



Agenda Date: 5/31/17
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
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 AUTHORIZATION)
THROUGH MAY 31, 2020: (1) TO ISSUE AND SELL)
PURSUANT TO N.J.S.A. 48:3-9 MEDIUM TERM)
NOTES; (2) TO ENTER INTO INTEREST RATE RISK)
MANAGEMENT TRANSACTIONS RELATED TO)
CERTAIN OUTSTANDING LONG-TERM DEBT)
SECURITIES AND ANY NEW ISSUANCES APPROVED)
HEREUNDER; (3) REDEEM, REFINANCE OR)
DEFEASE ANY OF THE COMPANY'S OUTSTANDING)
LONG-TERM DEBT SECURITIES; (4) TO INCREASE)
THE NUMBER OF METERS THAT NEW JERSEY)
NATURAL GAS COMPANY MAY INCLUDE ANNUALLY)
AS PART OF THE LEASE FINANCING PROGRAM)
PREVIOUSLY APPROVED BY THE BOARD; AND (5))
PURSUANT TO N.J.S.A. 48:3-9, TO ENTER INTO A)
CREDIT FACILITY ALLOWING THE ISSUANCE OF)
BANK NOTE OBLIGATIONS.)

ORDER

DOCKET NO. GF17010072

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Richard Reich, Esq., Corp. Secretary and Asst. General Counsel, New Jersey Resources Service Corporation

BY THE BOARD:

On January 30, 2017, New Jersey Natural Gas Company ("Petitioner," the "Company" or "NJNG"), a public utility of the State of New Jersey, filed a petition in Docket No. GF 17010072 (the "Petition") with the New Jersey Board of Public Utilities (the "Board"), pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9, requesting authorization to:

- (a) (i) Issue and sell pursuant to N.J.S.A. 48:3-9, Medium-Term Notes ("MTNs") with a maturity of not more than forty (40) years in an aggregate principal amount of not more than \$400,000,000; (ii) make, execute and deliver pursuant to N.J.S.A. 48:3-9, a trust

indenture, trust indentures or supplements thereto or a note purchase agreement or note purchase agreements providing for the issuance of such MTNs; (iii) make, execute and deliver pursuant to N.J.S.A. 48:3-7, supplemental indentures providing for the issuance of MTNs in the form of a first mortgage bond or bonds with a maturity or maturities of not more than forty (40) years and in aggregate principal amount of not more than \$400,000,000 or to secure MTNs issued as described in (i) above; and (iv) make execute and deliver pursuant to N.J.S.A. 48:3-7 such other supplemental indentures, and to issue such first mortgage bonds thereunder as shall be necessary to complete the transactions contemplated in this petition;

- (b) Pursuant to N.J.S.A. 48:3-9, enter into one or more interest rate risk management transactions, including interest rate swaps and interest caps, floors and collars or other derivative agreements or arrangements (collectively, "Interest Rate Swaps") (i) with a duration of up to three (3) years to have the effect of synthetically fixing the rate on no more than \$150,000,000 of the certain outstanding variable rate bonds previously issued by the New Jersey Economic Development Authority ("EDA") and identified as "EDA Bonds" on Exhibit A attached to the Petition (the "EDA Bonds"), the proceeds of which were loaned to the Company for the purposes of financing or refinancing a portion of the cost of constructing and equipping by the Company of certain natural gas distribution pipelines and auxiliary equipment throughout the franchise portion of the County of Morris, New Jersey; and/or (ii) in connection with the issuance and sale of the MTNs in amount up to \$400,000,000;
- (c) Redeem, refinance or defease any of the Company's outstanding long-term debt securities, as long as the redemption, refinancing or defeasance is economically advantageous for the Company;
- (d) Increase the number of gas meters available for the Company's sale-leaseback program, on a permanent basis, as previously approved by the Board in Docket No. GF14010067 from the currently authorized amount of 25,000 meters per year to 35,000 meters per year to expand the program in connection with NJNG's customer growth;
- (e) Pursuant to N.J.S.A. 48:3-9, to enter into a revolving credit facility with a duration for up to five years and an option for up to two additional one-year extensions beyond the original five-year duration, providing, among other things, for the issuance of promissory notes ("Bank Note Obligations") in an aggregate principal amount not to exceed \$400,000,000 at any one time outstanding; and
- (f) Make, execute and deliver purchase agreements and related agreements and instruments with financial institutions (including procuring credit enhancement instruments) and take such other actions the Petitioner determines may be necessary in connection therewith as shall be necessary to complete the transactions contemplated in this Petition without further order of the Board.

