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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

February 27, 2019

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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

Re: In the Matter of the Petition of New Jersey Natural Gas Company for Approval to Implement an Infrastructure Investment Program ("IIP") and Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A
BPU Docket No. GR19 020278

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 Approval to Implement an Infrastructure Investment Program ("IIP") and Associated Cost Recovery Mechanism. Included with this filing are Exhibits P-2 through P-4 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

DAE

RLA

S. Petersen

B. Racque
Remain
Energy

**RECEIVED
CASE MANAGEMENT**

FEB 28 2019

**BOARD OF PUBLIC UTILITIES
TRENTON, NJ
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**RECEIVED
MAIL ROOM**

FEB 28 2019

**BOARD OF PUBLIC UTILITIES
TRENTON, NJ**

**IN THE MATTER OF THE PETITION)
OF NEW JERSEY NATURAL GAS)
COMPANY FOR APPROVAL TO)
IMPLEMENT AN INFRASTRUCTURE)
INVESTMENT PROGRAM (“IIP”) AND)
ASSOCIATED COST RECOVERY)
MECHANISM PURSUANT TO N.J.S.A.)
48:2-21 and N.J.A.C. 14:3-2A)**

**VERIFIED
PETITION**

BPU DOCKET NO. GO1902_____

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

New Jersey Natural Gas Company (“NJNG” or the “Company”) respectfully petitions the New Jersey Board of Public Utilities (the “Board” or “BPU”) pursuant to N.J.S.A. 48:3-98.1 et seq., 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.

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. Through this Petition and the accompanying schedules and testimonies, NJNG seeks BPU approval of NJNG's Infrastructure Investment Program ("IIP"), including its cost recovery mechanism, pursuant to N.J.A.C. 14:3-2A.1 et seq., and any other provision deemed applicable by the Board. NJNG anticipates that the IIP will commence on July 1, 2019 and be performed over a five-year period. As described in the attached Direct Testimonies of Craig A. Lynch, NJNG Senior Vice President – Energy Delivery, and Jacqueline K. Shea, New Jersey Resources ("NJR") Vice President and Chief Information Officer, the proposed IIP investments are directed to projects supportive of the following categories: Distribution System Reliability and Resiliency, Automation System Improvements, and Information Technology Replacement and Enhancements. NJNG's IIP would result in the projected accelerated capital investment of approximately \$507 million (excluding Allowance for Funds Used During Construction ("AFUDC")) over five years.

4. NJNG also seeks BPU approval of a cost recovery mechanism to recover the costs associated with the Company's IIP that is consistent with the Board's IIP rules. As set forth in the Direct Testimony of James M. Corcoran, NJNG Director – Revenue Requirements, the cost recovery method involves annual rate filings for recovery of investments placed into service to the benefit of NJNG's customers.

5. It is reasonable and prudent for NJNG to provide for accelerated investments in its transmission and distribution system and Information Technology to enhance the long-term safety, reliability, and resiliency of the system and the continued provision of safe, reliable, and resilient service. NJNG has developed its IIP to further these goals and is making this filing in conformance with the Board's recently adopted rules for utility infrastructure investment and recovery. NJNG respectfully requests that the Board approve NJNG's IIP to provide for a capital investment of approximately \$507 million.

6. This Verified Petition (**Exhibit P-1**) is supported by the schedules and exhibits attached hereto and made a part of this Petition:

