



Agenda Date: 10/31/16
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY)
NATURAL GAS COMPANY FOR APPROVAL OF THE)
COST RECOVERY ASSOCIATED WITH ENERGY)
EFFICIENCY PROGRAMS) ORDER APPROVING
STIPULATION
DOCKET NO. GR16050478

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") considers a stipulation of settlement ("Stipulation") executed by New Jersey Natural Gas Company ("NJNG" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Parties") intended to resolve the Company's Annual Energy Efficiency Programs rate filing.

BACKGROUND/PROCEDURAL HISTORY

On July 17, 2009, the Board authorized NJNG to implement three energy efficiency programs: 1) Home Performance with Energy Star ("HPwES") Enhancements; 2) Enhanced Warm Advantage Rebate Program; and 3) Commercial Customer Direct Install Program¹ ("Original Programs"). The Original 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.

¹ In re Energy Efficiency Programs and Associated Cost Recovery Mechanisms and In re the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057, Order dated July 17, 2009.

The Original Programs were 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. NJNG was authorized to establish the rate ("EE Rate") through which it would recover or return to customers all deferred program costs, including rebate costs, customer incentive payments, customer financing costs, and associated reasonable and prudent operations and maintenance expenses. These costs were to be recovered through the Company's Rider F. The Company was required to submit an annual cost recovery filing to establish future EE Rates. The annual filing includes updates to the investment levels, operating costs, and reconciled rate recovered to actual cost results.

By Order dated September 24, 2010, the Board authorized NJNG to extend and expand the Original Programs through December 31, 2011² ("September 2010 Order"). In addition to authorizing 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, "SAVEGREEN Project" or "SAVEGREEN").

By Order dated January 18, 2012,³ the Board authorized NJNG to continue its existing SAVEGREEN Project and implement certain proposed SAVEGREEN Project program changes through December 31, 2012, or twelve months from the date the Order approving the SAVEGREEN extension was served, whichever was later ("January 2012 Order"). By Order dated June 21, 2013⁴ ("June 2013 Order"), the Board authorized NJNG to further extend the SAVEGREEN Project, with modifications, through June 30, 2015. The SAVEGREEN Project was further extended through July 31, 2017 by Order dated July 23, 2015⁵ ("July 2015 Order"). The SAVEGREEN Project was further extended through December 31, 2018 by Order dated June 29, 2016⁶ ("June 2016 Order").

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, Order dated September 24, 2010.

³ 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. GR11070425, Order dated January 19, 2012.

⁴ In re 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 and In re the Petition of New Jersey Natural Gas Company for Approval of the Cost Recovery Associated with Energy Efficiency Program, BPU Docket Nos. GO12070640 and GR12070641, Order dated June 21, 2013.

⁵ In re 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, Order dated July 23, 2015.

⁶ In re 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, Order dated June 29, 2016.

As part of the current cost recovery mechanism, NJNG is authorized to amortize for recovery the SAVEGREEN investments in customer rebates, incentive payments and customer financing over a two, three, five and ten year period on a straight-line basis, with the rate of return on the unamortized SAVEGREEN investments approved in the previous orders. NJNG computes the rate of return component of its costs, in addition to deducting the accumulated amortization of its investments, by deducting the applicable deferred income taxes related to the amortization of rebates, incentives and financing costs over a two-, three-, five-, and ten-year period for book purposes and over a one-year period for tax purposes.

NJNG was required to submit its annual cost recovery filing by June 1, 2016 to establish future Rider F rates.

May 2016 Filing

By petition dated May 26, 2016, NJNG filed a request with the Board, wherein the Company proposed to maintain the EE Rate of \$0.0327 per therm (including Sales and Use Tax ("SUT")), for recovery of the costs associated with the Original Programs as well as the SAVEGREEN Project ("2016 Petition"). According to the 2016 Petition, based on actual information through April 30, 2016 and estimated information through September 30, 2016, NJNG anticipated being under recovered at September 30, 2016 by approximately \$1.338 million. Based on the current and anticipated levels of activity in SAVEGREEN, NJNG estimated the revenue requirement for the period October 2016 through September 2017 to be approximately \$20.926 million. Accordingly, the resultant revenue requirement through September 2017 for the 2016 Petition was \$22.262 million. NJNG's current EE Rate of \$0.0327 per therm (including SUT) recovers approximately \$21.171 million. Given the relatively small increase in revenue required, NJNG proposed to maintain the current EE Rate of \$0.0327 previously approved by Order dated January 28, 2016.⁷

Since there was no rate change requested, public hearings on this petition were not required. Rate Counsel and Staff propounded discovery on NJNG, which was responded to. As part of discovery, NJNG updated its revenue requirement to include actual information through June 30, 2016. The Company's updated information indicates an anticipated under recovery at September 30, 2016 of approximately \$1.140 million and a revenue requirement for the period October 2016 through September 2017 to be approximately \$20.707 million. The resultant revenue requirement through September 2017 was approximately \$21.847 million, according to the update. Despite the update, the Company continued to assert that it is beneficial to maintain the current level of the EE Rate.

