



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

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| IN THE MATTER OF THE PETITION OF NEW) | DECISION AND ORDER APPROVING |
| JERSEY NATURAL GAS COMPANY FOR THE) | INITIAL DECISION AND STIPULATION |
| ANNUAL REVIEW AND REVISION OF ITS BASIC) | FOR FINAL RATES |
| GAS SUPPLY SERVICE (BGSS) AND) | |
| CONSERVATION INCENTIVE PROGRAM (CIP)) | BPU DOCKET NO. GR21050860 |
| RATES FOR F/Y 2022) | OAL DOCKET NO. PUC 09921-2021 S |

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Andrew K. Dembia, Esq., on behalf of New Jersey Natural Gas Company

BY THE BOARD:

On May 28, 2021, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking approval to modify its Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") rates ("2021 BGSS/CIP Petition"). In the 2021 BGSS/CIP Petition, NJNG also sought approval to modify its Balancing Charge rate. By this Order, the Board considers an Initial Decision executed by Administrative Law Judge ("ALJ") Jacob S. Gertsman, and a Stipulation of Settlement ("Stipulation") executed by NJNG, Board Staff ("Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") intended to resolve the Company's requests related to the above docketed matter.

BACKGROUND

By Order dated January 6, 2003 in Docket No. GX01050304, the Board directed each of New Jersey's four (4) gas distribution companies ("GDCs") to submit to the Board by June 1 its annual BGSS gas cost filing for the BGSS year beginning October 1.¹ In addition, the January 2003 BGSS Order authorized each GDC to self-implement up to a five (5) percent BGSS rate increase effective December 1 of the current year, and February 1 of the following year, with one (1)

¹ In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act N.J.S.A. 48:3-49 et seq. – BGSS Pricing, BPU Docket No. GX01050304, Order dated January 6, 2003 ("January 2003 BGSS Order").

month's advance notice to the Board and Rate Counsel, and implement a decrease in its BGSS rate at any time during the year upon five (5) days' notice to the Board and Rate Counsel.

2021 BGSS/CIP PETITION

In the 2021 BGSS/CIP Petition, NJNG requested authority to increase its current per therm periodic BGSS rate from \$0.3320 to \$0.3381 effective October 1, 2021.² As a result of the proposed periodic BGSS rate, the Company's annual BGSS revenues would be increased by approximately \$3.1 million. Based upon market conditions at the time of the filing, NJNG estimated the BGSS ending balance would be approximately \$659,000 under recovered as of September 30, 2021. The BGSS ending balance at September 30, 2022 was estimated to be an under-recovery of approximately \$223,000.

NJNG also sought to increase its per therm Balancing Charge from \$0.1026 to \$0.1237. The Balancing Charge represents the cost to NJNG's transportation customers for NJNG providing gas from its BGSS portfolio to adjust for transportation customers over/under consumption. All Balancing Charge revenues from transportation customers are credited to the BGSS. For sales customers, the Balancing Charge is included as a component of the delivery charge and deducted from the BGSS charge to provide a BGSS "Price-to-Compare." There is no balancing charge related impact on sales customer's bills as the balancing charge is deducted from the BGSS price and added to the delivery price. The proposed Balancing Charge would result in an additional increase in BGSS revenues of \$13.9 million.

Additionally, NJNG sought approval of the following per therm CIP rates to be effective October 1, 2021:³

1. Group I Residential Non-Heating– a credit of \$0.0697;
2. Group II Residential Heating – a charge of \$0.0274;
3. Group III General Service – Small – a charge of \$0.0194; and
4. Group IV General Service – Large – a charge of \$0.0354.

According to NJNG, the total CIP margin deficiency for the CIP year is approximately \$16.4 million, which includes approximately \$13.7 million related to weather, which was warmer than normal, and a non-weather related margin deficiency of approximately \$2.8 million.

Through discovery, the Company updated its CIP rate schedules, and as a result, the calculations for all four (4) CIP Groups had a lower rate than originally proposed. The updated CIP calculations resulted in an overall decrease in after-tax revenue of approximately \$6.7 million to the Company's estimated annual CIP revenue of \$20.1 million. As a result, the updated CIP rates combined with the requested BGSS rate and Balancing Charge results in an overall increase in after-tax revenue of approximately \$10.3 million.

² All rates quoted herein include losses and Sales and Use Tax ("SUT") unless otherwise noted.

³ The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 ("CIP Order"). The CIP was further extended by Orders dated January 21, 2010 in Docket No. GR05120120 and May 21, 2014 in Docket No. GR13030185. The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS rates and subject to return on equity limits.

After publication of notices in newspapers in general circulation in the Company's service territory, public hearings were conducted telephonically on August 23, 2021 at 4:30 pm and 5:30 pm.⁴ No members of the public appeared at the hearings or filed comments with the Board regarding the 2021 BGSS/CIP Petition.