| | |
|---------------------------------|--|
| Schedule NJNG-1 | Proposed Tariff Sheets |
| Schedule NJNG-2 | Draft Public Notice |
| Exhibit P-2 | Testimony of Craig A. Lynch - Engineering Program Description |
| Schedule CAL-1 | Proposed Annual Expenditures/Base Capital |
| Schedule CAL-2 | Historic 5 year Annual Expenditures/Base Capital |
| Schedule CAL-3 | Engineering Evaluation |
| Exhibit P-3 | Testimony of Jaqueline K. Shea - Information Technology Program |
| Schedule JKS-1 | Confidential Engineering Evaluation |
| Exhibit P-4 | Testimony of James M. Corcoran - Cost Recovery Mechanism and Rate Design |
| Schedule JMC-NEXT-IIP-1 | Projected Annual Revenue Requirements |
| Schedule JMC-NEXT-IIP-2 | Weighted Average Cost of Capital |
| Schedule JMC-NEXT-IIP-3 | Revenue Factor |
| Schedule JMC-Engineering-IIP-1 | Projected Annual Revenue Requirements |
| Schedule JMC-Engineering-IIP-2 | Weighted Average Cost of Capital |
| Schedule JMC-Engineering-IIP -3 | Revenue Factor |
| Schedule JMC-4 | Customer Bill Impacts |

Appendix A attached to this Petition, and made part hereof, sets forth the location in this filing of all the Minimum Filing Requirements required by the Board's IIP Rules.

Section I: Background

7. On December 19, 2017, the Board adopted new rules for utility “Infrastructure Investment and Recovery” to encourage utilities to implement infrastructure investment programs. These rules are codified at N.J.A.C. 14:3-2A.1 et seq. (“IIP Rules”) and became effective on January 16, 2018. The IIP Rules are a Board-developed regulatory initiative which creates an important mechanism for utilities to accelerate desired safety, reliability, and resiliency investments for the benefit of customers. 49 N.J.R. 2489(a) (Aug. 7, 2017) (Summary). The IIP Rules explain their purpose:

(a) This subchapter establishes a regulatory mechanism concerning an Infrastructure Investment Program, which will allow a utility to accelerate its investment in the construction, installation, and rehabilitation of certain nonrevenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency. Through an Infrastructure Investment Program approved by the Board, a utility may obtain accelerated recovery of qualifying investments....

(b) The purpose of an Infrastructure Investment Program is to provide a rate recovery mechanism that encourages and supports necessary accelerated construction, installation, and rehabilitation of certain utility plants and equipment. As set forth in this subchapter, such investment would occur in a systematic and sustained way to advance construction, installation, and rehabilitation of utility infrastructure needed for a continued system safety, reliability, and resiliency, and sustained economic growth in the State of New Jersey. [N.J.A.C. 14:3-2A.1]

8. In the impact statements in its rule proposal, the Board noted that “planned” investments improve service reliability and resiliency at costs many multiples lower than the costs of emergency replacements following service outages. 49 N.J.R. 2489(a), 2490 (Social Impact Statement). The Board also noted that systematic utility investment, via an infrastructure investment program, will promote sustained economic growth in New Jersey, and should generate additional jobs. Id. (Economic Impact Statement/Jobs Impact Statement). NJNG’s proposed IIP investments: will benefit NJNG’s customers and the State of New Jersey; comply with and further the purposes of the Board’s new IIP Rules; respond to President Fiordaliso’s call for action.

9. The Company proposes separate, identifiable projects pursuant to the IIP rules. Specifically, the Company is proposing two components for its IIP. There are seven categories of transmission and distribution projects (“T&D Component”) and the replacement of its Company-wide Information Technology (“IT”) systems (“IT Component”). All of these projects satisfy the eligibility requirements under N.J.A.C. 14:3-2A.2, specifically, the projects within an IIP shall be related to safety, reliability, and/or resiliency as well as non-revenue producing. The T&D Component is set forth in Section II below. The IT Component is set forth in Section III, while the cost recovery mechanism is set forth in Section IV. NJNG is not proposing any change in its rates associated with this filing.

