



Agenda Date: 07/22/15
Agenda Item: 2D

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY)
NATURAL GAS COMPANY FOR APPROVAL OF THE)
EXTENSION OF ENERGY EFFICIENCY PROGRAMS)
AND THE ASSOCIATED COST RECOVERY)
MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1) DOCKET NO. GO14121412

Parties of Record:

Andrew Dembia, Esq., New Jersey Natural Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") is considering a Stipulation ("Stipulation") signed by New Jersey Natural Gas Company ("NJNG" or "Company"), the Staff of the Board ("Board Staff"), and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "the Parties") which resolves all issues in NJNG's request to continue with modifications energy-efficiency programs through The SAVEGREEN Program previously approved by the Board.

BACKGROUND AND PROCEDURAL HISTORY

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law. Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1(a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis. Investment in energy efficiency and conservation programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board. N.J.S.A. 48:3-98.1 requires the Board to decide cost recovery issues within 180 days ("Review Period"). Board Staff must

review a petition for administrative completeness with respect to the minimum filing requirements set forth in the Board's May 12, 2008 Order¹ within 30 days of the filing date. If the petition is determined to be complete, the Review Period commences from the date the petition was filed. In the event a petition is determined to be incomplete, the Review Period commences on the date information is provided that allows Staff to find that the filing is administratively complete.

On January 19, 2009, NJNG filed a petition with the Board. In the filing, NJNG sought approval to implement three energy efficiency programs. On July 17, 2009, the Board authorized NJNG to implement three energy efficiency programs: 1) Home Performance with Energy Star ("HPES") Enhancements; 2) Enhanced Warm Advantage Rebate Program; and 3) Commercial Customer Direct Install Program (collectively, "Original Programs"). The programs were designed to complement or supplement existing New Jersey Clean Energy Program ("NJCEP") offerings including the ongoing WarmAdvantage, COOLAdvantage, HPES, Commercial Direct Install and Smart Start Building programs. The Original Programs were to be available to eligible customers for approximately twelve months. In the event there was still program funding available after that period, NJNG could continue to offer the approved programs through December 31, 2010.

By Order dated September 24, 2010, the Board authorized NJNG to extend and expand the Original Programs through December 31, 2011.² In addition to approving modifications to the Original Programs, the September 2010 Order also authorized the Company to implement an OPOWER pilot through which customers obtain information about their specific energy use in comparison to comparable households, an incremental incentive for Combined Heat and Power ("CHP") projects undertaken in conjunction with NJCEP, and a program that offers eligible commercial customers an opportunity for customized provisions, Fostering Environmental and Economic Development ("FEED") (collectively, "NJNG SAVEGREEN Program").

By Order dated January 18, 2012, the Board further extended the SAVEGREEN Program, with modifications, for an additional 12 months.³ In addition, NJNG also received approval to implement its proposed Access Program, which offered higher efficiency heating equipment through conversions to natural gas for electric heat customers receiving benefits from the Universal Service Fund Program. By Order dated June 21, 2013, the Board authorized NJNG to further extend the SAVEGREEN Program, with modifications, through June 30, 2015.⁴

¹ In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing In Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in Their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. EO08030164 (May 12, 2008).

² In re the Petition of New Jersey Natural Gas for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanisms Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO10030225 (September 24, 2010).

³ In re the Petition of New Jersey Natural Gas Company for Approval of an Extension of the Energy Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GR11070425 (January 18, 2012).

⁴ In re the Petition of New Jersey Natural Gas Company for Approval of an Extension of the Energy Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket Nos. GO12070640 and GR12070641 (June 21, 2013).

On December 17, 2014, NJNG filed the instant petition with the Board ("2014 Petition"). In the filing, the Company seeks approval to continue, with modifications, the current energy-efficiency programs and the no-interest on-bill-repayment-program ("OBRP") offered in the NJNG SAVEGREEN Program over a three year period beginning no later than July 2015. The petition also requests approval for a continuation of the Board-approved mechanism for cost recovery. The total proposed gross investment for these programs is \$127.95 million. NJNG proposes to continue to recover the costs through the current Rider F in NJNG's tariff.

On January 16, 2015, Board Staff notified the Company that the 2014 Petition was not deemed administratively complete. On January 26, 2015, the Company filed the supplemental information requested by Board Staff. On February 18, 2015, Board Staff, upon its review of the supplemental information, determined that the filing was administratively complete. Therefore, pursuant to the Board's May 2008 Order, the Review Period commenced on January 26, 2015 and will end on July 25, 2015.

Public hearings on this petition were held on April 20, 2015 in Rockaway Borough and on April 21, 2015 in Freehold Township. No members of the public appeared at any of the public hearings, and no written comments were received by the BPU, NJNG, or Rate Counsel.

On February 11, 2015, the Board designated Commissioner Chivukula as the Presiding Officer with the authority to rule on all motions that arose during the pendency of this case, and modify any schedules as necessary to secure a just and expeditious determination of the issues. The Order also authorized Commissioner Chivukula to grant a single extension of the Review Period if all parties so agreed. By Order dated March 31, 2015, Commissioner Chivukula approved a procedural schedule in this matter which was subsequently amended on consent of the Parties.

On June 19, 2015, the Board approved an agreement among the Parties, extending the existing SAVEGREEN Program and the Review Period for the 2014 Petition to July 31, 2015. The agreement further allowed Rate Counsel additional time, until June 25, 2015, to file its testimony and allowed the Company to continue to provide and fund the current SAVEGREEN Program as approved in the June 2013 Order using the existing energy efficiency program monthly unspent portion of the budget amounts of \$3.2 million for the residential programs and \$.3 million for the commercial programs, or \$3.5 million in total.

As previously noted, on July 7, 2015, the Parties executed the Stipulation.⁵

STIPULATION

10. The Parties agree that NJNG can continue the SAVEGREEN programs and implement proposed changes described herein commencing on August 1, 2015 through July 31, 2017. Schedules showing the expected participation rates from the program and detailing the proposed program investments, and other expenditures, and expected revenue requirements and rate impacts are provided in Attachment A hereto. The stipulated investment and operation and maintenance expenses are summarized below:

⁵ 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 conclusions contained in this Order.

Program Investment (\$Millions)

Residential Program	\$ 67.630
Commercial Program	<u>7.520</u>
Total Program Investment	\$ 75.150
Operation and Maintenance	
Energy Audits	\$ 4.384
Administration, Program Management, Quality Assurance/Quality Control and Evaluation	<u>5.704</u>
Total Investment & O&M	\$ 85.238

11. Attachment A shows the total program budget, inclusive of program investments and O&M costs, of \$47.687 million for the first year, and \$37.551 million for the second year of the two year period ending July 31, 2017.

12. The Parties agree that, in resolution of this proceeding, NJNG can continue the SAVEGREEN programs with the modifications proposed in the 2014 Petition, subject to the changes and other terms and conditions provided in this Stipulation. Detailed descriptions of the agreed SAVEGREEN programs are shown on Attachment B hereto.

13. Since the inception of the SAVEGREEN Program, for customers implementing HPwES Tier II and Tier III measures and receiving OBRPs from NJNG, the Company has paid grants in the amounts available under the NJCEP HPwES program in lieu of the Office of Clean Energy paying the grants. Pursuant to this settlement, the Company agrees to eliminate the NJNG funding of the NJCEP grant portion of the HPwES program. The Company commits to working with the new NJCEP Program Administrator on the transition of the HPwES direct incentives and agrees to implement the elimination of the NJNG funding within 6 months of the new Program Administrator's contract effective date as set forth in the Board's Order approving same or no later than June 30, 2016.

14. Work related to any specific SAVEGREEN offer or application that has been initiated prior to the end date of July 31, 2017 may continue for close-out and completion purposes within the budget levels agreed to herein.

15. The Parties agree that NJNG is permitted to shift funds between the anticipated grant and OBRP budget projections, subject to actual participation levels and overall budget considerations. Consistent with the terms of the June 2013 Order, the Company agrees to provide written notice to the BPU Staff and Rate Counsel for any proposed changes between residential and commercial program funding levels or any change in incentive amounts resulting from Board approved changes to NJCEP incentive levels, including a description of the proposed budget re-allocation with supporting schedules. Additionally, in light of the two- year term, the Company is permitted to carry forward up to 15 percent of the approved investment for the residential and commercial programs to the subsequent year. Furthermore, if applicable funds approved for SAVEGREEN through July 31, 2017 are not fully expended or committed by July 31, 2017, NJNG will transfer those amounts to the proposed program work in future years. The Parties agree that should there be a prospective change to an NJCEP program for which the Company has a corresponding SAVEGREEN counterpart; the Company will modify its counterpart program to be consistent with the NJCEP program. The Company agrees to implement such modified offering within sixty (60) days of the BPU Order approving the modification to the NJCEP program, or a date as determined by the BPU unless a longer

transition time is necessary to perform the required implementation activities by the Company or if it may better align with NJCEP implementation dates as determined by the BPU. If a longer transition is needed, the Company will notify the Parties and explain the reasoning and need for the longer timeframe.

16. The Parties agree that the current independent evaluation of the SAVEGREEN programs being performed by Apprise and due to be completed no later than January 1, 2016, under the June, 2013 Order will include, but is not limited to, analyses of the following issues:

1. What is the incremental benefit of the NJNG incentives, over and above the NJCEP-provided incentives?
2. What modifications to the budgets, marketing approaches, and/or target participation rates would enhance the effectiveness and cost-effectiveness of NJNG's programs?
3. Are customer audits effective at encouraging customers into whole-house or whole-facility programs? Are there ways the realization rate for this transition could be improved?
4. What insight can be gained into the true magnitudes of the free-ridership and spillover effects?

17. The Company will provide the results of the evaluation, together with all supporting data, analysis and work papers, to BPU Staff and Rate Counsel no later than January 1, 2016, and will meet with BPU Staff and Rate Counsel no later than February 1, 2016 to discuss the outcome from this evaluation and any implications to be considered for future SAVEGREEN program modifications.

18. The Company agrees to work collaboratively with the Parties and meet on a regular basis over the next eighteen months, but no less than quarterly, to discuss program design, measurement and verification, and data acquisition. The following issues to be addressed in this collaborative process include, but are not limited to, the following:

1. Standardization of program elements among utilities offering similar programs, including a goal for percentage of projects to be completed in distressed communities;
2. Standardization of evaluation processes and schedules;
3. Standardization of data collection and reporting requirements;
4. Development of energy savings targets;
5. Development of standardized inputs and methodologies for cost-benefit analyses ("CBAs") including a standardized method for determination of avoided electric capacity costs and avoided electric and gas distribution costs;
6. Assuring that utility programs provide incremental benefits that exceed their incremental costs;
7. Consideration of the revenue and cost impacts resulting from providing incentives to customers converting to natural gas from other fuels;
8. Focusing utility programs on markets that are not adequately served by NJCEP programs;

19. All future cost-benefit analyses ("CBAs") of the Company's energy efficiency programs will include the following five cost-benefit tests: the Participant Cost Test ("PCT"), the Program Administrator Cost ("PAC") Test, the Ratepayer Impact Measure ("RIM") Test,

the Total Resource Cost ("TRC") Test, and the Societal Cost Test ("SCT"). The Company agrees to include the following in future CBAs:

- a. Identification and explanation of which incentives are to be provided by the company and which by NJCEP;
- b. An estimate of the hypothetical participation rates that would be achieved by the NJCEP programs in the absence of NJNG's programs and its supplementary incentives;
- c. The Company will present CBAs based on the incremental effect of the utility's programs in addition to the combined-impact CBA that the Company currently provides;
- d. The Company will ensure that its costs and benefits reflect consistent assumptions such that it matches expected incentives to expected incremental costs; and
- e. The participant benefit/utility cost associated with interest-free loans will be calculated as the present-value sum of the foregone interest payments, and not as the simple sum.

