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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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CASE MANAGEMENT

December 13, 2018

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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 Approval of
the Cost Recovery Associated with Energy Efficiency Programs
BPU Docket No. GR18050585

Dear Secretary Camacho Welch:

Enclosed with this letter is a fully executed Stipulation of settlement in the above
captioned matter with Seprate and Original signatures for each party.

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

AKD:fk

Cc: Service List (electronically only)

CMS
M. Dupo, Esq.

**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. GR18050585**

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION)
OF NEW JERSEY NATURAL GAS)
COMPANY FOR APPROVAL OF THE)
COST RECOVERY ASSOCIATED WITH)
ENERGY EFFICIENCY PROGRAMS)
)
)

STIPULATION OF
SETTLEMENT

BPU DOCKET NO. GR18050585

APPEARANCES:

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

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, and **Kurt Lewandowski, Esq.**, Assistant Deputy Rate Counsel (**Stefanie A. Brand, Esq.**, Director New Jersey Division of Rate Counsel)

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 NEW JERSEY BOARD OF PUBLIC UTILITIES

1. On May 29, 2018, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition (“Petition”) in Docket No. GR18050585 with the New Jersey Board of Public Utilities (“Board” or “BPU”) requesting that the Board reduce the Company’s existing Energy Efficiency (“EE”) rate of \$0.0265 per therm [including Sales and Use Tax (“SUT”)], which was established by Board Order dated October 20, 2017, in Docket No. GR17060587, to \$0.0161 per therm (including SUT). The Company submitted the Petition pursuant to the terms of earlier

Board Orders.¹ On September 17, 2018, the Board issued an Order² in Docket No. GO18030355 approving both the continuation of existing and creation of new energy-efficiency programs to be offered through the SAVEGREEN Project® (“SAVEGREEN”). The September 2018 Order authorized NJNG to offer the SAVEGREEN programs through December 31, 2021 and authorized the continued recovery of SAVEGREEN investments and operating costs collected through the Board-approved NJNG Tariff Sheet Rider F (“Rider F”). 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”).

Based on the current and anticipated levels of activity in SAVEGREEN and the projected over-recovered balance of \$3.040 million as of December 31, 2018, the current after-tax EE rate of \$0.0265 per therm would be reduced to \$0.0133 per therm, for recovery of the SAVEGREEN program costs approved in the September 2010 Order, the January 2012 Order, the June 2013 Order, the July 2015 Order, the June 2016, Order, and the September 2018 Order. Based on the

¹ In re 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, Order dated July 17, 2009 (“July 2009 Order”); In re the Petition of New Jersey Natural Gas for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanisms Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO10030225, Order dated September 24, 2010 (“September 2010 Order”); In re the Petition of New Jersey Natural Gas for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanisms Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GR11070425, Order dated January 19, 2012 (“January 2012 Order”); In re the Petition of New Jersey Natural Gas Company for Approval of the Extension of Energy Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1 and In re the Petition of New Jersey Natural Gas Company for Approval of the Cost Recovery Associated with Energy Efficiency Program, BPU Docket Nos. GO12070640 and GR12070641, Order dated June 21, 2013 (“June 2013 Order”); In re the Petition of New Jersey Natural Gas Company for Approval of the Extension of Energy Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO14121412, Order dated July 23, 2015 (“July 2015 Order”); and In re the Petition of New Jersey Natural Gas Company for Approval of the Extension of Energy-Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO14121412, Order dated June 29, 2016. (“June 2016 Order”).

² I/M/O the Petition of New Jersey Natural Gas Company for Approval of Existing and New Energy Efficiency Programs and a Class I Renewable Energy Program and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO18030355, Order dated September 17, 2018 (“September 2018 Order”).

Company's request, the overall bill of a residential heating customer using 100 therms per month would decrease by \$1.32, or 1.3 percent.