Section II: NJNG’s Proposed Transmission and Distribution Infrastructure Investments

T&D Component

10. In this filing, NJNG proposes to continue the ongoing work of improving the reliability and resiliency of its gas distribution system. The Company’s T&D Component of the proposed IIP are consistent with Federal and State objectives to ensure system integrity and the provision of safe and reliable gas distribution service. Over the last several years, national focus on pipeline safety has increased with modifications to current BPU approved programs as well as new programs that have been developed in response to market demands, state policy changes, and customer needs. Through the Company’s IIP, NJNG will avoid unnecessary start-up expenses, delays, and the loss of qualified staff and disruptions to the trade union labor serving the marketplace. NJNG seeks approval to provide customers with the benefits proposed in this filing over a five-year period beginning as of July 1, 2019 or the effective date of the Board Order approving this filing.

11. Superstorm Sandy was the largest and most severe storm in NJNG’s history, affecting hundreds of thousands of NJNG’s customers and causing widespread destruction in communities across the Company’s service territory, especially in the waterfront areas in Monmouth and Ocean Counties. Many miles of NJNG’s gas distribution mains were exposed to excessive damage from the

storm surge, resulting in equipment and communication failures at metering and regulating facilities. Extensive water damage from the storm surge occurred in most of the waterfront communities in NJNG's service territory. In response to this heightened storm activity and the Board's March 20, 2013 Order¹, NJNG proposed certain infrastructure investments² ("NJ RISE") to enhance and improve the Company's ability to withstand and recover from severe storms.

12. NJNG believes this IIP will further enhance the Company's gas infrastructure to make it less susceptible to extreme weather conditions in anticipation of these changing weather patterns and future major storm events. The Company's IIP will improve the durability, redundancy, stability, and integrity of NJNG's gas distribution infrastructure, making it better able to withstand the impacts of major storm events, avoiding customer outages, and enabling a faster response to customer outages that may occur. The Company's IIP capital investments will increase the resiliency of NJNG's gas distribution system throughout NJNG's service territory.

13. In the instant proceeding, NJNG seeks Board approval of a group of capital investment projects that enhance the safety, reliability, and resiliency of NJNG's gas distribution system through infrastructure replacements, upgrades, or redundancies. The projects are estimated to cost approximately \$288.2 million excluding AFUDC and include the following seven specific projects or categories of projects:

- (1) Reliability and Resiliency Projects,
- (2) Replacement and Reinforcement Projects,
- (3) LNG Transmission Interconnection Project,
- (4) Regulator Station Reconstruction Project,
- (5) Trunk Line Replacement Projects,
- (6) EFV Installation Project, and
- (7) Regulator Protection Project,

¹ See, In The Matter of The Board's Establishment of a Generic Proceeding to Review Costs, Benefits and Reliability Impacts of Major Storm Event Mitigation Efforts, BPU Docket No. AX13030197.

² See, In The Matter of The Petition of New Jersey Natural Gas Company For Approval of the NJ RISE Program And Associated Rate Recovery Mechanism, BPU Docket No. GR13090828 (July 23, 2014).

These projects are further described in the pre-filed testimony and exhibits of Craig A. Lynch (“Lynch Testimony”) Exhibit P-2 and supporting schedules included with the submission of this Petition. NJNG anticipates that implementation of the proposed IIP will support economic development and enhanced employment opportunities in New Jersey. In the Board’s Job Impact statement to the IIP rule proposal, it cited a Rutgers University study that reported for every \$1 million of utility infrastructure project spending, a total of 6.5 to 7.9 full year jobs are created in New Jersey. 49 N.J.R. 2489, at 2490. Based upon this study the Company anticipates that the Company’s IIP will support employment of more than 2,000 full year jobs.

14. These positive benefits, among others that will be realized through implementation of the IIP, more than justify the Company’s need for the IIP and the associated cost recovery mechanism. At a time when lenders, rating agencies, and even investors are especially sensitive to risk, the recovery mechanism proposed herein creates a much higher degree of certainty regarding the Company’s ability to produce the earnings and cash flows necessary to support the increased levels of capital spending. Attempting to significantly increase capital investment, or maintain prior NJNG levels of investments, by utilizing just the traditional base rate case cost recovery model would not provide the timeliness and regulatory efficiency that the proposed recovery mechanism provides, even if the timing between filing base rate cases was accelerated.

