



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY) ORDER APPROVING INITIAL
NATURAL GAS COMPANY FOR THE ANNUAL REVIEW) DECISION AND STIPULATION
AND REVISION OF ITS BASIC GAS SUPPLY SERVICE) FOR FINAL BGSS, CIP AND
(BGSS), IT'S CONSERVATION INCENTIVE PROGRAM) WNC RATES
(CIP) FACTORS, AND FOR MODIFICATION TO)
ITS WEATHER NORMALIZATION CLAUSE (WNC))
FACTOR FOR FISCAL YEAR 2011) DOCKET NO. GR10060382

Tracey Thayer, Esq. for New Jersey Natural Gas Company

Felicia Thomas-Friel Esq., Deputy Public Advocate, **Henry Ogden Esq.**, **Judith Appel Esq.**,
Assistant Deputy Public Advocates, Division of Rate Counsel (**Stefanie A. Brand Esq.**,
Director)

Anne Marie Shatto, Deputy Attorney General, for the Staff of the New Jersey Board of Public
Utilities (**Paula Dow, Esq.**, Attorney General of New Jersey)

BY THE BOARD:

BACKGROUND

Per the generic Order of the Board of Public Utilities ("Board" or "BPU") dated January 6, 2003, in Docket No. GX01050304 ("January BGSS Order"), by June 1 each of New Jersey's four gas distribution companies ("GDCs") submits to the Board its annual Basic Gas Supply Service ("BGSS") gas cost filing for the BGSS year beginning October 1. In addition, the January BGSS Order authorizes each GDC to self-implement up to a 5% BGSS increase effective December 1 of the current year and February 1 of the following year with one month's advance notice to the Board and the Division of Rate Counsel ("Rate Counsel").

On June 1, 2010, New Jersey Natural Gas Company ("Company," or "NJNG") filed its annual BGSS petition, requesting a decrease in its BGSS revenues of \$22.2 million (including taxes). The Company's filing sought to decrease its periodic BGSS rate for applicable sales customers from \$0.8828 per therm (including taxes) to \$0.8346 per therm (including taxes) for the BGSS year of October 1, 2010 through September 30, 2011, to be effective October 1, 2010. This proposal included an increase in NJNG's balancing charge from \$0.0789 per therm (including taxes) to \$0.0886 per therm (including taxes). The net effect of the requested BGSS and

balancing charge changes represented a decrease of approximately \$4.82 per month, or 3.5% for the average residential sales heating customer using 100 therms per month.

Also on June 1, 2010, NJNG made a Conservation Incentive Program ("CIP") filing that proposed to revise the level of its CIP¹ recovery rates for the CIP year, October 1, 2010 through September 30, 2011. In this filing, the Company sought approval for the following changes to its after-tax per therm CIP factors: (i) a decrease from a charge of \$0.0435 for Group I Residential Non-Heat customers to a credit of \$0.0033, (ii) an increase in the charge from \$0.0079 to \$0.0179 for Group II Residential Heat customers, (iii) an increase in the charge from \$0.0184 to \$0.0339 for Group III Small Commercial Customers, and (iv) an increase in the charge from \$0.0260 to \$0.0278 for Group IV Large Commercial Customers effective as of October 1, 2010. As proposed the Company's request would result in a total increase in revenues to NJNG of approximately \$5.05 million which translates into an increase of approximately \$1.00 per month or 0.7%, for the average residential heating customer using 100 therms per month without recognition of the then proposed reductions in BGSS costs described above. The recovery of non-weather related CIP charges is limited to corresponding decreases in specific supply related costs that have been incorporated in the Company's BGSS rates. The Company reported total CIP related revenue of \$13.2 million with \$7.7 million weather related and \$5.47 million non-weather related. Total reductions in capacity based BGSS costs were \$5.52 million.

NJNG's petition also requested no change in its WNC rate of \$0.0001 per therm after taxes through December 31, 2010. The Company proposed to eliminate the WNC billing factor effective January 1, 2011, and transfer the remaining WNC over or under recovery balance to the Company's BGSS balance.

The net annual revenue decrease to the Company from the BGSS decrease, balancing charge increase, the CIP revisions, maintenance and subsequent discontinuance of the then current WNC rate was approximately \$17.1 million (including taxes). Approval of the combined proposed changes in the Company's BGSS, balancing charge, CIP, and WNC rates would result in a net decrease of approximately 2.8% or \$3.82 per month after taxes to the bill of an average residential heating customer using 100 therms per month.

