hereto, as its own, as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY ORDERS** that NJNG's below existing rates are final and shall remain in effect until further Order of the Board:

- (1) BGSS rate \$0.3320;
- (2) Balancing Charge rate \$0.1026; and
- (3) The following per therm CIP rates:
 - a credit of \$0.0334 for Residential Non-Heating customers;
 - a charge of \$0.0304 for Residential Heating customers;
 - a charge of \$0.0400 for General Service-Small; and
 - a charge of \$0.0303 for General Service-Large.

Any net over-recovered BGSS, Balancing Charge and CIP balance at the end of the BGSS period shall be subject to refund with interest.


The Board **HEREBY DIRECTS** NJNG to file revised tariff sheets conforming to the terms of the Stipulation prior to April 1, 2021.

The Company's costs, including those related to the BGSS and CIP, 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.

The effective date of this Order is March 13, 2021.

DATED: March 3, 2021

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF NEW JERSEY NATURAL GAS COMPANY FOR THE ANNUAL REVIEW
AND REVISION OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND CONSERVATION
INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2021
DOCKET NO. GR20060378
OAL DOCKET NO. PUC 09349-20

SERVICE LIST

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 09349-20

AGENCY DKT. NO. GR20060378

**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 CONSERVATION INCENTIVE PROGRAM
(CIP) RATES FOR FISCAL YEAR 2021.**

Andrew K. Dembia, Regulatory Affairs Counsel, for petitioner, New Jersey Natural Gas Company

Terel Klein and **Michael Beck**, Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

Felicia Thomas-Friel and **Maura Caroselli**, Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Record Closed: February 10, 2021

Decided: February 11, 2021

BEFORE **JACOB S. GERTSMAN**, ALJ:

This proceeding involves a petition filed on May 29, 2020, by New Jersey Natural Gas Company (Company) pursuant to N.J.S.A. 48:2-21, for its annual filing for Basic Gas Supply

Service (BGSS) and the Company's related requests to modify the BGSS, Conservation Incentive Program (CIP) and Balancing Charge rates, pursuant to N.J.S.A. 48-2-21.

The petition was transmitted to the Office of Administrative Law (OAL) on September 16, 2020, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on November 10, 2020. Duly noticed public hearings were held telephonically prior to the transmittal to the OAL, on August 17, 2020 at 4:30 p.m. and 5:30 p.m.¹ No members of the public appeared at either hearing and no written comments were received.

Evidentiary hearings were scheduled for May 6, 2021. Prior to the commencement of the evidentiary hearings, the parties filed on February 10, 2021, a Stipulation of Final Rates (J-1), resolving all issues in this proceeding. Said Stipulation has been signed by petitioner, Staff of the Board of Public Utilities, and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

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

1. The parties have voluntarily agreed to the settlements as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlements fully dispose 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.

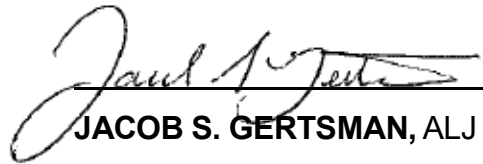
This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days

¹ Public hearings were held telephonically due to the COVID-19 pandemic.

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.

February 11, 2021 _____

DATE



JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency:

Date Mailed to Parties:

JSG/nd

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

**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. GR20060378
REVISION OF ITS BASIC GAS SUPPLY)	OAL DOCKET NO. PUC 09349-2020S
SERVICE (BGSS) AND ITS)	
CONSERVATION INCENTIVE PROGRAM)	
(CIP) RATES FOR F/Y 2021)	

STIPULATION FOR FINAL RATES

APPEARANCES:

Andrew Dembia, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, and Maura Caroselli, Esq., Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (Stefanie Brand, Esq., Director)

Terel Klein, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

TO THE HONORABLE JACOB S. GERTSMAN, ADMINISTRATIVE LAW JUDGE

BACKGROUND

1. On May 29, 2020, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition in Docket No. GR20060378 and requested that the New Jersey Board of Public Utilities (“BPU” or “Board”) authorize NJNG to: 1) decrease the Company’s Periodic Basic Gas Supply Service (“BGSS”) rate effective October 1, 2020; 2) decrease the Company’s Balancing Charge effective October 1, 2020; and 3) increase the Company’s Conservation Incentive Program (“CIP”) recovery rates for Group II Residential Heat customers, Group III General Service – Small customers, and Group IV General Service – Large customers, and decrease the CIP recovery rate for Group I Residential Non-Heat customers, effective October 1, 2020 (“2021 BGSS/CIP

Filing”). The petition was filed pursuant to the “Order Approving BGSS Price Structure” issued by the Board on January 6, 2003, Docket No. GX01050304 (“Generic BGSS Order”).

