



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY )	DECISION AND ORDER
NATURAL GAS COMPANY FOR APPROVAL OF A )	APPROVING STIPULATION
PILOT PROGRAM FOR THE INSTALLATION OF )	FOR RECOVERY OF
COMPRESSED NATURAL GAS INFRASTRUCTURE )	PILOT PROGRAM COSTS
AND AN ASSOCIATED RECOVERY MECHANISM )	RELATING TO THE
WITH THE APPROVAL OF CHANGES IN THE )	INSTALLATION OF
COMPANY'S TARIFF FOR GAS SERVICE PURSUANT )	COMPRESSED NATURAL
TO N.J.S.A. 48:2-21 AND 48:2-23 <u>et seq.</u> )	GAS RE-FUELING
)	STATIONS
)	
)	DOCKET NO. GR11060361

**Parties of Record:**

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

**BY THE BOARD:**

Governor Chris Christie released the 2011 New Jersey Energy Master Plan ("EMP") on December 6, 2011. The expressed purpose of the EMP is "to document the Christie Administration's strategic vision for the use, management, and development of energy in New Jersey over the next decade. As required by law, the EMP includes long-term objectives and interim measures consistent with and necessary to achieving those objectives."<sup>1</sup>

The EMP recognized a need for New Jersey to encourage the creation and expansion of clean energy transportation solutions. Specifically, the EMP states:

<sup>1</sup> 2011 New Jersey Energy Master Plan, at p. 1 (available at [http://nj.gov/emp/docs/pdf/2011\\_Final\\_Energy\\_Master\\_Plan.pdf](http://nj.gov/emp/docs/pdf/2011_Final_Energy_Master_Plan.pdf)).

Natural Gas Vehicles (“NGVs”) offer a complementary technology to other new technologies designed to supplant gasoline and diesel fuel usage for transportation. . . . High diesel fuel costs coupled with expensive emission compliance costs make compressed natural gas (“CNG”) a viable alternative to conventional diesel engine and internal combustion vehicles.

[EMP, at 132.]

On June 16, 2011, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) seeking recovery, through base rates, of up to \$15 million for a CNG pilot program (“CNG Program”) to construct between seven and ten CNG vehicle re-fueling stations at host customer locations within its service territory. The express purpose of this CNG Program is to stimulate the deployment and use of NGVs throughout the State, with particular emphasis on fleet-based organizations.

The key elements of the petition are:

1. NJNG will install, own and maintain the CNG infrastructure constructed at host customer sites;
2. The host customer will cover the cost of any new meters and associated remote meter reading equipment;
3. The host customer will commit to using NGVs in their fleet operations at a level sufficient to ensure that the fleet consumes no less than 20% of the re-fueling station’s CNG capacity and will provide reasonable access to the re-fueling station to the general public and non-host customer fleets; and
4. The proposed accounting treatment for the CNG Program will be similar to that approved by the Board for NJNG’s Accelerated Infrastructure Investment Programs (“AIP” and AIP II)<sup>2</sup>, as it applies to:
  - i. prudently-incurred capital investment costs,
  - ii. construction work in progress (“CWIP”),
  - iii. allowance for funds used during construction (“AFUDC”),
  - iv. weighted average cost of capital (“WACC”),
  - v. revenue requirements, and
  - vi. cost recovery methodology that reflects an across-the-board adjustment to the customer classes so that the revenues for each class would be impacted by the same percentage.

After publication of notice in newspapers in general circulation in the Company’s service territories, public hearings were held at Rockaway Township on August 23, 2011 at 4:30 pm and 5:30 pm and in Freehold Township on August 24, 2011 at 4:30 pm and 5:30 pm. No members of the public appeared at any of the hearings.

On August 26, 2011, Public Service Electric and Gas Company (“PSE&G”) filed a motion to participate in these proceedings, arguing that the Board’s decision in this docket could have

---

<sup>2</sup> The Company’s AIP was approved in an April 28, 2009 Board Order in Docket Nos. GR07110889 and GR09020052 (“April 28 Order”) and AIP II was approved by Order dated March 30, 2011 (“March 30 Order”) in Docket Nos. GR07110889 and GR10100793.

precedential effect on New Jersey's other utilities, including PSE&G. On November 30, 2011, the Board granted PSE&G's Motion.

After the discovery process, NJNG, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff met to discuss a potential settlement. During that process, a proposed stipulation of settlement was developed.

On January 31, 2012, Rate Counsel submitted comments opposing the proposed stipulation, arguing that: (i) the CNG Program is not cost-effective for ratepayers, (ii) the benefit to cost analysis is too tenuous and remote to justify imposition of further responsibility to an already extended and financially strained ratepayer base, and (iii) the retail CNG refueling service is an activity that would best be provided in the market place by fuel retailers or other competitive providers, rather than through regulated rates.

After continued negotiations, on or about May 9, 2012, NJNG circulated a revised settlement proposal. On May 18, 2012, Rate Counsel filed comments on the revised settlement proposal, reiterating its earlier objections and adding that even though the company was agreeing that rate recovery would be on an interim basis under N.J.S.A. 48:2-21.1, Rate Counsel continues to object to the proposal and the CNG Program. According to Rate Counsel, because the company was not committing to a time frame for the filing of a rate case, there was an insufficient nexus to a base rate case to properly review the full impact of the CNG program. NJNG's last rate case was concluded more than 4 years ago and is being held open solely for review of the infrastructure projects approved as part of the economic stimulus program developed by the Board.

On or about June 6, 2012, NJNG and Board Staff ("Signatory Parties") entered into a revised stipulation ("Stipulation") concerning the CNG Program. Rate Counsel was provided an opportunity to sign the stipulation but declined. As a participant in the proceedings, PSE&G has been provided with a copy of the Stipulation.

The key elements of the Stipulation are summarized below.

### **STIPULATION**<sup>3</sup>

NJNG and Board Staff agree to a one-year CNG Program beginning from the effective date of service of the Board's Order approving the Stipulation, and with the following changes/additions to the terms and conditions of the June 16, 2011 petition:

1. The CNG Program capital expenditures are capped at \$10.0 million, excluding AFUDC, and the company will follow all mandatory and best practice safety and reliability measures during installation and maintenance processes.
2. Residential customers will receive a base rate adjustment associated with fifty (50) percent of the revenue requirement amount that they would have been responsible for under an across-the-board adjustment. The base rate adjustments for the remaining revenue requirement will reflect an across-the-board adjustment to the other applicable customer classes so that revenues for each of these classes will be impacted by the same percentage.

---

<sup>3</sup> Although summarized in this Order, should there be a conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions of this Order.