On November 1, 2021, all four (4) GDCs filed an Emergent Motion seeking a waiver of the Board's previous orders and authorizations to permit the GDCs to self-implement periodic BGSS increases based upon a 5% increase of the monthly bill of a typical residential customer using 100 therms to be effective December 1, 2021 on less than the required 30 days' advanced notice, and to implement such increases on the basis of rates in effect as of December 1, 2021 ("Motion").

By Order dated November 17, 2021, the Board approved a stipulation for provisional rates executed by the Parties.⁵ The November 2021 Provisional Order authorized NJNG to implement a per therm BGSS rate of \$0.3381, a per therm Balancing Charge of \$0.1237⁶, and the following CIP rates which were updated based on discovery: (\$0.0807) for Group I Residential Non-Heat customers; \$0.0193 for Group II Residential Heat customers; \$0.0190 for Group III Small Commercial customers; and \$0.0264 for Group IV General Service Large Customers. All rates approved in the November 2021 Provisional Order became effective for services rendered on and after December 1, 2021 on a provisional basis, subject to refund. As a result of the November 2021 Provisional Order, a typical residential heating customer using 100 therms on a monthly basis would see an increase of \$1.61, or approximately 1.4%.

By a separate Order dated November 17, 2021, the Board granted the GDCs' Motion to permit a one-time waiver for this BGSS year only of the requirement that notice of a December 1st self-implementing rate increase be filed no later than November 1st as may be indicated in each GDCs' relevant tariff and as provided in the January 6, 2003 BGSS Order. The Board further ordered the GDCs to file any notice of a December 1, 2021 self-implementing rate increase by November 19, 2021.

On November 19, 2021, NJNG filed a notice of its intent to self-implement a BGSS rate adjustment based upon a 5% increase of the monthly bill of a typical residential customer using 100 therms to be effective December 1, 2021, consistent with the January 6, 2003 BGSS Order, and the Board's ruling on the Motion. The self-implementing rate increase, effective December 1, 2021, resulted in an increase of the per therm BGSS rate from \$0.3381 to \$0.3974, on a provisional basis, subject to refund. As a result, a typical residential customer using 100 therms on a monthly basis would see an increase of \$5.93, or 5.0%, in addition to the impact of the November 2021 Provisional Order.

On December 6, 2021, the Board transmitted this matter to the Office of Administrative Law as a contested case where it was subsequently assigned to ALJ Gertsman.

⁴ The hearings were held telephonically due to the COVID-19 pandemic.

⁵ In re the Petition of New Jersey Natural Gas Company's for the Annual Review and Revision of its Basic Gas Supply Service (BGSS) and Conservation Incentive Program (CIP) Rates for F/Y 2022, BPU Docket No. GR21050860, Order dated November 17, 2021 ("November 2021 Provisional Order").

⁶ On November 17, 2021, the Board issued an Order in the Company's base rate case proceeding, Docket No. GR21030679, approving a decrease to the inventory portion of the Balancing Charge resulting in a further change to Balancing Charge rate of \$0.1235 per therm effective December 1, 2021. This Balancing Charge rate remains in effect.

STIPULATION

Following a review of the 2021 BGSS/CIP Petition, the update, and discovery, the Parties executed the Stipulation, which provides for the following⁷:

16. The Parties agree that the Company's previously approved provisional rates, as described in Paragraph 10 of the Stipulation, should be deemed by the Board to be final rates. Those rates, effective December 1, 2021 are: 1) the Company's periodic BGSS rate of \$0.3381 per therm after-tax; 2) the following CIP rates all on an after-tax basis: a credit rate of \$0.0807 per therm for Group I Residential Non-Heat customers; a charge of \$0.0193 per therm for Group II Residential Heat customers; a charge of \$0.0190 per therm for Group III General Service Small Commercial customers; and a charge of \$0.0264 per therm for Group IV General Service Large Commercial customers; and 3) the Balancing Charge rate of \$0.1237 per therm after-tax. Additionally, the current Balancing Charge of \$0.1235, as described above in Paragraph 11 of the Stipulation, should be deemed by the Board to be a final rate. As a result of the Stipulation, the provisional rates included in this paragraph will be final and the December 1, 2021 CIP and Balancing Charge rates shall remain in effect until further Board Order.
17. As a result of the rates remaining the same and being finalized, there will be no further impact on a typical residential heating customer's bill since the provisional rates were entered on December 1, 2021.
18. The Parties also note that, based upon the self-implementing increase of December 1, 2021, described in Paragraph 12 of the Stipulation, the current BGSS rate is \$0.3974 per therm on an after-tax basis. The December 1, 2021 self-implementing increase shall remain in effect until further Board Order or further action by the Company in accordance with the January 2003 BGSS Order and will be reviewed in the Company's 2023 annual BGSS filing to be submitted by June 1, 2022.

