



June 1, 2010

***VIA FEDERAL EXPRESS***

Ms. Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Re: IN THE MATTER OF NEW JERSEY  
NATURAL GAS COMPANY'S  
ANNUAL REVIEW AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS),  
ITS CONSERVATION INCENTIVE PROGRAM (CIP)  
FACTORS AND FOR MODIFICATION TO ITS  
WEATHER NORMALIZATION CLAUSE (WNC) FACTOR  
FOR F/Y 2011  
BPU DOCKET NO. GR1006\_\_\_\_\_

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the petition of New Jersey Natural Gas Company (NJNG) for the Annual Review and Revision of its Basic Gas Supply Service (BGSS), its Conservation Incentive Program (CIP) and for Modification to its Weather Normalization Clause (WNC) Factor for F/Y 2011. Included in this filing are the testimonies of Jayana S. Shah, Tina M. Sinks, and Anne-Marie Peracchio in support of this petition.

Copies of the petition, including the supporting exhibits and testimony, are also being served upon the Department of the Public Advocate, Division of Rate Counsel.

Kindly acknowledge receipt of this filing by date stamping the enclosed copy of this letter and returning same in the self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in blue ink that reads 'Tracey Thayer'.

Tracey Thayer  
Director, Regulatory Affairs Counsel

Enclosures

C: Service List

**NEW JERSEY NATURAL GAS COMPANY  
ANNUAL REVIEW AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS),  
ITS CONSERVATION INCENTIVE PROGRAM (CIP)  
AND FOR MODIFICATION TO ITS  
WEATHER NORMALIZATION CLAUSE (WNC) FACTOR  
FOR F/Y 2011  
DOCKET NO. GR1006\_\_\_\_\_**

**SERVICE LIST**

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Newark, NJ 07102

**NEW JERSEY NATURAL GAS COMPANY  
ANNUAL REVIEW AND REVISION OF ITS  
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AND FOR MODIFICATION TO ITS  
WEATHER NORMALIZATION CLAUSE (WNC) FACTOR  
FOR F/Y 2011  
DOCKET NO. GR1006\_\_\_\_\_**

**SERVICE LIST**

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

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IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS COMPANY )  
FOR THE ANNUAL REVIEW AND ) BPU DOCKET NO. GR1006 \_\_\_\_\_  
REVISION OF ITS BASIC GAS SUPPLY ) OAL DOCKET NO. \_\_\_\_\_  
SERVICE (BGSS), ITS CONSERVATION )  
INCENTIVE PROGRAM (CIP) FACTORS )  
AND FOR MODIFICATION TO ITS )  
WEATHER NORMALIZATION CLAUSE )  
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Manager - Gas Supply
  
  - Tina M. Sinks  
Manager - Regulatory Affairs
  
  - Anne-Marie Peracchio  
Director - Conservation and Clean Energy Policy

<sup>1</sup> For ease of presentation, the filing contains BGSS schedules for fiscal year (FY) 2010 and FY2011. Actual BGSS schedules for FY2008 and FY2009 and projected BGSS schedules for FY2012 will be included in Workpapers to be filed under separate cover.

**C A S E   S U M M A R Y**

## CASE SUMMARY

### NEW JERSEY NATURAL GAS COMPANY ANNUAL REVIEW AND REVISION OF ITS BASIC GAS SUPPLY SERVICE (BGSS), ITS CONSERVATION INCENTIVE PROGRAM (CIP) FACTORS AND FOR MODIFICATION TO ITS WEATHER NORMALIZATION CLAUSE (WNC) FACTOR FOR F/Y 2011

FILING DATE: June 1, 2010  
EFFECTIVE DATE: October 1, 2010

#### BASIS FOR REQUEST:

#### BASIC GAS SUPPLY SERVICE (“BGSS”)

1. New Jersey Natural Gas Company (the “Company”) proposes to decrease its pre-tax periodic Basic Gas Supply Service (“BGSS”) billing factor for sales customers from its current pre-tax level of \$0.8250 per therm to \$0.7800 per therm. This factor results in an effective pre-tax adjustment clause decrease of \$0.0450 per therm of gas sales effective October 1, 2010 (an after-tax adjustment clause decrease of \$0.0482 per therm), representing a 3.5 percent price decrease for a residential heating customer using 100 therms per month. The projected change in after-tax gas cost recoveries is as follows:

BGSS Decrease (\$22.2 Million)

2. While the Company has not yet made any determination of the need for additional BGSS price adjustments, the Company may also seek to increase the price for BGSS service up to a maximum of 5 percent of the total residential bill on December 1, 2010 and/or February 1, 2011 pursuant to the Order in BPU Docket No. GX01050304 (“Generic BGSS Order”). If such an increase is required, the Company will provide notice to the Board and Rate Counsel of its election to adjust its BGSS rates upward as is required by the Generic BGSS Order. Additionally, pursuant to the Generic BGSS Order, the Company may decrease its BGSS rate, provide refunds or rate credits at any time upon five days notice and the filing of supporting documentation to the Board and to Rate Counsel.
3. The Company proposes to increase its pre-tax Balancing Charge from its current pre-tax level of \$0.0737 per therm to \$0.0828 per therm. This factor results in an effective pre-tax increase of \$0.0091 per therm of gas sales effective October 1, 2010 (an after-tax increase of \$0.0097 per therm). All Balancing Charge revenues from transportation customers are credited to BGSS recoveries. For sales customers, the balancing charge is included as a component of the delivery charge and deducted from the BGSS charge in order to provide a BGSS “Price-to-Compare.”

CONSERVATION INCENTIVE PROGRAM (“CIP”)

With this filing and pursuant to the December 12, 2006 Order in BPU Docket No. GR05121020 (“CIP Order”), the Company proposes to modify its after-tax CIP recovery rates as a component of delivery rates effective October 1, 2010. The existing rates, proposed rates and projected change in after-tax CIP recoveries for each CIP Group are:

<u>Group</u>	<u>Group Description</u>	<u>Existing Charge per therm</u>	<u>Proposed Charge/ (Credit) per therm</u>	<u>Change in Recovery \$ million</u>
Group I	Residential Non-Heat	\$0.0435	(\$0.0033)	(\$0.17)
Group II	Residential Heat	\$0.0079	\$0.0179	\$4.45
Group III	General Service - Small	\$0.0184	\$0.0339	\$0.52
Group IV	General Service - Large	\$0.0260	\$0.0278	<u>\$0.25</u>
Total				\$5.05

WEATHER NORMALIZATION CLAUSE (“WNC”)

The Company proposes to maintain its after-tax WNC billing factor of \$0.0001 per therm through December 31, 2010. The Company proposes to eliminate the WNC billing factor effective January 1, 2010 and transfer the remaining WNC over or under recovery balance to the Company’s BGSS balance.

IMPACT TO CUSTOMERS

**The combination of the proposed October 1, 2010 BGSS and CIP changes results in a 2.8 percent decrease to the total bill of an average residential heating sales customer (Group II), a 5.7 percent decrease for an average residential non-heat sales customer (Group I) and a 2.2 percent decrease for an average sales customer in Group III. The CIP change results in a 0.2 percent increase for an average Group IV customer. Group IV sales customers are not affected by the BGSS request because they are subject to monthly market pricing for their natural gas supply.**

**PETITION OF**

**NEW JERSEY NATURAL GAS COMPANY FOR THE  
ANNUAL REVIEW AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS),  
ITS CONSERVATION INCENTIVE PROGRAM (CIP) FACTORS  
AND FOR MODIFICATION TO ITS  
WEATHER NORMALIZATION CLAUSE (WNC) FACTOR  
FOR F/Y 2011**

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

<b>IN THE MATTER OF THE PETITION OF</b>	)	
<b>NEW JERSEY NATURAL GAS COMPANY</b>	)	<b>BPU DOCKET NO. GR1006_____</b>
<b>FOR THE ANNUAL REVIEW AND</b>	)	
<b>REVISION OF ITS BASIC GAS SUPPLY</b>	)	<b>PETITION</b>
<b>SERVICE (BGSS), REVIEW AND</b>	)	
<b>REVISION OF ITS CONSERVATION</b>	)	
<b>INCENTIVE PROGRAM (CIP) FACTORS</b>	)	
<b>AND FOR MODIFICATION TO ITS</b>	)	
<b>WEATHER NORMALIZATION CLAUSE</b>	)	
<b>(WNC) FACTOR FOR F/Y 2011</b>	)	

**TO: THE HONORABLE COMMISSIONERS OF  
THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

Pursuant to the “Order Approving BGSS Price Structure” (“Generic BGSS Order”) issued by the New Jersey Board of Public Utilities (“BPU” or the “Board”) in BPU Docket No. GX01050304<sup>1</sup>, and the applicable provisions of N.J.S.A. 48:2-21, New Jersey Natural Gas Company (“NJNG” or the “Company”) hereby requests the Board to accept the Company’s annual reconciliation filing for its Basic Gas Supply Service (“BGSS”), and approve the Company’s related request to decrease the BGSS price applicable to residential and certain small commercial customers. Additionally, NJNG hereby requests that the Board approve, pursuant to N.J.S.A. 48:2-21 and the authority granted the Company in BPU Docket No. GR05121020 (“CIP Order”), the Company’s filing related to the Conservation Incentive Program (“CIP”) for the period from October 1, 2009 through September 30, 2010 and an adjustment to the Weather Normalization Clause (“WNC”) recovery rate. The Company is

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<sup>1</sup> The referenced BGSS Order contemplates that annual BGSS reconciliation filings are made by natural gas companies by June 1 of each year, with proposed BGSS price adjustments to be effective October 1 of each year, and authorizes two additional self-implementing rates adjustments (subject to limits) upon notice to the Board on November 1 and January 1 each year to take effect on December 1 and February 1 respectively. Pursuant to the same order, BGSS service for large commercial and industrial customers is priced on a monthly basis.

proposing to decrease its CIP recovery rate for Group I Residential Non-Heat customers and to increase its CIP recovery rates for Group II Residential Heat customers, Group III General Service – Small customers, and Group IV General Service – Large customers. The Company is also proposing to maintain the WNC factor through December 31, 2010 in order to target recovery of the estimated September 30, 2010 remaining margin deficiency from the 2005-2006 Winter Period and eliminate the WNC factor effective January 1, 2011. The Company proposes to transfer any remaining WNC over or underrecovery balance at December 31, 2010 to the Company's BGSS balance.

1. NJNG is a corporation duly organized under the laws of the State of New Jersey and is a public utility engaged in the distribution and transportation of natural gas subject to the jurisdiction of the Board. The Company's principal business office is located at 1415 Wyckoff Road, Wall Township, New Jersey 07719.

2. Communications and correspondence relating to this filing should be sent to:

Mark R. Sperduto, Vice President, Regulatory & External Affairs  
Tracey Thayer, Esq., Director, Regulatory Affairs Counsel  
New Jersey Natural Gas Company  
1415 Wyckoff Road, P.O. Box 1464  
Wall, N.J. 07719  
(732) 938-1214 (Sperduto)  
(732) 919-8025 (Thayer)  
(732) 938-2620 (fax)

3. As required by the referenced Generic BGSS Order, the instant filing includes a reconciliation of actual versus estimated costs and revenues from the last Board approved rate change for commodity, storage and interstate transportation costs, including the costs and results of natural gas supplies set by hedges; projected rates supported by projected volumes, revenues, and commodity, transportation, storage and transaction costs, including the cost of natural gas supplies set by hedges; deferred balances and the timeframe over which such balances and related rates are to be collected or returned; a written explanation of the circumstances that caused any deferred balances to be accrued; and a written explanation of any significant activities or trends which may affect costs for the prospective period. This

filing also includes testimony, schedules, and data that, in addition to the materials required by the Generic BGSS Order, are responsive to and consistent with the recommended minimum filing requirements (MFRs) for annual BGSS filings. Additional information related to the MFRs will be provided within Workpapers to be filed shortly.

4. Based on the information provided herein, the Company proposes an overall decrease to the BGSS price applicable to residential and small commercial customers, effective October 1, 2010, of \$0.0482 per therm, after tax, which would reflect a decrease of approximately 3.5 percent for a residential heating customer using 100 therms per month.

5. The costs and recoveries associated with the BGSS price will have no net impact on NJNG's base revenues or return on investment, and will not change NJNG's income or rate of return.

6. NJNG is providing thirty-one (31) months of actual BGSS data for the period October 1, 2007 through April 30, 2010, and projected data for the twenty-nine (29) month period May 1, 2010 through September 30, 2012.

7. As approved by the Board on October 3, 2008 in BPU Docket No. GR07110889 ("Base Case Order"), NJNG is authorized to adjust its balancing charge in the annual BGSS filing to reflect updated costs. The Company is proposing to increase its after-tax balancing charge by \$0.0097 per therm. All Balancing Charge revenues from transportation customers are credited to BGSS. For sales customers, the balancing charge is included as a component of the delivery charge and deducted from the BGSS charge in order to provide a BGSS "Price-to-Compare."

8. Pursuant to the CIP Order, the CIP provides for a rate adjustment related to changes in average use per customer when compared to a pre-established benchmark. Additionally, any recoveries sought by the Company must meet the Basic Gas Supply Service Savings Test and Earnings Test ("Tests") established in the CIP Order.

9. Based on actual data for the period October 1, 2009 through April 30, 2010, and projected data for the period May 1, 2010 through September 30, 2010, the CIP calculations for fiscal year 2010 including projected prior fiscal period over or underrecovery

balances result in the following recovery amounts: 1) a margin credit of approximately \$0.01 million for Group I Residential Non-Heat customers; 2) a margin deficiency of approximately \$7.4 million for Group II Residential Heat customers; 3) a margin deficiency of approximately \$1.1 million for Group III General Service – Small customers; and, 4) a margin deficiency of approximately \$3.6 million for Group IV General Service – Large customers.

10. The testimony of Tina M. Sinks and Exhibit C within this filing demonstrate that NJNG is entitled to full recovery of such balances based on the Tests established in the CIP Order. Pursuant to the terms of the CIP Order, the Company is proposing an effective date of October 1, 2010 for the following after-tax CIP rates and as compared to existing charges result in the following increase or (decrease) per therm:

<u>Group</u>	<u>Group Description</u>	<u>Proposed Charge/ (Credit) per therm</u>	<u>Existing Charge per therm</u>	<u>Increase/ (Decrease) per therm</u>
Group I	Residential Non-Heat	(\$0.0033)	\$0.0435	(\$0.0468)
Group II	Residential Heat	\$0.0179	\$0.0079	\$0.0100
Group III	General Service - Small	\$0.0339	\$0.0184	\$0.0155
Group IV	General Service - Large	\$0.0278	\$0.0260	\$0.0018

11. Based upon actual volumes for October 2009 through April 2010 and projected volumes for May 2010 through September 2010, the Company estimates it will not fully recover the WNC margin deficiency from the 2005-2006 Winter Period by September 30, 2010. The Company proposes in this filing to continue the after-tax WNC factor of \$0.0001 per therm through December 31, 2010 and eliminate the WNC factor effective January 1, 2011, a 0.01 percent reduction to the average bills of residential heat, GSS and GSL sales and transport customers. The Company also proposes to transfer any remaining WNC over or underrecovery balance, currently estimated at approximately \$1,000 underrecovered, to the Company's BGSS balance.

12. The combination of the proposed October 1, 2010 BGSS and CIP changes results in a 2.8 percent decrease to the total bill of a residential heating sales customer (Group II) using 100 therms per month, a 5.7 percent decrease for an average residential non-heat

sales customer (Group I) and a 2.2 percent decrease for an average sales customer in Group III. The CIP change results in a 0.2 percent increase for an average Group IV customer. Group IV sales customers are not affected by this BGSS request because they are subject to monthly market pricing for their natural gas supply.

13. This filing is supported by and includes the testimonies of Jayana S. Shah-Manager, Gas Supply, Tina M. Sinks-Manager, Regulatory Affairs, and Anne-Marie Peracchio-Director, Conservation and Clean Energy Policy. Additionally, annexed hereto and made a part of this Petition are the following exhibits and schedules:

**Exhibit A** BGSS schedules for the twelve (12) month period ending September 30, 2010, using actual data for the period from October 1, 2009 through April 30, 2010 and projected data for the period from May 1, 2010 through September 30, 2010. Actual BGSS schedules for fiscal year (FY) 2008 and FY2009 will be included in Workpapers to be filed shortly under separate cover.

**Exhibit B** BGSS schedules for the twelve (12) month period from October 1, 2010 through September 30, 2011, using projected data for the entire period. Projected BGSS schedules for FY2012 will be included in Workpapers to be filed shortly under separate cover.

**Exhibit C** CIP Schedules

**Exhibit D** Verified Financial Information<sup>2</sup>

**Exhibit E** Calculation of WNC Recovery Rate

**Exhibit F** Calculation of Balancing Charge

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<sup>2</sup> Verified financial information is being provided pursuant to the January 21, 2010 Board Order in Docket No. GR05121020.

- Exhibit G** Impact of Proposed Rate Changes along with a summary of all the adjustments and appropriate balances contained in Exhibits A and B as necessary to compute the proposed BGSS price.
- Exhibit H** Proposed tariff pages for Petitioner's Tariff Gas Service, BPU No. 8-Gas
- Exhibit I** Proposed Form of Notice of Public Hearing,
- Exhibit J** Impact of Transition to Monthly Meter Reading.<sup>3</sup>

14. NJNG has served notice and a copy of this filing, together with a copy of the annexed exhibits and schedules and NJNG's supporting testimonies being filed herewith, upon the Department of the Public Advocate, Division of Rate Counsel, 31 Clinton Street, Newark, New Jersey.

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<sup>3</sup> An evaluation of the impact of the transition to monthly meter reading is being provided pursuant to the Board's October 3, 2008 Order in Docket No. GR07110889.


WHEREFORE, NJNG requests that the Board issue an Order:

1. Accepting for filing the Company's annual BGSS reconciliation filing;
2. Approving the Company's request to decrease the Periodic BGSS price applicable to residential and small commercial customers;
3. Approving the Company's request to increase its Balancing Charge;
4. Approving the requested CIP rate changes effective October 1, 2010;
5. Approving the continuation of the WNC rate through December 31, 2010 and the transfer of any remaining WNC over or underrecovery to the Company's BGSS balance; and
6. Granting such other relief as the Board deems just, reasonable and necessary.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By:

  
Tracey Thayer, Esq.  
Attorney for New Jersey Natural Gas Company

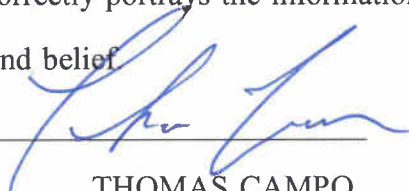
Dated: May 28, 2010

STATE OF NEW JERSEY            )  
  SS            :  
COUNTY OF MONMOUTH            )

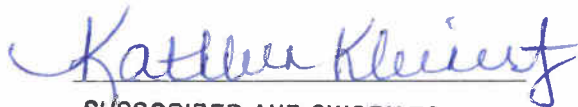
**VERIFICATION**

THOMAS CAMPO, being duly sworn according to law, upon his oath, deposes and says that:

1. I am the Controller for NJR Service Company and I am authorized to make this affidavit on behalf of New Jersey Natural Gas Company.
2. Exhibit D in the foregoing petition correctly portrays the information set forth therein, to the best of my knowledge, information and belief

  
THOMAS CAMPO  
CONTROLLER

Sworn and Subscribed before me this  
28th day of May 2010

  
SUBSCRIBED AND SWORN TO  
Notary Public in the State of New Jersey  
BEFORE ME ON THIS DAY

**MAY 28 2010**

KATHLEEN KLEINERTZ  
NOTARY PUBLIC, STATE OF NEW JERSEY  
MY COMMISSION EXPIRES 08/30/2011

**EXHIBIT A**  
**Seven Months Actual through April 2010 and**  
**Five Months Projected through September 2010<sup>1</sup>**

**INDEX OF SCHEDULES:**

1. Under/(Over) Recovered Gas Costs
- 2a. Gas Costs
- 2b. Gas Cost Recoveries
- 2c. Total Gas Costs
3. Total Therm Sales
- 4a. Interruptible Sales
- 4b. Sales at Sayreville
- 4c. Sales at Forked River
- 4d. Interruptible Transportation
- 4e. Income Sharing Derived from Off System Sales
- 4f. Income Sharing Derived from Capacity Release
- 4g. Balancing Credits and Penalty Charges
- 4h. Ocean Peaking Power
- 4i. Financial Risk Management (FRM) Program
- 4k. Storage Incentive
5. Supplier Refunds and Miscellaneous Adjustments
6. Computation of Interest

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<sup>1</sup> For ease of presentation, the filing contains BGSS schedules for fiscal year (FY) 2010 and FY2011. Actual BGSS schedules for FY2008 and FY2009 and projected BGSS schedules for FY2012 will be included in Workpapers to be filed under separate cover.

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED UNDER/(OVER) RECOVERED GAS COSTS**  
**BGSS YEAR 2010**  
**\$(000)**

**SCHEDULE 1**

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	TOTAL											
	<b>ACTUAL</b>												<b>ESTIMATE</b>											
1. Under/(Over) Recovered Gas Costs Beg. of Period	(36,203)	(3,902)	(8,347)	(13,875)	(18,545)	1,396	13,434	24,552	42,695	40,442	38,226	36,207	(36,203)											
2. Net Cost Appl. To BGSS Sales (Sch 2a)	21,745	31,460	69,352	87,237	78,302	49,074	19,059	13,790	9,845	10,351	10,059	10,036	410,310											
3. BGSS Recoveries (Sch 2b)	(20,862)	(31,356)	(68,064)	(84,095)	(51,949)	(32,323)	(6,672)	(15,028)	(10,424)	(10,857)	(10,368)	(10,228)	(352,229)											
4. Under/(Over) Rec. Gas Costs - Current Period (L.2 - L.3)	883	104	1,288	3,142	26,353	16,751	12,387	(1,239)	(579)	(506)	(309)	(192)	58,081											
Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0											
5. Interruptible (Sch.4a)	0	0	(3)	0	0	0	(1)	(13)	(13)	(13)	(13)	(13)	(69)											
6. Sayreville (Sch.4b)	0	0	0	(1)	0	(8)	(17)	(18)	(17)	(18)	(18)	(17)	(98)											
7. Forked River (Sch.4c)	(116)	(127)	(134)	(118)	(120)	(134)	(147)	(123)	(120)	(118)	(118)	(120)	(1,495)											
8. Transportation(Sch.4d)	0	0	0	0	0	0	0	0	0	0	0	0	0											
9. FRM Program (Sch 4i)	0	246	0	8	4	175	517	313	313	313	313	313	2,516											
10. Storage Incentive (Sch.4k)	(1,792)	(3,600)	(4,269)	(5,935)	(4,714)	(3,485)	(482)	(708)	(850)	(850)	(850)	(850)	(28,387)											
11. Off-System Sales (Sch.4e)	(1,131)	(417)	(1,213)	(511)	(463)	(512)	(720)	(707)	(685)	(707)	(707)	(685)	(8,458)											
12. Capacity Rel. (Sch.4f)	34,984	0	0	0	0	0	0	21,000	0	0	0	0	55,984											
13. Supplier Ref. and Misc. Adj.(Sch.5)	(458)	(585)	(1,124)	(1,189)	(1,053)	(682)	(372)	(295)	(214)	(221)	(220)	(214)	(6,628)											
14. Balancing and Penalty (Sch.4g)	(69)	(64)	(73)	(66)	(66)	(66)	(62)	(67)	(88)	(95)	(97)	(84)	(898)											
15. Ocean Peaking Power (Sch.4h)																								
16. Total Debits and Credits (L.5 through L.15)	31,418	(4,548)	(6,816)	(7,811)	(6,412)	(4,713)	(1,269)	19,381	(1,674)	(1,709)	(1,710)	(1,670)	12,467											
17. Under/(Over) Recov. Gas Costs, End of Period (L's 1,4,&16)	(3,902)	(8,347)	(13,875)	(18,545)	1,396	13,434	24,552	42,695	40,442	38,226	36,207	34,345	34,345											



NEW JERSEY NATURAL GAS COMPANY  
TOTAL GAS COSTS  
BGSS YEAR 2010  
\$(000) & (000)THERMS  
SCHEDULE 2c

	ESTIMATE												
	ACTUAL	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Mdth</b>													
Beginning of Month Storage Balance	21,906	24,057	23,183	17,591	10,439	4,753	2,300	6,709	11,353	15,325	18,968	22,606	22,606
Commodity Purchases	7,733	8,337	9,309	11,194	9,387	8,808	9,404	9,566	8,222	8,039	7,976	6,992	6,992
Sub-total of Available Supplies	29,639	32,393	32,492	28,785	19,826	13,562	11,703	16,276	19,574	23,364	26,944	29,597	29,597
A													
Less volumes with assigned cost allocations													
Off System Sales, Electric Gen, Interr. Sales, Other	2,854	5,555	6,352	7,898	6,091	5,696	2,398	3,008	2,911	3,008	3,008	2,911	2,911
A/C Sales	0	0	0	0	0	0	0	0	3	7	4	4	4
Monthly BGSS Sales	372	514	1,014	1,085	909	637	306	308	223	229	230	230	223
Sub-total of Assigned Cost Allocations	3,226	6,068	7,366	8,983	7,000	6,333	2,705	3,318	3,141	3,241	3,241	3,138	3,138
B													
Allocation WACOG Volume	26,412	26,325	25,126	19,802	12,827	7,228	8,999	12,957	16,433	20,123	23,703	26,460	26,460
C = A - B													
<i>volume available for allocation</i>													
<b>\$000</b>													
Beginning of Month Storage Balance	175,201	194,629	187,572	142,362	85,013	39,468	19,987	43,447	67,935	88,528	109,608	130,948	130,948
Beginning of Month WACOG Inventory	0	(2,523)	(3,381)	1,137	4,322	2,828	(14)	3,549	9,802	17,496	23,339	29,353	29,353
Commodity Purchases	41,517	36,921	49,007	75,190	56,028	44,152	46,315	49,355	41,417	41,386	41,857	37,635	37,635
Demand Charges	6,675	8,679	7,815	8,352	8,381	8,364	8,387	8,413	8,430	8,413	8,413	8,430	8,430
Sub-total of Available Supplies	223,333	237,706	241,013	227,041	153,744	94,812	74,675	104,765	127,584	155,823	183,217	206,366	206,366
D													
Less volumes with assigned cost allocations													
Off System Sales, Electric Gen, Interr. Sales, Other	10,972	22,545	29,589	51,070	33,592	26,367	9,582	14,071	12,520	13,357	13,690	13,442	13,442
A/C Sales	0	0	0	0	0	0	0	0	13	18	18	20	20
Monthly BGSS Sales	2,146	3,263	6,704	8,696	6,763	4,437	1,808	1,935	1,335	1,404	1,430	1,401	1,401
Sub-total of Assigned cost allocations	13,118	25,808	36,293	59,766	40,354	30,805	11,390	16,039	13,888	14,779	15,138	14,863	14,863
E													
Allocation WACOG Costs	210,275	211,897	204,720	167,275	113,390	64,007	63,285	88,726	113,695	141,044	168,079	191,503	191,503
F = D - E													
<i>\$ available for allocation</i>													
\$/dth WACOG	7,9613	8,0493	8,1477	8,4474	8,8401	8,8553	7,0325	6,8476	6,9185	7,0091	7,0912	7,2375	7,2375
G = F / C													
<b>Mdth</b>													
Periodic BGSS Sales	2,256	3,405	7,438	9,139	7,961	4,905	2,307	1,583	1,098	1,144	1,081	1,067	1,067
CoUse & UFG	26	37	76	87	82	67	25	22	11	12	16	11	11
Periodic BGSS Sales & CoUse & UFG	2,282	3,442	7,514	9,227	8,044	4,973	2,333	1,605	1,109	1,155	1,097	1,079	1,079
H													
<i>volume to be allocated</i>													
<b>\$000</b>													
Periodic BGSS (\$/dth WACOG * Periodic BGSS volume) = G * H	18,169	27,706	61,222	77,940	71,095	44,034	16,404	10,989	7,672	8,097	7,779	7,809	7,809
<i>allocated cost</i>													
Plus assigned cost allocations													
Off System Sales, Electric Gen, Interr. Sales, Other	10,972	22,545	29,589	51,070	33,592	26,367	9,582	14,071	12,520	13,357	13,690	13,442	13,442
A/C Sales	0	0	0	0	0	0	0	0	13	18	18	20	20
Monthly BGSS Sales	2,146	3,263	6,704	8,696	6,763	4,437	1,808	1,935	1,335	1,404	1,430	1,401	1,401
Sub-total of Assigned cost allocations	13,118	25,808	36,293	59,766	40,354	30,805	11,390	16,039	13,888	14,779	15,138	14,863	14,863
J													
<b>Total Allocated Costs (Sch 2a Total Gas Costs)</b>	<b>31,287</b>	<b>53,514</b>	<b>97,515</b>	<b>137,706</b>	<b>111,449</b>	<b>74,839</b>	<b>27,794</b>	<b>27,028</b>	<b>21,560</b>	<b>22,876</b>	<b>22,916</b>	<b>22,672</b>	<b>22,672</b>
L	194,629	187,572	142,362	85,013	39,468	19,987	43,332	67,935	88,528	109,608	130,948	147,320	147,320
M = K+L	225,916	241,086	239,876	222,719	150,917	94,826	71,126	94,963	110,088	132,484	153,865	169,992	169,992
N = D - M	(2,523)	(3,381)	1,137	4,322	2,828	(14)	3,549	9,802	17,496	23,339	29,353	36,374	36,374

NEW JERSEY NATURAL GAS COMPANY  
 ESTIMATED THERM SALES  
 BGSS YEAR 2010  
 (000)THERMS

SCHEDULE 3

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	TOTAL
	ACTUAL												ESTIMATE
Residential BGSS Sales	21,609	32,171	70,022	85,108	74,069	46,155	21,998	15,044	10,520	10,964	10,339	10,215	408,213
Residential Air Conditioning													
Total Residential Sales	21,609	32,171	70,022	85,108	74,069	46,155	21,998	15,044	10,520	10,964	10,339	10,215	408,213
C&I Monthly BGSS Sales	3,739	5,135	10,137	10,850	9,069	6,374	3,064	3,079	2,231	2,294	2,296	2,227	60,495
C&I Periodic BGSS Sales	1,065	1,881	4,355	6,285	5,434	2,897	1,076	786	457	473	474	460	25,642
Air Conditioning													
Total Commercial & Industrial Sales	4,803	7,017	14,492	17,136	14,503	9,270	4,139	3,888	2,757	2,802	2,807	2,728	86,342
Total Firm Sales	26,412	39,187	84,514	102,244	88,572	55,425	26,137	18,937	13,279	13,769	13,147	12,945	494,569
Interruptible IGS (Sch. 4a)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sayreville (Sch. 4b)	0	0	62	0	0	0	23	266	257	266	266	257	1,397
Forked River(Sch. 4c)	0	0	0	25	0	167	27	353	342	353	353	342	1,962
Off System Sales(Sch. 4e)	28,542	55,548	63,459	68,757	60,908	56,794	23,932	29,450	28,500	29,450	29,450	28,500	503,290
Natural Gas Vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Firm Sales	28,542	55,548	63,521	68,782	60,908	56,961	23,982	30,069	29,099	30,069	30,069	29,099	506,649
Total Sales	54,954	94,735	148,034	171,026	149,480	112,387	50,119	49,006	42,378	43,838	43,216	42,044	1,001,217
Firm Transportation	6,290	7,949	14,165	14,553	12,881	8,498	4,977	4,415	3,434	3,497	3,445	3,359	87,463
Residential Transportation	801	1,235	2,621	3,219	2,822	1,796	890	596	384	396	389	381	15,530
Interruptible Transportation	2,557	2,471	2,690	2,373	2,428	2,713	2,980	2,500	2,450	2,400	2,400	2,450	30,411
Ocean Peaking Power	189	75	204	62	71	63	65	286	2,409	3,145	3,249	1,219	11,036
Total Transportation	9,836	11,729	19,680	20,207	18,201	13,070	8,912	7,797	8,677	9,439	9,483	7,409	144,441
Total Mtherms	64,791	106,464	167,714	191,233	167,681	125,457	59,030	56,803	51,055	53,277	52,700	49,454	1,145,658

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED INCOME SHARING DERIVED FROM INTERRUPTIBLE SALES**  
**AND FROM SALES TO SAYREVILLE ELECTRIC GENERATION**  
**BGSS YEAR 2010**  
**\$(000) & (000)THERMS**

**SCHEDULE 4a**

INTERRUPTIBLE SALES	ACTUAL												ESTIMATE	TOTAL	
	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10			
Interruptible & IGS Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Tefa-Sls tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less BPU/RC Assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interr. Sales (Sch.3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss Factor (2%)	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020
Rate per therm															n/a
Cost of Gas (Sch. 2a)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Credit (Sch.1, L.5)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**SCHEDULE 4b**

Revenue	0	0	38	0	0	0	0	11	138	123	131	134	132	707
Less BPU/RC Assessment	0	0	(0)	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)
Net Revenue	0	0	37	0	0	0	11	138	123	123	131	134	131	706
Therm Sales (Sch. 3)	0	0	62	0	0	0	23	266	266	257	266	266	257	1,397
Rate per therm			0.55598				0.41499	0.46783	0.43017	0.44412	0.44412	0.45517	0.46182	n/a
Cost of Gas (Sch. 2a)	0	0	34	0	0	0	9	124	111	111	118	121	119	637
Total Credit (Sch.1, L.6)	0	0	3	0	0	0	1	13	13	13	13	13	13	69

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED INCOME SHARING DERIVED FROM**  
**SALES TO FORKED RIVER ELECTRIC GENERATION, & TRANSPORT FOR OTHERS**  
**BGSS YEAR 2010**  
**\$(000) & (000)THERMS**

**SCHEDULE 4c**

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	TOTAL
	<b>ACTUAL</b>												<b>ESTIMATE</b>
<b>FORKED RIVER</b>													
Revenue	0	0	0	18	0	91	13	187	168	178	182	179	1,015
Less BPU/RC Assessment	0	0	0	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(2)
<b>Net Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>91</b>	<b>13</b>	<b>186</b>	<b>167</b>	<b>178</b>	<b>182</b>	<b>178</b>	<b>1,013</b>
Therm Sales (Sch. 3)	0	0	0	25	0	167	27	353	342	353	353	342	1,962
Loss Factor (2%)	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Rate per therm				0.68627		0.48781	0.42010	0.46783	0.43017	0.44412	0.45517	0.46182	n/a
<b>Cost of Gas (Sch.2a)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>83</b>	<b>12</b>	<b>168</b>	<b>150</b>	<b>160</b>	<b>164</b>	<b>161</b>	<b>915</b>
<b>Total Credit (Sch.1, L.7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>8</b>	<b>1</b>	<b>18</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>17</b>	<b>98</b>

**SCHEDULE 4d**

**I.T. Transp. & I.T. Co-gen Transportation**

Revenue	333	329	353	312	319	356	392	347	340	333	333	340	4,085
Less BPU/RC Assessment and RA	(63)	(61)	(66)	(58)	(60)	(67)	(73)	(76)	(75)	(73)	(73)	(75)	(820)
Less NJ Clean Energy, USF & EE	(128)	(116)	(127)	(112)	(114)	(128)	(140)	(122)	(120)	(117)	(117)	(120)	(1,460)
Less IT Cogen/Tefa & SIs tax	(27)	(25)	(26)	(24)	(25)	(28)	(31)	(25)	(25)	(24)	(24)	(25)	(310)
<b>Gross Margin</b>	<b>116</b>	<b>127</b>	<b>134</b>	<b>118</b>	<b>120</b>	<b>134</b>	<b>147</b>	<b>123</b>	<b>120</b>	<b>118</b>	<b>118</b>	<b>120</b>	<b>1,495</b>
Customer Sharing @ 100%, cash-outs @ 100%													
<b>Total Credit (Sch.1, L.8)</b>	<b>116</b>	<b>127</b>	<b>134</b>	<b>118</b>	<b>120</b>	<b>134</b>	<b>147</b>	<b>123</b>	<b>120</b>	<b>118</b>	<b>118</b>	<b>120</b>	<b>1,495</b>

**SCHEDULE 4i**

**FRM Program**

FRM Program - Gain (Loss)	0	0	0	0	0	0	0	0	0	0	0	0	0
NJNG Sharing @ 15% (Sch.1, L.9)	0	0	0	0	0	0	0	0	0	0	0	0	0

**SCHEDULE 4k**

**Storage Incentive**

Storage Gain (Loss)	0	1,229	0	41	18	873	2,587	1,566	1,566	1,566	1,566	1,566	12,581
NJNG Sharing @ 20% (Sch.1, L.10)	0	246	0	8	4	175	517	313	313	313	313	313	2,516