3. The revised tariff sheets attached to the Stipulation as "Exhibit A" reflect the addition of a \$0.20 per therm charge on all CNG delivered at the host customer's facility. The resulting revenues will be used to offset the CNG Program revenue requirement through the operation of the Compressed Natural Gas Credit (Rider "G").
4. The WACC to be applied to the CNG Program investments will be 7.10 percent per annum instead of the 7.76 percent per annum as initially requested.
5. NJNG will submit one cost-recovery/rate adjustment filing for base rate change approximately three months prior to the end of the twelve-month pilot period, containing both actual and estimated CNG Program expenditures as of the date of the filing, with actual up-dates added during the course of the proceeding. If the entire \$10 million is invested, it is anticipated that the overall increase to the bill of an average residential heating customer will not exceed 0.3 percent.
6. The Company will provide a copy of the cost recovery filing to Board Staff and Rate Counsel, and will arrange for notice and public hearing related to any proposed base rate adjustments stemming from the cost-recovery filing.
7. The rate adjustment filing will be conducted as a contested case in accordance with N.J.S.A. 52:14B-1 et seq., and any rate adjustment shall not be contractual, and shall be subject to refund, with interest.
8. Rate Counsel and Board Staff will have the opportunity to review the costs approved for recovery in the rate adjustment filing during the Company's first base rate case filed during or after the conclusion of the twelve-month pilot program period. The Company will refund to its customers or make other appropriate adjustments if the Board subsequently determines that the temporary increases were excessive or unwarranted.
9. Should NJNG receive any governmental funding or credits directly tied to the CNG Program, the Company will use that funding as a benefit to customers by offsetting the costs for which recovery is sought through the CNG Program rate adjustment filing.
10. Quarterly Reports will be submitted to Board Staff and Rate Counsel, including proposed capital expenditures for each CNG project, the status of each, the percentage of work completed, the anticipated completion date and the actual level of capital invested as of the end date for the period covered.
11. All contracts with potential host customers concerning the installation, ownership and maintenance of CNG equipment by NJNG will contain, at a minimum, the provisions detailed in "Exhibit B" attached to the Stipulation.
12. Exhibit C includes a list of discovery request and responses that are stipulation to as part of the record for this matter but no party is bound by the responses in any future proceeding.

### **DISCUSSION AND FINDINGS**

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a

reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the Stipulation was not signed by all the parties in this proceeding; nonetheless, it is well-established that the Board may consider and rely upon a non-unanimous stipulation as a fact-finding tool so long as the Board independently examines the existing record and expressly finds that the stipulated rates yield rates that satisfy the statutory standards. Id. at 270.

The Board is aware that CNG offers an environmentally friendly and economically beneficial fuel replacement for petroleum-based sources. The Board further recognizes that the upfront costs of building the infrastructure necessary to support a viable NGV market in New Jersey may have served as an impediment to prior construction. The lack of existing CNG re-fueling infrastructure within the State hinders the potential market for NGVs and the resulting benefits to be achieved from this fuel source.

The EMP calls upon the Board to explore what incentives are available to promote CNG as an alternate fuel source, and looks to the gas utilities to provide guidance on the construction, operation, and maintenance of CNG fueling stations for business fleets.<sup>4</sup> The Board, in its effort to determine what incentives will provide the impetus for the growth of CNG use for NGVs, acknowledges that the matter currently under review is a pilot program, with reporting requirements that will provide insight and results sufficient to allow the Board to develop future modifications to this CNG Program if needed, or which may serve as a foundation and guide for future CNG programs in the State.

The Board believes that the development of CNG is best served by concentrating upon commercial fleets, and the proposed CNG Program is an appropriate way to “jump start” an untapped market. Increasing the number of CNG refueling stations in the State will hopefully stimulate the market for CNG, and can provide a gateway for additional use by other types of vehicles, thereby reducing emissions and pollution from particulate matter even further. Additionally, all available federal and state incentives will be credited back to the ratepayers to help offset the cost of this investment.

NJNG is not seeking rate recovery at this time, so there is no current impact to customers' bills and ratepayers will not be burdened with any additional costs until such time as the Company submits its rate recovery filing. Based on current NJNG rates, the Stipulation notes that the anticipated financial impact to the average NJNG residential heating customer's bill, if NJNG invests the full \$10 million, is expected to be no more than 0.3 percent. Additionally, the rate recovery filing will be subject to all contested case procedures, and any rate increase will be granted only after notice and hearing. Any CNG Program recovery will remain provisional, and be subject to refund, with interest, if the Board determines in the Company's next rate case, that the investments were not prudent and reasonable as required under N.J.S.A. 48:2-21. The Company has also agreed to a reduced return on its capital investments, and to file quarterly reports on its progress. The Board understands Rate Counsel's objections to these procedures; however, based on the limited nature of the CNG Program, both as to scope and time, the Board is persuaded that there is sufficient oversight of the Company's expenditures to permit recovery on a provisional basis, subject to the filing of a rate case where the Board will later determine whether the resulting rates are just and reasonable. While the Company has not committed to the filing of a rate case on a date certain, the Board notes its inherent ability to call

---

<sup>4</sup> EMP at page 135.

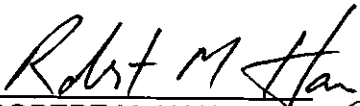
a utility before the Board for a rate proceeding at any time, and the Board commits to ensuring that the Company does not leave these "interim rates" open for an inappropriate period of time. In that way, in this particular case, and under these specific circumstances, the Board will ensure that the interim rates remain firmly tied to a rate case with an appropriate nexus.

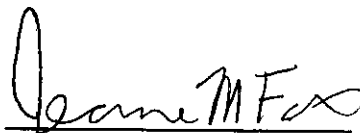
Therefore, based on the Board's review and consideration of the record in this proceeding, including the Stipulation, the petition, and the discovery submitted by NJNG, as well as the comments of Rate Counsel, the Board **HEREBY FINDS** that the Stipulation is reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein. The Board's approval of the Stipulation should not be taken to represent either a common, new, or precedent-setting treatment of rate regulation, but an appropriate response to the particular facts surrounding this limited pilot program.

In addition, the Board **HEREBY FINDS** that the form of the tariff sheets, attached to the Stipulation as Exhibit A, comply with the terms of the Stipulation, and therefore the Board **HEREBY ORDERS** the Company to file such tariff sheets in a timely manner prior to the initiation of the CNG Program. Finally, the Board **HEREBY ORDERS** the Company to provide a year-end report on the effectiveness of the pilot program, setting forth details sufficient to allow the Board to evaluate this pilot program, including information on the use of the completed refueling stations by the host companies and others, in addition to all other financial information required by the Stipulation, and to allow the Board determine whether this model should serve as a foundation for future CNG programs in the State.

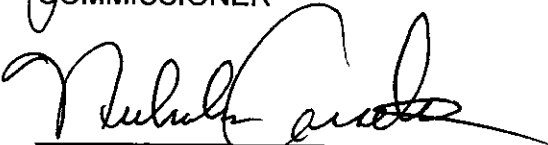
DATED: 6/18/12

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

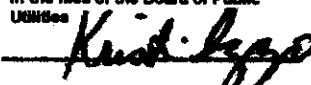
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
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



In the Matter of the Petition of New Jersey Natural Gas Company  
For the Approval of a Pilot Program For the Installation of Compressed Natural  
Gas Infrastructure and an Associated Recovery Mechanism  
With the Approval of Changes in the Company's Tariff  
For Gas Service Pursuant to N.J.S.A. 48:2-21 and 48:2-23 et seq.  
Docket No. GR11060361  
**SERVICE LIST**