On April 7, 2022, ALJ Gertsman issued an Initial Decision approving the Stipulation, finding that the Parties voluntarily agreed to the terms of the Stipulation, and that the Stipulation fully disposed of all matters and is consistent with the law.

DISCUSSION AND FINDINGS

The Board carefully reviewed the record in this proceeding, including ALJ Gertsman's Initial Decision and the Stipulation. The Board **HEREBY FINDS** that the Parties voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. Accordingly, the Board **FURTHER FINDS** the Initial Decision, which adopts the Stipulation, to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and Stipulation, attached hereto, as its own, as though fully set forth herein, subject to the terms and conditions set forth in this Order.

⁷ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order. Paragraphs are numbered to coincide with the Stipulation.

The Board **HEREBY ORDERS** that NJNG's below existing rates are final and shall remain in effect until further Order of the Board:

- (1) BGSS rate \$0.3974;
- (2) Balancing Charge rate \$0.1235; and
- (3) The following per therm CIP rates:
 - a credit of \$0.0807 for Residential Non-Heating customers;
 - a charge of \$0.0193 for Residential Heating customers;
 - a charge of \$0.0190 for General Service-Small; and
 - a charge of \$0.0264 for General Service-Large.

Any net over-recovered BGSS, Balancing Charge and CIP balance at the end of the BGSS period shall be subject to refund with interest.


The Board **HEREBY DIRECTS** NJNG to file revised tariff sheets conforming to the terms of the Stipulation by June 1, 2022.

The Company's costs, including those related to the BGSS and CIP, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

The effective date of this Order is May 11, 2022.

DATED: May 4, 2022

BOARD OF PUBLIC UTILITIES
BY:


JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST:


CARMEN D. DIAZ
ACTING SECRETARY

IN THE MATTER OF NEW JERSEY NATURAL GAS COMPANY FOR THE ANNUAL REVIEW
AND REVISION OF ITS BASIC GAS SUPPLY SERVICE (BGSS) AND CONSERVATION
INCENTIVE PROGRAM (CIP) RATES FOR F/Y 2022
DOCKET NO. GR21050860
OAL DOCKET NO. PUC 09921-2021 S

SERVICE LIST

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

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| IN THE MATTER OF THE PETITION OF |) | |
| NEW JERSEY NATURAL GAS COMPANY |) | |
| FOR THE ANNUAL REVIEW AND |) | BPU DOCKET NO. GR21050860 |
| REVISION OF ITS BASIC GAS SUPPLY |) | OAL DOCKET NO. PUC 09921-21 |
| SERVICE (BGSS) AND ITS |) | |
| CONSERVATION INCENTIVE PROGRAM |) | |
| (CIP) RATES FOR F/Y 2022 |) | |

STIPULATION FOR FINAL RATES

APPEARANCES:

Andrew Dembia, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Maura Caroselli, Esq., Deputy Rate Counsel, New Jersey Division of Rate Counsel (Brian O. Lipman, Esq., Director)

Terel Klein, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Matthew J. Platkin, Acting Attorney General of New Jersey)

TO THE HONORABLE JACOB S. GERTSMAN, ADMINISTRATIVE LAW JUDGE

BACKGROUND

1. On May 28, 2021, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition in Docket No. GR21050860 requesting that the New Jersey Board of Public Utilities (“BPU” or “Board”) authorize NJNG to: 1) increase the Company’s Periodic Basic Gas Supply Service (“BGSS”) rate effective October 1, 2021; 2) increase the Company’s Balancing Charge effective October 1, 2021; and 3) decrease the Company’s Conservation Incentive Program (“CIP”) recovery rates for Group I Residential Non-Heat customers, Group II Residential Heat customers, and Group III General Service – Small customers, and increase the CIP recovery rate for Group IV General Service – Large customers effective October 1, 2021 (“2022 BGSS/CIP

Filing”). The petition was filed pursuant to the “Order Approving BGSS Price Structure” issued by the Board on January 6, 2003, Docket No. GX01050304.¹

2. Specifically, NJNG requested that the Company’s existing per therm after-tax Periodic BGSS rate of \$0.3320, applicable to residential and small commercial customers, subject to the Periodic BGSS Pricing Mechanism, be increased to \$0.3381 per therm. As requested by Board Staff, NJNG’s filing reflected market conditions as of May 6, 2021, and was based upon a one-year BGSS recovery period. The requested change would result in an overall increase of after-tax revenue of approximately \$3.1 million from the current estimated annual BGSS revenue of \$167.2 million.

3. In the 2022 BGSS/CIP Filing, the Company also requested a \$0.0211 per therm increase to the NJNG after-tax balancing charge, increasing it from \$0.1026 to \$0.1237. As approved by the Board on November 13, 2019 in BPU Docket No. GR19030420, NJNG is to adjust its Balancing Charge in the annual BGSS filing to reflect updated pipeline demand charges, credit adjustments, and the percentage of peak day volume related to balancing associated with the pipeline demand portion of the Balancing Charge.² The Rate Case Order also provides for the inventory portion of the Balancing Charge to be updated in a base rate case. The Balancing Charge is a component of the delivery charge for certain sales and transportation customers, and all Balancing Charge revenues are credited to BGSS. The requested change would result in an overall

¹ In the Matter Of 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., BPU Docket No. GX01050304, Order dated January 6, 2003 (“Generic BGSS Order”).

