



May 13, 2021

New Jersey Board of Public Utilities
Aida Camacho-Welch, Secretary of the Board
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625
board.secretary@bpu.nj.gov

Via Electronic Delivery

Re: Comments from New Jersey Natural Gas Company Pertaining to Docket No. GO20010033

Dear Secretary Camacho-Welch:

New Jersey Natural Gas Company (“NJNG”) appreciates the opportunity to offer comments in response to the New Jersey Board of Public Utilities (“Board” or “BPU”) Notice, dated April 20, 2021, soliciting public comments on DOCKET NO. GO20010033 – IN THE MATTER OF THE NATURAL GAS COMMODITY AND DELIVERY CAPACITIES IN THE STATE OF NEW JERSEY – INVESTIGATION OF THE CURRENT AND MID-TERM FUTURE SUPPLY AND DEMAND.

NJNG is a lifeline utility provider, responsible for acquiring sufficient gas supply to deliver natural gas service to more than 560,000 customers each day. The vast majority of NJNG’s customers are households and businesses that rely on reliable, cost effective service to meet home and building heating needs. Throughout its service territory, dozens of schools, hospitals, first responders and government buildings rely on NJNG for safe, reliable natural gas service to support their critical operations.

NJNG appreciates the opportunity to address the issues of current and future natural gas capacity outlook for New Jersey raised by the BPU in its Notice, and we are encouraged by the dialogue in this open docket and from the attendant public hearing held on April 29, 2021 on this critical topic.

We look forward to our continued dialogue on these important matters pertaining to the gas supply necessary to deliver the safe, reliable and reasonable cost service New Jersey customers expect.

In accordance with the Order issued by the Board in connection with I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Order dated March 19, 2020, this document is being electronically filed. No paper copies will follow.

Sincerely,

A handwritten signature in cursive script that reads "Jayana Shah".

Jayana Shah
Managing Director, Gas Supply

(1a-1d) Design Day Issues

1a) Should New Jersey be moving toward common design day reliability criteria?

NJNG fully supports regulatory review and input on the various elements of resource planning, including the development of a GDC's planning criteria. Resource planning standards, including planning for a design day, are integral to ensuring natural gas customers receive reliable service from their GDC. A failure to provide reliable service would result in detrimental consequences for customers. While it is appropriate for the regulator to review and provide input on a GDC's resource planning process, it is essential for this to occur on a utility-by-utility basis. This is particularly true for design day resource planning standards, which are integral to maintaining reliability. NJNG does not believe it is appropriate for its design day planning standards to be determined by the resource planning approach employed by a different GDC that has a different customer base resulting in a different tolerance for outage risk. GDC-specific planning standards do not preclude regulatory review and input. At the same time, allowing a GDC to establish its design day planning standards maintains its traditional role as the responsible entity for reliable gas service for its customers. Regulatory specification of design day criteria would represent a change in the fundamental relationship between GDCs and regulators with respect to reliability planning.

1b) Are there reasons for allowing different GDCs to utilize different design day reliability criteria?

Design Day forecasting is about managing risks. This exercise is unique to each GDC, based on system characteristics, customer mix, access to supply, outage risk tolerance and many other factors. The fundamental, common thread is that design day forecasting is meant to answer the question of what portfolio of resources is appropriate to keep serving customers under extreme, high demand circumstances.

A number of factors may lead to different design day reliability criteria from one GDC to the next. These may include:

- Different portfolio goals, or a difference in emphasis among portfolio goals. For instance, NJNG's portfolio goals are (i) reliability, (ii) cost, (iii) price stability, (iv) flexibility and (v) diversity. Among these goals, the Company considers reliability to be most important.
- The manner in which the GDC's upstream capacity integrates with its transmission and distribution system are likely different. Each LDC may rely on upstream resources to differing degrees to maintain adequate pressure throughout the distribution system under peak cold conditions. The size and location of on-system peaking resources are different across GDCs.
- The implications of an outage may differ for each GDC due to the composition of their customer base - residential versus commercial versus industrial.
- The ability to curtail loads can be different. For NJNG, our customer base is over 90% residential. A gas curtailment to home heating load is not acceptable. For utilities with large firm industrial and commercial load, there are different options for curtailing gas supply without an implication to health and human safety.

1c) How does the selection of higher or lower design day reliability criteria affect the issue of whether, in your review, there are sufficient gas resources into New Jersey to maintain system reliability?

Design day planning is inherently a risk-planning exercise. Higher design day criterion increases the likelihood that the GDC will be able to maintain reliability when faced with severe cold weather conditions in the real world.