20. The Parties agree that to the extent that the Company requires an extension of time for submittal of the evaluation referenced in paragraphs 16 and 17, the Company will advise Board Staff and Rate Counsel so that a mutually acceptable date for submittal can be agreed upon.

21. The Parties agree that the Company can continue its Fostering Environmental and Economic Development ("FEED") program as currently structured. The Company shall seek BPU approval for any prospective FEED program modifications.

22. The Parties agree that the OPOWER pilot program, as fully described in Attachment B, will continue through 2017.

23. The Parties agree that the Company will be authorized to defer and seek recovery of all reasonable and prudent SAVEGREEN Program Costs, including the grant costs, customer incentives, and associated reasonable and prudent incremental O&M expenses as noted on Attachment A herein. The grant costs, customer incentives, customer financing costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG's Rider F and separately tracked through a sub-component of Rider F called EE Extension "2015" ("EEEx2015"). Annual true-up filings should separately breakout the expenses, investments, unamortized investments and revenue requirement calculations for the original program, and each extension thereafter including the extension which is the subject of this Stipulation. The SAVEGREEN Program Costs shall be subject to the terms set forth in Rider F and shall be recovered through a per-therm EE charge relative to all applicable jurisdictional throughput on the NJNG distribution system as provided in Rider F. Proposed Tariff sheets are provided as Attachment C hereto.

24. The calculation of the carrying costs on the average monthly balances of under-or-over-recovery of deferred costs shall be subject to the terms under Rider F and as described in more detail in the Board's Order in BPU Docket Nos. EO09010056 and EO09010057, dated July 17, 2009. The interest rate shall not exceed the overall rate of return as authorized by the Board in NJNG's pre-tax WACC as identified in Paragraph 25 of the Stipulation or as authorized in NJNG's subsequent base rate case.

25. NJNG agrees that the SAVEGREEN program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period, on a straight line basis, with the return of the investment and return on the unamortized investments based upon a rate of 6.69 percent as shown in the capital structure below.

SAVEGREEN Capital Structure					
March 31, 2015					
Type	Amount	Ratio	Cost	Weighted Cost	Pre-Tax
Long Term Debt	\$ 608,693	41.73%	3.47%	1.45%	1.45%
Short Term Debt	66,000	4.52%	1.00%	0.05%	0.05%
Customer Deposits	6,692	0.46%	0.11%	0.00%	0.00%
Common Equity	<u>777,272</u>	<u>53.29%</u>	9.75%	<u>5.19%</u>	<u>8.78%</u>
	\$1,458,657	100.00%		6.69%	10.28%

26. The Parties agree that any change in the Weighted Average Cost of Capital ("WACC") authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations as of the date of the next scheduled annual true-up.

27. As currently structured, the customer repayment periods for the OBRP offers will be three, five and ten years, depending on the program and total OBRP funds made available. In computing the return component of its costs, NJNG will, in addition to a reduction for the accumulated amortization of its investments, deduct the applicable deferred income taxes related to the amortization of SAVEGREEN Program costs over a three-year, five-year and ten-year period for book purposes and over one-year for tax purposes. NJNG will continue to calculate the monthly net investment balances by subtracting from the monthly net investment balances the current month-end accumulated amortization balances.

28. The SAVEGREEN program investments and operating costs will be reconciled to actual recoveries from the EE Rate in the EE Rate Recovery filings to be submitted in June of each year, for which the Company may seek recovery. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.

29. The Company will make an EE Rate Recovery filing in July 2015 seeking an October 1, 2015 effective date. The Company will include in its annual EE Rate Recovery filings the MFRs set forth in Attachment D.

30. The Company shall separately track the dollar amount with the type of electric measures installed and included in its investments on an annual basis. It shall also include the estimated savings associated with these electric measures and the basis for these calculations.

31. The Company will continue to report, on a Quarterly basis i) the number of full-time equivalents that the Company hires to perform work associated with the SAVEGREEN programs; ii) the number of full-time equivalents that entities under contract with the Company hire to perform work with the SAVEGREEN program; iii) the number of SAVEGREEN program participants; iv) OBRP metrics such as, but not limited to, loan performance; and v) program expenditures and commitments.

32. NJNG will continue to submit detailed data regarding the SAVEGREEN programs and expenses through the Program Manager Data Tracking Sheets (IMS Data Entry Workbooks) as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN programs. The Company will continue to submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report or consistent with the timing dictated by NJCEP's Program Coordinator.

DISCUSSION AND FINDINGS

Although much has changed since the Board initially approved NJNG's SAVEGREEN Program on July 17, 2009, the Board remains committed to the principles stated in that Order. Energy efficiency investments, if properly implemented, serve to help the State meet its environmental needs, serve the need to provide jobs in the short term, and can enhance the State's competitiveness, business climate, and economic prospects in the long term. As indicated by the public response to the Company's current program, NJNG has been able to build on its relationships with customers to help those customers improve the energy efficiency of existing residential and commercial buildings, and by proposing the extension of the SAVEGREEN Program, shows that it is committed to continuing that effort.

While the Board remains committed to the principles stated in the July 17, 2009 Order, it is equally committed to achieving the State's goals in a cost effective and efficient manner. The Stipulation calls for the parties to work collaboratively on a regular basis over the next eighteen months to discuss program design, measurement and verification, so that a thorough and meaningful assessment results, providing guidance on how the SAVEGREEN Program can improve, ensure cost effectiveness and incremental benefits that exceed its incremental costs while aligning the SAVEGREEN Program with the State's energy policy goals and developing a better understanding of how the SAVEGREEN Program shall operate in tandem with the NJCEP. To assist in this collaborative effort among the Parties, the Stipulation also calls for an independent evaluation of the SAVEGREEN Program.

The Board **FINDS** that NJNG's SAVEGREEN Program has assisted in achieving the State's energy efficiency goals. With the independent evaluation and the collaborative review process to assess the SAVEGREEN Program required by the Stipulation, the Board is **SATISFIED** that this review process will lead to improvements in both the SAVEGREEN Program and in the State's overall energy efficiency programs to the benefit of the State as whole, participants in energy efficiency programs and utility ratepayers.

The Board, having carefully reviewed the Stipulation, **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with law. Accordingly, the Board **HEREBY APPROVES** the attached Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Chivukula during this proceeding for the reasons stated in those rulings.

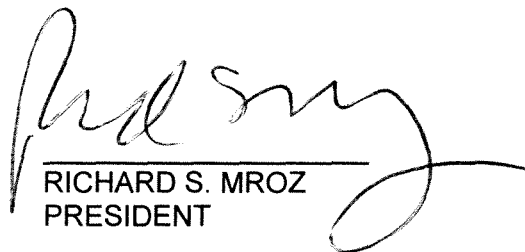
The Board **HEREBY DIRECTS** NJNG to file tariff sheets consistent with the Stipulation and this Order within five (5) business days from the effective date of this Order.


The Company's rates remain subject to audit by the Board. This Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

The effective date of this Order will be August 1, 2015.

DATED: July 23, 2015

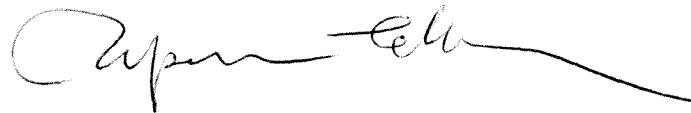
BOARD OF PUBLIC UTILITIES
BY:

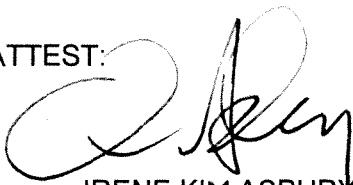

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

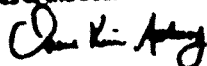

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:

IRENE KIM ASBURY
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
APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND THE
ASSOCIATED COST RECOVERY MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1
BPU DOCKET NO. GO14121412

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

**IN THE MATTER OF THE PETITION)
OF NEW JERSEY NATURAL GAS) BPU DOCKET NO. GO14121412
COMPANY FOR APPROVAL OF THE)
EXTENSION OF ENERGY-)
EFFICIENCY PROGRAMS AND THE)
ASSOCIATED COST RECOVERY)
MECHANISM PURSUANT TO N.J.S.A.)
48:3-98.1)**

STIPULATION

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Alex Moreau and Christopher Psihoules, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**John J. Hoffman**, Acting Attorney General of the State of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

On December 17, 2014, New Jersey Natural Gas Company (“NJNG” or the “Company”) filed a petition (the “Petition”) in Docket No. GO14121412 requesting the New Jersey Board of Public Utilities (the “BPU” or “Board”) to approve a continuation with minor modifications to the energy-efficiency programs made available to NJNG customers through The SAVEGREEN Project® (“SAVEGREEN”) pursuant to N.J.S.A. 48:3-98.1 (the “Statute”) through June 30, 2018.

The Statute provides for, subject to certain conditions, the investment by a natural gas or electric utility in customer or utility side energy efficiency and renewable energy programs in its service territory on a regulated basis. Subsequent to the passage of the Legislation, the BPU issued an Order on May 12, 2008 (the “May 2008 Order”) establishing the procedures through which electric and natural gas utilities can seek approval to offer energy-efficiency and conservation programs on a regulated basis. The May 2008 Order also set out specific information that is to be provided in such filings by delineating Minimum Filing Requirements (“MFRs”).

1. Based on the Statute, NJNG has made filings in Docket Nos. EO09010056 and GO09010057, GO10030225 and GR11070425, and GO12070640 and GR12070641 seeking approval to implement and/or extend energy-efficiency programs through SAVEGREEN that complemented or supplemented existing programs offered through the New Jersey Clean Energy Program (“NJCEP”). In Orders dated July 17, 2009 (the “July 2009 Order”), September 24, 2010 (the “September 2010 Order”), January 18, 2012 (the “January 2012 Order”), and June 21, 2013 (the “June 2013 Order”)¹ the BPU adopted the terms of Stipulations entered into among representatives from BPU Staff, Rate Counsel and NJNG (the “Parties”) approving the implementation and/or extensions of energy-efficiency programs and the associated cost recovery mechanism. Recovery of the costs necessary to deliver these programs, including grants,

¹ The June 21, 2013 Order was subsequently amended by the Board to correct the amount that the Company can provide to Direct Install customers through its On Bill Repayment Program. See, In The Matter Of The Petition Of New Jersey Natural Gas Company For Approval Of The Extension Of Energy Efficiency Program And The Associated Cost Recovery Mechanism Pursuant To N.J.S.A. 48:3-98.1, BPU Docket No. GO12070640 (August 21, 2013).

incentives, incremental O&M expenses and carrying costs is provided through NJNG’s Energy Efficiency Rider F to the Company’s Tariff.