Medium-Term Notes

By way of the Petition, Petitioner seeks authorization to engage in a transaction or series of transactions through May 31, 2020, the net result of which will be the issuance of up to \$400,000,000 of new MTNs. NJNG indicates that the net proceeds of these transactions or series of transactions will be utilized to retire short-term debt through the issuance of long-term debt; to

fund capital expenditure requirements, including, but not limited to, those related to Petitioner's Board-approved Safety and Facility Enhancement Program II ("SAFE II"), New Jersey Reinvestment in System Enhancements ("NJ RISE") program, the Southern Reliability Link ("SRL") pipeline project, energy efficiency expenditures such as the SAVEGREEN project, environmental remediation expenditures, other system reliability infrastructure programs; to fund pension and other post-employment benefit programs; and, potentially, to redeem, refinance or defease any of Petitioner's indebtedness or debt securities as long as such redemption, refinancing or defeasance would be economically advantageous for the Company. Petitioner states that its construction program has been financed, and it is expected that it will be financed, in part, by short-term debt, and periodically Petitioner will retire such debt. The financing program for which Petitioner is seeking authorization of the Board in this Petition is comparable to the financing programs for which Petitioner received approval of the Board under Docket Nos. GF14010067, GF12060491, GF09080702, GF07050343 and GF03030223.

Petitioner also requests authority to issue and sell, in one or more series, at any time through May 31, 2020, not more than \$400,000,000 in aggregate principal amount of its MTNs.

NJNG represents that the MTNs may be issued as part of one, or as part of several series, and may be issued on a secured or unsecured basis. MTNs will be issued with maturities from one (1) to forty (40) years and with various specified conditions, including redemption provisions. The MTNs will be limited to an aggregate principal amount of \$400,000,000. The MTNs will be sold at 100% of principal amount, at a discount, or at a premium.

Petitioner proposes to issue some or all of the MTNs under an indenture (a "Note Indenture") or under various Note Indentures between Petitioner and U.S. Bank, N.A., or a similar financial institution, as trustee (the "Note Trustee"). The Company states that the MTNs may be issued under the Note Indentures in one or more series from time to time without limit within the parameters approved by the Board pursuant to the Petition. MTNs issued under the Note Indentures may be secured by the Pledged Bonds, discussed *infra*. Alternatively, Petitioner may elect to issue the MTNs as unsecured debt pursuant to a separate indenture or indentures between Petitioner and U.S. Bank, N.A., or similar financial institution, as trustee. Petitioner may also issue the MTNs pursuant to a note purchase agreement or note purchase agreements. The MTNs may be issued at an interest rate to be determined via a negotiated sale or by way of a competitive bidding process.

Petitioner also states that it may also issue the MTNs as mortgage bonds under its Amended and Restated Indenture of Mortgage, Deed of Trust and Security Agreement dated as of September 1, 2014, by and between Petitioner and U.S. Bank National Association, as Trustee, as amended by two supplemental indentures, or a successor mortgage indenture securing substantially all of the real property and equipment of Petitioner (the "Mortgage Indenture"). MTNs issued under the Mortgage Indenture will be issued pursuant to one or more supplemental indentures under the Mortgage Indenture. As a result, it may be necessary for Petitioner to make, execute and deliver supplemental Mortgage Indentures in addition thereto. Petitioner will choose to issue MTNs under the Note Indenture (in the form of secured or unsecured notes) or the Mortgage Indenture, or under a different indenture or indentures or Note Purchase Agreement or Note Purchase Agreements or any of the foregoing depending upon which structure in Petitioner's judgment allows it to issue MTNs in an economically advantageous manner.

Petitioner represents that, whether the MTNs are issued under the Note Indenture or Note Indentures or a Note Purchase Agreement or Note Purchase Agreements; or on a secured or

unsecured basis under a separate indenture; or as mortgage bonds under the Mortgage Indenture; the total aggregate principal amount of MTNs to be issued pursuant to this Petition will not exceed \$400,000,000.