Two public hearings in this matter were held in Freehold and Rockaway, New Jersey on July 26, 2010 and August 2, 2010, respectively. The public notice also advised customers that the Board's January BGSS Order granted the Company the discretion to self-implement an increase in its BGSS rates to be effective December 1, 2010 and/or February 1, 2011, if needed, after prior notice to the Board and Rate Counsel, with each increase capped at 5% of the NJNG residential bill. The public notice also stated that the Company is permitted to decrease its BGSS rate at any time upon two weeks' notice to the Board and Rate Counsel. No members of the public appeared at the hearings to provide comments related to the Company's request to decrease its Periodic BGSS rates, revise its CIP rates, or maintain, and subsequently eliminate, its WNC rates.

¹ The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 and extended by an Order dated January 20, 2010. 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. The CIP surcharge is also subject to a ROE cap of 10.3%.

Following a review by, and subsequent discussions among representatives of NJNG, Rate Counsel, and Board Staff, the only parties to this proceeding (collectively, "the Parties"), entered into a Stipulation for Provisional Rates dated August 24, 2010 ("Stipulation") in which they agreed that the Company's requested balancing charge, BGSS, CIP, and WNC rates should be implemented on a provisional basis. The Stipulation solely addressed establishing new provisional Periodic BGSS and CIP rates and maintaining the then proposed current WNC rate through December 31, 2010, for the Company. The Parties recognized in the Stipulation that additional time was needed to allow for a complete review of the Company's 2010 BGSS, CIP, and WNC filings. The Stipulation provided for a provisional decrease in the Company's Periodic BGSS rate to \$0.8346 per therm after tax; and the implementation of per therm after tax CIP rates for Group I Residential Non-Heat customers of a \$0.0033 credit, Group II Residential Heat customers of a \$0.0179 charge, Group III General Service – Small Commercial Customers of a \$0.0339 charge, and Group IV General Service – Large Commercial Customers of a \$0.0278 charge; and maintenance of the WNC factor of \$0.0001 per therm including taxes through December 31, 2010 with any remaining balance transferred to the Company's BGSS balance as of January 1, 2011. The Parties agreed that it would be both reasonable and in the public interest for the Board to authorize the proposed BGSS, CIP, and WNC rate changes on a provisional basis with any net over-recovery of BGSS costs at the end of the BGSS period credited with appropriate interest to the Company's Periodic BGSS clause. The Stipulation provided for BGSS/CIP/WNC rates that would produce a net decrease in the Company's annual revenue in the amount of approximately \$17.1 million. The impact of the rate change components that were provisionally implemented were as follows: a BGSS 3.5 percent decrease (applicable only to residential and small commercial customers), a CIP 0.7 percent increase and the WNC remained unchanged. The stipulated change represented an overall decrease from current rates of approximately 2.8%, or \$3.82 per month, for a typical residential sales service customer using 100 therms per month.

On September 16, 2010, the Board approved the Stipulation.

Subsequently, the matter was transmitted to the Office of Administrative Law ("OAL") for additional proceedings and evidentiary hearings if needed, and was assigned to Administrative Law Judge ("ALJ") Walter M. Braswell.

On January 1, 2011, the WNC balance at that time, in the amount of \$867.29, was transferred to the Company's BGSS balance.

Following further review and discussions, the Parties entered into the attached Stipulation for Final Rates dated March 24, 2011.

THE PROPOSED STIPULATION²

The key provisions of the Stipulation for Final Rates are as follows:

- 1) The BGSS rate of \$0.8346 per therm including taxes, approved by the Board on a provisional basis, shall be deemed to be the final rate.

² Although described at some length in this Order, should there be any conflict between this summary and the Stipulation for Final Rates, the terms of the Stipulation for Final Rates control, subject to the findings and conclusion in this Order.

- 2) The balancing charge of \$0.0886 per therm including taxes shall be deemed to be the final rate.
- 3) The following CIP rates, on a per therm after tax basis, shall be deemed to be final rates: a credit of \$0.0033 for Group I Residential Non-Heat Customers, a charge of \$0.0179 for Group II Residential Heat Customers, a charge of \$0.0339 for Group III General Service - Small Commercial Customers, and a charge of \$0.0278 for Group IV General Service – Large Commercial Customers.
- 4) The Company will generate BGSS savings of \$217,305 for CIP purposes, related to the Company's non – renewal of a contract expiring on March 31, 2011, for 10,000 dekatherms per day of winter-season-only firm transportation capacity on Dominion Transmission, Inc. Such savings are appropriate to include within NJNG's CIP BGSS savings calculation beginning in fiscal year 2012.

