



August 22, 2022

VIA ELECTRONIC TRANSMISSION

Acting Secretary Carmen Diaz
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
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 Base Rate Adjustment Pursuant to The
Infrastructure Investment Program ("IIP")
BPU Docket No. GR22040247

Dear Acting Secretary Diaz:

Enclosed please find, on behalf of New Jersey Natural Gas Company, a fully
executed Stipulation of Settlement in the above captioned matter.

Should you have any questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Andrew K Dembia'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Andrew K Dembia, Esq.
Regulatory Affairs Counsel

AKD/sf

Encl.

C: Service List

**IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF A BASE RATE ADJUSTMENT PURSUANT TO THE
INFRASTRUCTURE INVESTMENT PROGRAM
DOCKET NO. GR22040247**

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**IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF A BASE RATE ADJUSTMENT PURSUANT TO THE
INFRASTRUCTURE INVESTMENT PROGRAM
DOCKET NO. GR22040247**

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

IN THE MATTER OF THE PETITION OF)	
NEW JERSEY NATURAL GAS)	STIPULATION OF SETTLEMENT
COMPANY FOR APPROVAL OF A BASE)	
RATE ADJUSTMENT PURSUANT TO THE)	
INFRASTRUCTURE INVESTMENT)	BPU Docket No. GR22040247
PROGRAM)	

APPEARANCES:

Andrew K. Dembia, Esq., Regulatory Affairs Counsel for the Petitioner, New Jersey Natural Gas Company

Maura Caroselli, Esq., Managing Attorney – Gas, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel and **Megan Lupo, Esq.**, Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Brian O. Lipman**, 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 NEW JERSEY BOARD OF PUBLIC UTILITIES

On March 31, 2022, New Jersey Natural Gas Company (“NJNG” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking BPU approval to recover the revenue requirements associated with certain gas investment costs of the Infrastructure Investment Program (“IIP”) incurred through June 30, 2022 (“March 2022 Petition”).

BACKGROUND

1. On February 28, 2019, NJNG filed a petition with the Board requesting approval of its IIP (“February 2019 Petition”). The February 2019 Petition included a mechanism for the recovery of capital infrastructure costs invested through its IIP and was filed pursuant to the Board’s rules for utility “Infrastructure Investment and Recovery” to encourage utilities to

implement IIPs. These rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

2. On October 28, 2020, the Board in Docket No. GR19020278 (“October 2020 Order”) approved the Company’s IIP Stipulation of Settlement (“IIP Stipulation”) setting forth the IIP investment level of \$150 million to be recovered through the stipulated cost recovery mechanism described below. The Company agreed to expend at least \$15.1 million, or an average of \$3.0 million per year over the five (5)-year term of the IIP, on similar projects and to maintain annual baseline capital spending levels of \$70 million for the duration of the IIP, which is based on the Company’s historical five (5)-year average of baseline capital spending from 2014 to 2018.
3. Pursuant to the October 2020 Order adopting the IIP Stipulation, the estimated IIP investment levels for specific projects, excluding Allowance for Funds Used During Construction (“AFUDC”), are as follows:

<u>PROJECTS</u>	<u>(000’s)</u>
<u>RELIABILITY AND RESILIENCY PROJECTS (15):</u>	
Denville-Randolph Reinforcement	\$5,000
Southern Randolph Reinforcement	\$2,500
Flanders Route 206 Reinforcement Loop	\$4,000
Lincoln Park Reinforcement Loop	\$1,000
Mt. Arlington - Jefferson Reinforcement Loop	\$4,000
Netcong-Stanhope Reinforcement Loop	\$18,000
Northern Boonton Reinforcement Loop	\$1,250
Taylortown Reinforcement Loop	\$2,500
Western Randolph Reinforcement Loop	\$6,000
Western Freehold Reinforcement Loop	\$2,500
Bayville-Forked River Reinforcement Loop	\$2,500
Beachwood Reinforcement Loop	\$1,000
Hope Chapel Reinforcement Loop	\$2,500
Southern Jackson Ridgeway Reinforcement Loop	\$1,500
Western Jackson Bowman Reinforcement Loop	\$4,000

REPLACEMENT AND REINFORCEMENT PROJECTS (4):

Brielle Pump Line Reinforcement	\$3,000
Toms River East Reinforcement	\$4,000
Joe Parker Reinforcement	\$1,750
Dover Chester Reinforcement	\$2,000

REGULATOR STATION RECONSTRUCTION PROJECT (1):

Cedar Bridge Regulator Station	\$5,000
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TRUNK LINE REPLACEMENT PROJECTS (2):

Denville Trunk Line Replacement	\$25,000
Roxbury Route 46 Trunk Extension	\$12,000

EXCESS FLOW VALVES (8,000):

Excess Flow Valves	\$20,000
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REGULATOR PROTECTORS (47,500):