In addition to being issued in various series, Petitioner proposes that the MTNs may be issued at various times through May 31, 2020, and have differing maturity dates and may bear interest at different rates, and may contain other terms that vary from series to series. Petitioner intends to sell the MTNs either to or through agents who will be "accredited investors", as defined in rules promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The successful bidder or bidders, in turn, may resell the MTNs to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act or to any eligible purchasers under an applicable exemption under the Securities Act. The sale will be made to or through the agent or agents whose bid or bids result is the most financially advantageous to the Company. Through the agent or agents, Petitioner states that it will conduct a competitive bidding process or negotiate sale terms directly (if market conditions dictate that a negotiated sale would be the best option), designed to provide the Company with the most economically advantageous financing. The agents to be utilized by the Company may change from offering to offering.

Petitioner proposes to issue MTNs within the following yield spreads over United States Treasury securities with comparable maturities:

<u>Range of Maturities</u>	<u>Maximum Yield Spread (Basis Points)</u>
<u>1 year to less than 18 months</u>	125
<u>18 months to less than 2 years</u>	150
<u>2 years to less than 3 years</u>	175
<u>3 years to less than 4 years</u>	200
<u>4 years to less than 5 years</u>	225
<u>5 years to less than 7 years</u>	250
<u>7 years to less than 10 years</u>	250
<u>10 years to less than 15 years</u>	275
<u>15 years to less than 20 years</u>	300
<u>20 years to 30 years</u>	325
<u>30+ years</u>	350

According to the Petitioner, the coupon spreads proposed above are based upon the difference between the expected market yield of corporate debt securities having credit ratings comparable to the Petitioner's first mortgage bonds and United States Treasury securities with like maturities. These maximum coupon spreads are designated to allow for differences in redemption provisions as well as for ordinary market volatility. If market conditions change materially, the Petitioner will deliver an updated yield spread schedule to the Board for approval.

In order to provide it with the opportunity to take advantage of changing financial market conditions and advantageously manage its cost of capital and meet competitive conditions, Petitioner requests authority, as appropriate market opportunities arise, to issue and sell MTNs in one or more offerings. The terms and the timing of the proposed MTN offerings cannot be determined at this time, as they will be dependent upon market and other conditions beyond Petitioner's control. Such determinations will depend upon the market conditions at the time of issuance and sale. However, Petitioner will select the form of instrument which in its sole judgment would allow the

issuance and sale of MTNs in an economically advantageous manner. Petitioner represents that after completion of the interest rate pricing of any MTN issuance, it will notify the Board of the rate of interest and other material terms and conditions of the MTNs in a timely manner.

The timing of each transaction with respect to each issuance of MTNs, the price to be paid to Petitioner, the rate of interest (fixed or variable), maturity, redemption provisions and prices, and the type, terms and conditions of the MTNs have not yet been determined. Such determinations will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, the MTNs may have maturities of up to forty (40) years. MTNs may include conventional terms, floating rates, puts, calls, remarketed notes, swaps, options or other terms and conditions. Petitioner requests that all of the MTNs be sold without further approval by this Board in accordance with procedures set forth in the Petition through May 31, 2020.

The Petition states that MTNs issued under a Note Indenture or Note Indentures may be secured with a bond (a "Pledged Bond") or Pledged Bonds that will be one or a series of bonds issued under the Mortgage Indenture (or if applicable, any replacement Mortgage Indenture). The Pledged Bond or Pledged Bonds, if any, issued to secure MTNs, will be issued under the Mortgage Indenture, as supplemented and amended, and as to be supplemented by supplemental indentures providing for the issuance of the Pledged Bond or Pledged Bonds. Said Mortgage Indenture is a first lien upon virtually all of Petitioner's real estate and personal property except certain items such as gas inventory, cash and transportation equipment. The terms and conditions for supplemental indentures will be determined prior to the issuance of the Pledged Bond or Pledged Bonds. Petitioner may also execute additional supplemental indentures and issue additional mortgage bonds providing for the issuance of a Pledged Bond or Pledged Bonds or providing for the issuance of MTNs as mortgage bonds. As of September 30, 2016, the principal amount outstanding under the Mortgage Indenture was \$707.8 million and the principal amount authorized to be issued under the Mortgage Indenture on the basis of property additions and on the basis of retired mortgage bonds was approximately \$849.0 million.