² In the Matter of 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 Pursuant to N.J.S.A. 48:2-21 and 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. GR19030420, Order dated November 13, 2019 (“Rate Case Order”).

increase of after-tax revenue of approximately \$13.9 million from the current estimated annual Balancing Charge revenue of \$67.5 million.

4. Within the 2022 BGSS/CIP Filing, as authorized by the Board in Docket Nos. GR05121020³ and GR13030185,⁴ the Company also submitted its annual CIP rate filing for CIP year 2022, October 1, 2021 through September 30, 2022, requesting that the BPU approve the implementation of updated CIP factors effective October 1, 2021. The requested changes result in an overall decrease in after-tax revenue of approximately \$1.7 million from the current estimated annual CIP revenue of 20.1 million. Specifically, the Company is seeking approval for the following changes to its after-tax, per therm CIP factors: 1) a \$0.0363 decrease to the current credit rate of \$0.0334 for Group I Residential Non-Heat customers resulting in the proposed credit rate of \$0.0697; 2) a \$0.0030 decrease to the current rate of \$0.0304 resulting in the proposed rate of \$0.0274 for Group II Residential Heat customers; 3) a decrease of \$0.0206 to the current rate of \$0.0400 for Group III Small Commercial customers resulting in the proposed rate of \$0.0194; and 4) a \$0.0051 increase to the current rate of \$0.0303 resulting in the proposed rate of \$0.0354 for Group IV Large Commercial customers, all effective as of October 1, 2021.

5. Pursuant to the Board's May 21, 2014 Order, recovery of any non-weather related CIP surcharges are subject to a BGSS Savings Test under which the Company must have BGSS savings of at least 75 percent (75%) of the non-weather related margin deficiency, and a Variable Margin Test under which the non-weather related margin deficiency must be less than or equal to

³ In the Matter of the Petition of New Jersey Natural Gas Company for Authority to Implement Conservation and Usage Adjustment, BPU Docket No. GR05121020, Order dated January 21, 2010.

⁴ In the Matter of the Petition of New Jersey Natural Gas Company and South Jersey Gas Company for Authority to Continue the Conservation Incentive Program, BPU Docket No. GR13030185, Order dated May 21, 2014 ("May 21, 2014 Order").

6.5 percent (6.5%) of aggregate variable margins. Additionally, recovery of the current year margin deficiency must meet an earnings test. The Company reported total estimated CIP related margin deficiency for CIP year 2021 (October 1, 2020 through September 30, 2021) of approximately \$16.43 million with \$13.67 million margin deficiency related to weather, and \$2.76 million margin deficiency related to non-weather factors. The amount of the BGSS Savings required to meet the BGSS Savings test is 75 percent (75%) of the non-weather change or \$2.07 million. The Company identified approximately \$15.72 million in BGSS savings available to offset non-weather related CIP margin deficiency and charges for the October 2021 through September 2022 recovery period. Under the Variable Margin Test, the recovery limitation is \$18.32 million based upon the aggregate variable margins reported by the Company. Since the non-weather related CIP margin deficiency is less than the BGSS Savings and the Variable Margin Test recovery limitation, the Company has met both tests based upon the information and representations contained in the Company's filing. The Company also provided testimony that the margin deficiency will not result in a return on equity in excess of 9.60 percent (9.6%).

6. Modifying the BGSS, Balancing Charge, and CIP rates as requested in the 2022 BGSS/CIP Filing would result in a requested overall increase of approximately \$2.42 per month, or 2.1 percent (2.1%), to the average residential heating customer (Group II) using 100 therms per month. The impact to the average residential non-heat customer (Group I) using 25 therms per month from these requested rate changes will be a decrease of \$0.23, or 0.7 percent (0.7%), to the average small commercial customer (Group III) using 100 therms a month will be an increase of \$0.66, or 0.5 percent (0.5%), and to the average large commercial customer (Group IV) using 1200 therms a month will be an increase of \$6.12, or 0.4 percent (0.4%). The above BGSS, Balancing

Charge, and CIP rate changes result in an increase in annual after-tax revenues to NJNG of approximately \$15.3 million.

7. On August 12, 2021, the Company submitted responses to Discovery Request RCR-A-0014 updating the CIP schedules (“Update”). The CIP rates based upon the Update were lower than originally filed, and resulted in: 1) a per therm credit rate of \$0.0807 for Group I, 2) a charge of \$0.0193 for Group II, 3) a charge of \$0.0190 for Group III, and 4) a charge of \$0.0264 for Group IV. Additionally, the Update resulted in an overall decrease of after-tax revenue of approximately \$6.7 million to the current estimated annual CIP revenue of \$20.1 million. When combining the CIP rates from the Update with the requested BGSS rate of \$0.3381, and Balancing Charge of \$0.1237, the result is an overall increase in after-tax revenue of approximately \$10.3 million.