STIPULATION

Following discovery, the Parties reached a settlement of all issues and on October 3, 2016 executed the Stipulation. The Stipulation provides the following:⁸

⁷ In re the Petition of New Jersey Natural Gas Company for Approval of the Cost Recovery Associated with Energy Efficiency Programs, BPU Docket No. GR15070861, Order dated January 28, 2016.

⁸ Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

10. The Parties agree that the Company is authorized to recover only those costs associated with the SAVEGREEN Programs previously approved in the September 2010, January 2012, June 2013, July 2015, and June 2016 Orders.
11. Although the Company's updated revenue requirement indicates a projected under recovered balance of \$0.676 million as of September 30, 2017, the Parties agree that NJNG should maintain the existing EE Rate of \$0.0327 per therm, which includes Sales and Use Tax ("SUT") (\$0.0306 excluding SUT) pursuant to the terms of Rider F of the Company's gas tariff, as set forth in Attachment A to the Stipulation. This rate represents no change from the current rate per therm and there will be no impact to the overall bill of the average residential heating customer using 1,000 therms annually. This rate shall be in effect until changed by a future Board Order.
12. The Parties agree that actual costs incurred prior to July 1, 2016, as shown in Attachment B to the Stipulation, have been reviewed and deemed prudent and reasonable by the Parties. Actual costs incurred by NJNG after that date are subject to review for reasonableness and prudence in future EE Rate filings.
13. The Parties agree that the Company's next annual EE Rate filing will be made on or about June 1, 2017.
14. As agreed to by the Signatory Parties and authorized in the September 2010, January 2012, June 2013, July 2015, and June 2016 Orders, any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the BPU in the Company's most recent base rate case, BPU Docket No. GR15111304, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. The sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the next annual EE Rate filing.

DISCUSSION AND FINDING

The Board has carefully reviewed the record, including the 2016 Petition, as well as the Stipulation. Accordingly, the Board is satisfied and **HEREBY FINDS** that the Stipulation represents a fair and reasonable resolution of the issues, demonstrates that the costs have been reviewed and determined to be both reasonable and prudent, and is therefore in public interest. The Board **HEREBY ADOPTS** the attached Stipulation as its own, incorporating by reference its terms and conditions as if fully set forth herein.

As a result of the Board's approval of the Stipulation, customers will not see any change in their annual bills.

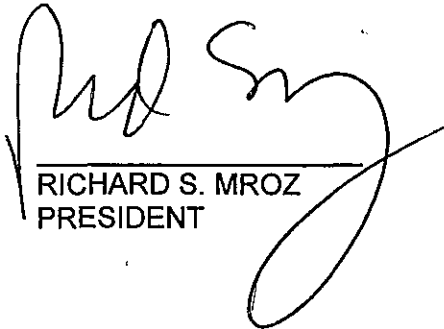
The Board **HEREBY ORDERS** the Company to file the appropriate revised tariff sheets consistent with the terms of this Order no later than November 10, 2016.

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

This Board Order shall be effective on November 10, 2016.

DATED: 10/31/16

BOARD OF PUBLIC UTILITIES
BY:



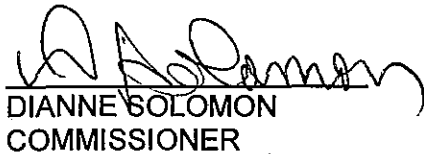
RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER



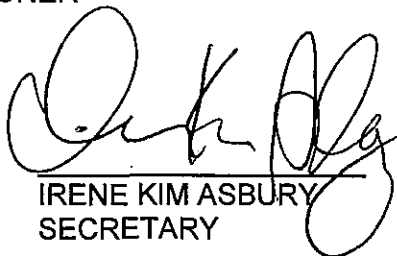
MARYANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