2. Specifically, the 2021 BGSS/CIP Filing requested authorization to decrease the Company’s then current per therm after-tax Periodic BGSS rate of \$0.3753 that is applicable to residential and small commercial customers, subject to the Periodic BGSS Pricing Mechanism, to \$0.3320. As requested by Board Staff (“Staff”), NJNG’s filing reflected market conditions as of May 7, 2020, and was based upon a one (1)-year BGSS recovery period. If approved, the requested changes would result in an overall decrease of after-tax revenue of approximately \$21.7 million to the current estimated annual BGSS revenue of \$189.0 million.

3. In the 2021 BGSS/CIP Filing, the Company also requested a \$0.0062 per therm decrease to the NJNG after-tax balancing charge from \$0.1088 to \$0.1026. As approved by the Board on November 13, 2019 in BPU Docket No. GR19030420 (“Base Rate Case Order”), NJNG is to adjust its Balancing Charge in the annual BGSS filing to reflect updated pipeline demand charges, credit adjustments, and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the Balancing Charge. The Base Rate Case Order also provides for the inventory portion of the Balancing Charge to be updated in a base rate case. The Balancing Charge is a component of the delivery charge for certain sales and transportation customers, and all Balancing Charge revenues are credited to the BGSS. The requested change would result in an overall decrease of after-tax revenue of approximately \$4.1 million to the current estimated annual Balancing Charge revenue of \$72.5 million.

4. Within the 2021 BGSS/CIP Filing, as authorized by the Board in Docket Nos. GR05121020 and GR13030185, the Company also submitted its annual CIP rate filing for CIP year 2021 (October 1, 2020 through September 30, 2021). NJNG requested that the BPU approve

the implementation of updated CIP rates effective October 1, 2020. The requested changes would result in an overall increase of after-tax revenue of approximately \$23.8 million to the current estimated annual CIP revenue of 2.7 million. Specifically, the Company sought approval for the following changes to its after-tax, per therm CIP factors: 1) a \$0.0517 decrease to the then current rate of \$0.0690 for Group I Residential Non-Heat customers, resulting in the proposed rate of \$0.0173; 2) a \$0.0348 increase to the then current rate of \$0.0079, resulting in the proposed rate of \$0.0427 for Group II Residential Heat customers; 3) an increase of \$0.0608 to the then current credit rate of \$0.0208 for Group III General Service Small Commercial customers, resulting in the proposed rate of \$0.0400; and 4) a \$0.0346 increase to the then current credit rate of \$0.0043, resulting in the proposed rate of \$0.0303 for Group IV General Service Large Commercial customers, all effective as of October 1, 2020.

5. Pursuant to the Board's May 21, 2014 Order in Docket No. GR13030185, recovery of any non-weather related CIP surcharges are subject to a BGSS Savings Test under which the Company must have BGSS savings of at least 75 percent of the non-weather related margin deficiency, and a Variable Margin Test under which the non-weather related margin deficiency must be less than or equal to 6.5 percent of aggregate variable margins. Additionally, recovery of the current year margin deficiency must meet an earnings test. The Company reported a total estimated CIP related margin deficiency for CIP year 2020 (October 1, 2019 through September 30, 2020) of approximately \$23.8 million, with \$19.9 million margin deficiency related to weather and \$3.9 million margin deficiency related to non-weather factors. The amount of the BGSS Savings required to meet the BGSS Savings test is 75 percent of the non-weather change or \$2.9 million. The Company identified approximately \$14.2 million in BGSS savings available to offset non-weather-related CIP margin deficiency and charges for the October 2020 through September

2021 recovery period. Under the Variable Margin Test, the recovery limitation is \$18.0 million based upon the aggregate variable margins reported by the Company. Since the non-weather-related CIP margin deficiency is less than the BGSS Savings and the Variable Margin Test recovery limitation, the Company has met both tests based upon the information and representations contained in the Company's filing. The Company also provided testimony that the margin deficiency will not result in a return on equity in excess of 9.60 percent.

