



May 12, 2017

The Honorable Irene Kim Asbury, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
CN350  
Trenton, NJ 08625-0350

Re: Comments of New Jersey Natural Gas Company on Straw Proposals Regarding Provisional Base Rates and Infrastructure Programs Issued by the Staff of the New Jersey Board of Public Utilities

Dear Secretary Asbury:

New Jersey Natural Gas Company (NJNG) appreciates the New Jersey Board of Public Utilities' (Board) consideration of the Infrastructure Programs and Provisional Rate issues. These are critical issues for our industry and having more clear guidelines will be helpful for the utilities in the State to work collaboratively with the Board to improve our ability to provide safe and reliable service to our customers.

NJNG fully supports the comments submitted by the New Jersey Utilities Association (NJUA) on these matters.

On the matter of Infrastructure Programs, NJNG believes that the appropriate measure for determining baseline expenditures is Depreciation Expense, similar to what the Board has instituted in the Distribution System Improvement Charge (DSIC) that has been implemented for the Water Companies in New Jersey.

Further, NJNG also believes that the maximum annual increase in rates attributable to an Infrastructure Program of 2 percent is based on the total customer bill, not solely the distribution component of customers' bills. If the distribution component is the basis for the annual increase limitation, the applicable percentage should be higher than 2 percent, for example 5 percent. Additionally, as noted in NJUA's comments, the utilities are concerned that the 2 percent cap could materially limit investment for certain projects and suggest a higher cap is appropriate. This will enable New Jersey's utilities to undertake meaningful programs to improve the system used to provide safe and reliable customer service.

Once again, NJNG appreciates the Board's active consideration to formalize constructive rules and policies that aid our ability to improve the safe and reliable provision of service to our customers, and we look forward to working with the Board to implement programs to achieve that ultimate goal.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mark G. Kahrer', is written over a circular blue stamp.

Mark G. Kahrer  
Vice President, Regulatory Affairs

MGK:jpc