BACKGROUND

2. NJNG's participation in energy-efficiency programs, the costs of which are collected through Rider F, was originally approved by the Board in the July 2009 Order and subsequently approved to continue, with modifications, in the September 2010 Order, January 2012 Order, the June 2013 Order, the July 2015 Order, the June 2016 Order, and the recently approved September 2018 Order.

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

4. As set forth in the above-cited Board Orders, 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. NJNG is to submit an annual SAVEGREEN cost recovery filing by June 1st 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.

PROCEDURAL HISTORY

6. Since there was a rate reduction requested, public hearings on this Petition were not held.

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

8. 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 Petition.

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

STIPULATED MATTERS

10. The Parties agree that the Company is authorized to recover only those costs associated with the SAVEGREEN Programs previously approved in the September 2010, January 2012, June 2013, July 2015, June 2016, and September 2018 Orders.

11. Based on the Company's updated revenue requirement of \$8.880 million, the Parties agree that NJNG should reduce the existing EE Rate of \$0.0265 per therm, which

includes SUT (\$0.0249 excluding SUT), to \$0.0133 per therm after-tax (\$0.0125 excluding SUT) pursuant to the terms of Rider F of the Company's gas tariff, as set forth in Attachment A. The Company's updated revenue requirement reflects implications of the Tax Cuts and Jobs Act of 2017. The overall bill of the residential heating customer using 100 therms per month will decrease by \$1.32, or 1.3 percent. This rate shall be effective January 1, 2019 or as of the date approved in a Board Order and shall remain in effect until changed by a future Board Order.

12. The Parties agree that actual costs incurred prior to September 30, 2018, 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.

13. The Parties agree that the Company's next annual EE Rate filing will be made on or about June 1, 2019.

14. As agreed to by the Signatory Parties and authorized in the September 2010, January 2012, June 2013, July 2015, June 2016, and September 2018 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. GR15111304, 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.

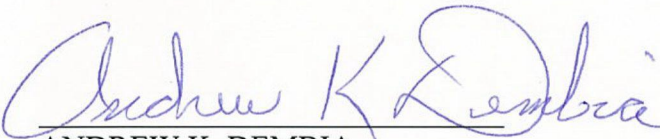
15. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved 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, 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.

16. 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.

17. 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: _____
KURT S. LEWANDOWSKI
Assistant Deputy Rate Counsel

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

By: _____
RENEE GREENBERG
Deputy Attorney General


Date: December 6, 2018

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**

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ATTORNEY GENERAL OF NEW JERSEY
Attorneys for Staff of the Board of Public Utilities**

By: 
RENEE GREENBERG
Deputy Attorney General

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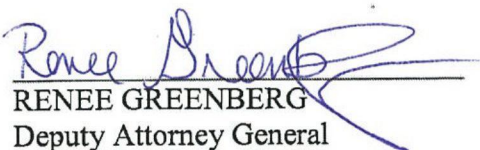
**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By: 
ANDREW K. DEMBIA
Regulatory Affairs Counsel

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

By: _____
KURT S. LEWANDOWSKI
Assistant Deputy Rate Counsel

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

By: 
RENEE GREENBERG
Deputy Attorney General

Date: December 6, 2018

New Jersey Natural Gas Company
Net Impact of Proposed Rate Changes
BPU Docket No. GR18050585
CY 2019

		(\$/therm)					
EE	Component of	Current		1/1/2019 Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
	Delivery Price	0.0249	0.0265	0.0125	0.0133	(0.0124)	(0.0132)