6. Modifying the BGSS, Balancing Charge, and CIP rates, as proposed, would result in a requested overall decrease to the average residential heating customer (Group II) using 100 therms per month from an average monthly bill of \$114.65 per month to \$113.18 per month which is a decrease of approximately \$1.47 per month, or 1.3 percent. The impact to the average residential non-heat customer (Group I) using 25 therms per month from these requested rate changes would be a decrease of \$37.69 per month to \$35.16 per month which is a decrease of \$2.53, or 6.7 percent. For the average general service small commercial customer (Group III) using 100 therms a month this change would be an increase of \$1.13, or 0.9 percent per month, and to the average general service large commercial customer (Group IV) using 1200 therms a month this change would be an increase of \$41.52, or 3.2 percent per month. The above BGSS, Balancing Charge, and CIP rate changes would result in a decrease in annual after-tax revenues to NJNG of approximately \$2.0 million.

7. On August 18, 2020, the Company submitted responses to the New Jersey Division of Rate Counsel's ("Rate Counsel") discovery requests which updated its CIP schedules. The Company's updated calculations produced CIP rates for Groups I and II that were lower than originally filed. Therefore, the Company proposed that these lower updated rates be approved on a provisional basis, effective October 1, 2020. The updated proposed CIP rates for Groups I and II were a credit

rate of \$0.0334 per therm and a charge of \$0.0304 per therm, respectively, and the requested CIP rates for Group III were \$0.0400 per therm and for Group IV \$0.0303 per therm resulting in an overall increase of after-tax revenue of approximately \$17.6 million to the current estimated annual CIP revenue of \$2.7 million. Approval of the updated CIP rates for Groups I and II of a credit rate of \$0.0334 per therm and a charge of 0.0304 per therm respectively, and the requested rates for Group III of 0.0400 per therm and for Group IV of \$0.0303 per therm would result in an overall increase of after-tax revenue of approximately \$17.6 million to the current estimated annual CIP revenue of 2.7 million. Implementation of these revised CIP rates, combined with the requested BGSS rate of \$0.3320 per therm and Balancing Charge of \$0.1026 per therm, would result in an overall decrease of after-tax revenue of approximately \$8.2 million.

8. After publication of notice in newspapers of general circulation in NJNG's service territory, public hearings were scheduled and held telephonically on August 17, 2020.¹ No members of the public appeared at either hearing, nor were any written comments received by the BPU, NJNG or Rate Counsel.

9. NJNG, Staff, and Rate Counsel (collectively, "Parties"), the only Parties to this proceeding, discussed certain matters at issue in this proceeding, and determined that additional time was needed to complete the review of NJNG's proposed BGSS, Balancing Charge, and CIP rates. Additionally, during the discussions, the Company proposed, and the Parties agreed, that implementation of the requested BGSS rate, the updated CIP rates for Groups I and II, the requested CIP rates for Groups III, and IV, and the requested Balancing Charge rate, on a

¹ Public hearings were held telephonically due to the COVID 19 pandemic.

provisional basis subject to the terms below, would be reasonable, and accordingly executed a stipulation for provisional rates.

10. On September 9, 2020, the Board issued an Order in this proceeding approving the stipulation (“September 2020 Order”). The September 2020 Order authorized the Company to: 1) decrease the Company’s existing periodic BGSS rate to \$0.3320 per therm after-tax; 2) decrease the Company’s balancing charge to \$0.1026 per therm after tax; 3) decrease the CIP rate on an after tax basis to a credit rate of \$0.0334 per therm for Group I Residential Non-Heat customers; and 4) increase the following CIP rates all on an after-tax basis to: \$0.0304 per therm for Group II Residential Heat customers, \$0.0400 per therm for Group III General Service Small Commercial customers, and \$0.0303 per therm for Group IV General Service Large Commercial customers. Those rates, which became effective October 1, 2020, were subject to refund with interest, with an opportunity for a full review at the Office of Administrative Law (“OAL”), if necessary, and final approval by the Board. A full schedule of applicable bill impacts by rate class is attached hereto as Attachment A.