8. After publication of notice in newspapers of general circulation in NJNG’s service territory and served upon the appropriate county officials and clerks of all municipalities within the Company’s service territory, public hearings were scheduled and conducted telephonically on August 23, 2021.⁵ No members of the public participated at either hearing nor were any written comments received by the BPU, NJNG or the New Jersey Division of Rate Counsel (“Rate Counsel”).

9. NJNG, Board Staff, and Rate Counsel (collectively, “Parties”), the only Parties to this proceeding, discussed the matters at issue herein. As a result of those discussions, the Parties determined that additional time was needed to complete a comprehensive review of NJNG’s proposed BGSS, Balancing Charge, and CIP rates. Additionally, during the discussions, the

⁵ Due to the COVID-19 Pandemic, public hearings were held telephonically.

Company proposed, and the Parties agreed, that implementation of the requested BGSS rate, the updated CIP rates for Groups I, II, III and IV, and the requested Balancing Charge rate, on a provisional basis and subject to the terms below, would be reasonable, and accordingly executed a stipulation for provisional rates.

10. On November 17, 2021, the Board issued an Order in this proceeding approving the stipulation⁶. The November 2021 Order authorized the Company to: 1) increase the Company's existing periodic BGSS rate to \$0.3381 per therm after-tax; 2) increase the Company's Balancing Charge to \$0.1237 per therm after tax; and 3) decrease the CIP rates on an after tax basis to a credit rate of \$0.0807 per therm for Group I Residential Non-Heat customers, to a charge of \$0.0193 per therm for Group II Residential Heat customers, a charge of \$0.0190 per therm for Group III General Service Small Commercial customers, and a charge of \$0.0264 per therm for Group IV General Service Large Commercial customers. The aforementioned rates became effective December 1, 2021, were subject to refund with interest, with an opportunity for a full review at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board. A full schedule of applicable bill impacts by rate class is attached hereto as Attachment A.

11. On November 17, 2021, the Board issued an Order in Docket No. GR21030679⁷, the Company's base rate case proceeding, approving a decrease to the inventory portion of the

⁶ In the Matter of the Petition of New Jersey Natural Gas Company for the Annual Review and Revision of its Basic Gas Supply Service (BGSS) and Conservation Incentive Program (CIP) Rates for F/Y 2022, BPU Docket No. GR21050860, Order dated November 17, 2021 ("November 2021 Order").

⁷ In the Matter of the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Base Rate and for Changes in its Tariff for Gas Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 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. GR21030679, Order dated November 17, 2021.

Balancing Charge resulting in a Balancing Charge of \$0.1235 per therm effective December 1, 2021. This Balancing Charge remains in effect.

12. On November 1, 2021, NJNG filed a joint Motion with all the other gas utilities requesting a waiver of the thirty (30) day notice requirement to Board Staff and Rate Counsel to self-implement a rate increase up to 5 percent (5.0%) effective December 1, 2021.⁸ On November 17, 2021, the Board issued an Order granting the waiver of the thirty (30) day Notice requirement.⁹ On November 19, 2021, NJNG notified the BPU and Rate Counsel of its intent to self-implement a 5 percent (5.0%) increase on December 1, 2021 pursuant to the BPU's January 6, 2003 Order in Docket No. GX01050304.¹⁰ This increase resulted in an after-tax BGSS rate of \$0.3974, which is currently in effect, and is provisional and subject to true-up in the next annual BGSS filing made by NJNG.

13. On December 6, 2021, this matter was transmitted to the OAL as a contested case and assigned to the Honorable Jacob S. Gertsman, Administrative Law Judge ("ALJ"). A telephonic pre-hearing conference was held on January 6, 2022. ALJ Gertsman issued a Prehearing Order dated January 24, 2022 establishing the procedural schedule.

14. NJNG received and responded to all discovery requests that have been propounded in this proceeding by Board Staff and Rate Counsel.

⁸ The gas utilities were NJNG, Elizabethtown Gas Company, Public Service Electric and Gas Company and South Jersey Gas Company.

⁹ In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act N.J.S.A. 48:3-49 et seq. – BGSS Pricing, BPU Docket No. GX01050304, Order dated November 17, 2021 (November 17th Order).

¹⁰ In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act N.J.S.A. 48:3-49 et seq. – BGSS Pricing, BPU Docket No. GX01050304, Order dated January 6, 2003 ("January 2003 BGSS Order").