<p>Sheila DeLucia, Chief  Board of Public Utilities  44 South Clinton Avenue, 9<sup>th</sup> Floor  P.O. Box 350  Trenton, New Jersey 08625-0350  sheila.delucia@bpu.state.nj.us</p>	<p>Alex Moreau, DAG  Veronica Beke, DAG  Department of Law &amp; Public Safety  124 Halsey Street, 5<sup>th</sup> Floor  P.O. Box 45029  Newark, NJ 07101  alex.moreau@lps.state.nj.us  veronica.beke@lps.state.nj.us</p>
<p>Robert Schultheis  Board of Public Utilities  44 South Clinton Avenue, 9<sup>th</sup> Fl  P.O. Box 350  Trenton, NJ 08625  robert.schultheis@bpu.state.nj.us</p>	<p>Felicia Thomas-Friel, Esq.  Division of Rate Counsel  31 Clinton Street, 11<sup>th</sup> Fl  P.O. Box 46005  Newark, NJ 07101  fthomas@rpa.state.nj.us</p>
<p>Jerome May, Director  Energy Division  Board of Public Utilities  44 South Clinton Avenue, 9<sup>th</sup> Floor  P.O. Box 350  Trenton, New Jersey 08625-0350  jerome.may@bpu.state.nj.us</p>	<p>Tracey Thayer, Esq.  New Jersey Natural Gas Company  1415 Wyckoff Road  P.O. Box 1464  Wall, NJ 07719  tthayer@njng.com</p>
<p>Babette Tenzer, DAG  Department of Law &amp; Public Safety  124 Halsey Street, 5<sup>th</sup> Floor  P.O. Box 45029  Newark, NJ 07101  babette.tenzer@lps.state.nj.us</p>	<p>Kurt Lewandowski, Esq.  Division of Rate Counsel  31 Clinton Street, 11<sup>th</sup> Floor  P.O. Box 46005  Newark, NJ 07101  klewando@rpa.state.nj.us</p>
<p>Paul Flanagan  Division of Rate Counsel  31 Clinton Street, 11<sup>th</sup> Fl  P.O. Box 46005  Newark, NJ 07101  pflanagan@rpa.state.nj.us</p>	<p>Martin C. Rothfelder, Esq.  Public Service Electric and Gas Company  80 Park Plaza-T5  Newark, N.J. 07162  martin.rothfelder@pseg.com</p>

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

<b>IN THE MATTER OF THE PETITION OF</b>	)	
<b>NEW JERSEY NATURAL GAS COMPANY</b>	)	
<b>FOR APPROVAL OF A PILOT PROGRAM</b>	)	
<b>FOR THE INSTALLATION OF COMPRESSED</b>	)	<b>BPU DOCKET NO.</b>
<b>NATURAL GAS INFRASTRUCTURE AND AN</b>	)	
<b>ASSOCIATED RECOVERY MECHANISM</b>	)	<b>GR11060361</b>
<b>WITH THE APPROVAL OF CHANGES</b>	)	
<b>IN THE COMPANY'S TARIFF FOR GAS SERVICE,</b>	)	
<b>PURSUANT TO N.J.S.A. 48:2-21 AND 48:2-23 <u>ET SEQ.</u></b>	)	

**STIPULATION**

**APPEARANCES**

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

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, **Kurt Lewandowski, Esq.** and **Maria Novas-Ruiz, Esq.**, Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (**Stefanie A. 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 the State of New Jersey)

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

1. On June 16, 2011, New Jersey Natural Gas Company ("NJNG" or the Company) filed a petition with the New Jersey Board of Public Utilities (the "BPU" or "Board") seeking approval to make the necessary infrastructure investments in 7 to 10 compressed natural gas ("CNG") refueling stations (the "CNG Projects") at host company locations within NJNG's service territory (the "CNG Program"). The CNG Program is intended to stimulate utilization of natural gas



vehicles (“NGVs”) in New Jersey, particularly for fleet-based companies, by providing the necessary CNG re-fueling infrastructure.

### **BACKGROUND AND FILING**

2. Specifically, NJNG proposed a pilot program through which up to \$15 million would be invested in CNG Projects whereby the Company would install, own and maintain CNG infrastructure. NJNG proposed to make those investments in CNG re-fueling infrastructure at locations where a company (“Host Company”) currently uses or plans to use NGVs in its fleet operations. NJNG proposed to construct the re-fueling stations on the Host Company site, recovering those costs through the mechanism described below. NJNG proposed to enter into an agreement to own the infrastructure that is installed at Host Company locations based on assurances that the Host Company would initially use at least 20 percent of the station’s CNG capacity. The Host Company would also be required to make the refueling equipment available to the public.

3. NJNG proposed to offer the Host Company a turn-key CNG refueling station for its use, as well as for public access, with each individual CNG Project constructed to meet the specific siting and fueling needs at the Host Company location. NJNG would provide the necessary equipment and natural gas service lines, including natural gas compression equipment, appropriately sized storage vessels, dispenser equipment, the connection to NJNG’s distribution system and all necessary electric infrastructure. As with the current NJNG Firm Transportation (“FT”) Tariff requirements, the Host Company would have to cover the cost of any new meters and associated remote meter reading equipment that may be required.

4. NJNG also sought Board approval of proposed Tariff Sheets 97-100, 174-175 and 262 providing the Terms and Conditions associated with the Company’s investment in the CNG Program and the resulting rates to be charged to customers. Tariff Sheets 174-175 included the methodology for calculating the CNG credit rate, the mechanism through which NJNG would credit, to the applicable customer classes, the revenues from the base rate component of the delivery charge for CNG service.

5. NJNG initially proposed that the CNG Program be approved as a twelve-month pilot program through which work on CNG Projects would be initiated no later than December 31, 2012. Accordingly, NJNG requested that the Board retain this matter for review and consideration at the BPU and proceed in an expedited manner.

6. NJNG initially proposed that the overall construction costs, based on current cost levels and available estimates related to the anticipated CNG Projects, prior to any capitalization of an Allowance for Funds Used During Construction (“AFUDC”), would not exceed \$15 million. NJNG requested that the Board approve the base rate recovery of reasonable Capital Investment Costs associated with the CNG Projects in the manner described in Paragraph 9 herein. Capital Investment Costs include, but are not limited to: the costs of engineering, design, construction and maintenance, including labor, materials and any governmentally imposed fees, charges or costs associated with studies or change requests, and any other overheads associated with the CNG Projects. The incremental operation and maintenance (“O&M”) expenses related to the CNG Program would also be included in the requested recovery.

7. Further, NJNG proposed to employ an accounting treatment for the CNG Program similar to that approved by the Board for NJNG’s Accelerated Infrastructure Investment Programs (“AIP” and “AIP II”). NJNG’s AIP was approved in an April 28, 2009 Board Order in Docket Nos. GR07110889 and GR09020052 (“April 28 Order”) and AIP II was approved in an Order dated March 30, 2011 (“March 30 Order”) in Docket Nos. GR07110889 and GR10100793. As such, all reasonable and prudently-incurred Capital Investment Costs associated with the CNG Projects, as defined in Paragraph 6 herein, would be recorded and tracked as follows:

(a) Capital Investment Costs for each of the CNG Projects will be separately tracked by an NJNG work order in a Construction Work In Progress (“CWIP”) account;

(b) NJNG will record a monthly accrual of AFUDC which will be capitalized and included in the CWIP balance as follows:

(i) when the NJNG total CWIP balance, including CWIP associated with the CNG Projects, is less than NJNG’s outstanding short-term debt (“S/T debt”) balance, the applicable AFUDC rate will be equal to the Company’s monthly cost of S/T debt; or

(ii) when NJNG’s total CWIP balance, including CWIP associated with the CNG Projects, is greater than NJNG’s outstanding S/T debt, the applicable AFUDC rate results in a blended monthly AFUDC Calculation. The blended AFUDC rate calculation will include a S/T debt rate for that portion of the CWIP balance equal to the month-end S/T debt balance and the Company’s overall Weighted Average Cost of Capital (“WACC”), as defined in subsection 7(c) herein, for the CWIP balance in excess of NJNG’s month-end S/T debt balance.

(iii) when a CNG Project is placed into service, but not yet reflected in customer rates, the AFUDC rate will be equal to NJNG's WACC.

(c) The WACC to be used for purposes of calculating AFUDC accruals under the CNG Infrastructure Program was proposed to be the rate of return most-recently approved for NJNG and authorized by the Board in Docket No. GR07110889. Accordingly, NJNG proposed to use the Board authorized WACC of 7.76 percent per annum.