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED INCOME SHARING DERIVED**  
**FROM OFF-SYSTEM SALES, CAPACITY RELEASE, BALANCING CHARGES, & OCEAN PEAKING POWER**  
**BGSS YEAR 2010**  
**\$(000) & (000)THERMS**

OFF-SYSTEM SALES	SCHEDULE 4e												TOTAL
	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	
Revenues	13,080	26,780	34,578	49,989	39,138	30,385	10,128	14,611	13,260	14,079	14,405	14,162	274,594
Therm sales	28,542	55,548	63,459	68,757	60,908	56,794	23,932	29,450	28,500	29,450	29,450	28,500	503,290
Rate per therm COG	0.384	0.406	0.466	0.625	0.552	0.463	0.399	0.468	0.430	0.444	0.455	0.462	
Cost of Gas (Sch. 2a)	10,972	22,545	29,555	43,006	33,592	26,284	9,561	13,778	12,260	13,079	13,405	13,162	241,198
Net Margin	2,108	4,235	5,023	6,983	5,546	4,100	567	833	1,000	1,000	1,000	1,000	33,397
Customer sharing @ 85% (Sch. 1, L 11)	1,792	3,600	4,269	5,935	4,714	3,485	482	708	850	850	850	850	28,387
NJNG Sharing @ 15%	316	635	753	1,047	832	615	85	125	150	150	150	150	5,009
Total Credit = Cost of Gas plus sharings	12,764	26,145	33,824	48,942	38,306	29,770	10,043	14,486	13,110	13,929	14,255	14,012	269,585

CAPACITY RELEASE		SCHEDULE 4f											
Revenue	1,330	491	1,427	601	544	603	847	832	805	832	832	805	9,950
Customer Sharing @ 85% (Sch. 1, L 12)	1,131	417	1,213	511	463	512	720	707	685	707	707	685	8,458

BALANCING CREDITS & PENALTY CHARGES		SCHEDULE 4g											
Current Month MBR Penalty Charges	19	0	0	3	0	2	0	0	0	0	0	0	24
Current Month Balancing Charges	439	585	1,124	1,186	1,053	680	372	295	214	221	220	214	6,604
Total Credit (Sch. 1, L 14)	458	585	1,124	1,189	1,053	682	372	295	214	221	220	214	6,628

OCEAN PEAKING POWER		SCHEDULE 4h											
Therm Sales (Sch. 3)	189	75	204	62	71	63	65	286	2,409	3,145	3,249	1,219	11,036
Revenue	88	75	94	75	77	75	72	97	298	369	379	194	1,892
Less Sales Tax	(6)	(5)	(6)	(5)	(5)	(5)	(5)	(6)	(20)	(24)	(25)	(13)	(124)
Less BPU/RC Assessment	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(0)	(3)
Less USF	(3)	(1)	(4)	(1)	(1)	(1)	(1)	(5)	(43)	(56)	(58)	(22)	(198)
Less RA, NJ Clean Energy, EE	(10)	(4)	(11)	(3)	(4)	(3)	(3)	(18)	(147)	(192)	(199)	(75)	(670)
Less Balancing Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Sharing Margin	69	64	73	66	66	66	62	67	88	95	97	84	898
Customer Sharing @ 100%	69	64	73	66	66	66	62	67	88	95	97	84	898
Balancing Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Credit (Sch. 1, L 15)	69	64	73	66	66	66	62	67	88	95	97	84	898

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED SUPPLIER REFUNDS AND**  
**MISCELLANEOUS ADJUSTMENTS**  
**BGSS YEAR 2010**  
**\$(000)**

**SCHEDULE 5**

(Sch 1. LINE 13)

Opening balance BGSS Interest Sch 6		0
OCT 2009 BGSS Refund	(34,984)	(34,984)
NOV 2009	0	0
DEC 2009	0	0
JAN 2010	0	0
FEB 2010	0	0
MAR 2010	0	0
APR 2010	0	0
MAY 2010 BGSS Refund	(21,000)	(21,000)
JUN 2010	0	0
JUL 2010	0	0
AUG 2010	0	0
SEP 2010	0	0
<b>TOTALS</b>		<u><u>(55,984)</u></u>

**NEW JERSEY NATURAL GAS COMPANY**  
**BGSS YEAR 2010**  
**COMPUTATION OF INTEREST ON UNDER/(OVER) RECOVERED BALANCES**  
**\$(000)**

DATE	COMBINED BALANCE	AVERAGE BALANCE	ANNUAL RATE	SCHEDULE 6 ANNUAL RATE
SEP 2008	27,994			7.76%
OCT 2008	28,456	28,225	0.00647	183
NOV 2008	21,082	24,769	0.00647	160
DEC 2008	2,977	12,030	0.00647	78
JAN 2009	(9,382)	(3,203)	0.00647	(21)
FEB 2009	(15,079)	(12,230)	0.00647	(79)
MAR 2009	(13,870)	(14,474)	0.00647	(94)
APR 2009	(28,990)	(21,430)	0.00647	(139)
MAY 2009	(29,031)	(29,011)	0.00647	(188)
JUN 2009	(30,842)	(29,937)	0.00647	(194)
JUL 2009	(33,181)	(32,012)	0.00647	(207)
AUG 2009	(34,869)	(34,025)	0.00647	(220)
SEP 2009	(36,203)	(35,536)	0.00647	(230)
OCT 2009	(3,902)	(20,053)	0.00647	(130)
NOV 2009	(8,347)	(6,125)	0.00647	(40)
DEC 2009	(13,875)	(11,111)	0.00647	(72)
JAN 2010	(18,545)	(16,210)	0.00647	(105)
FEB 2010	1,396	(8,574)	0.00647	(55)
MAR 2010	13,434	7,415	0.00647	48
APR 2010	24,552	18,993	0.00647	123
MAY 2010	42,695	33,624	0.00647	218
JUN 2010	40,442	41,568	0.00647	269
JUL 2010	38,226	39,334	0.00647	254
AUG 2010	36,207	37,217	0.00647	241
SEP 2010	34,345	35,276	0.00647	228

INTEREST TO BE CREDITED TO CUSTOMER

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**EXHIBIT B**  
**Projected October 2010 - September 2011<sup>1</sup>**

**INDEX OF SCHEDULES:**

1. Under/(Over) Recovered Gas Costs
  - 2a. Gas Costs
  - 2b. Gas Cost Recoveries
  - 2c. Total Gas Costs
3. Total Therm Sales
  - 4a. Interruptible Sales
  - 4b. Sales at Sayreville
  - 4c. Sales at Forked River
  - 4d. Interruptible Transportation
  - 4e. Income Sharing Derived from Off System Sales
  - 4f. Income Sharing Derived from Capacity Release
  - 4g. Balancing Credits and Penalty Charges
  - 4h. Ocean Peaking Power
  - 4i. Financial Risk Management (FRM) Program
  - 4k. Storage Incentive
5. Supplier Refunds and Miscellaneous Adjustments
6. Computation of Interest

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<sup>1</sup> For ease of presentation, the filing contains BGSS schedules for fiscal year (FY) 2010 and FY2011. Actual BGSS schedules for FY2008 and FY2009 and projected BGSS schedules for FY2012 will be included in Workpapers to be filed under separate cover.

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED UNDER/(OVER) RECOVERED GAS COSTS**  
**BGSS YEAR 2011**  
**\$(000)**

**SCHEDULE 1**

<b>ESTIMATE</b>	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	TOTAL
1. Under/(Over) Recovered Gas Costs Beg. of Period	34,345	33,028	29,394	24,471	20,417	19,345	21,636	17,534	15,534	13,910	12,366	11,002	34,345
2. Net Cost Appl. To BGSS Sales (Sch 2a)	19,137	37,417	64,847	81,291	71,168	60,713	26,588	13,954	10,047	10,556	10,223	10,102	416,042
3. BGSS Recoveries (Sch 2b)	(18,871)	(38,191)	(65,199)	(79,755)	(67,090)	(55,243)	(29,274)	(14,785)	(10,390)	(10,800)	(10,328)	(10,175)	(410,099)
4. Under/(Over) Rec. Gas Costs - Current Period (L.2 - L.3)	266	(774)	(352)	1,536	4,078	5,470	(2,686)	(831)	(343)	(243)	(105)	(73)	5,943
Adjustments													
5. Interruptible (Sch.4a)	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Sayreville (Sch.4b)	(3)	(3)	(3)	(3)	(3)	(3)	(13)	(13)	(13)	(13)	(13)	(13)	(94)
7. Forked River (Sch.4c)	(6)	(6)	(6)	(6)	(6)	(6)	(17)	(18)	(17)	(18)	(18)	(17)	(141)
8. Transportation(Sch.4d)	(120)	(117)	(119)	(118)	(119)	(113)	(123)	(123)	(120)	(118)	(118)	(120)	(1,430)
9. FRM Program (Sch 4i)	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Storage Incentive (Sch.4k)	313	0	0	0	0	0	0	0	0	0	0	0	313
11. Off-System Sales (Sch.4e)	(510)	(1,700)	(2,975)	(3,825)	(3,613)	(1,829)	(425)	(425)	(616)	(616)	(574)	(510)	(17,618)
12. Capacity Rel. (Sch.4f)	(738)	(216)	(223)	(223)	(201)	(223)	(216)	(192)	(186)	(192)	(192)	(186)	(2,988)
13. Supplier Ref. and Misc. Adj. (Sch.5)	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Balancing and Penalty (Sch.4g)	(429)	(738)	(1,141)	(1,343)	(1,139)	(937)	(547)	(330)	(241)	(248)	(247)	(241)	(7,581)
15. Ocean Peaking Power (Sch.4h)	(89)	(81)	(103)	(72)	(69)	(68)	(76)	(67)	(68)	(96)	(97)	(84)	(990)
16. Total Debits and Credits (L.5 through L.15)	(1,583)	(2,861)	(4,571)	(5,590)	(5,149)	(3,179)	(1,416)	(1,169)	(1,281)	(1,301)	(1,259)	(1,171)	(30,530)
17. Under/(Over) Recov. Gas Costs, End of Period (L's.1,4,&16)	33,028	29,394	24,471	20,417	19,345	21,636	17,534	15,534	13,910	12,366	11,002	9,758	9,758

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED GAS COSTS AND RECOVERIES**  
**BGSS YEAR 2011**  
**\$(000) & (000)THERMS**

**SCHEDULE 2a**

<b>ESTIMATE</b>	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	TOTAL
<b>COST OF GAS-CURRENT PERIOD</b>													
Total Gas Costs <sup>1</sup>	33,055	60,529	87,628	99,525	89,173	87,508	42,515	30,512	26,239	27,514	27,349	26,775	638,324
<b>REDUCTIONS TO COST OF GAS</b>													
Natural Gas Vehicles Interruptible (Sch.4a)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sayreville (Sch. 4b)	28	29	34	35	31	34	143	148	145	152	153	149	1,082
Forked Rv.(Sch. 4c)	59	63	71	74	67	73	194	201	197	206	208	202	1,615
Off System Sales (Sch.4e)	14,699	23,273	22,938	18,387	18,145	26,950	15,844	16,435	16,070	16,827	16,991	16,541	223,099
Capacity Release (Sch. 4f)	(868)	(254)	(262)	(262)	(237)	(262)	(254)	(226)	(219)	(226)	(226)	(219)	(3,515)
<b>Total Reductions</b>	13,918	23,112	22,781	18,234	18,006	26,795	15,927	16,558	16,193	16,958	17,126	16,674	222,281
<b>Net Cost Appl.To BGSS Sales (Sch.1.,L.2)</b>	19,137	37,417	64,847	81,291	71,168	60,713	26,588	13,954	10,047	10,556	10,223	10,102	416,042

**SCHEDULE 2b**

<b>GAS COST RECOVERIES</b>													
BGSS Sales	24,783	49,553	83,831	102,190	86,010	70,921	37,732	19,079	13,407	13,904	13,283	13,077	527,771
A/C Sales	4,146	6,693	9,871	11,432	9,773	8,283	5,038	3,112	2,257	2,321	2,323	2,253	67,502
Monthly BGSS Sales	20,637	42,861	73,961	90,758	76,237	62,638	32,694	15,939	11,079	11,544	10,921	10,781	460,051
BGSS Sales less Monthly and A/C	10/1/10												
Recovery Rate \$ per Therm:	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800
Periodic BGSS Rate	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800	0.7800
A/C Rate	0.6691	0.7111	0.7608	0.7841	0.7802	0.7709	0.7488	0.7509	0.7566	0.7639	0.7693	0.7727	0.7727
Monthly BGSS Rate													
Recoveries:	16,097	33,431	57,689	70,791	59,465	48,858	25,502	12,433	8,642	9,004	8,518	8,409	358,839
Periodic BGSS	0	0	0	0	0	0	0	16	40	22	22	25	125
A/C	2,774	4,759	7,510	8,964	7,625	6,385	3,772	2,337	1,708	1,773	1,787	1,741	51,135
Monthly BGSS													
<b>Total BGSS Recovery (Sch. 1, L. 3)</b>	18,871	38,191	65,199	79,755	67,090	55,243	29,274	14,785	10,390	10,800	10,328	10,175	410,099

<sup>1</sup> Total Gas Costs equals the sum of Total Allocated Costs on Schedule 2c and the non-production Company Use Gas. The non-production Company Use Gas is included in Total Gas Costs and removed in the Reduction to Gas Costs on Schedule 2a for no impact to the BGSS.



NEW JERSEY NATURAL GAS COMPANY  
ESTIMATED THERM SALES  
BGSS YEAR 2011  
(000)THERMS

SCHEDULE 3

ESTIMATE	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	TOTAL
Residential BGSS Sales	19,401	40,208	69,115	84,816	71,232	58,673	31,002	15,139	10,613	11,062	10,438	10,312	432,012
Residential Air Conditioning								4	3	3	2	3	14
Total Residential Sales	19,401	40,208	69,115	84,816	71,232	58,673	31,002	15,144	10,615	11,065	10,440	10,315	432,026
C&I Monthly BGSS Sales	4,146	6,693	9,871	11,432	9,773	8,283	5,038	3,112	2,257	2,321	2,323	2,253	67,502
C&I Periodic BGSS Sales	1,236	2,652	4,845	5,942	5,006	3,965	1,692	800	467	482	483	469	28,038
Air Conditioning								23	68	36	37	41	205
Total Commercial & Industrial Sales	5,382	9,345	14,716	17,374	14,779	12,248	6,730	3,935	2,792	2,839	2,843	2,762	95,745
Total Firm Sales	24,783	49,553	83,831	102,190	86,010	70,921	37,732	19,079	13,407	13,904	13,283	13,077	527,771
Interruptible IGS (Sch. 4a)	0	0	0	0	0	0	0	0	0	0	0	0	0
Sayreville (Sch. 4b)	59	57	59	59	53	59	257	266	257	266	266	257	1,915
Forked River(Sch. 4c)	123	119	123	123	111	123	342	353	342	353	353	342	2,807
Off System Sales(Sch. 4e)	31,000	45,000	40,300	31,000	30,800	46,500	28,500	29,450	28,500	29,450	29,450	28,500	398,450
Natural Gas Vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Firm Sales	31,182	45,176	40,482	31,182	30,964	46,682	29,099	30,069	29,099	30,069	30,069	29,099	403,172
Total Sales	55,965	94,729	124,313	133,372	116,974	117,603	66,831	49,148	42,506	43,973	43,352	42,176	930,943
Firm Transportation	5,438	8,557	12,636	14,615	12,579	10,650	6,647	4,400	3,434	3,497	3,445	3,359	89,258
Residential Transportation	814	1,577	2,678	3,248	2,715	2,164	1,191	594	384	396	389	381	16,532
Interruptible Transportation	2,450	2,380	2,430	2,400	2,430	2,300	2,500	2,500	2,450	2,400	2,400	2,450	29,090
Ocean Peaking Power	1,073	754	776	175	119	201	535	286	2,409	3,145	3,249	1,219	13,941
Total Transportation	9,775	13,268	18,519	20,438	17,844	15,315	10,873	7,780	8,677	9,439	9,483	7,409	148,821
Total Mithrms	65,740	107,997	142,833	153,810	134,818	132,918	77,704	56,928	51,183	53,412	52,835	49,586	1,079,764

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED INCOME SHARING DERIVED FROM INTERRUPTIBLE SALES**  
**AND FROM SALES TO SAYREVILLE ELECTRIC GENERATION**  
 BGSS YEAR 2011  
 \$(000) & (000)THERMS

**SCHEDULE 4a**

<b>ESTIMATE</b>	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	TOTAL
Interruptible & IGS Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Tefa-Sls tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Less BPU/RC Assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
Interr. Sales (Sch.3)	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss Factor (2%)	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020
Rate per therm													n/a
Cost of Gas (Sch. 2a)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Credit (Sch.1, L.5)	0	0	0	0	0	0	0	0	0	0	0	0	0

**SCHEDULE 4b**

<b>SAYREVILLE</b>													
Revenue	31	32	37	38	34	37	156	162	158	165	167	162	1,179
Less BPU/RC Assessment	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(2)
Net Revenue	31	32	36	38	34	37	156	162	158	165	167	162	1,177
Therm Sales (Sch. 3)	59	57	59	59	53	59	257	266	257	266	266	257	1,915
Rate per therm	0.47416	0.51719	0.56917	0.59312	0.58911	0.57958	0.55592	0.55806	0.56386	0.57137	0.57695	0.58038	n/a
Cost of Gas (Sch. 2a)	28	29	34	35	31	34	143	148	145	152	153	149	1,082
Total Credit (Sch.1, L.6)	3	3	3	3	3	3	13	13	13	13	13	13	94



**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED INCOME SHARING DERIVED**  
**FROM OFF-SYSTEM SALES, CAPACITY RELEASE, BALANCING CHARGES, & OCEAN PEAKING POWER**  
**BGSS YEAR 2011**  
**\$(000) & (000)THERMS**

**SCHEDULE 4e**

<b>ESTIMATE</b>	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	TOTAL
<b>OFF-SYSTEM SALES</b>													
Revenues	15,299	25,273	26,438	22,887	22,395	29,103	16,344	16,935	16,795	17,552	17,666	17,141	243,827
Therm sales	31,000	45,000	40,300	31,000	30,800	46,500	28,500	29,450	28,500	29,450	29,450	28,500	398,450
Rate per therm COG	0.474	0.517	0.569	0.593	0.589	0.580	0.556	0.558	0.564	0.571	0.577	0.580	
Cost of Gas (Sch. 2a)	14,699	23,273	22,938	18,387	18,145	26,950	15,844	16,435	16,070	16,827	16,991	16,541	223,099
Net Margin	600	2,000	3,500	4,500	4,250	2,152	500	500	725	725	675	600	20,727
Customer sharing @ 85% (Sch.1,L.11)	510	1,700	2,975	3,825	3,613	1,829	425	425	616	616	574	510	17,618
NJNG Sharing @ 15%	90	300	525	675	638	323	75	75	109	109	101	90	3,109
Total Credit = Cost of Gas plus sharings	15,209	24,973	25,913	22,212	21,757	28,780	16,269	16,860	16,696	17,443	17,565	17,051	240,717

**SCHEDULE 4f**

<b>CAPACITY RELEASE</b>													
Revenue	868	254	262	262	237	262	254	226	219	226	226	219	3,515
Customer Sharing @ 85% (Sch.1.,L.12)	738	216	223	223	201	223	216	192	186	192	192	186	2,988

**SCHEDULE 4g**

<b>BALANCING CREDITS &amp; PENALTY CHARGES</b>													
Current Month MBR Penalty Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Month Balancing Charges	429	738	1,141	1,343	1,139	937	547	330	241	248	247	241	7,581
Total Credit (Sch.1.,L.14)	429	738	1,141	1,343	1,139	937	547	330	241	248	247	241	7,581

**SCHEDULE 4h**

<b>OCEAN PEAKING POWER</b>													
Therm Sales (Sch. 3)	1,073	754	776	175	119	201	535	286	2,409	3,145	3,249	1,219	13,941
Revenue	181	147	172	91	83	88	124	95	286	352	362	187	2,169
Less Sales Tax	(12)	(10)	(11)	(6)	(5)	(6)	(8)	(6)	(19)	(23)	(24)	(12)	(142)
Less BPU/RC Assessment	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(0)	(4)
Less USF	(19)	(13)	(14)	(3)	(2)	(4)	(10)	(5)	(43)	(56)	(58)	(22)	(250)
Less RA, NJ Clean Energy, EE	(60)	(42)	(44)	(10)	(7)	(11)	(30)	(16)	(135)	(177)	(183)	(69)	(783)
Less Balancing Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Sharing Margin	89	81	103	72	69	68	76	67	88	96	97	84	990
Customer Sharing @ 100%	89	81	103	72	69	68	76	67	88	96	97	84	990
Balancing Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Credit (Sch.1., L.15)	89	81	103	72	69	68	76	67	88	96	97	84	990

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED SUPPLIER REFUNDS AND**  
**MISCELLANEOUS ADJUSTMENTS**  
**BGSS YEAR 2011**  
**\$(000)**

**SCHEDULE 5**

(Sch 1 . LINE 13)

Opening balance BGSS Interest Sch 6	0	0
Adjustments to BGSS opening balance are captured on Schedule 1	0	0
OCT 2010		
NOV 2010	0	0
DEC 2010	0	0
JAN 2011	0	0
FEB 2011	0	0
MAR 2011	0	0
APR 2011	0	0
MAY 2011	0	0
JUN 2011	0	0
JUL 2011	0	0
AUG 2011	0	0
SEP 2011	0	0
<b>TOTALS</b>	-	-

**NEW JERSEY NATURAL GAS COMPANY**  
**BGSS YEAR 2011**  
**COMPUTATION OF INTEREST ON UNDER/(OVER) RECOVERED BALANCES**  
**\$(000)**

DATE	COMBINED BALANCE	\$(000) AVERAGE BALANCE	ANNUAL RATE	SCHEDULE 6 ANNUAL RATE
SEP 2010	34,345			7.76%
OCT 2010	33,028	33,686	0.00647	218
NOV 2010	29,394	31,211	0.00647	202
DEC 2010	24,471	26,932	0.00647	174
JAN 2011	20,417	22,444	0.00647	145
FEB 2011	19,345	19,881	0.00647	129
MAR 2011	21,636	20,491	0.00647	133
APR 2011	17,534	19,585	0.00647	127
MAY 2011	15,534	16,534	0.00647	107
JUN 2011	13,910	14,722	0.00647	95
JUL 2011	12,366	13,138	0.00647	85
AUG 2011	11,002	11,684	0.00647	76
SEP 2011	9,758	10,380	0.00647	67
TOTAL				1,558
			INTEREST TO BE CREDITED TO CUSTOMER	0

**EXHIBIT C**  
**CONSERVATION INCENTIVE PROGRAM (CIP) SCHEDULES**

**INDEX OF SCHEDULES:**

1. Results and Calculation of Rate for Group I Residential Non-Heat
2. Results and Calculation of Rate for Group II Residential Heat
3. Results and Calculation of Rate for Group III General Service - Small
4. Results and Calculation of Rate for Group IV General Service - Large
5. Weather Related Margin Deficiency
6. BGSS Savings Test
7. ROE Test

New Jersey Natural Gas Company  
Conservation Incentive Program  
Group I: Residential Non-Heat  
FY2010

<u>Customer Class</u> (a)	<u>Actual/ Estimate</u>	<u>Actual per Books<sup>1</sup></u>		<u>Actual Avg. Use / Cust.</u> (d) = (b) / (c)	<u>Baseline Use / Cust.<sup>2</sup></u> (e)	<u>Difference</u> (f) = (d) - (e)	<u>Aggregate Therm Impact</u> (g) = (f) * (c)
		<u>Total Class Therms</u> (b)	<u>Number of Customers</u> (c)				
<u>Residential Non-Heating</u>							
October	a	339,386	18,910	18.0	19.6	(1.7)	(31,202)
November	a	315,908	18,445	17.1	24.4	(7.3)	(134,094)
December	a	436,889	18,237	24.0	21.1	2.9	52,158
January	a	458,598	18,140	25.3	22.0	3.3	59,500
February	a	392,327	18,083	21.7	17.5	4.2	75,948
March	a	245,940	18,033	13.6	17.3	(3.7)	(66,000)
April	a	161,860	18,070	9.0	7.6	1.4	24,576
May	e	193,452	18,424	10.5	8.3	2.2	40,533
June	e	282,044	19,057	14.8	12.7	2.1	40,020
July	e	341,765	19,093	17.9	19.4	(1.5)	(28,640)
August	e	338,538	19,019	17.8	17.6	0.2	3,804
September	e	348,480	18,837	18.5	19.4	(0.9)	(16,953)
Total		3,855,186		208.1	206.9		19,649
Margin Revenue Factor / Therm Per Tariff Sheet No. 179							\$ 0.2913
Margin Deficiency/ (Credit)							\$ (5,724)
Prior Period (Over) / Under Recovery <sup>3</sup>							\$ (5,296)
Total Deficiency/(Credit)							\$ (11,020)
Projected Residential Non-Heating Throughput for Recovery Period							3,593,892
Pre-tax CIP Charge/(Credit)							\$ (0.0031)
BPU/RC Assessment Factor							1.001725
CIP Charge/(Credit) including assessments							\$ (0.0031)
7% Sales Tax							\$ (0.0002)
<b>Proposed After-tax CIP Charge/(Credit) per Therm</b>							<b>\$ (0.0033)</b>
Current After-tax CIP Charge/(Credit) per Therm							\$ 0.0435
Increase/ (Decrease) in After-tax CIP Charge/(Credit) per Therm							\$ (0.0468)

<sup>1</sup> Per Exhibit C, Schedule 1, Page 2

<sup>2</sup> Per Tariff Sheet No. 180

<sup>3</sup> Per Exhibit C, Schedule 1, Page 3

New Jersey Natural Gas Company  
Customers and Therms

**Group I: RS non-heat**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Actual May-10	Actual Jun-10	Actual Jul-10	Actual Aug-10	Actual Sep-10
RS non-heat sales	18,465	18,006	17,789	17,673	17,610	17,533	17,573	17,924	18,557	18,593	18,519	18,337
RS non-heat transport	445	439	447	467	473	500	498	500	500	500	500	500
<b>Total Customers</b>	<b>18,910</b>	<b>18,445</b>	<b>18,237</b>	<b>18,140</b>	<b>18,083</b>	<b>18,033</b>	<b>18,070</b>	<b>18,424</b>	<b>19,057</b>	<b>19,093</b>	<b>19,019</b>	<b>18,837</b>
<b>Volumes</b>												
RS non-heat sales	328,646	304,198	418,850	440,818	376,966	236,608	155,231	186,005	274,896	333,658	330,653	340,737
RS non-heat transport	10,740	11,710	18,039	17,780	15,361	9,332	6,629	7,447	7,147	8,107	7,886	7,742
<b>Total Volumes</b>	<b>339,386</b>	<b>315,908</b>	<b>436,889</b>	<b>458,598</b>	<b>392,327</b>	<b>245,940</b>	<b>161,860</b>	<b>193,452</b>	<b>282,044</b>	<b>341,765</b>	<b>338,538</b>	<b>348,480</b>

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED UNDER/(OVER) RECOVERED CIP BALANCE**  
**GROUP I - RS NON-HEAT**  
**FY2010**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10	TOTAL
Beginning Under/(Over) Recovery \$	151,610	137,797	124,939	107,158	88,493	72,525	62,515	55,928	48,054	36,575	22,665	8,887	151,610
Therm Sales	339,386	315,908	436,889	458,598	392,327	245,940	161,860	193,452	282,044	341,765	338,538	348,480	3,855,186
Pre-tax Recovery Rate per Therm	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407	0.0407
Recovery \$	13,813	12,857	17,781	18,665	15,968	10,010	6,588	7,873	11,479	13,910	13,779	14,183	156,906
Ending Under/(Over) Recovery \$	137,797	124,939	107,158	88,493	72,525	62,515	55,928	48,054	36,575	22,665	8,887	(5,296)	(5,296)

New Jersey Natural Gas Company  
Conservation Incentive Program  
Group II: Residential Heat  
FY2010

Customer Class (a)	Actual/ Estimate (b)	Actual per Books <sup>1</sup>		Actual Avg. Use / Cust. (d) = (b) / (c)	Baseline Use / Cust. <sup>2</sup> (e)	Difference (f) = (d) - (e)	Aggregate Therm Impact (g) = (f) * (c)
		Total Class Therms (b)	Number of Customers (c)				
<b>Residential Heating</b>							
October	a	22,070,138	433,432	50.9	51.0	(0.1)	(34,675)
November	a	33,089,770	434,292	76.2	97.4	(21.2)	(9,211,327)
December	a	72,205,827	435,292	165.9	168.3	(2.4)	(1,053,406)
January	a	87,868,684	435,980	201.5	190.4	11.1	4,856,820
February	a	76,497,956	436,402	175.3	166.3	9.0	3,923,253
March	a	47,705,011	436,497	109.3	136.9	(27.6)	(12,051,689)
April	a	22,725,604	436,623	52.1	77.6	(25.6)	(11,155,706)
May	e	15,451,477	436,555	35.4	41.2	(5.8)	(2,536,385)
June	e	10,624,046	436,680	24.3	25.4	(1.1)	(467,248)
July	e	11,021,468	436,954	25.2	24.1	1.1	489,388
August	e	10,390,587	437,345	23.8	23.6	0.2	69,975
September	e	<u>10,250,522</u>	437,956	<u>23.4</u>	<u>26.1</u>	(2.7)	<u>(1,178,102)</u>
Total		<u>419,901,090</u>		<u>963.3</u>	<u>1,028.3</u>		<u>(28,349,099)</u>

Margin Revenue Factor / Therm Per Tariff Sheet No. 179	\$	<u>0.2913</u>
Margin Deficiency/ (Credit)	\$	8,258,093
Prior Period (Over) / Under Recovery <sup>3</sup>	\$	<u>(808,920)</u>
Total Deficiency/(Credit)	\$	7,449,172
Projected Residential Heating Throughput for Recovery Period		444,964,070
Pre-tax CIP Charge/(Credit)	\$	0.0167
BPU/RC Assessment Factor		<u>1.001725</u>
CIP Charge/(Credit) including assessments	\$	0.0167
7% Sales Tax	\$	<u>0.0012</u>
<b>Proposed After-tax CIP Charge/(Credit) per Therm</b>	<b>\$</b>	<b>0.0179</b>
Current After-tax CIP Charge/(Credit) per Therm	\$	<u>0.0079</u>
Increase/ (Decrease) in After-tax CIP Charge/(Credit) per Therm	\$	<u>0.0100</u>

<sup>1</sup> Per Exhibit C, Schedule 2, Page 2

<sup>2</sup> Per Tariff Sheet No. 180

<sup>3</sup> Per Exhibit C, Schedule 2, Page 3

New Jersey Natural Gas Company  
 Customers and Therms

**Group II: RS heat**

**Customers**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10
RS heat sales	418,590	419,344	420,052	420,432	420,514	420,226	420,298	420,284	420,409	420,683	421,074	421,685
RS heat transport	14,842	14,948	15,240	15,549	15,888	16,271	16,325	16,271	16,271	16,271	16,271	16,271
<b>Total Customers</b>	<b>433,432</b>	<b>434,292</b>	<b>435,292</b>	<b>435,980</b>	<b>436,402</b>	<b>436,497</b>	<b>436,623</b>	<b>436,555</b>	<b>436,680</b>	<b>436,954</b>	<b>437,345</b>	<b>437,956</b>

**Volumes**

RS heat sales	21,280,085	31,866,630	69,602,798	84,667,393	73,691,691	45,918,514	21,842,391	14,862,656	10,247,382	10,633,241	10,009,463	9,876,795
RS heat transport	790,053	1,223,140	2,603,029	3,201,291	2,806,265	1,786,497	883,213	588,822	376,664	388,227	381,124	373,728
<b>Total Volumes</b>	<b>22,070,138</b>	<b>33,089,770</b>	<b>72,205,827</b>	<b>87,868,684</b>	<b>76,497,956</b>	<b>47,705,011</b>	<b>22,725,604</b>	<b>15,451,477</b>	<b>10,624,046</b>	<b>11,021,468</b>	<b>10,390,587</b>	<b>10,250,522</b>

NEW JERSEY NATURAL GAS COMPANY  
 STATEMENT OF ESTIMATED UNDER/(OVER) RECOVERED CIP BALANCE  
 GROUP II - RS HEAT  
 FY2010

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10	TOTAL
Beginning Under/(Over) Recovery \$	2,298,348	2,135,029	1,890,165	1,355,841	705,613	139,528	(213,489)	(381,658)	(495,999)	(574,617)	(656,176)	(733,066)	2,298,348
Therm Sales	22,070,138	33,089,770	72,205,827	87,868,684	76,497,956	47,705,011	22,725,604	15,451,477	10,624,046	11,021,468	10,390,587	10,250,522	419,901,090
Pre-tax Recovery Rate per Therm	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074
Recovery \$	163,319	244,864	534,323	650,228	566,085	353,017	168,169	114,341	78,618	81,559	76,890	75,854	3,107,268
Ending Under/(Over) Recovery \$	2,135,029	1,890,165	1,355,841	705,613	139,528	(213,489)	(381,658)	(495,999)	(574,617)	(656,176)	(733,066)	(808,920)	(808,920)

New Jersey Natural Gas Company  
Conservation Incentive Program  
Group III: General Service Small  
FY2010

<u>Customer Class</u>	<u>Actual/ Estimate</u>	<u>Actual per Books<sup>1</sup></u>		<u>Actual Avg. Use / Cust.</u>	<u>Baseline Use / Cust.<sup>2</sup></u>	<u>Difference (f) = (d) - (e)</u>	<u>Aggregate Therm Impact (g) = (f) * (c)</u>
		<u>Total Class Therms</u>	<u>Number of Customers</u>				
(a)		(b)	(c)	(d) = (b) / (c)	(e)	(f) = (d) - (e)	(g) = (f) * (c)
<u>General Service Small</u>							
October	a	1,331,041	26,207	50.8	79.6	(28.8)	(755,027)
November	a	2,308,323	26,695	86.5	99.9	(13.4)	(358,514)
December	a	5,577,877	27,070	206.1	214.1	(8.0)	(217,641)
January	a	7,307,003	27,266	268.0	254.6	13.4	365,093
February	a	6,525,507	27,315	238.9	235.2	3.7	101,066
March	a	3,492,908	26,784	130.4	187.6	(57.2)	(1,531,760)
April	a	1,329,121	26,492	50.2	96.8	(46.6)	(1,235,324)
May	e	973,359	26,350	36.9	47.2	(10.3)	(270,348)
June	e	582,375	26,085	22.3	24.9	(2.6)	(67,040)
July	e	601,917	26,025	23.1	27.4	(4.3)	(111,128)
August	e	602,985	26,079	23.1	38.0	(14.9)	(388,060)
September	e	584,972	26,157	22.4	14.7	7.7	200,365
Total		<u>31,217,388</u>		<u>1,158.7</u>	<u>1,320.0</u>		<u>(4,268,318)</u>

Margin Revenue Factor / Therm Per Tariff Sheet No. 179	\$	<u>0.2472</u>
Margin Deficiency/ (Credit)	\$	1,055,128
Prior Period (Over) / Under Recovery <sup>3</sup>	\$	<u>5,940</u>
Total Deficiency/(Credit)	\$	1,061,069
Projected Commercial Throughput for Recovery Period		33,553,415
Pre-tax CIP Charge/(Credit)	\$	0.0316
BPU/RC Assessment Factor		<u>1.001725</u>
CIP Charge/(Credit) including assessments	\$	0.0317
7% Sales Tax	\$	<u>0.0022</u>
<b>Proposed After-tax CIP Charge/(Credit) per Therm</b>	<b>\$</b>	<b>0.0339</b>
Current After-tax CIP Charge/(Credit) per Therm	\$	<u>0.0184</u>
Increase/ (Decrease) in After-tax CIP Charge/(Credit) per Therm	\$	<u>0.0155</u>

<sup>1</sup> Per Exhibit C, Schedule 3, Page 2

<sup>2</sup> Per Tariff Sheet No. 180

<sup>3</sup> Per Exhibit C, Schedule 3, Page 3

New Jersey Natural Gas Company  
 Customers and Therms

**Group III: GSS**

**Customers**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10
GSS Sales	22,982	23,323	23,567	23,579	23,586	23,051	22,718	22,656	22,392	22,332	22,386	22,464
GSS A/C	45	42	42	42	42	38	38					
GSS Transport	3,181	3,330	3,460	3,645	3,687	3,695	3,736	3,693	3,693	3,693	3,693	3,693
<b>Total Customers</b>	<b>26,207</b>	<b>26,695</b>	<b>27,070</b>	<b>27,266</b>	<b>27,315</b>	<b>26,784</b>	<b>26,492</b>	<b>26,350</b>	<b>26,085</b>	<b>26,025</b>	<b>26,079</b>	<b>26,157</b>

