



Agenda Date: 3/20/13
Agenda Item: 2A

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 ANNUAL REVIEW AND REVISION OF SOCIETAL BENEFITS CHARGE FACTORS FOR REMEDIATION YEARS 2010 AND 2011) ORDER ADOPTING INITIAL DECISION AND APPROVING STIPULATION) BPU DOCKET NO. GR12020123) OAL DOCKET NO. PUC 09747-2012S

Parties of Record:

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

BY THE BOARD:

On February 6, 2012, New Jersey Natural Gas Company ("NJNG" or "the Company") filed a petition ("February filing") with the New Jersey Board of Public Utilities ("the Board") to approve the Company's Societal Benefits Charge ("SBC") rates. NJNG's SBC is comprised of three rates: the Remediation Adjustment ("RA") rate, the state-wide Universal Service Fund ("USF") rate, and the New Jersey Clean Energy Program ("NJCEP") rate. The Company is seeking Board approval to maintain the existing SBC component rates, including the RA rate which is designed to recover NJNG's expenditures for Remediation Years 2010 and 2011, July 1, 2009 through June 30, 2011.

BACKGROUND

RA Rate:

As part of the settlement of the Company's base rate case in BPU Docket No. GR91081383J, the Board approved and established the remediation adjustment clause ("RAC") as the cost recovery method by which the Company is permitted to recover its actual remediation costs associated with the clean-up of its six former manufactured gas plant ("MGP") sites on a deferred basis over a rolling seven-year period.

On January 18, 2012, in BPU Docket No. GR10060433, the Board approved a stipulation authorizing NJNG to maintain the after-tax RA rate of \$0.0324 per therm¹, based on remediation related expenses of \$20.7 million for the RA year ending June 30, 2009.

The February filing includes combined RA-related expenses for the years ending June 30, 2010 and 2011 of \$22.2 million². According to the February filing, while recovery of this amount under the RAC methodology would result in an after-tax per therm rate of \$0.0356, the Company is proposing to maintain the \$0.0324 rate to minimize annual tariff adjustments for minor year-to-year variations in remediation -related expenses³.

USF Rate:

The Board established the USF to help provide affordable electric and natural gas service to eligible New Jersey residential customers. The rate for USF and Lifeline are established on a statewide basis through annual filings made each July. On September 13, 2012 in Docket No. ER12060565, the Board approved the state-wide after-tax rate of \$0.0184. per therm which is not affected by this filing.

NJCEP Rate:

On August 7, 2008, in BPU Docket No. EO07030203, the Board established each utility's level of expenditures for the state-wide NJCEP for the calendar years 2009 through 2012. NJNG has proposed to maintain its current after-tax NJCEP rate of \$0.0203 per therm until Board-dictated NJCEP funding requirements for the years 2013 through 2016 are decided.

The Proposed Settlement

Following an exchange of discovery, on February 8, 2013, the Company, the Division of Rate Counsel ("Rate Counsel"), and Board Staff (collectively, "the Parties") entered into a stipulation⁴ resolving the issues raised in or relating to the February filing ("Stipulation").

The key provisions of the Stipulation are as follows:

The overall SBC Rate shall result in a combined rate of \$0.0711, which will continue in effect until changed by further order of the Board.

RA Rate:

- The after-tax RA rate shall remain at \$0.0324 per therm.
- All issues relating to the SBC, including RA expenditures incurred by NJNG during Remediation Years 2010 and 2011 shall be deemed fully resolved except where specifically deferred for further review.

¹ The \$0.0324 RA rate was originally approved in BPU Docket No. GR09010076 on April 28, 2010.

² Total recoverable expenses of \$22.2 million are \$15.2 million under the recovery cap of \$37.4 million.

³ As calculated, the \$0.0032 after-tax per therm increase over the existing rate of \$0.0324 would translate into an incremental annual revenue recovery of approximately \$2.1 million.

⁴ Although summarized in this Order, the detailed terms of the February 8, 2013 Stipulation control, subject to the findings and conclusions of this Order.

- As ordered in GR10060433, NJNG has provided, and will continue to provide in all future RA filings, an analysis that includes a monthly interest calculation supported by the monthly activity associated with remediation expenditures, revenue recovery and the deferred income tax provision.
- Interest applicable to the Company's unamortized RA balance will be calculated and accrued on a monthly basis, and subsequently rolled into the RA balance at the beginning of the next RA recovery year, starting October 1.
- The calculated after-tax RA rate of \$0.0356 is based upon recoverable RA costs of approximately \$22.216 million⁵, including interest for the period October 1, 2009 through September 2011.

The after-tax USF/Lifeline rate shall remain at \$0.0184 per therm tax as approved by the Board on September 13, 2012 in Docket No. ER12060565.

The after-tax NJCEP rate shall remain at \$0.0203 per therm, and shall continue to remain in effect until changed by further order of the Board.

NJNG will continue provide a final reconciliation of its annual RA rate recovery, including the calculation of actual volumes subject to the RA rate, and the resultant net expense or credit amount which is to be carried over to the next recovery year. Recovery of RA rate costs shall also continue to be subject to the same conditions as set forth in the stipulations approved by the Board in the December 21, 1994 Order in Docket No. GR94070333, and the November 22, 1995 Order in BPU Docket No. GR95090409.

NJNG expenditures that it recovers through the RA rate remain subject to audit. Such audit may be through any audit mechanism determined to be appropriate by the Board.

NJNG represents that its RA filing in this Docket does not include the recovery of any costs associated with Natural Resource Damage claims currently being investigated by the New Jersey Department of Environmental Protection.

NJNG will continue to include with its RA filings responses to the Minimum Filing Requirements as set forth in Exhibit A of the Stipulation.

Administrative Law Judge Pelios issued an Initial Decision on February 13, 2013, adopting the Stipulation, and finding that the Parties have voluntarily agreed to the settlement, and that the settlement fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDING

The Board having reviewed the attached Initial Decision and the Stipulation **HEREBY FINDS** that, subject to the terms and conditions set forth below, the Initial Decision and the Stipulation fully dispose of all issues in controversy are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation in their entirety, and **HEREBY INCORPORATES** their terms and conditions as if fully set forth herein.

⁵ This amount also does not include the costs associated with incentive compensation which, pursuant to Paragraph 12 of the Stipulation, the Parties agree to defer for future consideration.


The Board **HEREBY ORDERS** that the Company's after-tax per therm RA, USF, and NJCEP rates shall remain at \$0.0324, \$0.0184 and \$0.0203, respectively, and shall remain in effect until changed by further order of the Board.

The Company's SBC expenditures will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 3/20/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

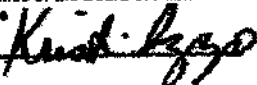

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**In the Matter of the Petition of New Jersey Natural Gas Company Annual Review and
Revision of Societal Benefits Charge Factors for Remediation Years 2010 and 2011
BPU Docket No. GR12020123
OAL Docket No. PUC 09747- 2012S**

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