8. The Company proposed to recover the investment of approximately \$15 million related to the Capital Investment Costs for the CNG Projects, along with the associated depreciation, incremental O&M expenses, and AFUDC, through one filing submitted on or around October 2012 seeking base rate changes in a method similar to that approved in the April 28 and March 30 Orders. The filing would contain both actual and estimated expenditures as of the date of the filing with investment information being updated during the course of the proceeding to provide actual information. Based on NJNG's then-current rates, the associated aggregate rate impact, if the Company invests the full \$15 million, was anticipated to result in an overall increase of no more than four-tenths (0.4) percent (or approximately \$5.43) to the average residential heating customer's annual 1000 therm bill. A copy of the CNG cost recovery filing would also be provided to Rate Counsel and NJNG proposed to provide notice of a public hearing to address any proposed base rate adjustments proposed in the cost recovery filing.

9. Pursuant to the accounting and cost recovery methodology approved in the April 28 and March 30 Orders, NJNG proposed to recover through base rates the CNG Infrastructure Program revenue requirement by adjusting, on a volumetric basis, the then-current base rates for applicable customer classes. These base rate adjustments would reflect an across-the-board adjustment to the customer classes so that natural gas revenues for each class would be impacted by the same percentage. Furthermore, the volumes used in this calculation would be based on the weather-normalized forecast included in the most recently submitted annual BGSS filing for the upcoming October-September BGSS period.

10. Similar to the annual AIP and AIP II rate filings, NJNG proposed that the CNG Program rate adjustment filing include a revenue requirement calculation that reflects the following elements:

(a) a rate of return on NJNG's investment calculated by multiplying NJNG's investment balance, including previously-capitalized AFUDC associated with the CNG Projects, by NJNG's WACC of 11.40 percent, as adjusted for income taxes;

(b) annual depreciation expense for the CNG Projects, based upon NJNG's depreciation rate of 2.73 percent for Account 363.4, commencing with the Company's receipt of the CNG Rate Order;

(c) incremental O&M expenses for the CNG Program; and

(d) a request for deferred accounting treatment to recognize the credit and reduction to the revenue requirement for the anticipated annual rate recovery related to delivery charges for those customers using the CNG tariff, pursuant to proposed Tariff Sheet 175.

11. On August 26, 2011, a Motion to Participate in this proceeding was filed on behalf of Public Service Electric and Gas Company ("PSE&G"). Following the submission of comments from both NJNG and Rate Counsel, the Board issued an Order on November 30, 2011 granting that Motion. A copy of this Stipulation will be provided to PSE&G upon execution by the Parties.

12. NJNG provided notice of the CNG Program filing to all of its customers through the publication of a notice in newspapers of general circulation in the Company's Service Territory providing information about public hearings that were scheduled at the following locations, dates and times: Rockaway Township on August 23, 2011 at 4:30 pm and 5:30 pm and in Freehold Township on August 24, 2011 at 4:30 pm and 5:30 pm. No members of the public appeared at any of the hearings and no written comments were received by NJNG in relation to this proceeding.

13. NJNG received discovery requests in this proceeding and provided responses to all such requests. Subsequent to the completion and review of discovery and the scheduled public hearings, NJNG, Board Staff, and Rate Counsel met to discuss potential settlement positions in this case. However, Rate Counsel has since advised that it will not be a party to this Stipulation and submitted a letter to the Board to that effect. Accordingly, the following agreement has been reached in resolution of this proceeding.

Specifically, and in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by representatives of NJNG and BPU Staff (“the Signatory Parties”) as follows:

**STIPULATED MATTERS**

14. The Signatory Parties agree that NJNG can initiate the CNG Program on a pilot basis for a term of twelve months from the effective date of service of the Board’s Order approving this Stipulation and pursuant to the following modifications to the Company’s original proposal outlined above.

15. In resolution of this proceeding, NJNG agrees to an overall potential investment up to \$10 million in Capital Investment Costs, prior to AFUDC as described herein at Paragraph 6. NJNG will install, own and operate the CNG infrastructure at Host Company locations within the NJNG Service Territory as described at Paragraphs 2 and 3 herein. All mandatory and best practice safety and reliability measures will be met and included during the installation and maintenance processes.

16. In consideration of the terms being agreed to herein, the Parties agree that the Capital Investment Costs associated with the CNG Program will be recovered from customers as described herein in Paragraph 9 with the following modification. Residential customers will receive a base rate adjustment associated with fifty (50) percent of the revenue requirement amount they would have been responsible for under an across-the board adjustment to the customer classes. The base rate adjustments for the remaining revenue requirement will reflect an across-the-board adjustment to the other applicable customer classes so that natural gas revenues for each of these classes will be impacted by the same percentage. Additionally, as reflected in the revised Tariff Sheets (see Paragraph 17 herein), NJNG agrees to the addition of a \$0.20 per therm charge on all CNG provided at the Host Company’s facility. The resulting revenues will be used to offset the CNG Program revenue requirement through the operation of the Compressed Natural Gas Credit, Rider “G” of the Company’s Tariff.

17. The Tariff Sheets associated with the CNG Program, pages 97-100, 174-175 and 262, have been modified from those originally proposed and revised copies are attached hereto, and made part of this Stipulation, as Exhibit A.

18. The Signatory Parties agree that the proposed accounting methodology to be employed for the CNG Program, described herein at Paragraph 7, is appropriate for the pilot program. However, in resolution of this proceeding, NJNG agrees that the WACC to be employed for the CNG Program investments will be 7.10 percent per annum (10.75 percent per annum inclusive of income taxes). Additionally, it is agreed that the cost recovery mechanism, as approved by the Board in the April 28 and March 30 Orders for AIP investments and as described herein at Paragraph 8, is to be employed for the CNG Program Capital Investment Costs.

19. In resolution of this proceeding, the Parties agree that NJNG will submit one cost-recovery/rate adjustment filing for base rate changes in a method similar to that approved in the April 28 and March 30 Orders. The filing, to be submitted approximately three months prior to the conclusion of the twelve-month pilot period described at Paragraph 14, will contain both actual and estimated expenditures as of the date of the filing and investment information will be updated during the course of the proceeding to provide actual information. It is anticipated that based on current rates, the associated rate impact, if the Company invests the full \$10 million, will result in an overall increase of no more than 0.3 percent to the average residential heating customer's bill.

20. A copy of the CNG cost recovery filing will be provided to Rate Counsel and NJNG will arrange for notice and a public hearing related to any proposed base rate adjustments in the cost recovery filing. That rate adjustment filing will be subject to review by the Board Staff and Rate Counsel, prior to the approval and issuance of an Order by the Board approving the proposed rates. Such review will be conducted as a contested case in accordance with the New Jersey Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. Consistent with N.J.S.A. 48:2-21.1, any such adjustment shall not be contractual and shall be subject to refund, with interest, as further described in Paragraph 21.

21. It is further agreed that Rate Counsel and BPU Staff will have full opportunity to review the Capital Investment Costs associated with the CNG and approved for recovery through the filing described in Paragraph 20 herein during the first NJNG base rate case filed during or after

the conclusion of the twelve-month pilot program period. Should the Board ultimately determine that the temporary increase is excessive or unwarranted, the Company will refund to its gas customers to whom said increases may be charged all or such part of said increase, or make such other appropriate adjustments, as the Board shall subsequently determine.

22. If NJNG receives any federal, state, county or municipal funds or credits directly applicable to the CNG Program, the Company will use that funding as a benefit to customers by offsetting the costs for which recovery is sought through the CNG Program rate adjustment filing, to the extent permitted by law.

23. Furthermore, NJNG will submit reports to BPU Staff and Rate Counsel on a quarterly basis ("Quarterly Reports") beginning at the end of the first quarter following the effective date (date of service) of the Board Order approving this Stipulation. Included in the Quarterly Report will be the following information: proposed capital expenditures for each of the CNG Projects and the status of each, including tasks completed, percentage of work completed, anticipated completion date and the actual level of capital invested as of the end date for the period covered. NJNG will also submit a Final Report to BPU Staff and Rate Counsel no later than three months following the termination of the twelve-month pilot program period described in Paragraph 14 above. That report will include final numbers for the categories above, along with available actual data on the utilization of the CNG infrastructure.