**Volumes**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10
GSS Sales	1,048,737	1,875,301	4,346,761	6,275,965	5,426,369	2,892,545	1,073,444	786,017	457,152	472,520	473,588	25,588,148
GSS A/C	15,539	5,873	7,970	9,092	6,877	3,764	1,840					50,955
GSS Transport	266,765	427,149	1,223,146	1,021,946	1,092,261	596,599	253,837	187,342	125,223	129,397	129,397	125,223
<b>Total Volumes</b>	<b>1,331,041</b>	<b>2,308,323</b>	<b>5,577,877</b>	<b>7,307,003</b>	<b>6,525,507</b>	<b>3,492,908</b>	<b>1,329,121</b>	<b>973,359</b>	<b>582,375</b>	<b>601,917</b>	<b>602,985</b>	<b>584,972</b>

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED UNDER/(OVER) RECOVERED CIP BALANCE**  
**GROUP III - GENERAL SERVICE SMALL**  
**FY2010**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10	TOTAL
Beginning Under/(Over) Recovery \$	542,879	519,985	480,282	384,343	258,662	146,424	86,346	63,485	46,743	36,726	26,373	16,002	542,879
Therm Sales	1,331,041	2,308,323	5,577,877	7,307,003	6,525,507	3,492,908	1,329,121	973,359	582,375	601,917	602,985	584,972	31,217,388
Pre-tax Recovery Rate per Therm	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172	0.0172
Recovery \$	22,894	39,703	95,939	125,680	112,239	60,078	22,861	16,742	10,017	10,353	10,371	10,062	536,939
Ending Under/(Over) Recovery \$	519,985	480,282	384,343	258,662	146,424	86,346	63,485	46,743	36,726	26,373	16,002	5,940	5,940

New Jersey Natural Gas Company  
Conservation Incentive Program  
Group IV: General Service Large  
FY2010

Customer Class	Actual/ Estimate	Actual per Books <sup>1</sup>		Large Customer Adjustment	Adjusted Number of Customers	Actual Avg. Use / Cust. <sup>2</sup>	Baseline Use / Cust.	Difference	Aggregate Therm Impact
		Total Class Therms	Number of Customers						
(a)		(b)	(c1)	(c2)	(c) = (c1) + (c2)	(d) = (b) / (c)	(e)	(f) = (d) - (e)	(g) = (f) * (c)
<b>General Service Large</b>									
October	a	8,628,079	8,097	48	8,145	1,059.3	1,059.1	0.2	1,222
November	a	11,411,705	8,139	50	8,189	1,393.5	2,026.2	(632.7)	(5,180,966)
December	a	21,544,943	8,171	50	8,221	2,620.7	2,591.6	29.1	238,908
January	a	22,699,220	8,185	50	8,235	2,756.5	3,012.6	(256.1)	(2,108,660)
February	a	19,444,155	8,180	59	8,239	2,360.0	2,687.9	(327.9)	(2,701,206)
March	a	13,209,241	8,664	60	8,724	1,514.2	2,090.8	(576.6)	(5,030,504)
April	a	6,969,901	8,679	60	8,739	797.6	1,251.1	(453.6)	(3,963,655)
May	e	6,300,955	8,627	60	8,687	725.3	803.7	(78.4)	(681,087)
June	e	4,629,020	8,617	60	8,677	533.5	564.1	(30.6)	(265,874)
July	e	4,763,524	8,616	60	8,676	549.0	541.0	8.0	69,584
August	e	4,764,415	8,624	62	8,686	548.5	485.2	63.3	549,845
September	e	4,626,274	8,640	75	8,715	530.8	631.3	(100.5)	(875,717)
Total		<u>128,991,432</u>				<u>15,388.8</u>	<u>17,744.6</u>		(19,948,110)

Margin Revenue Factor / Therm Per Tariff Sheet No. 179	\$	0.1948
Margin Deficiency/ (Credit)	\$	3,885,892
Prior Period (Over) / Under Recovery <sup>3</sup>	\$	(326,980)
Total Deficiency/(Credit)	\$	3,558,911
Projected Commercial Throughput for Recovery Period		137,011,337
Pre-tax CIP Charge/(Credit)	\$	0.0260
BPU/RC Assessment Factor		<u>1.001725</u>
CIP Charge/(Credit) including assessments	\$	0.0260
7% Sales Tax	\$	<u>0.0018</u>
<b>Proposed After-tax CIP Charge/(Credit) per Therm</b>	<b>\$</b>	<b>0.0278</b>
Current After-tax CIP Charge/(Credit) per Therm	\$	<u>0.0260</u>
Increase/ (Decrease) in After-tax CIP Charge/(Credit) per Therm	\$	<u>0.0018</u>

<sup>1</sup> Per Exhibit C, Schedule 4, Page 2

<sup>2</sup> Per Tariff Sheet No. 180

<sup>3</sup> Per Exhibit C, Schedule 4, Page 3

New Jersey Natural Gas Company  
 Customers and Therms

**Group IV: GSL**

**Customers**

GSL Sales  
 GSL A/C  
 GSL Transport

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10
	4,877	4,901	4,888	4,828	4,790	5,184	5,176	5,174	5,164	5,163	5,171	5,187
	26	26	26	26	25	27	29					
	3,195	3,212	3,257	3,331	3,365	3,452	3,474	3,453	3,453	3,453	3,453	3,453
<b>Total Customers</b>	<b>8,097</b>	<b>8,139</b>	<b>8,171</b>	<b>8,185</b>	<b>8,180</b>	<b>8,664</b>	<b>8,679</b>	<b>8,627</b>	<b>8,617</b>	<b>8,616</b>	<b>8,624</b>	<b>8,640</b>

**Volumes**

GSL Sales  
 GSL A/C  
 GSL Transport

	3,684,215	5,096,487	10,073,439	10,772,711	9,009,594	6,338,132	3,044,202	3,078,558	2,230,893	2,293,763	2,295,997	2,227,187
	53,500	38,039	62,543	77,206	59,410	35,377	18,907					344,982
	4,890,364	6,277,179	11,408,961	11,849,303	10,375,151	6,835,732	3,906,792	3,222,397	2,398,127	2,469,760	2,468,418	2,399,087
<b>Total Volumes</b>	<b>8,628,079</b>	<b>11,411,705</b>	<b>21,544,943</b>	<b>22,699,220</b>	<b>19,444,155</b>	<b>13,209,241</b>	<b>6,969,901</b>	<b>6,300,955</b>	<b>4,629,020</b>	<b>4,763,524</b>	<b>4,764,415</b>	<b>4,626,274</b>

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF ESTIMATED UNDER/(OVER) RECOVERED CIP BALANCE**  
**GROUP IV - GENERAL SERVICE LARGE**  
**FY2010**

	Actual Oct-09	Actual Nov-09	Actual Dec-09	Actual Jan-10	Actual Feb-10	Actual Mar-10	Actual Apr-10	Estimate May-10	Estimate Jun-10	Estimate Jul-10	Estimate Aug-10	Estimate Sep-10	TOTAL
Beginning Under/(Over) Recovery \$	2,807,511	2,597,849	2,320,545	1,797,003	1,245,412	772,919	451,934	282,565	129,452	16,967	(98,787)	(214,562)	2,807,511
Therm Sales	8,628,079	11,411,705	21,544,943	22,699,220	19,444,155	13,209,241	6,969,901	6,300,955	4,629,020	4,763,524	4,764,415	4,626,274	128,991,432
Pre-tax Recovery Rate per Therm	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	0.0243	
Recovery \$	209,662	277,304	523,542	551,591	472,493	320,985	169,369	153,113	112,485	115,754	115,775	112,418	3,134,492
Ending Under/(Over) Recovery \$	2,597,849	2,320,545	1,797,003	1,245,412	772,919	451,934	282,565	129,452	16,967	(98,787)	(214,562)	(326,980)	(326,980)

**New Jersey Natural Gas Company  
Conservation Incentive Program  
Weather Normalization Calculation for the 2009-10 Winter Period**

	DEGREE DAYS WNC <sup>1</sup>	DEGREE DAYS ACTUAL	VARIANCE	Group II RS/RT Heat CONSUMPTION FACTOR <sup>1</sup>	TOTAL THERMS	Group III GSS CONSUMPTION FACTOR <sup>1</sup>	TOTAL THERMS	Group IV GSL CONSUMPTION FACTOR <sup>1</sup>	TOTAL THERMS	TOTAL WNC Margin
Oct-09 a	291	273	(18)	47,501	(855,018)	4,405	(79,290)	13,070	(235,260)	
Nov-09 a	534	428	(106)	62,849	(6,661,994)	4,224	(447,744)	16,930	(1,794,580)	
Dec-09 a	857	875	18	72,822	1,310,796	6,086	109,548	18,299	329,382	
Jan-10 a	963	1,002	39	77,499	3,022,461	6,879	268,281	19,152	746,928	
Feb-10 a	854	901	47	71,612	3,365,764	6,918	325,146	17,801	836,647	
Mar-10 a	702	521	(181)	69,254	(12,534,974)	6,235	(1,128,535)	17,305	(3,132,205)	
Apr-10 a	393	247	(146)	66,260	(9,673,960)	4,667	(681,382)	14,840	(2,166,640)	
May-10 e	150	158	8	53,528	428,224	4,010	32,080	13,831	110,648	
	<u>4,744</u>	<u>4,405</u>	<u>(339)</u>		<u>(21,598,701)</u>		<u>(1,601,896)</u>		<u>(5,305,080)</u>	
					<u>\$0.2913</u>		<u>\$0.2472</u>		<u>\$0.1948</u>	
				Margin Impact due to Weather Variances	<u>(\$6,291,702)</u>		<u>(\$395,989)</u>		<u>(\$1,033,430)</u>	<u>(\$7,721,120)</u>

<sup>1</sup> Degree Days and Consumption factors are per Tariff Sheet No. 169 approved in BPU Docket No. GR07110889.

<sup>2</sup> Per Tariff Sheet No. 179 approved in BPU Docket No. GR07110889.

NOTE: The Weather Normalization Clause is currently suspended. This schedule is only provided for the purpose of calculating the weather related component of the usage variance of the CIP clause.

**New Jersey Natural Gas Company  
Conservation Incentive Program Filing  
Year ended September 30, 2010  
GR1006\_\_\_\_\_**

**Calculation of BGSS Savings for October 2010 through September 2011 Recovery Period**

<b>Recurring initial savings identified<sup>1</sup></b>	<u>\$5,516,447</u>
---	--------------------

<b>Total BGSS Savings Available for CIP comparison</b>	<u>\$5,516,447</u>
--	--------------------

*NOTE: Pursuant to the CIP Stipulation, if BGSS savings are greater than the CIP value subject to the BGSS test, there is no BGSS Carryover.*

<sup>1</sup> Refer to Exhibit E of the January 14, 2010 stipulation in BPU Docket No. GR05121020 approved by the BPU on January 20, 2010.

**New Jersey Natural Gas Company  
Conservation Incentive Program Filing  
Year ended September 30, 2010  
GR1006 \_\_\_\_\_  
Summary**

Group I	Per Exhibit C, Schedule 1	(\$5,724) a
Group II	Per Exhibit C, Schedule 2	\$8,258,093 b
Group III	Per Exhibit C, Schedule 3	\$1,055,128 c
Group IV	Per Exhibit C, Schedule 4	<u>\$3,885,892</u> d
CIP Calculation for current period		\$13,193,389 e=a+b+c+d
Weather Related Value of CIP	Per Exhibit C, Schedule 5	<u>\$7,721,120</u> f
CIP Value subject to BGSS test-current year		\$5,472,269 g=e-f
<b>Prior Year Carry-over CIP Value</b>	Per Exhibit C, Schedule 6, Page 4 of 4	<u>\$0</u> h
Note: This will only exist if the conservation experienced in the prior year was greater than the BGSS value available for comparison.		
Total CIP Value subject to BGSS savings comparison		\$5,472,269 i=g-h
BGSS Savings	Per Exhibit C, Schedule 6, Page 1 of 4	\$5,516,447 j
Non-weather CIP Value to be recovered in current year		\$5,472,269 k= full value of i if j>i k=j, if j<i
<b>Total CIP value subject to recovery for current year</b>		\$13,193,389 l=f+k
CIP Carry-over value to next year		\$0 m=i-j, if i>j m=0, if i<j

*NOTE: Pursuant to the CIP Stipulation, if BGSS savings (g) are greater than the CIP value subject to the BGSS test(f), there is no BGSS Carryover.*

**NEW JERSEY NATURAL GAS COMPANY  
CONSERVATION INCENTIVE PROGRAM  
EARNINGS TEST  
APRIL 1, 2009 THROUGH MARCH 31, 2010**

**BPU DOCKET No. GR1006\_\_\_\_\_**

	(000's)
<b>Net Income</b>	\$64,644
<b>Less:</b>	
<b>Net earnings from margin sharing, net of tax</b>	5,817
<b>Other income, net of tax</b>	2,323
<b>Net Income - Earnings Test</b>	<b>\$56,504</b>
<b>Average Thirteen Month Common Equity</b>	<b>601,507</b>
<b>Actual Rate of Return on Common Equity</b>	<b>9.39%</b>

**EXHIBIT D**

**VERIFIED FINANCIAL INFORMATION**

**FOR F/Y 2011**

**NEW JERSEY NATURAL GAS COMPANY**  
**COMPARATIVE BALANCE SHEET**  
**THREE-YEAR PERIOD ENDING SEPTEMBER 30, 2009**

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30**

	(\$000)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>			
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>			
UTILITY PLANT, AT COST	\$ 1,400,259	\$ 1,336,960	\$ 1,273,928
CONSTRUCTION WORK IN PROGRESS	38,686	29,277	25,517
	<u>1,438,945</u>	<u>1,366,237</u>	<u>1,299,445</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION	(393,275)	(368,172)	(347,418)
PROPERTY, PLANT & EQUIPMENT, NET	<u>1,045,670</u>	<u>998,065</u>	<u>952,027</u>
<b>CURRENT ASSETS</b>			
CASH AND TEMPORARY INVESTMENTS	35,468	41,860	2,078
RESTRICTED CASH	-	-	2,608
CUSTOMER ACCOUNTS RECEIVABLE	21,239	21,398	5,583
UNBILLED REVENUE	8,616	9,417	8,895
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,297)	(4,571)	(3,166)
GAS IN STORAGE, AT AVG COST	175,201	189,828	191,460
MATERIALS AND SUPPLIES, AT AVG COST	5,055	4,092	4,155
PREPAID STATE TAXES	41,836	37,271	28,239
REGULATORY ASSETS	5,878	51,376	24,634
DERIVATIVES, AT FV	15,801	12,039	13,285
BROKER MARGIN ACCOUNT	16,458	41,276	12,345
DEFERRED TAXES	20,801	-	-
OTHER MISC	8,089	4,477	3,876
TOTAL CURRENT ASSETS	<u>351,145</u>	<u>408,463</u>	<u>293,992</u>
<b>NONCURRENT ASSETS</b>			
REGULATORY ASSETS	391,025	340,670	312,369
DERIVATIVES, AT FV	1,077	751	381
RESTRICTED CASH CONSTRUCTION FUND	-	4,200	4,200
MISCELLANEOUS OTHER ASSETS	8,248	9,814	9,460
TOTAL NONCURRENT ASSETS	<u>400,350</u>	<u>355,435</u>	<u>326,410</u>
TOTAL ASSETS	<u>\$ 1,797,165</u>	<u>\$ 1,761,963</u>	<u>\$ 1,572,429</u>

Source: NJNG 2009 Audited Financial Statement

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30**

	(\$000)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b><u>CAPITALIZATION AND LIABILITIES</u></b>			
<b><u>CAPITALIZATION</u></b>			
COMMON STOCK EQUITY	\$ 593,202	\$ 472,417	\$ 472,833
LONG-TERM DEBT	405,492	405,117	308,184
TOTAL CAPITALIZATION	<u>998,694</u>	<u>877,534</u>	<u>781,017</u>
<b><u>CURRENT LIABILITIES</u></b>			
CURRENT MATURITIES OF L/T DEBT	6,510	35,119	4,338
SHORT-TERM DEBT	-	145,500	186,229
REGULATORY LIABILITIES	36,203	-	9,583
GAS PURCHASES PAYABLE	28,547	55,195	40,337
ACCOUNTS PAYABLE AND OTHER	41,181	49,091	46,551
DEFERRED TAXES	-	26,572	6,940
DERIVATIVES, AT FAIR VALUE	24,274	42,842	33,293
CUSTOMERS' CREDIT BALANCES AND DEPOSITS	73,089	63,370	27,182
CLEAN ENERGY PROGRAM	10,920	3,056	8,832
TOTAL CURRENT LIABILITIES	<u>220,724</u>	<u>420,745</u>	<u>363,285</u>
<b><u>NONCURRENT LIABILITIES</u></b>			
DEFERRED INCOME TAXES	252,244	190,128	176,741
DEFERRED INVESTMENT TAX CREDITS	6,870	7,192	7,513
DERIVATIVES, AT FAIR VALUE	677	19,558	32,208
MANUFACTURED GAS PLANT REMEDIATION	146,700	120,730	105,340
POSTRETIREMENT EMPLOYEE BENEFIT LIABILITY	56,134	34,089	12,417
REGULATORY LIABILITIES	56,450	63,419	61,270
CLEAN ENERGY AND CIP	28,449	864	3,992
ASSET RETIREMENT OBLIGATION	25,097	24,416	23,895
MISCELLANEOUS OTHER LIABILITIES	5,126	3,288	4,751
TOTAL NONCURRENT LIABILITIES	<u>577,747</u>	<u>463,684</u>	<u>428,127</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 1,797,165</u>	<u>\$ 1,761,963</u>	<u>\$ 1,572,429</u>

Source: NJNG 2009 Audited Financial Statement

**NEW JERSEY NATURAL GAS COMPANY**  
**COMPARATIVE INCOME STATEMENT**  
**THREE-YEAR PERIOD ENDING SEPTEMBER 30, 2009**

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF INCOME**  
**AS OF SEPTEMBER 30**

	(\$000)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<u>OPERATING REVENUE</u>	\$ 1,082,491	\$ 1,078,824	\$ 1,005,588
<u>OPERATING EXPENSES</u>			
GAS PURCHASES	709,906	753,249	687,201
OPERATION AND MAINTENANCE	106,814	98,035	97,006
REGULATORY RIDER EXPENSES	44,992	39,666	37,605
DEPRECIATION AND AMORTIZATION	29,417	37,723	35,648
ENERGY AND OTHER TAXES	70,508	62,015	59,600
TOTAL OPERATING EXPENSES	<u>961,637</u>	<u>990,688</u>	<u>917,060</u>
OPERATING INCOME	120,364	88,136	88,528
OTHER INCOME	3,474	3,460	3,468
INTEREST CHARGES, NET	18,706	21,277	21,182
INCOME BEFORE INCOME TAXES	<u>105,132</u>	<u>70,319</u>	<u>70,814</u>
INCOME TAX PROVISION	39,729	27,840	26,334
NET INCOME	<u>\$ 65,403</u>	<u>\$ 42,479</u>	<u>\$ 44,480</u>

Source: NJNG 2009 Audited Financial Statement

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET AS OF APRIL 30, 2010**

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF APRIL 30, 2010**

	(\$000) <u>4/30/2010</u>
<u>ASSETS</u>	
<u>PROPERTY, PLANT &amp; EQUIPMENT</u>	
UTILITY PLANT, AT COST	\$ 1,425,431
CONSTRUCTION WORK IN PROGRESS	49,928
	<u>1,475,359</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION	(403,601)
PROPERTY, PLANT & EQUIPMENT, NET	<u>1,071,758</u>
 <u>CURRENT ASSETS</u>	
CASH AND TEMPORARY INVESTMENTS	161,968
ACCOUNTS RECEIVABLE	11,891
ACCRUED UTILITY REVENUE	12,712
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,190)
GAS IN STORAGE, AT AVG COST	46,881
MATERIALS AND SUPPLIES, AT AVG COST	5,488
PREPAID ASSETS	9,068
DERIVATIVES, AT FV	29,202
TOTAL CURRENT ASSETS	<u>274,020</u>
 <u>NONCURRENT ASSETS</u>	
REGULATORY ASSETS	357,286
UNAMORTIZED DEBT EXPENSE	7,210
DEFERRED TAXES	15,464
UNDER-RECOVERED GAS COSTS	24,552
OTHER DEFERRED CHARGES	799
TOTAL NONCURRENT ASSETS	<u>405,311</u>
TOTAL ASSETS	<u>\$ 1,751,090</u>

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF APRIL 30, 2010**

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	(\$000)
	<u>4/30/2010</u>
<u>CAPITALIZATION AND LIABILITIES</u>	
<u>CAPITALIZATION</u>	
COMMON STOCK EQUITY	\$ 633,892
LONG-TERM DEBT	385,961
TOTAL CAPITALIZATION	<u>1,019,853</u>
 <u>CURRENT LIABILITIES</u>	
CURRENT PORTION OF L/T DEBT	20,000
GAS PURCHASES PAYABLE	48,773
ACCOUNTS PAYABLE AND OTHER	25,937
ACCRUED TAXES & INTEREST	7,904
CURRENT LEASE OBLIGATION	7,273
CUSTOMER DEPOSITS	6,242
MISC CURRENT & ACCRUED LIABILITIES	73,177
TOTAL CURRENT LIABILITIES	<u>189,305</u>
 <u>NONCURRENT LIABILITIES</u>	
DEFERRED INCOME TAXES	263,535
DEFERRED INVESTMENT TAX CREDITS	3,070
OPERATING RESERVES	57,212
CUSTOMER ADVANCES FOR CONSTRUCTION	1,739
REGULATORY LIABILITIES	215,512
MISCELLANEOUS OTHER LIABILITIES	864
TOTAL NONCURRENT LIABILITIES	<u>541,932</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 1,751,090</u>

**NEW JERSEY NATURAL GAS COMPANY**  
**INCOME STATEMENT AS OF APRIL 30, 2010**

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF INCOME**  
**TWELVE MONTHS ENDED APRIL 30, 2010**

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	(\$000)
OPERATING REVENUE	<u>\$ 946,797</u>
OPERATING EXPENSES	
GAS PURCHASES	590,452
OPERATION AND MAINTENANCE	104,766
REGULATORY RIDER EXPENSES	44,900
DEPRECIATION AND AMORTIZATION	30,518
ENERGY AND OTHER TAXES	<u>55,791</u>
TOTAL OPERATING EXPENSES	<u>826,426</u>
OPERATING INCOME	120,371
OTHER INCOME	3,204
INTEREST CHARGES, NET	<u>16,624</u>
INCOME BEFORE INCOME TAXES	106,951
INCOME TAX PROVISION	<u>41,284</u>
NET INCOME	<u>\$ 65,667</u>

**NEW JERSEY NATURAL GAS COMPANY**  
**INTRASTATE OPERATING REVENUES**  
**AS OF DECEMBER 31, 2009**

**NEW JERSEY NATURAL GAS COMPANY  
INTRASTATE OPERATING REVENUES  
AS OF DECEMBER 31, 2009**

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**BPU REPORT  
PAGE #**

---

<b>TOTAL OPERATING REVENUES</b>	\$ 1,002,669,685	114
<b>LESS: OFF-SYSTEM SALES</b>	<u>(222,528,856)</u>	301-a
<b>NET INTRASTATE REVENUES</b>	<u>\$ 780,140,829</u>	

Source: BPU Annual Report - 2009

**NEW JERSEY NATURAL GAS COMPANY**

**PRO-FORMA INCOME STATEMENT &  
RATE OF RETURN ON RATE BASE**

**TWELVE MONTHS ENDING DECEMBER 31, 2009**

**NEW JERSEY NATURAL GAS COMPANY**  
**AVERAGE RATE BASE**

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	<b>12/31/2009</b>	<b>12/31/2008</b>	<b>AVERAGE</b>	<b>BPU ANNUAL REPORT PAGE #</b>
PLANT IN SERVICE	\$ 1,409,547,537	\$ 1,356,770,486	\$ 1,383,159,012	110
DEPRECIATION RESERVE	(455,406,970)	(436,910,492)	(446,158,731)	110
NET PLANT	954,140,567	919,859,994	937,000,281	
MATERIALS & SUPPLIES	5,291,510	4,075,342	4,683,426	110
GAS SUPPLY INVENTORY	143,498,536	163,808,241	153,653,389	111
CASH WORKING CAPITAL	43,000,000	43,000,000	43,000,000	
CUSTOMER ADVANCES	(1,636,588)	(1,764,799)	(1,700,694)	113
DEFERRED INCOME TAXES	(177,501,204)	(132,299,817)	(154,900,511)	274-277
RATE BASE	\$ 966,792,821	\$ 996,678,961	\$ 981,735,891	
OPERATING INCOME			\$ 80,151,199	114
LESS: BGSS INCENTIVES (net of tax)			(6,346,273)	
			<u>\$ 73,804,926</u>	
RATE OF RETURN			7.52%	

**NEW JERSEY NATURAL GAS COMPANY**  
**PAYMENTS AND ACCRUALS TO AFFILIATE COMPANIES**  
**TWELVE MONTHS ENDING SEPTEMBER 30, 2009**

**NEW JERSEY NATURAL GAS COMPANY  
PAYMENTS AND ACCRUALS TO AFFILIATES**

	FISCAL YEAR		
	2009	2008	2007
NJR Service Company to NJNG	\$ 18,097,414	\$ 18,627,648	\$ 18,275,808
NJR Service Company to NJR Energy Services including NJNG to NJR Energy Services	\$ 5,585,753	\$ 5,867,797	\$ 4,545,418
NJR Service Company to NJR Home Services, including NJNG to NJR Home Services	\$ 4,277,784	\$ 4,077,479	\$ 3,612,305
NJR Service Company to NJR CR&R including NJNG to Commercial Realty & Resources	\$ 183,296	\$ 155,262	\$ 78,581
NJR Service Company to NJR Energy	\$ 213,299	\$ 284,881	\$ 320,993

**EXHIBIT E**

**CALCULATION OF REVISED WNC RECOVERY RATE**

**FOR F/Y 2011**

**NEW JERSEY NATURAL GAS COMPANY**  
**CALCULATION OF WEATHER NORMALIZATION CLAUSE FACTOR**  
**BPU DOCKET NO. GR1006 \_\_\_\_\_**  
**\$000**

**Authorized WNC Charge** \$8,133 a-b+c=d

	Therms	Pre-tax average rate	Recovery \$	
<b>FY08 Recovery</b>	570,317	0.0126	\$7,186	(\$7,186)
<b>FY09 Recovery</b>	610,881	0.0014	\$870	<u>(\$870)</u>
<b>9/30/09 balance to be recovered</b>				<b>\$78</b>

**FY10 Recovery**

	Therms	Pre-tax rate	Recovery \$	
Oct-09 a	32,029	0.0001	\$3	
Nov-09 a	46,810	0.0001	\$5	
Dec-09 a	99,329	0.0001	\$10	
Jan-10 a	117,875	0.0001	\$12	
Feb-10 a	102,468	0.0001	\$10	
Mar-10 a	64,407	0.0001	\$6	
Apr-10 a	31,025	0.0001	\$3	
May-10 e	22,726	0.0001	\$2	
Jun-10 e	15,835	0.0001	\$2	
Jul-10 e	16,387	0.0001	\$2	
Aug-10 e	15,758	0.0001	\$2	
Sep-10 e	15,462	0.0001	\$2	
			<u>\$58</u>	<u>(\$58)</u>
<b>9/30/10 balance to be recovered</b>				<b>\$20</b>

**FY11 Recovery**

	Therms	Pre-tax rate	Recovery \$	
Oct-10 e	29,704	0.0001	\$3	
Nov-10 e	58,211	0.0001	\$6	
Dec-10 e	97,259	0.0001	\$10	
			<u>\$19</u>	<u>(19)</u>
<b>Ending balance to be recovered</b>				<b>\$1</b>

Since the estimated WNC underrecovery is expected to be approximately \$20,000 at September 30, 2010, the Company proposes continuing to charge the WNC factor of \$0.0001 per therm through December 31, 2010. The Company proposes to eliminate the WNC factor effective January 1, 2011 and transfer any remaining WNC over or under recovery balance to the Company's BGSS balance. As shown above, that WNC balance is currently estimated at approximately \$1,000.

a=actual  
e=estimate

**EXHIBIT F**

**CALCULATION OF REVISED BALANCING RATE**

**FOR F/Y 2011**

**New Jersey Natural Gas Company  
Calculation of Balancing Charge**

	\$000
<b><u>Balancing Charge related to Inventory<sup>1</sup></u></b>	
12 month Average inventory balance (TETCO storages and LNG)	\$42,359
Rate of Return	<u>11.44%</u>
Storage Carrying Costs	\$4,846
% of Peak Related to Balancing	<u>55%</u>
Balancing	\$2,661
Annual Firm Therms (excluding FT) (000)	<u>624,513</u>
Pre-tax Balancing Rate	\$0.0043
<b><u>Balancing Charge related to Demand Charges<sup>2</sup></u></b>	
Pipeline Demand Charges	\$113,001
Adjustments (BGSS Incentive Credits)	<u>(\$20,606)</u>
Total	\$92,395
% of Peak Related to Balancing	<u>53%</u>
Balancing	\$48,855
Annual Firm Therms (000)	<u>622,396</u>
Pre-tax Balancing Rate	\$0.0785
<b><u>Total Balancing Charge</u></b>	
Pre-tax Balancing Charge related to Inventory	\$0.0043
Pre-tax Balancing Charge related to Demand Charges	<u>\$0.0785</u>
Total Pre-tax Balancing Rate	\$0.0828
<b>Total After-tax Balancing Rate</b>	<b>\$0.0886</b>
Current After-tax Balancing Rate	<u>\$0.0789</u>
Increase/(Decrease) to After-tax Balancing Rate	\$0.0097
<b><u>Calculation of % of Peak Related to Balancing</u></b>	
	000 therms
Peak Day Therms	8,218
Average Therms on a January Day	<u>3,873</u>
Balancing Therms	4,345
% of Peak	53%

<sup>1</sup> The Balancing Charge related to Inventory is not updated in accordance with the Board's October 3, 2008 Order in BPU Docket no. GR07110889.

<sup>2</sup> The Balancing Charge related to Demand Charges has been updated to reflect costs included this filing.

**EXHIBIT G**

**IMPACT OF RATE CHANGES ON TYPICAL CUSTOMERS  
AND COMPUTATION OF BGSS PRICE**

**FOR F/Y 2011**

New Jersey Natural Gas Company  
Net impact of Proposed Rate Changes  
BPU Docket No. GR1006  
F/Y 2011

(\$/therm)

<b>Price Impact for Group I - Residential Non-Heating Customers</b>							
	Component of	Current		Proposed <sup>1</sup>		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
BGSS	BGSS	\$0.8250	\$0.8828	\$0.7800	\$0.8346	(\$0.0450)	(\$0.0482)
CIP	Delivery Price	0.0407	0.0435	(0.0031)	(0.0033)	(0.0438)	(0.0468)
<b>NET IMPACT</b>		<u>\$0.8657</u>	<u>\$0.9263</u>	<u>\$0.7769</u>	<u>\$0.8313</u>	<u>(\$0.0888)</u>	<u>(\$0.0950)</u>

<b>Price Impact for Group II - Residential Heating Customers</b>							
	Component of	Current		Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
BGSS	BGSS	\$0.8250	\$0.8828	\$0.7800	\$0.8346	(\$0.0450)	(\$0.0482)
CIP	Delivery Price	0.0074	0.0079	0.0167	0.0179	0.0093	0.0100
WNC	Delivery Price	0.0001	0.0001	0.0001	0.0001	0.0000	0.0000
<b>NET IMPACT</b>		<u>\$0.8325</u>	<u>\$0.8908</u>	<u>\$0.7968</u>	<u>\$0.8526</u>	<u>(\$0.0357)</u>	<u>(\$0.0382)</u>

<b>Price Impact for Group III - General Service Small Customers</b>							
	Component of	Current		Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
BGSS	BGSS	\$0.8250	\$0.8828	\$0.7800	\$0.8346	(\$0.0450)	(\$0.0482)
CIP	Delivery Price	0.0172	0.0184	0.0317	0.0339	0.0145	0.0155
WNC	Delivery Price	0.0001	0.0001	0.0001	0.0001	0.0000	0.0000
<b>NET IMPACT</b>		<u>\$0.8423</u>	<u>\$0.9013</u>	<u>\$0.8118</u>	<u>\$0.8686</u>	<u>(\$0.0305)</u>	<u>(\$0.0327)</u>

<b>Price Impact for Group IV - General Service Large Customers</b>							
	Component of	Current		Proposed		Change	
		Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
BGSS	BGSS	Changes Monthly					
CIP	Delivery Price	0.0243	0.0260	0.0260	0.0278	0.0017	0.0018
WNC	Delivery Price	0.0001	0.0001	0.0001	0.0001	0.0000	0.0000
<b>NET IMPACT</b>		<u>\$0.0244</u>	<u>\$0.0261</u>	<u>\$0.0261</u>	<u>\$0.0279</u>	<u>\$0.0017</u>	<u>\$0.0018</u>

**Projected Annual Post-tax BGSS, CIP, and WNC revenue**

BGSS projected annual therms			460,051 (000s)
CIP Group I projected annual therms			3,594 (000s)
CIP Group II projected annual therms			444,964 (000s)
CIP Group III projected annual therms			33,553 (000s)
CIP Group IV projected annual therms			137,011 (000s)
WNC projected annual therms			615,529 (000s)
	<b>Projected Revenue at Current Rates</b>	<b>Projected Revenue at Proposed Rates</b>	<b>Change</b>
	<b>\$million</b>	<b>\$million</b>	<b>\$million</b>
BGSS	\$406.1	\$384.0	(\$22.17)
CIP Group I	\$0.2	(\$0.01)	(\$0.17)
CIP Group II	\$3.5	\$8.0	\$4.45
CIP Group III	\$0.6	\$1.1	\$0.52
CIP Group IV	\$3.6	\$3.8	\$0.25
WNC	<u>\$0.1</u>	<u>\$0.1</u>	<u>\$0.00</u>
<b>IMPACT</b>	<u>\$414.0</u>	<u>\$396.9</u>	<u>(\$17.13)</u>

<sup>1</sup> Proposed BGSS and CIP prices are requested to be effective October 1, 2010. The proposed WNC decrease is requested to be effective January 1, 2011 and is not reflected above. The WNC represents a 0.01% decrease to average customers in Groups II, III, and IV.