PROPOSALS IN CURRENT FILING

2. The Petition in the instant docket included supporting testimony of Thomas J. Massaro and Daniel P. Yardley, program descriptions and schedules providing financial information, requesting Board approval to continue, with certain modifications, the energy-efficiency programs (the “EE Programs”) and the on-bill repayment program options (“OBRP”) operating through SAVEGREEN. The Company requested that the energy-efficiency programs offered through SAVEGREEN and the associated recovery mechanism continue for a three-year period commencing July 1, 2015 or from the date of receipt of the Board’s Order in this proceeding. NJNG is seeking authorization for the following levels of expenditures over the proposed three-year extension:

Sub-Program Component	(\$Millions)
Program Investment	
Residential Program	\$116.670
Commercial Program	<u>11.280</u>
Total Program Investment	\$127.950
Operation and Maintenance	
Energy Audits	\$ 6.861
Administration, Program Management, Quality Assurance/Quality Control and Evaluation	<u>8.930</u>
Total Investment & O&M	<u>\$143.741</u>

3. NJNG proposes to continue the existing SAVEGREEN programs as fully described in Attachment B and summarized below:

Residential Programs:

- Incentives for high efficiency equipment (outside of the NJCEP Home Performance with Energy Star (“HPwES”) Program). For customers installing a WARMAdvantage qualified furnace or boiler, a \$500 SAVEGREEN incentive will continue to be offered. For customers installing a WARMAdvantage qualified high-efficiency water heater, a \$100 SAVEGREEN incentive will be offered. Customers installing both a qualifying furnace or boiler and a qualifying water heater and meet credit review criteria will continue to have the option to apply for a \$6,500 On-Bill Repayment Program (“OBRP”) in lieu of these stated SAVEGREEN incentives. Customers must accept a free energy audit to qualify for the SAVEGREEN incentive.
- Incentives for additional measures through HPwES - NJNG proposed to continue the practice of supporting the HPwES program by offering both grants and OBRPs for customers in NJNG’s service territory who install HPwES Tier II and Tier III measures that would qualify for grants under the NJCEP program. Customers who participate in the OBRP program for WARMAdvantage qualified furnaces or boilers and later pursue additional upgrades through HPwES would continue to have the option to increase the amounts borrowed under their OBRP. The HPwES grant is currently up to \$5,000 but no more than 50% of the project costs, and the NJNG OBRP for the additional measures associated with WARMAdvantage and HPwES customers are eligible for up to a total combined OBRP of \$10,000. NJNG

proposes extending the time allowed for the customer to implement the additional measures from the current 6 months from the date of the initial OBRP to 18 months.

- NJNG proposes to have the OPOWER pilot program, as fully described in Attachment B, continue through 2018. This existing program is set to terminate on June 30, 2015. OPOWER provides customers with educational and informational data on how to reduce their personal energy usage. Currently approximately 40,000 customers receive these reports. NJNG also proposes a targeted expansion of the OPOWER program to test the program's ability to influence customer behavior for connections to whole house improvements and to enhance service to low income customers. Costs are reflected within Attachment A, p. 1 fnt 1.

Commercial Programs

- Direct Install Customers - NJNG currently supports the NJCEP Direct Install (DI) program by offering an OBRP program for the balance of the NJCEP project not covered by the NJCEP incentive. A maximum of \$53,570 will be available for each qualified project for commercial customers. NJNG proposes to modify the repayment period from 24 months to 36 months to make repayments more affordable for participating customers. NJNG is also proposing a modification to allow commercial customers to apply for OBRP related to certain energy-efficiency measures not included within the DI Program but are eligible energy saving measures in the NJCEP SmartStart Building program to address an identified barrier in the commercial marketplace in the NJNG service territory. For these projects with additional SmartStart measures, NJNG proposes that the

maximum amount of the OBRPs be set at \$130,000 for SmartStart and \$53,570 for DI.

4. The Company is seeking approval to continue the Fostering Environmental and Economic Development (“FEED”) program as currently structured, originally approved by BPU Order dated September 24, 2010, BPU Docket No. GO10030225 and subsequently re-approved in the June 2013 Order. NJNG’s tariff provides for three classes of FEED rates. FEED Class 1 is designed to encourage environmental improvements or development within the Company’s service territory or enhance the Company’s system utilization. FEED Class 2 is designed to allow the Company to recover from the customer the Company’s capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the contract related to distribution system and mains expansions. FEED Class 3 is designed to encourage significant, new and/or environmental or economic development projects in NJNG’s service territory and allow the Company to install and/or operate equipment and facilities to fulfill the contract and recover from the customer the Company’s capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the contract related to non-traditional equipment. This program and Tariff mechanism would provide qualified commercial and industrial customers with the opportunity to benefit from energy-efficiency and economic development opportunities. NJNG would work with each individual customer to develop customized incentives or repayment structures. This program provides interested commercial customers with individualized opportunities to benefit from environmental and economic development projects with no direct subsidy from other NJNG ratepayers. Each individual FEED filing would continue to be judged on its own merits and subject to the same regulatory approval used for previous FEED filings, i.e., Rate Counsel and BPU Staff have sixty (60) days to review

FEED Class 2 and Class 3 contracts; if no objection is received from either party, the FEED Class 2 or Class 3 contract will take effect. FEED Class 1 contracts will be submitted for Board approval prior to implementation.

5. The Board's May 2008 Order required that a utility must meet with BPU Staff and Rate Counsel at least 30 days in advance of submitting a filing to provide an overview of the elements and cost recovery mechanism proposed. Accordingly, NJNG conferred, via teleconference, with a representative of Rate Counsel on November 12, 2014 and with BPU Staff and a representative of the Division of Law within the Department of Law and Public Safety on November 14, 2014 via teleconference, to provide an overview of the program modifications and cost recovery mechanism proposed within this filing.

6. On January 16, 2015, BPU Staff notified the Company that the December 17, 2014 initial filing was not deemed administratively complete. On January 26, 2015, the Company filed the supplemental information requested by BPU Staff. On February 18, 2015, BPU Staff, upon its review of the supplemental information, determined that the filing was administratively complete. Therefore, pursuant to the Board's May 2008 Order, the 180 day review period commenced on January 26, 2015, the day that the Company provided the supplemental information.

7. Public hearings on this petition were held on April 20, 2015 in Rockaway Borough and on April 21, 2015 in Freehold Township; no members of the public appeared at any of the public hearings; and no written comments were received by the BPU, NJNG, or Rate Counsel.

8. On June 5, 2015, the Parties executed a Stipulation agreeing to extend the Company's existing Board approved SAVEGREEN Program² for an additional 31 days, through July 31, 2015, consistent in all other respects with the Board's June 2013 Order. Also, the parties agreed to extend the 180-day RGGI period to allow for a Board determination by July 31, 2015. This was approved through a Board Order dated June, 19, 2015.

9. Subsequent to the review of discovery and the completion of public hearings, and after discovery and settlement meetings among the Parties, the following agreement was reached in resolution of this case.

Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by the Parties as follows:

STIPULATED MATTERS

10. The Parties agree that NJNG can continue the SAVEGREEN programs and implement proposed changes described herein commencing on August 1, 2015 through July 31, 2017. Schedules showing the expected participation rates from the program and detailing the proposed program investments, and other expenditures, and expected revenue requirements and rate impacts are provided in Attachment A hereto. The stipulated investment and operation and maintenance expenses are summarized below:

² In the Matter of the Petition of New Jersey Natural Gas Company for Approval of the Extension of Energy Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1 BPU Docket No. GO12070640 and In the Matter of the Petition of New Jersey Natural Gas Company for Approval of the Cost Recovery Associated with Energy Efficiency Programs BPU Docket No. GR12070641 Board Order Dated June 21, 2013.

Program Investment (\$Millions)

Residential Program	\$ 67.630
Commercial Program	<u>7.520</u>
Total Program Investment	\$ 75.150
Operation and Maintenance	
Energy Audits	\$ 4.384
Administration, Program Management, Quality Assurance/Quality Control and Evaluation	<u>5.704</u>
Total Investment & O&M	\$ 85.238

11. Attachment A shows the total program budget, inclusive of program investments and O&M costs, of \$47.687 million for the first year and \$37.551 million for the second year of the two year period ending July 31, 2017.

12. The Parties agree that, in resolution of this proceeding, NJNG can continue the SAVEGREEN programs with the modifications proposed in the Petition, subject to the changes and other terms and conditions provided in this Stipulation. Detailed descriptions of the agreed SAVEGREEN programs are shown on Attachment B hereto.

13. Since the inception of the SAVEGREEN Program, for customers implementing HPwES Tier II and Tier III measures and receiving OBRPs from NJNG, the Company has paid grants in the amounts available under the NJCEP HPwES program in lieu of the Office of Clean Energy paying the grants. Pursuant to this settlement, the Company agrees to eliminate the NJNG funding of the NJCEP grant portion of the HPwES program. The Company commits to working with the new NJCEP Program Administrator on the transition of the HPwES direct incentives and agrees to implement the elimination of the NJNG funding within 6 months of the new Program Administrator's contract effective date as set forth in the Board's Order approving same or no later than June 30, 2016.

14. Work related to any specific SAVEGREEN offer or application that has been initiated prior to the end date of July 31, 2017 may continue for close-out and completion purposes within the budget levels agreed to herein.

15. The Parties agree that NJNG is permitted to shift funds between the anticipated grant and OBRP budget projections, subject to actual participation levels and overall budget considerations. Consistent with the terms of the June 2013 Order, the Company agrees to provide written notice to the BPU Staff and Rate Counsel for any proposed changes between residential and commercial program funding levels or any change in incentive amounts resulting from Board approved changes to NJCEP incentive levels, including a description of the proposed budget re-allocation with supporting schedules. Additionally, in light of the two- year term, the Company is permitted to carry forward up to 15 percent of the approved investment for the residential and commercial programs to the subsequent year. Furthermore, if applicable funds approved for SAVEGREEN through July 31, 2017 are not fully expended or committed by July 31, 2017, NJNG will transfer those amounts to the proposed program work in future years. The Parties agree that should there be a prospective change to an NJCEP program for which the Company has a corresponding SAVEGREEN counterpart, the Company will modify its counterpart program to be consistent with the NJCEP program. The Company agrees to implement such modified offering within sixty (60) days of the BPU Order approving the modification to the NJCEP program, or a date as determined by the BPU unless a longer transition time is necessary to perform the required implementation activities by the Company or if it may better align with NJCEP implementation dates as determined by the BPU. If a longer transition is needed, the Company will notify the Parties and explain the reasoning and need for the longer timeframe.

16. The Parties agree that the current independent evaluation of the SAVEGREEN

programs being performed by Apprise and due to be completed no later than January 1, 2016, under the June, 2013 Order will include, but is not limited to, analyses of the following issues:

1. What is the incremental benefit of the NJNG incentives, over and above the NJCEP-provided incentives?
2. What modifications to the budgets, marketing approaches, and/or target participation rates would enhance the effectiveness and cost-effectiveness of NJNG's programs?
3. Are customer audits effective at encouraging customers into whole-house or whole-facility programs? Are there ways the realization rate for this transition could be improved?
4. What insight can be gained into the true magnitudes of the free-ridership and spillover effects?