According to the Petition, each MTN shall bear interest from its date of issue at a rate to be determined prior to the issuance thereof; provided, however, that the interest rate on any Pledged Bond shall not exceed the interest rate on the corresponding secured MTN, if any.

NJNG further indicates that the Pledged Bond or other Pledged Bonds may be issued in an aggregate principal amount up to \$400,000,000. The Pledged Bond or Pledged Bonds may be issued and pledged by the Company and delivered to the Note Trustee or the Note Trustees in accordance with the Note Indenture or Note Indentures, the collateral agent for the MTN purchaser or purchasers in accordance with the Note Purchase Agreement or Note Purchase Agreements, as the case may be. The Pledged Bond or Pledged Bonds will secure the payment of the principal of, premium, if any, and interest on, secured MTNs. Prior to the release of any Pledged Bond or Pledged Bonds, the principal amount of Pledged Bond or Pledged Bonds deemed outstanding will at all times be equal to the outstanding principal amount of the secured MTNs issued and then outstanding under the Note Indenture or the Note Indentures, the Note Purchase Agreement or Note Purchase Agreements, as the case may be. No increase in the amount of long-term debt will be outstanding due to the issuance of up to \$400,000,000 of Pledged Bonds. The MTNs may simply be secured by the Pledged Bonds. Since the issuance of Pledged Bonds does not result in any additional long-term debt becoming outstanding, Petitioner requests that the potential issuance of up to \$400,000,000 principal amount of Pledged Bonds to secure MTNs not be treated as using any of the authority to issue debt otherwise approved by the Board.

Interest on the Pledged Bond or Pledged Bonds shall accrue at the same rate as the related MTN. The amount of interest due and payable on the Pledged Bonds from time to time will equal the amount of interest due under all outstanding secured MTNs, according to the Petition. As a result, the Company shall be entitled to credit on the Pledged Bonds equal to the amount paid on the secured MTNs.

Petitioner proposes to amortize the issuance cost of the MTNs by monthly charges to account number 428, Amortization of Debt Discount and Expense.

Interest Rate Swaps

Given volatility in the financial markets, Petitioner requests authority in connection with the issuance and sale of the MTNs to enter into one or more Interest Rate Swaps related to the aggregate principal amount of the MTNs. The purpose of these types of transactions is to better manage interest costs and provide protection in the event of significant changes in financial market conditions. Petitioner also requests authority to enter into one or more forward rate agreements. The purpose of these types of transactions is to allow Petitioner to take advantage of favorable interest rates by agreeing to an interest rate that would be effective sometime in the future.

By way of the Petition, Petitioner also seeks authorization to enter into one or more Interest Rate Swaps to have the effect of fixing the rate on up to \$150,000,000 of the variable rate EDA Bonds.

As of the filing date of the Petition, NJNG states that the interest rate on the EDA Bonds is reset on a variable rate determined monthly, which rate is initially calculated as 0.55 percent plus seventy (70) percent of one (1) month London Interbank Offered Rate (LIBOR). The EDA Bonds are not subject to optional tender while they bear interest at a LIBOR index rate. Any remaining unamortized extinguished debt costs will be amortized over the life of the new EDA Bonds. The interest rate associated with the Company's variable-rate debt is based on the rates on the EDA Bonds. As of September 30, 2016, the weighted average interest rate associated with the EDA Bonds was 0.92%. While the current interest rates are close to historical lows, Petitioner wishes to avoid the potential volatility and increased borrowing costs that may be associated with the fluctuating interest rates by entering into Interest Rate Swaps. The purpose of these Interest Rate Swaps is to better manage interest costs and provide protection in the event of significant changes in financial market conditions by locking in or capping favorable interest rates.

Redemptions, Refinancings or Defeasances

Additionally, Petitioner requests authority to engage in market opportunity redemptions, refinancings or defeasances of any of its outstanding debt securities, at any time through May 31, 2020. Specifically, Petitioner requests authority, if the Company believes it is in its best interest, to redeem, refinance or defease at its option, any of the outstanding principal balance of any of its remaining outstanding debt securities which are eligible to be redeemed at their previously established redemption prices, including any premium, plus interest thereon to the date of redemption. Petitioner will not engage in any such redemption, refinancing or defeasance unless it is economically advantageous to the Company. Petitioner requests authority to issue MTNs in order to, among other things, finance such redemption, refinancing or defeasance.