New Jersey Natural Gas Company  
Net Impact of Proposed Rate Changes  
BPU Docket No. GR1006  
FY 2011

	(\$/therm)					
	Current			Proposed		
	Residential Non-Heat	Residential Heat	GSS	Residential Non-Heat	Residential Heat	GSS
Pre-tax Periodic BGSS	\$0.8250	\$0.8250	\$0.8250	\$0.7800	\$0.7800	\$0.7800
After-tax Periodic BGSS	\$0.8828	\$0.8828	\$0.8828	\$0.8346	\$0.8346	\$0.8346
Less: Balancing	<u>(\$0.0789)</u>	<u>(\$0.0789)</u>	<u>(\$0.0789)</u>	<u>(\$0.0886)</u>	<u>(\$0.0886)</u>	<u>(\$0.0886)</u>
<b>BGSS Price To Compare</b>	<b><u>\$0.8039</u></b>	<b><u>\$0.8039</u></b>	<b><u>\$0.8039</u></b>	<b><u>\$0.7460</u></b>	<b><u>\$0.7460</u></b>	<b><u>\$0.7460</u></b>

<b>Impact on Residential Non-Heating Customers</b>			
25 therm bill			
<b>Current Prices</b>			
Customer Charge		\$8.25	\$8.25
Delivery		\$0.5366	\$13.42
BGSS		\$0.8039	\$20.10
Total		<u>\$1.3405</u>	<u>\$41.76</u>
<b>Proposed prices- effective 10/1/10</b>			
Customer Charge		\$8.25	\$8.25
Delivery		\$0.4995	\$12.49
BGSS		\$0.7460	\$18.65
Total		<u>\$1.2455</u>	<u>\$39.39</u>
<b>Decrease</b>			(\$2.38)
<b>Decrease as a percent</b>			(5.7%)
<b>Impact on Residential Heating Customers</b>			
100 therm bill      1000 therm annual bill			
<b>Current Prices</b>			
Customer Charge		\$8.25	\$8.25      \$99.00
Delivery		\$0.5011	\$50.11      \$501.10
BGSS		\$0.8039	\$80.39      \$803.90
Total		<u>\$1.3050</u>	<u>\$138.75      \$1,404.00</u>
<b>Proposed prices- effective 10/1/10</b>			
Customer Charge		\$8.25	\$8.25      \$99.00
Delivery		\$0.5208	\$52.08      \$520.80
BGSS		\$0.7460	\$74.60      \$746.00
Total		<u>\$1.2668</u>	<u>\$134.93      \$1,365.80</u>
<b>Decrease</b>			(\$3.82)      (\$38.20)
<b>Decrease as a percent</b>			(2.8%)      (2.7%)
<b>Impact on Commercial GSS Customers</b>			
100 therm bill			
<b>Current Prices</b>			
Customer Charge		\$25.00	\$25.00
Delivery		\$0.4623	\$46.23
BGSS		\$0.8039	\$80.39
Total		<u>\$1.2662</u>	<u>\$151.62</u>
<b>Proposed prices- effective 10/1/10</b>			
Customer Charge		\$25.00	\$25.00
Delivery		\$0.4875	\$48.75
BGSS		\$0.7460	\$74.60
Total		<u>\$1.2335</u>	<u>\$148.35</u>
<b>Decrease</b>			(\$3.27)
<b>Decrease as a percent</b>			(2.2%)
<b>Impact on Commercial GSL Customers</b>			
1200 therm bill			
<b>Current Prices</b>			
Customer Charge		\$40.00	\$40.00
Demand Charge		\$1.50	\$175.50
Delivery		\$0.4117	\$494.04
BGSS (May 2010)		\$0.6018	\$722.16
Total		<u>\$1.0135</u>	<u>\$1,431.70</u>
<b>Proposed prices- effective 10/1/10</b>			
Customer Charge		\$40.00	\$40.00
Demand Charge		\$1.50	\$175.50
Delivery		\$0.4232	\$507.84
BGSS		\$0.5921	\$710.52
Total		<u>\$1.0153</u>	<u>\$1,433.86</u>
<b>Increase</b>			\$2.16
<b>Increase as a percent</b>			0.2%

**NEW JERSEY NATURAL GAS COMPANY  
SUMMARY OF PERIODIC BGSS COMPONENTS  
BPU DOCKET NO GR1006\_\_\_\_\_**

**October 1, 2010  
through  
September 30, 2011  
\$000**

**ESTIMATED UNDER/(OVER) RECOVERED GAS COSTS AT 10/1/10**  
(Exhibit B, Schedule 1)

\$34,345 A

**ESTIMATED NET COSTS APPLICABLE TO BGSS**  
(Exhibit B, Schedule 2a)

\$416,042 B

**ESTIMATED ADJUSTMENTS**

Interruptible (Sch.4a)	\$0
Sayreville (Sch.4b)	(\$94)
Forked River (Sch.4c)	(\$141)
Transportation(Sch.4d)	(\$1,430)
FRM Program (Sch 4i)	\$0
Storage Incentive (Sch. 4k)	\$313
Off-System Sales (Sch.4e)	(\$17,618)
Capacity Rel. (Sch.4f )	(\$2,988)
Supplier Ref. and Miscellaneous Adj. (Sch.5 )	\$0
Balancing Credits and Penalty Charges (Sch.4g)	(\$7,581)
Ocean Peaking Power (Sch. 4h)	(\$990)

**TOTAL ADJUSTMENTS**

(\$30,530) C

**ESTIMATED UNDER/(OVER) RECOVERY AT 9/30/2011**  
(Exhibit B Schedule 1)

\$9,758 D

A/C Sales Recovery  
Monthly BGSS Sales Recovery

\$125

\$51,135

**ESTIMATED OTHER RECOVERY**

\$51,260 E

(Exhibit B Schedule 2b)

**ESTIMATED TOTAL EXCESS COSTS TO BE RECOVERED**

\$358,839 A+B+C-D-E=F

(Exhibit B Schedule 2b)

BGSS Sales  
A/C Sales {May - Sep}  
Monthly BGSS Sales

527,771

219

67,502

**ESTIMATED PERIODIC BGSS THERM SALES**

460,051 G

(Exhibit B Schedule 2b)

**PRE-TAX PERIODIC BGSS FACTOR PER THERM FOR FY2011**

\$0.7800 F/G=H

**EXHIBIT H**

**PROPOSED TARIFF SHEETS**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~Sixth/Fifth~~ Revised Sheet No. 51  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 51

**SERVICE CLASSIFICATION - RS**

**RESIDENTIAL SERVICE**

**AVAILABILITY**

This service is available to any residential Customer in the territory served by the Company using gas for any domestic purpose. This rate is applicable to individually-metered apartments and to rooming and boarding houses where the number of rental bedrooms is not more than twice the number of bedrooms used by the Customer.

Gas delivered under this schedule may not be used for other than domestic purposes except when such use is incidental to domestic use.

**CHARACTER OF SERVICE**

Firm gas service where Customer may either purchase gas supply from the Company's Rider "A" for Basic Gas Supply Service ("BGSS") or from a Marketer or Broker.

**MONTHLY RATES**

**Customer Charge:**

Customer Charge per meter per month \$8.25

**Delivery Charge:**

**Residential Heating**

Delivery Charge per therm \$0.~~52085011~~

**Residential Non-Heating**

Delivery Charge per therm \$0.~~49955366~~

**BGSS Charge:**

BGSS Charge per therm for Sales Customers See "Rate Summaries" at the end of this Tariff

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**Date of Issue:** ~~April 29, 2010~~  
**Issued by:** Mark R. Spurduto, Vice President  
Wall, NJ 07719

**Effective for service rendered on  
and after ~~October~~ May 1, 2010**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~SixthFifth~~ Revised Sheet No. 54  
Superseding ~~FifthFourth~~ Revised Sheet No. 54

**SERVICE CLASSIFICATION – DGR**

**DISTRIBUTED GENERATION SERVICE - RESIDENTIAL**

**AVAILABILITY**

This service is available to any residential customer using distributed generation technologies including, but not limited to, microturbines and fuel cells to generate electricity for domestic purposes.

**CHARACTER OF SERVICE**

Firm gas service where Customer may either purchase gas supply from the Company's Rider "A" for Basic Gas Supply Service ("BGSS") or from a Marketer or Broker.

**MONTHLY RATES**

**Customer Charge:**

Customer Charge per meter per month \$8.25

**Delivery Charge:**

November - April \$0.~~38313734~~

May - October \$0.~~32613164~~

**BGSS Charge:**

BGSS Charge per therm for Sales Customers See "Rate Summaries" at the end of this Tariff

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge shall be the Customer Charge. Where service is taken for less than one month, the minimum charge will be prorated.

**BALANCING CHARGE ADJUSTMENTS**

The Balancing Charge is included in the Delivery Charge and is subject to adjustment in the Company's annual BGSS proceeding. All revenues derived from this Charge will be credited to the BGSS. See Rider "A" for the current Balancing Charge.

**Date of Issue:** ~~April 29, 2010~~  
**Issued by:** Mark R. Sperduto, Vice President  
Wall, NJ 07719

**Effective for service rendered on  
and after ~~October~~May 1, 2010**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~SixthFifth~~ Revised Sheet No. 56  
Superseding ~~FifthFourth~~ Revised Sheet No. 56

**SERVICE CLASSIFICATION – GSS**

**GENERAL SERVICE - SMALL**

**AVAILABILITY**

This service is available to any Customer in the entire territory served by the Company who uses less than 5,000 therms annually and uses gas for all purposes other than residential service and interruptible service. Where the Customer uses the Cooling, Air Conditioning and Pool Heating service (“CAC”), the Company will, upon application by the Customer, meter the space heating and CAC use separately. Street Lighting Service also will be supplied under this schedule.

**CHARACTER OF SERVICE**

Firm gas service where Customer may either purchase gas supply from the Company’s Rider “A” for Basic Gas Supply Service (“BGSS”) or from a Marketer or Broker.

**MONTHLY RATES**

**Customer Charge:**

Customer Charge per meter per month \$25.00

**Delivery Charge:**

Delivery Charge per therm \$0.~~48754623~~

**BGSS Charge:**

BGSS Charge per therm for Sales Customers See “Rate Summaries” at the end of this Tariff

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge shall be the Customer Charge.

Where service is taken for less than one month, the minimum charge will be prorated.

**BALANCING CHARGE ADJUSTMENTS**

The Balancing Charge is included in the Delivery Charge and is subject to adjustment in the Company's annual BGSS proceeding. All revenues derived from this Charge will be credited to the BGSS. See Rider “A” for the current Balancing Charge.

Date of Issue: ~~April 29, 2010~~  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719

Effective for service rendered on  
and after ~~October~~ May 1, 2010

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~Sixth/Fifth~~ Revised Sheet No. 59  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 59

**SERVICE CLASSIFICATION - GSL**

**GENERAL SERVICE - LARGE**

**AVAILABILITY**

This service is available to any Customer in the entire territory served by the Company who uses greater than or equal to 5,000 therms annually and uses gas for all purposes other than residential service and interruptible service. Where the Customer uses the Cooling, Air Conditioning and Pool Heating service ("CAC") under Special Provision 1 applicable to customers purchasing gas supply under Rider "A", the Company will, upon application by the Customer, meter the space heating and CAC use separately.

**CHARACTER OF SERVICE**

Firm gas service where Customer may either purchase gas supply from the Company's Rider "A" for Basic Gas Supply Service ("BGSS") or from a Marketer or Broker.

**MONTHLY RATES**

**Customer Charge:**

Customer Charge per meter per month \$40.00

**Demand Charge:**

Demand Charge per therm applied to HMAD \$1.50

**Delivery Charge:**

Delivery Charge per therm \$0.~~42324117~~

**BGSS Charge:**

BGSS Charge per therm for Sales Customers See "Rate Summaries" at the end of this Tariff

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge shall be the Customer Charge and the Demand Charge.

Where service is taken for less than one month, the minimum charge will be prorated.

**Date of Issue:** ~~April 29, 2010~~  
**Issued by:** Mark R. Spurduto, Vice President  
Wall, NJ 07719

**Effective for service rendered on  
and after ~~October~~ May 1, 2010**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~Sixth/Fifth~~ Revised Sheet No. 65  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 65

**SERVICE CLASSIFICATION - DGC**

**DISTRIBUTED GENERATION SERVICE - COMMERCIAL**

**AVAILABILITY**

This service is available to any commercial customer using distributed generation technologies including, but not limited to, microturbines and fuel cells.

**CONDITIONS PRECEDENT**

If the Customer is served by a Marketer or Broker, the Marketer or Broker assumes the responsibility for all delivery requirements. The Customer also must have clear and marketable title of gas with firm transportation capacity to the Company's distribution systems. If the Company so requests, the Customer must provide such proof. The Customer is responsible for payment of any costs if additional facilities, exclusive of metering facilities, are necessary to provide service. The Company reserves the right to limit new customers served under this service, if it determines that service expansion is detrimental to existing firm customers. The Customer must demonstrate that qualifying electric generation equipment has been installed at its location.

**MONTHLY RATES**

**Customer Charge:**

Customer Charge per meter per month \$40.00

**Demand Charge:**

Demand Charge per therm applied to PBQ \$0.60

**Delivery Charge:**

November - April \$0.~~28412744~~

May - October \$0.~~25132416~~

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge shall be the sum of the Customer Charge and the Demand Charge.

**Date of Issue:** ~~April 29, 2010~~  
**Issued by:** Mark R. Sperduto, Vice President  
Wall, NJ 07719

**Effective for service rendered on  
and after ~~October~~ May 1, 2010**

**Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR~~1006~~ ~~09010076~~**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~SixthFifth~~ Revised Sheet No. 71  
Superseding ~~FifthFourth~~ Revised Sheet No. 71

**SERVICE CLASSIFICATION - FC**

**FIRM COGENERATION**

**AVAILABILITY**

This service is applicable to commercial and industrial Customers using gas for the sequential production of electrical and/or mechanical energy and useful thermal energy from the same fuel source as defined in Section 201 of The Public Utility Regulatory Policies Act (PURPA) of 1978.

The Customer must 1) certify that the cogeneration facility is approved by FERC as a "Qualifying Facility"; 2) sign a Service Agreement; and 3) be in compliance with the terms of N.J.S.A. 54:30A-50 to receive service under this classification.

**CHARACTER OF SERVICE**

Firm gas sales or transportation service.

**MONTHLY RATES**

**Customer Charge:**

Customer Charge per meter per month \$49.49

**Demand Charge:**

Demand Charge per therm applied to MDQ \$1.00

**Delivery Charge:**

Delivery Charge per therm \$0.~~30732976~~

**BGSS Charge:**

BGSS Charge per therm for Sales Customers See "Rate Summaries" at the end of this Tariff

These rates are inclusive of all applicable taxes and riders and are subject to adjustment for all other applicable riders, taxes, assessments or similar charges lawfully imposed by the Company. See Rate Summaries at the end of this Tariff for a summary of components incorporated in these rates.

**Date of Issue:** ~~April 29, 2010~~  
**Issued by:** Mark R. Spurduto, Vice President  
Wall, NJ 07719

**Effective for service rendered on  
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**Filed pursuant to Order of the Board of Public Utilities entered in  
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NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~TwentiethNineteenth~~ Revised Sheet No. 155  
Superseding ~~NineteenthEighteenth~~ Revised Sheet No. 155

RIDER "A"

BASIC GAS SUPPLY SERVICE - BGSS(Continued)

PERIODIC BASIC GAS SUPPLY SERVICE (BGSS) CHARGE<sup>1</sup>

<u>CLASS</u>	<u>APPLICATION</u>	<u>CHARGE</u>
RS, GSS, and ED sales customers using less than 5,000 therms annually	Included in the Basic Gas Supply Charge	\$0. <del>83468828</del> per therm

BALANCING CHARGE

<u>CLASS</u>	<u>APPLICATION</u>	<u>CHARGE</u>
RS, GSS, GSL, ED	Included in the Delivery Charge	\$0. <del>08860789</del> per therm

MONTHLY BASIC GAS SUPPLY SERVICE (BGSS) CHARGE<sup>1</sup>

<u>CLASS</u>	<u>APPLICATION</u>
GSL, FC and ED sales customers using 5,000 therms or greater annually	Included in the Basic Gas Supply Charge

<u>Effective Date</u>	<u>Charge Per Therm</u>
May 1, 2009	\$0.5665
June 1, 2009	\$0.5909
July 1, 2009	\$0.6370
August 1, 2009	\$0.5739
September 1, 2009	\$0.5138
October 1, 2009	\$0.6186
November 1, 2009	\$0.6814
December 1, 2009	\$0.7091
January 1, 2010	\$0.8592
February 1, 2010	\$0.7982
March 1, 2010	\$0.7464
April 1, 2010	\$0.6326
May 1, 2010	\$0.6807

<sup>1</sup> For billing purposes, the Periodic BGSS and Monthly BGSS charges are adjusted for Balancing Charges as presented in the Rate Summaries at the end of this Tariff.

Date of Issue: ~~April 30, 2010~~  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719

Effective for service rendered on  
and after ~~October~~ May 1, 2010

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Sixth Fifth~~ Revised Sheet No. 156  
Superseding ~~Fifth Fourth~~ Revised Sheet No. 156

RIDER "A"

BASIC GAS SUPPLY SERVICE - BGSS(Continued)

BGSS SAVINGS COMPONENT RELATED TO THE CONSERVATION INCENTIVE PROGRAM (CIP)  
IN RIDER "I"

<u>CLASS</u>	<u>APPLICATION</u>	<u>CREDIT</u>
RS, GSS, GSL, FC, and ED sales customers	Embedded within the Periodic Basic Gas Supply Charge and the Monthly Basic Gas Supply Charge	(\$0. <del>01120260</del> ) per therm

TEMPORARY BGSS RATE CREDIT ADJUSTMENT

<u>CLASS</u>	<u>APPLICATION</u>	<u>CREDIT</u>
RS, GSS, and ED sales customers using less than 5,000 therms annually	Rate Credit Adjustment effective January 1, 2009 through February 28, 2009	(\$0.1996) per therm
RS, GSS, and ED sales customers using less than 5,000 therms annually	Rate Credit Adjustment effective March 1, 2009 through March 31, 2009	(\$0.2510) per therm
RS, GSS, and ED sales customers using less than 5,000 therms annually	Rate Credit Adjustment effective February 1, 2010 through March 31, 2010	(\$0.2745) per therm
RS, GSS, and ED sales customers using less than 5,000 therms annually	Rate Credit Adjustment effective April 1, 2010 through April 30, 2010	(\$0.6572) per therm

Date of Issue: ~~March 26, 2010~~  
Issued by: Mark R. Spurduto, Vice President  
2010  
Wall, NJ 07719

Effective for service rendered on and after ~~October~~ April 1,

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Second First~~ Revised Sheet No. 182  
Superseding ~~First Revised Original~~ Sheet No. 182

RIDER "I"

CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

The currently effective CIP factor by Customer Class Group are as follows:

Group I (RS non-heating):	(\$0. <del>0033</del> ) <del>0435</del>
Group II (RS heating):	\$0. <del>01790079</del>
Group III (GSS, ED using less than 5,000 therms annually):	\$0. <del>03390184</del>
Group IV (GSL, ED using 5,000 therms or greater annually):	\$0. <del>02780260</del>

For the recovery of the October 200~~9~~~~8~~ through September 20~~10~~~~09~~ CIP margin deficiency, the recovery of the margin deficiency associated with non-weather related change in customer usage included in the above factors are offset by the BGSS savings component, as set forth in Rider A. The BGSS savings component is embedded within the Periodic BGSS Charge and the Monthly BGSS Charge.

Date of Issue: ~~August 28, 2009~~  
Issued by: Mark R. Spurduto, Vice President  
~~2010 September 16, 2009~~  
Wall, NJ 07719

Effective for service rendered on  
and after October 1,

Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR1006 ~~09060432~~

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Sixth/Fifth~~ Revised Sheet No. 252  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 252

SUMMARY OF RESIDENTIAL RATE COMPONENTS

Residential Heating Customers

		<u>Bundled</u> <u>Sales</u>	<u>Transport</u> <u>Sales</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		8.25	8.25	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.2913	0.2913	
TEFA		0.0167	0.0167	Rider B
SUT		<u>0.0216</u>	<u>0.0216</u>	Rider B
After-tax Base Rate		0.3296	0.3296	
WNC		0.0001	0.0001	Rider D
CIP		<del>0.00790.0</del> <u>179</u>	<del>0.00790.0179</del>	Rider I
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	<del>0.35030.3</del> <u>603</u>	<del>0.35030.3603</del>	
<i>Balancing Charge</i>	b	<del>0.07890.0</del> <u>886</u>	<del>0.07890.0886</del>	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
<i>Total SBC</i>	c	<u>0.0719</u>	<u>0.0719</u>	
<b>Delivery Charge (DEL)</b>	a+b+c=d	<del>0.50110.5</del> <u>208</u>	<del>0.50110.5208</del>	
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Periodic BGSS	e	<del>0.88280.8</del> <u>346</u>	x	Rider A
Less: Balancing	f	<del>0.07890.0</del> <u>886</u>	x	
<b>BGS</b>	e+f=g	<del>0.80390.7</del> <u>460</u>	x	

Date of Issue: ~~April 29, 2010~~  
Issued by: Mark R. Sperduto, Vice President  
2010  
Wall, NJ 07719

Effective for service rendered on and after ~~October~~ May 1,

*NEW JERSEY NATURAL GAS COMPANY*

*BPU No. 8 - Gas*

*~~Sixth/Fifth~~ Revised Sheet No. 252  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 252*

**SUMMARY OF RESIDENTIAL RATE COMPONENTS**

With the exception of the Customer Charge, these rates are on a per-therm basis.

Customer Charge, DEL rate and BGS rate are presented on customer bills.

*Date of Issue: ~~April 29, 2010~~  
Issued by: Mark R. Sperduto, Vice President  
2010  
Wall, NJ 07719*

*Effective for service rendered on  
and after ~~October~~ May 1,*

*Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR1006 ~~09010076~~*

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~SixthFifth~~ Revised Sheet No. 253  
Superseding ~~FifthFourth~~ Revised Sheet No. 253

SUMMARY OF RESIDENTIAL RATE COMPONENTS

Residential Non-Heating Customers

		<u>Bundled</u> <u>Sales</u>	<u>Transport</u> <u>Sales</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		8.25	8.25	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.2913	0.2913	
TEFA		0.0167	0.0167	Rider B
SUT		<u>0.0216</u>	<u>0.0216</u>	Rider B
After-tax Base Rate		0.3296	0.3296	
CIP		<del>0.0435(0.0033)</del>	<del>0.0435(0.0033)</del>	Rider I
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	<del>0.38580.3390</del>	<del>0.38580.3390</del>	
<i>Balancing Charge</i>	b	<del>0.07890.0886</del>	<del>0.07890.0886</del>	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
<i>Total SBC</i>	c	<u>0.0719</u>	<u>0.0719</u>	
<b>Delivery Charge (DEL)</b>	a+b+c=d	<del><u>0.53660.4995</u></del>	<del><u>0.53660.4995</u></del>	
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Periodic BGSS	e	<del>0.88280.8346</del>	x	Rider A
Less: Balancing	f	<del>0.07890.0886</del>	x	
<b>BGS</b>	e+f=g	<del><u>0.80390.7460</u></del>	x	

Date of Issue: ~~April 29, 2010~~  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719

Effective for service rendered on  
and after ~~October~~ May 1, 2010

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**~~SixthFifth~~ Revised Sheet No. 253  
Superseding ~~FifthFourth~~ Revised Sheet No. 253**

**SUMMARY OF RESIDENTIAL RATE COMPONENTS**

With the exception of the Customer Charge, these rates are on a per-therm basis.

Customer Charge, DEL rate and BGS rate are presented on customer bills.

**Date of Issue: ~~April 29, 2010~~  
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Wall, NJ 07719**

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**Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR1006 ~~09010076~~**

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~SixthFifth~~ Revised Sheet No. 254  
Superseding ~~FifthFourth~~ Revised Sheet No. 254

**SUMMARY OF RESIDENTIAL RATE COMPONENTS**

**Residential Distributed Generation Service**

		<u>Nov - Apr</u>	<u>May - Oct</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		8.25	8.25	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.1795	0.1262	
TEFA		0.0167	0.0167	
SUT		<u>0.0137</u>	<u>0.0100</u>	Rider B
After-tax Base Rate		0.2099	0.1529	
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	0.2226	0.1656	
<i>Balancing Charge</i>	b	<del>0.07890.0886</del>	<del>0.07890.0886</del>	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
<i>Total SBC</i>	c	<u>0.0719</u>	<u>0.0719</u>	
<b>Delivery Charge (DEL)</b>	a+b+c=d	<del>0.37340.3831</del>	<del>0.31640.3261</del>	
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Periodic BGSS	e	<del>0.88280.8346</del>	<del>0.88280.8346</del>	Rider A
Less: Balancing	f	<del>0.07890.0886</del>	<del>0.07890.0886</del>	
<b>BGS</b>	e+f=g	<del>0.80390.7460</del>	<del>0.80390.7460</del>	

With the exception of the Customer Charge, these rates are on a per-therm basis.

Customer Charge, DEL rate and BGS rate are presented on customer bills.

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NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Sixth/Fifth~~ Revised Sheet No. 255  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 255

SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS

General Service - Small (GSS)

		Bundled Sales	Transport Sales	Reference
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		25.00	25.00	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.2472	0.2472	
TEFA		0.0148	0.0148	Rider B
SUT		<u>0.0183</u>	<u>0.0183</u>	Rider B
After-tax Base Rate		0.2803	0.2803	
WNC		0.0001	0.0001	Rider D
CIP		<del>0.01840.0</del> <u>339</u>	<del>0.01840.0339</del>	Rider I
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
Total Transport Rate	a	<del>0.31150.3</del> <u>270</u>	<del>0.31150.3270</del>	
Balancing Charge	b	<del>0.07890.0</del> <u>886</u>	<del>0.07890.0886</del>	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
Total SBC	c	<u>0.0719</u>	<u>0.0719</u>	
Delivery Charge (DEL)	a+b+c=d	<del>0.46230.4</del> <u>875</u>	<del>0.46230.4875</del>	
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Periodic BGSS	e	<del>0.88280.8</del> <u>346</u>	x	Rider A
Less: Balancing	f	<del>0.07890.0</del> <u>886</u>	x	
BGS	e+f=g	<del>0.80390.7</del> <u>460</u>	x	

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**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**~~Sixth/Fifth~~ Revised Sheet No. 255  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 255**

**SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS**

With the exception of the Customer Charge, these rates are on a per-therm basis.

Customer Charge, DEL rate and BGS rate are presented on customer bills.

**Date of Issue:** ~~April 29, 2010~~  
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**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Twenty-~~Fourth~~<sup>Third</sup> Revised Sheet No. 256  
Superseding Twenty-~~Third~~<sup>Second</sup> Revised Sheet No. 256**

**SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS**

**General Service - Large (GSL)**

		<u>Bundled</u> <u>Sales</u>	<u>Transport</u> <u>Sales</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		40.00	40.00	
<b><u>Demand Charge</u></b>				
Demand Charge per month applied to HMAD		1.50	1.50	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.1948	0.1948	
TEFA		0.0128	0.0128	Rider B
SUT		<u>0.0145</u>	<u>0.0145</u>	Rider B
After-tax Base Rate		0.2221	0.2221	
WNC		0.0001	0.0001	Rider D
CIP		<del>0.02600.0</del>	<del>0.02600.0278</del>	Rider I
		<u>278</u>		
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	<del>0.26090.2</del>	<del>0.26090.2627</del>	
		<u>627</u>		
<i>Balancing Charge</i>	b	<del>0.07890.0</del>	<del>0.07890.0886</del>	Rider A
		<u>886</u>		
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
<i>Total SBC</i>	c	<u>0.0719</u>	<u>0.0719</u>	
<b>Delivery Charge (DEL)</b>	a+b+c=d	<del>0.41170.4</del>	<del>0.41170.4232</del>	
		<u>232</u>		
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Monthly BGSS	e	0.6807	X	Rider A
Less: Balancing	f	<del>0.07890.0</del>	X	
		<u>886</u>		
<b>BGS</b>	e+f=g	<del>0.60180.5</del>	X	
		<u>921</u>		

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**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Twenty-~~Fourth~~<sup>Third</sup> Revised Sheet No. 256**  
**Superseding Twenty-~~Third~~<sup>Second</sup> Revised Sheet No. 256**

**SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS**

With the exception of the Customer Charge and Demand charges, these rates are on a per-therm basis.

Customer, Demand, DEL, and BGSS charges are presented on customer bills.

**Date of Issue:** ~~April 30, 2010~~  
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Wall, NJ 07719

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**Docket No. GR1006 ~~EG09060506~~**

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~Sixth/Fifth~~ Revised Sheet No. 258  
Superseding ~~Fifth/Fourth~~ Revised Sheet No. 258

**SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS**

**Commercial Distributed Generation Service**

		<u>Nov - Apr</u>	<u>May - Oct</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		40.00	40.00	
<b><u>Demand Charge</u></b>				
Demand Charge per therm per month applied to PBQ		0.60	0.60	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.0883	0.0577	
TEFA		0.0153	0.0153	
SUT		<u>0.0073</u>	<u>0.0051</u>	Rider B
After-tax Base Rate		0.1109	0.0781	
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	<i>0.1236</i>	<i>0.0908</i>	
<i>Balancing Charge</i>	b	<del>0.07890.0886</del>	<del>0.07890.0886</del>	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
<i>Total SBC</i>	c	<u>0.0719</u>	<u>0.0719</u>	
<b>Delivery Charge (DEL)</b>	a+b+c=d	<del>0.27440.2841</del>	<del>0.24160.2513</del>	

With the exception of the Customer Charge and Demand Charge, these rates are on a per-therm basis.

Customer Charge, Demand Charge, and DEL rate are presented on customer bills.

**Date of Issue:** ~~April 29, 2010~~  
**Issued by:** Mark R. Sperduto, Vice President  
Wall, NJ 07719

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Docket No. GR1006 ~~09010076~~

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Twenty-~~Fourth~~<sup>Third</sup> Revised Sheet No. 259**  
**Superseding Twenty-~~Third~~<sup>Second</sup> Revised Sheet No. 259**

**SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS**

**Firm Cogeneration (FC)**

		<u>Sales</u>	<u>Transport</u>	<u>Reference</u>
<b><u>Customer Charge</u></b>				
Customer Charge per meter per month		49.49	49.49	
<b><u>Demand Charge</u></b>				
Demand Charge per therm per month applied to MDQ		1.00	1.00	
<b><u>Delivery Charge ("DEL") per therm</u></b>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.1253	0.1253	
SUT		<u>0.0088</u>	<u>0.0088</u>	Rider B
After-tax Base Rate		0.1341	0.1341	
EE		<u>0.0127</u>	<u>0.0127</u>	Rider F
<i>Total Transport Rate</i>	a	<i>0.1468</i>	<i>0.1468</i>	
<i>Balancing Charge</i>	b	<del>0.0789</del> <u>0.0886</u>	<del>0.0789</del> <u>0.0886</u>	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0203	0.0203	Rider E
RA		0.0324	0.0324	Rider C
USF		<u>0.0192</u>	<u>0.0192</u>	Rider H
<i>Total SBC</i>	c	<u>0.0719</u>	<u>0.0719</u>	
<b>Delivery Charge (DEL)</b>	a+b+c=d	<del>0.2976</del> <u>0.3073</u>	<del>0.2976</del> <u>0.3073</u>	
<b><u>Basic Gas Supply Charge ("BGS")</u></b>				
Monthly BGSS	e	0.6807	X	Rider A
Less: Balancing	f	<del>0.0789</del> <u>0.0886</u>	X	
<b>BGS</b>	e+f=g	<del>0.6018</del> <u>0.592</u>	X	
		<u>1</u>		

With the exception of the Customer Charge and Demand Charge, these rates are on a per-therm basis.

Customer Charge, Demand Charge, DEL rate and BGS rate are presented on customer bills.

**Date of Issue:** ~~April 30, 2010~~  
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Wall, NJ 07719

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**and after ~~October~~<sup>May</sup> 1, 2010**

**EXHIBIT I**

**NEW JERSEY NATURAL GAS COMPANY  
NOTICE OF PROPOSED CHANGE IN PRICES  
AND PUBLIC HEARING**

**NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS**  
**Docket No. GR1006\_\_\_\_\_**

**NOTICE OF FILING AND PUBLIC HEARING**

**TO OUR CUSTOMERS:**

**PLEASE TAKE NOTICE** that on June 1, 2010, New Jersey Natural Gas (“NJNG” or the “Company”) filed its 2010–2011 Basic Gas Supply Service (“BGSS”) petition pursuant to the “Order Approving BGSS Price Structure” issued by the New Jersey Board of Public Utilities (“Board”) on January 6, 2003, in Docket No. GX01050304 (“Generic BGSS Order”). At that time, NJNG also filed for Board approval of proposed price changes related to the Conservation Incentive Program (“CIP”), the Balancing Charge and the Weather Normalization Clause (“WNC”). Pursuant to its filing, NJNG requested that the Board permit NJNG to adjust its BGSS and CIP factors effective October 1, 2010. The impact of the BGSS rate change for a residential heating customer using an average of 100 therms per month would be a **decrease of \$4.82 per month, or (3.5) percent** as a result of the proposed BGSS rate, and an **increase of \$1.00 per month or 0.7 percent** as a result of the proposed CIP rate. The combined impact of these price changes would result in an overall **decrease of approximately \$3.82 or (2.8) percent** per month on a 100 therm residential bill.

Additionally, NJNG requested that the Board permit NJNG to increase its Balancing Charge applicable to transportation customers receiving their natural gas supply from a third party supplier by \$0.0097 per therm effective October 1, 2010. The impact of the Balancing Charge increase for a residential heating transportation customer transporting an average of 100 therms per month would be an increase of \$0.97 per month, or 0.7 percent. All Balancing Charge revenues from transportation customers are credited to BGSS recoveries. For sales customers, there is no impact from the Balancing Charge change since the Balancing Charge is included as a component of the delivery charge and deducted from the BGSS charge in order to provide a BGSS “Price-to-Compare.” NJNG also requested that the Board permit NJNG to decrease its WNC rate by \$0.0001 per therm effective January 1, 2011, a **decrease of \$0.01 per month or (0.01) percent** on a residential 100 therm bill.

The effect of the Company’s request for the price adjustments to be effective October 1, 2010, on typical residential, general service - small, and general service - large natural gas bills is estimated to be as follows:

Customer Type	Therm Level	Total Bill		% Impact					
		Bill as of May 1, 2010	Proposed Bill as of October 1, 2010	BGSS	CIP	Net Increase/ (Decrease)	BGSS	CIP	Net Increase/ (Decrease)
<b>Residential Heat Sales</b>	100	\$138.75	\$134.93	(\$4.82)	\$1.00	(\$3.82)	(3.5%)	0.7%	(2.8%)
<b>Residential Non-Heat Sales</b>	25	\$41.76	\$39.39	(\$1.21)	(\$1.17)	(\$2.38)	(2.9%)	(2.8%)	(5.7%)
<b>General Service - Small</b>	100	\$151.62	\$148.35	(\$4.82)	\$1.55	(\$3.27)	(3.2%)	1.0%	(2.2%)
<b>General Service - Large</b>	1200	\$1,431.70	\$1,433.86	\$0.00	\$2.16	\$2.16	0.0%	0.2%	0.2%

**TAKE FURTHER NOTICE** that future changes in NJNG’s price for BGSS service may also occur if NJNG elects to adjust its BGSS rates upward by filing timely notice with the Board Staff and the Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”), pursuant to the Generic BGSS Order. Any such self-implementing increase will be limited to a maximum of 5 percent of the total residential bill, effective December 1, 2010, and to a maximum of 5 percent of the total residential bill, effective February 1, 2011. Further, these self-implementing increases will be provisional and subject to true-up in connection with the annual BGSS filing.

Pursuant to the Generic BGSS Order, NJNG is permitted to decrease its BGSS rate at any time upon five days notice and the filing of supporting documentation with the Board of Public Utilities and Rate Counsel.

If both of the above mentioned self-implementing adjustments and the above mentioned WNC decrease were to be put into place, the effect on typical residential and general service - small natural gas bills, as of the requested effective dates, is estimated to be as follows:

Customer Type	Therm Level	Total Bill		Increase	
		Bill as of October 1, 2010	Proposed Bill Including WNC Decrease and December and February BGSS 5 Percent Increases	Amount	Percent
<b>Residential Heat Sales</b>	100	\$134.93	\$148.75	\$13.82	10.24%
<b>Residential Non-Heat Sales</b>	25	\$39.39	\$42.84	\$3.46	8.78%
<b>General Service - Small</b>	100	\$148.35	\$162.17	\$13.82	9.32%

The Board has the statutory authority to establish the BGSS, CIP, Balancing and WNC charges at levels it finds just and reasonable. Therefore, the Board may establish the BGSS, CIP, Balancing and WNC charges at levels other than those proposed by NJNG. NJNG's natural gas costs addressed in this petition will remain subject to audit by the Board, and Board approval shall not preclude or prohibit the Board from taking any such actions deemed appropriate as a result of any such audit.