15. The Parties discussed this matter and hereby **STIPULATE AND AGREE** as follows:

STIPULATED ISSUES

16. The Parties agree that the Company's previously approved provisional rates, as described above in Paragraph 10, should be deemed by the Board to be final rates. Those rates, effective December 1, 2021 are: 1) the Company's periodic BGSS rate of \$0.3381 per therm after-tax; 2) the following CIP rates all on an after-tax basis: a credit rate of \$0.0807 per therm for Group I Residential Non-Heat customers; a charge of \$0.0193 per therm for Group II Residential Heat customers; a charge of \$0.0190 per therm for Group III General Service Small Commercial customers; and a charge of \$0.0264 per therm for Group IV General Service Large Commercial customers; and 3) the Balancing Charge rate of \$0.1237 per therm after-tax. Additionally, the current Balancing Charge of \$0.1235, as described above in Paragraph 11, should be deemed by the Board to be a final rate. As a result of this Stipulation, the provisional rates included in this paragraph will be final and the December 1, 2021 CIP and Balancing Charge rates shall remain in effect until further Board Order.

17. As a result of the rates remaining the same and being finalized, there will be no further impact on a typical residential heating customer's bill since the provisional rates were entered on December 1, 2021.

18. The Parties also note that, based upon the self-implementing increase of December 1, 2021, described above in Paragraph 12, the current BGSS rate is \$0.3974 per therm on an after-tax basis. The December 1, 2021 self-implementing increase shall remain in effect until further Board Order or further action by the Company in accordance with the Generic BGSS Order and will be reviewed in the Company's 2023 annual BGSS filing to be submitted by June 1, 2022.

19. This Stipulation represents a mutual balancing of interests, contains interdependent provisions, and therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

20. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.

21. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. All rates are subject to audit by the Board. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that Your Honor issue an Initial Decision and that the Board issue an Order approving it in its entirety, in accordance with the terms hereof.

**NEW JERSEY NATURAL GAS
PETITIONER**



By:

ANDREW K. DEMBIA, ESQ.
New Jersey Natural Gas

**BRIAN O. LIPMAN, DIRECTOR
NEW JERSEY DIVISION OF RATE COUNSEL**

By:

Maura Caroselli 4/6/22
MAURA CAROSELLI, ESQ.
ASSISTANT DEPUTY RATE COUNSEL

**MATTHEW J. PLATKIN
ACTING ATTORNEY GENERAL OF NEW JERSEY**
Attorney for the Staff of the Board of Public Utilities

By:

 3/29/22
TEREL KLEIN, ESQ.
DEPUTY ATTORNEY GENERAL

Date: March 23, 2022

New Jersey Natural Gas Company
Net impact of Proposed Rate Changes
BPU Docket No. GR21050860
F/Y 2022

(\$/therm)

Rate Impact for Group I - Residential Non-Heating Customers

| | Component of | 10/1/21 Rates | | Proposed 12/1/21 Rates | | Change | | Total Bill % impact |
|-------------------|---------------|-----------------|-----------------|------------------------|-----------------|-------------------|-------------------|---------------------|
| | | Pre-tax | Post-tax | Pre-tax | Post-tax | Pre-tax | Post-tax | |
| BGSS | BGSS | \$0.3114 | \$0.3320 | \$0.3171 | \$0.3381 | \$0.0057 | \$0.0061 | 0.4% |
| Balancing Charge | Delivery Rate | 0.0962 | 0.1026 | 0.1160 | 0.1237 | 0.0198 | 0.0211 | 1.5% |
| CIP | Delivery Rate | (0.0313) | (0.0334) | (0.0757) | (0.0807) | (0.0444) | (0.0473) | (3.3%) |
| NET IMPACT | | <u>\$0.3763</u> | <u>\$0.4012</u> | <u>\$0.3574</u> | <u>\$0.3811</u> | <u>(\$0.0189)</u> | <u>(\$0.0201)</u> | <u>(1.4%)</u> |

Rate Impact for Group II - Residential Heating Customers

| | Component of | 10/1/21 Rates | | Proposed 12/1/21 Rates | | Change | | Total Bill % impact |
|-------------------|---------------|-----------------|-----------------|------------------------|-----------------|-----------------|-----------------|---------------------|
| | | Pre-tax | Post-tax | Pre-tax | Post-tax | Pre-tax | Post-tax | |
| BGSS | BGSS | \$0.3114 | \$0.3320 | \$0.3171 | \$0.3381 | \$0.0057 | \$0.0061 | 0.5% |
| Balancing Charge | Delivery Rate | 0.0962 | 0.1026 | 0.1160 | 0.1237 | 0.0198 | 0.0211 | 1.8% |
| CIP | Delivery Rate | 0.0285 | 0.0304 | 0.0181 | 0.0193 | (0.0104) | (0.0111) | (0.9%) |
| NET IMPACT | | <u>\$0.4361</u> | <u>\$0.4650</u> | <u>\$0.4512</u> | <u>\$0.4811</u> | <u>\$0.0151</u> | <u>\$0.0161</u> | <u>1.4%</u> |