15. Reliability & Resiliency Projects (19). The projects in this category are designed and directed at enhancing key portions of the gas distribution system to provide benefits to customers in both normal and adverse weather conditions. The Company’s IIP includes 19 discrete looping reinforcement projects that add 65.9 miles of reinforcement mains to the system. The looping reinforcement projects add secondary feeds or interconnect single feed distribution systems. Each project offers important reliability and resiliency benefits through system redundancies and enhanced operating pressures. See Lynch Testimony for further details.

16. Replacement & Reinforcement Projects (4). The Company's IIP includes 4 discrete replacement and reinforcement projects that replace or add 7.7 miles of mains to the system as well as the installation of a new regulator station. The replacement reinforcement projects address system bottlenecks or pressure concerns in various locations on the system. Each project offers important reliability and operating flexibility benefits enabled by higher operating pressures. See Lynch Testimony for further details.

17. Liquefied Natural Gas ("LNG") Transmission Interconnection (1). The Howell LNG Transmission interconnection project reconfigures NJNG's system to directly connect the Howell LNG facility to the Company's backbone transmission system to enhance reliability. This offers efficiency benefits to the liquefaction process and enhances the benefits of the Howell LNG facility for peak-shaving supply and pressure support during periods when the facility is required to address periods of high demand, pipeline curtailments, or scheduled inspection and maintenance activities. It enables liquefaction to occur in peak supply periods without jeopardizing system pressure downstream on the NJNG system. See Lynch Testimony for further details.

18. Regulator Station Reconstruction Project (1). This project entails the reconstruction and relocation of a distribution regulator station in order to mitigate existing storm-related risks, including station operations and communications. The project offers safety, reliability, and resiliency benefits and improves security associated with an important element of NJNG's infrastructure. See Lynch Testimony for further details.

19. Trunk Line Replacement Projects (3). Both the Lakewood and Denville trunk line replacement projects entail replacing and upgrading older steel mains with state of the art steel mains. The Lakewood replacement will improve service reliability to a line feeding five regulator stations, while the Denville line will improve service reliability and operating flexibility through higher operating pressures across portions of Morris County capable of being fed by multiple interstate pipelines. The Roxbury Trunk Line project is the extension of the 12 inch steel 230 pounds per square inch gauge

("psig") trunk system main, ending with a new regulator station to serve the local distribution system. This will allow for improved supplier diversity and pressure reinforcement to the existing backbone system by extending the system that supplies gas to the western region of Morris County, currently fed by the Tennessee, Columbia, and Texas Eastern interstate pipeline systems. See Lynch Testimony for further details.

20. Excess Flow Valve ("EFV") Project (16,000). The EFV Project represents the continued installation of approximately 16,000 EFVs in potential storm-affected areas of NJNG's waterfront communities. The installation of EFVs in these areas provides important safety benefits by reducing the potential for gas venting to the atmosphere when storm damage impacts dwellings or other service disruptions occur. The installation of EFVs improves the safety of service to the thousands of customers as well as the reliability of service to all customers in these communities. The EFV installations are a continuation of those previously approved by the BPU under the Company's NJ RISE program. See Lynch Testimony for further details.

21. Regulator Protection Project (60,000). During Superstorm Sandy, thousands of NJNG's regulators and meters were under water. The Regulator Protection Project entails the installation of approximately 60,000 protective devices on regulator vents in flood areas. This project will reduce the water from infiltrating into regulators and meters during high water events. This project improves reliability and resiliency by avoiding potential storm-related outages and reduces the need for replacement meter and regulator sets due to storm damage. See Lynch Testimony for further details.

