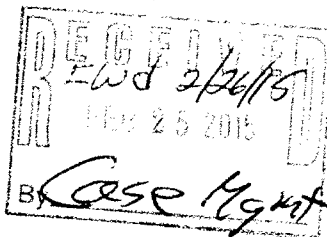




New Jersey
Natural Gas



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FEB 25 2015

STANDARD OIL COMPANY
NEW JERSEY

February 23, 2015

Kenneth Sheehan, Secretary
N.J. Board of Public Utilities
44 South Clinton Avenue, 9th floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: In The Matter of the Petition of
New Jersey Natural Gas Company for
Approval of the Cost Recovery Associated with
Energy Efficiency Programs
BPU Docket No. GR14060536

Dear Mr. Sheehan:

Enclosed with this letter is a fully executed Stipulation of settlement in the above captioned matters with separate and original signature pages for each signatory.

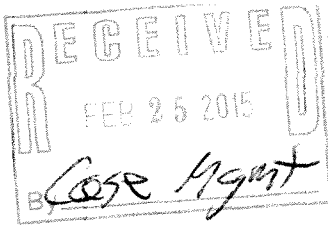
Please do not hesitate to contact me at 732-938-1073 if you need any additional information.

Very truly yours,

Andrew K. Dembia
Regulatory Affairs Counsel

C: Sarah Steindel, R.C.
Alex Moreau, DAG

Case mgmt
R. Boylan
Energy-TOC



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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

FEB 25 2015

BOARD OF PUBLIC UTILITIES
MAIL ROOM

IN THE MATTER OF THE LETTER)
PETITION OF NEW JERSEY NATURAL)
GAS COMPANY FOR APPROVAL OF THE)
COST RECOVERY ASSOCIATED WITH)
THE ENERGY EFFICIENCY PROGRAM)
)
)

STIPULATION OF
SETTLEMENT

BPU DOCKET NO. GR14060536

APPEARANCES:

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

Sarah H. Steindel, and Christine Juarez 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 (John J. Hoffman, Acting Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

1. On June 2, 2014 New Jersey Natural Gas Company ("NJNG" or the "Company") filed a letter petition (the "Petition") in Docket No. GR14060536 with the New Jersey Board of Public Utilities (the "Board" or "BPU") requesting that the Board maintain the Company's existing Energy Efficiency ("EE") rate of \$0.0327 per therm after-tax. The Company submitted the Petition to comply with the terms of the Board's Order issued on June 21, 2013 in Docket Nos. GO12071640 and GO12070641 ("June 2013 Order"). That 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"). Based on the current and anticipated levels of activity in SAVEGREEN and the projected under-recovered balance of \$2.56 million as of September 30, 2015, NJNG believed that it was appropriate to maintain the current EE Rate instead of requesting an increase. Additionally, as specified in the June 2013 Order, the Company submitted a filing on December 16, 2014 regarding the SAVEGREEN programs and, if necessary, could seek to alter the EE Rate at that time.

BACKGROUND

2. NJNG's participation in energy-efficiency programs was originally approved by the Board in an Order dated July 17, 2009¹ and subsequently approved to continue, with modifications in Orders dated September 24, 2010² ("September 2010 Order"), January 18, 2012 ("January 2012 Order") in Docket No. GR11070425 and in the June 2013 Order referenced above. These Orders all adopted terms of stipulations entered into among the Company, the Staff of the BPU 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. The NJNG programs do not duplicate or eliminate any

¹ 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.

² 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. GO10030224.

of the NJCEP programs, instead they work to increase customer awareness, enhance participation and support utilization of NJCEP efforts throughout the State.

4. 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. As part of the current cost recovery mechanism, NJNG is authorized to amortize for recovery its SAVEGREEN investments in customer rebates, incentive payments and customer financing over a two (2) year, five (5) year and ten (10) year period on a straight line basis, with the return on the unamortized investments approved in the September 2010 Order, the January 2012 Order and June 2013 Order. NJNG computes the return component of its costs, in addition to 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-year, five-year and ten-year period for book purposes and over a one-year period for tax purposes.

6. NJNG is to submit an 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 SAVEGREEN investment levels, operating costs, and reconciled rate recoveries to actual cost results.

PROCEDURAL HISTORY

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

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

9. Representatives of NJNG, Board Staff and Rate Counsel, the only Parties to this proceeding, have discussed the matters at issue in this proceeding. Based upon those discussions, the Parties have reached an agreement to enter into this Stipulation in resolution of certain issues raised in or relating to the Company's associated cost recovery mechanism for the SAVEGREEN program to remain at current levels.

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

STIPULATED MATTERS

11. The Parties agree that the Company is authorized to recover only those costs associated with the SAVEGREEN Programs previously approved in the July 2009, the September 2010, the January 2012, and the June 2013 Orders.

12. Although the Company's updated revenue requirement as shown in Attachment A indicates a projected under recovered balance of \$1.25 million as of September 30, 2014, 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. 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 1000

therms annually. This rate shall be in effect as of the first of the month following the date of the Board Order adopting this Stipulation and until changed by a future Board Order.

13. The Parties agree that actual costs incurred prior to October 1, 2014 as shown in Attachment A have been reviewed and deemed prudent and reasonable by the Parties. Actual costs incurred after that date are subject to review for reasonableness and prudence in future EE Rate filings.

14. The Parties agree that the Company's next annual EE Rate filing will be made on or about June 1, 2015.

15. As agreed to by the Signatory Parties and authorized in the July 2009, the September 2010, the January 2012 and the June 2013 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. GR07110889, 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.

16. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right

to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

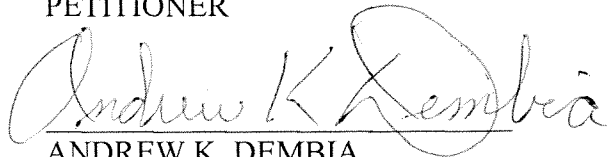
17. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

18. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, 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.

**NEW JERSEY NATURAL GAS
PETITIONER**

By: _____



ANDREW K. DEMBIA
Regulatory Affairs Counsel

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

By: _____

SARAH H. STEINDEL
Assistant Deputy Rate Counsel

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

By: _____

ALEX MOREAU
Deputy Attorney General

Date: February 13, 2015

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