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JAN 11 2016

BOARD OF PUBLIC UTILITIES
MAIL ROOM

January 7, 2016

VIA EMAIL AND USPS

Honorable Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625-0350

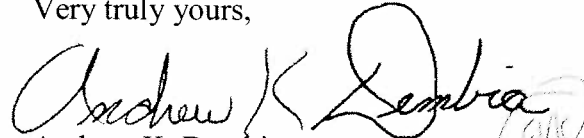
Re: IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL
GAS COMPANY FOR APPROVAL OF THE COST RECOVERY
ASSOCIATED WITH ENERGY EFFICIENCY PROGRAMS
BPU DOCKET NO. GR15070861

Dear Secretary Asbury:

Enclosed with this letter is a fully executed Stipulation of Settlement in the above captioned matter with separate and original signature pages for each signatory.

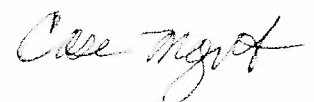
Please do not hesitate to contact me at 732-938-1073 if you need any additional information.

Very truly yours,


Andrew K. Dembia
Regulatory Affairs Counsel

Enclosures

C: Service List (electronically only) ✓



**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS
COMPANY FOR APPROVAL OF THE COST RECOVERY ASSOCIATED
WITH ENERGY EFFICIENCY PROGRAMS
BPU DOCKET NO. GR15070861**

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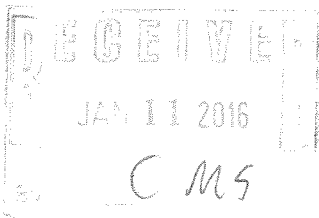
* Indicates individuals designated to receive hard copies of discovery responses.

**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS
COMPANY FOR APPROVAL OF THE COST RECOVERY ASSOCIATED
WITH ENERGY EFFICIENCY PROGRAMS
BPU DOCKET NO. GR15070861**

SERVICE LIST

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

RECEIVED

JAN 11 2016

BOARD OF PUBLIC UTILITIES
MAIL ROOM

IN THE MATTER OF THE LETTER)	
PETITION OF NEW JERSEY NATURAL)	STIPULATION OF
GAS COMPANY FOR APPROVAL OF THE)	SETTLEMENT
COST RECOVERY ASSOCIATED WITH)	
THE ENERGY EFFICIENCY PROGRAM)	
)	BPU DOCKET NO. GR15070861
)	

APPEARANCES:

Andrew Dembia, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Sarah H. Steindel, and Maura Caroselli, Assistant Deputy Rate Counsels, (**Stefanie A. Brand, Esq.**, Director New Jersey Division of Rate Counsel)

Alex Moreau and Christopher M. Psihoules, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

1. On July 31, 2015, New Jersey Natural Gas Company (“NJNG” or the “Company”) filed a petition (the “Petition”) in Docket No. GR15070861 with the New Jersey Board of Public Utilities (the “Board” or “BPU”) requesting that the Board maintain the Company’s existing Energy Efficiency (“EE”) rate of \$0.0327 per therm after-tax. The Company submitted the Petition to comply with the terms of the Board’s Order issued on June 21, 2013 in Docket Nos. GO12071640 and GO12070641 (“June 2013 Order”). That Order approved both the continuation of energy-efficiency programs offered through The SAVEGREEN Project® (“SAVEGREEN”)

and the recovery of SAVEGREEN investments and operating costs collected through the Board-approved NJNG Tariff Sheet Rider F (“Rider F”). Based on the current and anticipated levels of activity in SAVEGREEN and the projected under-recovered balance of \$0.792 million as of September 30, 2016, NJNG believes that it is appropriate to maintain the EE Rate currently included in Rider F of \$0.0327 per therm after-tax.

BACKGROUND

2. NJNG’s participation in energy-efficiency programs, collected through Rider F, was originally approved by the Board in an Order dated July 17, 2009¹ and subsequently approved to continue, with modifications in Orders dated September 24, 2010² (“September 2010 Order”), January 18, 2012 (“January 2012 Order”) in Docket No. GR11070425, the June 2013 Order and the recently approved Order dated July 23, 2015 (“July 2015 Order”) in Docket No. GO14121412 extending the SAVEGREEN Program through July 31, 2017. These Orders all adopted terms of stipulations entered into among the Company, Board Staff, and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively the “Parties”).