24. The Parties recognize that the contract with each Host Company in the CNG Program will of necessity be negotiated on an individual, site-specific basis. However, in resolution of this proceeding, NJNG agrees that all contracts with potential Host Companies concerning the installation, ownership and maintenance of CNG equipment by NJNG will contain, at a minimum, the provisions set out in Exhibit B, attached hereto and made a part of this Stipulation.

25. Attached hereto as Exhibit C is a list of NJNG's responses to discovery requests submitted by Rate Counsel and BPU Staff in this proceeding and which, together with said responses, are stipulated to as part of the record for this matter. The Signatory Parties agree that these responses are relevant to this proceeding only and no Party is bound by any of the responses in any future proceeding, including the next NJNG base rate case.

26. The Parties further agree that this Stipulation fully disposes of all issues in

controversy in this proceeding. 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 provision of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby will not be bound to proceed with this Stipulation and will have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event the Board, in any applicable order(s), does not adopt this Stipulation in its entirety 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.

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

28. 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, neither NJNG nor Board Staff will be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. The Parties also understand that any future filing by the NJNG to increase rates connected to the CNG Program will be subject to whatever statutory or regulatory rights and/or privileges afforded to Rate Counsel, any intervenor, or any participant in a Board proceeding where a utility proposes to increase customer rates.



**WHEREFORE**, the Parties hereto do respectfully submit this Stipulation and request that the Board issue an appropriate Order approving it in its 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

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

By:   
**ALEX MOREAU**  
DEPUTY ATTORNEY GENERAL

Date June 6, 2012

**SERVICE CLASSIFICATION - CNG****COMPRESSED NATURAL GAS****AVAILABILITY**

This service is available to any customer who would otherwise qualify for service under Service Classifications RS, GSS, GSL, FT, IS, or NGV and who will utilize natural gas for the purpose of fueling natural gas vehicles at Company owned compressed natural gas re-fueling facilities operated by the Customer on its property ("Host Customer").

Availability of this Service Classification is subject to the terms and conditions approved in BPU Docket No. GR11060361.

**CONDITIONS PRECEDENT**

The Host Customer must sign an Agreement with the Company. The Host Customer must provide assurance that it will use initially at least twenty (20) percent of the re-fueling facility's capacity. The Host Customer must agree to provide the general public with reasonable access to a re-fueling facility for purposes of fueling the general public's natural gas vehicles.

**DEFINITION OF TERM USED HEREIN**

"GGE" is the Gasoline Gallon Equivalent for converting a price per therm of natural gas to a price per gallon of gasoline. The GGE shall be determined in accordance with local standards.

**CHARACTER OF SERVICE**

Firm gas service where Host Customer may purchase gas supply pursuant to the Company's Rider "A" for Basic Gas Supply Service ("BGSS"), from the Company through a contract, or from a Marketer or Broker.

**MONTHLY RATES****Customer Charge:**

Customer Charge per meter per month	\$50.00
-------------------------------------	---------

**Delivery Charge:**

Delivery Charge per therm	\$0.4528
	(\$0.5660 per GGE)

**BGSS Charge:**

Monthly BGSS Charge per therm for Sales Customers without a gas supply contract	See "Rate Summaries" at the end of this Tariff
---	--

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge shall be the Customer Charge.

Where service is taken for less than one month, the minimum charge will be prorated.

Date of Issue: , 2012  
 Issued by: Mark R. Sperduto, Vice President  
 Wall, NJ 07719

Effective for service rendered on  
 and after , 2012

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 98**

**SERVICE CLASSIFICATION - CNG**

**COMPRESSED NATURAL GAS (continued)**

**SPECIAL PROVISIONS**

**I. *Applicable to All Customers in this Service Classification***

**1. CNG Re-Fueling Facilities**

The Company shall install and own Compressed Natural Gas ("CNG") re-fueling facilities on the Host Customer's property. The Company shall maintain these facilities. The Host Customer is required to monitor and operate these facilities at its own expense. The Host Customer is also required to provide reasonable access to the re-fueling station to the general public and non-host customer fleets.

**2. Automated Meter Reading Device**

Metering shall include an automated meter recording device (AMR), which shall be furnished and installed by the Company at the Host Customer's expense. The Host Customer shall furnish an electrical supply and phone line for the operation of the device, in an area acceptable to the Company. The Company shall provide technical assistance in order to minimize the Host Customer's expense for such installation.

The Host Customer may reimburse the Company for the AMR expense, either in a lump sum payment when service is initiated or over the life of the initial CNG agreement with the prime interest rate used to calculate carrying costs on the unpaid balance.

**3. Incremental Expenses**

The Host Customer shall reimburse the Company for any out-of-pocket expenses (including, but not limited to, legal and travel expenses) incurred in connection with the initiation and rendering of service under this service classification. The Company shall provide an estimate of such expenses prior to their incurrence.

**4. Taxes, Assessments and Surcharges**

The Customer shall pay all riders, taxes, assessments and surcharges that are lawfully imposed upon the Company in providing service under this classification.

**Date of Issue:** , 2012  
**Issued by:** Mark R. Sperduto, Vice President  
Wall, NJ 07719

**Effective for service rendered on  
and after , 2012**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 99**

**SERVICE CLASSIFICATION - CNG**

**COMPRESSED NATURAL GAS (continued)**

**5. Pricing to the General Public**

The Host Customer shall post the charge to the general public for its re-fueling volume at a price per GGE provided by the Company. Prior to the beginning of each month, the Company will notify the Host Customer of the price, the components of which are defined below:

- a. Monthly BGSS Charge as set forth in Rider "A" converted to a price per GGE
- b. CNG Delivery Charge as set forth in Service Classification CNG converted to a price per GGE
- c. Applicable state and federal excise taxes
- d. \$0.20 per GGE for the Host Customer's expenses to operate the facilities.

The Host Customer shall display the price per GGE at the re-fueling station. The Company shall credit the Host Customer for the monthly volume sold to the general public at the price per GGE for the Host Customer's expenses to operate the facilities as defined in 5(d) above.

**6. Pricing to Non-Host Company Fleets**

Other fleets re-fueling vehicles at the Company owned CNG re-fueling facilities operated by the Host Customer on its property may purchase gas supply from the Company's Rider "A" for Basic Gas Supply Service ("BGSS"), from the Company through a contract, or from a Marketer or Broker pursuant to Section II herein. The Company shall charge other fleets for re-fueling volumes at a price per GGE, the components of which are defined below:

- a. Monthly BGSS Charge as set forth in Rider "A" or a gas supply contract price or the price provided by a Marketer or Broker, converted to a price per GGE
- b. CNG Delivery Charge as set forth in Service Classification CNG converted to a price per GGE
- c. Applicable state and federal excise taxes
- d. \$0.20 per GGE for the Host Customer's expenses to operate the facilities.

The Company shall credit the Host Customer for the monthly volume sold to the other fleets at the price per GGE for the Host Customer's expenses to operate the facilities as defined in 6(d) above.

**Date of Issue:**  
**Issued by:** **Mark R. Sperduto, Vice President**  
**Wall, NJ 07719**

**Effective for service rendered on**  
**and after, 2012**

**Filed pursuant to Order of the Board of Public Utilities entered in**  
**Docket No. GR11060361**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 100**

**SERVICE CLASSIFICATION - CNG**

**COMPRESSED NATURAL GAS (continued)**

**II. Applicable to All Customers Purchasing Gas Supply from a Marketer or Broker**

**1. Customer Responsibility**

The Customer must provide to the Company's satisfaction a firm gas supply having marketable title of gas with firm transportation capacity to the Company's distribution system. In the event the Customer designates a Marketer or Broker in accordance with Service Classification MBR, the Customer will remain responsible for a pro rata share of any Charges which such Marketer or Broker fails to pay to the Company including payments for Unauthorized Use or for Monthly Imbalance.