Vents	\$19,000
	<u>\$150,000</u>

4. As agreed to by the parties, and set forth in the October 2020 Order, the Company will allocate the total revenue requirement to each firm customer class based upon the level of distribution revenues from the rate design approved in the Company's most recent base rate case. A volumetric distribution charge will be determined for each class utilizing the billing determinants used to set rates in the Company's most recent base rate case. The Margin Revenue Factor in NJNG's current Conservation Incentive Program tariff will be revised in order to reflect the IIP annual rate adjustments authorized by this Stipulation of Settlement ("Stipulation"). To the extent a different rate design methodology is adopted in the future for establishing base rates, then that rate design shall be utilized for the IIP Cost Recovery Mechanism in IIP filings subsequent to the adoption of such methodology.
5. NJNG's March 2022 Petition sought the authority to establish rates to recover an annualized increase in revenue requirement of \$2.76 million. The proposed revenue

requirement increase is associated with the IIPs' investment costs. The annualized increase in revenue requirement was supported by Schedule NJNG-IIP-1 attached to the March 2022 Petition, which was based upon actual expenditures through February 28, 2022 and projected expenditures through June 30, 2022, and was the basis for the proposed increase in base rates.

6. On July 13, 2022, the Company provided updated schedules with actual data through June 30, 2022 ("July 2022 Update"). Based on the response to RCR-A-0019 in discovery, the updated annualized increase to revenue requirements associated with the IIPs' investment costs is approximately \$3.15 million. The updated annual increase in revenue requirement reflected in that schedule is slightly higher than the increase in annual revenue requirement initially proposed in this matter. The proposed updated rates, as described below, are designed to recover the revenue requirement increase of \$3.15 million.
7. Notice of the Company's March 2022 Petition, including the July 2022 Update revenue requirement increase of \$3.16 million and the date, time and place of public hearings, was placed in newspapers having a circulation within the Company's service territory, and was served upon the Clerks of the municipalities, the Clerks of the Board of County Commissioners, and the County Executives within the Company's service territory. In accordance with that notice, two virtual public hearings were held on August 15, 2022. No members of the public provided comments on these matters at the hearings, nor were any written comments received by the BPU, NJNG or the New Jersey Division of Rate Counsel ("Rate Counsel").
8. Upon review of the March 2022 Petition, the July 2022 Update, and responses to discovery, Staff of the New Jersey Board of Public Utilities ("Board Staff"), Rate Counsel, and

NJNG, the only parties to this proceeding (collectively, “Parties”), stipulate and agree as follows:

STIPULATED ISSUES

9. The Company shall implement the base rates associated with the updated annualized increase in the revenue requirement of \$3.15 million as shown in Attachment A, and the associated rate design as detailed in Attachment B. Upon Board approval, the Company shall implement the rates specified in Attachment B and the rates shall be set forth in Rider D – Infrastructure Investment Program – IIP, of the Company’s tariff, BPU No. 11- Gas, with the IIP Base Rate Charge as a component of the total Delivery Charge on a Customer’s bill.
10. The impact of the increased rates, including Sales and Use Tax at the current rate, to the typical residential heating customer using 100 therms in a month is \$0.48 or approximately 0.4 percent (0.4%) on a monthly bill. Calculations showing the rate impacts are summarized in Attachment C.
11. The Parties agree that pursuant to the terms of the October 2020 Order, NJNG may implement these rates effective October 1, 2022 or upon a date determined by the Board. The rate adjustments established herein shall be provisional and subject to refund as set forth in the October 2020 Order. Nothing herein will preclude any party from raising any objection in the next base rate case relating to the prudence of the IIP projects and the related expenditures.
12. The Company will submit final tariff sheets within five (5) business days of the effective date of the Board’s Order in this docket conforming to the agreed-upon rates and terms set

forth in the above paragraphs.

13. 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 that 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.
14. The Parties agree that they consider the Stipulation to be binding on them for all purposes herein.
15. 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, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.
16. 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 respectfully request that the Board issue a Decision and Order approving this Stipulation in its entirety, in accordance with the terms hereof, as soon as reasonably possible in order to implement these rates as of the later of October 1, 2022 or the effective date of the Board Order approving this Stipulation.