The Company represents that the number of customers in NJNG's service territory continues to grow, and, in recent years, to meet the needs of its service territory and the requirements of pipeline safety, NJNG has increased its capital expenditures. For the fiscal years 2016 and 2015, capital expenditures for NJNG amounted to approximately \$203 million and \$179 million, respectively. The level of planned capital expenditures for fiscal 2017 and fiscal 2018, including SRL, will approximate \$275 million and \$240 million, respectively. It is expected that a high level of capital expenditures will continue for the foreseeable future.

It is Petitioner's policy to initially finance its construction program with internally generated funds and short-term debt. Periodically, NJNG pays down its short-term debt to prevent balances from becoming too high using the proceeds from the sale of long-term debt or from equity contributions. As of September 30, 2016, the short-term debt balance of NJNG was \$0.

NJNG intends to use the net proceeds of these transactions or series of transactions to retire short-term debt through the issuance of long-term debt; to fund capital expenditure requirements, including, but not limited to, those related to NJNG's Board-approved SAFE II, NJ RISE, SRL, other infrastructure and energy efficiency programs and environmental remediation expenditures; to fund pension and other post-employment benefit programs; and, potentially, to redeem, refinance or defease any of NJNG's indebtedness or debt securities as long as such redemption, refinancing or defeasance would be economically advantageous for the Company.

Sale-leaseback Program

By way of the Petition, NJNG also seeks authorization to increase the number of gas meters available for the Company's sale-leaseback program, on a permanent basis, as previously approved by the Board in Docket No. GF14010067 from the currently authorized amount of 25,000 meters per year to 35,000 meters per year to expand the program in connection with NJNG's customer growth. As Petitioner's customer base has grown, the number of meters has increased to more than 500,000. Petitioner proposes to increase the limit of the number of meters acquired using lease financing to 35,000 meters annually. Petitioner believes that the use of lease financing for meters has resulted in a lower overall financing cost to the Petitioner for the acquisition of meters and related equipment.

Credit Facility

In addition, NJNG seeks authorization to issue Bank Note Obligations in an aggregate principal amount not to exceed \$400,000,000 at any one time outstanding under the terms of a credit facility with several banks and other financial institutions before the expiration of NJNG's current credit facility expiring in May 2019. NJNG also seeks authorization to enter into the proposed credit facility concurrently under a separate credit facility to be entered into by NJNG's parent company, New Jersey Resources Service Corporation ("NJR"). This would allow NJNG and NJR to maximize overall cost savings and make efficient use of internal and external labor expenses. The NJNG proposed credit facility would initially be a \$300,000,000 committed credit facility, but in certain circumstances would provide Petitioner with the ability to increase the size of the lenders' commitments under a proposed credit facility to \$400,000,000. The maturity date of the proposed credit facility and the Bank Note Obligations to be issued in connection therewith would be up to five years or, in the case of an amendment, additional one year extensions for up to two years. Amounts borrowed under the proposed facility would be used for working capital and other general corporate purposes of Petitioner, including to support the issuance by Petitioner of short-term notes in the commercial paper market. Petitioner currently is a party to a \$250,000,000 committed credit

facility with several banks, with a five (5) year term, expiring in May 2019. Petitioner had borrowings in the amount of \$0 supported by the credit facility as of September 30, 2016.

The interest rate applicable to the Bank Note Obligations will be the best interest rates obtainable by Petitioner for the type of transaction involved. In transactions of this type, such rates normally are based upon the applicable prime commercial lending rate, federal funds open rate or the LIBOR, as the case may be.

NJNG states that the authority to enter into the proposed credit facility and to issue the Bank Note Obligations will provide it with the flexibility it requires to meet continued cash needs and to manage cash flows during fiscal years 2017, 2018, 2019 and beyond. Permanent financing and refinancing for Petitioner's continuing infrastructure improvement programs are provided through the issuance of long-term debt and equity securities and by internally generated cash. However, in addition, Petitioner needs to fund its utility obligations, purchases of natural gas, payment of state income and other taxes, capital expenditures, environmental remediation expenses, temporary funding of maturing long-term debt and managing its cash receipts, including collections from customers, and its cash outflows, gas supply contract payments, as well as other working capital needs. In order to employ internally generated cash efficiently and to provide the flexibility necessary to effectively manage cash flows, Petitioner needs to continue to support the issuance of its short-term notes in the commercial paper market with the availability of advances under the proposed credit facility, as well as to have the flexibility to obtain direct loans and other financial accommodations from the lenders under the proposed credit facility.