22. The projects described above, and in further detail in Mr. Lynch's Testimony, comprise the Company's T&D component of the IIP and represent important opportunities to enhance the safety, reliability, and resiliency of NJNG's operations, by addressing various potential risks through investments in infrastructure that replaces or reinforces NJNG's system. These investments will benefit NJNG's customers, employees, and the communities that the Company serves as a result of improved safety, reliability, and resiliency. In addition, the infrastructure investments reduce the

likelihood of service disruptions. Finally, the Company's IIP investments will contribute to the economic growth of New Jersey by creating new and sustaining existing jobs.

Section III: NJNG's Proposed Information Technology Investments – IT Component

23. In order to have a properly functioning gas distribution utility, modern, effective, and efficient IT system(s) are necessary. Without such IT systems, the utility could not meet its statutory obligation to furnish safe, adequate, and proper service pursuant to N.J.S.A. 48:2-13. and 48:2-23 nor comply with regulatory reporting requirements. It would be the equivalent of trying to drive an automobile without a properly functioning dashboard to inform the operator of the performance and status of the automobile. In this regard, in today's world, IT investments represent integrated elements of utility natural gas service provided to customers. It is the Company's belief that this type of investment qualifies under N.J.A.C. 14:3-2A. (b)6. It should be noted that the IIP rules allow an electric utility to include cyber security investments, communications networks, and distribution management system integration. A significant component of NJR Enterprise eXperience Transformation Program ("NEXT") is cybersecurity and communications networks between various business units throughout the Company. In its response to comments on the proposed IIP rules, the Board noted that the recitation of includable projects in N.J.A.C. 14:3-2A.2(b) is a "non-exhaustive" list. See response to Comments 38 and 39. The Company believes it is therefore appropriate, prudent, and reasonable to have NEXT "a project deemed appropriate by the Board." Id.

24. In this filing, NJNG proposes an integrated information technology investment that is referred to as NEXT. The IT IIP components of NEXT are further described in the pre-filed testimony and exhibits of Jacqueline K. Shea ("Shea Testimony") Exhibit P-3 and supporting schedules included with the submission of this Petition. NJNG currently utilizes the JD Edwards World platform

Information Technology³ (“JDE”) system across all of its core business competencies. These systems were installed between 1994 and 1997. Oracle has announced an end to extended support for the JDE system beyond April 2025.

25. NJNG believes it is prudent and necessary to replace its systems and identify potential vendors and solutions that can meet the Company’s business needs and IT requirements. As a result, NEXT was launched as a means to assess software that is currently used to support the Company’s financial, customer service, asset management, and work order systems and develop a roadmap to select the appropriate vendor(s) before JDE’s end of extended support beyond April 2025. NEXT also will allow for the evaluation and implementation of new systems to support finance and accounting, customer experience and engagement, customer billing, and work force asset and management. 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 of critical materials, e.g. meters and pipes, installed in the natural gas distribution system. 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 extended support for JDE in April 2025. At this time, it is anticipated that NEXT’s total capital program costs are estimated to be approximately \$219 million.

26. The Company has begun strategically implementing an estimated five year program known as NEXT. NEXT will support and modernize business processes and technology platforms, while increasing the security of this information. NEXT initiatives include implementation in five operational areas.

NEXT can be broken down into 5 major components; Finance and Accounting (Enterprise Resource Planning or “ERP”), Customer Experience (Customer Relationship Management or “CRM”,

³ 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.

Customer Service Transformation or “CST”, Digital Experience Strategy or “DES”), Customer Information and Billing (Customer Information and Billing System or “CIS”), Work Force and Asset Management or “WAM” and the technical foundational platforms required for IT integration, reporting and content management (Enterprise Integration Architecture or “EIA”, Enterprise Business Intelligence or “EBI”, Enterprise Content Management or “ECM”). These are further described below.

- ERP entails redefining the Company’s chart of accounts as well as migrating all financial accounting and reporting processes into a new system. The new ERP will provide NJNG with greater visibility and streamlined reporting capabilities. The ERP will include purchasing, accounts payable, accounts receivable, cash management, and general ledger.