17. The Company will provide the results of the evaluation, together with all supporting data, analysis and workpapers, to BPU Staff and Rate Counsel no later than January 1, 2016 and will meet with BPU Staff and Rate Counsel no later than February 1, 2016 to discuss the outcome from this evaluation and any implications to be considered for future SAVEGREEN program modifications.

18. The Company agrees to work collaboratively with the Parties and meet on a regular basis over the next eighteen months, but no less than quarterly, to discuss program design, measurement and verification, and data acquisition. The following issues to be addressed in this collaborative process include, but are not limited to, the following:

1. Standardization of program elements among utilities offering similar programs, including a goal for percentage of projects to be completed in distressed communities;
2. Standardization of evaluation processes and schedules;
3. Standardization of data collection and reporting requirements;

4. Development of energy savings targets;
5. Development of standardized inputs and methodologies for cost-benefit analyses (“CBAs”) including a standardized method for determination of avoided electric capacity costs and avoided electric and gas distribution costs;
6. Assuring that utility programs provide incremental benefits that exceed their incremental costs;
7. Consideration of the revenue and cost impacts resulting from providing incentives to customers converting to natural gas from other fuels;
8. Focusing utility programs on markets that are not adequately served by NJCEP programs;

19. All future cost-benefit analyses (“CBAs”) of the Company’s energy efficiency programs will include the following five cost-benefit tests: the Participant Cost Test (“PCT”), the Program Administrator Cost (“PAC”) Test, the Ratepayer Impact Measure (“RIM”) Test, the Total Resource Cost (“TRC”) Test, and the Societal Cost Test (“SCT”). The Company agrees to include the following in future CBAs:

- a. Identification and explanation of which incentives are to be provided by the company and which by NJCEP.
- b. An estimate of the hypothetical participation rates that would be achieved by the NJCEP programs in the absence of NJNG’s programs and its supplementary incentives.
- c. The Company will present cost-benefit analyses based on the incremental effect of the utility’s programs in addition to the combined-impact CBA that the Company currently provides.
- d. The Company will ensure that its costs and benefits reflect consistent assumptions such that it matches expected incentives to expected incremental costs.
- e. The participant benefit/utility cost associated with interest-free loans will be

calculated as the present-value sum of the foregone interest payments, and not as the simple sum.

20. The Parties agree that to the extent that the Company requires an extension of time for submittal of the evaluation referenced in paragraphs 16 and 17, the Company will advise Board Staff and Rate Counsel so that a mutually acceptable date for submittal can be agreed upon.

21. The Parties agree that the Company can continue its Fostering Environmental and Economic Development (“FEED”) program as currently structured. The Company shall seek BPU approval for any prospective FEED program modifications.

22. The Parties agree that the OPOWER pilot program, as fully described in Attachment B, will continue through 2017.

23. The Parties agree that the Company will be authorized to defer and seek recovery of all reasonable and prudent SAVEGREEN Program Costs, including the grant costs, customer incentives, and associated reasonable and prudent incremental O&M expenses as noted on Attachment A herein. The grant costs, customer incentives, customer financing costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG’s Rider F and separately tracked through a sub-component of Rider F called EE Extension “2015” (“EEEx2015”). Annual true-up filings should separately breakout the expenses, investments, unamortized investments and revenue requirement calculations for the original program, and each extension thereafter including the extension which is the subject of this Stipulation. The SAVEGREEN Program Costs shall be subject to the terms set forth in Rider F and shall be recovered through a per-therm EE charge relative to all applicable jurisdictional

throughput on the NJNG distribution system as provided in Rider F. Proposed Tariff sheets are provided as Attachment C hereto.

24. The calculation of the carrying costs on the average monthly balances of under-or-over-recovery of deferred costs shall be subject to the terms under Rider F and as described in more detail in the Board's Order in BPU Docket Nos. EO09010056 and EO09010057, dated July 17, 2009. The interest rate shall not exceed the overall rate of return as authorized by the Board in NJNG's pre-tax WACC as identified in Paragraph 25 of the Stipulation or as authorized in NJNG's subsequent base rate case.

25. NJNG agrees that the SAVEGREEN program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period, on a straight line basis, with the return of the investment and return on the unamortized investments based upon a rate of 6.69 percent as shown in the capital structure below.

SAVEGREEN Capital Structure					
March 31, 2015					
Type	Amount	Ratio	Cost	Weighted Cost	Pre-Tax
Long Term Debt	\$ 608,693	41.73%	3.47%	1.45%	1.45%
Short Term Debt	66,000	4.52%	1.00%	0.05%	0.05%
Customer Deposits	6,692	0.46%	0.11%	0.00%	0.00%
Common Equity	<u>777,272</u>	<u>53.29%</u>	9.75%	<u>5.19%</u>	<u>8.78%</u>
	<u>\$1,458,657</u>	<u>100.00%</u>		<u>6.69%</u>	<u>10.28%</u>

26. The Signatory Parties agree that any change in the Weighted Average Cost of Capital ("WACC") authorized by the Board in a subsequent base rate case will be reflected in the

subsequent monthly revenue requirement calculations as of the date of the next scheduled annual true-up.

27. As currently structured, the customer repayment periods for the OBRP offers will be three, five and ten years, depending on the program and total OBRP funds made available. In computing the return component of its costs, NJNG will, in addition to a reduction for the accumulated amortization of its investments, deduct the applicable deferred income taxes related to the amortization of SAVEGREEN Program Costs over a three-year, five-year and ten-year period for book purposes and over one-year for tax purposes. NJNG will continue to calculate the monthly net investment balances by subtracting from the monthly net investment balances the current month-end accumulated amortization balances.

28. The SAVEGREEN program investments and operating costs will be reconciled to actual recoveries from the EE Rate in the EE Rate Recovery filings to be submitted in June of each year, for which the Company may seek recovery. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.

29. The Company will make an EE Rate Recovery filing in July 2015 seeking an October 1, 2015 effective date. The Company will include in its annual EE Rate Recovery filings the MFRs set forth in Attachment D.

30. The Company shall separately track the dollar amount with the type of electric measures installed and included in its investments on an annual basis. It shall also include the estimated savings associated with these electric measures and the basis for these calculations.

31. The Company will continue to report, on a Quarterly basis i) the number of full-time equivalents that the Company hires to perform work associated with the SAVEGREEN

programs; ii) the number of full-time equivalents that entities under contract with the Company hire to perform work with the SAVEGREEN program; iii) the number of SAVEGREEN program participants; iv) OBRP metrics such as, but not limited to, loan performance; and v) program expenditures and commitments.

32. NJNG will continue to submit detailed data regarding the SAVEGREEN programs and expenses through the Program Manager Data Tracking Sheets (IMS Data Entry Workbooks) as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN programs. The Company will continue to submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report or consistent with the timing dictated by NJCEP's Program Coordinator.

33. 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.

34. It is the intent of the Parties that the provisions herein be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

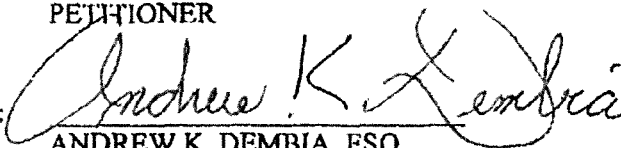
35. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as

expressly provided herein, NJNG, the BPU 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 and, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.


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WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms herein, as soon as reasonably possible.

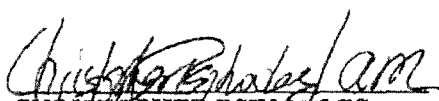
**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By: 
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**JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
THE STATE OF NEW JERSEY
Attorney for Staff of the Board of Public Utilities**

By: 
CHRISTOPHER PSIHOULES
Deputy Attorney General

Date: July 7, 2015

New Jersey Natural Gas
SAVEGREEN Program

SUMMARY

Program Investment	
Residential Program	\$ 67.630
Commercial Program	<u>7.520</u>
Total Program Investment	\$ 75.150
Operation and Maintenance	
Energy Audits	4.384
Administration, Program Management, Quality Assurance/Quality Control and Evaluation	<u>5.704</u> ¹
Total Investment & O&M	<u>\$ 85.238</u>

1. The Operation & Maintenance expense amounts include OPOWER costs of \$785,000 and \$650,000 for years 2015 and 2016, respectively.

New Jersey Natural Gas
SAVEGREEN Program

Projected Participation Rates

OBRP Term	Participation Rates		Total Participation	NJNG Cost	Investment		Total Investment	
	Year 1	Year 2			Year 1	Year 2		
		0						
Residential Grants								
Furnace / Boiler	5 Years	4,000	4,000	8,000	\$ 500	\$ 2,000	\$ 2,000	\$ 4,000
Water Heater	5 Years	650	650	1,300	100	65	65	130
HP w ES Tier II	5 Years	225	-	225	2,000	450	-	450
Level II	5 Years	1,500	-	1,500	5,000	7,500	-	7,500
Level I	5 Years	500	-	500	4,000	2,000	-	2,000
Convert WA to HPWES	5 Years	100	-	100	2,000	200	-	200
		6,975	4,650	11,625		\$ 12,215	\$ 2,065	\$ 14,280
Residential On-Bill Repayment Plans								
WARM Advantage OBRP								
Furnace / Boiler and Water Heater	5 Years	800	800	1,600	\$ 6,500	\$ 5,200	\$ 5,200	\$ 10,400
HPWES								
Tier III Level II	10 Years	1,500	1,500	3,000	10,000	15,000	15,000	30,000
Tier III Level I	10 Years	500	500	1,000	10,000	5,000	5,000	10,000
Tier II	10 Years	225	225	450	5,000	1,125	1,125	2,250
Converted to HPWES	10 Years	100	100	200	3,500	350	350	700
		3,125	3,125	6,250		\$ 26,675	\$ 26,675	\$ 53,350
Commercial On-Bill Repayment Plans								
Smart Start OBRP	10 Years	12	12	24	\$ 100,000	\$ 1,200	\$ 1,200	\$ 2,400
Direct Install OBRP	3 Years	160	160	320	16,000	2,560	2,560	5,120
		172	172	344		3,760	3,760	7,520
TOTAL ALL PROGRAMS		10,272	7,947	18,219		\$ 42,650	\$ 32,500	\$ 75,150

New Jersey Natural Gas
SAVEGREEN Program

Summary of Revenue Requirements and Projected Bill Impacts
(\$000)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential SAVEGREEN Revenue Requirements											
O&M Expense	\$ 4,887	\$ 4,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	2,443	2,856	2,856	2,856	2,856	413	-	-	-	-	-
Income Taxes	525	1,406	1,617	1,328	1,038	794	616	462	308	154	39
Return	979	2,621	3,015	2,475	1,936	1,479	1,149	862	575	287	72
Total	\$ 8,834	\$ 11,779	\$ 7,488	\$ 6,659	\$ 5,830	\$ 2,686	\$ 1,766	\$ 1,324	\$ 883	\$ 441	\$ 110
Commercial SAVEGREEN Revenue Requirements											
O&M Expense	\$ 150	\$ 156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	50	133	130	76	52	43	34	26	17	9	2
Return	93	247	243	141	96	80	64	48	32	16	4
Total	\$ 294	\$ 535	\$ 373	\$ 217	\$ 148	\$ 123	\$ 99	\$ 74	\$ 49	\$ 25	\$ 6
TOTAL REVENUE REQUIREMENTS	\$ 9,128	\$ 12,314	\$ 7,860	\$ 6,875	\$ 5,978	\$ 2,809	\$ 1,864	\$ 1,398	\$ 932	\$ 466	\$ 117