11. On September 16, 2020, this matter was transmitted to the OAL as a contested case and assigned to the Honorable Jacob S. Gertsman, Administrative Law Judge (“ALJ”). A telephonic pre-hearing conference was held on November 10, 2020. ALJ Gertsman issued a Prehearing Order dated November 23, 2020 establishing the procedural schedule.

12. On November 20, 2020, NJNG notified the BPU and Rate Counsel of its intent to implement a bill credit of approximately \$10 million, on an after-tax basis, for residential and small commercial customers subject to the Periodic BGSS pricing. The credit would be effective as of December 1, 2020 through December 31, 2020. On December 22, 2020, NJNG notified the BPU and Rate Counsel of its intent to extend the bill credit through January 31, 2021 to provide

an estimated additional \$12.5 million, on an after-tax basis, for residential and small commercial customers subject to Periodic BGSS pricing. The after-tax credit rate of \$0.1220 per therm would be applicable to each customer's usage during the month that it is in effect. Although the impact of this credit varies from customer to customer based on individual usage patterns and weather patterns experienced during the two (2) months, the average residential heating customer using approximately 355 therms during the two (2) month period could receive a total credit of approximately \$43.00 or 11 percent of the total bill. That impact translates to a 3.8 percent reduction to the total bill on an annual basis for the average residential heating customer using 1,000 therms annually.

13. NJNG received and responded to all discovery requests that have been propounded in this proceeding by Staff and Rate Counsel.

14. The Parties discussed this matter and hereby **STIPULATE AND AGREE** as follows:

STIPULATED ISSUES

15. The Parties agree that the Company's previously approved provisional rates, as described above in Paragraph 10, should be deemed by the Board to be final rates. Those rates, effective October 1, 2020 are: 1) the Company's periodic BGSS rate of \$0.3320 per therm after-tax; 2) the following CIP rates all on an after-tax basis: a credit rate of \$0.0334 per therm for Group I Residential Non-Heat customers; a charge of \$0.0304 per therm for Group II Residential Heat customers; a charge of \$0.0400 per therm for Group III General Service Small Commercial customers; and a charge of \$0.0303 per therm for Group IV General Service Large Commercial customers; and 3) the Balancing Charge rate of \$0.1026 per therm after-tax. As a result of this Stipulation, the provisional rates included in this paragraph will be final and the October 1, 2020

BGSS, CIP, and Balancing Charge rates shall remain in effect until further Board Order or further action by the Company in accordance with the Generic BGSS Order.

16. As a result of the rates remaining the same and being finalized, there will be no further impact on a typical residential heating customer's bill since the provisional rates were entered on October 1, 2020 aside from the bill credits issued by the Company as per paragraph 12.

17. The Company's future annual BGSS gas cost filing shall continue to comply with the "Annual BGSS Minimum Filing Requirements" ("MFRs") adopted by the Board by Order dated June 20, 2003 in Docket No. GR02100760 et al. and include an MFR index detailing the page number or exhibit where each MFR is addressed in the filing. A copy of the MFRs are attached hereto as Attachment B.

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, 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. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that Your Honor issue an Initial Decision and that the Board issue an Order approving it in its entirety, in accordance with the terms hereof.

**NEW JERSEY NATURAL GAS
PETITIONER**



By: _____
ANDREW K. DEMBIA, ESQ.
New Jersey Natural Gas

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

By: Maura Caroselli 2/10/21
MAURA CAROSELLI, ESQ.
ASSISTANT DEPUTY RATE COUNSEL

**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY**
Attorney for the Staff of the Board of Public Utilities

By: TK
TEREL KLEIN, ESQ.
DEPUTY ATTORNEY GENERAL

Date: February 9, 2021

New Jersey Natural Gas Company
Net impact of Proposed Rate Changes
BPU Docket No. GR20060378
F/Y 2021

(\$/therm)