On April 4, 2011, ALJ Braswell issued his Initial Decision recommending Board approval of the Stipulation for Final Rates finding the Stipulation for Final Rates to be voluntary, dispositive of all issues in controversy, in the public interest and in accordance with the law.

DISCUSSION AND FINDINGS

The Board, having carefully reviewed the Initial Decision and Stipulation for Final Rates in this proceeding, **HEREBY FINDS** that, subject to the terms and conditions set forth below, the Initial Decision and Stipulation for Final Rates are reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** their terms and conditions as though fully set forth herein.

The Board **HEREBY DIRECTS** that the decrease in the Company's after-tax per-therm Periodic BGSS rate to \$0.8346, applicable to residential and small commercial customers, be made final, effective as of the date of this Order. Any net over-recovery on the BGSS balance at the end of the BGSS period shall be subject to refund with interest.

The Board **HEREBY DIRECTS** that the increase in the Company's after-tax per-therm balancing charge to \$0.0886 per therm, be made final, effective as of the date of this Order.

The Board **HEREBY DIRECTS** that the Company's after-tax per-therm CIP rates of a credit of \$0.0033 for Group I Residential Non-Heat Customers, a charge of \$0.0179 for Group II Residential Heat Customers, a charge of \$0.0339 for Group III General Service - Small Commercial Customers, and a charge of \$0.0278 for Group IV General Service - Large Commercial Customers, be made final effective as of the date of this Order.

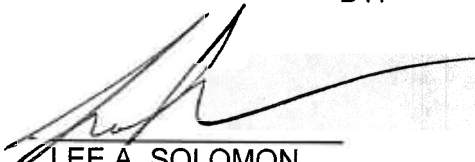
The Board **HEREBY FINDS** that the Company will generate BGSS savings of \$217,305, related to the Company's non – renewal of a contract expiring on March 31, 2011, for 10,000 dekatherms per day of winter-season-only firm transportation capacity on Dominion Transmission, Inc. The Board **HEREBY DIRECTS** that such savings be included within NJNG's CIP BGSS savings calculation beginning in fiscal year 2012.


The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within ten (10) business days from the date of this Order.

The Company's gas costs 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.

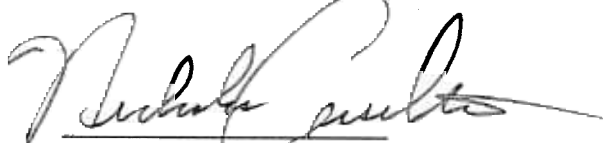
DATED: 4/27/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST: 
KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In the Matter of the Petition of New Jersey Natural Gas Company
For the Annual Review and Approval of Its Basic Gas Supply
Service (BGSS), its Conservation Incentive Program (CIP)
Factors and for Modification to its Weather Normalization Clause (WNC)
Factor For Fiscal Year 2011
Docket No. GR10060382

Service List

Tracey Thayer, Esq.
New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719

Edward Beslow, Esq.
Legal Specialist
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, NJ 07102

Scott Sumliner, Acct. 1
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila DeLucia, Chief
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Anne-Marie Shatto, DAG
Department of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Henry Rich, Adm. Analyst 1
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Babette Tenzer, DAG
Department of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Jerome May, Director
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Judy Appel, Esq.
Henry Ogden, Esq.
Division of Rate Counsel
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, NJ 07102



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, NJ 07102
(973) 648-6008

**A copy of the administrative law
judge's decision is enclosed.**

NEW JERSEY NATURAL GAS CO
RECEIVED

APR 1 1 2011

REGULATORY AFFAIRS



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 10594-10

AGENCY DKT. NO. GR10060382

**IN THE MATTER NEW JERSEY NATURAL GAS
COMPANY'S ANNUAL REVIEW AND REVISION
OF ITS BASIC GAS SUPPLY SERVICE (BGSS),
ITS CONSERVATION INCENTIVE PROGRAM
(CIP) FACTORS AND FOR MODIFICATION TO ITS
WEATHER NORMALIZATION CLAUSE (WNC)
FACTOR 2011**

Tracey Thayer, Esq., for petitioner (New Jersey Natural Gas)

Alex Moreau, and Kerri Kirschbaum, Deputy Attorney Generals (Paula T. Dow,
Office of the Attorney General)

Henry Ogden, Esq., appearing on behalf of the Division of Rate Counsel

Record Closed: April 4, 2011

Decided: April 4, 2011

BEFORE WALTER M. BRASWELL, ALJ:

This matter was transmitted to the Office of Administrative Law (OAL) on October 4, 2011 for resolution as a contested case pursuant to N.J.S.A. 16:41C-8.7(b)3.

