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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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CASE MANAGEMENT

JUL 06 2018

July 5, 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Honorable Aida Camacho- Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Petition of New Jersey Natural Gas Company for the
Annual Review and Revision of Societal Benefits Charge Factors
for Remediation Years 2016 and 2017
BPU Docket No. GR17111182

Dear Secretary Camacho:

Enclosed with this letter is a fully executed Stipulation 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, ESQ.
Regulatory Affairs Counsel

Case mgmt
M. Dupont, Esq.
A. Moreau, Esq.
S. Peterson

JUL 06 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

RECEIVED
MAIL ROOM
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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY)
FOR THE ANNUAL REVIEW AND) BPU DOCKET NO. GR17111182
REVISION OF SOCIETAL BENEFITS)
CHARGE FACTORS FOR REMEDIATION)
YEARS 2016 AND 2017)

STIPULATION

APPEARANCES:

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

Felicia Thomas-Friel, Deputy Rate Counsel, Henry M. Ogden, Esq., Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Alex Moreau and Renee Greenberg, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

**TO: THE HONORABLE COMMISSIONERS OF
THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

BACKGROUND

By Orders dated March 17, 1999 in Docket No. GX99030121 and March 30, 2001 in Docket No. GO99030123 pursuant to N.J.S.A. 48:3-60, New Jersey Natural Gas Company (“NJNG” or the “Company”) received approval to implement and assess a Societal Benefits Charge (“SBC”) as a non-by-passable charge applicable to the Company’s customers.¹

¹ Pursuant to legislation signed into law on January 28, 2011, N.J.S.A.48:3-60.1, natural gas commodity and delivery service charges for natural gas that is used to generate electricity for resale are not to include SBC charges.

1. On November 17, 2017, NJNG filed a petition in Docket No. GR17111182 relating to the Company's SBC rate (the "SBC filing"). The components included in the SBC are the Remediation Adjustment ("RA") rate for remediation expenditures incurred by the Company during the period July 1, 2015 through June 30, 2017 ("Remediation Years 2016 and 2017"), the statewide Universal Service Fund ("USF") rate,² and the New Jersey Clean Energy Program ("NJCEP") rate. In its petition, the Company requested that the New Jersey Board of Public Utilities (the "BPU" or "Board") (1) decrease the Company's per therm after-tax RA rate; (2) increase the NJCEP per therm after-tax rate; and (3) approve the prudent and reasonable remediation expenditures incurred by the Company for Remediation Years 2016 and 2017 to be effective April 1, 2018, or as of the effective date of the Board Order in this proceeding.³ These rate changes result in an overall decrease of \$0.10 per therm or approximately 0.10 percent to the average residential heating customers' monthly bill.

2. The Company's SBC filing included its petition, testimonies, schedules, the Company's Gas Service Tariff (redlined) and data that support the Company's proposed decrease to its current after-tax RA rate of \$0.0145 per therm, as of January 1, 2018, to \$0.0107 per therm. Additional information responsive to the fifteen (15) minimum filing requirements ("MFR's") for RA filings, as approved and required by Board Order dated April 13, 2006, in Docket No. GR04121565, was

² The USF is a fund established by the Board to help provide affordable electric and natural gas service for eligible residential customers in New Jersey. The statewide USF rates are addressed in annual filings submitted simultaneously by New Jersey's natural gas and electric utilities. The after-tax natural gas USF rate at the time of this filing of \$0.0087 per therm was approved by the Board in its September 22, 2017 Order in Docket No. ER7060676.

³ Pursuant to P.L. 2016, c. 57, these rates include the New Jersey Sales and Use Tax rate of 6.625 percent effective January 1, 2018.

provided by the Company on February 5, 2018. A copy of the MFR's are attached as Exhibit A to this Stipulation.

3. NJNG's proposal to increase the January 1, 2018 per therm after tax NJCEP rate of \$0.0166 to \$0.0194 reflects the Company's share of the statewide NJCEP contribution levels, as approved by the Board on June 30, 2017 in Docket No. QO17050464.⁴

4. These rates along with the existing USF rate of \$0.0087 per therm⁵ will comprise NJNG's proposed SBC after-tax rate of \$0.0388 per therm. The Company also requests the approval of the remediation expenditures incurred by the Company for Remediation Years 2016 and 2017. The Company requests that these rates and expenditures be approved effective April 1, 2018, or as of the effective date of the Board Order in this proceeding.