3. As stated by the Company in its Petition, the SAVEGREEN energy-efficiency and conservation programs are designed to complement and supplement aspects of New Jersey’s Clean Energy Program (“NJCEP”) in an attempt to encourage higher levels of customer participation in NJNG’s service territory. NJNG maintains that the programs do not duplicate or eliminate any of

¹ I/M/O/ Energy Efficiency Programs and Associated Cost Recovery Mechanisms and I/M/O/ the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057.

² I/M/O the Petition of New Jersey Natural Gas Company for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GR11070425. GO10030224.

the NJCEP programs, instead they work to increase customer awareness, enhance participation, and support utilization of NJCEP efforts throughout the State.

4. NJNG was authorized to establish a rate through which it can recover from customers SAVEGREEN costs, including rebates, customer incentive payments, customer financing, and associated reasonable and prudent incremental operation and maintenance (“O&M”) expenses (“Program Costs”). It was agreed that such Program Costs are subject to recovery pursuant to the terms of Rider F.

5. As part of the current cost recovery mechanism, NJNG is authorized to amortize for recovery its SAVEGREEN investments in customer rebates, incentive payments, and customer financing over a two (2), three (3), five (5) and ten (10) year period on a straight line basis, with the rate of return on the unamortized SAVEGREEN investments approved in the September 2010 Order, the January 2012 Order, June 2013 Order, and the July 2015 Order. NJNG computes the rate of return component of its costs, in addition to deducting the accumulated amortization of its investments, by deducting the applicable deferred income taxes related to the amortization of rebates, incentives, and financing costs over a two-, three-, five-, and ten-year period for book purposes and over a one-year period for tax purposes.

6. NJNG is to submit a June 1st annual SAVEGREEN cost recovery filing to establish future Rider F rates. The filing has usually been made coincident with, but separate from, NJNG’s annual Basic Gas Supply Service filing, and is to include updates to the SAVEGREEN investment levels, operating costs, and reconciled rate recoveries to actual cost results. However, by correspondence dated May 28, 2015, the Company notified the Board of a delay of its 2015 annual EE rate filing since the pending SAVEGREEN Program extension filing was expected to be settled

by the Parties in early June 2015³. According to the Company, it was anticipated that the Board would consider that stipulation of settlement at its June 17, 2015 agenda meeting. Therefore, the EE rate recovery filing for 2015 would be submitted no later than July 31, 2015 to reflect the currently-approved and recently-decided EE Programs. Due to continuing settlement discussions, the Company agreed to extend the Board's 180 day review period, set to expire on June 30, 2015, until July 31, 2015. The Board subsequently approved a stipulation of settlement at its July 22, 2015 agenda meeting.

PROCEDURAL HISTORY

7. Since there was no rate change requested, public hearings on this Petition were not required.

8. NJNG has received and responded to all discovery requests that have been propounded in this proceeding by BPU Staff and Rate Counsel.

9. The Parties have discussed the matters at issue in this proceeding. Based upon those discussions, the Parties agreed to enter into this Stipulation, in resolution of certain issues raised in or relating to the Company's associated cost recovery mechanism for the SAVEGREEN program, to remain at current levels.

10. Specifically, based upon and subject to the terms and conditions set forth herein, the Parties **STIPULATE AND AGREE** as follows:

³ July 2015 Order (BPU Docket No. GO14121412).

STIPULATED MATTERS

11. The Parties agree that the Company is authorized to recover only those costs associated with the SAVEGREEN Programs previously approved in the July 2009, September 2010, January 2012, June 2013, and July 2015 Orders.

12. Although the Company's updated revenue requirement indicates a projected under recovered balance of \$0.792 million as of September 30, 2016, the Parties agree that NJNG should maintain the existing EE Rate of \$0.0327 per therm, which includes Sales and Use Tax ("SUT") (\$0.0306 excluding SUT) pursuant to the terms of Rider F of the Company's gas tariff, as set forth in Attachment A. This rate represents no change from the current rate per therm and there will be no impact to the overall bill of the average residential heating customer using 1,000 therms annually. This rate shall be in effect until changed by a future Board Order.