A telephone pre-hearing was conducted on October 21, 2011. An evidentiary hearing was scheduled for January 6, 2011. Prior to the hearing date the parties reached a tentative settlement and requested the matter be adjourned. On March 24, 2011 a copy of the fully executed Settlement Agreement was submitted. On April 4, 2011 the original Settlement Agreement was received by the OAL indicating the terms of the agreement, which are incorporated herein by reference.

Having reviewed the contents of the attached Settlement Agreement, I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures and/or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I approve the settlement and, therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

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

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.

4-4-2011
DATE

Walter M. Braswell
WALTER M. BRASWELL, ALJ

Date Received at Agency:

APRIL 7, 2011

APRIL 8, 2011
DATE
ljb

Lucia Sanders
DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE
OFFICE OF ADMINISTRATIVE LAW



New Jersey
Natural Gas

March 24, 2011

VIA ELECTRONIC AND REGULAR MAIL

The Honorable Walter Braswell
Office of Administrative Law
33 Washington Street
Newark, NJ 07102

**Re: IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR THE ANNUAL REVIEW AND APPROVAL OF ITS BASIC
GAS SUPPLY SERVICE (BGSS), ITS CONSERVATION
INCENTIVE PROGRAM (CIP) FACTORS, AND FOR
MODIFICATION TO ITS WEATHER NORMALIZATION (WNC)
FACTOR FOR FISCAL YEAR 2011**

**OAL Docket No. PUCRL 10594-2010N
BPU Docket No. GR10060382**

Dear Judge Braswell:

I am pleased to report that a Stipulation of Settlement has been entered into among New Jersey Natural Gas Company, the Staff of the New Jersey Board of Public Utilities and the New Jersey Division of Rate Counsel, the only parties to the above captioned proceeding. A copy of the fully executed document is attached hereto. Please advise if you need the Stipulation to be provided with original signature pages. If you have any questions or need additional information, I can be reached at (732) 919-8025.

Respectfully submitted,

A handwritten signature in black ink that reads "Tracey Thayer".

Tracey Thayer, Esq.
Director, Regulatory Affairs Counsel

C: Service List (electronically only)

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

IN THE MATTER OF THE PETITION OF)	
NEW JERSEY NATURAL GAS COMPANY)	
FOR THE ANNUAL REVIEW AND)	BPU DOCKET NO. GR10060382
REVISION OF ITS BASIC GAS SUPPLY)	OAL DOCKET NO. 10594-2010N
SERVICE (BGSS), ITS CONSERVATION)	
INCENTIVE PROGRAM (CIP) FACTORS)	
AND FOR MODIFICATION TO ITS)	
WEATHER NORMALIZATION CLAUSE)	
(WNC) FACTOR FOR F/Y 2011)	

STIPULATION FOR FINAL RATES

APPEARANCES:

Tracey Thayer, Esq., New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

Judith B. Appel, Esq. and Henry M. Ogden, Esq., Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Anne Marie Shatto, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

TO: THE HONORABLE WALTER BRASWELL, ADMINISTRATIVE LAW JUDGE

BACKGROUND

1. New Jersey Natural Gas Company ("NJNG" or the "Company") filed a petition in Docket No. GR10060382 on June 1, 2010 ("June 1 Filing") requesting that the New Jersey Board of Public Utilities (the "BPU" or "Board") approve NJNG's annual filing to establish new Basic Gas Supply Service ("BGSS") rates for the period October 1, 2010 through September 30, 2011, approve the implementation of updated Conservation Incentive Program ("CIP") factors

effective October 1, 2010, and eliminate the current Weather Normalization Clause (“WNC”) rate related to recovery from the 2005-2006 winter period effective January 1, 2011. The Company also proposed to transfer any remaining WNC over or under recovery balance to the Company’s BGSS balance at that time.

