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BRIAN O. LIPMAN
Director

February 14, 2023

Via Electronic Mail

Hon. Carmen D. Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st 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 a Municipal Franchise and Consent in the Township
of Ocean, Ocean County
BPU Docket No.: GE22100659**

Dear Acting Secretary Diaz:

Please accept for filing the comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") concerning the above-referenced Verified Petition of New Jersey Natural Gas Company ("NJNG" or "Company") for approval of a municipal franchise and consent in the Township of Ocean, Ocean County. Consistent with the March 19, 2020 Order of the New Jersey Board of Public Utilities (the "Board") in I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, this communication is being filed with the Secretary of the Board and is being provided to each person on the service list by electronic mail only. No paper copies will follow. **Please acknowledge receipt of this comment letter.** Thank you.

Background

The Company filed the above-referenced Petition on or about October 24, 2022, seeking approval, pursuant to N.J.S.A. 48:2-14, N.J.S.A. 48:3-15 and N.J.A.C. 14:1-5.5, of Township of Ocean Ordinance No. 2022-17, renewing the Company's franchise and the Township's consent to provide natural gas utility service, and to construct and maintain pipes and related facilities in streets and other public areas, within the Township. Rate Counsel propounded discovery requests RCR-1 through RCR-8 on NJNG on October 31, 2022, which the Company answered on November 4, 2022. NJNG currently provides natural gas service to 4,313 customers within the Township, of whom 4,023 are residential and 290 are commercial. RCR-1. Over the next five years, the Company estimates growth within its service territory of between 9,000 and 9,500 new customer additions annually, RCR-2, and within the Township of approximately 10 to 25 new customer additions per year over the next five years. RCR-3; 12T:L15 - 22 (12/13/22). NJNG represents that it has the capacity necessary to ensure a continuation of its natural gas service and does not foresee any concerns regarding its ability to meet the existing and future demands of the Township. RCR-4 and RCR-5; 13T:L6 - 10 (12/13/22).

The Company services its customers through four customer service centers located in New Jersey, at 1415 Wyckoff Road, Wall Township; 775 Vassar Avenue, Lakewood; 633 Lake Avenue, Asbury Park; and 201 Roundhill Drive, Roundhill Corporate Center, Rockaway. RCR-6. The customer service center located in the Lakewood Industrial Park, at 775 Vassar Avenue, Lakewood, is closest to Ocean Township. Id.; 13T:L11 - 15 (12/13/22). The Company's customer service centers are normally open Monday through Friday from 8 a.m. to 4:30 p.m. NJNG anticipates that these customer service centers will continue to service its customers, with no changes in their locations, services or hours of operation. Id.; 13T:L22 - 14T:L12 (12/13/22).

The Company does not have any approved projects that would significantly change its distribution system within the Township at this time. RCR-7; 14T:L19 - 15T:L6 (12/13/22).

The Township granted the Company franchise and consent and permission to provide natural gas utility service and to construct and maintain pipes and related facilities in streets and other public areas within the Township, for a period of five (5) years, by Ordinance 2017-8 dated July 17, 2017 and effective on December 1, 2017. RCR-8 and Ex. A; see Petition, ¶ 5 and Ex. A, p. 1 of 2. Pursuant to Ordinance 2017-8, the Company's right to use the streets within the Township for the provision of service expired on December 1, 2022. RCR-8 and Ex. A; Petition, ¶ 5 and Ex. A.

In Ordinance No. 2022-17, adopted on October 18, 2022, the Township set forth certain limits on its renewed franchise and consent to NJNG, including limiting both to a period of twenty (20) years, to expire on October 1, 2042. Petition, ¶ 5 and Ex. A, p. 1 of 2. By letter dated October 21, 2022, the Company accepted and agreed to the terms and conditions of the municipal franchise and consent in Ordinance No. 2022-17, pursuant to N.J.S.A. 48:3-16. Petition, ¶ 5 and Ex. B.

At the hearing held by the hearing officer for the Board on this Petition on December 13, 2022, NJNG witness Mr. Joseph Puglisi, Managing Engineer for NJNG, testified that the Company has the capacity to meet the existing and future needs of customers located within the municipality; has no plans to change the locations, services or hours of operation of its customer service centers; and has no plans to change its gas distribution system within the Township. No one has contacted Rate Counsel with any objection regarding this matter.

Rate Counsel Position

The Company represents that it has the capacity necessary to continue providing natural gas service to its customers located in the Township. For this and the other reasons set forth above, and the fact that the municipal franchise and consent in Ordinance No. 2022-17 is limited to a term not exceeding twenty years and does not exceed the statutory maximum term of fifty years, as per N.J.S.A. 48:3-15, Rate Counsel does not object to approval of NJNG's Petition. Rate Counsel recommends that the Board's Order specifically provide that its approval does not include authorization to include in rate base any specific assets that may be constructed as a result of approval of this Petition. The determination of any assets to be included in rate base, and any ratemaking impacts as a result of the municipal franchise and consent, should be addressed in a future base rate case or other appropriate proceeding.

Accordingly, Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

1. Since the municipal franchise and consent for the use of streets and other public places is limited to a term not exceeding twenty years, Township of Ocean Ordinance No. 2022-17 complies with N.J.S.A. 48:3-15.
2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. This Order shall not affect, nor in any way limit, the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

These provisions will satisfy the concerns of Rate Counsel that the Company is in compliance with the proper statutory framework, that Board approval is limited to the municipal franchise and consent, and that there is no authorization to include any specific assets or amounts in rate

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base, nor authorization for any other ratemaking treatment. If the Board adopts these conditions,
Rate Counsel is not opposed to approval of the above-referenced Petition.

Respectfully submitted,

BRIAN O. LIPMAN
Director, Division of Rate Counsel

By: */s/ Brian Weeks*
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Deputy Rate Counsel

c: Service List (by electronic mail)
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Municipal Franchise in the
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