Proceeds of loans under the proposed credit facility will be added to NJNG's general funds, and will be used solely for regulated utility purposes, including (in addition to the purposes noted elsewhere in this Petition) temporary funding of maturing long-term debt, payment of other current utility transactions, and for working capital purposes.

Petitioner will use its best efforts to negotiate the terms of the proposed credit facility to achieve the lowest reasonable cost available to NJNG.

Summary

The New Jersey Division of Rate Counsel ("Rate Counsel") has reviewed this matter and by letter dated May 11, 2017, does not contest Board approval of this Petition with certain conditions. Those conditions are contained in this Order. Rate Counsel further notes that its primary reservations are regarding MTN interest rate spreads and issuance of MTNs, as well as the disallowing assets which are associated with meter lease financing in rate base. Rate Counsel states that the Company should not issue long-term debt at cost rates that exceed the credit spreads set forth in paragraph ten (10) of the Petition without further Board approval, and that the financial transactions should be limited to those described in the Company's Petition. Rate Counsel has reserved its right to take appropriate positions in future Board proceedings involving NJNG.

The Board, after investigation, having considered the Petition and exhibits submitted in this proceeding, as well as supplemental information provided by the Petitioner and the comments of Rate Counsel and Board Staff, **FINDS** that the proposed transaction is in accordance with the law, is in the public interest and approving the purposes thereof, **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** through May 31, 2020 to:

- (a) (i) Issue and sell pursuant to N.J.S.A. 48:3-9, MTNs with a maturity of not more than forty (40) years in an aggregate principal amount of not more than \$400,000,000; (ii) make, execute and deliver, pursuant to N.J.S.A. 48:3-9, a trust indenture, trust indentures or supplements thereto or a note purchase agreement or note purchase agreements, as the case may be, providing for the issuance of such MTNs; (iii) make, execute and deliver, pursuant to N.J.S.A. 48:3-7, supplemental indentures providing for the issuance of MTNs (A) in the form of a first mortgage bond or bonds with a maturity or maturities of not more than forty (40) years and in aggregate principal amount of not more than \$400,000,000 or (B) to secure MTNs; and (iv) make execute and deliver, pursuant to N.J.S.A. 48:3-7, such other supplemental indentures, and to issue such first mortgage bonds thereunder as shall be necessary to complete the transactions contemplated in this petition;
- (b) Enter into, pursuant to N.J.S.A. 48:3-9, one or more Interest Rate Swaps up to \$150,000,000 of the outstanding EDA Bonds: (i) to have the effect of synthetically fixing the rate on the EDA Bonds; and/or (ii) in connection with the MTNs;
- (c) Redeem, refinance or defease any of the Company's outstanding long-term debt securities as long as the redemption, refinancing or defeasance is economically advantageous to the Company;
- (d) Increase the number of gas meters available for the Company's sale-leaseback program, on a permanent basis, as previously approved by the Board in Docket No. GF-14010067 from the currently authorized amount of 25,000 meters per year to 35,000 meters per year to expand the program in connection with NJNG's customer growth;
- (e) Enter into, pursuant to N.J.S.A. 48:3-9, a revolving credit facility with a duration for up to five years and an option for up to two additional one-year extensions beyond the original five (5) year duration, providing, among other things, for the issuance of promissory notes ("Bank Note Obligations") in an aggregate principal amount not to exceed \$400,000,000 at any one time outstanding; and
- (f) Make, execute and deliver, purchase agreements and related agreements and instruments with financial institutions (including procuring credit enhancement instruments) and take such other actions the Petitioner determines may be necessary in connection therewith as shall be necessary to complete the transactions contemplated in this Petition without further order of the Board. To make, execute and deliver purchase agreements and related agreements and instruments with financial institutions (including procuring credit enhancement instruments) in connection therewith as shall be necessary to complete the transactions contemplated in this Petition without further order of the Board.