Rate Impact for Group III - General Service Small Customers

| | Component of | 10/1/21 Rates | | Proposed 12/1/21 Rates | | Change | | Total Bill % impact |
|-------------------|---------------|-----------------|-----------------|------------------------|-----------------|-----------------|-----------------|---------------------|
| | | Pre-tax | Post-tax | Pre-tax | Post-tax | Pre-tax | Post-tax | |
| BGSS | BGSS | \$0.3114 | \$0.3320 | \$0.3171 | \$0.3381 | \$0.0057 | \$0.0061 | 0.5% |
| Balancing Charge | Delivery Rate | 0.0962 | 0.1026 | 0.1160 | 0.1237 | 0.0198 | 0.0211 | 1.5% |
| CIP | Delivery Rate | 0.0375 | 0.0400 | 0.0178 | 0.0190 | (0.0197) | (0.0210) | (1.5%) |
| NET IMPACT | | <u>\$0.4451</u> | <u>\$0.4746</u> | <u>\$0.4509</u> | <u>\$0.4808</u> | <u>\$0.0058</u> | <u>\$0.0062</u> | <u>0.5%</u> |

Rate Impact for Group IV - General Service Large Customers

| | Component of | 10/1/21 Rates | | Proposed 12/1/21 Rates | | Change | | Total Bill % impact |
|-------------------|---------------------|-----------------|-----------------|------------------------|-----------------|-------------------|-------------------|---------------------|
| | | Pre-tax | Post-tax | Pre-tax | Post-tax | Pre-tax | Post-tax | |
| BGSS | BGSS (October 2021) | \$0.6792 | \$0.7242 | \$0.6594 | \$0.7031 | (\$0.0198) | (\$0.0211) | (1.4%) |
| Balancing Charge | Delivery Rate | 0.0962 | 0.1026 | 0.1160 | 0.1237 | 0.0198 | 0.0211 | 1.4% |
| CIP | Delivery Rate | 0.0284 | 0.0303 | 0.0248 | 0.0264 | (0.0036) | (0.0039) | (0.3%) |
| NET IMPACT | | <u>\$0.8038</u> | <u>\$0.8571</u> | <u>\$0.8002</u> | <u>\$0.8532</u> | <u>(\$0.0036)</u> | <u>(\$0.0039)</u> | <u>(0.3%)</u> |

For General Service – Large (“GSL”) sales customers, there is no impact from the proposed BGSS rate because they are subject to monthly market pricing for their natural gas supply. The GSL BGSS decrease shown above reflects the proposed Balancing Charge change since the Balancing Charge is deducted from the BGSS charge and included as a component of the delivery charge for no impact to the total bill of GSL sales customers.

Projected Annual Post-tax BGSS, CIP, and WNC revenue

| Projected Annual Therms: | |
|--------------------------|----------------|
| Periodic BGSS | 503,662 (000s) |
| Balancing Charge | 658,097 (000s) |
| CIP Group I | 2,503 (000s) |
| CIP Group II | 490,356 (000s) |
| CIP Group III | 40,215 (000s) |
| CIP Group IV | 123,520 (000s) |

| | Projected Revenue at Current Rates \$million | Projected Revenue at Proposed Rates \$million | Change \$million |
|------------------|--|---|------------------|
| BGSS | \$167.2 | \$170.3 | \$3.1 |
| Balancing Charge | \$67.5 | \$81.4 | \$13.9 |
| CIP Group I | (\$0.1) | (\$0.2) | (\$0.1) |
| CIP Group II | \$14.9 | \$9.5 | (\$5.4) |
| CIP Group III | \$1.6 | \$0.8 | (\$0.8) |
| CIP Group IV | <u>\$3.7</u> | <u>\$3.3</u> | <u>(\$0.4)</u> |
| IMPACT | <u>\$254.8</u> | <u>\$265.1</u> | <u>\$10.3</u> |

New Jersey Natural Gas Company
Net impact of Proposed Rate Changes
BPU Docket No. GR21050860
F/Y 2022

| Impact on Residential Non-Heating Customers | | | |
|--|------------------------------|-----------------|----------------|
| | | | 25 therm bill |
| 10/1/21 Rates | Customer Charge | \$10.14 | \$10.14 |
| | Delivery | \$0.6733 | \$16.83 |
| | BGSS | \$0.3320 | \$8.30 |
| | Total | <u>\$1.0053</u> | <u>\$35.27</u> |
| Proposed Rates- effective 12/1/21 | Customer Charge | \$10.14 | \$10.14 |
| | Delivery | \$0.6471 | \$16.18 |
| | BGSS | \$0.3381 | \$8.45 |
| | Total | <u>\$0.9852</u> | <u>\$34.77</u> |
| | Decrease | | (\$0.50) |
| | Decrease as a percent | | (1.4%) |