**2. Billing**

Customers purchasing gas supply from a Marketer or Broker can only be billed through Billing Option 1 as defined in Service Classification-MBR.

**3. Additional Requirements**

Service is subject to the terms and conditions of the Marketer and Broker Requirements section of this Tariff (Service Classification – MBR) and Section 10 of the Company's Standard Terms and Conditions.

**PAYMENT**

Bills are due within 10 days after the Company sends the bill and is subject to a late payment charge as set forth in Paragraph 8.9 of the Standard Terms and Conditions of this Tariff.

**CONTRACT**

A written agreement shall be required for Compressed Natural Gas Host Customers and non-Host Customers Fleets.

**TERMS AND CONDITIONS**

Service is subject to the Company's Standard Terms and Conditions of this Tariff.

**Date of Issue:**

**Issued by: Mark R. Spurduto, Vice President  
Wall, NJ 07719**

**Effective for service rendered on  
and after , 2012**

**RIDER "G"**

**COMPRESSED NATURAL GAS CREDIT - CNGC**

**AVAILABILITY**

Applicable to the following service classifications:

RS	Residential Service
GSS	General Service - Small
GSL	General Service - Large
DGC	Distributed Generation Commercial
ED	Economic Development

The Compressed Natural Gas Credit ("CNGC") is for crediting the customers in the above service classifications for the revenue from the CNG charge component of the delivery charge received by the Company from customers, including sales at the facility to the general public, served under Service Classification Compressed Natural Gas ("CNG") as well as any federal or state credits received by the company as station owner as a result of therms sold under service classification CNG as approved in BPU Docket No. GR11060361.

**DETERMINATION OF THE CNGC**

By June 1 of each year, the Company shall file an annual request with the Board for an October 1 implementation of a CNGC per therm credit, which shall be applicable to customers on all service classifications to which Rider "G" applies. The CNGC credit year will run from October 1<sup>st</sup> to September 30<sup>th</sup> of each year.

**I. Determination of the Credit**

The CNGC shall be derived in the following manner:

- (1) The Company shall determine the actual revenue from the CNG charge component of the delivery charge received from customers served under Service Classification CNG for the previous year ended April 30th as well as any federal or state credits received as a result of therms sold under service classification CNG.
- (2) An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers of all service classifications to which Rider "G" applies.
- (3) The credit (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under- or over- applied credit to determine the total amount to be credited and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit rate.

*Date of Issue:*

*Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719*

*Effective for service rendered on  
and after , 2012*

RIDER "G"

COMPRESSED NATURAL GAS CREDIT – CNGC (Continued)

**II. Tracking the Operation of the CNGC**

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred credits based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the balance at the end of each CNGC credit year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The CNGC shall be credited on a per therm basis within the Delivery Charge for all service classifications to which Rider "G" applies. The CNGC factor is as set forth below:

\$0.0000

---

Date of Issue:  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719

Effective for service rendered on  
and after , 2012

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 262**

**SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS**

**Compressed Natural Gas (CNG)**

		<u>Bundled Sales</u>	<u>Transport Sales</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		50.00	50.00	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.1448	0.1448	
CNG Charge		0.2000	0.2000	
SUT		<u>0.0241</u>	<u>0.0241</u>	Rider B
After-tax Base Rate		0.3689	0.3689	
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	<i>0.3816</i>	<i>0.3816</i>	
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0185</u>	<u>0.0185</u>	Rider H
<i>Total SBC</i>	b	<i><u>0.0712</u></i>	<i><u>0.0712</u></i>	
<b>Delivery Charge (DEL)</b>	a+b=c	<b><u>0.4528</u></b>	<b><u>0.4528</u></b>	
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Monthly BGSS	d	0.5887	X	Rider A
<b>BGS</b>	d	<b><u>0.5887</u></b>	<b>X</b>	

With the exception of the Customer Charge, these rates are on a per-therm basis.

Customer, DEL, and BGSS charges are presented on customer bills.

**Date of Issue:** , 2012  
**Issued by:** Mark R. Sperduto, Vice President  
 Wall, NJ 07719

**Effective for service rendered on  
 and after , 2012**





## **Minimum Requirements for the Compressed Natural Gas Station Agreement**

### **Description:**

NJNG will enter into a contract with a Host Company (“Host”) through which NJNG agrees to install, own, and maintain a Compressed Natural Gas (“CNG”) fueling station that will provide CNG to Host’s fleet. The equipment to be installed will include but not be limited to necessary equipment and service lines, natural gas compression equipment, appropriately sized storage vessels and dispenser, the connection to NJNG’s distribution system and all necessary electric infrastructure. NJNG will determine, based on the Host’s potential CNG needs, the appropriate equipment for installation at a Host location. Host will use the CNG equipment for fueling its vehicles, agreeing to utilize at least 20 percent of the station’s capacity as described below based on Host having a formal fleet plan in place for transitioning to CNG vehicles. Host will also make the CNG equipment available for use by the public at a monthly price established by NJNG.

### **NJNG General Obligations:**

After reviewing the site, the Host plans for transitioning its fleet to CNG vehicles, and conducting discussions with Host, NJNG will determine the necessary CNG equipment for the Host location. NJNG will be responsible for the installation of , among other things, the natural gas service lines, compressors, operating equipment, high pressure cylinders, pumps, meters, and other ancillary equipment (collectively referred to as “Facilities”) necessary to provide CNG as a vehicular fuel on a designated portion or portions of the Host property (“Station Property”). NJNG will also install the electric infrastructure necessary to support the Facilities.

NJNG will own and maintain the Facilities at Host’s location.

NJNG will determine the price at which Host receive CNG, as well as the price for sale to the public. The price will be posted at the CNG refueling station and updated by NJNG on a monthly basis.

### **Host General Obligations:**

Host must agree to make available the land necessary to install the Facilities and provide an area for public access to refueling equipment. Once the fueling station is operational, the Host will be responsible for monitoring and operating the Facilities. Host will commit to use at least 20 percent of the Station’s capacity of available CNG and will pay NJNG for the CNG that it consumes at a price established by NJNG pursuant to its Board-approved Tariff. Host will provide the general public, including non-Host fleets, seeking to purchase CNG with access to the fueling station.

### **Access, Right-of-way and Easement Grant:**

Host will provide NJNG with a Right-of-Way and Easement Grant providing for access to and installation of the Facilities on the Station Property prior to, during and after the installation of the Facilities. All access necessary to supply the CNG service and to maintain the equipment must be provided to NJNG.

NJNG will have the right to inspect, maintain, test and calibrate all of its Facilities at any reasonable time.

**Improvements to the Site and Facilities:**

In connection with installation and maintenance of the Facilities, NJNG will pay 100% of the material and labor costs for any and all alterations and/or improvements to the Station Property related to its Facilities and shall provide and pay for the instrumentation necessary to measure the quantity of CNG dispensed to customers. NJNG will ensure that all installed Facilities are in compliance with state and federal standards (safety, transportation, measurement, etc). Host will pay for any additional meters and remote monitoring equipment that will be owned and installed by the NJNG.

**Training and Monitoring:**

NJNG will provide training to Host personnel in various aspects of CNG supply and service. Host will be responsible for monitoring the Facilities in-between maintenance work and inspections conducted by NJNG. Host must ensure any use of the Facilities by its employees meets all state and federal safety standards.