Throughput

687 522 M Therms

Rate per Therm	\$ 0.0133	\$ 0.0179	\$ 0.0114	\$ 0.0100	\$ 0.0087	\$ 0.0041	\$ 0.0027	\$ 0.0020	\$ 0.0014	\$ 0.0007	\$ 0.0002
SUT	0.0009	0.0013	0.0008	0.0007	0.0006	0.0003	0.0002	0.0001	0.0001	-	-
	\$ 0.0142	\$ 0.0192	\$ 0.0122	\$ 0.0107	\$ 0.0093	\$ 0.0044	\$ 0.0029	\$ 0.0021	\$ 0.0015	\$ 0.0007	\$ 0.0002

Typical Annual Bill Impacts

<i>Residential Non-Heat</i>											
200 Annual Therms											
Typical Annual Bill Impact	\$ 2.84	\$ 3.84	\$ 2.45	\$ 2.14	\$ 1.86	\$ 0.88	\$ 0.58	\$ 0.43	\$ 0.29	\$ 0.14	\$ 0.03
										Average \$	1.41
										Average %	0.5%
<i>Residential Heat</i>											
1 000 Annual Therms											
Typical Annual Bill Impact	\$ 14.18	\$ 19.21	\$ 12.23	\$ 10.70	\$ 9.30	\$ 4.39	\$ 2.91	\$ 2.13	\$ 1.46	\$ 0.68	\$ 0.17
										Average \$	7.03
										Average %	0.7%
<i>General Service Small</i>											
1 200 Annual Therms											
Typical Annual Bill Impact	\$ 17.01	\$ 23.05	\$ 14.68	\$ 12.84	\$ 11.15	\$ 5.26	\$ 3.49	\$ 2.56	\$ 1.75	\$ 0.81	\$ 0.20
										Average \$	8.44
										Average %	0.6%
<i>General Service Large</i>											
15 000 Annual Therms											
Typical Annual Bill Impact	\$ 212.64	\$ 288.16	\$ 183.50	\$ 160.51	\$ 139.43	\$ 65.79	\$ 43.67	\$ 32.01	\$ 21.84	\$ 10.17	\$ 2.54
										Average \$	105.48
										Average %	0.7%

Residential Program

Description of the Program

Segment I - Customers starting with NJCEP's WARMAdvantage Program

To encourage investment in high-efficiency equipment as well as participation in New Jersey's Clean Energy Program (NJCEP) Home Performance with Energy Star (HPwES) program (whole-house approach), NJNG will offer incentives through grants and/or on-bill-repayment plans (OBRP) that can be used toward the purchase and installation of high-efficiency gas furnaces/boilers and water heaters. Customers must participate in a no-cost HPwES audit conducted by NJNG following the installation of qualifying equipment and are expected to apply for the companion NJCEP WARMAdvantage grants. The audit identifies additional energy-saving opportunities, encouraging customers to move forward with further improvements, especially through the HPwES program. If customers move ahead with additional improvements, they may qualify for HPwES incentives available under that program for the new measures

NJNG incentives for installation of qualifying equipment:

- NJNG will continue to offer a \$500 grant for the installation of a high-efficiency gas furnace. Efficiency guidelines will follow NJCEP minimum criteria, currently established as 95 percent annual fuel utilization efficiency (AFUE).
- NJNG will continue to offer a \$500 grant for the installation of a high-efficiency gas boiler. Minimum efficiency guidelines will follow NJCEP minimum criteria, currently established at 85% AFUE for a hydronic gas boiler and 82% AFUE for a steam boiler.
- NJNG will offer a \$100 grant for the installation of a high-efficiency gas water heater. High-efficiency criteria is an Energy Factor (EF) of .67 or higher.
- To encourage customers to replace a furnace/boiler and water heater at the same time, and to enhance contractor awareness of the need to address the integrated nature of equipment, NJNG will continue to offer customers installing qualifying high-efficiency models of both at the same time a choice of the following incentives:
 - \$600 grant to offset the incremental costs of both units; or
 - OBRP of up to \$6,500 for a five-year term at 0% APR. To receive the OBRP, the contractor must perform and submit proof of an ACCA Manual J and Manual S calculations for the premise.
- After the audit customers may qualify for additional incentives for other measures through HPwES. These customers would be eligible for any HPwES incentives offered for these additional eligible other measures. achieved through the audit

Note:

If NJCEP minimum efficiency levels change during the term of this program, NJNG's program guidelines will change to match NJCEP's new standard.

Eligibility

Grants

Residential customers and small commercial customers (such as a medical or dental office) are eligible for a grant following the installation of a boiler less than 300,000 BTU or a furnace less than 225,000 BTU and for a grant for residential-sized, energy-efficient, sealed-combustion or tankless water heaters. Residential customers are required to have an HPwES audit conducted by an NJNG auditor. There is no audit requirement for small commercial customers; however, an

equipment check is performed to ensure that the installed equipment meets NJCEP and NJNG program requirements and those customers are targeted to participate in other NJCEP programs to implement additional energy saving measures.

OBRP

Customers who meet NJNG's credit review criteria are eligible to participate in the OBRP. If denied participation in the OBRP option, a customer may still be eligible for NJNG grants for WARMAdvantage-qualified equipment.

Current Qualifying Equipment	NJCEP Grant¹	NJNG Grant	Total Award
Tier 1 Furnace: $\geq 95\%$ AFUE	\$250	\$500	\$750
Tier 2 Furnace: 95% AFUE + 2% e motor , ENERGYSTAR qualified	\$500	\$500	\$1,000
Boiler Steam: $\geq 85\%$ AFUE Boiler Hydronic: $\geq 82\%$ AFUE	\$300	\$500	\$800
High-efficiency gas water heater options <ul style="list-style-type: none"> • Power Vent Storage: EF of $\geq .67$ and ENERGY STAR qualified • Thermal Efficiency (TE): $\geq 90\%$ with sealed combustion • EF of $\geq .82$ or greater and ENERGY STAR qualified 	\$500	\$100	\$600
Qualifying combination of heating equipment and WH (see minimum efficiency noted above)			
Boiler and WH Combination: <ul style="list-style-type: none"> • Integrated WH and boiler unit (Combi Boilers) • OR qualifying stand alone WH (see minimum EF above) • OR an indirect WH attached to qualifying boiler Tier 1 Furnace and WH combination <ul style="list-style-type: none"> • Furnace and WH Combination: Qualifying standalone water heater (see minimum EF for WH above) • OR an indirect-fired WH attached to qualifying furnace 	\$900	\$600 or OBRP	\$1,500 Or \$900 NJCEP and NJNG OBRP
Tier 2 Furnace and WH combination <ul style="list-style-type: none"> • Furnace and WH Combination: Qualifying standalone water heater (see minimum EF for WH above) 	\$1000	\$600 or OBRP	\$1,600 Or \$1000 NJCEP and NJNG OBRP

¹ NJNG recognizes that Fiscal 2016 incentive levels for NJCEP programs have not been determined. NJNG proposal assumes NJCEP continues its current grant levels as noted.

- OR an indirect-fired WH attached to qualifying furnace

Estimated Program Participants and Annual Savings

Qualifying Equipment	Estimated Annual Participants	Estimated Annual Savings
Gas Furnace/Boiler	4,000	761,840 therms
High-Efficiency WH	650	8,730 therms
Combination furnace/Boiler and WH	800	142,723 therms

Segment II - Supporting NJCEP HPwES

Customers starting with HPwES

Residential customers implementing upgrades through HPwES are eligible to participate in NJNG's OBRP with up to \$10,000 available for qualifying residential customers to be repaid over 10 years. Customers can take advantage of both the HPwES grants and the OBRP if they meet NJNG's credit review criteria. NJNG reserves the right to limit participation in OBRP to customers who utilize natural gas for heating. Customers not eligible for the NJNG OBRP may seek financing through NJCEP.

Customers starting with WARMAdvantage

To further promote whole-house upgrades through NJCEP's HPwES and encourage timely follow-up, NJNG will allow customers to expand their initial OBRP up to a total combined OBRP of \$10,000 to pursue further HPwES measures, provided such action is initiated within 18 months of the audit. The repayment term will be extended to 10 years and total repayment amount available cannot exceed \$10,000 (e.g. customers who used the full \$6,500 for the initial OBRP would be limited to an additional \$3,500). Consistent with NJCEP HPwES treatment, customers can take advantage of both the HPwES grants and the OBRP.

NJNG provides grants for Tier III HPwES work at the levels being offered by NJCEP, currently up to \$10,000, when the OBRP is used. When customers do not utilize the OBRP, the HPwES grant is paid by NJCEP.

Anticipated Number of Participants	Max. Amount available per customer/Assumed average loan amount	Estimated Annual Energy Savings	Investment Amount to be repaid by participants
2,100	\$10,000 max	410,050 therms 1,708,110 kWh	\$21,000,000

NJNG provides grants for Tier II HPwES work at the levels being offered by NJCEP, currently up to \$5,000, when the OBRP is used. When customers do not utilize the OBRP, the HPwES grant is paid by NJCEP.

Maximum Number of Participants	Max. Amount available per customer	Estimated Annual Energy Savings	Investment Amount to be Repaid by Participants
225	Up to \$5,000	18,990 therms 89,550 kWh	\$1,125,000

Independent Audits

NJNG will continue to offer an HPwES audit upon customer request at the current HPwES audit price of \$250. Funds generated from these audits are used to offset the overall NJNG energy-efficiency program costs. NJNG promotes this option through multiple communication channels but also emphasizes that eligible contractors can perform the HPwES audit.

For those households with income levels that exceed eligibility for the NJCEP Comfort Partners Program but fall at or below 400 percent of federal poverty level, NJNG will continue to offer a free home-energy audit provided the customer meets the eligibility for NJNG's OBRP. The customers who pursue energy-efficiency upgrades through HPwES as a result of this audit may then be eligible to take advantage of both NJNG's OBRP and the HPwES grants. The energy savings from the upgrades should be targeted to approach or exceed the value of repayments.

Independent NJNG Audits

Number of participants	Revenue generated from audit fees (to be credited against program costs)
250 audits	\$62,500
250 free audits to qualified customers	\$0

OPOWER

OPOWER is a behavioral program intended to influence customer behavior by providing timely feedback regarding energy consumption through personalized Home Energy Reports. Approximately 25,000 residential customers and a companion control group were involved in the pilot launch in 2011. By redesigning the program in 2013 to send 4 personalized HER reports per year instead of 6, NJNG and OPOWER were able to increase the pilot size to approximately 40,000 customers and increase the aggregate energy savings.