**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By: 

ANDREW K. DEMBIA, ESQ.
New Jersey Natural Gas

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

By: 

SARAH H. STEINDEL, 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: 

TEREL KLEIN
DEPUTY ATTORNEY GENERAL

8/19/22

Date: August 19, 2022

IIP ENGINEERING PROGRAM
Roll-in Calculation

Investment End Date **6/30/2022**

RATE BASE CALCULATION

	<u>Total</u>
Gross Plant	\$28,943,903
Accumulated Depreciation	(\$116,630)
Net Plant	\$28,827,273
Accumulated Deferred Taxes	(\$47,482)
Rate Base	\$28,779,792
Rate of Return - Net of Tax (SCHEDULE NJNG-IIP-2)	6.37%
Return Requirement	\$1,834,567
Depreciation Exp, net	\$523,328
O&M Credit	(\$119,817)
	<u>\$2,238,078</u>
Revenue Factor (SCHEDULE NJNG-IIP-3)	1.4085
Total Revenue Requirement	<u>\$3,152,333</u>

SUPPORT

Gross Plant

Plant in-service	\$28,456,182
AFUDC - Debt	\$125,330
AFUDC - Equity	\$362,391
Total Gross Plant	<u>\$28,943,903</u>

Accumulated Depreciation

Accumulated Depreciation	(\$116,630)
Net Accumulated Depreciation	<u>(\$116,630)</u>

Depreciation Expense (Net of Tax)

Depreciable Plant (xAFUDC-E)	\$28,581,512
AFUDC-E	\$362,391
Depreciation Rate	<u>By Asset Class</u>
Depreciation Expense	\$732,862
Depreciation Expense Retirements	\$4,905
Tax @ 28.11%	204,629
Depreciation Expense (Net of Tax)	<u>\$523,328</u>

New Jersey Natural Gas Company
Base Rates and Revenues at Present and Proposed Rates

Component (a)	Amount ¹ (b)	Units (c)	Present Rates		Proposed Rates	
			Rate (d)	Revenue (e)	Rate (f)	Revenue (g)
			<u>RS</u>		<u>RS</u>	
<u>Residential Service</u>						
Customer Charge	6,250,626	Bills	\$ 10.32	\$ 64,506,460	\$ 10.32	\$ 64,506,460
Volumetric Charge	506,946,688	Therms	0.5701	289,010,307	0.5746	291,291,567
Total Base Revenues				\$ 353,516,766		\$ 355,798,026

			<u>GSS</u>		<u>GSS</u>	
<u>General Service Small (less than 5,000 Annual Therms)</u>						
Customer Charge	380,683	Bills	\$ 39.39	\$ 14,995,098	\$ 39.39	\$ 14,995,098
Volumetric Charge	39,584,913	Therms	0.4944	19,570,781	0.5001	19,796,415
Volumetric Charge - A/C	56,128	Therms	0.1081	6,067	0.1088	6,107
Total Base Revenues				\$ 34,571,947		\$ 34,797,620

			<u>GSL</u>		<u>GSL</u>	
<u>General Service Large (5,000 + Annual Therms)</u>						
Customer Charge	94,586	Bills	\$ 97.54	\$ 9,225,898	\$ 97.54	\$ 9,225,898
Demand Charge	10,678,878	Therms	3.2000	34,172,408	3.2000	34,172,408
Volumetric Charge	135,797,036	Therms	0.3133	42,545,211	0.3174	43,101,979
Volumetric Charge - A/C	133,220	Therms	0.1081	14,401	0.1088	14,494
Total Base Revenues				\$ 85,957,919		\$ 86,514,780

			<u>FT</u>		<u>FT</u>	
<u>Firm Transportation Service</u>						
Customer Charge	1,517	Bills	\$ 328.25	\$ 497,922	\$ 328.25	\$ 497,922
Demand Charge	2,435,047	Therms	2.3447	5,709,454	2.3447	5,709,454
Volumetric Charge	24,653,234	Therms	0.0775	1,910,626	0.0796	1,962,397
Total Base Revenues				\$ 8,118,002		\$ 8,169,774

¹ Billing determinants are from Attachment D, Pages 3-5, of the stipulation approved in the Board's November 17, 2021 Order in BPU Docket No. GR21030679.

New Jersey Natural Gas Company
Base Rates and Revenues at Present and Proposed Rates

<u>Component</u> (a)	<u>Amount</u> ¹ (b)	<u>Units</u> (c)	<u>Present Rates</u>		<u>Proposed Rates</u>	
			<u>Rate</u> (d)	<u>Revenue</u> (e)	<u>Rate</u> (f)	<u>Revenue</u> (g)
			<u>DGC</u>		<u>DGC</u>	
<u>Distributed Generation - Commercial</u>						
Customer Charge	269 Bills		\$ 97.54	\$ 26,195	\$ 97.54	\$ 26,195
Demand Charge	379,385 Therms		2.2040	836,165	2.2040	836,165
Volumetric Charge - Winter	3,317,249 Therms		0.0701	232,539	0.0713	236,520
Volumetric Charge - Summer	3,455,288 Therms		0.0395	136,484	0.0407	140,630
Total Base Revenues				\$ 1,231,384		\$ 1,239,511
			<u>NGV / CNG</u>		<u>NGV / CNG</u>	
<u>Natural Gas Vehicle / Compressed Natural Gas Service</u>						
Customer Charge	60 Bills		\$ 97.54	\$ 5,852	\$ 97.54	\$ 5,852
Volumetric Charge	1,498,101 Therms		0.2683	401,940	0.2708	405,686
CNG Charge	824,569 Therms		0.2000	164,914	0.2000	164,914
Total Base Revenues				\$ 572,707		\$ 576,452
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				\$ 483,968,724		\$ 487,096,163

Increase	3,127,439
TARGET Increase	3,152,333
Difference	(\$24,894)

¹ Billing determinants are from Attachment D, Pages 3-5, of the stipulation approved in the Board's November 17, 2021 Order in BPU Docket No. GR21030679.