5. Public hearings on the SBC petition were held on May 14, 2018 in Rockaway Township, New Jersey, and on May 16, 2018, in Freehold Township, New Jersey. No members of the public appeared at any of the public hearings, and no written comments were received by the Board, the Company or Rate Counsel.

6. NJNG has received and responded to all discovery requests that have been propounded in this proceeding by the Parties.

7. Based upon further discussions, the Parties have reached an agreement to enter into this Stipulation finalizing the rates and resolving all issues raised in or related to the Company's RA

⁴ The Board's June 30, 2017 Order approved an NJCEP annual contribution level for NJNG of approximately \$15.1 million for fiscal years 2016 and 2017.

⁵ This statewide USF factor was approved in the Board's September 22, 2017 Order in Docket No. ER17060676.

and NJCEP rates, including the Company's remediation expenses for Remediation Years 2016 and 2017.

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

STIPULATED ISSUES

(a) **Overall SBC Rate.** The Company's overall SBC rate shall be \$0.0387 per therm on an after-tax basis, effective upon Board approval, which is a decrease of \$0.0011 per therm from the current after-tax rate of \$0.0398 per therm. This overall SBC rate shall continue to remain in effect until changed by further Order of the Board. The impact of this rate change on a typical residential natural gas customer using 1,000 therms per year is a decrease of approximately \$1.10 per year, or 0.11 percent. Attached hereto as Exhibit B is a summary of the SBC components and the calculation of the resulting price impact.

(b) **RA Rate.**

(i) Based on the Company's response to RAC-1 supplied on February 5, 2018, the Company's after-tax RA rate within the SBC of \$0.0106 per therm shall be deemed final and remain in effect until changed by further Board Order. The tariff sheets reflecting these rates, which will remain in effect, are attached hereto as Exhibit B.

(ii) All issues raised by the Company's filing herein relating to the RA expenditures incurred by the Company during Remediation Years 2016 and 2017 have been examined and shall be deemed fully resolved and are prudent and reasonable.

(iii) The RA rate set forth above is based upon and reflects recoverable RA costs of approximately \$7.20 million for the period July 2015 – June 2016 and

recoverable RA costs of approximately \$10.05 million for the period July 2016 – June 2017, and interest of approximately \$0.53 million for the period beginning October 1, 2015 through September 30, 2017. The resulting rolling seven-year recoverable RA cost average is approximately \$8.12 million.

(c) **NJCEP Rate.**

The Company's after-tax NJCEP rate of \$0.0194 per therm shall be deemed final and remain in effect until changed by further Board Order.

9. Recovery and adjustments of the RA rate are subject to the Parties' review of NJNG's RA expenditures and reconciliation thereof in NJNG's next SBC proceeding. Recovery of RA costs shall also continue to be subject to the same conditions as set forth in the Stipulations approved by the Board in its December 21, 1994 Order Adopting Initial Decision in BPU Docket No. GR94070333, and its November 22, 1995 Decision and Order Adopting Initial Decision and Stipulation in BPU Docket No. GR95090409.

10. As part of this Stipulation, the Parties agree that expenditures the Company recovers through the RA rate are subject to audit. Such audit may be through a review of the Company's Internal Audits conducted in relation to costs associated with this proceeding, or through any other audit mechanism determined to be appropriate by the Board.

11. The Company represents that its RA filing in this SBC filing does not include the recovery of any administrative, legal, consulting or other costs associated with Natural Resource Damage ("NRD") claims and no NRD costs were incurred during Remediation Years 2016 and 2017. The Parties accordingly stipulate and agree that the Board should make no determination in this

proceeding as to the reasonableness, or the recoverability under the Company's RA rate mechanism, of NRD damages or related costs, if any. The Parties expressly reserve their rights to argue their respective positions on these and related issues in future proceedings, as appropriate.

