



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

OFFICE OF THE EXECUTIVE DIRECTOR

IN THE MATTER OF THE EXPLORATION OF GAS  
CAPACITY AND RELATED ISSUES

) ORDER SOLICITING  
) AN INDEPENDENT  
) CONSULTANT  
)  
) DOCKET NO. GO19070846

BY THE BOARD:

**I. BACKGROUND**

By Order dated February 27, 2019, in Docket No. GO17121241, the New Jersey Board of Public Utilities (“Board”) directed Staff to initiate a stakeholder process to determine whether sufficient natural gas capacity “has been secured to serve all of New Jersey’s firm natural gas customers as well as whether and to what extent [Third-Party Suppliers (“TPSs”)] are saving customers money on their natural gas supply.”<sup>1</sup>

As provided in the September 10, 2019 Notice of a stakeholder meeting in this docket, the Board sought comments regarding, among other things, the following questions:

- “Does each [Gas Distribution Company (“GDC”)], (either independently or through a contract with an affiliated company) have sufficient firm capacity secured to meet their current design day forecasts for the next five years?”
- “Do the TPSs have sufficient firm capacity secured to meet their design day forecasts for the customers that they serve in New Jersey for the next five years?”

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<sup>1</sup> In the Matter of the Verified Petition of the Retail Energy Supply Association To Reopen the Provision of Basic Gas Supply Service Pursuant To the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq., and Establish Gas Capacity Procurement Programs, Docket No. G017121241, Order dated February 27, 2019, at 5.

- “Does sufficient pipeline capacity exist within the New Jersey market to satisfy the total customers’ requirements currently served by both TPSs and GDCs? Can additional incremental pipeline capacity be obtained to meet the forecasted customer requirements over the next five years? Would this capacity be more expensive than the current capacity?”<sup>2</sup>

In the course of the stakeholder process, New Jersey Natural Gas (“NJNG”) submitted comments on October 16, 2019, which included a report by Levitan & Associates, Inc. (“LAI”) commissioned by NJNG.<sup>3</sup> In response, the Environmental Defense Fund and the New Jersey Conservation Fund (collectively “EDF/NJCF”) submitted comments on October 22, 2019 disputing some portions of the LAI report, and included an affidavit of Greg Lander, President of Skipping Stone, who conducted an analysis of gas supply available in New Jersey on behalf of EDF/NJCF.<sup>4</sup> The LAI Report and Lander Affidavit reached different conclusions about the medium and long-term capacity needs; however, neither report identified a near-term capacity shortfall (absent an unforeseen, catastrophic disruption of the interstate pipeline network).

During its December 20, 2019 agenda meeting, the Board, consistent with N.J.S.A. 48:2-19(a) and N.J.S.A. 48:3-58(r), directed Staff to take the necessary steps to hire an independent consultant to independently examine the current and future natural gas capacity outlook for New Jersey.<sup>5</sup>

## II. DISCUSSION

In determining whether New Jersey’s supply of natural gas is likely to be adequate to meet consumer needs, we look to whether there is sufficient “Capacity” to deliver natural gas to consumers, even during peak periods, when usage is at its highest. New Jersey looks at the amount of available capacity during the winter heating season available to GDCs in order to determine whether there is sufficient capacity to meet the GDCs’ peak day procurement portfolio requirements. Capacity includes all forms of firm, non-firm, as delivered, and incremental capacity/supply resource options, as well as the reasonableness of those peak day procurement assumptions. Capacity also encompasses the commodity, transportation Capacity, storage contracts, demand, and delivery. Factors for a substantive analysis include, but are not limited to, the following:

- Projections of natural gas usage by New Jersey customers, taking into account curtailable load and the potential for voluntary conservation measures;
- The physical Capacity of existing and planned interstate natural gas pipelines and New Jersey’s GDCs;

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<sup>2</sup> Notice at 2.

<sup>3</sup> See NJNG LAI Report dated July 12, 2019 (“LAI Report”);

<sup>4</sup> See EDF/NJCF Affidavit of Greg Lander, President, Skipping Stone, dated October 21, 2019 (“Lander Affidavit”).

<sup>5</sup> See <https://www.bpu.state.nj.us/bpu/agenda/2019calendar/approved/20191220.html> starting at 1:40.15 mark.

- Competition with Northeastern states for both commodity and capacity of the interstate pipelines serving New Jersey;
- The ability of TPS to obtain natural gas during high demand days, as well as arrange for delivery;
- Long-term contracts obtained by the GDCs with the pipelines and storage facilities for capacity to meet the needs of their Basic Gas Supply Service (“BGSS”) customers; and
- What is the potential for a contingency to develop that would disrupt the supply of firm gas to New Jersey Customers, for example, a large-scale disruption of downstream to interstate transmission infrastructure, which could affect the availability of sufficient gas supply such as exogenous or catastrophic events that cause a force majeure.