**New Jersey Natural Gas Company
IIP Base Rate Charges**

Service Classification	Proposed Pre-tax Base		IIP Pre-Tax Base Rate Charge	IIP After-tax Base Rate Charge
	Current Pre-tax Base Rate Charge Per Therm	Rate Charge Per Therm Including IIP		
Residential Service (RS)	0.5701	0.5746	0.0045	0.0048
General Service Small (GSS)	0.4944	0.5001	0.0057	0.0061
GSS Commercial Air Conditioning (CAC)	0.1081	0.1088	0.0007	0.0007
General Service Large (GSL)	0.3133	0.3174	0.0041	0.0044
GSL Commercial Air Conditioning (CAC)	0.1081	0.1088	0.0007	0.0007
Firm Transportation (FT)	0.0775	0.0796	0.0021	0.0022
Distributed Generation - Commercial (DGC) Nov-Apr	0.0701	0.0713	0.0012	0.0013
Distributed Generation - Commercial (DGC) May-Oct	0.0395	0.0407	0.0012	0.0013
Natural Gas Vehicle (NGV)	0.2683	0.2708	0.0025	0.0027
Compressed Natural Gas (CNG)	0.2683	0.2708	0.0025	0.0027

**New Jersey Natural Gas Company
Net impact of proposed Rate Changes**

<u>Impact on Residential Non-Heating Customers</u>				
			25 therm bill	
7/1/2022				
Customer Charge	\$11.00		\$11.00	
Delivery	\$0.7547		\$18.87	
BGSS	\$0.3974		\$9.94	
Total	<u>\$1.1521</u>		<u>\$39.81</u>	
Proposed Rates				
Customer Charge	\$11.00		\$11.00	
Delivery	\$0.7595		\$18.99	
BGSS	\$0.3974		\$9.94	
Total	<u>\$1.1569</u>		<u>\$39.93</u>	
Increase			\$0.12	
Increase as a percent			0.3%	
<u>Impact on Residential Heating Customers</u>				
			100 therm bill	1000 therm annual bill
7/1/2022				
Customer Charge	\$11.00		\$11.00	\$132.00
Delivery	\$0.8547		\$85.47	\$854.70
BGSS	\$0.3974		\$39.74	\$397.40
Total	<u>\$1.2521</u>		<u>\$136.21</u>	<u>\$1,384.10</u>
Proposed Rates				
Customer Charge	\$11.00		\$11.00	\$132.00
Delivery	\$0.8595		\$85.95	\$859.50
BGSS	\$0.3974		\$39.74	\$397.40
Total	<u>\$1.2569</u>		<u>\$136.69</u>	<u>\$1,388.90</u>
Increase			\$0.48	\$4.80
Increase as a percent			0.4%	0.3%
<u>Impact on Commercial GSS Customers</u>				
				100 therm bill
7/1/2022				
Customer Charge	\$42.00		\$42.00	
Delivery	\$0.7737		\$77.37	
BGSS	\$0.3974		\$39.74	
Total	<u>\$1.1711</u>		<u>\$159.11</u>	
Proposed Rates				
Customer Charge	\$42.00		\$42.00	
Delivery	\$0.7797		\$77.97	
BGSS	\$0.3974		\$39.74	
Total	<u>\$1.1771</u>		<u>\$159.71</u>	
Increase			\$0.60	
Increase as a percent			0.4%	
<u>Impact on Commercial GSL Customers</u>				
				1200 therm bill
7/1/2022				
Customer Charge	\$104.00		\$104.00	
Demand Charge	\$3.41		\$327.36	
Delivery	\$0.5880		\$705.60	
BGSS (March 2022)	\$0.8179		\$981.48	
Total	<u>\$1.4059</u>		<u>\$2,118.44</u>	
Proposed Rates				
Customer Charge	\$104.00		\$104.00	
Demand Charge	\$3.41		\$327.36	
Delivery	\$0.5923		\$710.76	
BGSS (March 2022)	\$0.8179		\$981.48	
Total	<u>\$1.4102</u>		<u>\$2,123.60</u>	
Increase			\$5.16	
Increase as a percent			0.2%	