This Order is issued subject to the following conditions:

1. Petitioner will issue the various series of MTNs in compliance with this Order. No further Order of this Board shall be necessary for Petitioner to complete the series of MTN transactions if the conditions of this order are met.
2. With respect to each issue of new MTNs, the Petitioner shall provide the following material for information purposes as soon as it is available and in no event later than forty-eight (48) hours prior to the anticipated time for the pricings: (1) a statement with respect to the indicative pricing for the MTNs and the terms thereof which shall specify (i) the anticipated date and timing for the pricing of the MTNs, (ii) the aggregate principal amount of the MTNs, (iii) the terms and conditions upon which the MTNs may be redeemed, whether at the option of the Petitioner, pursuant to any mandatory provision, or otherwise, and (iv) such other provisions as may be established by the Petitioner with respect to the terms and conditions of the MTNs and the market pricing therefor; (2) an assessment of the then current financial market applicable to the MTNs, including, (i) data with respect to recent sales of comparable securities of other utilities, if any, (ii) data with respect to current yields on certain outstanding debt of the Petitioner, (iii) anticipated compensation to and names of the underwriters of the MTNs, (iv) the anticipated range of the yield on the MTNs based upon current market conditions, and (v) such other information the Petitioner deems relevant to access the expected sale of the MTNs and the reasonableness of the effective cost of any rate thereof.
3. If the interest rate on any series of MTNs, in relation to U.S. Treasury securities does not exceed the range set forth in the table above or the compensation of the underwriter with respect to any series does not exceed one percent (1.0%) of the aggregate principal amount of the MTNs issued and sold, the Petitioner may effect MTN transactions without further Order of the Board. If either the interest rate of the compensation to the underwriters exceeds such amount, the proposed issuance and sale of such MTNs shall not be consummated until further Order of the Board.
4. If MTNs are sold pursuant to competitive bidding, Petitioner shall furnish this Board in writing as soon as practicable after accepting the bid for MTNs, the names of all principal bidders together with the interest rate, the annual cost of money to Petitioner, the price to the public, the percentage yield and the price to Petitioner applicable to each bid.
5. The Petitioner shall, as promptly as is practical after acceptance of an offer for, and the pricing of, any MTNs, notify the Board's Office of the Chief Economist and Rate Counsel in writing of the action to be taken and include a statement setting forth the compensation to and names of all the underwriters, and, as applicable, the aggregate principal amount of the MTNs, the interest rate of the MTNs and any other provision with respect to the terms and conditions of the MTNs.

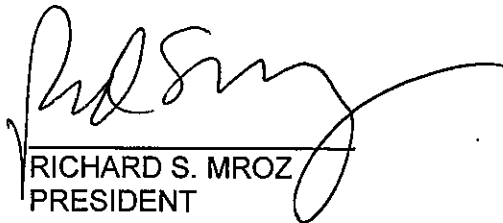
6. The Petitioner shall furnish the Board with copies of executed documents filed with other regulatory agencies relating to the MTNs simultaneously with the filing to the other regulatory agencies.
7. While it is anticipated that the interest rates to be borne by the MTNs will not exceed ten percent (10%), if market conditions require an interest rate greater than ten percent (10%), Petitioner will notify the Office of the Economist of the Board at least fourteen (14) days prior to the issuance of any MTNs if this falls within the Market Yield Spread Table approved by this Order.
8. The MTNs authorized herein shall not be redeemed at a premium prior to maturity without further Board approval, unless the estimated present value savings derived from the difference between interest or dividend payments on the new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate. Petitioner shall furnish the Board with sufficient evidence to support the estimated present value savings prior to redemption.
9. The Petitioner shall furnish the Board with copies of all executed supplements to the Mortgage Indenture.
10. The Petitioner shall semi-annually file with the Board, with a copy to Rate Counsel, reports required in N.J.A.C. 14:1-5.9(b) setting forth the terms and conditions of all the MTNs issued during that period together with a calculation of the cumulative principal amount, and the manner in which the proceeds thereof have been disbursed.
11. This Order shall not be construed as certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
12. The authority granted under this Order shall become null and void and of no effect with respect to any portion thereof that is not exercised by May 31, 2020.
13. The Order shall not constitute pre-approval of any cost of authorization for rate recovery. Petitioner's regulated capital structure and capital costs are subject to review in Petitioner's next base rate case or other appropriate proceeding.
14. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
15. Petitioner should undertake financing in a manner that achieves the lowest reasonable cost of capital to its customers.
16. Petitioner is obligated to use a prudent mix of capital to finance its utility operations and investments.