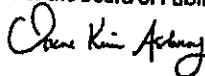


UPENDRA J. CHIVUKULA
COMMISSIONER

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 COST RECOVERY ASSOCIATED WITH ENERGY EFFICIENCY
PROGRAMS

BPU DOCKET NO. GR16050478

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

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF THE COST RECOVERY ASSOCIATED WITH THE ENERGY EFFICIENCY PROGRAMS)))))	STIPULATION OF SETTLEMENT
		BPU DOCKET NO. GR16050478

APPEARANCES:

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

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

Alex Moreau and Christopher M. Psihoules, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Christopher S. Porrino**, Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

1. On May 27, 2016, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition ("Petition") in Docket No. GR16050478 with the New Jersey Board of Public Utilities ("Board" or "BPU") requesting that the Board maintain the Company's existing Energy Efficiency ("EE") rate of \$0.0327 per therm after-tax, which was established by Board Order dated January 1, 2016, in Docket No. GR1507086. The Company submitted the Petition

pursuant to the terms of earlier Board Orders.¹ The June 29, 2016 Order approved both the continuation of energy-efficiency programs offered through The SAVEGREEN Project® (“SAVEGREEN”) and the recovery of SAVEGREEN investments and operating costs collected through the Board-approved NJNG Tariff Sheet Rider F (“Rider F”) through December 31, 2018. Based on the current and anticipated levels of activity in SAVEGREEN and the projected under-recovered balance of \$0.676 million as of September 30, 2017, NJNG petitioned to maintain the EE Rate currently included in Rider F of \$0.0327 per therm after-tax.

BACKGROUND

2. NJNG’s participation in energy-efficiency programs, the costs of which are collected through Rider F, was originally approved by the Board in an Order dated July 17, 2009² and subsequently approved to continue, with modifications, in Orders dated September 24,

¹ In re Energy Efficiency Programs and Associated Cost Recovery Mechanisms and I/M/O the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057, Order dated July 17, 2009; 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, Order dated September 24, 2010; 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. GR11070425, Order dated January 19, 2012; In re 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 and In re the Petition of New Jersey Natural Gas Company for Approval of the Cost Recovery Associated with Energy Efficiency Program, BPU Docket Nos. GO12070640 and GR12070641, Order dated June 21, 2013; In re 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, Order dated July 23, 2015.

² I/M/O/ Energy Efficiency Programs and Associated Cost Recovery Mechanisms and I/M/O/ the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057.

2010³ (“September 2010 Order”), January 19, 2012 (“January 2012 Order”) in Docket No. GR11070425, the June 2013 Order, and the July 23, 2015 (“July 2015 Order”) and the recently approved June 29, 2016 (“June 2016 Order”), both in Docket No. GO14121412, extending the SAVEGREEN Program through December 31, 2018. These Orders all adopted terms of stipulations entered into among the Company, Board Staff, and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively the “Parties”).

3. As stated by the Company in its Petition, the SAVEGREEN energy-efficiency and conservation programs are designed to complement and supplement aspects of New Jersey’s Clean Energy Program (“NJCEP”) in an attempt to encourage higher levels of customer participation in NJNG’s service territory. NJNG maintains that the programs do not duplicate or eliminate any of the NJCEP programs; instead they work to increase customer awareness, enhance participation, and support utilization of NJCEP efforts throughout the State.

4. As set forth in the above-cited Board Orders, NJNG was authorized to establish a rate through which it can recover from customers SAVEGREEN costs, including rebates, customer incentive payments, customer financing, and associated reasonable and prudent incremental operation and maintenance (“O&M”) expenses (“Program Costs”). It was agreed that such Program Costs are subject to recovery pursuant to the terms of Rider F.

5. NJNG is to submit a June 1st annual SAVEGREEN cost recovery filing to establish future Rider F rates. The filing has usually been made coincident with, but separate from, NJNG’s annual Basic Gas Supply Service filing, and is to include updates to the

³ I/M/O the Petition of New Jersey Natural Gas Company for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GR11070425. GO100302254.

SAVEGREEN investment levels, operating costs, and reconciled rate recoveries to actual cost results.

PROCEDURAL HISTORY

6. Since there was no rate change requested, public hearings on this Petition were not held.

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

8. The Parties have discussed the matters at issue in this proceeding. Based upon those discussions, the Parties agreed to enter into this Stipulation, in resolution of certain issues raised in or relating to the Company's Petition.