Rate Impact for Group I - Residential Non-Heating Customers								
	Component of	5/1/20 Rates		Proposed 10/1/20 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	BGSS	\$0.3520	\$0.3753	\$0.3114	\$0.3320	(\$0.0406)	(\$0.0433)	(2.9%)
Balancing Charge	Delivery Rate	0.1020	0.1088	0.0962	0.1026	(0.0058)	(0.0062)	(0.4%)
CIP	Delivery Rate	0.0647	0.0690	(0.0313)	(0.0334)	(0.0960)	(0.1024)	(6.8%)
NET IMPACT		<u>\$0.5187</u>	<u>\$0.5531</u>	<u>\$0.3763</u>	<u>\$0.4012</u>	<u>(\$0.1424)</u>	<u>(\$0.1519)</u>	<u>(10.1%)</u>

Rate Impact for Group II - Residential Heating Customers								
	Component of	5/1/20 Rates		Proposed 10/1/20 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	BGSS	\$0.3520	\$0.3753	\$0.3114	\$0.3320	(\$0.0406)	(\$0.0433)	(3.8%)
Balancing Charge	Delivery Rate	0.1020	0.1088	0.0962	0.1026	(0.0058)	(0.0062)	(0.5%)
CIP	Delivery Rate	0.0074	0.0079	0.0285	0.0304	0.0211	0.0225	2.0%
NET IMPACT		<u>\$0.4614</u>	<u>\$0.4920</u>	<u>\$0.4361</u>	<u>\$0.4650</u>	<u>(\$0.0253)</u>	<u>(\$0.0270)</u>	<u>(2.3%)</u>

Rate Impact for Group III - General Service Small Customers								
	Component of	5/1/20 Rates		Proposed 10/1/20 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	BGSS	\$0.3520	\$0.3753	\$0.3114	\$0.3320	(\$0.0406)	(\$0.0433)	(3.3%)
Balancing Charge	Delivery Rate	0.1020	0.1088	0.0962	0.1026	(0.0058)	(0.0062)	(0.5%)
CIP	Delivery Rate	(0.0195)	(0.0208)	0.0375	0.0400	0.0570	0.0608	4.7%
NET IMPACT		<u>\$0.4345</u>	<u>\$0.4633</u>	<u>\$0.4451</u>	<u>\$0.4746</u>	<u>\$0.0106</u>	<u>\$0.0113</u>	<u>0.9%</u>

Rate Impact for Group IV - General Service Large Customers								
	Component of	5/1/20 Rates		Proposed 10/1/20 Rates		Change		Total Bill % impact
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
BGSS	BGSS (May 2019)	\$0.3187	\$0.3398	\$0.3245	\$0.3460	\$0.0058	\$0.0062	0.6%
Balancing Charge	Delivery Rate	0.1020	0.1088	0.0962	0.1026	(0.0058)	(0.0062)	(0.6%)
CIP	Delivery Rate	(0.0040)	(0.0043)	0.0284	0.0303	0.0324	0.0346	3.2%
NET IMPACT		<u>\$0.4167</u>	<u>\$0.4443</u>	<u>\$0.4491</u>	<u>\$0.4789</u>	<u>\$0.0324</u>	<u>\$0.0346</u>	<u>3.2%</u>

For General Service – Large (“GSL”) sales customers, there is no impact from the proposed BGSS rate because they are subject to monthly market pricing for their natural gas supply. The GSL BGSS decrease shown above reflects the proposed Balancing Charge change since the Balancing Charge is deducted from the BGSS charge and included as a component of the delivery charge for no impact to the total bill of GSL sales customers.

Projected Annual Post-tax BGSS, CIP, and WNC revenue

Projected Annual Therms:			
	Projected Revenue at Current Rates \$million	Projected Revenue at Proposed Rates \$million	Change \$million
Periodic BGSS	\$189.0	\$167.3	(\$21.7)
Balancing Charge	\$72.5	\$68.4	(\$4.1)
CIP Group I	\$0.2	(\$0.1)	(\$0.3)
CIP Group II	\$3.9	\$15.0	\$11.1
CIP Group III	(\$0.8)	\$1.5	\$2.3
CIP Group IV	(\$0.6)	\$3.9	\$4.5
IMPACT	<u>\$264.2</u>	<u>\$256.0</u>	<u>(\$8.2)</u>

