



Agenda Date: 03/29/19
Agenda Item: 2H

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 TO IMPLEMENT AN)
INFRASTRUCTURE INVESTMENT PROGRAM ("IIP"))
AND ASSOCIATED RECOVERY MECHANISM)
PURSUANT TO N.J.S.A. 48:2-21 AND N.J.A.C. 14:3-2A)
)
ORDER DESIGNATING)
COMMISSIONER, SETTING)
MANNER OR SERVICE AND)
BAR DATE)
DOCKET NO. GR19020278)

Parties of Record:

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

BY THE BOARD:

Infrastructure Investment Program

On February 28, 2019, New Jersey Natural Gas Company ("NJNG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval for its Infrastructure Investment Program ("IIP" or "Program"), including an associated cost recovery mechanism pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A.1 *et seq.* ("II&R Rules")¹ and any other provision deemed applicable by the Board. NJNG proposes to invest \$507 million over a five (5) year period from July 1, 2019 through June 30, 2023. NJNG seeks authority to implement a cost recovery mechanism for its proposed IIP. The Company is proposing that NJNG's investment cost will be recovered utilizing the cost recovery mechanism utilized in the Company's SAFE Extension ("SAFE II") Program, which was approved by the Board in the Company's last base rate case.²

The proposed program includes seven (7) projects estimated to cost \$288.2 million excluding Allowance for Funds Used During Construction ("AFUDC"). The proposed projects include: (1)

¹ On December 19, 2017, the Board adopted new rules for utility "Infrastructure Investment and Recovery" to encourage utilities to implement infrastructure investments. The rules are codified at N.J.A.C. 14:3-2A.1 *et seq.* ("II&R Rules") and became effective on January 16, 2018.

² In re the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Base Rates and for Changes in its Tariff for Gas Service, Approval of the SAFE Program Extension, and Approval of SAFE Extension and NJ Rise Rate Recovery Mechanisms Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and for Changes to Depreciation Rates for Gas Property Pursuant to N.J.S.A. 48:2-18, BPU Docket No. GR15111304 and OAL PUC 00738-16 (September 23, 2016).

reliability and resiliency projects, adding 65.9 miles of reinforcement mains to the system; (2) replacement and reinforcement of 7.7 miles of main as well as install a new regulator station; (3) LNG transmission interconnection from the Howell LNG facility to the Company's backbone transmission system; (4) reconstruction of a regulator station in order to mitigate existing storm – related risks; (5) replace older steel mains with state of the art steel mains; (6) Excess Flow Valve ("EFV") installation of approximately 16,000 EFV's in potential storm-affected areas of the Company's service territory; and (7) Protection of Regulators, approximately 60,000 protective devices on regulator vents in flood areas.

In addition to the seven (7) projects outlined in the petition, NJNG is also proposing an integrated information technology investment referred to as NEXT. The Company anticipates NEXT's total capital cost to be approximately \$219 million. According to the petition, NEXT will support and modernize NJNG's business processes and technology platforms, while increasing the security of the information. The Company has broken down the NEXT project into five (5) major components: (1) Finance and Accounting; (2) Customer Experience; (3) Customer Information and Billings; (4) Work Force and Asset Management; and (5) the technical foundational platforms required for IT integration, reporting and content management.

The Company proposes to utilize the after-tax Weighted Average Cost of Capital ("WACC") approved by the Board in the Company's recent base rate case filing (BPU Docket No. GR15111304). The WACC is 6.90 percent (6.40 percent after-tax), based on the Board's Order in NJNG's last base rate case proceeding in. The initial WACC is based on the return on equity of 9.75 percent and an equity component in the capital structure of 52.50 percent.

DISCUSSION

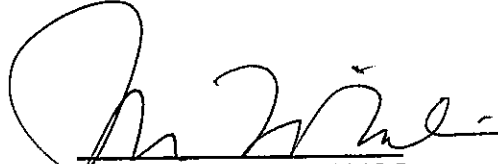
The Board has determined that the petition described above should be retained by the Board for hearing, and pursuant to N.J.S.A. 48:2-32, **HEREBY DESIGNATES** Commissioner Robert M. Gordon as the presiding officer with authority to rule on all motions that arise during the pendency of these proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues. Further, the Board **HEREBY DIRECTS** that any entity seeking to intervene or participate in this matter file the appropriate application with the Board by April 29, 2019. Any party wishing to file a motion for admission of counsel, *pro hac vice*, should do so concurrently with any motion to intervene or participate.

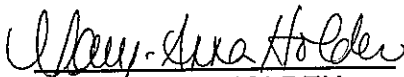
In the interests of economy, all parties are **HEREBY DIRECTED** to serve all documents electronically, while still providing hard copies to the Board for those documents, which must be filed, with the Board, and provide two hard copies to each party, unless otherwise requested by the parties. Finally, the Board **HEREBY DIRECTS** Staff to post this Order on the Board's website.

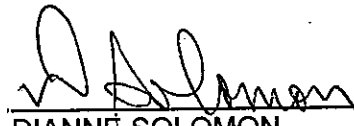
The effective date of this Order is April 8, 2019.


DATED: 3/29/19

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT


MARYANNA HOLDEN
COMMISSIONER


DIANNÉ SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

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

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IMPLEMENT AN INFRASTRUCTURE INVESTMENT PROGRAM ("IIP") AND ASSOCIATED
RECOVERY MECHANISM PURSUANT TO N.J.S.A 48:2-21 AND N.J.A.C. 14:3-2A
BPU DOCKET NO. GR19020278

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