9. Specifically, based upon and subject to the terms and conditions set forth herein, the Parties **STIPULATE AND AGREE** as follows:

STIPULATED MATTERS

10. The Parties agree that the Company is authorized to recover only those costs associated with the SAVEGREEN Programs previously approved in the September 2010, January 2012, June 2013, July 2015, and June 2016 Orders.

11. Although the Company's updated revenue requirement indicates a projected under recovered balance of \$0.676 million as of September 30, 2017, the Parties agree that NJNG should maintain the existing EE Rate of \$0.0327 per therm, which includes Sales and Use Tax ("SUT") (\$0.0306 excluding SUT) pursuant to the terms of Rider F of the Company's gas tariff, as set forth in Attachment A. This rate represents no change from the current rate per

therm and there will be no impact to the overall bill of the average residential heating customer using 1,000 therms annually. This rate shall be in effect until changed by a future Board Order.

12. The Parties agree that actual costs incurred prior to July 1, 2016, as shown in Attachment B, have been reviewed and deemed prudent and reasonable by the Parties. Actual costs incurred by NJNG after that date are subject to review for reasonableness and prudence in future EE Rate filings.

13. The Parties agree that the Company's next annual EE Rate filing will be made on or about June 1, 2017.

14. As agreed to by the Signatory Parties and authorized in the September 2010, January 2012, June 2013, July 2015, and June 2016 Orders, any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the BPU in the Company's most recent base rate case, BPU Docket No. GR15111304, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. The sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the next annual EE Rate filing.

15. 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

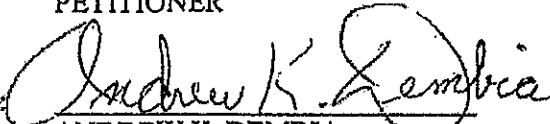
Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto 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.

16. It is the intent of the Parties that the provisions hereof 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.


17. 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, 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 hereof, as soon as reasonably possible.

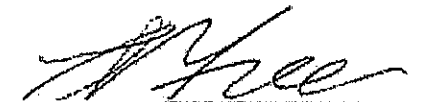
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Regulatory Affairs Counsel

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

By: 
KURT S. LEWANDOWSKI
Assistant Deputy Rate Counsel 10/3/16

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: 
ALEX MOREAU
Deputy Attorney General
09/30/2016

Date: September 26, 2016

NEW JERSEY NATURAL GAS COMPANY

Seventh Revised Sheet No. 172

BPU No. 8 - Gas

Superseding Sixth Revised Sheet No. 172

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: July 24, 2015
Issued by: Mark R. Spurduto, Senior Vice President
Wall, NJ 07719

Effective for service rendered on
and after August 1, 2015

NEW JERSEY NATURAL GAS COMPANY

Ninth Revised Sheet No. 173

BPU No. 8 - Gas

Superseding Eighth Revised Sheet No. 173

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: February 3, 2016
Issued by: Mark R. Spurduto, Senior Vice President
Wall, NJ 07719

**Effective for service rendered on
and after February 6, 2016**

**New Jersey Natural Gas
Energy Efficiency Recovery Rates**

(\$000)

Actual Under/(Over) recovery at June 30, 2016	\$	(2,545)
Estimated Revenue Requirements July 2016 through September 2016):		
RGGI	\$	361
EE Extension		925
July 2013 Programs		2,406
August 2015 Programs		1,738
Estimated Recovery		(1,745)
Estimated Interest		(0)
<hr/>		
Estimated Under/(Over) recovery at September 30, 2016	\$	1,140
Estimated Revenue Requirements (Oct 2016 through Sep 2017):		
RGGI	\$	524
EE Extension		3,096
July 2013 Programs		8,981
August 2015 Programs		8,106
Total Amount to be Recovered	\$	21,847
<hr/>		
<u>Per Therm Recovery</u>		
Firm Throughput (000 therms)		691,864
Proposed Pre-tax EE Recovery Rate \$ per Therm	\$	0.0316
Proposed After-tax EE Recovery Rate \$ per Therm	\$	0.0338
Current Pre-tax EE Recovery Rate \$ per Therm	\$	0.0306
Current After-tax EE Recovery Rate \$ per Therm	\$	0.0327
Pre-tax EE Recovery Rate \$ per Therm Increase/(Decrease)	\$	-
After-tax EE Recovery Rate \$ per Therm Increase/(Decrease)	\$	-

NOTE: NJNG proposes no change to its current EE Rate.