New Jersey Natural Gas Company
Net impact of Proposed Rate Changes
BPU Docket No. GR20060378
F/Y 2021

Impact on Residential Non-Heating Customers				
			25 therm bill	
5/1/20 Rates				
Customer Charge	\$10.00	\$10.00		
Delivery	\$0.7323	\$18.31		
BGSS	\$0.3753	\$9.38		
Total	\$1.1076	\$37.69		
Proposed Rates- effective 10/1/20				
Customer Charge	\$10.00	\$10.00		
Delivery	\$0.6237	\$15.59		
BGSS	\$0.3320	\$8.30		
Total	\$0.9557	\$33.89		
Decrease		(\$3.80)		
Decrease as a percent		(10.1%)		
Impact on Residential Heating Customers				
			100 therm bill	1,000 therm annual bill
5/1/20 Rates				
Customer Charge	\$10.00	\$10.00	\$120.00	
Delivery	\$0.6712	\$67.12	\$671.20	
BGSS	\$0.3753	\$37.53	\$375.30	
Total	\$1.0465	\$114.65	\$1,166.50	
Proposed Rates- effective 10/1/20				
Customer Charge	\$10.00	\$10.00	\$120.00	
Delivery	\$0.6875	\$68.75	\$687.50	
BGSS	\$0.3320	\$33.20	\$332.00	
Total	\$1.0195	\$111.95	\$1,139.50	
Decrease		(\$2.70)	(\$27.00)	
Decrease as a percent		(2.4%)	(2.3%)	
Impact on Commercial GSS Customers				
			100 therm bill	
5/1/20 Rates				
Customer Charge	\$34.00	\$34.00		
Delivery	\$0.5847	\$58.47		
BGSS	\$0.3753	\$37.53		
Total	\$0.9600	\$130.00		
Proposed Rates- effective 10/1/20				
Customer Charge	\$34.00	\$34.00		
Delivery	\$0.6393	\$63.93		
BGSS	\$0.3320	\$33.20		
Total	\$0.9713	\$131.13		
Increase		\$1.13		
Increase as a percent		0.9%		
Impact on Commercial GSL Customers				
			1200 therm bill	
5/1/20 Rates				
Customer Charge	\$78.37	\$78.37		
Demand Charge	\$2.56	\$245.76		
Delivery	\$0.4572	\$548.64		
BGSS (May 2020)	\$0.3398	\$407.76		
Total	\$0.7970	\$1,280.53		
Proposed Rates- effective 10/1/20				
Customer Charge	\$78.37	\$78.37		
Demand Charge	\$2.56	\$245.76		
Delivery	\$0.4856	\$582.72		
BGSS (May 2020)	\$0.3460	\$415.20		
Total	\$0.8316	\$1,322.05		
Increase		\$41.52		
Increase as a percent		3.2%		

**New Jersey Natural Gas Company
BGSS Minimum Filing Requirements (MFR) Index**

Minimum Filing Requirement

1. Motion, Supporting Testimony & Tariff Modifications
2. Computation of Proposed BGSS Rate
3. Public Notice with Proposed Impact on Bills
4. Actual and Forecasted Refund Amounts
5. Cost of Gas Sendout by Component
6. BGSS Contribution and Credit Offsets
7. Over/Under Recovery Comparisons
8. Wholesale Gas Pricing Assumptions
9. GCUA Recoveries and Balances
10. Historical Service Interruptions
11. Gas Price Hedging Activities
12. Storage Gas Volumes, Prices and Utilization
13. Affiliate Gas Supply Transactions
14. Supply and Demand Data
15. Actual Peak Day Supply and Demand
16. Capacity Contract Changes
17. FERC Pipeline Activities

Annual BGSS Minimum Filing Requirements

1. **Motion, Supporting Testimony & Tariff Modifications**

In support of its filing, a GCD should provide supporting testimony which addresses any material events or major factors affecting either the prior period's deferred gas balance or its forecasted BGSS rate. In addition to the associated motion, redlined tariff sheets should be provided for all proposed tariff changes.