**PLEASE TAKE NOTICE** that public hearings on the petition have been scheduled at the following dates, times and places:

August XX, 2010, 5:30 p.m.  
Rockaway Township Municipal Building  
Conference Room  
65 Mt. Hope Road  
Rockaway, NJ 07866

August XX, 2010, 5:30 p.m.  
Freehold Borough Municipal Building  
Conference Room  
51 W. Main Street  
Freehold, NJ 07728-2195

The public is invited to attend, and interested persons will be permitted to testify and/or make a statement of their views on the proposed rate changes. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to this hearing to the Board Secretary at the address below. Regardless of whether they attend the hearing, members of the public may submit written comments concerning the petition to the Board by addressing them to: Kristi Izzo, Secretary, New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102. Copies of NJNG's June 1, 2010, filing can be reviewed either at the NJNG Customer Service Centers listed on the Company Web site, www.njng.com, or at the New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

Tracey Thayer, Esq.  
New Jersey Natural Gas

**EXHIBIT J**

**IMPACT OF TRANSITION TO MONTHLY METER READING**

## New Jersey Natural Gas Company Impact of Transition to Monthly Meter Reading

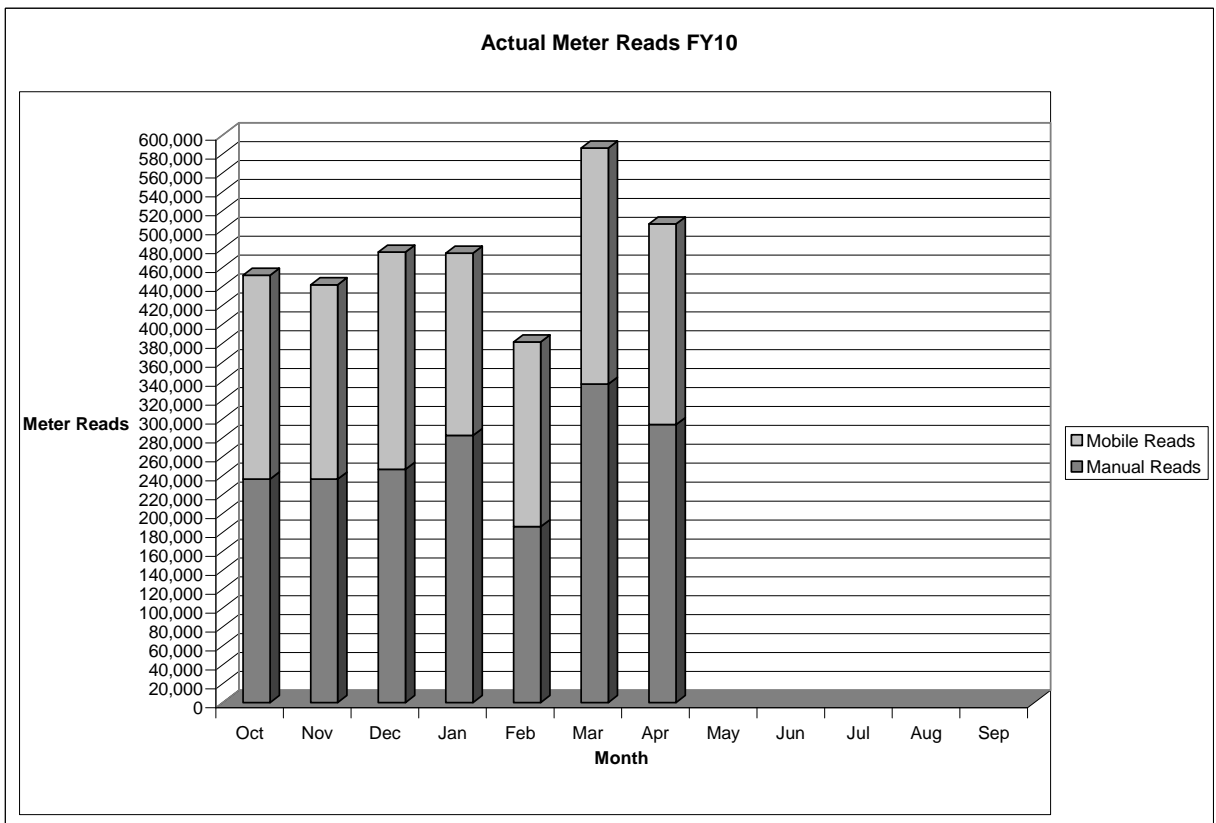
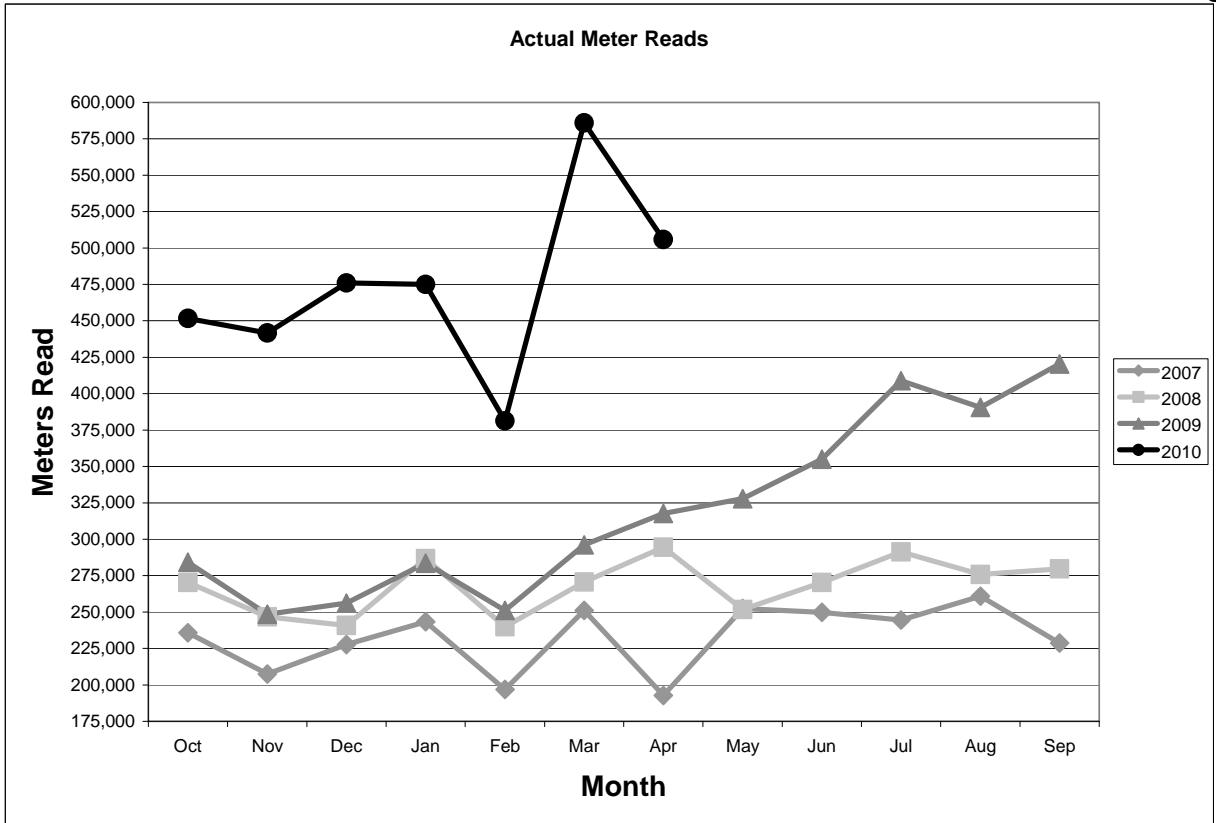
New Jersey Natural Gas began its transition from bi-monthly meter reading to monthly meter reading in March 2009 concurrent with the Automatic Meter Reading (AMR) project in its Monmouth County service territory. At that time our transition team developed a plan to gradually transfer employee meter reading positions from Monmouth County to Ocean and Morris Counties to coincide with driving “mobile AMR routes” in Monmouth County. The team also developed a timetable to add additional meter reading cycles to the schedule each month in order to have all NJNG billing cycles read monthly by December 2009.

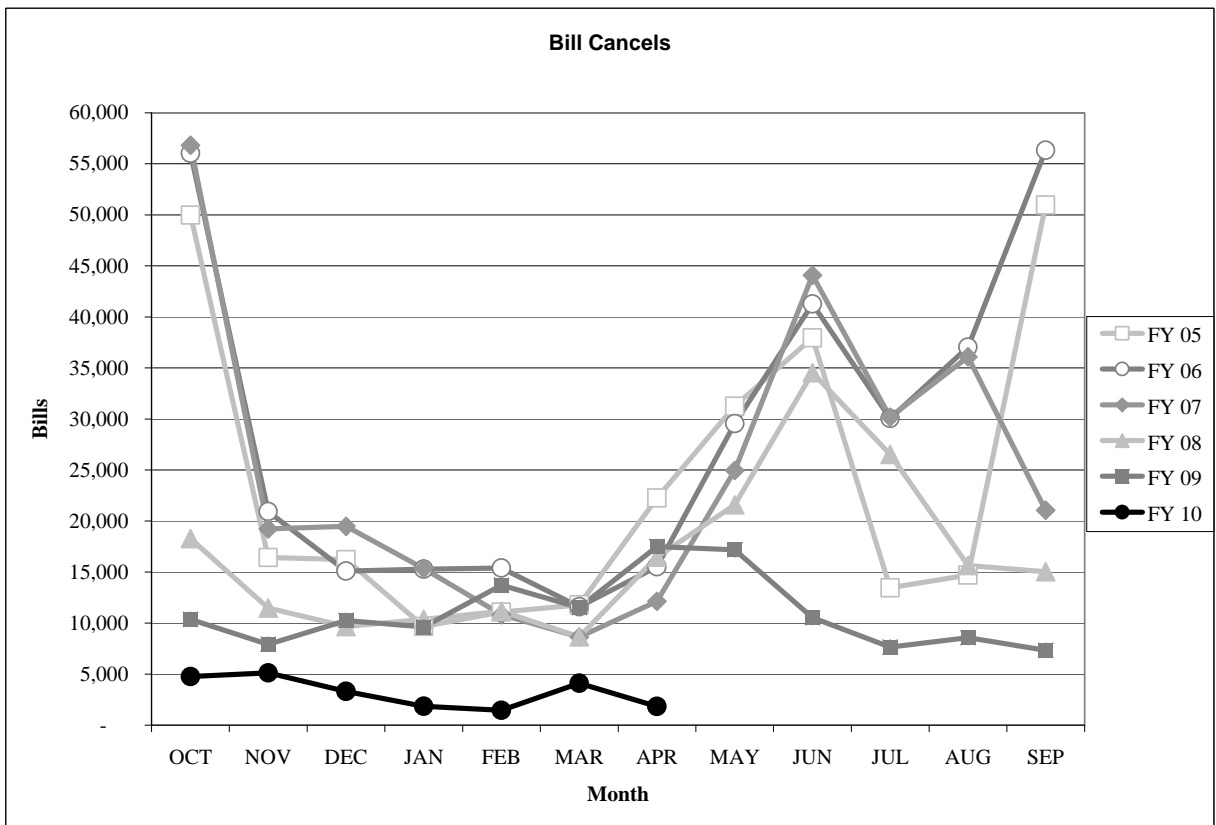
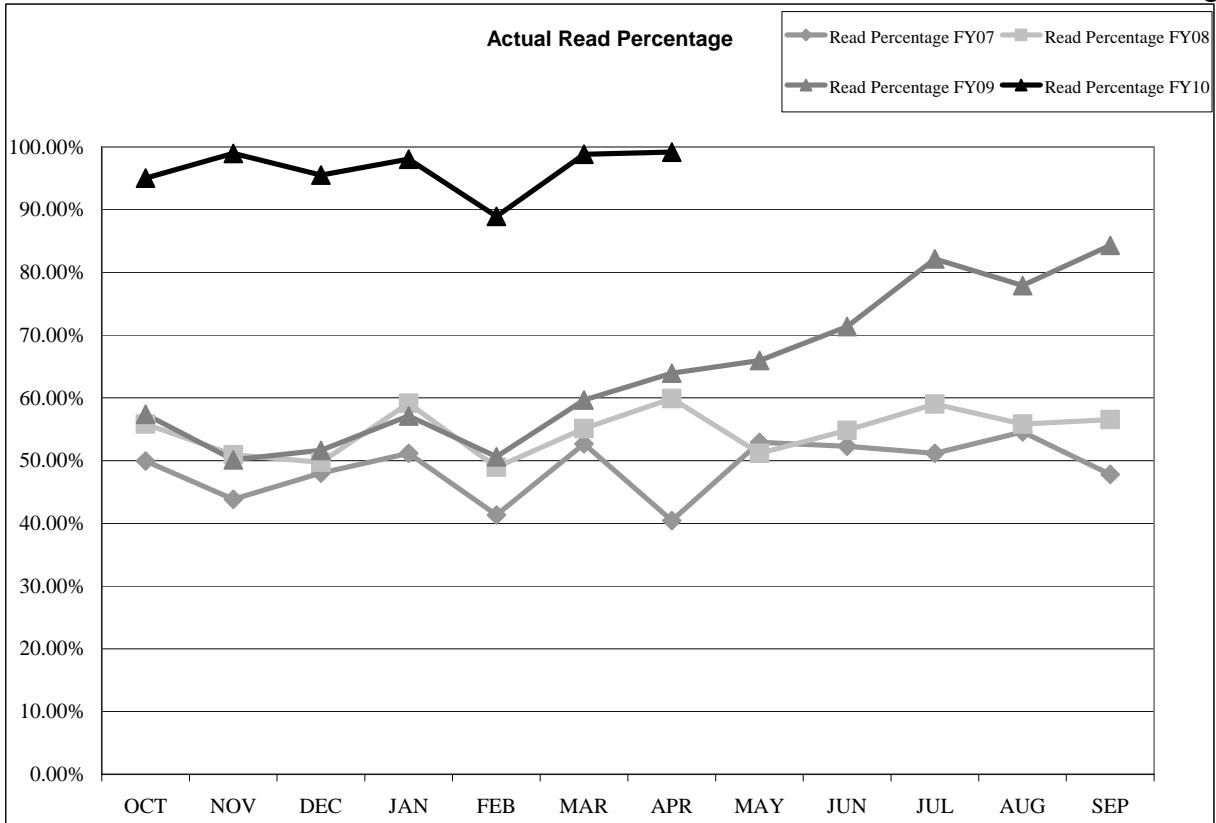
In December of 2009, approximately 95 percent of the monthly meter readings in Monmouth County were obtained by our AMR technology. There were approximately 11,000 meters that were not capable of having an AMR device installed for various reasons, and NJNG’s Energy Delivery department has continued to perform meter changes on those meters, installing customer meters that are AMR compatible. As of May 2010 approximately 6,400 still remain in manual read mode and progress continues to complete the transition of all of these meters to AMR.

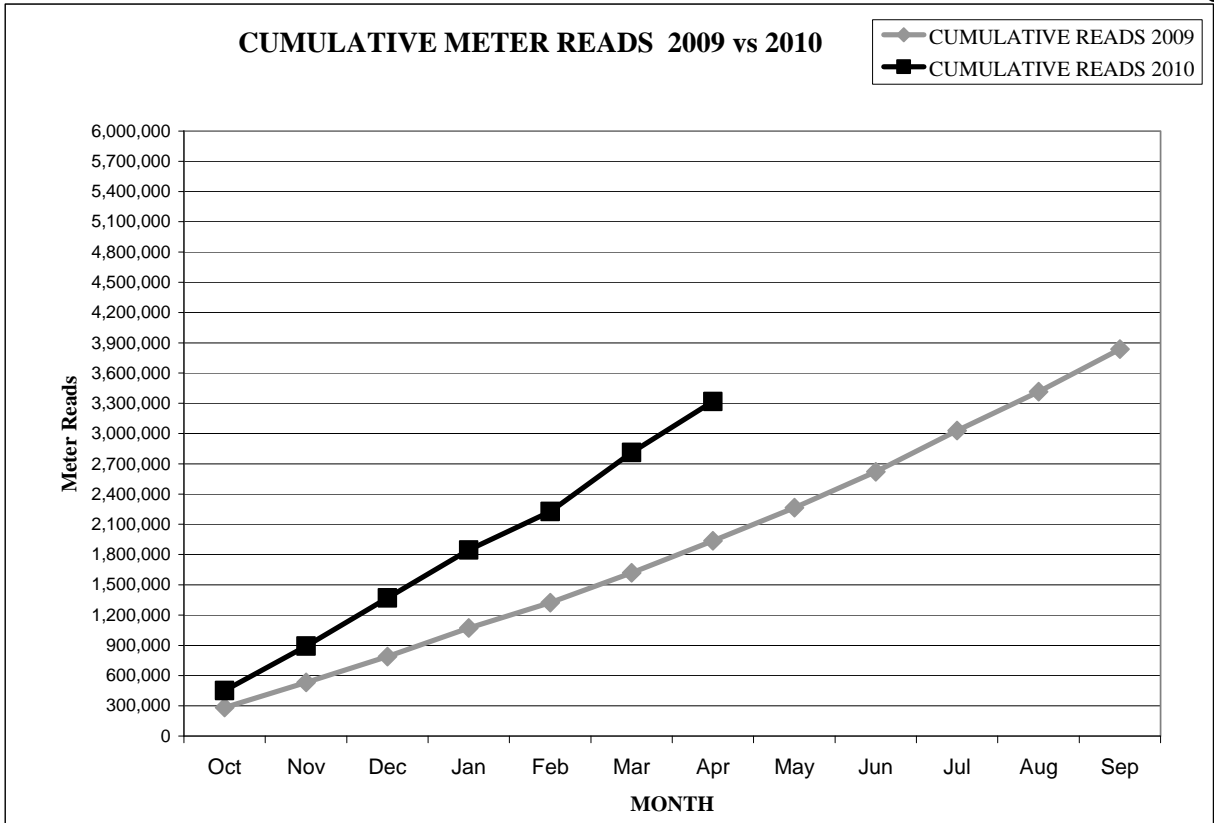
October 2007 through September 2008 (FY2008) represents the last fiscal year of bi-monthly meter reading; Fiscal Year 2009 and the first quarter of 2010 were transitional periods from bi-monthly to monthly meter reading. The following table illustrates key meter reading metrics by fiscal year followed by several charts that depict the meter reading performance improvements. All chart data for Fiscal Year 2010 reflects results through April.

<b>METRIC</b>	<b>FY2008</b>	<b>FY2009</b>	<b>2010 Fiscal YTD thru April (seven months)</b>
Total Meter Reads	3,218,467	3,836,567	3,317,470
Actual Read Percentage	54.75%	64.36%	96.55%
Number of Bill Cancels	199,385	132,156	22,449
Percentage of Bill Cancels	3.5%	2.3%	0.7%
Cancels per 1,000 Bills	34.93	23.12	6.77
Special Reads <sup>1</sup>	10,947	11,236	3,037
Inside Meter Read Percentage	73.36%	84.96%	90.83%
Number of Accounts – 8 month consecutive estimates	6,478	3,033	1,166
Read Errors/10,000 Reads	11.94	13.63	5.68

<sup>1</sup> A "special read" is a read obtained outside the parameters of the normal scheduled read date. Examples include: (1) Disputing or verification of an actual read; (2) A date or time to accommodate a customer who we haven't been able to obtain a read on the scheduled read date; and (3) The first read for a new customer or ending read for a customer leaving an address (also called a "read over").







**NEW JERSEY NATURAL GAS COMPANY**

**DIRECT TESTIMONY AND EXHIBITS OF**

**JAYANA S. SHAH**

**MANAGER - GAS SUPPLY**

**NJNG ENERGY SERVICES**

**IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR THE ANNUAL REVIEW AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS), REVIEW AND REVISION OF ITS  
CONSERVATION INCENTIVE PROGRAM (CIP) FACTORS AND FOR  
MODIFICATION TO ITS WEATHER NORMALIZATION CLAUSE  
(WNC) FACTOR FOR F/Y 2011  
BPU DOCKET NO. GR1006\_\_\_\_\_**  
**Direct Testimony of Jayana S. Shah**

**I. Background and Purpose**

1  
2 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS**  
3 **ADDRESS.**

4 A. My name is Jayana S. Shah. I am the Manager, Gas Supply for New Jersey  
5 Natural Gas Company (the “Company” or “NJNG”). My business address is  
6 1415 Wyckoff Road, Wall, New Jersey 07719.

7 **Q. PLEASE DESCRIBE YOUR EDUCATION, YOUR BUSINESS**  
8 **EXPERIENCE, AND YOUR RESPONSIBILITIES WITH RESPECT**  
9 **TO THIS PROCEEDING.**

10 A. I received a Bachelor of Science degree in Biology with a Chemistry Minor  
11 from the University of Houston in 1999. Upon graduation I was employed  
12 by Engage Energy in Houston, Texas as a gas settlements specialist and  
13 within a year moved into a risk analyst position. My responsibilities as a  
14 risk analyst at Engage Energy included reviewing all transactions and  
15 reporting profit and loss. When Engage Energy subsequently merged with  
16 El Paso Merchant Energy (“El Paso”), I was employed by El Paso as a risk  
17 analyst with additional responsibilities, including confirming financial  
18 transactions with brokers and validating trader’s marks with third party  
19 sources. My position at El Paso also provided me with the opportunity to  
20 learn about other commodities, including natural gas liquids, crude oil,

1 emission credits, weather derivatives, and currency. I moved to New Jersey  
2 in 2003 and was employed by Morgan Stanley in New York for two years as  
3 an associate controller responsible for financial reporting for their capital  
4 structure arbitrage book and securitized products book.

5 I joined New Jersey Resources (“NJR”) in June 2005 as a trading  
6 analyst for NJR Energy Services (“NJRES”), an unregulated affiliate of the  
7 Company. My responsibilities there included supporting the trading group  
8 with trade and price analysis, working with the Vice President to manage the  
9 NJRES portfolio, and creating efficiencies by working with the software  
10 programmers and accounting/risk management group.

11 I was promoted to the position of Manager, Gas Supply for NJNG in  
12 May 2009. In that capacity I oversee the NJNG Energy Services staff for  
13 daily, monthly, and seasonal optimization of NJNG’s supply portfolio in  
14 order to provide the lowest overall cost for the Company’s Basic Gas Supply  
15 Service (“BGSS”) customers. I also oversee the Company’s BGSS hedging  
16 and incentive programs to provide price stability and cost savings for BGSS  
17 customers.

18 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

19 **A.** Consistent with the generic BGSS Order of the New Jersey Board of Public  
20 Utilities (“BPU” or the “Board”) in Docket No. GX01050304 (“Generic  
21 BGSS Order”), the purpose of this testimony is to:

- 22 • discuss current conditions in natural gas markets that may affect the  
23 Company’s BGSS pricing, and any material or major change in those  
24 conditions that may affect the Company’s forecasted BGSS rate;

- 1           • describe and detail how the Company actively manages and optimizes its  
2           gas supply and capacity portfolio on a daily, monthly and seasonal basis  
3           throughout the year to provide reliable service to customers at a  
4           reasonable cost, including steps it has taken to hedge its projected BGSS  
5           winter period sales requirements; and
- 6           • provide the basis for and a narrative explanation of the significant drivers  
7           of the annual BGSS rate (including wholesale gas pricing assumptions)  
8           which the Company is proposing through this proceeding to be effective  
9           October 1, 2010. I am also sponsoring a number of exhibits that provide  
10          the requisite detail and support for the projected gas costs and forecasted  
11          sales throughput in this case consistent with the annual Minimum Filing  
12          Requirements (“MFRs”) that were established in the Generic BGSS  
13          Order.

14   **Q.   HOW IS THE BALANCE OF YOUR TESTIMONY ORGANIZED?**

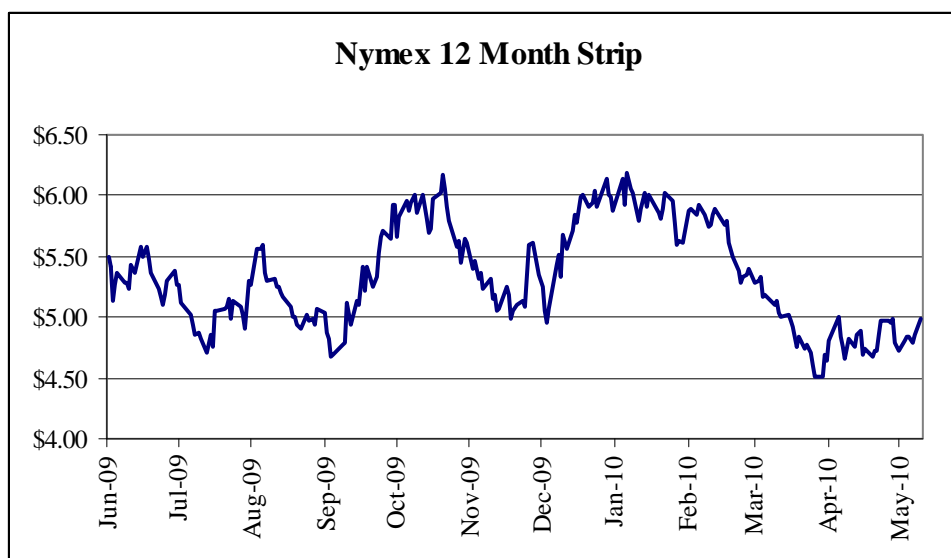
- 15   A.   The balance of my testimony is organized as follows:  
16       Section II: Current Market Conditions, Industry Changes and Market  
17                Developments  
18                A.   Current Market Conditions  
19                B.   Marcellus Shale Supply Basin  
20                C.   The Benefits of Market-Area Storage  
21                D.   New Pipeline Expansion Projects  
22       Section III: CIP BGSS Savings Transactions  
23       Section IV. BGSS Incentive Programs – Current Benefits and Possible  
24                Alternative Approaches  
25       Section V: Optimization Strategy  
26       Section VI: Periodic BGSS Pricing for October 1, 2010  
27       Section VII: MFR Supporting Data and Information  
28       Section VIII: Conclusion  
29

1 **II. Current Market Conditions, Industry Changes and Market**  
2 **Developments**

3 **A. Current Market Conditions**

4 **Q. PLEASE DESCRIBE CURRENT CONDITIONS IN THE NATURAL**  
5 **GAS MARKET AFFECTING NJNG'S BGSS PRICING.**

6 **A.** The 12 month natural gas New York Mercantile Exchange ("NYMEX") strip  
7 price (the average of the monthly futures prices for a 12 month period) for  
8 the period ending April 2010 demonstrates the volatile nature of the current  
9 natural gas market. As shown in the chart below, since NJNG's BGSS filing  
10 last year, the NYMEX strip has averaged approximately \$5.32 per  
11 dekatherm ("dth") with a high of \$6.19 per dth in January 2010 to a low of  
12 \$4.51 per dth near the end of March 2010, with daily price swings as high as  
13 50 cents per dth. The 12 month NYMEX strip settled at \$4.73 per dth on  
14 April 30, 2010, which is the date the Company used for the underlying gas  
15 cost assumption for this year's BGSS filing.  
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**B. Marcellus Shale Supply Basin**

**Q. HAVE THERE BEEN ANY SIGNIFICANT DEVELOPMENTS RECENTLY IN THE NATURAL GAS MARKET THAT COULD PROVIDE RELIABILITY OR PRICING BENEFITS AT THE CITY-GATE TO NJNG AND ITS BGSS CUSTOMERS?**

A. Yes. One of the most significant recent developments in the natural gas industry is the growth potential and emergence of a major new source of gas supply in the Marcellus Shale supply basin.

The Marcellus Shale is a natural gas supply formation extending from Ohio and West Virginia northeast into Pennsylvania and southern New York. The Marcellus Shale formation can be as deep as 7,000 feet or more along the Pennsylvania border in the Delaware River valley; but, the formation can also be exposed at the surface in some locations in the New York Finger Lakes area.

Recent technological advances have made recovering natural gas from formations such as the Marcellus Shale attractive to natural gas exploration and production companies through the use of new horizontal drilling and hydraulic fracturing methods that had previously been applied in other natural gas production areas. These new technologies allow for much greater well production than previously possible for older wells in the same area. The horizontal drilling process allows a well to access a larger supply of gas underground than traditional vertical drilling. Indeed, with horizontal drilling, a well can be drilled down to the target supply level, the drill can then be turned to a horizontal position at that level, and further drilling can

1 then proceed along a horizontal path through a larger portion of the supply  
2 pool than would be possible with a vertical drill. In addition, hydraulic  
3 fracturing techniques are now used to enhance the recovery of gas in tight  
4 formations such as the Marcellus Shale by applying high-pressure water or  
5 gel to induce fractures in the rock surrounding the well bore. When the  
6 fracturing occurs, sand is forced into the fracture which, in turn, provides an  
7 improved permeability for the increased flow of gas through the well.

8 **Q. HOW MUCH RECOVERABLE NATURAL GAS SUPPLY IS THERE**  
9 **IN THE MARCELLUS SHALE?**

10 A. The United States Department of Energy estimated in an April 2009 report  
11 that the Marcellus Shale may contain 262 TCF of recoverable gas.<sup>1</sup>

12 **Q. HOW CAN MARCELLUS SHALE PRODUCTION PROVIDE**  
13 **SUPPLY RELIABILITY OR PRICING BENEFITS TO NJNG'S BGSS**  
14 **CUSTOMERS?**

15 A. The development of the Marcellus Shale supply basin is potentially  
16 significant for NJNG and its customers. The proximity of a large new  
17 supply of natural gas in the Pennsylvania/New Jersey/New York market area  
18 can be extremely beneficial both in terms of supply reliability, because more  
19 proven reserves mean more reliable supply options, and because a new (and  
20 closer) source of natural gas in the Northeast market area could also  
21 potentially lower the cost of transporting natural gas on interstate pipeline  
22 systems. Indeed, with the development of a new, major supply basin so  
23 close to the New Jersey market area, the Company's potential portfolio

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<sup>1</sup> Modern Shale Development in the United States: A Primer, p. 17. US DOE report:  
[http://www.netl.doe.gov/technologies/oil-gas/publications/EPreports/Shale\\_Gas\\_Primer\\_2009.pdf](http://www.netl.doe.gov/technologies/oil-gas/publications/EPreports/Shale_Gas_Primer_2009.pdf)

1 restructuring options could include exchanging some of its more-expensive,  
2 365-day long-haul transportation capacity for more short-haul and less than  
3 365-day capacity. There is also a greater potential that city-gate supply  
4 services may be offered and provided by Marcellus Shale producers at a  
5 discount to supplies that require long-haul transportation.

6  
7 **C. The Benefits of Market-Area Storage**

8 **Q. HAS THE COMPANY EVALUATED THE NEED FOR MORE**  
9 **MARKET-AREA STORAGE IN CONJUNCTION WITH A POSSIBLE**  
10 **SHIFT AWAY FROM TRADITIONAL GULF COAST SUPPLIES TO**  
11 **MORE MARCELLUS SHALE SUPPLY?**

12 A. Yes. In recognition that it may need to consider a possible shift away from  
13 traditional Gulf Coast supplies, the Company has evaluated the need for and  
14 benefits of acquiring more market-area storage. In addition to the fixed-  
15 priced hedging aspect of storage in general (wherever it is located), market-  
16 area storage services provide significant winter supply reliability by  
17 minimizing the reliance upon long haul transportation capacity. Since NJNG  
18 strives to find the best way to consistently deliver the most reliable and  
19 economical natural gas to its customers, supplementing the Company's  
20 current supply options with additional firm market area storage capacity  
21 should provide customers with the benefits of competitively-priced sources  
22 of natural gas and winter supply reliability, as well as provide the Company  
23 with increased optionality to manage price volatility. The Company expects  
24 that any new market-area storage service will be offered with the operational  
25 flexibility that allows for multiple injection and withdrawal cycles which the  
26 Company can utilize to take advantage of withdrawal and refill

1 opportunities, and to capture daily pricing spreads, while also managing its  
2 daily load requirements.

3 **Q. HAS THE COMPANY ACQUIRED ANY NEW MARKET-AREA**  
4 **STORAGE CAPACITY TO ENHANCE THE RELIABILITY OF ITS**  
5 **GAS SUPPLY PORTFOLIO?**

6 A. Yes. The Company recently entered into a long-term firm agreement for 3  
7 Bcf of capacity in the Steckman Ridge storage field with a primary contract  
8 term effective April 1, 2010 through March 31, 2020. Steckman Ridge is  
9 located in Bedford County, Pennsylvania, and is owned equally by a  
10 subsidiary of Spectra Energy and NJR Storage Holdings Company (an  
11 unregulated affiliate of NJNG). Steckman Ridge is the first storage capacity  
12 that has become available in the past fifteen years in the TETCO M3 market  
13 area.

14 **Q. WHAT BENEFITS DOES THE ADDITIONAL MARKET-AREA**  
15 **STORAGE CAPACITY IN THE STECKMAN RIDGE STORAGE**  
16 **FIELD PROVIDE TO NJNG AND ITS BGSS CUSTOMERS?**

17 A. The additional storage capacity in the Steckman Ridge storage field acquired  
18 by NJNG provides an economically efficient means for NJNG to manage its  
19 weather-sensitive load. Specifically, the Company's storage entitlements in  
20 Steckman Ridge make it possible for NJNG to buy economically-priced gas  
21 at non-peak times, inject such gas into storage, and then withdraw such gas  
22 at peak times in lieu of purchasing typically more-expensive flowing  
23 supplies. Such storage also enables NJNG to manage its intra-day load by  
24 moving gas in or out of storage throughout the year.

1 **Q. DOES THE COMPANY'S STECKMAN RIDGE STORAGE**  
2 **CAPACITY PROVIDE ANY PRICE BENEFITS TO NJNG AND ITS**  
3 **BGSS CUSTOMERS?**

4 A. Yes. Based on a projected winter period send-out of approximately 35 Bcf,  
5 the Company anticipates that the addition of Steckman Ridge storage  
6 capacity will allow NJNG to hedge up to 75 percent of its Periodic BGSS  
7 winter needs with storage capacity/supply. By doing so, the Company will  
8 not be exposed to the volatility in the daily winter cash market for the  
9 volumes the Company is able to hedge.

10 **Q. DOES STECKMAN RIDGE STORAGE PROVIDE ANY OTHER**  
11 **POTENTIAL BENEFITS TO NJNG AND ITS BGSS CUSTOMERS?**

12 A. Yes. The Steckman Ridge storage field is strategically located to take  
13 advantage of both the growing Marcellus Shale production (previously  
14 discussed), as well as the potential for increased liquefied natural gas  
15 ("LNG") imports into the Northeast, such as the Excelebrate project in  
16 Massachusetts, and the Canaport project in Saint John, New Brunswick.  
17 Producers of Marcellus Shale or importers of LNG will need a market for  
18 their natural gas – which Steckman Ridge storage potentially can provide –  
19 particularly during periods of low demand.

1           **D.    New Pipeline Expansion Projects**

2           **Q.    IS THE COMPANY EVALUATING AND CONSIDERING**  
3           **POTENTIAL NEW GAS SUPPLY OPTIONS AS PART OF ANY**  
4           **RECENTLY PROPOSED INTERSTATE PIPELINE EXPANSION**  
5           **PROJECTS?**

6           A.    Yes. The Company is actively monitoring and evaluating the potential  
7           benefits of several new pipeline expansion projects that have recently been  
8           proposed to serve Northeast markets primarily in light of the potential for a  
9           significant increase in Marcellus Shale production (previously addressed).  
10          Specifically, major pipeline expansions have recently been proposed by  
11          Tennessee Gas Pipeline Company, Transcontinental Gas Pipeline Company,  
12          LLC, Texas Eastern Transmission, LP and Millenium Pipeline Company,  
13          LLC. These projects are expected to accommodate deliveries of up to 3.2  
14          Bcf of new supplies from non-Gulf Coast sources into the Northeast market  
15          area which, in turn, could potentially change the pricing dynamics in the  
16          Northeast market to the benefit of NJNG and its customers.

17  
18          **III.   Conservation Incentive Program (“CIP”) Savings Transactions**

19          **Q.    HAS THE COMPANY ENTERED INTO ANY NEW CAPACITY**  
20          **TRANSACTIONS APPLICABLE TO THE CIP SAVINGS**  
21          **BENCHMARK?**

22          A.    Yes. NJNG recently exercised its right not to extend the primary term of a  
23          transportation contract with Dominion Transmisson Inc. (“DTI”) for an  
24          additional five year term. The current contract term ends on March 31,

1           2011. The Company's decision was based on its evaluation of its actual use  
2           over the past three years of this winter season only firm transportation on  
3           DTI, during which period the Company's usage has decreased. In addition,  
4           the Company's evaluation shows that while storage services provided by  
5           Dominion are still needed, NJNG does not need this transportation capacity  
6           on DTI to bring Dominion storage to NJNG's city gate. Moreover, while  
7           this DTI transportation can be utilized to deliver Dominion Southpoint  
8           supply into the Texas Eastern system for re-delivery to NJNG's city gate,  
9           current market value estimates show that doing so would not cover the  
10          demand costs of holding onto this DTI transportation capacity. With  
11          changing Northeast market supply options, NJNG will be able to find other  
12          supplies to more-economically utilize Texas Eastern short-haul  
13          transportation to NJNG's city gate.

14       **Q.   WHAT LEVEL OF ANNUAL SAVINGS WILL BE ACHIEVED BY**  
15       **NOT EXTENDING THE DTI CONTRACT?**

16       A.   Not extending this DTI contract will generate annual savings for customers  
17       of \$217,305 for CIP BGSS savings purposes beginning in fiscal year 2012.

18       **Q.   WHAT STEPS WILL THE COMPANY TAKE TO IDENTIFY**  
19       **ADDITIONAL BGSS SAVINGS OPPORTUNITIES?**

20       A.   The Company will continue to reach out to the BPU Staff and the  
21       Department of the Public Advocate, Division of Rate Counsel ("Rate  
22       Counsel") (the "Parties") if any additional BGSS savings are necessary for  
23       any decreased customer usage.

