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SJ
Utilities
520 Green Lane
Union, NJ 07083

November 14, 2019

Via Electronic Delivery (energy.comments@bpu.nj.gov)

Aida Camacho-Welch, Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor – Suite 314, CN 350
Trenton, NJ 08625

**Re: In the Matter of the Exploration of Gas Capacity and Related Issues
Docket No. GO19070846**

Dear Secretary Camacho-Welch:

In accordance with the New Jersey Board of Public Utilities (“Board”) October 25, 2019 Notice issued in the above-referenced proceeding, New Jersey Natural Gas Company (“NJNG”) South Jersey Gas Company (“SJG”) and Elizabethtown Gas Company (“Elizabethtown”) (collectively referred to as the “Companies”) hereby submit these joint reply comments in response to the initial comments provided by other stakeholders on October 22, 2019.

The Companies -- the ultimate providers of last resort to over 1.2 million natural gas customers in New Jersey, appreciate the opportunity to submit these reply comments. As noted in the Companies’ initial comments, the majority of the Companies’ customers are households and businesses that depend on reliable, cost effective service to meet their heating needs and for other critical applications such as cooking and hot water heating. Throughout our respective service territories, dozens of schools, hospitals, first responders and government buildings count

*Case mgmt
S. Peterson*

on NJNG, SJG and ETG to support their vital operations. The Companies take seriously their statutory obligation to ensure the adequacy of natural gas supplies and associated pipeline capacity for their customers in a manner that facilitates cost effective, reliable service.

Toward that end, while various stakeholders advocate for a change in the current regulatory framework that governs the gas distribution companies' ("GDCs") gas procurement activities,¹ the Companies respectfully submit that the existing basic gas supply service ("BGSS") process works well to ensure that GDC customers are served reliably in a cost effective manner and should remain intact. Similar to the New Jersey Division of Rate Counsel ("Rate Counsel"),² the Companies believe that the current structure, in place since 2003, provides for full and ample oversight of the GDCs' gas procurement activities through their annual BGSS filings.³ This framework, the product of comprehensive negotiations among a diverse group of stakeholders has functioned well for the past sixteen years and should remain unchanged. The Companies remain fully supportive of the Board's efforts to ensure that all customers continue to receive safe and reliable service. At the same time, the Companies respectfully urge that the Board not alter the current construct.

Turning to the issue of responsibility for the acquisition of capacity to satisfy the total requirements of both third party supplier ("TPS") and GDC customers, the Companies disagree with the TPSs' claims that this responsibility should be borne by the GDCs. The Companies have not, nor should they be responsible for meeting the obligations of the TPSs to plan for reliable supply. The GDCs should not be forced to procure and manage upstream pipeline

¹ Direct Energy, LP and Centura Business Solutions, Initial Comments at 1-2 (hereinafter referred to as "Direct and Centura Initial Comments"); Environmental Defense Fund Initial Comments at 1-2.

² Rate Counsel Initial Comments at 2-3 and 6-7.

³ See *I/M/O the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Competition Act*, N.J.S.A. 48:3-49, et seq., PU Docket No. GS01050304, "Order Establishing BGSS Price Structure" (Jan. 6, 2003).

capacity for customers that have been served reliably by TPSs' for a number of years. However, if the Board does determine that the State's GDCs should be made responsible for purchasing upstream pipeline capacity for both BGSS and TPS customers, then the Board must ensure that the costs associated with incremental capacity needed to support TPS customers will be borne by those customers to prevent any unfair cross subsidization of one group of customers by the other. Requiring the immediate creation of a single portfolio shared by both GDC and TPS customers without ensuring against cross subsidization would be unfair to the customers that would be required to bear the cross-subsidies. BGSS customers should not be required to subsidize TPS customers and TPS customers should not be required to subsidize BGSS customers.⁴

While the TPSs allege that it is difficult for them to obtain capacity,⁵ the Companies certainly sympathize with this plight. As discussed by the Companies in their initial comments, while to date, there has been sufficient available firm capacity to meet the Companies' respective peak day needs, this may not continue to be the case given market conditions. Once again, the availability of peaking supplies has tightened considerably in the last five years and the costs of incremental peaking supplies have increased significantly. Inter- and intra-state gas supply infrastructure projects that are necessary to ensure reliability have been stalled. These delays are causing existing interstate pipelines to operate at full capacity on a year-round basis, which is shown in the increasing number of operational flow orders (restricted operations) that have occurred in recent years. In addition, Texas Eastern Transmission, L.P. (one of the largest pipelines serving New Jersey) will be operating at reduced pressure this winter season, resulting in reduced deliverability of natural gas, which impacts the New Jersey's GDCs ability to

⁴ For a further discussion of the issue and alternative options, please see the ETG and SJG Initial Comments at pages 7 – 9 and the NJNG Initial Comments, response to question 4.

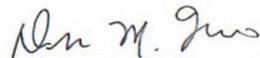
⁵ Direct and Centura Initial Comments at 4.

reliably supply their customers. Pipeline capacity in New Jersey is fully subscribed and additional interstate pipeline capacity is needed to ensure reliability of natural gas service by New Jersey utilities. Thus, as explained in the Companies' initial comments and reiterated here, the construction and operation of incremental pipeline capacity over the next five years will ensure that the Companies continue to meet forecast demand in a safe and reliable manner without interruption.

Respectfully submitted,

A handwritten signature in blue ink that reads "Andrew K. Dembia". The signature is fluid and cursive, with the first name being the most prominent.

Andrew Dembia
Regulatory Affairs Counsel
New Jersey Natural Gas Company

A handwritten signature in black ink that reads "Deborah M. Franco". The signature is cursive and somewhat stylized.

Deborah M. Franco
Director, Regulatory Affairs Counsel
South Jersey Gas Company and
Elizabethtown Gas Company