Through this filing, NJNG proposes the following:

- Continue the program for the existing pool of customers
- Expand the program to assess whether the on-going feedback from HER reports to SAVEGREEN participants can influence customer likelihood to pursue further energy-efficiency upgrades. This would include a portion of SAVEGREEN customers to date and new participants on a rolling basis. The remaining portion of

SAVEGREEN customer would not participate in the expansion to allow for the establishment of a control group

- Expand the program to assess whether OPOWER’s knowledge of customer income levels can help us target low income customers and use HER reports to reduce their energy burdens and get these customers connected with resources available to help this market
- Expand the program to assess the ability to connect structural and behavioral improvements through a connected thermostat program. To leverage the ability to get a contractor to perform the installation, NJNG would connect this pilot to the 0% APR On-Bill Repayment Program (OBRP) for the combination furnace/boiler and water heater installation. This segment of customers must reach out to NJNG for preapproval to participate in our OBRP so we could work with their implementing contractor to provide a free thermostat if they install it for the customer

Estimated OPOWER Program Participants and Annual Savings

Group	Est. # of Participants over 3 years	Initial Year Savings (therms)
Continuation of existing HER report program	40,000	658,718
Expand HER report program for connections with SAVEGREEN programs	26,600	77,201
Pilot low income approach	10,000	35,839
Pilot thermostat program	2,500	48,114

Note: The OPOWER programs also create kWh savings but there is no practical way to measure such savings due to a lack of access to the electric billing data.

Market Segment/Efficiency Targeted

Segment I Targeted to residential (and certain smaller commercial customers) with HVAC equipment needing immediate or imminent replacement. The program promotes the installation of high-efficiency equipment and other whole-house energy conservation measures through opportunities identified in the HPwES audit.

Segment II Residential homeowners not immediately needing to replace HVAC equipment are targeted since participation in the HPwES audit is mandatory at the outset. The program targets the installation of high-efficiency HVAC equipment and the installation of whole-house energy conservation measures such as weatherization improvements.

Delivery Method and Contractor Role

Segment I Roles and Responsibilities

- Any HVAC contractor can install NJCEP WARMAdvantage-qualified equipment. NJNG performs the HPwES audits at no cost to the customer following installation of qualifying equipment and processes the NJNG grants or OBRP.
- NJNG grants may be assigned to a contractor at customer’s request.

- Any customers seeking to implement further energy-efficiency improvements from the HPwES audit recommendations and access HPwES incentives must use an NJCEP-approved HPwES contractor. Such contractors are subject to NJCEP HPwES quality control processes.

Segment II Roles and Responsibilities

- HPwES audits must be performed by an NJCEP-approved HPwES contractor or by NJNG staff (for the specified fee or free to qualified customers).
- Installation work must be performed by NJCEP-approved HPwES contractors. Currently, contractors must be Building Performance Institute (BPI) certified and accredited.
- NJNG grants and OBRP available if appropriate.
- Roles and responsibilities consistent with NJCEP treatment of HPwES grants.
- Work may be subject to HPwES quality control processes.

Link to existing NJCEP and federal programs

- NJCEP WARMAdvantage
- NJCEP HPwES
- ENERGY STAR
- NJCEP Comfort Partners (Opower expansion proposal may help identify eligible participants)

Estimated avoided air emissions

11,636 tons of CO₂ and 9 tons of NO_x annually (based upon estimated annual savings as noted above) for WARMAdvantage and HPwES connected programs.
Additional 4,796 tons of CO₂ and 4 tons of NO_x annually (based upon estimated initial year savings as noted above) for OPOWER programs.

Anticipated Jobs Created/Sustained

Refer to Schedule NJNG-15.

Budget information

Refer to Schedule NJNG-11 for categorization of costs.

Marketing Approach

Refer to Schedule TJM-5

Cost Recovery/ Rate design

Refer to Schedule DPY-5 and Schedule NJNG-8.

NJNG Commercial Energy Efficiency Programs

Description of the Program

Direct Install Customers

Consistent with the current SAVEGREEN program, commercial customers initially implementing upgrades through NJCEP's Direct Install (DI) program are eligible to participate in a NJNG On-Bill Repayment Plan (OBRP). Repayment of the principal will be made by participating customers over a three year term. Currently, a maximum of \$53,570 is available for each qualified project for commercial customers. The repayment term will be 3 years. NJCEP currently pays DI participants up to 70% of the cost of the project and the participating customers can finance up to 30% of the remaining balance at 0% Annual Percentage Rate (APR) OBRP. The OBRP is designed for the balance of the DI project not covered by the direct incentive (subject to NJCEP's maximum project cap). To the extent that the NJCEP incentive changes during the term, the OBRP limits would be adjusted accordingly.

Additionally, to ensure that customers have adequate resources to pursue recommended energy-efficient equipment upgrades, NJNG proposes to also allow customers to apply for an OBRP to cover measures that are not included in the DI program but are incented under the NJCEP SmartStart Building program. The OBRP amount would be net of NJCEP incentives. The term for this OBRP would not exceed a 10 year payback period and the maximum amount for the OBRP would be \$130,000.

Consistent with current NJNG program terms, customers can take advantage of both the NJCEP DI and SmartStart Buildings incentives and the repayment plan. Only customers who meet NJNG's credit review criteria will be eligible to participate in the on-bill repayment option. NJNG reserves the right to limit participation in OBRP to customers who utilize natural gas as their heating source.

All projects and/or measures must conform to NJCEP requirements in order to receive take advantage of NJNG On-Bill Repayment Program.

For customers that had a Local Government Energy Audit performed, NJNG will coordinate outreach with the BPU's Energy Savings Improvement Program (ESIP) Coordinator to ensure customer understands the opportunities available under ESIP, including how this SAVEGREEN incentive may be embedded within such a program. In an effort to ensure LGEA eligible entities are investing in energy-efficient equipment, the Company is willing to allow ESIP candidates coming through the Local Government Energy Audit (LGEA) path to apply for an OBRP for SmartStart measures if the customer is not eligible for the DI program for a particular facility.

Market Segment/Efficiency Targeted

Direct Install Customers
 This program targets commercial gas customers in NJNG’s service territory who meet all program eligibility requirements necessary to participate in NJCEP’s DI program. The DI program currently targets small to mid-sized commercial and industrial facilities with a peak electric demand that did not exceed 200kW in any of the preceding 12 months. NJNG would follow NJCEP DI eligibility criteria if it should change during the term of this program.

Only those customers (or their assignees) who are in good standing and subject to the Energy Efficiency surcharge are eligible to participate in this program.

Delivery Method and Contractor Role
 DI improvements are restricted to NJCEP appointed contractors. However, there is the potential for any contractor eligible to perform installations under the current NJCEP SmartStart criteria to install measures not covered under the DI program but the intention is for the projects to be implemented on a coordinated basis. There is no change to the relationship between the contractor and customer. To streamline administration, NJNG will coordinate with the NJCEP Commercial Market Manager and only issue an OBRP after notification that NJCEP incentives are approved. NJNG will promote the program to commercial customers, including municipalities and schools.

Estimated Program Participants and Annual Savings

Program/Qualifying Equipment	Estimated Participants	Estimated Annual Savings
OBRP for Direct Install Customers	100	82,843 therms 2,536,800 kWh
OBRP for SmartStart measures	10	21,280 therms

- Link to existing programs**
- NJCEP Direct Install program
 - NJCEP Smart Start
 - NJCEP Local Government Energy Audit

Estimated avoided air emissions
 3,273 tons of CO₂ and 3 tons of NO_x annually (based upon estimated annual savings as noted above)

Anticipated Jobs Created/Sustained
 Refer to Schedule NJNG-16.

Budget information
 Refer to Schedule NJNG-11 for categorization of costs.

Marketing Approach
 Refer to Schedule TJM-2

Cost Recovery/ Rate design
 Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider “F” applicable to all jurisdictional throughputs. (See Schedule NJNG-8)

RIDER "F"

ENERGY EFFICIENCY - EE

AVAILABILITY

Applicable to the following service classifications:

RS	Residential Service	ED	Economic Development
DGR	Distributed Generation Residential	FC	Firm Cogeneration
GSS	General Service - Small	NGV	Natural Gas Vehicle
GSL	General Service - Large	IS	Interruptible Service
FT	Firm Transportation	IGS	Incremental Gas Service
DGC	Distributed Generation Commercial		

In accordance with P.L. 2011, c. 9, societal benefits charges pursuant to section 12 of P.L. 1999, c.23 (C.48:3-60), or any other charge designed to recover the costs for societal, energy efficiency, conservation, environmental or renewable energy programs, are not applicable to natural gas delivery service or commodity that is used to generate electricity that is sold for resale. Natural gas used to generate electricity that is sold for resale by customers served under the above Service Classifications is exempt from costs associated with the Energy Efficiency ("EE") Rider and shall not be billed for such charges. In order to qualify for this exemption, a customer who uses natural gas to generate electricity for resale must complete an Annual Certification form, provided by the Company, to certify the percentage of natural gas used at the customer's New Jersey generation facilities during the previous calendar year to generate electricity that was sold for resale. For a new customer or a customer with less than twelve months of usage history, estimates supported by engineering and operational plans may be used to determine the percentage of natural gas used to generate electricity sold for resale.

The EE rate is for recovering authorized expenditures related to the energy efficiency programs as approved in BPU Docket Nos. GO09010057, GO10030225, GR11070425, GO12070640 and GO14121412.

DETERMINATION OF THE EE

The Company shall file an annual request with the Board for implementation of an EE charge, which shall be applicable to customers on all service classifications to which Rider "F" applies. The EE recovery year is intended to run from October 1st to September 30th of each year.

Date of Issue:
Issued by: Mark R. Sperduto, Senior Vice President
 Wall, NJ 07719

*Effective for service rendered on
 and after July 1, 2015*

RIDER "F"

ENERGY EFFICIENCY - EE

I. Determination of the Rate

The EE rate shall be derived in the following manner:

1. An estimate shall be made of the total annual cost related to the programs. This rider will include only expenses for energy efficiency programs approved by the Board in BPU Docket Nos. GO09010057, GO10030225, GR11070425, GO12070640 and GO14121412 unless modified further by Board Order.
2. An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers.
3. The prospective costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery to determine the total costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit cost recovery rate.

II. Tracking the Operation of the EE

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred costs based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the balance at the end of each EE recovery year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The EE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EE factor is as set forth below:

\$0.0327

Date of Issue:

Issued by: **Mark R. Spurduto, Senior Vice President**
Wall, NJ 07719

Effective for service rendered on
and after July 1, 2015

NJNG Energy Efficiency Program
Minimum Filing Requirements for Rate Filing
Minimum Filing Requirements (MFRs)

1. Information on direct FTE employment impacts including a breakdown by each of the Board approved NJNG EE programs. The Company will not be responsible for addressing the level of employment activity for HVAC and/or HPES contractors that are hired by customers unless those contractors are hired by NJNG.
2. A monthly revenue requirement calculation based on EE Program expenditures, including the investment and cost components showing the actual monthly revenue requirement for each of the past twelve months or clause-review period, as well as supporting calculations, including the information related to the tax rate and revenue multiplier used in the revenue requirement calculation.
3. For the review period, actual clause revenues, by month and by rate class recorded under the EE Program.
4. Monthly beginning and ending clause deferred balances related to the EE Program, as well as the average deferred balance, net of tax, for the 12-month period.
5. The interest rate used each month for over/under deferred balance recoveries related to the EE Program, and all supporting documentation and calculations for the interest rate.
6. The interest expense to be charged or credited to ratepayers each month.
7. A schedule showing budgeted versus actual EE Program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives, including inspections and quality control, program implementation (all contract costs), evaluation, and any other costs.
8. The monthly journal entries relating to regulatory asset and deferred O&M expenses related to the EE Program for the 12 month review period.
9. Supporting details for all administrative costs related to the EE Program included in the revenue requirement.
10. Information supporting the carrying cost used for the unamortized costs of the EE program.
11. Number of participants for each of the Board approved NJNG EE programs.