1 **IV. BGSS Incentive Programs – Current Benefits and Possible Alternative**  
2 **Approaches**

3 **Q. PLEASE DESCRIBE AND SUMMARIZE THE KEY FEATURES OF**  
4 **THE COMPANY’S CURRENT BGSS INCENTIVES.**

5 A. Over the years, the collaborative efforts of the Board Staff, Rate Counsel and  
6 the Gas Distribution Companies (“GDCs”) have resulted in the  
7 establishment of utility-specific BGSS incentive programs that have  
8 mitigated both the impacts of rising prices and the volatility in the natural  
9 gas market for natural gas customers.

10 As established in NJNG’s latest base rate case (Docket No.  
11 GR07110889), the Company’s current BGSS incentive programs are  
12 extended through October 31, 2011 and include the Off System Sales and  
13 Capacity Release (“OSS-CR”) program, the Financial Risk Management  
14 (“FRM”) program, and the Storage Incentive (“SI”) program.

15 The OSS-CR incentive program serves to generate benefits by  
16 allowing third-party entities to utilize transportation and storage capacity  
17 that is not needed from time-to-time to serve the requirements of NJNG’s  
18 firm on-system customers. By selling or releasing such capacity in the open  
19 market, the impact of fixed pipeline demand charges the Company otherwise  
20 incurs can be mitigated. The Board-approved sharing formula for the OSS-  
21 CR incentive is currently 85 percent to 15 percent between customers and  
22 the Company, respectively.

23 The FRM program provides customers with the benefits of financial  
24 risk management tools, through risk management expertise and the  
25 application of risk management techniques. The FRM program is designed

1 to provide price stability to the Company's natural gas supply portfolio by  
2 encouraging the use of financial instruments to hedge NJNG's natural gas  
3 costs, with a sharing of the costs and the benefits between customers and  
4 shareholders on an 85 percent to 15 percent basis. The cost of FRM  
5 transactions cannot exceed \$6.4 million at any time during each applicable  
6 BGSS period. The FRM program is also subject to certain volume guidelines  
7 which limit the amount the Company may hedge at any given time under the  
8 FRM program in relation to pricing against the approved benchmarks, and  
9 relative to the Company's total BGSS market purchases. FRM tools play an  
10 important role in mitigating commodity price risk for customers, particularly  
11 during periods when there is volatility and fluctuation in natural gas markets.

12 The SI program provides benefits to customers through added price  
13 stability and cost reductions by establishing a benchmark cost for storage  
14 injections against which actual injection costs are measured for the April  
15 through October injection season. This program yields cost savings by  
16 promoting purchasing strategies that take advantage of the optionality  
17 inherent in storage operations and marketplace opportunities. The actual  
18 costs of storage injections include commodity costs, transportation costs and  
19 any gains and losses associated with the trading of program related financial  
20 hedges, primarily NYMEX futures. The difference between the benchmark  
21 and actual costs, positive or negative, is shared between customers and the  
22 Company on an 80 percent to 20 percent basis. In addition to cost savings,  
23 the program promotes long-term price stability through hedging of storage  
24 volumes beyond the current BGSS year.

1 **Q. WHAT LEVEL OF CUSTOMER SAVINGS ARE THE OSS-CR, FRM**  
2 **AND SI PROGRAMS EXPECTED TO PRODUCE FOR THE 2009-**  
3 **2010 BGSS YEAR?**

4 A. The Company's OSS-CR, FRM and SI programs are expected to produce  
5 approximately \$47 million in savings to our customers for the 2009-2010  
6 BGSS year.

7 **Q. WHY DO UTILITIES NEED REGULATORY INCENTIVES TO**  
8 **ENGAGE IN GAS SUPPLY OR ASSET MANAGEMENT**  
9 **ACTIVITIES?**

10 A. Under traditional cost-of-service ratemaking, reasonable and prudently-  
11 incurred gas supply and related transportation and storage costs are  
12 ordinarily fully recoverable from customers. Therefore, if the utility's only  
13 goal were to minimize the risk of a prudence review, it would have no direct  
14 incentive to purchase gas supply and manage its assets in any manner other  
15 than simply purchasing at current market prices. However, the strategy of  
16 purchasing solely at current market prices provides minimal protection  
17 against price volatility and produces no added benefits for customers that  
18 might otherwise be obtained in competitive supply and secondary capacity  
19 markets. The BGSS incentive programs previously approved by the BPU  
20 have worked well because they motivate and encourage the Company to  
21 maintain a strong focus on new tools and innovative techniques, and to  
22 pursue new and emerging market opportunities which, in turn, can yield  
23 improved utility performance and improved customer benefits. Utilizing  
24 appropriate resources to apply these techniques, the Company has also

1       acquired improved market intelligence, which further enhances the  
2       Company's proficiency to maximize its gas supply, transportation and  
3       storage portfolio's capabilities for the maximum customer benefit.

4               The Company has worked over the years to lower the burden of  
5       energy costs for its customers whenever it can and to make customer bills  
6       affordable, particularly during years when the price of natural gas reached  
7       record highs and fluctuated significantly. To that end, the Company has  
8       focused in the last decade on changes in the wholesale natural gas  
9       marketplace that have presented greater opportunities for the Company to  
10      optimize the value of its assets and to minimize market volatility for its  
11      customers. However, the current wholesale natural gas markets – including  
12      applicable rules, regulations, credit assessments, and trading protocols and  
13      procedures – have become increasingly complex. The business and financial  
14      risks associated with pursuing such opportunities have increased as well. In  
15      this environment, BGSS incentive mechanisms continue to be essential to  
16      the Company's ability to realize benefits in the dynamic natural gas  
17      marketplace. Each of the Company's existing incentive mechanisms has  
18      been designed to align the interests of the Company with those of its  
19      customers through financial sharing based on measurable and up-front  
20      performance parameters.

21   **Q.   HOW HAVE THE COMPANY'S CURRENT INCENTIVE**  
22   **PROGRAMS ENABLED THE COMPANY TO MINIMIZE AND**  
23   **MANAGE BGSS GAS COST VOLATILITY?**

1 A. Current natural gas markets present significant challenges in terms of price  
2 volatility and restructuring. For this reason, the Company must continually  
3 evaluate the use of innovative portfolio management techniques that may  
4 include a variety of tools, both physical and financial, that work to maximize  
5 benefits for customers. The Company continually seeks opportunities, for  
6 example, to optimize the pricing differential between storage and market in  
7 order to provide the lowest overall BGSS cost for its customers.

8 The Company expects that these markets will continue to generate  
9 economic benefits to be shared with its customers. The Company's Periodic  
10 BGSS sales customers will continue to be credited with most of the  
11 additional margin, and the Company will have a reasonable incentive to  
12 continue to aggressively pursue these highly competitive and complex  
13 markets. The financial results of the Company's incentive mechanisms show  
14 tangible benefits for the Company's customers. Yet there are equally  
15 important intangible benefits that accrue to customers as well. Among these  
16 are the developments of sophisticated market monitoring and trading  
17 capabilities which are a critical success factor in the Company's ability to  
18 respond, on a regular and ongoing basis, to new challenges presented in  
19 competitive energy markets.

20 **Q. GIVEN THE MAGNITUDE OF THE CUSTOMER BENEFITS**  
21 **PROVIDED BY THE COMPANY'S EXISTING BGSS INCENTIVE**  
22 **PROGRAMS, SHOULD THOSE PROGRAMS SIMPLY BE**  
23 **RENEWED AND EXTENDED?**

1 A. At this time, the Company is not seeking to simply renew and extend the  
2 existing BGSS incentive programs. Instead, the Company is proposing that  
3 discussions with Board Staff and Rate Counsel be initiated to consider  
4 alternative approaches to deriving customer benefits and optimizing the  
5 value of the Company's gas supply, transportation and storage assets. For  
6 example, if either Board Staff or Rate Counsel believes there are better ways  
7 to manage and optimize assets in light of changing and emerging market  
8 conditions, the Company is open to discussing and considering alternative  
9 approaches. In addition, if the parties believe there are other programs or  
10 incentives that might support the state's environmental and energy goals, the  
11 Company is willing to evaluate and discuss such programs as well.

12 **Q. WHAT TIMELINE DOES THE COMPANY ENVISION IN**  
13 **CONNECTION WITH DEVELOPING ALTERNATIVE**  
14 **APPROACHES?**

15 A. The Company proposes that discussions be scheduled to commence within  
16 the next 60 days so that the feasibility of alternative approaches or programs  
17 can be examined and developed, if appropriate.  
18



1 value of the assets and to generate credits for our customers. A fundamental  
2 part of the Company's strategy in that regard is to remain flexible enough to  
3 react to changes in customer requirements and changes in market conditions  
4 in order to provide the most reliable and economic supply for our customers.

5 To that end, NJNG's gas supply team meets *on a daily basis* to  
6 identify the Company's actual needs at the city gate and to determine  
7 whether there is any capacity that will not be needed for that gas day to meet  
8 customer requirements. The gas supply team then either finds off-system  
9 sales or capacity release opportunities to generate a value from any such  
10 capacity. *On a monthly basis*, the gas supply team meets and discusses the  
11 system's average, maximum, and minimum load requirements based on  
12 historical usage and weather patterns. Following the monthly meeting, the  
13 NJNG trading team secures supply for the city gate and attempts to optimize  
14 the value of any capacity (through off-system sales or capacity release) if it  
15 is determined that such capacity will not be needed to meet the Company's  
16 average city gate requirements that month. Similarly, *on a seasonal basis*,  
17 the gas supply team meets with gas control and engineering to discuss  
18 seasonal system requirements. In each set up scenario – whether daily,  
19 monthly or seasonal – the gas supply team's goal is to optimize the use and  
20 value of the Company's gas supply, transportation and storage assets to  
21 secure savings for the Company's BGSS customers, while also maintaining  
22 city gate reliability for peak days.

1 **Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT**  
2 **OFF-SYSTEM SALES DO NOT COMPROMISE THE COMPANY'S**  
3 **ABILITY TO MEET PEAK DAY REQUIREMENTS?**

4 A. When entering into seasonal off-system sales transactions, the Company  
5 often secures call options to maintain peak day needs. By using this method,  
6 the savings generated from the seasonal sales offset the cost of a gas daily  
7 call option to secure supply for the colder winter days.

8 **Q. WHAT ADDITIONAL STEPS IS THE COMPANY TAKING NOW**  
9 **TO HELP MAINTAIN PRICE STABILITY FOR THE UPCOMING**  
10 **2010-2011 WINTER HEATING SEASON?**

11 A. In the normal course of the gas procurement function, NJNG's gas supply  
12 team has already hedged approximately 75 percent of its projected 2010-  
13 2011 normal weather winter heating season requirements for Periodic BGSS  
14 customers. Approximately 66 percent of such hedging is comprised of fixed  
15 price storage prices as part of the SI program positions taken during the  
16 summer; another 9 percent of normal weather winter heating season  
17 requirements have been hedged through the use of non-incentive fixed  
18 priced storage inventory.

19  
20 **VI. Periodic BGSS Pricing for October 2010**

21 **Q. WHAT PERIODIC BGSS PRICING DOES THE COMPANY**  
22 **PROPOSE TO IMPLEMENT EFFECTIVE OCTOBER 1, 2010?**

23 A. Through this filing, NJNG is proposing to decrease its pre-tax Periodic  
24 BGSS recovery price, effective October 1, 2010, from \$8.25 per dth to \$7.80

1 per dth, an approximate 3.5 percent decrease to the overall bill of an average  
2 residential heating customer.

3 **Q. HOW ARE GAS COSTS ACCOUNTED FOR IN THE PROJECTED**  
4 **BGSS YEAR?**

5 A. The Company is utilizing a Weighted Average Cost of Gas (“WACOG”)  
6 accounting methodology for allocating gas costs to the BGSS on a monthly  
7 basis. The weighted average of all available supplies, including all storage  
8 inventory balances, all purchase and associated hedging costs, and all  
9 demand and pipeline delivery charges less all direct allocations are applied  
10 to the BGSS cost schedule based upon the Periodic BGSS sales volumes on  
11 a monthly basis. All costs not allocated each month are carried as an  
12 inventory balance.

13 **Q. WHAT ARE THE IMPLICATIONS OF CURRENT MARKET**  
14 **VOLATILITY VERSUS THE CURRENT BGSS PRICING?**

15 A. The requested pre-tax Periodic BGSS rate of \$7.80 per dth continuing  
16 through the 2011 BGSS year would result in a BGSS under-recovery of  
17 approximately \$9.8 million per Exhibit B, Schedule 1 at current market  
18 conditions. However, a \$1 per dth drop in the NYMEX futures prices would  
19 cause an approximate \$23.8 million change to the September 30, 2011  
20 balance, resulting in an over-recovered position of approximately \$14  
21 million. Conversely, a \$23.8 million change to the September 30, 2011  
22 balance from a \$1 per dth rise in the NYMEX futures prices would result in  
23 an under-recovered position of approximately \$33.7 million. It is obvious

1           that a price change of \$1 per dth in either direction directly impacts the  
2           under/over recovery balance.

3           The Generic BGSS pricing mechanism permits the Company to: (a)  
4           self-implement two additional rate increases of up to 5 percent each,  
5           effective December 1 and February 1 each year if necessary after 30 days  
6           prior notice to the BPU Staff and Rate Counsel; or (b) implement a decrease  
7           to its BGSS rate, a refund or bill credit at any time during the year upon five  
8           days' notice to BPU Staff and Rate Counsel. This pricing flexibility provides  
9           a valuable safety net to mitigate potential rate shock to customers and helps  
10          ensure that the Company's gas cost under-recoveries do not become  
11          excessive during periods of market price increases. For example, if the  
12          Company were to elect to implement the 5 percent increase effective  
13          December 1, 2010, an additional \$24.7 million in BGSS recovery would be  
14          generated. If, instead, the Company were to elect to implement the 5 percent  
15          increase effective February 1, 2011, an additional \$14.4 million in BGSS  
16          recovery would be generated in order to offset any under-recovery resulting  
17          from a rise in market pricing. If the Company were to elect to implement  
18          both 5 percent increases effective December 1, 2010 and February 1, 2011,  
19          an additional \$39.8 million in BGSS recovery would be generated in order to  
20          offset any under-recovery resulting from a rise in market pricing.

21          As market conditions change, NJNG will continue to manage the  
22          hedged positions and storage dispatch to minimize BGSS costs. The  
23          Company will continue to consider the utilization of bill credits, refunds and  
24          the self-implementing BGSS price adjustments to manage the projected

1 September 2011 over/under recovery balance and the associated interest  
2 expense.

3  
4 **VII. MFR Supporting Data and Information**

5 **Q. ARE YOU SPONSORING ANY EXHIBITS THAT ADDRESS THE**  
6 **MINIMUM FILING REQUIREMENTS (“MFRs”) FOR ANNUAL**  
7 **BGSS FILINGS?**

8 A. Yes. I am sponsoring Exhibit Nos. JSS-1 through JSS-4 (and related  
9 workpapers) that provide MFR supporting data and information as required  
10 by the Board pursuant to the Generic BGSS Order.

11 **Q. HAS NJNG ENTERED INTO ANY NEW GAS SUPPLY**  
12 **TRANSACTIONS WITH AN AFFILIATE WITHIN THE PAST**  
13 **YEAR?**

14 A. Yes. As noted above and in the letter sent to BPU Staff and Rate Counsel on  
15 March 19, 2010, the Company recently entered into a long-term firm  
16 agreement for 3 Bcf of capacity in the Steckman Ridge storage field with a  
17 primary contract term effective April 1, 2010 through March 31, 2020.  
18 Steckman Ridge, LP, is a joint venture equally owned by subsidiaries of  
19 Spectra Energy and New Jersey Resources.

20 The Company also executed a temporary release of 15,000 dth per day  
21 of firm Texas Eastern (STX-M3) capacity, effective November 18, 2009  
22 through October 31, 2010, to NJRES through posting and bidding  
23 procedures in which NJRES was the winning bidder. This release is  
24 included in Schedule 4f of Exhibits A and B.



1           In addition, even though the Company has no current need for  
2 additional BGSS savings to offset CIP recovery related to reduced customer  
3 usage, additional BGSS savings have been achieved beginning in November  
4 2011 by means of the release of a DTI transportation contract.

5           The Company is proposing that discussions be initiated with Board  
6 Staff and Rate Counsel to consider alternative approaches to replacing or  
7 enhancing the current BGSS incentive programs. The Company proposes  
8 that discussions be scheduled to commence within 60 days so that the  
9 feasibility of alternative approaches or programs can be examined and  
10 developed if appropriate.

11           NJNG is requesting approval of the proposed pre-tax Periodic BGSS  
12 rate of \$7.80 per dth to be effective October 1, 2010. The Company will  
13 continue to consider utilization of bill credits, refunds and the self-  
14 implementing price adjustments to manage its projected September 2011  
15 over/under recovery balance and the associated interest expense.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A. Yes.**

## JSS Exhibits

- Exhibit JSS-1, schedule 1: Projected gas supplies by month to meet demand requirements
- Exhibit JSS-1, schedule 2: Projected cost of gas for the forecast period
- Exhibit JSS-2: Dates of service interruptions, the service categories affected, the number of customers affected, and whether each interruption was operational or economic in nature.
- Exhibit JSS-3: The five highest demand days for each of the last three years
- Exhibit JSS-4: Summary of the major FERC proceedings in which NJNG has participated that would affect the cost or service NJNG receives from its pipeline suppliers

Exhibit JSS-1  
 Schedule 1

NEW JERSEY NATURAL GAS COMPANY  
 DEMAND AND SUPPLY SUMMARY

Mnth	Sales Demand	CoUse & UFG	Storage Injections	Required	Purchases	Withdrawals	LNG	Customer Gas	Sendout
May-10	5,680	21	4,585	10,287	9,491	0	17	779	10,287
Jun-10	5,106	11	3,915	9,031	8,147	0	18	867	9,031
Jul-10	5,328	12	3,585	8,924	7,964	0	17	943	8,924
Aug-10	5,270	16	3,580	8,866	7,901	0	17	948	8,866
Sep-10	4,945	12	2,718	7,675	6,917	0	18	740	7,675
Oct-10	6,574	20	270	6,864	5,869	0	18	977	6,864
Nov-10	10,800	40	0	10,840	7,751	1,746	16	1,327	10,840
Dec-10	14,283	64	0	14,347	6,835	5,583	78	1,851	14,347
Jan-11	15,381	100	0	15,481	6,120	7,073	244	2,043	15,481
Feb-11	13,482	80	0	13,562	5,531	6,170	77	1,784	13,562
Mar-11	13,292	68	0	13,360	7,643	4,168	17	1,532	13,360
Apr-11	7,770	40	3,468	11,278	10,175	0	17	1,086	11,278
May-11	5,693	21	3,584	9,298	8,504	0	17	777	9,298
Jun-11	5,118	11	3,468	8,597	7,712	0	18	867	8,597
Jul-11	5,341	12	3,584	8,937	7,977	0	17	943	8,937
Aug-11	5,284	16	3,584	8,863	7,919	0	17	947	8,863
Sep-11	4,959	12	3,468	8,438	7,680	0	18	741	8,438

NEW JERSEY NATURAL GAS COMPANY  
 GAS SUPPLY AND COST SUMMARY

Exhibit JSS-1  
 Schedule 2  
 Page 1 of 3

	NJRES Call	DB Energy	NJRES Storage	Tennessee	Algonquin	Columbia	Transco	TETCO FT	TET-TIME	TET-TIME2	TEX127	Dominion	IRC-Winter	PSEG	Other	Demand	Injections	Withdrawals	LNG	Total
	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth	Mdth
May-10	0	775	0	330	0	0	122	1,460	1,612	1,612	572	0	0	0	3,008	0	(4,595)	0	17	4,923
Jun-10	0	750	0	320	0	0	118	1,137	1,238	1,238	435	0	0	0	2,911	0	(3,915)	0	18	4,250
Jul-10	0	775	0	330	0	0	122	1,061	1,135	1,135	396	0	0	0	3,008	0	(3,565)	0	17	4,366
Aug-10	0	775	0	330	0	0	122	1,025	1,124	1,124	383	0	0	0	3,008	0	(3,560)	0	17	4,338
Sep-10	0	750	0	320	0	0	118	784	867	867	300	0	0	0	2,911	0	(2,718)	0	18	4,217
Oct-10	0	775	0	330	0	0	122	377	450	450	246	0	0	0	3,118	0	(270)	0	18	5,617
Nov-10	146	0	115	0	98	75	118	711	789	789	286	0	105	0	4,518	0	1,746	0	18	9,513
Dec-10	151	0	368	0	202	155	122	302	333	333	121	539	162	0	4,048	0	5,563	0	78	12,496
Jan-11	301	0	466	0	302	233	122	137	151	151	55	758	325	1	3,118	0	7,073	244	77	13,437
Feb-11	136	0	407	0	182	140	110	195	215	215	79	609	147	0	3,097	0	6,170	77	77	11,778
Mar-11	151	0	275	0	101	78	122	527	585	585	213	231	108	0	4,668	0	4,168	17	11,828	
Apr-11	0	0	0	320	0	0	118	1,896	2,089	2,089	762	0	0	0	2,911	0	(3,468)	0	17	6,724
May-11	0	0	0	330	0	0	122	1,393	1,544	1,544	563	0	0	0	3,008	0	(3,584)	0	17	4,937
Jun-11	0	0	0	320	0	0	118	1,215	1,331	1,331	486	0	0	0	2,911	0	(3,468)	0	18	4,262
Jul-11	0	0	0	330	0	0	122	1,270	1,373	1,373	501	0	0	0	3,008	0	(3,584)	0	17	4,410
Aug-11	0	0	0	330	0	0	122	1,236	1,363	1,363	487	0	0	0	3,008	0	(3,584)	0	17	4,352
Sep-11	0	0	0	320	0	0	118	1,195	1,326	1,326	484	0	0	0	2,911	0	(3,468)	0	18	4,230

Exhibit JSS-1  
 Schedule 2  
 Page 2 of 3

	NURES Call-DB Energy	NURES Storage	Tennessee	Algonquin	Columbia	Transco	TETCO FT	TET-TIME	TET-TIME2	TE X127	Dominion	IRC-Winter	Hedged	PSEG	Other	Demand	Injections	Withdrawals	LNG	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
May-10	0	3,959	0	1,568	0	557	6,629	7,440	7,312	2,657	0	0	3,731	0	14,576	8,413	(23,944)	0	182	33,281
Jun-10	0	3,831	0	1,396	0	495	4,893	5,261	5,165	1,856	0	0	5,512	0	12,308	8,430	(20,086)	0	192	29,254
Jul-10	0	3,959	0	1,489	0	529	4,711	4,977	4,888	1,756	0	0	5,273	0	13,085	8,413	(20,552)	0	182	28,720
Aug-10	0	3,959	0	1,526	0	542	4,665	5,049	4,961	1,777	0	0	5,235	0	13,427	8,413	(20,605)	0	182	28,929
Sep-10	0	3,831	0	1,498	0	532	3,623	3,951	3,692	1,374	0	0	5,172	0	13,049	8,430	(15,842)	0	182	29,694
Oct-10	0	3,959	0	1,589	0	565	1,787	2,104	2,069	1,160	0	0	3,999	0	14,177	8,377	(6,503)	0	184	33,467
Nov-10	752	0	525	0	514	597	3,680	4,019	3,956	1,478	0	558	0	0	22,716	9,286	0	10,460	164	59,099
Dec-10	688	0	1,678	0	1,177	672	1,718	1,916	1,888	666	3,161	941	0	0	22,393	9,288	0	33,448	798	81,559
Jan-11	1,962	0	2,126	0	1,839	701	812	904	891	326	4,642	1,956	0	6	17,846	9,288	0	42,374	2,497	89,591
Feb-11	875	0	1,854	0	1,100	838	1,147	1,278	1,260	461	3,704	878	0	0	17,593	9,282	0	36,965	788	78,654
Mar-11	876	0	1,253	0	589	885	3,053	3,424	3,375	1,227	1,382	638	0	0	26,407	9,288	0	24,971	174	77,810
Apr-11	0	0	0	1,801	0	642	10,487	11,428	11,255	4,208	0	0	167	0	16,051	9,082	(19,027)	0	174	46,265
May-11	0	0	0	1,869	0	666	7,773	8,478	8,351	3,122	0	0	155	0	16,672	9,120	(19,756)	0	174	36,621
Jun-11	0	0	0	1,827	0	651	6,854	7,394	7,273	2,721	0	0	145	0	16,282	9,117	(19,304)	0	184	33,134
Jul-11	0	0	0	1,913	0	682	7,255	7,717	7,603	2,845	0	0	141	0	17,072	9,120	(20,226)	0	174	34,297
Aug-11	0	0	0	1,932	0	688	7,130	7,734	7,621	2,850	0	0	144	0	17,240	9,120	(20,423)	0	174	34,210
Sep-11	0	0	0	1,880	0	670	6,938	7,569	7,458	2,789	0	0	137	0	16,763	9,117	(19,860)	0	184	33,645

Exhibit JSS-1  
 Schedule 2  
 Page 3 of 3

	NURES Call - DB Energy	NURES Storage	Tennessee	Algonquin	Columbia	Transco	TE/CO FT	TET-TIME	TET-TIME2	TE-X127	Dominion	IRQ-Winter	Hedged	PSEB	Other	Demand	Injections	Withdrawals	LNG	Total
	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth	\$/dth
May-10	5,1080	4,5590	4,7470	5,2891	5,2832	4,5718	4,6783	4,6151	4,5361	4,6424	5,8764	5,3315	5,8010	5,8312	4,8465	5,2222	5,2222	10,6940	6,7602	
Jun-10	5,1080	4,5590	4,3872	5,8405	5,7866	4,1998	4,3017	4,2494	4,1720	4,2671	6,1239	6,0266	5,8010	5,8312	4,2286	5,1304	5,1304	10,6940	6,8639	
Jul-10	5,1080	4,5590	4,5078	6,0856	6,0299	4,3376	4,4412	4,3849	4,3069	4,4061	6,0825	5,8888	5,8888	5,8312	4,3540	5,7328	5,7328	10,6940	6,5331	
Aug-10	5,1080	4,5590	4,6193	6,0446	5,9892	4,4488	4,5517	4,4922	4,4137	4,5162	5,9839	5,7695	5,8888	5,8312	4,4643	5,8115	5,8115	10,6940	6,6686	
Sep-10	5,1080	4,5590	4,6864	5,9470	5,8923	4,5125	4,6182	4,5568	4,4780	4,5825	5,9839	5,8888	5,8888	5,8312	4,4634	5,8266	5,8266	10,6940	7,0421	
Oct-10	5,1080	4,5590	4,8108	5,9470	5,8923	4,6344	4,7416	4,6768	4,5973	4,7054	5,9839	5,8888	5,8888	5,8312	4,5462	24,0838	24,0838	10,2348	5,9582	
Nov-10	5,1610	4,5590	4,5590	5,8405	5,7866	5,0594	5,1719	5,0943	5,0133	5,1341	5,8764	5,3315	5,8010	5,8312	5,0280	5,9910	5,9910	10,2348	6,2123	
Dec-10	5,9590	4,5590	4,5590	5,8405	5,7866	5,1683	5,6917	5,7538	5,6699	5,6471	5,8764	5,3315	5,8010	5,8312	5,0280	5,9910	5,9910	10,2348	6,5268	
Jan-11	6,5775	4,5590	4,5590	6,0856	6,0299	5,7525	5,9312	5,9840	5,8992	5,8855	6,1239	6,0266	5,8010	5,8312	5,7228	5,9910	5,9910	10,2348	6,6673	
Feb-11	6,4330	4,5590	4,5590	6,0446	5,9892	5,7133	5,8911	5,9454	5,8608	5,8455	6,0825	5,8888	5,8888	5,8312	5,8812	5,9910	5,9910	10,2348	6,6781	
Mar-11	5,8175	4,5590	4,5590	5,9470	5,8923	5,6200	5,7958	5,8539	5,7695	5,7506	5,9839	5,8888	5,8888	5,8312	5,6565	5,9910	5,9910	10,2348	6,5782	
Apr-11			5,6554			5,4420	5,5882	5,4704	5,3878	5,5201	5,9839	5,8888	5,8888	5,8312	5,5146	5,9910	5,9910	10,2348	6,8809	
May-11			5,8571			5,4632	5,5806	5,4912	5,4085	5,5414	5,9839	5,8888	5,8888	5,8312	5,5146	5,9910	5,9910	10,2348	7,4177	
Jun-11			5,7155			5,5204	5,6386	5,5475	5,4648	5,5992	5,9839	5,8888	5,8888	5,8312	5,5146	5,9910	5,9910	10,2348	7,7748	
Jul-11			5,7913			5,5946	5,7137	5,6204	5,5372	5,6740	5,9839	5,8888	5,8888	5,8312	5,5146	5,9910	5,9910	10,2348	7,7771	
Aug-11			5,8476			5,6497	5,7695	5,6746	5,5911	5,7298	5,9839	5,8888	5,8888	5,8312	5,5146	5,9910	5,9910	10,2348	7,8608	
Sep-11			5,8822			5,6836	5,8038	5,7079	5,6243	5,7638	5,9839	5,8888	5,8888	5,8312	5,5146	5,9910	5,9910	10,2348	7,9545	

**New Jersey Natural Gas Company  
Historical Service Interruptions  
for BGSS Year 2010  
(MFR#10)**

<b>Tariff Condition</b>	<b>Period</b>	<b>Applicable Service Classes</b>	<b># of cust</b>	<b>Reason(s)</b>
<b>Interruption</b>	1/9/10 & 1/10/10	Interruptible Transportation & Interruptible Sales	43	Operational
	1/29/09 - 1/31/09	Interruptible Transportation & Interruptible Sales	43	Operational
	2/6/09 & 2/7/09	Interruptible Transportation & Interruptible Sales	43	Operational
<b>Daily Balancing<sup>1</sup></b>	none	Interruptible Transportation		Operational & Economic

<sup>1</sup> Daily Balancing is a tariff provision that allows interruptible transportation customers to continue to use gas service provided that their third party supplier delivers the amount they are burning. Any usage beyond the delivery level is billed at penalty rates.

EXHIBIT JSS-3

Month	Day	NORTHERN DIVISION						CENTRAL DIVISION						TOTAL SENDOUT	NORTH INTERR.	CENTRAL INTERR.	Electric Generation	FIRM SENDOUT	NOAA DEGREE DAYS
		Texas Eastern	Algonquin	Tennessee	Columbia	NORTH	Texas Eastern	Transco	NJNG	LNG	CENTRAL								
Jan'10	2	40,474	5,302	35,784	2,506	84,066	443,832	30,650	13,305	487,787	571,853	1,568	5,057	26,708	538,520	41			
Jan'10	3	44,189	5,810	35,702	2,532	88,233	405,918	30,689	36,250	472,857	561,090	1,796	5,792	214	553,288	41			
Jan'10	30	38,031	5,967	35,781	4,882	84,661	361,797	33,936	67,893	463,626	548,287	0	0	0	548,287	47			
Dec'09	29	38,094	7,015	37,933	2,511	85,553	369,766	49,884	41,701	461,351	546,904	1,743	5,740	0	539,421	42			
Jan'10	29	38,887	5,971	35,747	4,841	85,446	346,658	33,409	79,315	459,382	544,828	0	0	0	544,828	44			
Jan'09	16	37,884	13,867	35,704	9,569	97,024	463,614	33,607	33,951	531,172	628,196	0	0	167	628,029	53			
Jan'09	15	29,171	13,731	35,772	9,583	88,257	429,348	33,595	12,234	475,177	563,434	0	0	209	563,225	47			
Feb'09	5	30,466	12,881	31,782	9,695	84,824	391,355	29,127	42,183	462,665	547,489	0	1	0	547,488	46			
Dec'08	22	33,925	9,047	32,812	4,882	80,666	378,562	37,328	31,962	447,852	528,518	0	0	0	528,518	43			
Mar'09	2	30,207	12,855	35,730	5,733	84,525	328,365	35,996	77,403	441,764	526,289	0	2,587	0	523,702	46			
Jan'08	3	41,294	2,153	35,736	4,191	83,374	423,666	34,098	10,130	467,894	551,268	2,657	7,971	0	540,640	46			
Feb'08	11	42,553	5,017	35,740	4,533	87,843	278,307	32,273	140,753	451,333	539,176	2,678	8,033	0	528,465	45			
Jan'08	20	37,668	2,547	35,737	4,550	80,502	356,639	37,099	54,828	448,566	529,068	2,393	7,178	0	519,497	45			
Jan'08	2	41,376	3,252	35,640	2,335	82,603	347,939	23,863	56,660	428,462	511,065	2,418	7,253	104	501,290	41			
Jan'08	21	35,017	1,605	35,919	4,486	77,027	359,793	37,301	25,700	422,794	499,821	2,559	7,678	53	489,531	41			

**FISCAL YEAR 2010  
STATUS OF NJNG INTERVENTIONS ON ALL PIPELINES**

**DTI/  
CNG**

<b>Filing Date</b>	<b>Docket</b>	<b>Order Date/Status</b>	<b>Type of Intervention</b>	<b>Description of Filing</b>
10/19/09	RP10-63-000	Accepted November 6, 2009 Order	Plain Vanilla Intervention	Filing of Non-conforming Service Agreements concerning DTI's predecessor CNG. For example conversion of GSS II to GSS and FTNN converted sales service agreements with Chambersburg deliveries
11/19/09	RP10-161-000	Accepted December 14, 2009 Order	Plain Vanilla Intervention	Report of 13 Non-Conforming Service Agreements (GSS-TE)

**TRANSCO**

<b>Filing Date</b>	<b>Docket</b>	<b>Order Date/Status</b>	<b>Type of Intervention</b>	<b>Description of Filing</b>
10/01/09	RP10-4-000	Accepted October 29, 2009 Order	Plain Vanilla Intervention	LNG fuel tracker filing – previously in 07 Piedmont tried to have costs hit system Customers
10/22/09	RP10-64-000	Pending	Plain Vanilla Intervention	New Storage Gas Balance Resolution
11/16/09	CP10-21-000	Pending	Plain Vanilla Intervention	Mobile Bay South II Expansion Project with roll-in of fuel and electric power costs
02/16/10	RP10-379-000	Accepted March 26, 2010 Order	Plain Vanilla Intervention	Annual Fuel Tracker Filing
02/25/10	RP10-395-000	Accepted March 12, 2010 Order	Plain Vanilla Intervention	Annual Electric Power Tracker Filing
03/31/10	RP10-554-000	Accepted April 20, 2010 Order	Plain Vanilla Intervention	Adjustment to Fuel & Trading Fees filing to coincide with in-service date of Mobile Bay South Project
04/21/10	RP10-622-000	Pending	Plain Vanilla Intervention	Annual Adjustment to SS-2 Gas Storage Balance

**COLUMBIA GAS**

<b><u>Filing Date</u></b>	<b><u>Docket</u></b>	<b><u>Order Date/Status</u></b>	<b><u>Type of Intervention</u></b>	<b><u>Description of Filing</u></b>
10/30/09	RP10-106-000	November 30, 2009 Order	Plain Vanilla Intervention	Add new GTC Section 11.4 (Aggregation Points) to allow shippers to use their FT service agreements to access Columbia's Aggregation Pools on a secondary firm basis
10/30/09	RP10-108-000	February 11, 2010 Order	Plain Vanilla Intervention	Petition for Waiver of the Delivery Point Scheduling Penalty
10/30/09	RP00-327-008	Pending	Plain Vanilla Intervention	2009 Segmentation Report
12/18/09	RP10-249-000	February 11, 2010 Order	Plain Vanilla Intervention	Petition for Limited Waiver of Sec 40.5 regarding Segmentation Pool Balancing – deferring automatic pool balancing mechanism in Navigates
12/30/09	RP95-408-074 & 075 (Errata)	Accepted January 28, 2010 Order	Plain Vanilla Intervention	Annual Environmental Rate Adjustment from RP95-408 Phase II Settlement
02/16/10	RP10-382-000	February 25, 2010 Order Denying Requests for Waiver of Tariff Provisions	Plain Vanilla Intervention	Petition for Waiver of Annual RAM (Fuel) Filing (until FERC issues decisions on other TCO/Gulf fuel filings)
02/26/10	RP10-402-000	Accepted March 30, 2010 Order	Plain Vanilla Intervention	Annual EPCA Filing
02/26/10	RP10-401-000	March 31, 2010 Order Conditionally Accepting & Suspending TCRA Subject to Refund, Establishing Hearing & Settlement Judge Procedures, Consolidating Proceedings & Granting Limited Waiver Request -	Plain Vanilla Intervention	Annual TCRA Filing
03/01/10	RP10-433-000	Accepted March 30, 2010 Order	Plain Vanilla Intervention	Annual Fuel Filing
04/01/10	RP10-577-000	April 30, 2010 Order Accepting Tariff Sheets Subject to Conditions	Plain Vanilla Intervention	Filing to clarify/revise Sec 48 of GTC for the circumstances in which TCO can acquire off-system third party capacity
04/09/10	RP10-595-000	Accepted May 5, 2010 Order	Plain Vanilla Intervention with Comments	Baseline eTariff electronic tariff filing