The focus of this investigation is the supply and delivery of natural gas beyond the two-year mark. Staff, therefore, recommends that the Board initiate an investigation into the ability of New Jersey’s natural gas customers to maintain reliable access to natural gas supplies in this forward time horizon, starting with hiring a consultant to assist in determining whether sufficient natural gas capacity exists on the regional interstate pipeline system to meet the future Peak Day Demand Forecast of New Jersey’s GDCs. The detailed analysis should include evaluation of the adequacy and condition of the physical infrastructure, market conditions, and logistics of the State’s Capacity needs for the mid-term outlook, i.e., through 2030. As New Jersey looks to a future with lower fossil fuel consumptions, the consultant should also evaluate and make recommendations including, but not limited to, voluntary conservation measures and other “non-pipeline” solutions that can reduce the stress on the natural gas system during peak withdrawal periods, which is consistent with the Governor’s Energy Master Plan.

The consultant must consider Capacity available to New Jersey based upon the supply, demand, contractual, and other factors that may affect the availability of Capacity on a peak day, including upstream bottlenecks or other sources of stranded Capacity. Further, the consultant should address whether or not the New Jersey GDCs have contractual rights regarding sufficient Capacity, and the implications for New Jersey customers should the analysis and evaluation determine that there is insufficient Capacity to meet New Jersey’s winter season peak day demand.

Staff developed a scope of work and a Request for Quotation (“RFQ”) to solicit a consultant, and created the main tasks required for a full and complete Capacity analysis. The main tasks for the consultant will be:

- Perform the infrastructure, demand, contracts, market and other analysis and research set forth in the Scope of Work (“SOW”);
- Review the LAI Report and Lander Affidavit submitted and/or referenced in the Board’s recent statewide Gas Capacity Proceeding;

- Assist Staff in assessing the risk of a shortfall in natural gas capacity in the medium term, considering the normal factors but also considering the effects of Energy Efficiency and conservation expected as the New Jersey 2019 Energy Master Plan is implemented; and
- Assist Staff in developing a robust set of non-pipe mitigation measures, as described (but not limited to those) in the SOW.

Any solutions presented, if the analysis determines that New Jersey capacity is at risk, shall include an order-of-magnitude cost estimate for evaluation purposes.

The consultant must be experienced in the specialized fields that encompass the physical and financial makeup of natural gas delivery. Given the importance of this analysis and lack of long-term confidence in Capacity, Staff recommends a short-term contract of four (4) to six (6) months to perform the analysis, with potential additional tasks to identify Capacity risk mitigation efforts, if necessary.

Once the consultant's work is complete, Staff can determine if a shortage or critical supply situation exists to the existing capacity, or if the medium term capacity outlook is adequate and stable, assuming appropriate investment in maintaining and hardening existing pipelines. Additionally, Staff can prepare a robust implementation plan of all reasonable and appropriate non-pipe gas Capacity risk mitigation measures for recommendation to the Board.

### **III. FINDINGS**

The Board recognizes the importance of determining if the current and future natural gas supply and infrastructure will continue to meet New Jersey's demands, as well as how evolving environmental concerns may drive changes in the way natural gas is transported and used in New Jersey. Specific expertise is required to analyze all aspects of the Capacity questions and will require detailed review and interpretation of existing market conditions, delivery and pipeline Capacity contracts, review of existing and proposed regional interstate transmission facilities, and best practices in designing conversation measures and non-pipeline alternatives.

The Board **HEREBY FURTHER DIRECTS** Staff to issue the attached RFQ for selection of a consultant experienced in the above-mentioned Capacity analysis tasks to assist with the investigation. The solicitation of the consultant should be executed in the most expeditious manner, as time is of the essence, and follow all required State policies and avenues. Additionally, the Board **DIRECTS** Staff to continue the stakeholder process that will be informed by the conclusions of the investigation assisted by the consultant on the natural gas Capacity adequacy matter.

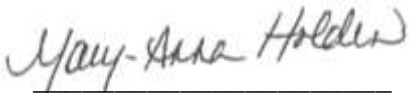
This Order shall be effective on May 30, 2020.

DATED: May 20, 2020

BOARD OF PUBLIC UTILITIES  
BY:



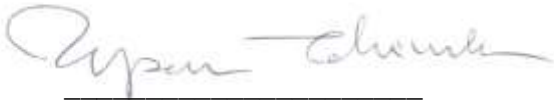
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ATTEST:



AIDA CAMACHO-WELCH  
SECRETARY

IN THE MATTER OF THE EXPLORATION OF GAS CAPACITY AND RELATED ISSUES  
DOCKET NO. GO19070846

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