The Customer Systems are comprised of four components:

- CIS will allow the Company to modernize its billing systems to ensure that NJNG continues to provide customers with consistent, accurate, and timely bills. The new system will provide not only the billing and collection services the Company offers today, but also will allow increased functionality such as providing customers with flexible billing timeframes, enabling the combination of multiple bills, products, and services across a single account, and will support evolving regulations and market needs.
- CRM will allow the Company to modernize the ways that customers start, stop, and transfer service. In addition, the CRM system will capture information about customers and then provide them relevant, actionable insights based on their individual needs. For example, if a customer is renting an apartment and the heat is provided through a central boiler system, there is no need to provide energy efficiency rebate and incentive information to that customer, but it is important that they receive other tips to help them save energy and save money. When that customer buys their first home and transfers their service to a new account, they will then be able to update their preferences so that they can receive information that is relevant to their

changing needs (they should now receive energy efficiency rebate and incentive equipment for pieces of equipment, weatherization opportunities, etc).

- CST will enable a new Agent Desktop solution. The Agent Desktop will provide NJNG representatives relevant and timely information for customers when they contact the Company. This will allow representatives to present customers with options that match their individual needs. For example, if a customer is calling with a question about a high billing inquiry, the representative will be able to see if the customer qualifies for energy assistance programs, has participated in any utility energy efficiency programs, and will be able to determine if the customer's usage was affected by different weather or billing patterns.
- DES will improve the way NJNG customers digitally transact with the Company. The existing NJNG My Account Web portal will be redesigned to provide a more intuitive experience to customers and introduce additional capabilities such as a customer Preference Center. In addition, the Company will make it easier for customers to sign up for electronic billing, access usage information, and pay their bills electronically.
- WAM will provide one system that will allow NJNG to track all work orders, provide enhanced scheduling functionality, and more closely track assets such as meters and pipes. The new platform will include an enterprise solution for all field work and enable the field force to use mobile capabilities and digital handheld devices to capture asset information. It will also allow employees to use barcoding which will allow better tracking and traceability electronically.

Technical Foundational Platforms are comprised of three components that will provide the technical foundation for all of the project components to communicate effectively, share information, and enable enhanced reporting and analytics.

- EIA will provide the integration capability required for all of the new and legacy systems to communicate and efficiently share information.
- EBI will provide advanced reporting and analytics capability to the business.

- ECM will allow for improved data management, document management, and records management.

27. NEXT is a multi-year implementation to switch over to new IT systems in order to provide continuity of service as well as modernize aging IT systems and infrastructure to help meet customer, regulatory, and operational business requirements both within NJNG business units and in the union workforce in the field. NEXT will provide customer service representatives with agile and responsive tools to better serve customers today and for many years to come. As a customer-focused company and lifeline service provider, a positive, efficient customer experience is critical to NJNG's success. Through NEXT, it will be easier for customers to interact with the Company 24/7 – using their communication channel of choice. NJNG will have the ability to provide an enhanced, personalized customer experience.

Section IV: Cost Recovery Mechanism

28. NJNG also seeks authority to implement a cost recovery mechanism for its proposed IIP that complies with N.J.A.C. 14:3-2A.1 et seq. and is similar to that presently in place and approved by the Board for NJNG's capital investment associated with its existing SAFE II Program. The Company is proposing that NJNG's investment costs will be recovered utilizing the cost recovery mechanism previously adopted by Board Staff and Rate Counsel and utilized in the Company's SAFE Extension ("SAFE II") Program that was approved in the context of the Company's last base rate case.⁴ The cost recovery mechanism is discussed in further detail in the Corcoran Testimony, Exhibit P-4.