| Impact on Residential Heating Customers | | | | |
|--|------------------------------|-----------------|-------------------------|-------------------|
| | | 100 therm bill | 1,000 therm annual bill | |
| 10/1/21 Rates | Customer Charge | \$10.14 | \$10.14 | \$121.68 |
| | Delivery | \$0.7371 | \$73.71 | \$737.10 |
| | BGSS | \$0.3320 | \$33.20 | \$332.00 |
| | Total | <u>\$1.0691</u> | <u>\$117.05</u> | <u>\$1,190.78</u> |
| Proposed Rates- effective 12/1/21 | Customer Charge | \$10.14 | \$10.14 | \$121.68 |
| | Delivery | \$0.7471 | \$74.71 | \$747.10 |
| | BGSS | \$0.3381 | \$33.81 | \$338.10 |
| | Total | <u>\$1.0852</u> | <u>\$118.66</u> | <u>\$1,206.88</u> |
| | Increase | | \$1.61 | \$16.10 |
| | Increase as a percent | | 1.4% | 1.4% |

| Impact on Commercial GSS Customers | | | |
|---|------------------------------|-----------------|-----------------|
| | | | 100 therm bill |
| 10/1/21 Rates | Customer Charge | \$34.85 | \$34.85 |
| | Delivery | \$0.6894 | \$68.94 |
| | BGSS | \$0.3320 | \$33.20 |
| | Total | <u>\$1.0214</u> | <u>\$136.99</u> |
| Proposed Rates- effective 12/1/21 | Customer Charge | \$34.85 | \$34.85 |
| | Delivery | \$0.6895 | \$68.95 |
| | BGSS | \$0.3381 | \$33.81 |
| | Total | <u>\$1.0276</u> | <u>\$137.61</u> |
| | Increase | | \$0.62 |
| | Increase as a percent | | 0.5% |

| Impact on Commercial GSL Customers | | | |
|---|------------------------------|-----------------|-------------------|
| | | | 1200 therm bill |
| 10/1/21 Rates | Customer Charge | \$80.79 | \$80.79 |
| | Demand Charge | \$2.63 | \$252.48 |
| | Delivery | \$0.5260 | \$631.20 |
| | BGSS (October 2021) | \$0.7242 | \$869.04 |
| | Total | <u>\$1.2502</u> | <u>\$1,833.51</u> |
| Proposed Rates- effective 12/1/21 | Customer Charge | \$80.79 | \$80.79 |
| | Demand Charge | \$2.63 | \$252.48 |
| | Delivery | \$0.5432 | \$651.84 |
| | BGSS (October 2021) | \$0.7031 | \$843.72 |
| | Total | <u>\$1.2463</u> | <u>\$1,828.83</u> |
| | Decrease | | (\$4.68) |
| | Decrease as a percent | | (0.3%) |



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 09921-21

AGENCY DKT. NO. GR21050860

**IN THE MATTER OF THE PETITION
OF NEW JERSEY NATURAL GAS COMPANY
FOR THE ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SUPPLY SERVICE (BGSS)
AND CONSERVATION INCENTIVE PROGRAM
(CIP) RATES FOR FISCAL YEAR 2022.**

Andrew K. Dembia, Regulatory Affairs Counsel, for petitioner, New Jersey Natural Gas Company

Terel Klein, Deputy Attorney General, for Staff of the Board of Public Utilities (Matthew J. Platkin, Attorney General of New Jersey, attorney)

Maura Caroselli, Assistant Deputy Rate Counsel, for Division of Rate Counsel (Brian O. Lipman, Director)

Record Closed: April 6, 2022

Decided: April 7, 2022

BEFORE **JACOB S. GERTSMAN**, ALJ:

This proceeding involves a petition filed on May 28, 2021, by New Jersey Natural Gas Company (Company) pursuant to N.J.S.A. 48:2-21, for its annual filing for Basic Gas Supply Service (BGSS) and the Company's related requests to modify the BGSS, Conservation Incentive Program (CIP) and Balancing Charge rates.,

The petition was transmitted to the Office of Administrative Law (OAL) on December 6, 2021, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on January 6, 2022. Duly-noticed public hearings were held telephonically prior to the transmittal to the OAL on August 23, 2021, at 4:30 p.m. and 5:30 p.m.¹ No members of the public appeared at either hearing and no written comments were received. Evidentiary hearings were scheduled for July 26, 2022. Prior to the commencement of the evidentiary hearings, the parties filed on April 6, 2022, a Stipulation for Final Rates (J-1), resolving all issues in this proceeding. Said Stipulation has been signed by petitioner, Staff of the Board of Public Utilities, and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlements and I **FIND**:


1. The parties have voluntarily agreed to the settlements as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlements fully dispose of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

¹ Due to the COVID-19 Pandemic, public hearings were held telephonically.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

April 7, 2022
DATE



JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency: April 7, 2022

Date Mailed to Parties: April 7, 2022

JSG/sm