12. Estimated demand and energy savings for each of the Board approved NJNG EE programs.
13. Estimated emissions reductions for each of the Board approved NJNG EE programs.
14. For programs that provide incentives for conversion of energy utilization to natural gas from other energy sources (e.g., converting from electric to gas furnaces) the company shall identify:
 - i. the number of such projects;
 - ii. an estimate of the increase in annual gas demand and energy associated with these projects; and
 - iii. the avoided use of electricity and/or other fuels.

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

**IN THE MATTER OF THE PETITION)
OF NEW JERSEY NATURAL GAS) BPU DOCKET NO. GO14121412
COMPANY FOR APPROVAL OF THE)
EXTENSION OF ENERGY-)
EFFICIENCY PROGRAMS AND THE)
ASSOCIATED COST RECOVERY)
MECHANISM PURSUANT TO N.J.S.A.)
48:3-98.1)**

STIPULATION

APPEARANCES:

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

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, **Sarah H. Steindel, Esq.**, **Kurt S. Lewandowski, Esq.**, and **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsels, Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel)

Alex Moreau and Christopher Psihoules, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**John J. Hoffman**, Acting Attorney General of the State of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

On December 17, 2014, New Jersey Natural Gas Company (“NJNG” or the “Company”) filed a petition (the “Petition”) in Docket No. GO14121412 requesting the New Jersey Board of Public Utilities (the “BPU” or “Board”) to approve a continuation with minor modifications to the energy-efficiency programs made available to NJNG customers through The SAVEGREEN Project® (“SAVEGREEN”) pursuant to N.J.S.A. 48:3-98.1 (the “Statute”) through June 30,

2018. The Statute provides for, subject to certain conditions, the investment by a natural gas or electric utility in customer or utility side energy efficiency and renewable energy programs in its service territory on a regulated basis. Subsequent to the passage of the Legislation, the BPU issued an Order on May 12, 2008 (the “May 2008 Order”) establishing the procedures through which electric and natural gas utilities can seek approval to offer energy-efficiency and conservation programs on a regulated basis. The May 2008 Order also set out specific information that is to be provided in such filings by delineating Minimum Filing Requirements (“MFRs”).

1. Based on the Statute, NJNG has made filings in Docket Nos. EO09010056 and GO09010057, GO10030225 and GR11070425, and GO12070640 and GR12070641 seeking approval to implement and/or extend energy-efficiency programs through SAVEGREEN that complemented or supplemented existing programs offered through the New Jersey Clean Energy Program (“NJCEP”). In Orders dated July 17, 2009 (the “July 2009 Order”), September 24, 2010 (the “September 2010 Order”), January 18, 2012 (the “January 2012 Order”), and June 21, 2013 (the “June 2013 Order”)¹ the BPU adopted the terms of Stipulations entered into among representatives from BPU Staff, Rate Counsel and NJNG (the “Parties”) approving the implementation and/or extensions of energy-efficiency programs and the associated cost recovery mechanism. Recovery of the costs necessary to deliver these programs, including

¹ The June 21, 2013 Order was subsequently amended by the Board to correct the amount that the Company can provide to Direct Install customers through its On Bill Repayment Program. See, In The Matter Of The Petition Of New Jersey Natural Gas Company For Approval Of The Extension Of Energy Efficiency Program And The Associated Cost Recovery Mechanism Pursuant To N.J.S.A. 48:3-98.1, BPU Docket No. GO12070640 (August 21, 2013).

grants, incentives, incremental O&M expenses and carrying costs is provided through NJNG's Energy Efficiency Rider F to the Company's Tariff.

PROPOSALS IN CURRENT FILING

2. The Petition in the instant docket included supporting testimony of Thomas J. Massaro and Daniel P. Yardley, program descriptions and schedules providing financial information, requesting Board approval to continue, with certain modifications, the energy-efficiency programs (the "EE Programs") and the on-bill repayment program options ("OBRP") operating through SAVEGREEN. The Company requested that the energy-efficiency programs offered through SAVEGREEN and the associated recovery mechanism continue for a three-year period commencing July 1, 2015 or from the date of receipt of the Board's Order in this proceeding. NJNG is seeking authorization for the following levels of expenditures over the proposed three-year extension:

Sub-Program Component	(\$Millions)
Program Investment	
Residential Program	\$116.670
Commercial Program	<u>11.280</u>
Total Program Investment	\$127.950
Operation and Maintenance	
Energy Audits	\$ 6.861
Administration, Program Management, Quality Assurance/Quality Control and Evaluation	<u>8.930</u>
Total Investment & O&M	<u>\$143.741</u>

3. NJNG proposes to continue the existing SAVEGREEN programs as fully described in Attachment B and summarized below:

Residential Programs:

- Incentives for high efficiency equipment (outside of the NJCEP Home Performance with Energy Star (“HPwES”) Program). For customers installing a WARMAdvantage qualified furnace or boiler, a \$500 SAVEGREEN incentive will continue to be offered. For customers installing a WARMAdvantage qualified high-efficiency water heater, a \$100 SAVEGREEN incentive will be offered. Customers installing both a qualifying furnace or boiler and a qualifying water heater and meet credit review criteria will continue to have the option to apply for a \$6,500 On-Bill Repayment Program (“OBRP”) in lieu of these stated SAVEGREEN incentives. Customers must accept a free energy audit to qualify for the SAVEGREEN incentive.
- Incentives for additional measures through HPwES - NJNG proposed to continue the practice of supporting the HPwES program by offering both grants and OBRPs for customers in NJNG’s service territory who install HPwES Tier II and Tier III measures that would qualify for grants under the NJCEP program. Customers who participate in the OBRP program for WARMAdvantage qualified furnaces or boilers and later pursue additional upgrades through HPwES would continue to have the option to increase the amounts borrowed under their OBRP. The HPwES grant is currently up to \$5,000 but no more than 50% of the project costs, and the NJNG OBRP for the additional measures associated with WARMAdvantage and HPwES customers are eligible for up to a total combined OBRP of

\$10,000. NJNG proposes extending the time allowed for the customer to implement the additional measures from the current 6 months from the date of the initial OBRP to 18 months.

- NJNG proposes to have the OPOWER pilot program, as fully described in Attachment B, continue through 2018. This existing program is set to terminate on June 30, 2015. OPOWER provides customers with educational and informational data on how to reduce their personal energy usage. Currently approximately 40,000 customers receive these reports. NJNG also proposes a targeted expansion of the OPOWER program to test the program's ability to influence customer behavior for connections to whole house improvements and to enhance service to low income customers. Costs are reflected within Attachment A, p. 1 fnt 1.

Commercial Programs

- Direct Install Customers - NJNG currently supports the NJCEP Direct Install (DI) program by offering an OBRP program for the balance of the NJCEP project not covered by the NJCEP incentive. A maximum of \$53,570 will be available for each qualified project for commercial customers. NJNG proposes to modify the repayment period from 24 months to 36 months to make repayments more affordable for participating customers. NJNG is also proposing a modification to allow commercial customers to apply for OBRP related to certain energy-efficiency measures not included within the DI Program but are eligible energy saving measures in the NJCEP SmartStart Building program to address an identified barrier in the commercial marketplace in the NJNG service territory. For these projects with additional SmartStart measures,

NJNG proposes that the maximum amount of the OBRPs be set at \$130,000 for SmartStart and \$53,570 for DI.

4. The Company is seeking approval to continue the Fostering Environmental and Economic Development (“FEED”) program as currently structured, originally approved by BPU Order dated September 24, 2010, BPU Docket No. GO10030225 and subsequently re-approved in the June 2013 Order. NJNG’s tariff provides for three classes of FEED rates. FEED Class 1 is designed to encourage environmental improvements or development within the Company’s service territory or enhance the Company’s system utilization. FEED Class 2 is designed to allow the Company to recover from the customer the Company’s capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the contract related to distribution system and mains expansions. FEED Class 3 is designed to encourage significant, new and/or environmental or economic development projects in NJNG’s service territory and allow the Company to install and/or operate equipment and facilities to fulfill the contract and recover from the customer the Company’s capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the contract related to non-traditional equipment. This program and Tariff mechanism would provide qualified commercial and industrial customers with the opportunity to benefit from energy-efficiency and economic development opportunities. NJNG would work with each individual customer to develop customized incentives or repayment structures. This program provides interested commercial customers with individualized opportunities to benefit from environmental and economic development projects with no direct subsidy from other NJNG ratepayers. Each individual FEED filing would continue to be judged on its own merits and subject to the same regulatory approval used for previous FEED filings, i.e., Rate Counsel and BPU Staff have sixty (60) days to review

FEED Class 2 and Class 3 contracts; if no objection is received from either party, the FEED Class 2 or Class 3 contract will take effect. FEED Class 1 contracts will be submitted for Board approval prior to implementation.

5. The Board's May 2008 Order required that a utility must meet with BPU Staff and Rate Counsel at least 30 days in advance of submitting a filing to provide an overview of the elements and cost recovery mechanism proposed. Accordingly, NJNG conferred, via teleconference, with a representative of Rate Counsel on November 12, 2014 and with BPU Staff and a representative of the Division of Law within the Department of Law and Public Safety on November 14, 2014 via teleconference, to provide an overview of the program modifications and cost recovery mechanism proposed within this filing.

6. On January 16, 2015, BPU Staff notified the Company that the December 17, 2014 initial filing was not deemed administratively complete. On January 26, 2015, the Company filed the supplemental information requested by BPU Staff. On February 18, 2015, BPU Staff, upon its review of the supplemental information, determined that the filing was administratively complete. Therefore, pursuant to the Board's May 2008 Order, the 180 day review period commenced on January 26, 2015, the day that the Company provided the supplemental information.

7. Public hearings on this petition were held on April 20, 2015 in Rockaway Borough and on April 21, 2015 in Freehold Township; no members of the public appeared at any of the public hearings; and no written comments were received by the BPU, NJNG, or Rate Counsel.

8. On June 5, 2015, the Parties executed a Stipulation agreeing to extend the Company's existing Board approved SAVEGREEN Program² for an additional 31 days, through July 31, 2015, consistent in all other respects with the Board's June 2013 Order. Also, the parties agreed to extend the 180-day RGGI period to allow for a Board determination by July 31, 2015. This was approved through a Board Order dated June, 19, 2015.

9. Subsequent to the review of discovery and the completion of public hearings, and after discovery and settlement meetings among the Parties, the following agreement was reached in resolution of this case.

Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by the Parties as follows:

STIPULATED MATTERS

10. The Parties agree that NJNG can continue the SAVEGREEN programs and implement proposed changes described herein commencing on August 1, 2015 through July 31, 2017. Schedules showing the expected participation rates from the program and detailing the proposed program investments, and other expenditures, and expected revenue requirements and rate impacts are provided in Attachment A hereto. The stipulated investment and operation and maintenance expenses are summarized below:

² In the Matter of the Petition of New Jersey Natural Gas Company for Approval of the Extension of Energy Efficiency Programs and the Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1 BPU Docket No. GO12070640 and In the Matter of the Petition of New Jersey Natural Gas Company for Approval of the Cost Recovery Associated with Energy Efficiency Programs BPU Docket No. GR12070641 Board Order Dated June 21, 2013.

Program Investment (\$Millions)

Residential Program	\$ 67.630
Commercial Program	<u>7.520</u>
Total Program Investment	\$ 75.150
Operation and Maintenance	
Energy Audits	\$ 4.384
Administration, Program Management, Quality Assurance/Quality Control and Evaluation	<u>5.704</u>
Total Investment & O&M	\$ 85.238

11. Attachment A shows the total program budget, inclusive of program investments and O&M costs, of \$47.687 million for the first year and \$37.551 million for the second year of the two year period ending July 31, 2017.

12. The Parties agree that, in resolution of this proceeding, NJNG can continue the SAVEGREEN programs with the modifications proposed in the Petition, subject to the changes and other terms and conditions provided in this Stipulation. Detailed descriptions of the agreed SAVEGREEN programs are shown on Attachment B hereto.

13. Since the inception of the SAVEGREEN Program, for customers implementing HPwES Tier II and Tier III measures and receiving OBRPs from NJNG, the Company has paid grants in the amounts available under the NJCEP HPwES program in lieu of the Office of Clean Energy paying the grants. Pursuant to this settlement, the Company agrees to eliminate the NJNG funding of the NJCEP grant portion of the HPwES program. The Company commits to working with the new NJCEP Program Administrator on the transition of the HPwES direct incentives and agrees to implement the elimination of the NJNG funding within 6 months of the new Program Administrator's contract effective date as set forth in the Board's Order approving same or no later than June 30, 2016.

14. Work related to any specific SAVEGREEN offer or application that has been initiated prior to the end date of July 31, 2017 may continue for close-out and completion purposes within the budget levels agreed to herein.

15. The Parties agree that NJNG is permitted to shift funds between the anticipated grant and OBRP budget projections, subject to actual participation levels and overall budget considerations. Consistent with the terms of the June 2013 Order, the Company agrees to provide written notice to the BPU Staff and Rate Counsel for any proposed changes between residential and commercial program funding levels or any change in incentive amounts resulting from Board approved changes to NJCEP incentive levels, including a description of the proposed budget re-allocation with supporting schedules. Additionally, in light of the two- year term, the Company is permitted to carry forward up to 15 percent of the approved investment for the residential and commercial programs to the subsequent year. Furthermore, if applicable funds approved for SAVEGREEN through July 31, 2017 are not fully expended or committed by July 31, 2017, NJNG will transfer those amounts to the proposed program work in future years. The Parties agree that should there be a prospective change to an NJCEP program for which the Company has a corresponding SAVEGREEN counterpart, the Company will modify its counterpart program to be consistent with the NJCEP program. The Company agrees to implement such modified offering within sixty (60) days of the BPU Order approving the modification to the NJCEP program, or a date as determined by the BPU unless a longer transition time is necessary to perform the required implementation activities by the Company or if it may better align with NJCEP implementation dates as determined by the BPU. If a longer transition is needed, the Company will notify the Parties and explain the reasoning and need for the longer timeframe.

16. The Parties agree that the current independent evaluation of the SAVEGREEN programs being performed by Apprise and due to be completed no later than January 1, 2016, under the June, 2013 Order will include, but is not limited to, analyses of the following issues:

1. What is the incremental benefit of the NJNG incentives, over and above the NJCEP-provided incentives?
2. What modifications to the budgets, marketing approaches, and/or target participation rates would enhance the effectiveness and cost-effectiveness of NJNG's programs?
3. Are customer audits effective at encouraging customers into whole-house or whole-facility programs? Are there ways the realization rate for this transition could be improved?
4. What insight can be gained into the true magnitudes of the free-ridership and spillover effects?

17. The Company will provide the results of the evaluation, together with all supporting data, analysis and workpapers, to BPU Staff and Rate Counsel no later than January 1, 2016 and will meet with BPU Staff and Rate Counsel no later than February 1, 2016 to discuss the outcome from this evaluation and any implications to be considered for future SAVEGREEN program modifications.

18. The Company agrees to work collaboratively with the Parties and meet on a regular basis over the next eighteen months, but no less than quarterly, to discuss program design, measurement and verification, and data acquisition. The following issues to be addressed in this collaborative process include, but are not limited to, the following:

1. Standardization of program elements among utilities offering similar programs, including a goal for percentage of projects to be completed in distressed communities;
2. Standardization of evaluation processes and schedules;

3. Standardization of data collection and reporting requirements;
4. Development of energy savings targets;
5. Development of standardized inputs and methodologies for cost-benefit analyses (“CBAs”) including a standardized method for determination of avoided electric capacity costs and avoided electric and gas distribution costs;
6. Assuring that utility programs provide incremental benefits that exceed their incremental costs;
7. Consideration of the revenue and cost impacts resulting from providing incentives to customers converting to natural gas from other fuels;
8. Focusing utility programs on markets that are not adequately served by NJCEP programs;

19. All future cost-benefit analyses (“CBAs”) of the Company’s energy efficiency programs will include the following five cost-benefit tests: the Participant Cost Test (“PCT”), the Program Administrator Cost (“PAC”) Test, the Ratepayer Impact Measure (“RIM”) Test, the Total Resource Cost (“TRC”) Test, and the Societal Cost Test (“SCT”). The Company agrees to include the following in future CBAs:

- a. Identification and explanation of which incentives are to be provided by the company and which by NJCEP.
- b. An estimate of the hypothetical participation rates that would be achieved by the NJCEP programs in the absence of NJNG’s programs and its supplementary incentives.
- c. The Company will present cost-benefit analyses based on the incremental effect of the utility’s programs in addition to the combined-impact CBA that the Company currently provides.
- d. The Company will ensure that its costs and benefits reflect consistent assumptions such that it matches expected incentives to expected incremental costs.

- e. The participant benefit/utility cost associated with interest-free loans will be calculated as the present-value sum of the foregone interest payments, and not as the simple sum.

20. The Parties agree that to the extent that the Company requires an extension of time for submittal of the evaluation referenced in paragraphs 16 and 17, the Company will advise Board Staff and Rate Counsel so that a mutually acceptable date for submittal can be agreed upon.

21. The Parties agree that the Company can continue its Fostering Environmental and Economic Development (“FEED”) program as currently structured. The Company shall seek BPU approval for any prospective FEED program modifications.

22. The Parties agree that the OPOWER pilot program, as fully described in Attachment B, will continue through 2017.

23. The Parties agree that the Company will be authorized to defer and seek recovery of all reasonable and prudent SAVEGREEN Program Costs, including the grant costs, customer incentives, and associated reasonable and prudent incremental O&M expenses as noted on Attachment A herein. The grant costs, customer incentives, customer financing costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG’s Rider F and separately tracked through a sub-component of Rider F called EE Extension “2015” (“EEEx2015”). Annual true-up filings should separately breakout the expenses, investments, unamortized investments and revenue requirement calculations for the original program, and each extension thereafter including the extension which is the subject of this Stipulation. The SAVEGREEN Program Costs shall be subject to the terms set forth in Rider F and shall be recovered through a per-therm EE charge relative to all applicable

jurisdictional throughput on the NJNG distribution system as provided in Rider F. Proposed Tariff sheets are provided as Attachment C hereto.

24. The calculation of the carrying costs on the average monthly balances of under-over-recovery of deferred costs shall be subject to the terms under Rider F and as described in more detail in the Board's Order in BPU Docket Nos. EO09010056 and EO09010057, dated July 17, 2009. The interest rate shall not exceed the overall rate of return as authorized by the Board in NJNG's pre-tax WACC as identified in Paragraph 25 of the Stipulation or as authorized in NJNG's subsequent base rate case.

25. NJNG agrees that the SAVEGREEN program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period, on a straight line basis, with the return of the investment and return on the unamortized investments based upon a rate of 6.69 percent as shown in the capital structure below.

SAVEGREEN Capital Structure					
March 31, 2015					
Type	Amount	Ratio	Cost	Weighted Cost	Pre-Tax
Long Term Debt	\$ 608,693	41.73%	3.47%	1.45%	1.45%
Short Term Debt	66,000	4.52%	1.00%	0.05%	0.05%
Customer Deposits	6,692	0.46%	0.11%	0.00%	0.00%
Common Equity	777,272	53.29%	9.75%	5.19%	8.78%
	<u>\$1,458,657</u>	<u>100.00%</u>		<u>6.69%</u>	<u>10.28%</u>

26. The Signatory Parties agree that any change in the Weighted Average Cost of Capital ("WACC") authorized by the Board in a subsequent base rate case will be reflected in the

subsequent monthly revenue requirement calculations as of the date of the next scheduled annual true-up.

27. As currently structured, the customer repayment periods for the OBRP offers will be three, five and ten years, depending on the program and total OBRP funds made available. In computing the return component of its costs, NJNG will, in addition to a reduction for the accumulated amortization of its investments, deduct the applicable deferred income taxes related to the amortization of SAVEGREEN Program Costs over a three-year, five-year and ten-year period for book purposes and over one-year for tax purposes. NJNG will continue to calculate the monthly net investment balances by subtracting from the monthly net investment balances the current month-end accumulated amortization balances.

28. The SAVEGREEN program investments and operating costs will be reconciled to actual recoveries from the EE Rate in the EE Rate Recovery filings to be submitted in June of each year, for which the Company may seek recovery. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.

29. The Company will make an EE Rate Recovery filing in July 2015 seeking an October 1, 2015 effective date. The Company will include in its annual EE Rate Recovery filings the MFRs set forth in Attachment D.

30. The Company shall separately track the dollar amount with the type of electric measures installed and included in its investments on an annual basis. It shall also include the estimated savings associated with these electric measures and the basis for these calculations.

31. The Company will continue to report, on a Quarterly basis i) the number of full-time equivalents that the Company hires to perform work associated with the SAVEGREEN

programs; ii) the number of full-time equivalents that entities under contract with the Company hire to perform work with the SAVEGREEN program; iii) the number of SAVEGREEN program participants; iv) OBRP metrics such as, but not limited to, loan performance; and v) program expenditures and commitments.

32. NJNG will continue to submit detailed data regarding the SAVEGREEN programs and expenses through the Program Manager Data Tracking Sheets (IMS Data Entry Workbooks) as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN programs. The Company will continue to submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report or consistent with the timing dictated by NJCEP's Program Coordinator.

33. 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.


34. It is the intent of the Parties that the provisions herein be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

35. 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 BPU 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 and, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms herein, as soon as reasonably possible.


**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

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Deputy Attorney General

Date: July 7, 2015