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STEFANIE A. BRAND
Director

August 19, 2020

Via Electronic Mail

Hon. 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 a Municipal Franchise and Consent in the Borough of
Fair Haven, Monmouth County
BPU Docket No.: GE20020167**

Dear Secretary Camacho-Welch:

Please accept for filing an original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") concerning the above-referenced Verified Petition of New Jersey Natural Gas Company ("NJNG" or "Company") for approval of a municipal franchise and consent in the Borough of Fair Haven, Monmouth County. Copies of this comment letter are being provided to each person on the service list by electronic mail only.

Please acknowledge receipt of this comment letter. Thank you.

Background

The Company filed the above-referenced Petition on or about February 25, 2020, seeking approval, pursuant to N.J.S.A. 48:2-14, N.J.S.A. 48:3-15 and N.J.A.C. 14:1-5.5, of Borough of Fair Haven Resolution No. 2019-60, granting the Company's franchise and the Borough's consent to provide natural gas utility service, and to construct and maintain pipes and related facilities in streets and other public areas, within the Borough. Rate Counsel propounded discovery requests RCR-1 through RCR-7 on NJNG on March 6, 2020, which the Company answered on March 12. NJNG currently provides natural gas service to 2,187 customers within the Borough, of whom 2,079 are residential and 108 are commercial. Petition, ¶ 4; Response to RCR-1. Over the next five years, the Company estimates growth within its service territory of approximately 9,800 new customer additions annually, Response to RCR-2, and within the Borough of approximately 10 to 35 new customer additions annually. See Response to RCR-3; 11T:L25–T12:L4 (7/28/20). NJNG represents that it has the capacity necessary to ensure a continuation of its natural gas service and does not foresee any concerns regarding its ability to meet the existing and future demands of the Borough. Responses to RCR-4 and RCR-5.

The Company services its customers within the Borough through three customer service centers located in New Jersey, at 1415 Wyckoff Road, Wall Township; 775 Vassar Avenue, Lakewood; and 633 Lake Avenue, Asbury Park. They are open from 8 a.m. to 4:30 p.m. NJNG anticipates that these customer service centers will continue to service its customers in the Borough, with no changes in their locations, services or hours of operation. Response to RCR-6. The Company does not plan any significant changes in its distribution system within the Borough at this time. Response to RCR-7.

The Borough granted the Company franchise and consent and permission to provide natural gas utility service and to construct and maintain pipes and related facilities in streets and other public areas within the Borough, for a period of fifty (50) years, by a Resolution adopted on March 24, 1969. See Petition, ¶ 5 and Ex. A. Pursuant to that 1969 Borough Resolution, the Company's right to use the streets within the Borough for the provision of service expired on March 24, 2019. Petition, ¶ 5 and Ex. A.

In Resolution No. 2019-60, adopted on March 11, 2019, the Borough set forth certain limits on its renewed franchise and consent to NJNG, including limiting both to a period of fifty (50) years from the date of the final adoption of the Resolution. Petition, ¶ 5 and Ex. A. On March 14, 2019, the Company accepted and agreed to the terms and conditions of the municipal franchise and consent in Resolution No. 2019-60, pursuant to N.J.S.A. 48:3-16. Petition, ¶ 5 and Ex. B.

At the hearing held by the hearing officer for the Board of Public Utilities on this Petition on July 28, 2020, NJNG witness Mr. John Wyckoff, Vice President of Engineering for NJNG, testified that the Company has the capacity to meet the existing and future needs of customers located within the municipality; has no plans to change the locations, services or hours of operation of its customer service centers; and has no plans to change its gas distribution system within the Borough. 12T:L10-17; 12T:L25–T13:L11 & 13T:L12-15 (7/28/20). No one has contacted Rate Counsel with any objection regarding this matter.

Rate Counsel Position

The Company represents that it has the capacity necessary to continue providing natural gas service to its customers located in the Borough. Responses to RCR-4 and RCR-5; 12T:L10-17 (7/28/20). For this reason, and the fact that the municipal franchise and consent in Resolution

No. 2019-60 does not exceed the statutory maximum term of fifty years, as per N.J.S.A. 48:3-15, Rate Counsel does not object to approval of NJNG's Petition. Rate Counsel recommends that the Board's Order specifically provide that its approval does not include authorization to include in rate base any specific assets that may be constructed as a result of approval of this Petition. The determination of any assets to be included in rate base, and any ratemaking impacts as a result of the municipal franchise and consent, should be addressed in a future base rate case or other appropriate proceeding.

Accordingly, Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

1. Since Borough of Fair Haven Resolution No. 2019-60 complies with N.J.S.A. 48:3-15, the municipal franchise and consent for the use of streets and other public places is limited to a term not exceeding fifty years.
2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. This Order shall not affect, nor in any way limit, the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

These provisions will satisfy the concerns of Rate Counsel that the Company is in compliance with the proper statutory framework, that Board approval is limited to the municipal franchise and consent, and that there is no authorization to include any specific assets or amounts in rate base, nor authorization for any other ratemaking treatment. If the Board adopts these conditions, Rate Counsel is not opposed to approval of the above-referenced Petition.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

Honorable Aida Camacho-Welch, Secretary
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By: _____
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Deputy Rate Counsel

c: Service List (by electronic mail)
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