2. Specifically, the petition requested that the BPU approve a decrease of \$0.0482 per therm after-tax to NJNG’s periodic BGSS rate that is applicable to residential and small commercial customers subject to the Periodic BGSS Pricing Mechanism, effective October 1, 2010, thereby decreasing NJNG’s annual BGSS after-tax rate from \$0.8828 per therm to \$0.8346 per therm.¹ This requested change represents a BGSS decrease of approximately \$4.82 per month, or 3.5 percent, for the average residential sales heating customer using 100 therms per month. NJNG’s filing was based on market conditions as of April 30, 2010 based on a one-year BGSS recovery period. This proposal would decrease NJNG’s after-tax BGSS revenues by \$22.2 million.

3. The petition also requested a \$0.0097 per therm increase to the NJNG after-tax balancing charge, thereby increasing the per therm after-tax balancing charge from \$0.0789 to \$0.0886. As approved by the Board on October 3, 2008 in BPU Docket No. GR07110889 (“Base Case Order”), NJNG is authorized to adjust its balancing charge in the annual BGSS filing to reflect updated costs. All Balancing Charge revenues from transportation customers are credited to BGSS. For sales customers, the balancing charge is deducted from the BGSS charge and included as a component of the delivery charge.

¹ The June 1 filing also included testimony, schedules and data that are responsive to and consistent with the Minimum Filing Requirements (MFRs) for annual BGSS filings, pursuant to the Board’s generic BGSS Order in Docket No. GX01050304.

4. Within the June 1 filing, the Company submitted its annual CIP filing for CIP year 2011, October 1, 2010 through September 30, 2011, requesting that the BPU approve the implementation of updated CIP factors effective October 1, 2010. In this filing, the Company sought approval for the following changes to its after-tax per therm CIP factors: (i) a decrease from a charge of \$0.0435 for Group I Residential Non-Heat customers to a credit of \$0.0033, (ii) an increase in the charge from \$0.0079 to \$0.0179 for Group II Residential Heat customers, (iii) an increase in the charge from \$0.0184 to \$0.0339 for Group III Small Commercial customers, and (iv) an increase in the charge from \$0.0260 to \$0.0278 for Group IV Large Commercial customers effective as of October 1, 2010. This proposal would result in an overall after-tax increase of \$5.05 million to annual CIP-related revenues, which have been offset by reductions in gas costs, as described below. The CIP changes, without recognition of the reductions in BGSS costs, represent an increase of approximately \$1.00 per month, or 0.7 percent, for the average residential sales heating customer using 100 therms per month. Pursuant to the Board's October 12, 2006 and January 20, 2010 Orders in Docket No. GR05121020, any non-weather related CIP charges must be at least offset by reductions in related BGSS costs. The Company reported total CIP related accruals of \$13.19 million with \$7.72 million related to weather and \$5.47 million non-weather related. Total reductions in capacity based BGSS costs were \$5.52 million.

5. Additionally, the Company proposed the elimination of the Company's Weather Normalization Clause ("WNC") rate related to recovery from the 2005-2006 winter period effective January 1, 2011. Based upon actual volumes of natural gas sold between October 2009 and April 2010 and projected volumes for May 2010 through September 2010, the Company estimated that it would not have collected the authorized funds related to the WNC 2005-2006

Winter Period as of September 30, 2010. By maintaining the current WNC rate of \$0.0001 per therm after-tax for three additional months, the Company anticipated recovering the remaining WNC balance over the period ending December 31, 2010. As of January 1, 2011, the Company eliminated the WNC rate and transferred \$867.29 of the remaining WNC balance to the Company's BGSS balance.

6. The changes to the BGSS and CIP rates would result in a requested overall decrease of approximately \$3.82 per month, or 2.8 percent, to the average residential heating customer using 100 therms per month. The impact to the average residential non-heating customer from this request would be a decrease of 5.7 percent per month and to the average small commercial customer a decrease of 2.2 percent per month. Since the BGSS change does not impact larger commercial customers to whom the monthly BGSS rate is applicable, the impact of this filing would result in a 0.2 percent increase from the CIP change to the average Group IV customer. The resulting overall decrease in annual after-tax revenue resulting from both the proposed BGSS decrease and the CIP-related rate changes is approximately \$17.1 million.

7. Public hearings on these petitions were held on July 26, 2010 in Freehold Borough and on August 2, 2010 in Rockaway Township. No members of the public appeared at the public hearings.