**COLUMBIA GULF**

<b>Filing Date</b>	<b>Docket</b>	<b>Order Date/Status</b>	<b>Type of Intervention</b>	<b>Description of Filing</b>
10/30/09	RP10-109-000	February 11, 2010 Order	Plain Vanilla Intervention	Petition for Waiver of the Delivery Point Scheduling Penalty
11/09/09	RP10-134-000	December 10, 2009 Order Establishing Technical Conference	Plain Vanilla Intervention	Incentive Fixed Fuel Mechanism
01/15/10	RP10-315-000	Accepted February 11, 2010 Order	Plain Vanilla Intervention	Proposed revisions to permit Gulf to waive its gas quality specifications
02/16/10	RP10-381-000	February 25, 2010 Order Denying Requests for Waiver of Tariff Provisions	Plain Vanilla Intervention	Petition for Waiver of Annual Transportation Retainage Rate Adjustment TRA (Fuel) Filing (until FERC issues decisions on other TCO/Gulf fuel filings)
03/01/10	RP10-450-000	Pending	Plain Vanilla Intervention with Comments for Expedited Action	Annual Fuel Filing

**TENNESSEE**

<b>Filing Date</b>	<b>Docket</b>	<b>Order Date/Status</b>	<b>Type of Intervention</b>	<b>Description of Filing</b>
10/19/09	RP10-59-000	November 30, 2009 Order	Plain Vanilla Intervention	Negotiated Rate & Non-Conforming Service Agreements Filing and Offer of Settlement between Tenn. & N.E. Local Dist. Companies.
11/20/09	RP10-162-000	Accepted April 14, 2010 Order	Plain Vanilla Intervention	Annual Cash-out Filing
04/19/10	RP10-619-000	Pending	Plain Vanilla Intervention with Comments	Baseline eTariff electronic tariff filing

**ANR**

<b>Filing Date</b>	<b>Docket</b>	<b>Order Date/Status</b>	<b>Type of Intervention</b>	<b>Description of Filing</b>
03/01/10	RP10-451-000	March 31, 2010 Order Accepting & Suspending Tariff Sheets Subject to Refund & Conditions -	Plain Vanilla Intervention	Annual Fuel & EPC Filing
03/31/10	RP10-557-000	Accepted April 26, 2010 Order	Plain Vanilla Intervention	Annual Deferred Transportation Cost Adjustment Filing
04/30/10	RP10-682-000	Pending	Plain Vanilla Intervention	Annual Cashout Surcharge Filing

**TEXAS EASTERN**

<b>Filing Date</b>	<b>Docket</b>	<b>Order Date/Status</b>	<b>Type of Intervention</b>	<b>Description of Filing</b>
10/02/09	RP10-30-000	Oct 30, 2009 Order Accepting & Suspending Tariff Sheets & Establishing Tech. Conference – March 18, 2010 Order Establishing Hearing -	Plain Vanilla Intervention	Gas Quality & Interchangeability Tariff Filing
10/28/09	RP10-81-000	Accepted November 17, 2009 Order – April 27, 2010 Order	Plain Vanilla Intervention	Annual PCB Filing
10/30/09	RP10-120-000	Accepted November 18, 2009 Order	Plain Vanilla Intervention	Annual ASA (Fuel) Filing
12/30/09	RP10-278-000	Accepted January 13, 2010 Order	Plain Vanilla Intervention	Semi-Annual EPCA Filing
02/12/10	RP10-375-000	Accepted March 3, 2010 Order	Plain Vanilla Intervention	Filing preparing for implementation of eTariff
04/21/10	RP10-623-000	Accepted May 6, 2010 Order	Plain Vanilla Intervention	Clean-Up Changes Filing to Section 3.14 of GTC
04/22/10	RP10-625-000	Pending	Plain Vanilla Intervention with Comments	Baseline eTariff electronic tariff filing
04/26/10	RP10-637-000	Pending	Plain Vanilla Intervention	Clean-Up Changes Filing to Sections 29.5 & 29.7 of GTC
04/26/10	RP10-640-000	Pending	Plain Vanilla Intervention	Miscellaneous corrections and updates to Baseline eTariff electronic tariff filing RP10- 625
04/30/10	RP10-677-000	Pending	Plain Vanilla Intervention	NJNG MLS-1 Negotiated rate filing for usage and fuel

**TEXAS GAS**

<b><u>Filing Date</u></b>	<b><u>Docket</u></b>	<b><u>Order Date/Status</u></b>	<b><u>Type of Intervention</u></b>	<b><u>Description of Filing</u></b>
02/04/10	RP10-366-000	Accepted March 2, 2010 Order	Plain Vanilla Intervention	Revisions to Request for Service & Auction Procedures

**ALGONQUIN**

<b><u>Filing Date</u></b>	<b><u>Docket</u></b>	<b><u>Order Date/Status</u></b>	<b><u>Type of Intervention</u></b>	<b><u>Description of Filing</u></b>
10/30/09	RP10-117-000	November 30, 2009 Order	Plain Vanilla Intervention	Annual Fuel Filing

**STECKMAN RIDGE GAS STORAGE**

<b><u>Filing Date</u></b>	<b><u>Docket</u></b>	<b><u>Order Date/Status</u></b>	<b><u>Type of Intervention</u></b>	<b><u>Description of Filing</u></b>
03/16/10	RP10-498-000	April 15, 2010 Order	Plain Vanilla Intervention	Filing of NJNG FSS Agreement as Non-Conforming because of NJPUC language to accommodate a prudency review

**NEW JERSEY NATURAL GAS COMPANY**

**DIRECT TESTIMONY AND EXHIBITS OF**

**TINA M. SINKS**

**MANAGER - REGULATORY AFFAIRS**

**IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR THE ANNUAL REVIEW AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS), REVIEW AND REVISION OF ITS  
CONSERVATION INCENTIVE PROGRAM (CIP) FACTORS AND FOR  
MODIFICATION TO ITS WEATHER NORMALIZATION CLAUSE  
(WNC) FACTOR FOR F/Y 2011  
BPU DOCKET NO. GR1006\_\_\_\_  
Direct Testimony of Tina M. Sinks**

**I. Introduction**

1  
2 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS**  
3 **ADDRESS?**

4 A. My name is Tina M. Sinks and I am Manager, Regulatory Affairs for  
5 New Jersey Natural Gas Company (the “Company” or “NJNG”). My  
6 business address is 1415 Wyckoff Road, Wall, New Jersey 07719.

7 **Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS**  
8 **EXPERIENCE.**

9 I received a Bachelor of Science degree in Accounting with a minor in  
10 Mathematics from the University of Richmond in 1993. Furthermore, I am a  
11 Certified Public Accountant in the Commonwealth of Virginia.

12 I was employed by the Virginia State Corporation Commission as an  
13 auditor within the Public Utility Accounting Department from July 1993 to  
14 May 1996.

15 In May 1996, I accepted a position as a Rate and Regulatory Analyst  
16 with NJNG in the Energy Services Department and held that position until  
17 January 1997 when I assumed the responsibilities as a Gas Planning Analyst,  
18 also in the Energy Services Department. In July 2002, I accepted the  
19 position of Senior Regulatory Affairs Analyst in the Regulatory Affairs  
20 Department of NJNG. In January 2007, I was promoted to my current  
21 position of Manager, Regulatory Affairs.

1 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER OF**  
2 **REGULATORY AFFAIRS?**

3 A. I am responsible for preparing and supporting Company rate and tariff  
4 matters submitted to the New Jersey Board of Public Utilities (the “Board”  
5 or “BPU”), including the Basic Gas Supply Service (“BGSS”) and  
6 Conservation Incentive Program (“CIP”) filing. I am also involved in the  
7 daily operations of the Regulatory Affairs Department including rates, tariffs  
8 and related matters.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**  
10 **PROCEEDINGS?**

11 A. Yes. In addition to supporting and testifying in regulatory  
12 proceedings during my tenure with the Virginia State Corporation  
13 Commission, I have filed testimony on behalf of NJNG in several prior  
14 proceedings.

15 **Q. WHAT ARE YOUR RESPONSIBILITIES WITH RESPECT TO THIS**  
16 **PROCEEDING?**

17 A. By way of this testimony, I am supporting the following sections of  
18 the filing: (1) background of previous BGSS and CIP proceeding; (2) BGSS  
19 projections and proposed price to be effective October 1, 2010; (3) CIP  
20 prices to be effective as of October 1, 2010; (4) Weather Normalization  
21 Clause (“WNC”) recovery and price to be effective as of January 1, 2011;  
22 (5) Balancing Charge to be effective as of October 1, 2010; (6)  
23 Miscellaneous items related to the Company’s last rate case proceeding; and  
24 (7) the impact to customers of price changes.

1

2

## II. Background from Prior Filings

3 **Q. PLEASE BRIEFLY SUMMARIZE THE OUTCOME OF THE LAST**  
4 **GENERIC BGSS PROCEEDING.**

5 A. As a result of the BPU Order issued following the Gas Policy Group  
6 discussions in Docket No. GX01050304, new BGSS pricing mechanisms  
7 were approved by the Board (“Generic BGSS Order”). Pursuant to the  
8 Generic BGSS Order, the Board authorized a Periodic BGSS pricing  
9 mechanism for all gas utilities that permits up to three price increases each  
10 year as described below and price decreases, rate credits, or refunds at any  
11 time during the year with five days written notice to the Board and the  
12 Department of the Public Advocate, Division of Rate Counsel (“Rate  
13 Counsel”). Through this mechanism, any initial price change requested,  
14 after notice and hearing, is based on an annual BGSS filing submitted in  
15 June of each year with rates to be effective October 1 of the year filed. Two  
16 additional provisional and self-implementing price increases are permitted, if  
17 needed by the Company, on the subsequent December 1 and February 1,  
18 after thirty days prior notice to the Board and Rate Counsel. Each self-  
19 implementing increase cannot exceed a maximum of five percent of the total  
20 residential bill.

21 **Q. PLEASE SUMMARIZE THE OUTCOME OF THE COMPANY’S**  
22 **LAST BGSS AND CIP PROCEEDING.**

23 A. In June 2009, NJNG filed a petition requesting that the BPU approve  
24 NJNG’s annual filing for the BGSS year of October 1, 2009 through  
25 September 30, 2010. That petition requested that the BPU approve a  
26 decrease in NJNG’s periodic BGSS rate of \$0.2675 per therm after-tax,

1           thereby decreasing NJNG's BGSS after-tax rate of \$1.177 per therm to  
2           \$0.9095 per therm. The Company also requested modification of its CIP  
3           rates and the WNC rate for fiscal year 2010. Specifically, the petition  
4           requested that the BPU approve the implementation of after-tax per therm  
5           CIP factors of \$0.0435 for Group I Residential Non-Heat customers,  
6           \$0.0079 for Group II Residential Heat customers, \$0.0184 for Group III  
7           General Service – Small commercial customers, and \$0.0260 for Group IV  
8           General Service – Large commercial customers, effective as of October 1,  
9           2009. The petition also requested a decrease to the after-tax per therm WNC  
10          factor from \$0.0015 to \$0.0001 effective October 1, 2009 to recover the  
11          remaining deficiency balance over the following twelve month period  
12          ending September 30, 2010. During discussions among NJNG, Board Staff  
13          and Rate Counsel (collectively the "Parties"), an agreement was reached that  
14          the original overall requested after-tax BGSS rate should be reduced to  
15          \$0.8828 per therm to reflect the decrease in the natural gas market since the  
16          original filing date. In September 2009, the BPU approved the BGSS, CIP  
17          and WNC prices on a provisional basis effective September 16, 2009. The  
18          net impact of the price changes to a residential heat customer using 100  
19          therms per month was a 19 percent decrease.

20                 In October 2009, the Company was able to refund approximately  
21                 \$37.4 million on an after-tax basis to periodic BGSS customers. The  
22                 average residential heating customer received a refund of approximately  
23                 \$80. In January 2010, lower cost wholesale natural gas pricing led NJNG to  
24                 file notification of a Periodic BGSS Bill Credit to be effective February and  
25                 March 2010. In March 2010, NJNG filed notification to extend and increase  
26                 the Bill Credit for those same customers through April 2010. The Company  
27                 provided after-tax credits in February through April 2010 of approximately



1 **Q. WHAT IS THE COMPANY'S CURRENT PROJECTION FOR THE**  
2 **BGSS BALANCE AS OF SEPTEMBER 30, 2011?**

3 A. Exhibit B to the Petition, which provides the details of the Company's  
4 projections for the period October 1, 2010 through September 30, 2011  
5 based upon April 30, 2010 NYMEX pricing, shows that the estimated BGSS  
6 ending balance will be approximately \$9.8 million under-recovered as of  
7 September 30, 2011. Should market conditions change, the Company will  
8 continue to consider utilization of the self-implementing BGSS price  
9 increases or decreases, credits or refunds.

10 **Q. PLEASE DESCRIBE THE TREATMENT OF BGSS INTEREST**  
11 **WITHIN THE BGSS SCHEDULES?**

12 A. Exhibit B, Schedule 6 to the Petition reflects a calculation of interest  
13 on over and under-recovered BGSS balances for the twenty-four month  
14 period of October 1, 2008 through September 30, 2010. This calculation is  
15 in accordance with the methodology agreed to by the Parties and approved  
16 by the Board in its June 8, 2009 Order in NJNG's 2009 BGSS filing in  
17 Docket No. GR08060369. Exhibit B, Schedule 6 to the Petition estimates  
18 that NJNG will not owe interest to BGSS customers for the twenty-four  
19 month period ended September 30, 2010.

20 **Q. WHAT IS THE PROPOSED PERIODIC BGSS PRICE FOR THIS**  
21 **FILING?**

22 A. The Company proposes to decrease the current pre-tax periodic BGSS  
23 price of \$0.8250 per therm to \$0.7800 as of October 1, 2010. If approved,  
24 the current after-tax price of \$0.8828 per therm will decrease by \$0.0482 to  
25 \$0.8346 per therm.

26

1 **IV. Conservation Incentive Program (“CIP”)**

2 **Q. PLEASE DESCRIBE THE RATE STRUCTURE OF THE**  
3 **CONSERVATION INCENTIVE PROGRAM (“CIP”).**

4 A. Approved by the Board in Docket No. GR05121020 in a December  
5 12, 2006 Order and extended in its January 21, 2010 Order (“CIP Orders”),  
6 the CIP rate mechanism provides a rate adjustment related to changes in the  
7 average use per customer when compared to a pre-established benchmark  
8 allowing NJNG to encourage customers to conserve energy. The Testimony  
9 of Anne-Marie Peracchio within this filing describes the programs NJNG  
10 has implemented to encourage customers to conserve energy and the results  
11 of those programs. Pursuant to the Company’s Tariff approved in the  
12 Board’s October 3, 2008 Order within the Company’s last base rate case  
13 proceeding in Docket No. GR07110889 (“Rate Case Order”), the CIP is  
14 applicable to each of the following customer groups:

- 15 • Group I – Residential Non-Heat
- 16 • Group II – Residential Heat
- 17 • Group III – General Service - Small
- 18 • Group IV – General Service - Large

19 Pursuant to the CIP Orders, the margin deficiency or excess for each  
20 group is calculated each month by subtracting the baseline usage per  
21 customer according to the Company’s Tariff from the actual usage per  
22 customer and multiplying the resulting therms by the number of customers  
23 and the allowed margin recovery per therm. The October 2009 through  
24 September 2010 CIP margin deficiency/excess calculations for each group,  
25 with actual data through April 2010 and projected data for the remaining  
26 five months, are included as Exhibit C, Schedules 1 through 4 to the  
27 Petition.

1 **Q. PLEASE DESCRIBE THE BGSS SAVINGS TEST AS PROVIDED**  
2 **FOR IN THE CIP ORDER.**

3 A. NJNG must achieve a level of BGSS savings greater than or equal to  
4 the non-weather related changes in usage in order to recover the full margin  
5 deficiency associated with those changes. To determine the non-weather  
6 margin deficiency, the Company has calculated the weather related margin  
7 deficiency on Exhibit C, Schedule 5 to the Petition in accordance with the  
8 heating degree days and consumption factors included in the CIP Tariff.  
9 Exhibit C, Schedule 6 to the Petition demonstrates that the estimated margin  
10 related to the non-weather change in customer usage is \$5,472,269.

11 **Q. HAS THE COMPANY MET THE BGSS SAVINGS TEST CRITERIA**  
12 **AS PROVIDED FOR IN THE CIP ORDER?**

13 A. Yes. Per Exhibit E of the Stipulation approved by the January 21,  
14 2010 CIP Order, NJNG released capacity which results in annual demand  
15 charge savings of \$5,516,447 for the October 2010 through September 2011  
16 annual period. Since the non-weather portion of \$5,472,269 is less than the  
17 total BGSS savings of \$5,516,447, the Company has met the BGSS savings  
18 test.

19 **Q. PLEASE DESCRIBE THE CIP RETURN ON EQUITY (“ROE”)**  
20 **TEST.**

21 A. Based on the Tariff approved in the Rate Case Order, NJNG cannot  
22 recover any portion of its margin deficiency that will cause the Company to  
23 earn in excess of a 10.3 percent return on common equity for the annual  
24 period of the CIP year. Additionally, any portion of the margin deficiency  
25 which is not recoverable shall not be deferred for future recovery. Exhibit  
26 C, Schedule 7 to the Petition includes the calculation of the ROE test with

1 actual data for the twelve months ended March 2010 and shows that the  
2 Company has earned 9.39 percent, less than the 10.3 percent ceiling.

3 **Q. PLEASE DESCRIBE HOW CIP RATES ARE DETERMINED AND**  
4 **WHAT CIP RATES THE COMPANY IS PROPOSING.**

5 A. The CIP surcharge or credit for each group is determined by dividing  
6 the eligible aggregate margin deficiency or excess, adjusted for any under or  
7 over recovery of prior period CIP collection, by the forecasted annual usage  
8 of each group for October 2010 to September 2011. The following table  
9 shows the existing after-tax rates, proposed after-tax rates and change for  
10 each CIP Group:

<u>Group</u>	<u>Group Description</u>	<u>Existing Charge/ (Credit) per therm</u>	<u>Proposed Charge/ (Credit) per therm</u>	<u>Increase/ (Decrease) per therm</u>
Group I	Residential Non-Heat	\$0.0435	(\$0.0033)	(\$0.0468)
Group II	Residential Heat	\$0.0079	\$0.0179	\$0.0100
Group III	General Service - Small	\$0.0184	\$0.0339	\$0.0155
Group IV	General Service - Large	\$0.0260	\$0.0278	\$0.0018

11 The Company is requesting an effective date of October 1, 2010 for the  
12 above proposed rates consistent with the other proposed changes in this  
13 filing.

14 **V. Weather Normalization Clause Recovery**

15 **Q. DOES THE COMPANY PROPOSE ANY OTHER PRICE CHANGES**  
16 **COINCIDENT WITH THE CIP PRICE CHANGES?**

17 A. Yes. As of October 2006, the existing WNC mechanism for recovery  
18 of utility gross margin variations related to weather was suspended for the  
19 term of the CIP. However, the Company currently has an after-tax WNC  
20 recovery rate of \$0.0001 per therm in place to recover the WNC margin

1 shortfall from the 2005-2006 winter period. This rate was approved in the  
2 Board's September 16, 2009 Order in Docket No. GR09060432. Due to  
3 warmer than normal weather, the Company does not expect to fully collect  
4 the margin shortfall by September 30, 2010. As shown in Exhibit E to the  
5 Petition, the estimated WNC under-recovery is expected to be approximately  
6 \$20,000 at that time. Accordingly, within this filing, the Company proposes  
7 to continue to charge the current after-tax WNC rate of \$0.0001 per therm  
8 through December 31, 2010 which results in an estimated WNC under-  
9 recovery balance at December 31, 2010 of approximately \$1,000. The  
10 Company proposes to eliminate the current after-tax rate of \$0.0001 per  
11 therm effective January 1, 2011 and transfer any remaining WNC over or  
12 under-recovery balance to the Company's BGSS balance.

#### 13 **VI. Balancing Charge**

#### 14 **Q. DOES THE COMPANY PROPOSE A CHANGE TO ITS** 15 **BALANCING CHARGE?**

16 **A.** Yes. Pursuant to the Rate Case Order, the balancing charge is to be  
17 adjusted in the Company's annual BGSS filing and is subject to review as  
18 part of such filing. The calculation of the balancing rate is presented in  
19 Exhibit F to the Petition and reflects updated pipeline demand charges,  
20 credit adjustments and percentage of peak day volume related to balancing  
21 associated with the pipeline demand portion of the balancing charge. Also,  
22 in accordance with the Rate Case Order, the portion of the charge related to  
23 inventory is not updated. The Company proposes increasing its current  
24 after-tax per therm balancing charge of \$0.0789 to \$0.0886. All balancing  
25 revenues from transportation customers continue to be credited to the BGSS  
26 as shown in Schedule 4g of Exhibits A and B. For sales customers, the  
27 balancing charge is included as a component of the delivery charge and

1 deducted from the BGSS charge in order to provide a BGSS “Price-to-  
2 Compare.”

3 **VII. Miscellaneous**

4 **Q. PLEASE DESCRIBE THE AUTOMATIC METER READING**  
5 **(“AMR”) MILESTONES REQUIREMENT AS IT RELATES TO**  
6 **BGSS.**

7 A. Pursuant to the Rate Case Order, Attachment C, in the event that the  
8 AMR installation milestones are not met and a variance from that timeline is  
9 fifteen percent or greater, the Company is required to credit \$330,000 per  
10 milestone as a reduction to BGSS costs for that period until the next  
11 installation milestone is measured.

12 **Q. HAS THE COMPANY MET THE AMR INSTALLATION**  
13 **MILESTONES TO DATE?**

14 A. Yes. As included in the Company’s 2009 BGSS filing, the Company  
15 met the April 30, 2009 installation target. The installation target as of July  
16 31, 2009 was 108,000 units. As of July 31, 2009, the Company had installed  
17 178,010 AMR units of which 8,827 were inside AMR units representing a  
18 total of 169,183 outside AMR units installed and exceeding the mandated  
19 installation target for July 2009. Additionally, included in NJNG’s  
20 September 2009 monthly report submitted to BPU Staff and Rate Counsel  
21 on October 30, 2009, the Company reported it had installed 214,106 units of  
22 which 9,541 were inside AMR units for a total of 204,565 outside units as of  
23 September 30, 2009. The September 2009 installations exceeded the  
24 October 2009 mandated target of 162,000 meters. The final installation  
25 target as of February 28, 2010 was 220,000 units with 187,000 units or  
26 fewer requiring a BGSS credit. In the September 2009 monthly report, the  
27 Company also noted that all milestones were completely satisfied. Since

1 NJNG exceeded the AMR installation milestones, no reduction to BGSS  
2 related costs are necessary in this filing.

3 **Q. PLEASE DESCRIBE THE PIPELINE INTEGRITY MANAGEMENT**  
4 **(“PIM”) REQUIREMENTS FROM THE COMPANY’S LAST RATE**  
5 **CASE AS IT RELATES TO BGSS.**

6 A. Pursuant to the Rate Case Order, the Company included in base rates  
7 an annual amount of \$1.4 million for Operation and Maintenance (“O&M”)  
8 costs associated with PIM regulations and compliance. Effective October 1,  
9 2008, the Company is to record, as either a deferred regulatory asset or  
10 liability, the difference between the amount included in base rates and the  
11 actual PIM O&M costs incurred. NJNG cannot charge the deferred asset for  
12 greater than \$700,000 in any year. Additionally, NJNG must reflect any  
13 regulatory liability in its entirety and if the accumulated PIM deferral  
14 balance results in a liability greater than \$1 million, the Company is to  
15 reflect the full reduction in rates in the next annual BGSS filing as a credit to  
16 gas costs. The accumulated deferral is to be tracked and reported in the  
17 Company’s annual BGSS filing.

18 **Q. PLEASE EXPLAIN THE PIM RESULTS.**

19 A. As shown on Exhibit TMS-1, the Company had \$1.848 million of  
20 PIM expenses for the twelve months ended September 30, 2009 resulting in  
21 a deferred regulatory asset of approximately \$448,000. The Company is  
22 currently projecting PIM expenses of \$1.653 million for the twelve month  
23 ended September 30, 2010 resulting in a deferred regulatory asset of  
24 approximately \$253,000. Since the annual deferred asset balances are less  
25 than \$700,000, the entire amounts may be deferred.

**VIII. Impact on Customers****Q. WHAT IS THE IMPACT TO RESIDENTIAL HEAT CUSTOMERS AS A RESULT OF THE PROPOSED CHANGES TO BGSS, CIP, BALANCING AND WNC RATES?**

A. Overall, the Company has proposed that all periodic BGSS customer groups will have a decrease in their rates. The periodic BGSS decrease proposed in this filing results in an overall 3.5 percent decrease to the total monthly 100 therm bill for a CIP Group II residential heating sales customer. Additionally, the proposed Group II CIP increase results in an overall 0.7 percent increase. The net impact of the BGSS decrease and CIP increase to a residential heating sales customer is a 2.8 percent decrease to the total monthly 100 therm bill. Exhibit G to the Petition and Exhibit TMS-2 provide the supporting calculations. Residential heating transport customers are not affected by NJNG's proposed BGSS decrease and will have a 1.3 percent increase due to the changes in the CIP and Balancing rates.<sup>1</sup> The proposed decrease to the WNC rate would reduce delivery charges for RS heat sales and transport customers on January 1, 2011 by 0.0001 per therm, a 0.01 percent reduction to their total bill.

**Q. WHAT IS THE IMPACT TO RESIDENTIAL NON-HEAT CUSTOMERS AS A RESULT OF THE PROPOSED CHANGES TO BGSS, CIP AND BALANCING?**

A. The periodic BGSS decrease proposed in this filing results in an overall 2.9 percent decrease to the total monthly 25 therm bill for a CIP Group I residential non-heat sales customer. The proposed Group I CIP decrease results in an overall 2.8 percent decrease. The net impact of the

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<sup>1</sup> Percentage change assumes transport customers are receiving gas supply at NJNG's BGSS recovery rates. No decrease has been assumed in the surrogate gas supply cost for transport customers.

1 BGSS decrease and CIP decrease to a residential non-heat sales customer is  
2 a 5.7 percent decrease to the total monthly 25 therm bill. Residential non-  
3 heat transport customers are not affected by NJNG's proposed BGSS  
4 decrease and will have a 2.1 percent decrease due to the changes in the CIP  
5 and Balancing rates.<sup>1</sup>

6 **Q. WHAT IS THE IMPACT TO CIP GROUP III GENERAL SERVICE -**  
7 **SMALL CUSTOMERS AS A RESULT OF THE PROPOSED**  
8 **CHANGES TO BGSS, CIP, BALANCING AND WNC?**

9 A. The Periodic BGSS decrease proposed in this filing results in an  
10 overall 3.2 percent decrease to the total monthly 100 therm bill for a CIP  
11 Group III General Service – Small (“GSS”) customer. The proposed Group  
12 III CIP increase results in an overall 1.0 percent increase. The net impact of  
13 the BGSS decrease and CIP increase to a GSS sales customer is a 2.2  
14 percent decrease to the total monthly 100 therm bill. GSS transport  
15 customers are not affected by NJNG's proposed BGSS decrease and will  
16 have a 1.6 percent increase due to the changes in the CIP and Balancing  
17 rates.<sup>1</sup> The proposed decrease to the WNC rate would reduce delivery  
18 charges for GSS sales and transport customers on January 1, 2011 by 0.0001  
19 per therm, a 0.01 percent reduction to their total bill.

20 **Q. WHAT IS THE IMPACT TO CIP GROUP IV GENERAL SERVICE -**  
21 **LARGE CUSTOMERS AS A RESULT OF THE PROPOSED**  
22 **CHANGES TO BGSS, CIP, BALANCING AND WNC?**

23 A. Group IV General Service – Large (“GSL”) customers are subject to  
24 Monthly BGSS pricing and are not affected by the proposed periodic BGSS  
25 decrease. The proposed CIP increase results in a 0.2 percent increase for  
26 CIP Group IV customers using 1,200 therms per month. GSL transport  
27 customers are not affected by NJNG's proposed BGSS decrease and will

1           have a 0.2 percent increase due to the changes in the CIP and Balancing  
2           rates.<sup>1</sup> The proposed decrease to the WNC rate would reduce delivery  
3           charges for GSL sales and transport customers on January 1, 2011 by 0.0001  
4           per therm, a 0.01 percent reduction to their total bill.

5       **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6       A.           Yes.

**New Jersey Natural Gas Company  
Pipeline Integrity Management Expenses**

Expense Type	Actual		2009 Deferred		Forecast		2010 Deferred	
	Fiscal Year 2009	Fiscal Year 2009	PIM Expenses	PIM Expenses	Fiscal Year 2010	Fiscal Year 2010	PIM Expenses	PIM Expenses
* Labor	\$433,256				\$417,098			
**Non Labor	\$1,415,093				\$1,236,081			
<b>Total O&amp;M</b>	<b>\$1,848,349</b>		<b>\$448,349</b>		<b>\$1,653,179</b>		<b>\$253,179</b>	

In accordance with the October 3, 2008 Board Order in Docket No. GRO7110889, \$700,000 of PIM Operational and Maintenance (O&M) costs in excess of \$1.4 million can be deferred annually.

\* Labor expenses include NJNG incremental labor expenses associated with the PIM plan or field activities of assessing transmission pipelines. These activities include survey, mapping and the inspection of pipelines in accordance with PIM requirements.

\*\* Non labor expenses include external vendor and contractor expenses associated with assessing NJNG transmission pipelines in accordance with NJNG's PIM plan. In addition all material required to perform NJNG's PIM plan activities is included in these expenses. These activities include survey, mapping, inspection, and anomaly remediation in accordance with PIM requirements.

**New Jersey Natural Gas Company  
Basic Gas Supply Service  
BPU Docket. GR1006  
Impact on Residential Customers**

	Current Prices	Proposed Prices October 1, 2010	<b>Decrease</b>	<b>Percent Decrease</b>
Total Variable Rate \$ per therm <sup>1</sup>	\$1.3050	\$1.2668	<b>(\$0.0382)</b>	
Total Bill 100 therms <sup>2</sup>	\$138.75	\$134.93	<b>(\$3.82)</b>	(2.8%)
<b><u>1000 therm bill</u></b>				
Annual Bill <sup>2</sup>	\$1,404.00	\$1,365.80	<b>(\$38.20)</b>	(2.7%)

<sup>1</sup> Represents the total variable per therm rate for a residential sales customer (BGSS + Delivery) on an after-tax basis

<sup>2</sup> Includes monthly customer charge of \$8.25.

**NEW JERSEY NATURAL GAS COMPANY**

**DIRECT TESTIMONY AND EXHIBITS OF**

**ANNE-MARIE PERACCHIO**

**DIRECTOR – CONSERVATION AND CLEAN ENERGY POLICY**

**IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR THE ANNUAL REVIEW AND REVISION OF ITS  
BASIC GAS SUPPLY SERVICE (BGSS), REVIEW AND REVISION OF ITS  
CONSERVATION INCENTIVE PROGRAM (CIP) FACTORS AND FOR  
MODIFICATION TO ITS WEATHER NORMALIZATION CLAUSE  
(WNC) FACTOR FOR F/Y 2011  
BPU DOCKET NO. GR1006\_\_\_\_\_**  
**Direct Testimony of Anne-Marie Peracchio**

1        **Introduction**

2        **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS**  
3        **ADDRESS.**

4        A. My name is Anne-Marie Peracchio and I am the Director, Conservation and  
5        Clean Energy Policy for New Jersey Natural Gas Company (“the Company”  
6        or “NJNG”). My business address is 1415 Wyckoff Road, Wall, New Jersey  
7        07719.

8        **Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS**  
9        **EXPERIENCE.**

10       A. I received a Bachelor of Science degree in Accounting with a double major  
11       in Philosophy from the University of Scranton in 1990. I also was awarded a  
12       Masters of Business Administration from Monmouth University in May  
13       1997. Furthermore, I am a Certified Public Accountant in the State of New  
14       York. I was employed by KPMG Peat Marwick in various positions within  
15       the Audit Department from September 1990 to June 1993.

16                In June 1993, I accepted a position with New Jersey Resources  
17       Corporation, the parent of NJNG, in the Internal Audit Department and held  
18       that position until February 1995 when I accepted a position as a Senior Rate  
19       Analyst in the Regulatory Affairs Department of the Company. In July 1997,  
20       I was promoted to Manager, Regulatory Affairs and in January 1999, I was  
21       promoted to Director, Regulatory Affairs. In December of 2006, I was  
22       named to the new position of Director, Conservation and Affordability. In

1 December 2009, I shifted responsibilities to serve as the Director,  
2 Conservation and Clean Energy Policy.

3 **Q. WHAT ARE YOUR RESPONSIBILITIES AS THE DIRECTOR,**  
4 **CONSERVATION AND CLEAN ENERGY POLICY?**

5 A. I report directly to the Vice President, Marketing and Business Intelligence  
6 and I am responsible for developing and ensuring implementation of the  
7 Company's customer conservation programs funded by shareholders and  
8 supporting the efforts of our team implementing our customer funded  
9 energy-efficiency program- the SAVEGREEN Project™. I also identify  
10 opportunities to help drive cultural changes within the organization to  
11 support the Company's concerted focus on conservation. Most of those  
12 programs fall under the Company's Conserve to Preserve® ("CTP")  
13 initiative which will be discussed in more detail below. I am also involved in  
14 the development of the Company's policy positions on a number of issues,  
15 including the Energy Master Plan and the National Action Plan for Energy  
16 Efficiency and serve as a company representative on a number of  
17 Committees and Task Forces for New Jersey's Clean Energy Program  
18 ("NJCEP"), Sustainable Jersey, and the American Gas Association.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**  
20 **PROCEEDINGS?**

21 A. Yes. I have testified on behalf of NJNG in numerous Levelized Gas  
22 Adjustment proceedings, the precursor to Basic Gas Supply Service  
23 ("BGSS"), and other rate related filings before the New Jersey Board of  
24 Public Utilities ("BPU" or the Board").

1 **Q. WHAT ARE YOUR RESPONSIBILITIES WITH RESPECT TO THIS**  
2 **PROCEEDING?**

3 A. By way of this testimony, I am explaining and providing support for the  
4 following sections of the filing: (1) background of the Conservation  
5 Incentive Program (“CIP”); (2) an overview of the NJNG’s CIP program  
6 activity over the past year; (3) an update on CIP expenditures to date; and  
7 (4) an update on plans for future CIP activities and changes effective  
8 October 1, 2010. The testimony of Tina Sinks also filed within this  
9 proceeding discusses the CIP tariff mechanism, results and proposed prices  
10 for October 1, 2010 implementation.

11 **CIP BACKGROUND**

12 **Q. PLEASE BRIEFLY SUMMARIZE THE CIP PROGRAM.**

13 A. On December 12, 2006, the BPU approved a three year CIP pilot program in  
14 Docket No. GR05121020 (“CIP Order”). The CIP is designed to decouple  
15 the link between customer usage and NJNG’s utility gross margin to allow  
16 NJNG to encourage its customers to conserve energy. The CIP contains a  
17 tariff mechanism to address the gross margin variations, a commitment from  
18 the Company to engage its customers in energy efficiency and conservation  
19 activities, to work to change the internal culture to focus on energy  
20 efficiency, and to meet the BGSS Savings Test, which provides an incentive  
21 to lower gas supply costs as a result of customer conservation. To fulfill that  
22 commitment, NJNG agreed to initiate programs to further customer  
23 conservation efforts over the term and provide an initial \$2 million in  
24 funding for such programs.

1 **Q. WHAT IS THE CURRENT STATUS OF THE CIP?**

2 A. Since the Board did not issue an order modifying or eliminating CIP as of  
3 September 20, 2009, the program was automatically allowed to continue for  
4 up to one full year. In December 2009, the Company filed for a full three  
5 year extension of the program. In January 2010, the Board approved the  
6 extension of the CIP program through September 30, 2013.

