



Agenda Date: 8/21/13
Agenda Item: 2F

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

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY)
NATURAL GAS COMPANY FOR 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)

DECISION AND ORDER

DOCKET NO. GR11060361

Parties of Record:

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

BY THE BOARD:

This matter comes before the New Jersey Board of Public Utilities ("Board") through a petition filed by New Jersey Natural Gas Company ("NJNG" or the "Company"), dated July 9, 2013, requesting approval of an extension to the compressed natural gas ("CNG") pilot program through December 31, 2013. This program was approved by the Board on June 18, 2012 for the period of one year.¹

Background

On June 16, 2011, NJNG filed a petition with the 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 Natural Gas Vehicles ("NGVs") throughout the State, with particular emphasis on fleet-based organizations.

¹ June 18, 2012 New Jersey Board of Public Utilities (available at <http://www.bpu.state.nj.us/bpu/pdf/boardorders/2012/20120618/6-18-12-2E.pdf>).

NJNG held public hearings in August 2011 in both Rockaway Township and Freehold Township. 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 precedential effect on New Jersey's other utilities, including PSE&G. On November 30, 2011 the Board granted PSE&G's motion.

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

On January 31, 2012, Rate Counsel submitted comments opposing the proposed settlement, 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 an interim basis under N.J.S.A. 48:2-21.1, Rate Counsel continued to object to the proposal and the CNG Program.

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 had been provided with a copy of the Stipulation.

Positions of the Parties

NJNG

On July 9, 2013, NJNG submitted a petition to the Board Secretary requesting that the Board extend the initial one-year term for this pilot program through December 31, 2013. The Company contends that this extension is needed as a result of Superstorm Sandy which significantly delayed marketing efforts and installation of CNG infrastructure. As noted in the quarterly report filed by NJNG on April 30, 2013, at that time the Company had only executed two contracts for the installation of CNG infrastructure in its service territory. NJNG in its filing, stated that in this extension the Company is not seeking an increase the \$10 million approved level of investment, nor is NJNG seeking to modify any of the other terms included in the June 2012 Order approving the CNG Program.

RATE COUNSEL

Rate Counsel filed comments on August 7, 2013. In its submission, Rate Counsel reiterated that it was not a party to the Stipulation adopted by the Board, and that it had set forth its objections to the Stipulation in a letter to the Board on May 18, 2012. Rate Counsel's objections to the Stipulation were based on a lack of a nexus between the proposed base rate recovery mechanism for the CNG Program's cost and a base rate case. As previously expressed during the original negotiations of 2012, Rate Counsel also objected to what amounts to ratepayer subsidies for the CNG Program under the proposed rate recovery mechanism.

As a result of the Board issuing the NJNG SAFE Order ("SAFE Order")², NJNG is required to file a base rate case no later than November 15, 2015. The base rate case filing deadline set forth in the SAFE Order satisfies Rate Counsel's call for a nexus to a base rate case in this case. Therefore, Rate Counsel does not object to NJNG's request for an extension, recognizing that the investments in the CNG Program are subject to review in the Company's next base rate case. Rate Counsel does not waive its right to raise issues related to the CNG Program in that rate case.

Discussion and Findings

The Board continues to support the conclusion reached in its June 16, 2012 Order issued in this proceeding that CNG can be an environmentally friendly and economically beneficial fuel replacement for petroleum-based sources. That Order authorized NJNG to proceed with its proposed CNG Program for a twelve month period with investment capped at \$10 million. It is clear that Superstorm Sandy has contributed to the delays in the execution of the NJNG program described in the petition. It is reasonable to allow NJNG a six-month extension to complete its marketing campaign and seek additional host companies to participate in the CNG Program.

NJNG is not seeking rate recovery at this time, so there is no impact to customers' bills until such time as the Company submits its rate recovery filing, and there has been an opportunity for review of that filing. Approval of this extension will not increase the original \$10 million approved level of investment.

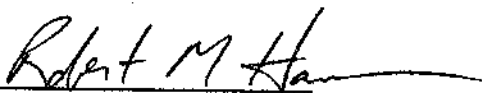
The Company has committed to continue to comply with the Board mandated quarterly report filings as well as file a final report within three months of the December 31, 2013 CNG Program end-date.

² In re New Jersey Natural Gas Company, BPU Dkt. No. GO12030255 (Order dated 10/23/2012).

Therefore, the Board, having carefully reviewed the record in this matter, **HEREBY FINDS** that the request for a six month extension of the CNG Program submitted by NJNG is reasonable, in the public interest, and in accordance with the law. The Board **HEREBY APPROVES** the petition confirming that other than the extension of the period, all provisions of the June 18, 2012 Order remain in effect.

DATED: 8/21/13

BOARD OF PUBLIC UTILITIES
BY:

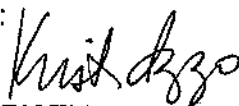

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PRESIDENT


JEANNE M. FOX
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
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 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

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