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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

October 5, 2018

VIA FEDERAL EXPRESS

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

RECEIVED
CASE MANAGEMENT

OCT 05 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Re: IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS
COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR
COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS

BPU DOCKET NO. GR1810 1096

Dear Secretary Camacho-Welch:

Enclosed herewith for filing please find an original and ten (10) copies of the petition (Exhibit P-1) of New Jersey Natural Gas Company for deferred accounting treatment of costs related to new information technology systems. Included with this filing are Exhibits P-2 through P-5 in support of this petition.

Copies of the petition, including the supporting exhibits, are also being served upon the New Jersey Division of Rate Counsel.

Kindly acknowledge receipt of this filing by date stamping the enclosed copy of this letter and returning same in the self-addressed, stamped envelope.

Respectfully submitted,

Andrew K. Dembia, Esq.
Regulatory Affairs Counsel

Enclosures

C: Service List

CMS

Legal
DAG
RFA

S. Peterson

B. Boogve Remire

M. Lupo

O. Hamilton

Energy

**In the Matter of New Jersey Natural Gas Company's Request for Deferred Accounting
Authority for Costs Related to New Information Technology Systems
BPU Docket No. GR1810 _____**

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF NEW JERSEY NATURAL)
GAS COMPANY'S REQUEST FOR DEFERRED)
ACCOUNTING AUTHORITY FOR COSTS)
RELATED TO NEW INFORMATION)
TECHNOLOGY SYSTEMS)

PETITION
BPU DOCKET NO.
RECEIVED
CASE MANAGEMENT

OCT 05 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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

New Jersey Natural Gas Company (the "Company" or "NJNG"), respectfully petitions the New Jersey Board of Public Utilities (the "Board" or "BPU") pursuant to *N.J.S.A.* 48:2-21,48:2-21.1 and 48:2-23 *et seq.*, for deferred accounting authority as follows:

1. NJNG is a corporation duly organized under the laws of the State of New Jersey and is a public utility engaged in the distribution and transportation of natural gas subject to the jurisdiction of the Board. The Company's principal business office is located at 1415 Wyckoff Road, Wall Township, New Jersey 07719. NJNG is a local natural gas distribution company providing regulated natural gas service to over 538,000 customers within Monmouth and Ocean counties, as well as portions of Burlington, Middlesex and Morris counties.

2. Communications and correspondence relating to this filing should be sent to:

Mark G. Kahrer, Vice President, Regulatory Affairs
Andrew K. Dembia, Esq., Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road, P.O. Box 1464
Wall, N.J. 07719
(732) 938-1214 (Kahrer)
(732) 938-1073 (Dembia)
(732) 938-2620 (fax)

3. NJNG is subject to regulation by the Board for the purposes of setting retail distribution rates in New Jersey and to assure safe, adequate and proper natural gas distribution service pursuant to *N.J.S.A.* 48:2-21, 48:2-21.1 and 48:2-23.

4. NJNG currently utilizes the JD Edwards¹ World platform Information Technology (“JD Edwards” or “IT”) system across all of its core business competencies. Oracle has announced an end to support for their IT systems beyond April 2025.

5. NJNG believes it is appropriate to commence its search for replacing its systems and identify potential vendors and solutions that can meet the Company’s business needs and IT requirements. As a result, NJR Enterprise eXperience Transformation Program (“Project NEXT”) was launched as a means to assess the Enterprise Resource Planning, Customer Information System and Asset Management capabilities, and develop a roadmap to selecting the appropriate vendor(s) before JD Edwards’ end of support beyond April 2025. Project NEXT will provide for the review, examination and evaluation of initiatives that will improve or move capabilities of the business including, but not limited to, modernizing processes, reducing operational risk by implementing easily maintainable solutions and streamlining efforts. Project NEXT also will allow

¹ JD Edwards was founded in 1977 as an Enterprise resource planning (“ERP”) software company. It was sold to PeopleSoft in 2003 and Oracle acquired PeopleSoft (and the JD Edwards brand) in 2005.

for the evaluation and implementation of new systems to support work and asset management, enterprise reporting, content management and data analytics. These modern IT systems will provide enhanced cybersecurity protection and enable NJNG to support Distribution and Transmission Integrity Management Program requirements by enabling barcoding, lot tracking and traceability capabilities.