				1/1/2019 Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
Impact on Residential Non-Heating Customers							
		25 therm bill					
10/1/18 Rates							
	Customer Charge		\$8.70	\$8.70			
	Delivery		\$0.5734	\$14.34			
	BGSS		\$0.3646	\$9.12			
	Total		\$0.9380	\$32.15			
Proposed Rates- effective 1/1/19							
	Customer Charge		\$8.70	\$8.70			
	Delivery		\$0.5602	\$14.01			
	BGSS		\$0.3646	\$9.12			
	Total		\$0.9248	\$31.82			
	Increase/(Decrease)			(\$0.33)			
	Increase/(Decrease) as a percent			(1.0%)			
Impact on Residential Heating Customers							
				100 therm bill	1,000 therm annual bill		
10/1/18 Rates							
	Customer Charge		\$8.70	\$8.70	\$104.40		
	Delivery		\$0.5273	\$52.73	\$527.30		
	BGSS		\$0.3646	\$36.46	\$364.60		
	Total		\$0.8919	\$97.89	\$996.30		
Proposed Rates- effective 1/1/19							
	Customer Charge		\$8.70	\$8.70	\$104.40		
	Delivery		\$0.5141	\$51.41	\$514.10		
	BGSS		\$0.3646	\$36.46	\$364.60		
	Total		\$0.8787	\$96.57	\$983.10		
	Increase/(Decrease)			(\$1.32)	(\$13.20)		
	Increase/(Decrease) as a percent			(1.3%)	(1.3%)		
Impact on Commercial GSS Customers							
		100 therm bill					
10/1/18 Rates							
	Customer Charge		\$26.37	\$26.37			
	Delivery		\$0.4763	\$47.63			
	BGSS		\$0.3646	\$36.46			
	Total		\$0.8409	\$110.46			
Proposed Rates- effective 1/1/19							
	Customer Charge		\$26.37	\$26.37			
	Delivery		\$0.4631	\$46.31			
	BGSS		\$0.3646	\$36.46			
	Total		\$0.8277	\$109.14			
	Increase/(Decrease)			(\$1.32)			
	Increase/(Decrease) as a percent			(1.2%)			
Impact on Commercial GSL Customers							
		1200 therm bill					
10/1/18 Rates							
	Customer Charge		\$52.17	\$52.17			
	Demand Charge		\$1.84	\$176.64			
	Delivery		\$0.4279	\$513.48			
	BGSS (Oct 2018)		\$0.4370	\$524.40			
	Total		\$0.8649	\$1,266.69			
Proposed Rates- effective 1/1/19							
	Customer Charge		\$52.17	\$52.17			
	Demand Charge		\$1.84	\$176.64			
	Delivery		\$0.4147	\$497.64			
	BGSS (Oct 2018)		\$0.4370	\$524.40			
	Total		\$0.8517	\$1,250.85			
	Increase/(Decrease)			(\$15.84)			
	Increase/(Decrease) as a percent			(1.3%)			

Projected Annual Revenue

Projected SBC annual therms				709,249 (000s)
Projected Annual Revenue \$ million				
		Current Rates	Proposed Rates	Change
Pre-tax		\$17.66	\$8.87	(\$8.8)
Post-tax		\$18.80	\$9.43	(\$9.4)

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

(\$000)

Actual Under/(Over) recovery at September 30, 2018	\$	(1,389)
Estimated Revenue Requirements (October 2018 through December 2018):		
RGGI	\$	59
EE Extension		88
July 2013 Programs		1,502
August 2015 Programs		1,929
Estimated Recovery	\$	(5,223)
Estimated Interest	\$	(6)
Estimated Under/(Over) recovery at December 31, 2018	\$	(3,040)
Estimated Revenue Requirements (Jan 2019 through Dec 2019):		
RGGI	\$	196
EE Extension		291
July 2013 Programs		4,246
August 2015 Programs		3,628
SAVEGREEN 2018		3,559
Total Amount to be Recovered	\$	8,880
 <u>Per Therm Recovery</u>		
Firm Throughput (000 therms)		709,249
Proposed Pre-tax EE Recovery Rate \$ per Therm	\$	0.0125
Proposed After-tax EE Recovery Rate \$ per Therm	\$	0.0133
Current Pre-tax EE Recovery Rate \$ per Therm	\$	0.0249
Current After-tax EE Recovery Rate \$ per Therm	\$	0.0265
Pre-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$	(0.0124)
After-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$	(0.0132)