2. **Computation of Proposed BGSS Rates**

A summary schedule should show all of the forecasted BGSS cost components and applicable credits which comprise the basis for the proposed BGSS rates that are to become effective October 1st. The cost components and applicable credits should be provided with all material amounts broken out separately.

3. **Public Notice with Proposed Impact on Bills**

A copy of the Company's Public Notice should be provided with details concerning the impact of the proposed BGSS rates on typical gas bills at various winter therm utilization levels.

4. **Actual and Forecasted Refund Amounts**

Schedules should be provided which show actual and estimated refund amounts for the reconciliation period as well as the estimated refunds for the projected period beginning October 1. The schedule should identify the refunds by month and should provide associated information on the applicable FERC docket involved.

5. Cost of Gas Sendout by Component

Monthly data showing the derivation of all cost components shown on the BGSS Computation Schedule should be provided for the reconciliation and projected periods. The monthly data should also provide detail on applicable volumes by customer classification.

6. BGSS Contribution and Credit Offsets

Monthly data showing the derivation of all BGSS cost offsets, including interruptible margins, capacity transactions, pipeline refunds and other credits should be provided for the reconciliation and projected periods.

7. Over/Under Recovery Comparisons

Schedules should be provided which show the derivation of the monthly over or under recoveries plus cumulative balances for the reconciliation and projected period. For the reconciliation period, a schedule should also show the calculation of the monthly actual or estimated accrued interest. These schedules should include prospective data shown for projected period based on the prevailing BGSS rate and, alternatively, based on the requested BGSS rate.

8. Wholesale Gas Pricing Assumptions

The GDC should provide schedules which detail the monthly gas prices for the reconciliation and projected periods. The schedules should show the prices utilized in developing the existing BGSS rate and those utilized for projecting the proposed BGSS rate. To the degree third party price indexes or forecasts are the basis for such gas prices, associated documentation should also be provided.

9. GCUA Recoveries and Balances

Schedules should be provided that show monthly data for the GCUA since its inception. The data should provide the unamortized balances, recoveries, and accrued interest by month with any associated workpapers.

10. Historical Service Interruptions

A schedule should be provided which details any service interruptions during the past 12 months. The schedule should show the dates of the interruptions, the service categories affected, and whether each interruption was operational or economic in nature.

11. Gas Price Hedging Activities

The GDC should provide copies of its last four quarterly hedging reports as filed with the Board. It should also provide a schedule covering both the reconciliation and projected period which shows monthly gas purchase volume requirements and price hedged volumes broken down into discretionary and non-discretionary components which allow evaluation of compliance with the GDC's established hedging objectives.

12. Storage Gas Volumes, Prices and Utilization

Schedules should be provided which show the GDC's monthly data for LNG, LPG, and pipeline storage volumes. The schedules should show volumes and dollars for balances, injections, and withdrawals with all data shown on a Dth basis.

13. Affiliate Gas Supply Transactions

The GDC's filing should have disclosure of all gas supply and capacity transactions with any affiliates during the reconciliation or forecasted periods. The disclosure should provide the nature, terms, and conditions of any such transactions, the date

of the transactions, and evidence that the gas supply or capacity resources transactions were at market rates.

14. Supply and Demand Data

Schedules should be provided that show the GDC's firm requirements and gas supplies by component on an annual, heating season and non-heating season basis. The data should be provided for the reconciliation period and the two prior and two prospective annual periods.

15. Actual Peak Day Supply and Demand

The GDC should provide data for the five highest demand days, for each of the last three years, showing date, temperature or HDD, firm and interruptible volumes and the sources of supply used to meet the associated volume requirement.

16. Capacity Contract Changes

The GDC filing should provide details concerning any changes to its interstate pipeline contracts (entitlements, storage capacities, daily deliverability, transportation, or associated costs) which have been made or occurred during the past 24 months or are planned for the next 12 months. To the degree any significant changes have been made or are planned, a narrative should discuss operational and cost consequences as well as the rationale for the changes.

17. FERC Pipeline Activities

The GDC's filing should provide details on any pending FERC dockets which would affect the cost or services received from the GDC's supplying pipelines. The GDC should also provide details concerning its participation in such dockets and a listing of any filings or testimony made by the GDC or on its behalf.