8. In August 2010, NJNG, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively the Parties), the only Parties to these proceedings, discussed certain matters at issue and determined that additional time was needed to complete the full review of NJNG's proposed BGSS rates, the proposed balancing charge, the proposed CIP rates, the proposed treatment of the WNC rate and other aspects of the Company's BGSS and

CIP filings. However, the Parties agreed that the implementation of the decrease to the Company's BGSS prices, the increase to the balancing charge, the modifications to the CIP rates and maintenance of the current WNC rate through December 31, 2010, on a provisional basis, was reasonable and in the public interest. Accordingly, the Parties executed a Stipulation on August 24, 2010 establishing the above rates on a provisional basis. The Board adopted the terms of the Stipulation in an Order dated September 16, 2010 ("September 16 Order").

9. The September 16 Order authorized the following rates, all on a per therm, after-tax basis: 1) a periodic BGSS rate of \$0.8346; 2) a balancing charge of \$0.0886; 3) the following CIP rates: (\$0.0033) for Group I Residential Non-Heat customers, \$0.0179 for Group II Residential Heat customers, \$0.0339 for Group III Small Commercial customers, and \$0.0278 for Group IV Large Commercial customers; and 4) the maintenance of the current WNC rate of \$0.0001 through December 31, 2010 with any remaining balance transferred to the Company's BGSS balance as of January 1, 2011.

10. Based on the September 16 Order, the rate changes described in Paragraph 9 herein were effective as follows: the BGSS rate decrease was effective on September 16 and the balancing, CIP and WNC rate changes were effective as of October 1, 2010. The rate changes were approved on a provisional basis, subject to refund with interest on any net BGSS and/or CIP over-recovery, an opportunity for a full review at the Office of Administrative Law (OAL), if necessary, and final approval by the Board.

11. The impact of the provisional rate changes provided an overall decrease for a typical residential heating customer using 100 therms a month of \$0.0382 per therm after-tax, approximately 2.8 percent, or \$3.82 per month. The impact of the rate change components when implemented was as follows: BGSS 3.5 percent decrease and CIP 0.7 percent increase with

WNC remaining the same. The overall impact to the average residential non-heating sales customer was a decrease of 5.7 percent (\$2.38/month) and to the average small commercial sales customer these changes represented a decrease of approximately 2.2 percent (\$3.27/month). Large commercial sales customers were not affected by changes in the BGSS charge because they are subject to monthly BGSS market pricing for their natural gas supply. However, delivery rates for these customers increased due to the CIP rate change noted above by approximately 0.2 percent or \$2.16/month for a customer using 1200 therms a month. These rate changes led to an overall decrease in annual after-tax revenue to NJNG of approximately \$17.1 million.

12. On December 10, 2010, NJNG submitted updated tariff sheets to the Parties that reflected the elimination of the WNC rate. The January 2011 BGSS Report includes the application of the remaining WNC balance of \$867.29 to the BGSS balance.

13. The Parties have agreed to settle this proceeding and agree that the Board should make the provisional rates final.

Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by representatives of NJNG BPU Staff and Rate Counsel (the "Signatory Parties") as follows:

STIPULATED MATTERS

14. The Signatory Parties have discussed this case and agree that it is reasonable and in the public interest to have the provisional rates, as enumerated in paragraph 9 herein, made final.

15. As detailed in the testimony of Jayana Shah filed in this proceeding, NJNG will generate BGSS savings of \$217,305 for CIP purposes by not renewing a contract for 10,000 dekatherms per day of winter-season-only firm transportation capacity on Dominion

Transmission, Inc. That contract expires on March 31, 2011. The Parties agree that such savings are appropriate to include within the CIP BGSS savings calculation beginning in fiscal year 2012.


16. 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(s), 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.

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

18. 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, the Board, its 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.

WHEREFORE, the Signatory Parties hereto do respectfully submit this Stipulation and request that an Initial Decision be issued, approving it in its entirety and in accordance with the terms hereof, as soon as reasonably possible.

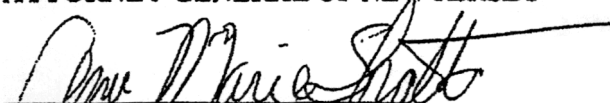
**NEW JERSEY NATURAL GAS
PETITIONER**


TRACEY THAYER, ESQ.
New Jersey Natural Gas

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, ESQ.
DIRECTOR**


JUDITH APPEL, ESQ.
ASSISTANT DEPUTY RATE COUNSEL

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES
PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY**

By: 
ANNE MARIE SHATTO, DAG
DEPUTY ATTORNEY GENERAL

Date: *March 24, 2011*