13. The Parties agree that actual costs incurred prior to October 1, 2015, as shown in Attachment B, have been reviewed and deemed prudent and reasonable by the Parties. Actual costs incurred by NJNG after that date are subject to review for reasonableness and prudence in future EE Rate filings.

14. The Parties agree that the Company's next annual EE Rate filing will be made on or about June 1, 2016.

15. As agreed to by the Signatory Parties and authorized in the July 2009, September 2010, January 2012, June 2013, and July 2015 Orders, any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by

the BPU in the Company's most recent base rate case, BPU Docket No. GR07110889, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. The sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the next annual EE Rate filing.

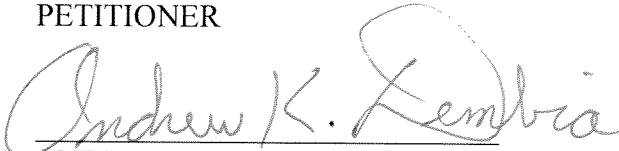
16. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then 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.

17. 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.

18. 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, NJNG, BPU Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By: 
ANDREW K. DEMBIA
Regulatory Affairs Counsel

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

By: _____
SARAH H. STEINDEL
Assistant Deputy Rate Counsel

**JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities**

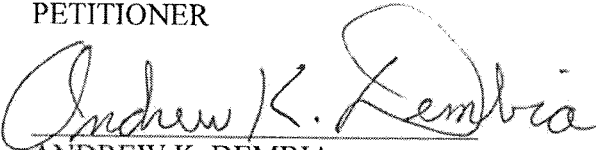
By: _____
ALEX MOREAU
Deputy Attorney General

Date: December , 2015

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PETITIONER**

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Regulatory Affairs Counsel

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

By:

SARAH H. STEINDEL
Assistant Deputy Rate Counsel

**JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities**


By:


ALEX MOREAU
Deputy Attorney General

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STEFANIE A. BRAND, DIRECTOR**

By: 
SARAH H. STEINDEL
Assistant Deputy Rate Counsel

**JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities**

By: 
ALEX M. REAU
Deputy Attorney General

Date: December , 2015

NEW JERSEY NATURAL GAS COMPANY*Eighth Revised Sheet No. 173**BPU No. 8 - Gas**Superseding Seventh Revised Sheet No. 173***RIDER "F"****ENERGY EFFICIENCY - EE****I. Determination of the Rate**

The EE rate shall be derived in the following manner:

1. An estimate shall be made of the total annual cost related to the programs. This rider will include only expenses for energy-efficiency programs approved by the Board in BPU Docket Nos. GO09010057, GO10030225, GR11070425, GO12070640 and GO14121412 unless modified further by Board Order.
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.
3. The prospective costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery to determine the total costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit cost recovery rate.

II. Tracking the Operation of the EE

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred costs 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 EE recovery 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 EE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EE factor is as set forth below:

\$0.0327

Date of Issue: July 24, 2015
Issued by: Mark R. Spurduto, Senior Vice President
Wall, NJ 07719

Effective for service rendered on
and after August 1, 2015

**New Jersey Natural Gas
Energy Efficiency Recovery Rates**

(\$000)

Actual Under/(Over) recovery at 9/30/15	\$	(1,693)
Estimated Revenue Requirements (Oct 2015 through Sep 2016):		
RGGI	\$	2,025
EE Extension		3,818
July 2013 Programs		8,376
August 2015 Programs		9,466
		<hr/>
Total Amount to be Recovered	\$	21,994
<u>Per Therm Recovery</u>		
Firm Throughput (000 therms)		692,607
Calculated Pre-tax EE Recovery Rate \$ per Therm	\$	0.0318
Calculated After-tax EE Recovery Rate \$ per Therm	\$	0.0340
Current Pre-tax EE Recovery Rate \$ per Therm	\$	0.0306
Current After-tax EE Recovery Rate \$ per Therm	\$	0.0327
Pre-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$	-
After-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$	-

NOTE: NJNG proposes no change to its current EE Rate