**NJNG Rights and Recourse**

Based on the agreement between NJNG and Host, the equipment to be installed will be sized according to Host's anticipated usage level, or the amount of CNG that Host expects to need going forward. Host agrees to utilize at a minimum 20 percent of the CNG volume the Facilities are capable of producing. NJNG and Host will agree upon a ramp-up time to meet the 20 percent requirement based on Host vehicle inventory, but Host must be responsible for meeting or exceeding the 20 percent, based on the fleet plan. That usage will be tracked by NJNG and failure to meet that obligation will allow NJNG to take action against Host, including, but not limited to, removing the equipment from the Host location should Host fail to meet its usage obligation. NJNG also reserves the right to remove the CNG compression equipment upon any failure of Host to meet its obligations, to damage the equipment in any manner or to act or cause another to act in an unsafe manner near the CNG equipment.

- RCR-A-1                    In paragraph 6 of the Petition, the Company cites the state’s intention to induce heavy vehicle class conversion to CNG, referencing the State’s 2011 Draft Energy Master Plan (“EMP”). However, the EMP also notes that “CNG has not been accepted broadly as a passenger vehicle fuel” and that the “renewed emphasis on NGVs is placed on fleet conversions around metropolitan areas rather than passenger vehicles.” (EMP, p.124). Considering this, over the next five years, what is the Company’s projection for CNG vehicle sales and CNG gas sales, by vehicle class?
- RCR-A-2                    In paragraph 7 of the Company’s Petition it states that CNG provides a cost effective source of fuel. Please provide any analyses, studies, or other data that shows the forecasted cost of CNG as compared to the cost per gallon of regulatory gasoline and diesel. The response should also provide the number of Dth that are equivalent to one gallon of gasoline, the anticipated cost of CNG per Dth, and all other CNG associated costs other than commodity costs.
- RCR-A-3                    In paragraph 7 of its Petition, the Company cites a U.S. Energy Information Administration (“EIA”) study. Please provide a complete copy of the referenced EIA study.
- RCR-A-4                    Paragraph 11 of the Petition references 300 operating CNG vehicles in New Jersey with 23 refueling stations, but notes that only two such refueling stations are open to the public. Please provide additional information concerning the 23 stations, including ownership, location, and amount of CNG sales by customer category, if available.
- RCR-A-5                    a. Does NJNG believe that its service area should be considered to be a high density market for CNG sales? If so, please explain.  
b. Please provide the Company’s estimates of forecasted annual CNG vehicles by class, such as private cars, vans, light trucks, heavy trucks, buses, etc.  
c. To the degree the Company has any forecasts of its expected station locations and the annual volumes for each planned station, please provide such data.
- RCR-A-6                    For the Company’s existing CNG refueling at Lakewood and Maude Service Center, please provide the Company’s current cost estimates for the proposed CNG equipment and projected installation costs along with its forecasted volumes for each location over the next five years.

- RCR-A-7 Reference Petition, paragraph 13. (a.) Please explain whether the planned 7 to 10 CNG refueling stations include those at Lakewood and the Maude Service Center. (b.) Please provide the Company's estimates for the costs of a typical refueling station with respect to equipment, installation, and other related capital investment costs as well as the planned station annual capacity. The cost estimates should be broken out by category, i.e., gas compression, storage, dispenser, connections, and other.
- RCR-A-8 a. Reference Petition, paragraph 13. What is the nature of the assurances to be given by Host Companies concerning their initial use of at least 20% of their station's CNG capacity.  
b. If the Host Companies do not use at least 20%, what penalties are to be imposed by NJNG?
- RCR-A-9 Please provide details on all anticipated tax benefits, grants, bonus depreciation, and other economic benefits that will be available to NJNG from local, state, and federal sources.
- RCR-A-10 What are the Company's plans concerning the financing of the CNG stations relative to the use of short and long term debt and common equity. If such financing is not expected to be funded, for the most part, with long-term debt and equity, please explain the expected funding percentage and the use of any material use of short term debt.
- RCR-A-11 Please provide a calculation of the CNG related costs expected to be charged to ratepayers by component, as detailed in the Petition, paragraph 25. Also, please provide calculations showing the derivation of the CNG rate impact by customer class and the anticipated total revenues for each customer class.
- RCR-A-12 Reference Petition, Exh. 4, p. 3. Please explain why the \$0.20 per GGE cost recovered from sales to the general public and non-host company fleets will be credited to the Host Customer by NJNG.
- RCR-A-13 Reference Petition, paragraph 8. Please provide a complete copy, with attachments, of the document entitled NGV Roadmap for Pennsylvania Jobs, Energy Security and Clean Air issued in April 2011.
- RCR-A-14 To the Company's knowledge, what other regulated gas utilities in the mid-Atlantic region are providing CNG facilities at the current time.

- RCR-A-15 Please explain why the proposed CNG facilities could not be provided through a non-regulated New Jersey Resources entity, rather than a regulated utility subsidiary.
- RCR-A-16 Based on the Company's projections for its proposed pilot program, what percentage of CNG related costs will be paid for by residential customers initially and prospectively five years from now. The response should include workpapers showing the derivation of any estimates.
- RCR-A-17 Why is it practical for NJNG to initiate a CNG program when such facilities are not common even in major heavy truck traffic or industrial or transportation hub areas? Please explain in detail.
- RCR-A-18 In the Company's opinion, why can't large fleet operators or existing gas stations meet any prospective demand for CNG without regulated utility assistance?
- RCR-A-19 The Company's proposed pilot programs appear to place a disproportionate cost on residential ratepayers given that they are unlikely to utilize the envisioned CNG facilities. If this is not correct, please explain why it is not a valid concern.
- RCR-A-20 To the Company's knowledge, do residential customers in its service territory currently own CNG vehicles, are considering purchasing a CNG vehicle, or would convert their current vehicles to CNG. If the Company has any information concerning residential customers' use of CNG supply, please provide copies of such material.
- RCR-A-21 With respect to the use of CNG for fleet operations, what percentage of such use will be gas supplied by NJNG vs. gas supplied by third party suppliers? Please provide supporting data for any estimated percentage.
- RCR-A-22 Please provide a draft copy of Company's proposal tariff pages to replace Original Sheets 74-76 or to be included to augment the current NGV provisions.
- RCR-A-23 Please provide details on the CNG equipment options that could be installed by the Company for the pilot program and also provide the estimated cost of each option and its annual refueling capacity.
- RCR-A-24 Please provide details on the Company's Lakewood and Maude CNG refueling stations as to each station's cost, capacity, and

historical volumetric sales by month since each station's start of service.

- RCR-A-25 In the event that a pilot station does not meet the Company's threshold for sales of at least 20% of their capacity, what actions will be taken by the Company? Also, if the threshold is not met for some specified period, will the Company have the right to remove the CNG equipment for use at another station?
- RCR-A-26 Please provide data on the estimated time to refuel each type of CNG vehicle that will be served at the pilot stations. Such data should allow calculations concerning the time requirements for refueling fleets of various sizes and various CNG configurations (vans, buses, heavy trucks, light trucks etc.).
- RCR-A-27 Based on the Company's discussions with potential host companies, what are the parameters of the host companies' fleets and to what degree will the entire fleet utilize the CNG refueling initially or will the fleet be phased into CNG refueling over an estimated time period? The response should provide details on the expected utilization for each host's refueling during the period when CNG will not be used by the host's entire fleet.
- RCR-A-28 In cases where the host company will service fleets owned by other entities, please provide details concerning the mechanics of how such other fleets will be serviced. For example, will the fleet be brought to the host station on a staggered basis, or will the entire fleet be delivered for refueling and pick up at certain times? Please discuss the various options that may be used by host stations given the nature and time considerations for refueling.
- RCR-A-29 Please provide any documentation that the Company has concerning the operation of comparable CNG refueling stations operated by other gas utilities. The documentation should include station capacities, utilization, investment costs, sales volumes, utility tariffs, and any other related data.
- RCR-A-30 Please provide any documentation that the Company has concerning the operation of comparable CNG refueling stations operated by non-utility entities. The documentation should include station capacities, utilization, investment costs, sales volumes, and any other related data.
- RCR-A-31 The Company in its response to S-N-CGI-1 shows investment of \$1.250 million per month during 2012. Has that investment or its timing been updated to reflect current status on approvals, host

agreements, construction schedules, and station configurations? If so, please provide any updated information.