7 **Q. WERE THERE ANY CHANGES FROM THE PROGRAM FUNDING**  
8 **PERSPECTIVE?**

9 A. Yes. Two specific areas- employee time charged to CIP and the timing and  
10 amount of CIP programs funded by shareholders- will change as of October  
11 1, 2010, the start of the new CIP year. In regard to employee time, the  
12 original pilot program period required the Company to record as a CIP  
13 expense any employee time supporting CIP programs that was considered  
14 "more than incremental" to their job requirements. For the future CIP years,  
15 the Company will no longer charge such costs against the CIP funding  
16 which allows more of the funding to be spent on customer programs. In  
17 regard to CIP funding, under the original pilot NJNG expensed the full \$2  
18 million shareholder commitment upfront for use over the full term of the  
19 CIP. For future CIP years, the Company will spend annually \$575,000 of  
20 shareholder funds for CIP programs. Any unspent balance of this annual  
21 amount will be carried-over into the next CIP year.

22

23 **PROGRAM ACTIVITY**

24 **Q. IS THE COMPANY CONTINUING ANY PROGRAMS FROM THE**  
25 **INITIAL PILOT PERIOD?**

26 A. Yes. The Company is continuing to fund the following:

- 1           •    **Conserve to Preserve (“CTP”) Dashboard:** Our current CTP  
2           Dashboard service allows residential customers to analyze their  
3           bills, perform online audits, and access other energy saving tools  
4           and guidelines. Attachment AMP-1 provides summary data on  
5           the use of the CTP Dashboard for calendar 2009 and the first four  
6           months of 2010. NJNG has less than one year left on the contract  
7           with the existing vendor and intends to provide a comparable  
8           service for the term of the CIP. The Company is reviewing  
9           services from another leading vendor, including the potential for  
10          an integrated online service for commercial customers. NJNG  
11          also develops and distributes promotional materials for this  
12          service.
- 13          •    **Conserve to Preserve Business Online.** A comprehensive online  
14          resource for commercial customers, CTP Business Online features  
15          industry-specific information, emerging technologies and business  
16          applications in one, well-organized location. It includes links to  
17          financial and technical assistance for NJCEP programs,  
18          benchmarking and energy audit recommendations by sector, a  
19          monthly energy newsletter and other tools. NJNG also develops  
20          and distributes promotional materials for the service.
- 21          •    **Community Rewards.** This is the school/not-for-profit  
22          fundraising program where community groups can raise money by  
23          directly referring our customers to use the CTP Dashboard.  
24          Participating groups register to drive activity to the service and  
25          promote it within the community. They receive \$5 for each  
26          successful referral and earn bonus incentives for achieving certain  
27          thresholds. Through the end of March 2010, this program has

1           resulted in nearly 1,600 additional customers using the CTP  
2           Dashboard.

- 3           • **Miscellaneous community outreach.** These activities include  
4           the production of pocket tip cards promoting NJNG's programs,  
5           the payment of certain exhibit fees, covering expenses for the  
6           Energy Hog Road Show and other customer contests. It also  
7           includes significant outreach to communities participating in  
8           Sustainable Jersey and the NJCEP Community Partners Initiative.  
9           Through our Speakers Bureau program alone, we have conducted  
10          more than 120 presentations that directly reached more than  
11          10,500 customers. In less than nine months, our SAVEGREEN  
12          team has participated in more than 200 events and presentations.  
13          The Company reached thousands more customers through  
14          participations in dozens of expos, conferences, and forums.

- 15          • **E-tips.** The expenses related to the external service used to  
16          distribute E-tips, our optional conservation e-mail newsletter, and  
17          other minor promotional expenses are included here. Attachment  
18          AMP-2, page 1 reflects the monthly topic for each issue, as well as  
19          the relevant statistics on the messages sent. The Company  
20          currently has more than 52,000 customers registered to receive the  
21          service, compared to approximately 40,000 subscribers in May  
22          2009. Attachment AMP-2, page 2 is a graph reflecting the growth  
23          in the enrollment.

- 24          • **Employees/contractors as champions.** These activities include  
25          the production of supporting promotional material, primarily  
26          information pads to be carried by NJNG field employees and  
27          contractors for distribution to targeted customers, and for some

1 employee incentive drawings. This category also includes  
2 expenses for contractor forums and communications with  
3 contractors- mailings, conferences, etc.

4 **Q. HAS NJNG CONTINUED TO SEE GROWTH IN WEB SITE**  
5 **TRAFFIC FOR THE CONSERVATION SECTIONS?**

6 **A.** Yes. In late 2006, NJNG's redesigned Web site was launched. More  
7 information about conservation is included, with additional links from  
8 various sections of the site back to the conservation pages. Due to the  
9 relaunch, the statistics are not directly comparable to the 2005 statistics but  
10 from the data captured on Attachment AMP-3, it is clear that traffic to that  
11 section of the site continues to increase as a result of the expanded program  
12 offerings and continued promotion. Fiscal 2009 customer activity in the  
13 energy efficiency related sections of our Web site was more than seven times  
14 greater than the level recorded for Fiscal 2006.

15  
16 **CIP EXPENDITURE UPDATE**

17 **Q. WHAT HAS THE COMPANY EXPENDED ON THE CIP**  
18 **PROGRAMS TO DATE?**

19 **A.** As of May 15, 2010, NJNG has recorded expenses of nearly \$1.9 million  
20 related to the CIP pilot. A summary of expenses by category is included as  
21 Attachment AMP-4.  
22

1 **Q. DID THE COMPANY SPEND THE FULL \$2 MILLION BY**  
2 **SEPTEMBER 30, 2009?**

3 A. No. NJNG spent approximately \$1.75 million by that date and has been  
4 spending the balance during the course of this fiscal year on core CIP  
5 Programs described above including the CTP Dashboard, CTP Business On-  
6 line, E-tips, and Community Rewards. The Company does expect to  
7 expend the full \$2 million this year.

8 **PROSPECTIVE CIP ACTIVITIES AND CHANGES**

9 **Q. BEYOND THE ON-GOING CIP PROGRAMS DESCRIBED**  
10 **EARLIER, DOES THE COMPANY HAVE PLANS FOR**  
11 **ADDITIONAL CIP PROGRAMS?**

12 A. Yes. The Company continues to look for new ideas for CIP programs.  
13 However, the Company strives to identify new services and programs that  
14 will complement existing programs administered by NJCEP or NJNG. The  
15 effort to keep programs complementary sometimes presents challenges.

16 **Q. CAN YOU PROVIDE AN EXAMPLE?**

17 A. Yes. Earlier this year, the Company was interested in developing and  
18 implementing a new CIP program designed to address the needs of  
19 customers who exceed the income levels for traditional state and federal  
20 energy assistance programs. This program would target customers in the  
21 225-400 percent of the poverty level range to align with NJCEP's recent  
22 plans to launch a new lower price point audit for these customers and also  
23 the availability of NJCEP incentives that covered as much as 75 percent of  
24 the cost of a project through the Home Performance with Energy Star  
25 (HPES) program. Rather than enrich those incentives or expend resources  
26 trying to identify this target customer segment, NJNG was considering  
27 contracting with a qualified HPES contractor to offer free audits to our

1 customers who receive a grant from NJSHARES. Under NJSHARES grant  
2 eligibility criteria, the customer must fall in this income range and  
3 demonstrate current financial distress. After a completed audit, these  
4 customers would be eligible for the full rebate and financing incentives  
5 available through NJCEP. Since that time, NJCEP has scaled back the level  
6 of incentives for this segment of customers and the entire HPES program is  
7 temporarily suspended at this time due to funding limitations. NJNG is  
8 sensitive to needs of this customer segment and is considering whether there  
9 may be a better alternative as a result of the recent NJCEP changes.

10 **Q. CAN YOU PROVIDE ANOTHER EXAMPLE?**

11 A. Yes. Earlier this year, NJNG was working with NJCEP to cover the utility  
12 specific set-up costs for an OPOWER pilot program, an item originally  
13 included in the NJCEP 2010 budget. The 2010 OPOWER pilot was intended  
14 to combine billing information with customer demographic information to  
15 provide customized outreach materials to consumers. Unlike the existing  
16 CTP Dashboard which requires that the customer provide some initial  
17 information through an on-line application, OPOWER's service can be  
18 provided to customers without any input on their part. The customized  
19 letters sent through this program seek to capitalize on positive peer pressure  
20 by providing a comparison of the customer's usage to that of 100 similar  
21 neighbors and to the top 20 percent of the most energy-efficient neighbors.  
22 NJNG intended to provide approximately \$37,500 for the OPOWER  
23 program as part of the existing CIP budget and the original 2010 NJCEP  
24 budget was to cover the other operating expenses for the pilot. As a result of  
25 the restrictions in the NJCEP budget, the OPOWER pilot program was  
26 proposed to be removed from the NJCEP budget through the March 18,  
27 2010 Straw Proposal released by staff from the Office of Clean Energy and

1 was officially removed from the NJCEP budget as of the April 21, 2010  
2 BPU order in Docket No. EOO7030203. NJNG subsequently proposed to  
3 include the costs to run the entire OPOWER pilot for our customers in our  
4 March 29, 2010 Regional Greenhouse Gas Initiative (“RGGI”) filing, BPU  
5 Docket No. GR10030225.

6 **Q. IS NJNG IDENTIFYING OTHER CIP PROGRAMS?**

7 **A.** As noted earlier, NJNG strives to align the CIP program as a complement to  
8 other statewide or national efforts. The Company is hoping to get a better  
9 sense of what may be in store for future programs and funding levels for  
10 state programs, as well as the status of our RGGI proposals prior to  
11 developing and launching any new programs. In the interim, NJNG is  
12 focused on maintaining the existing CIP programs and continuing to identify  
13 new approaches.

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes.



# New Jersey Natural Gas 2009 Web Statistics Report\*

Statistic	Jan	Feb	Mar	Q1 Total		Apr	May	Jun	Q2 Total		Jul	Aug	Sep	Q3 Total		Oct	Nov	Dec	Q4 Total		YTD Totals
<b>Overall Application</b>																					
Total Unique Users *1	1,330	992	604	2,926	420	337	323	1,080	267	300	371	938	435	405	253	1,093	6,037				
Total New Users *2	1,020	696	418	2,134	302	237	221	760	186	209	283	678	336	294	168	798	4,370				
Total Return Users *3	375	317	194	886	126	104	125	355	86	98	97	281	111	125	88	324	1,846				
Total Page Views	13,719	8,925	6,052	28,696	3,511	2,844	2,810	9,165	1,865	2,445	3,010	7,320	3,621	3,947	2,009	9,577	54,758				
<b>Residential Dashboard</b>																					
Total Number of Users *4	1,250	932	503	2,685	354	292	269	915	211	239	253	703	311	322	222	855	5,158				
Total New Users *5	936	649	331	1,936	251	200	174	625	131	148	170	449	215	212	137	564	3,574				
Total Return Users *6	363	312	187	862	115	99	121	335	82	96	90	268	101	124	86	311	1,776				
Total Number of Sessions	1,421	1,029	594	3,044	403	321	312	1,036	233	276	287	796	349	364	255	964	5,844				
Total Number of Page Views	12,973	8,280	4,646	25,899	2,760	2,515	2,209	7,484	1,416	2,012	2,210	5,638	2,341	3,235	1,738	7,314	46,335				
Avg. Time Spent in Dashboard	7	5	5	6	4	5	5	5	3	4	5	4	4	6	4	5	5				
Total Customer Ids	717	887	473	2,077	332	268	251	851	192	220	237	649	289	302	221	812	4,389				
Total Account Numbers	717	887	473	2,077	332	268	251	851	192	220	237	649	289	302	221	812	4,389				
Total Premise Ids	717	887	473	2,077	332	268	251	851	192	220	237	649	289	301	221	811	4,388				
Total L1 Completions from Dashboard *7	616	382	190	1,188	140	119	108	367	56	58	80	194	125	156	76	357	2,106				
Total Sessions where user skipped profile	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				



**New Jersey Natural Gas**  
2009 Web Statistics Report\*

Statistic	Jan	Feb	Mar	Q1 Total		Apr	May	Jun	Q2 Total		Jul	Aug	Sep	Q3 Total		Oct	Nov	Dec	Q4 Total		YTD Totals	
<b>Residential Bill Prism</b>																						
<b>Bill History</b>																						
Total Number of Users	232	150	117	499	71	64	65	200	48	44	57	149	56	73	37	166	1,014					
Total Return Users	47	42	35	124	22	18	19	59	12	13	14	39	15	16	15	46	268					
Total Number of Page Views	479	307	235	1,021	163	138	128	429	84	120	112	316	110	174	87	371	2,137					
Avg. Time Spent in Bill History	2	1	2	2	2	8	3	4	1	3	1	2	2	3	1	2	2					
<b>Bill Analysis</b>																						
Total Number of Users	229	141	97	467	61	53	58	172	46	43	43	132	52	69	33	154	925					
Total Return Users	48	34	27	109	24	16	17	57	9	14	15	38	14	15	11	40	244					
Total Number of Page Views	1,029	564	422	2,015	230	223	223	676	210	228	227	665	226	227	196	649	4,005					
Avg. Time Spent in Bill Analysis	3	2	3	3	3	12	4	6	3	2	3	3	4	3	3	3	4					



# New Jersey Natural Gas 2009 Web Statistics Report\*

Statistic	Jan	Feb	Mar	Q1 Total	Apr	May	Jun	Q2 Total	Jul	Aug	Sep	Q3 Total	Oct	Nov	Dec	Q4 Total	YTD Totals
<b>Home Energy Center</b>																	
<b>Home Analyzer</b>																	
Total Number of Users	643	409	296	1,348	182	157	160	499	113	137	208	458	231	233	109	573	2,878
Total Number of Return Users *9	137	92	68	297	44	30	40	114	27	33	34	94	35	46	34	115	620
Total Number of Page Views	7,490	4,651	3,493	15,634	1,858	1,468	1,517	4,843	883	1,287	1,786	3,956	2,264	2,403	930	5,597	30,030
<b>New Users Completing:</b>																	
Basic Home Profile Questions (Lvl. 1)	465	285	191	941	118	100	87	305	49	61	94	204	136	150	54	340	1,790
Appliance Inventory (Lvl. 2)	305	179	126	610	82	66	61	209	34	51	64	149	82	96	29	207	1,175
Detailed Questions on End Uses (Lvl. 3)	25	21	18	64	6	8	6	20	3	11	12	26	12	14	5	31	141
<b>Users Viewing At Least One Measure</b>																	
Number of Measures Pages viewed	1,177	839	635	2,651	290	260	215	765	154	236	276	666	407	432	164	1,003	5,085
Avg. Time Spent in HA (min)	8	8	7	8	6	6	6	6	4	6	5	5	6	7	5	6	6
Avg. Level 1 Time Spent in HA (min)	13	13	13	13	12	13	14	13	12	13	13	13	12	13	13	13	13
<b>Energy-Saving Calculators</b>																	
Total Number of Users	129	76	38	243	32	16	15	63	6	9	18	33	19	24	15	58	397
Washer	11	7	3	21	4	2	0	6	2	3	1	6	3	2	1	6	39
Fridge	15	6	5	26	7	2	1	10	1	4	3	8	3	2	2	7	51
Room A/C	2	1	0	3	2	0	0	2	0	2	0	2	0	0	0	1	8
Thermo	75	41	3	119	5	2	1	8	0	1	2	3	3	2	7	12	142
System	36	25	12	73	10	3	5	18	0	3	11	14	11	15	6	32	137
Load Shift	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Residential Appliance	21	10	5	36	7	2	5	14	2	5	2	9	3	4	1	8	67
Water Heater	24	18	22	64	15	10	7	32	0	4	7	11	5	7	4	16	123
Dryer	14	7	5	26	6	0	3	9	3	4	5	12	2	4	2	8	55
Lighting	10	5	3	18	4	1	1	6	2	2	0	4	2	5	2	9	37
<b>Energy Smart Library, Residential</b>																	
Total Number of Users	7	4	2	13	0	0	0	0	0	1	1	2	1	1	2	4	19
Total Number of Page Views	8	10	2	20	0	0	0	0	0	1	1	2	1	1	3	5	27

\*An implementation of the Aclara Library application (and others that do not use any form of authentication) may show traffic from users who live outside of a company's service territory.

\*1 = Total unique users across all Aclara customer care applications

\*2 = Total new users across all Aclara customer care applications - A new user has not previously accessed any application

\*3 = Total return users across all Aclara customer care applications - A return user has previously accessed at least one application. Note: A user can be both a new and a return user during a reporting period.

\*4 = Total unique users accessing the Dashboard application

\*5 = Total new users accessing Dashboard - A new user has not previously accessed the application

\*6 = Total return users accessing Dashboard - A return user has previously accessed Dashboard - Note: A user can be both a new and a return user during a reporting period

\*7 = The number of users that complete or edit a profile from the Dashboard application

\*9 = The number of users accessing the Home Energy Center this reporting period that have accessed the application previously



New Jersey Natural Gas  
2010 Web Statistics Report\*

Statistic	Jan	Feb	Mar	Q1	Apr	May	Jun	Q2	Jul	Aug	Sep	Q3	Oct	Nov	Dec	Q4	YTD
<b>Overall Application</b>																	
Total Unique Users *1	485	436	380	1,301	307			307									1,608
Total New Users *2	347	321	274	942	217			217									1,159
Total Return Users *3	155	132	119	406	98			98									504
Total Page Views	4,556	4,024	3,407	11,987	2,557			2,557									14,544
<b>Residential Dashboard</b>																	
Total Number of Users *4	478	430	371	1,279	302			302									1,581
Total New Users *5	340	315	265	920	212			212									1,132
Total Return Users *6	154	132	118	404	98			98									502
Total Number of Sessions	561	478	442	1,481	333			333									1,814
Total Number of Page Views	4,552	4,143	3,402	12,097	2,552			2,552									14,649
Avg. Time Spent in Dashboard	5	6	5	5	5			5									5
Total Customer Ids	480	430	372	1,282	300			300									1,582
Total Account Numbers	480	430	372	1,282	300			300									1,582
Total Premise Ids	480	430	372	1,282	301			301									1,583
Total L1 Completions from Dashboard *7	219	224	165	608	143			143									751

Residential Bill Prism											
<b>Bill History</b>											
Total Number of Users	97	78	91	266	54					54	320
Total Number of Page Views	211	154	188	553	104					104	657
Avg. Time Spent in Bill History	1	2	1	1	1					1	1
<b>Bill Analysis *8</b>											
Total Number of Users	67	44	46	157	24					24	181
Total Number of Page Views	317	170	207	694	75					75	769
Avg. Time Spent in Bill Analysis	3	3	3	3	2					2	3

Home Energy Center										
<b>Home Analyzer</b>										
Total Number of Users	204	197	164	565	133	133				698
Total Number of Return Users *9	53	44	36	133	27	27				160
Total Number of Page Views	2,009	2,086	1,540	5,635	1,316	1,316				6,951
<b>New Users Completing:</b>										
Basic Home Profile Questions (Lvl. 1)	126	144	110	380	85	85				465
Appliance Inventory (Lvl. 2)	69	87	73	229	46	46				275
Detailed Questions on End Uses (Lvl. 3)	5	13	10	28	8	8				36
Water Conservation Unique Users	0	0	0	0	0	0				0
<b>Users Viewing At Least One Measure</b>										
Number of Measures Pages viewed	46	52	34	132	32	32				164
Avg. Time Spent in HA (min)	365	283	273	921	251	251				1,172
Avg. Level 1 Time Spent in HA (min)	5	6	5	5	5	5				5
	12	13	12	12	12	12				12
<b>Energy-Saving Calculators</b>										
Total Number of Users	27	34	21	82	16	16				98
Washer	1	1	2	4	1	1				5
Fridge	7	4	3	14	0	0				14
Room A/C	1	1	3	5	0	0				5
Thermo	14	24	1	39	5	5				44
System	9	8	9	26	2	2				28
Residential Appliance	3	4	6	13	3	3				16
Water Heater	3	7	12	22	13	13				35
Dryer	2	3	2	7	2	2				9
Lighting	2	1	4	7	0	0				7
<b>Energy Smart Library, Residential</b>										
Total Number of Users	0	0	1	1	1	1				2
Total Number of Page Views	0	0	1	1	1	1				2

Notes:

\*An implementation of the Aclara Library application (and others that do not use any form of authentication) may show traffic from users who live outside of a company's service territory.

\*1 = Total unique users across all Aclara customer care applications.

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\*6 = Total return users accessing Dashboard. A return user has previously accessed Dashboard. Note: A user can be both a new and a return user during a reporting period.

\*7 = The number of users that complete or edit a profile from the Dashboard application.

\*8 = Beginning in January 2010, we began counting the Bill Analysis differently. Previously, this number included people who accessed any entry point into the Bill Analysis. This statistic now includes only customers who landed on the detail bill analysis page.

\*9 = The number of users accessing the Home Energy Center this reporting period that have accessed the application previously.

**NJNG E-tips Statistics  
Key Terms**

Month	Email name	Sent	Bounces	Net Sent	Spam	Opt-outs	Opt-out %	Opens	Open %	Clicks	Click %	
	Sent	The total emails sent, including bounces.										
	Bounces	Emails sent, but not received by your contacts. (e.g. bad e-mail addresses/full mailboxes)										
	Net Sent	Total emails sent less the number of bounces.										
	Spam Reports	Number of complaints received from an email.										
	Opt-outs	Contacts who moved themselves to your Do Not Mail List.										
	Opt-out percent	Number of opt-outs divided by the number sent.										
	Opens	Trackable emails your contacts received and viewed.										
	Opened percent	Number of opened emails divided by the net sent number.										
	Clicks	Contacts who clicked from an email to your website.										
	Click-through percent	Number of click-throughs divided by the number opened.										
Jan-2007	Cost Cutter Kit	18,746	1105	17,641	77	195	1.1%	5,886	33.4%	742	12.6%	
Feb-2007	Home Performance with Energy Star	4,858	121	4,737	75	109	2.3%	1,628	34.4%	226	13.9%	
Mar-2007	Zero Percent Financing	5,653	86	5,567	8	42	0.8%	1,634	29.4%	161	9.9%	
Apr-2007	Federal Tax Incentives	7,069	148	6,921	5	56	0.8%	2,347	33.9%	376	16.0%	
May-2007	NICEP air conditioning rebates	8,456	214	8,242	9	43	0.5%	2,477	30.1%	239	9.6%	
Jun-2007	Green team contest	9,489	236	9,253	3	49	0.5%	2,616	28.3%	59	2.3%	
Jul-2007	Home Energy Analysis	10,322	297	10,025	21	53	0.5%	2,657	26.5%	435	16.4%	
Aug-2007	Watersense	11,750	323	11,427	7	71	0.6%	3,076	26.9%	210	6.8%	
Sep-2007	Energy Hog	12,579	397	12,182	10	67	0.5%	3,057	25.1%	398	13.0%	
Oct-2007	Change a Light	12,462	541	11,921	7	53	0.4%	2,950	24.7%	327	11.1%	
Nov-2007	High Effic. Upgrades	13,176	590	12,586	6	69	0.5%	3,118	24.8%	387	12.4%	
Dec-2007	Discounted conservation kit	13,722	648	13,074	8	63	0.5%	3,039	23.2%	308	10.1%	
Jan-2008	CTP Dashboard	15,615	663	14,952	12	68	0.5%	3,852	25.8%	483	12.5%	
Feb-2008	Energy Guardian	16,614	753	15,861	19	75	0.5%	4,161	26.2%	910	21.9%	
Mar-2008	Enhanced HPES offer	18,238	826	17,412	9	70	0.4%	4,627	26.6%	296	6.4%	
Apr-2008	Kids and Conservation	20,074	962	19,112	14	99	0.5%	4,578	24.0%	186	4.1%	
May-2008	NICEP rebates	21,931	997	20,934	6	98	0.5%	7,231	34.5%	945	13.1%	
Jun-2008	EE for Buying/Selling your home	23,035	1,130	21,905	47	92	0.4%	5,251	24.0%	308	5.9%	
Jul-2008	Water Heating/ Pools	24,192	1,108	23,084	25	83	0.4%	5,947	25.8%	479	8.1%	
Aug-2008	Do-It - Yourself	25,040	1,216	23,824	25	93	0.4%	6,227	26.1%	797	12.8%	
Sep-2008	Preseason maintenance	26,035	1,152	24,883	20	91	0.4%	6,601	26.5%	158	2.4%	

## NJNG E-tips Statistics Key Terms

Month	Email name	Sent	Bounces	Net Sent	Spam	Opt-outs	Opt-out %	Opens	Open %	Clicks	Click %	
	Sent	The total emails sent, including bounces.										
	Bounces	Emails sent, but not received by your contacts. (e.g. bad e-mail addresses/full mailboxes)										
	Net Sent	Total emails sent less the number of bounces.										
	Spam Reports	Number of complaints received from an email.										
	Opt-outs	Contacts who moved themselves to your Do Not Mail List.										
	Opt-out percent	Number of opt-outs divided by the number sent.										
	Opens	Trackable emails your contacts received and viewed.										
	Opened percent	Number of opened emails divided by the net sent number.										
	Clicks	Contacts who clicked from an email to your website.										
	Click-through percent	Number of click-throughs divided by the number opened.										
Oct-2008	Change the World/EFI Store	27,117	1,302	25,815	15	83	0.3%	7,145	27.7%	761	10.7%	
	Energy Makeover											
Nov-2008	Sweepstakes	27,680	1,308	26,372	19	84	0.3%	7,217	27.4%	1,058	14.7%	
Dec-2008	Conservation Kit	28,795	1,181	27,614	12	73	0.3%	7,225	26.2%	858	11.9%	
Jan-2009	Energy Star TVs/video games	31,213	1,513	29,700	26	96	0.3%	8,524	28.7%	703	8.2%	
Feb-2009	New Federal Tax incentives	33,258	1,635	31,623	22	78	0.2%	9,984	31.6%	1,474	14.8%	
Mar-2009	Revised HPES incentives	33,444	1,655	31,789	14	71	0.2%	8,382	26.4%	516	6.2%	
Apr-2009	Spring Cleaning/NJCEP clothes washer incentives	38,935	1,984	36,951	34	115	0.3%	9,172	24.8%	354	3.9%	
May-2009	Facts about CFLs/ promotion of NJCEP 's GNJR Team	39,073	1,694	37,379	32	105	0.3%	9,312	24.9%	549	5.9%	
Jun-2009	Vacation energy saving tips	40,272	1,783	38,489	32	103	0.3%	9,381	24.4%	484	5.2%	
Jul-2009	water heater savings	41,251	1,853	39,398	21	101	0.3%	10,247	26.0%	857	8.4%	
Aug-2009	refrigerator rebates	42,296	1,964	40,332	19	118	0.3%	10,572	26.2%	411	3.9%	
Sep-2009	Computer savings	44,420	2,117	42,303	23	126	0.3%	11,611	27.4%	608	5.2%	
Oct-2009	Launch of SAVGEGREEN incentives	45,439	2,157	43,282	16	120	0.3%	12,124	28.0%	726	6.0%	
Nov-2009	CTP Dashboard and Sustainable Jersey	46,238	2,807	43,431	23	140	0.3%	10,879	25.0%	425	3.9%	

## NJNG E-tips Statistics Key Terms

	Sent	The total emails sent, including bounces.									
	Bounces	Emails sent, but not received by your contacts. (e.g. bad e-mail addresses/full mailboxes)									
	Net Sent	Total emails sent less the number of bounces.									
	Spam Reports	Number of complaints received from an email.									
	Opt-outs	Contacts who moved themselves to your Do Not Mail List.									
	Opt-out percent	Number of opt-outs divided by the number sent.									
	Opens	Trackable emails your contacts received and viewed.									
	Opened percent	Number of opened emails divided by the net sent number.									
	Clicks	Contacts who clicked from an email to your website.									
	Click-through percent	Number of click-throughs divided by the number opened.									
Month	Email name	Sent	Bounces	Net Sent	Spam	Opt-outs	Opt-out %	Opens	Open %	Clicks	Click %
Dec-2009	Seasons Greetings- Energy Savings	47,061	2,358	44,703	31	115	0.3%	10,835	24.2%	1,083	10.0%
Jan-2010	Safety and Savings	48,476	2,423	46,053	27	138	0.3%	11,814	25.7%	574	4.9%
Feb-2010	Federal Tax Incentives	50,195	2,543	47,652	34	116	0.2%	12,635	26.5%	2,163	17.1%
Mar-2010	Lighting Fair	51,148	2,649	48,499	30	99	0.2%	10,986	22.7%	1,313	12.0%
Apr-2010	ARRA rebates	51,926	2,669	49,257	28	93	0.2%	11,779	23.9%	1,068	9.1%
	Air conditioning - Cool Advantage and Room AC rebates	53,246	2,897	50,349	29	120	0.2%	11,327	22.5%	1,322	11.7%
<b>Total</b>				<u>1,086,534</u>		<u>3,733</u>		<u>284,111</u>		<u>25,737</u>	

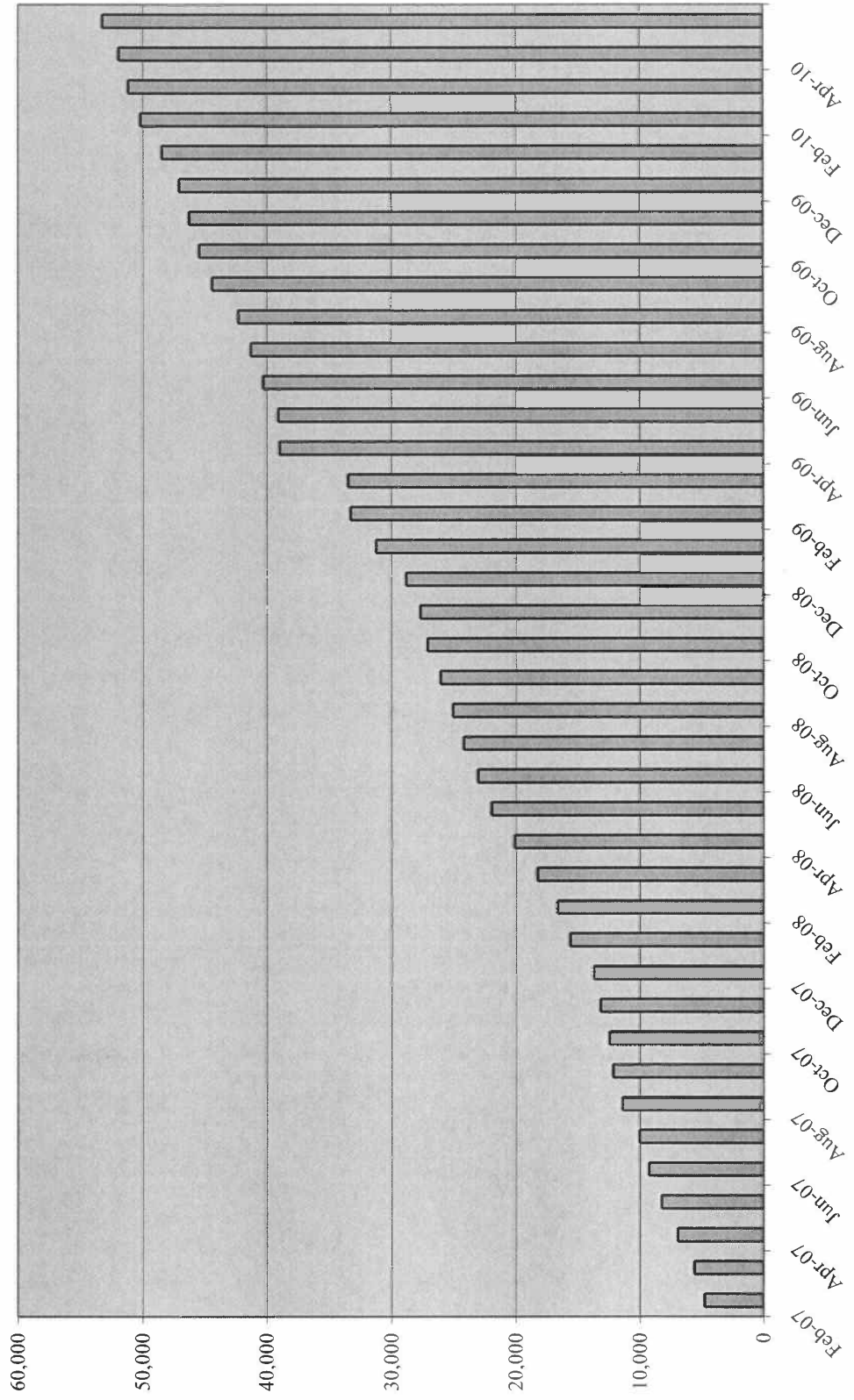
**Notes:** In regard to the decline in participants from January 2007, NJNG reset the parameters to eliminate older e-mail registrations to reduce the number of potential Spam reports (even though all e-mail addresses had been provided to NJNG by customers).

\*These reports may reflect higher results from what was reported during the previous quarter due to continued customer activity.

NJNG instituted system enhancements in March 2009 to facilitate customer use of on-line information services, including the CTP Dashboard. As a result of this single sign-on enhancement, NJNG is transitioning over to a different administrative process for the management of the E-tip subscription list. This transition is causing some minor disruption to enrollment statistics.

### New Jersey Natural Gas

#### E-tips Subscribers



**New Jersey Natural Gas  
Comparison of Website Conservation Statistics**

<b>Page Views</b>	<b>Fiscal 2006</b>	<b>Fiscal 2007</b>	<b>Fiscal 2008</b>	<b>Fiscal 2009</b>	<b>Fiscal 2010- through April only</b>
Conservation Home	6,288	2,636	1,957	4,586	3,033
Conserve to Preserve		2,199	3,090	3,552	2,773
Home Energy Saving Tips		2,482	3,726	4,783	2,457
Residential Programs		9,171	11,613	16,070	10,995
Special Offers & Rebates		6,414	11,353	17,817	8,302
Energy Saving Tips for Your Business		413	855	1,073	477
Commercial Programs		541	728	1,187	66
Distributed Generation		430	500	631	344
Renewable Energy		834	928	1,038	649
Energy Hog Program	843	912	937		
Kids and Conservation			897	1,541	727
SAVEGREEN Project					22,052
<b>Total</b>	<b>7,131</b>	<b>26,032</b>	<b>36,584</b>	<b>52,278</b>	<b>51,875</b>

**Note:** Fiscal 2009 ended the year at nearly seven times the level of activity pre-CIP. Fiscal 2010 shows results comparable to Fiscal 2009 results across the board even though we have shifted much our outreach efforts to promotion of the SAVEGREEN Project micro-site, which had an additional 9,653 visitors since launch. When you consider the traffic on the SAVEGREEN Project Micro-site, the pace for 2010 is even ahead of 2009 activity.

**New Jersey Natural Gas  
CIP Expense through May 15, 2010  
BPU Docket No. GR1006**

	Year 1	Year 2	Year 3	Quarter Ending 12/31/09	Quarter through 3/31/10	Expenses from 4/1 - 5/15	Total Program to Date
Direct Mail Campaigns- Residential and Small Commercial	\$260,600		\$148,242				\$408,842
One Price to Upgrade	\$2,789						\$2,789
Employees as Champions and HVAC Contractors as Champions	\$1,225	\$4,688	\$2,456		\$5,938		\$14,307
Community Outreach, including Energy Hog School Program	\$21,525	\$22,411	\$30,493	\$5,444	\$11,283	\$15,000	\$106,156
Zero Percent Financing	\$79,872	\$59,615					\$139,487
E-mail Distribution Channel	\$8,730	\$2,601			\$4,641		\$15,972
Employee time- "More than incidental"	\$67,485	\$79,336	\$50,873	\$7,449	\$9,130	\$3,011	\$217,284
CTP Dashboard/NEXUS	\$46,250	\$155,722	\$115,990	\$27,507	\$43,347		\$388,816
CTP Business On-line	\$12,000	\$6,463	\$16,413		\$12,000		\$46,876
High-Efficiency Rebates		\$126,450	\$136,450				\$262,900
conservation kits		\$86,365	\$189,640				\$276,005
Community Rewards		\$825	\$4,846		\$950	\$755	\$7,376
HPES Incentive Program		\$2,110	\$5,750				\$7,860
Other	\$3,520				\$727		\$4,247
<b>Total CIP Expenses</b>	<b>\$503,996</b>	<b>\$546,587</b>	<b>\$701,153</b>	<b>\$41,127</b>	<b>\$87,289</b>	<b>\$18,766</b>	<b>\$1,898,917</b>

**Note:** This summary only reflects expenses recorded through May 15, 2010. The Company has incurred additional costs for some programs that were not recorded as of that date due to the timing of the receipt of invoices.