6. The new IT systems are anticipated to “go live” over multiple time periods through 2023. There is currently an estimated eighteen (18) month contingency period to address any unforeseen issues before the end of support for JD Edwards in April 2025.

7. At this time, it is anticipated that Project NEXT’s total program costs are estimated to be up to \$300 million.

8. On October 3, 2018, NJNG held a pre-filing conference call with BPU Staff and a representative of the Division of Rate Counsel. Based on discussions during the call, NJNG has included four (4) documents for consideration in the context of this Petition. Specifically, this Petition (Exhibit P-1) is supported by the Exhibits attached hereto and made a part of this Petition:

Exhibit P-2: Description of Project NEXT

Exhibit P-3: Estimated timeline for Project NEXT;

Exhibit P-4: FASB Accounting Standards Update, No.2018-15; and

Exhibit P-5: PWC’s “Cloud computing arrangements” dated August 2018;

9. NJNG respectfully requests authority from the BPU to defer on its books actually incurred costs associated with Project NEXT and not otherwise recovered through its current base rates. The appropriate amortization period for such deferred expenses will be addressed in the Company’s base rate case that is required to be filed no later than November 2019.

10. NJNG also requests permission to accrue Allowance for Funds Used During Construction (“AFUDC”) associated with the Project NEXT costs using the “Modified FERC

formula” to determine its AFUDC rate consistent with the method approved and used for NJNG’s SAFE II and NJRISE programs. When an element of this project has been placed into service, AFUDC related to that element shall cease and the booking of depreciation shall commence. Once an element is in service, NJNG requests to accrue carrying charges, calculated based upon NJNG’s weighted average cost of capital as determined by the BPU in the Company’s most recent rate case.².

11. NJNG proposes to recover these deferred costs, including AFUDC and carrying costs, associated with the elements of this project that have been placed in service in its next rate case or in another appropriate rate recovery proceeding. Any costs not included in recovery in the Company’s next base rate case will continue to be deferred and included in a subsequent base rate case or appropriate rate recovery proceeding.

12. NJNG respectfully requests that the Board approve this request in an expedited manner and issue a Decision and Order authorizing such deferred accounting treatment.

13. NJNG has served notice, and a copy of this filing, upon the New Jersey Division of Rate Counsel and the Office of the Attorney General, Division of Law.

WHEREFORE, Petitioner respectfully requests that the Board review and expeditiously issue an Order:

1. Approving NJNG’s request for authority to defer on its books actually incurred costs associated with Project NEXT, and not otherwise recovered through its currently approved base rates as described herein, including the associated AFUDC calculated based on the “Modified FERC formula,” and carrying charges calculated based upon

² I/M/O the Petition of New Jersey Natural Gas Company For Approval of an Increase in Gas Base Rates and for Changes in its Tariff for Gas Service, Approval of the SAFE Program Extension, and Approval of SAFE Extension and NJ RISE Rate Recovery Mechanisms Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and for Changes to Depreciation Rates for Gas Property Pursuant to N.J.S.A. 48:2-18; BPU Docket No. GR15111304 and OAL PUC 00738-16 (September 23, 2016).

NJNG's weighted average cost of capital that was determined by the Board in NJNG's most recent rate case.

2. Such other relief that the Board deems just, reasonable and necessary.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By: 

Andrew K. Dembia, Esq.
Regulatory Affairs Counsel

DATE: 10/4/18

STATE OF NEW JERSEY)
:
COUNTY OF MONMOUTH)

VERIFICATION

MARK G. Kahrer of full age, being duly sworn according to law, on his oath deposes and says:

1. I am Vice President, Regulatory Affairs for New Jersey Natural Gas Company, the Petitioner in the foregoing Petition.
2. I have read the annexed Petition and the matters and things contained therein are true to the best of my knowledge, information and belief.



Mark G. Kahrer

Sworn and subscribed to
before me this 4 day
of October, 2018



MEREDITH A. McQUADE
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 4/30/2019