- RCR-A-32 To the degree that the Company can provide equipment options for a host CNG station, please provide the available equipment options, their capacities, and their investment cost estimates based on the Company's projections of therm usage in year 1 for its 9 identified locations.
- RCR-A-33 With reference to Responses RCR-A-3&4, what costs are included or covered by the \$0.20 rate? Does that amount cover electricity, labor, overheads, taxes and other expenses? Please provide a listing of cost related to the rate.
- RCR-A-34 In the Company's Response RCR-A-9, it appears that the bonus depreciation is applicable for CNG capital equipment for commercial vehicles but not for privately owned vehicles. Please clarify the response and provide definitions for commercial vs. privately owned vehicles. Also, based on the Company's plan, is it correct that its proposed CNG stations will serve both commercial and privately owned vehicles and would this mean that no bonus depreciation will be obtained? Please explain in detail.
- RCR-A-35 Please provide a copy of a sample agreement with the terms and conditions between the Company and potential host companies. If a full agreement has not yet been drafted, please provide copies of any agreement provisions that are currently known.
- RCR-A-36 Under the contemplated host agreement, which entity is responsible for the operation and maintenance of the equipment and which entity has ownership of the equipment?
- RCR-A-37 In the Company's Response RCR-A-14, a list of utilities was provided. Please identify those utilities that specifically allow refueling access to the general public.
- RCR-A-38 In the Company's Response RCR-A-15, it states that its CNG pilot is consistent with approaches approved in other states where regulated LDCs have recovered the investment in CNG refueling stations through rates. Please provide a listing of the referenced LDCs, showing which service only utility vehicles, which are open to the public, and provide documentation and/or tariffs concerning their cost recovery through rates.
- RCR-A-39 Please provide documentation for the Company's statement in response RCR-A-17 that, "The demand for alternative fuel



vehicles and associated refueling infrastructure has been steadily increasing in the past several years given the strong business case for CNG use as a transportation fuel in some markets.” The documentation should specify what specific markets and what specific types of CNG vehicles are being served.

- RCR-A-40            Also with reference to Response RCR-A-17, please provide any data that the Company has concerning the economics of CNG filling stations and the annual savings for typical customers.
- RCR-A-41            With reference to the responses to RCR-A-9, please provide the requirements which must be met to in order to qualify for bonus depreciation for CNG equipment.
- RCR-CNG-1           Please provide a copy of all workpapers used to develop the Pre-tax Base Rate CNG delivery charge of \$0.1448 per therm shown in Petition Exhibit 4 (sic), at page 7 of 8.
- RCR-CNG-2           Reference the Proposed Cost Recovery Mechanism (“PCRM”) discussed in Paragraphs 23-26 of the Company’s Petition.
- a. Please provide support for the Company’s claim that the Pilot may be expected to “result in an overall increase of no more than four-tenths (0.4) percent to the average residential heating customer’s bill.”
  - b. Please identify all of the customer classes to which the PCRM would apply. If applicable, please explain why the PCRM would not apply to certain customer classes.
  - c. Suppose that the Company’s PCRM became effective on January 1, 2013. How long would NJNG expect the PCRM to remain in effect?
- RCR-CNG-3           Reference proposed Special Provision No. 5, as shown in Petition Exhibit 4 (sic), at page 3 of 8. Please explain how the rate of \$0.20 per GGE was determined.
- RCR-CNG-4           Reference proposed Special Provision No. 6, as shown in Petition Exhibit 4 (sic), at page 3 of 8.
- a. If the proposed price to non-Host Customer Fleets is to include “\$0.20 per GGE for the Host Customer’s expenses to operate the facilities,” please explain in detail why NJNG also proposes to credit the Host Customer for the monthly volume sold to the other fleets at \$0.20 per GGE.
  - b. Please explain how the rate of \$0.20 per GGE was determined.
- RCR-CNG-5           Please provide an estimate of the anticipated annual margins that would be generated by the Company’s proposed Rate CNG during

the first three (3) years of the Pilot Program, assuming that NJNG invested \$15 million in CNG infrastructure. Please include all supporting calculations and underlying assumptions.

- RCR-CNG-6 Please provide an estimate of the anticipated annual margins that would be generated by the Company's proposed Rate CNG during the first three (3) years of the Pilot Program, assuming that NJNG invested \$10 million in CNG infrastructure. Please include all supporting calculations and underlying assumptions.
- RCR-CNG-7 Please provide an update of the expected annual revenue requirement to be collected from ratepayers assuming NJNG invests the following amounts in CNG infrastructure: (a) \$10 million; and (b) \$15 million. Please also include a copy of all workpapers.
- RCR-CNG-8 Please re-calculate the response to RCR-A-11 assuming that NJNG's proposed CNG cost recovery mechanism will also apply to rates FT and DGC.
- RCR-CNG-9 Please explain, in detail, why the CNG service proposed to be offered by NJNG should not be considered a 'competitive service' pursuant to N.J.S.A. 48:3-55 and N.J.A.C. 14:4-3.6, and therefore, require prior Board approval.
- S-N-CGI-1 Provide a pro forma Excel spreadsheet detailing the monthly calculations and the resulting revenue requirement, assuming:  
a.) NJNG capital investment of \$15.0 million over 12 months (\$1.25 million per month);  
b.) AFUDC calculated at the WACC rate;  
c.) O&M elements;  
d.) normal depreciation; and  
e.) incremental bonus depreciation.
- S-N-CGI-2 What host companies are being considered? Which potential host companies currently have NGV's in their fleets?
- S-N-CGI-3 What logistical criteria, if any, are being considered regarding the placement of the CNG stations with host companies?
- S-N-CGI-4 How is the refueling facility's capacity determined and measured?
- S-N-CGI-5 What is the rationale behind the requirement that the host company initially use a set minimum (20%) of the re-fueling facility's capacity? Why 20%?

- S-N-CGI-6            How can NJNG be assured that a host company will initially use at least 20 % of the station's capacity? What are the repercussions if the host company can't meet or sustain the 20% host-company usage over time?
- S-N-CGI-7            What is the approximate after-market cost for conversion from petroleum-fueled to CNG-powered for (i) a passenger vehicle; (ii) a light-duty truck; and (iii) a medium-duty truck?
- S-N-CGI-8            What is the approximate after-market cost for conversion from a petroleum-fueled to bi-fueled capability for (i) a passenger vehicle; (ii) a light-duty truck; and (iii) a medium-duty truck?
- S-N-CGI-9            What, if any, government subsidies are currently available for commercial fleet or privately owned vehicle conversions?
- S-N-CGI-10           The Petition states that in order maximize the benefits of "bonus depreciation," project investments must be "initiated" no later than December 31, 2012. What does NJNG mean by "initiated"?
- S-N-CGI-11           Provide a breakdown of project costs for a typical NGV fueling station NJNG plans to construct at a host company site.
- S-N-CGI-12           What is the estimated cost to the host company of new metering and associated remote meter reading equipment?