12. The Company represents that its 2016 and 2017 SBC petition does not include a request for the recovery of any incentive compensation paid to NJNG personnel who worked on MGP remediation matters during the July 1, 2015 through June 30, 2017 time frame and the Parties agree that NJNG incentive compensation costs through June 30, 2017 in the amount of \$81,640.09 will be deferred in the previously established sub-account. NJNG established a separate sub-account in the deferred remediation expenditure account to recognize deferred incentive compensation associated with NJNG's internal MGP labor.

13. The Company agrees that it will continue to include with its Remediation Adjustment Clause filings responses to the MFRs as set forth in Exhibit A to this Stipulation.

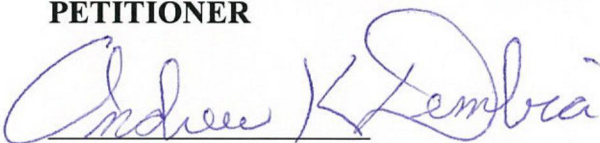
14. The Parties stipulate and agree that this Stipulation fully disposes of all issues in controversy in this proceeding, is consistent with law, and is in the public interest. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any provision 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 the Board, in any applicable order(s), does not adopt this Stipulation in its entirety 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.

15. The Parties further agree that they consider this Stipulation to be binding on them for all purposes herein.

16. 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, Board 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. All rates are subject to audit by the Board. The Parties further acknowledge that a Board Order approving, rejecting, or modifying this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto respectfully submit this Stipulation to the Board for its review and the issuance of a Decision and Order approving this Stipulation, in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By: 
ANDREW K. DEMBIA
New Jersey Natural Gas

**DIVISION OF RATE COUNSEL
STEFANIE BRAND, ESQ.
DIRECTOR**

By: _____
HENRY M. OGDEN
ASSISTANT DEPUTY RATE COUNSEL

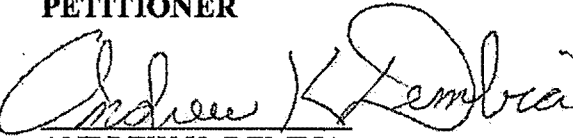
**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorneys for Staff of the Board of Public Utilities**

By: _____
ALEX MOREAU
DEPUTY ATTORNEY GENERAL

Date: June 27, 2018

WHEREFORE, the Parties hereto respectfully submit this Stipulation to the Board for its review and the issuance of a Decision and Order approving this Stipulation, in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

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PETITIONER**

By: 
ANDREW K. DEMBIA
New Jersey Natural Gas

**DIVISION OF RATE COUNSEL
STEFANIE BRAND, ESQ.
DIRECTOR**

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HENRY M. OGDEN
ASSISTANT DEPUTY RATE COUNSEL


**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorneys for Staff of the Board of Public Utilities**

By: 
ALEX MOREAU
DEPUTY ATTORNEY GENERAL


Date: June 27, 2018

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By: 
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New Jersey Natural Gas

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DIRECTOR**

By: 
HENRY M. OGDEN
ASSISTANT DEPUTY RATE COUNSEL

**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorneys for Staff of the Board of Public Utilities**

By: 
ALEX MOREAU
DEPUTY ATTORNEY GENERAL

Date: June²⁷, 2018

Exhibit A

New Jersey Natural Gas Company
Remediation Adjustment Clause Minimum Filing Requirements

As part of the Company's annual Remediation Adjustment Clause ("RAC") filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period.

1. The Company currently provides a vendor summary as part of its annual RAC filing. This document provides a summary of the expenditures by vendor by site for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through June 30 of each year will continue to be submitted with the Company's annual RAC filing.
2. Identify the two MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.
3. For each of the same two MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding June 30 of the most recent RAC period.
4. For each of the same two MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.
5. For each of the same two MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.
6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's

MGP sites. The narrative, with supporting documentation, should cover the prior RAC period.

7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.
8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.
9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.
10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders. For contracts awarded during the most recent RAC period without competitive bidding, the Company should include a detailed explanation and supporting documentation for the decision not to engage in competitive bidding.
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request. The response should also include a detailed explanation and supporting documentation for the company's decision to proceed with a supplemental contract amendment rather than engage in a competitive bidding process for the additional work, during the most recent RAC period.
12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.
13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including workpapers and supporting documentation.

14. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement.
15. Provide detailed justification for new, renewed, or amended contracts for customer outreach services provided by outside vendors, including justification for the pricing structure for all new contracts. Payments for services under all existing, new, renewed or amended contracts with outside vendors for customer outreach should be supported by documentation that the compensation provided to such outside vendors is commensurate at a reasonable hourly rate based on level of professional expertise and documented time required to perform the contracted work during the most recent RAC period.

New Jersey Natural Gas Company
 Net impact of Proposed Rate Changes
 BPU Docket No. GR17111182

	Component of	Current		Proposed (\$/therm)		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
RAC	Delivery Price	0.0136	0.0145	0.0099	0.0106	(0.0037)	(0.0039)
NJCEP	Delivery Price	0.0156	0.0166	0.0182	0.0194	0.0026	0.0028
USF	Delivery Price	0.0082	0.0087	0.0082	0.0087	0.0000	0.0000
Total SBC		0.0374	0.0398	0.0363	0.0387	(0.0011)	(0.0011)

<u>Impact on Residential Non-Heating Customers</u>			
			25 therm bill
6/1/18 prices			
	Customer Charge	\$8.62	\$8.62
	Delivery	\$0.5221	\$13.05
	BGSS	\$0.3646	\$9.12
	Total	\$0.8867	\$30.79
Proposed prices			
	Customer Charge	\$8.62	\$8.62
	Delivery	\$0.5210	\$13.03
	BGSS	\$0.3646	\$9.12
	Total	\$0.8856	\$30.77
	Decrease		(\$0.02)
	Decrease as a percent		(0.06%)
<u>Impact on Residential Heating Customers</u>			
		100 therm bill	1000 therm annual bill
6/1/18 prices			
	Customer Charge	\$8.62	\$8.62
	Delivery	\$0.5545	\$55.45
	BGSS	\$0.3646	\$364.60
	Total	\$0.9191	\$100.53
	Total		\$1,022.54
Proposed prices			
	Customer Charge	\$8.62	\$8.62
	Delivery	\$0.5534	\$55.34
	BGSS	\$0.3646	\$364.60
	Total	\$0.9180	\$100.42
	Total		\$1,021.44
	Decrease		(\$0.11)
	Decrease as a percent		(0.11%)
<u>Impact on Commercial GSS Customers</u>			
			100 therm bill
6/1/18 prices			
	Customer Charge	\$26.11	\$26.11
	Delivery	\$0.5139	\$51.39
	BGSS	\$0.3646	\$36.46
	Total	\$0.8785	\$113.96
Proposed prices			
	Customer Charge	\$26.11	\$26.11
	Delivery	\$0.5128	\$51.28
	BGSS	\$0.3646	\$36.46
	Total	\$0.8774	\$113.85
	Decrease		(\$0.11)
	Decrease as a percent		(0.10%)
<u>Impact on Commercial GSL Customers</u>			
			1200 therm bill
6/1/18 prices			
	Customer Charge	\$50.09	\$50.09
	Demand Charge	\$1.84	\$176.64
	Delivery	\$0.4367	\$524.04
	BGSS (June 2018)	\$0.3950	\$474.00
	Total	\$0.8317	\$1,224.77
Proposed prices			
	Customer Charge	\$50.09	\$50.09
	Demand Charge	\$1.84	\$176.64
	Delivery	\$0.4356	\$522.72
	BGSS (June 2018)	\$0.3950	\$474.00
	Total	\$0.8306	\$1,223.45
	Decrease		(\$1.32)
	Decrease as a percent		(0.11%)

Projected Annual Revenue

Projected SBC annual therms 698,390 (000s)

Projected Annual Revenue \$ million

	Current		Proposed		Change	
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
RAC	\$9.50	\$10.13	\$6.91	\$7.40	(\$2.58)	(\$2.72)
NJCEP	\$10.89	\$11.59	\$12.71	\$13.55	\$1.82	\$1.96
USF	\$5.73	\$6.08	\$5.73	\$6.08	\$0.00	\$0.00
Total Pre-tax	\$26.12	\$27.80	\$25.35	\$27.03	(\$0.77)	(\$0.77)