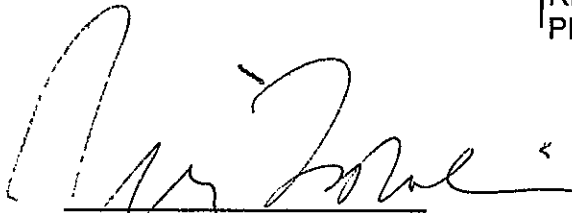
17. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of the State of New Jersey in any future proceeding with respect to rates, franchises, services, financing (including method of sale of securities), accounting, capitalization depreciation or any other matters affecting Petitioner.
18. Petitioner must provide notice to Board Staff and Rate Counsel before seeking any financing using Interest Rate Swaps. Transactions entered into under any authority granted by this Order may be examined in future rate cases.


This Order shall become effective on June 10, 2017.

DATED: 5/31/17

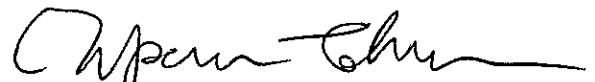
BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

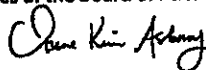

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
IRENE KIM ASBURY
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 AUTHORIZATION THROUGH MAY 31, 2020: (1) TO ISSUE AND SELL PURSUANT TO N.J.S.A. 48:3-9 MEDIUM TERM NOTES; (2) TO ENTER INTO INTEREST RATE RISK MANAGEMENT TRANSACTIONS RELATED TO CERTAIN OUTSTANDING LONG-TERM DEBT SECURITIES AND ANY NEW ISSUANCES APPROVED HEREUNDER; (3) REDEEM, REFINANCE OR DEFEASE ANY OF THE COMPANY'S OUTSTANDING LONG-TERM DEBT SECURITIES; (4) TO INCREASE THE NUMBER OF METERS THAT NEW JERSEY NATURAL GAS COMPANY MAY INCLUDE ANNUALLY AS PART OF THE LEASE FINANCING PROGRAM PREVIOUSLY APPROVED BY THE BOARD; AND (5) PURSUANT TO N.J.S.A. 48:3-9, TO ENTER INTO A CREDIT FACILITY ALLOWING THE ISSUANCE OF BANK NOTE OBLIGATIONS.

DOCKET NO. GF17010072

SERVICE LIST

Michael Moscufo
New Jersey Natural Gas Company
1415 Wyckoff Road
Wall, NJ 07719
mmoscufo@njng.com

Richard Reich, Esq.
NJR Service Corp.
1415 Wyckoff Road
Wall, NJ 07719
rreich@njng.com

David Peterson
Chesapeake Regulatory Consultants, Inc.
10351 Southern Maryland Boulevard
Suite 202
Dunkirk, MD 20754-9500
davep@chesapeake.net

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Brian O. Lipman, Esq., Litigation Manager
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
blipman@rpa.state.nj.us

Irene Kim Asbury, Esq.
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd. Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
irene.asbury@bpu.nj.gov

Mark Beyer, Chief Economist
Office of the Economist
Board of Public Utilities
44 South Clinton Avenue, 3rd. Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
mark.beyer@bpu.nj.gov

Stacy Peterson, Deputy Director
Division of Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd. Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
stacey.peterson@bpu.nj.gov

Christine Lin
Office of the Economist
Board of Public Utilities
44 South Clinton Avenue, 3rd. Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
christine.lin@bpu.nj.gov

Felicia Thomas-Friel, Esq.
Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
fthomas@rpa.state.nj.us

Megan Lupo, Esq.
Counsel's Office
Board of Public Utilities
44 South Clinton Avenue, 3rd. Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
megan.lupo@bpu.nj.gov

Maura Caroselli, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
mcaroselli@rpa.state.nj.us

Geoffrey Gersten, Esq.
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101
geoffrey.gersten@lps.state.nj.us

Renee Greenberg, Esq.
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101
renee.greenberg@lps.state.nj.us