29. NJNG proposes to make annual filings by March 31, beginning in 2020, to recover investments placed in service during the five-year program period that would commence on July 1, 2019 and remain in effect until September 30, 2024. The BPU and other interested parties will have the

⁴ 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).

opportunity to review these annual filings to ensure that the proposed rates are calculated in accordance with the BPU Order approving the IIP and any other relevant BPU Orders. These rate adjustments will be on a provisional basis and will be deemed final in the context of the Company's next base rate proceeding.

30. In accordance with N.J.A.C. 14:3-2A.6(f), the Company will file a base rate case no later than five years after the IIP commencement, at which time the prudence of such costs would be subject to review.

31. The initial estimated bill impact for a residential heating customer using 1,000 therms annually is estimated to begin on October 1, 2020 and is \$12.62 or 1.2 percent based on investments in service as of June 30, 2020. Schedule JMC-4 presents the estimated bill impacts for the remaining periods of the program.

32. The Company proposes to use the same rate design methodology previously approved by the Board and currently used to set rates for the SAFE II and NJ RISE infrastructure programs. Like those programs, until approval of the next base rate case, the IIP rate adjustments will be structured to reflect the same rate design methodology used to set rates in the Company's most recent base rate case.

Section V: Procedural Matters

33. NJNG requests that the BPU retain this matter at the Agency for an administrative review and issuance of a Decision and Order.

34. Attached hereto and made part of this Petition is a draft form of notice (Schedule NJNG-2) that will be published in papers of general circulation within NJNG's service territory providing notice to customers of this filing and the details about the public hearing that will be scheduled.

35. During the course of the proceeding initiated by this filing, NJNG will submit any confidential, proprietary, or competitively sensitive information not covered by privilege once a mutually agreed-

upon Non-Disclosure Agreement has been executed by and among the Company, Board Staff, Rate Counsel and its and/or their consultants, and any permitted intervenors.

Section VI: Notice and Service of Filing:

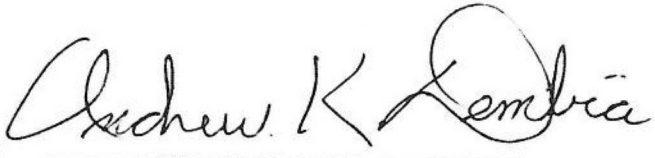
36. NJNG has served notice and a copy of this filing, together with a copy of the annexed exhibits and supporting schedules being filed herewith, upon the New Jersey Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, New Jersey, 08625 and the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey, 07101. Copies of this Petition and supporting exhibits and schedules will also be sent to the persons identified on the service list provided with this filing. Moreover, copies of the Company's filing will be available at NJNG's Customer Service Centers and on the Company's website at: www.njng.com

WHEREFORE, for the foregoing reasons, and the reasons set forth in the Direct Testimonies attached to this Petition, NJNG respectfully requests that the Board issue an Order:

1. determining that the Board will retain this matter for review at the Agency and expeditiously designate a Commissioner as Presiding Officer to establish a procedural schedule, rule on motions, and conduct any hearings;
2. finding that the Company's IIP as described in this Petition is just and reasonable, prudent and in the public interest;
3. authorizing NJNG to implement the IIP starting July 1, 2019 under the terms set forth in this Petition;
4. determining that the cost recovery mechanism set forth in this Petition will provide just and reasonable rates and is approved;
5. authorizing NJNG to recover all of its IIP costs, on a full and timely basis, under the cost recovery mechanism set forth in this Petition; and
6. granting such other relief as the Board deems just, reasonable, and necessary.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By: 

Andrew K. Dembia, Esq.
Regulatory Affairs Counsel

Dated: February 26, 2019

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, along with the Exhibits attached thereto, and the matters and things contained therein are true to the best of my knowledge, information and belief.



Mark G. Kahrer
Vice-President, Regulatory Affairs

Sworn and subscribed to
before me this 26 day
of February, 2019

Lisa Hamilton
Lisa Hamilton