Extreme events are becoming more common and we saw the outcome of improper planning for an extreme cold event unfold this past February in Texas. During the days following the Texas event, the weather warmed to temperatures above 60 degrees, which reduced their load significantly. An extreme cold event in the Northeast is unlikely to be followed by such warm temperatures. Instead, our portfolio would likely need to respond to ongoing cold weather.

New Jersey experienced similar, less severe events during the Polar Vortex in January and February of 2014 and the Arctic Blast Bomb Cyclone in December 2017 and January 2018. These events stressed the supply portfolio but did not meet our 1-in-90 year planning threshold, which permitted NJNG to adequately serve its customers.

1d) Please discuss the costs and the benefits associated with using a 1-in-90 year design basis day versus a 1-in-30 year design basis day, with a focus on impacts to system reliability, customer affordability, and any other tradeoffs?

NJNG's portfolio planning seeks to balance the goals of reliability, cost, price stability, flexibility and diversity. We seek to achieve a best-cost portfolio for our customers based on customer requirements and market conditions. There is a trade-off between reliability and cost. A best-cost portfolio promotes reliable service at a reasonable cost while seeking to provide adequate price stability, flexibility and diversity to customers.

Apart from the efforts we put into ensuring the operational design and integrity of our distribution system itself, Design Day forecasting and how we structure our gas supply portfolio are the most important tools we have as a GDC to protect our customers from the risk of an outage.

The implications of an outage to gas customers are significant, particularly if one were to occur during an extended cold spell. Gas outages require significant effort and time to remedy. Depending on the nature of the outage, system integrity could also be affected.

There are health and human safety impacts for a gas outage resulting in loss of the ability to heat a home during winter. An economic value cannot be placed on these implications. Additionally, there are economic consequences of freeze-off damages and business interruptions. One only has to look at the recent Texas event to see what is at stake with a systemic failure that did not ensure reliability.

NJNG has tracked the operations of the interstate pipelines that provide service to our territory over the last 9 years. Our observations show an increasing number of Operational Flow Orders – planned and unplanned curtailments of available supply from the interstate gas pipelines to our system. This indicates the stress level under which the interstate

pipelines are operating. With very little to no excess capacity and the growth of natural gas to supply electricity generators, the pipelines must operate constantly at high levels throughout the year, resulting in very little downtime. As customers of the interstate pipelines, we are very concerned by these facts, and the inability to add capacity to this region could have serious consequences.

The design day planning standard is an integral element of ensuring that adequate capacity exists to meet customer needs. Requiring NJNG to reduce its design day weather planning standard from a 1-in-90 design day to a 1-in-30 design day in order to achieve uniformity among LDCs would increase outage risk exposure for our customers. Given the substantial consequences to our customers of a gas outage during cold weather conditions, NJNG does not believe the change is appropriate.

(2a-2g) Non-Pipe Alternatives

NJNG remains committed to working with the BPU and other stakeholders to develop effective programs to reduce design day requirements with cost-effective and reliable solutions. In fact, NJNG has experience with demand response through our Interruptible Tariff Service.

We recognize that these types of creative approaches can create partnerships that help participating customers save money and provide a benefit to all customers. While we may be limited with our primarily residential customer base on the number of customers that can participate, the interruptible tariff design has made energy service more affordable for many large commercial and industrial customers. It also has provided a cost-effective way to help meet the needs of all firm customers on the coldest days of the year.

Other than these large-scale interruptible programs, there have not been many successful demand response models in the gas industry to date. There are few jurisdictions in the country that have started to pilot programs, and there is not a strong body of evaluation work documenting their results yet. We look forward to reviewing the outcome of those efforts and working with the Board and other stakeholders to explore the benefits that could be achieved in New Jersey. There are many complexities involved in creating the programs, which would require the exploration of advanced metering infrastructure along with smart thermostats and program design to ensure effectiveness and cost efficiency. Additionally, there is considerable work to be done to develop reliable approaches to calculating demand savings for the natural gas system. Currently, the Protocols to Measure Resource Savings for New Jersey's Clean Energy Program do not include calculations to measure gas demand savings and it does not appear to be common in the Technical Resource Manuals in other jurisdictions. NJNG expects this topic to be explored further by the pending Evaluation, Measurement and Verification Working Group that will be focused on measuring performance related to the implementation of the Clean Energy Act. We look forward to continuing the conversation on these topics to ensure that we continue to progress towards a clean energy future.

Questions 2a through 2g pertain to programs NJNG does not have pertinent details for and cannot be answered at this time.