

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

**IN THE MATTER OF THE PETITION)
OF NEW JERSEY NATURAL GAS)
COMPANY FOR APPROVAL OF THE)
EXTENSION OF ENERGY-EFFICIENCY)
PROGRAMS AND THE ASSOCIATED)
COST RECOVERY MECHANISM)
PURSUANT TO N.J.S.A. 48:3-98.1)**

BPU DOCKET NO. GR1207_____

July 9, 2012

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

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OF NEW JERSEY NATURAL GAS)	PETITION
COMPANY FOR APPROVAL OF THE)	
EXTENSION OF ENERGY-EFFICIENCY)	BPU DOCKET NO. GR1207 _____
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COST RECOVERY MECHANISM)	
PURSUANT TO <u>N.J.S.A.</u> 48:3-98.1)	

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

New Jersey Natural Gas Company (“NJNG” or the “Company”) respectfully petitions the New Jersey Board of Public Utilities (the “Board” or “BPU”) pursuant to N.J.S.A. 48:3-98.1, et seq., as follows:

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. Through this Petition and the accompanying schedules and testimonies, NJNG seeks BPU approval to continue, with modifications, the energy-efficiency programs offered through The SAVEGREEN™ Project (“SAVEGREEN”). The proposed modifications are described further herein.

4. This Petition is supported by the schedules and exhibits attached hereto and made a part of this Petition:

Schedule NJNG-1	Comparative Balance Sheet
Schedule NJNG-2	Comparative Income Statement
Schedule NJNG-3	Balance Sheet (May 2012)
Schedule NJNG-4	Statement of Revenues
Schedule NJNG-5	Pro-Forma Income Statement
Schedule NJNG-6	Payments to Affiliates
Schedule NJNG-7	Notice of Filing to Counties and Municipalities
Schedule NJNG-8	Proposed Tariff Sheets
Schedule NJNG-9	Draft Public Notice
Schedule NJNG-10	Accounting Entries
Schedule NJNG-11	Proposed Budget in New Jersey’s Clean Energy Program Format
Schedule NJNG-12	Sample On-Bill Repayment Agreement
Schedule NJNG-13	Cost Benefit Analysis
Schedule NJNG-14	Listing of Minimum Filing Requirements
Schedule NJNG-15	Job Creation Overview
Exhibit P-2	Testimony of Thomas J. Massaro

Schedule TJM-1	Comparative Residential Program Paths
Schedule TJM-2	Residential Programs
Schedule TJM-3	Commercial Programs
Schedule TJM-4	NJCEP and NJNG Program Comparison
Schedule TJM-5	SAVEGREEN Marketing Plan
Schedule TJM-6	Complaint Resolution Process
Exhibit P-3	Testimony of Daniel P. Yardley
Schedule DPY-1	Program Unit Costs and Projected Take Rates
Schedule DPY-2	Energy Efficiency Program Rate Base
Schedule DPY-3	Cost of Capital
Schedule DPY-4	Operations and Maintenance Costs
Schedule DPY-5	Revenue Requirements Summary and Projected Bill Impact
Schedule DPY-6	Energy Efficiency Recovery Rate

Background

5. Pursuant to N.J.S.A. 26:2C-45 (the “Legislation”), signed into law on January 13, 2008, the New Jersey Legislature found that New Jersey can help to address the global-warming problem through the establishment of energy-efficiency and conservation programs. An additional finding in the Legislation highlights that public utilities in New Jersey need to be involved with and participate in efforts to reduce greenhouse gas emissions, specifically through the establishment of energy-efficiency, conservation and renewable energy programs. The active participation of New Jersey utilities provides an integral element in developing a coordinated approach to successfully reducing energy usage.

6. Section 13 of the Legislation, N.J.S.A. 48:3-98.1, establishes that an electric or natural gas utility can offer and invest in regulated energy-efficiency and conservation programs and provides that the utility may file with the BPU for approval of the recovery of costs related to such programs. That recovery may include a return on equity, the establishment of incentives and the development of a rate mechanism that breaks the link between utility revenues and customer usage. The eligible ratemaking treatment can provide for the inclusion of certain related investments in rate base or the recovery of such costs through another BPU-approved method.

7. Subsequent to the passage of the Legislation, the BPU issued an order on May 12, 2008 (the “May 2008 Order”), establishing the procedures through which electric and natural gas utilities can seek approval to offer energy-efficiency and conservation programs on a regulated basis. The May 2008 Order also set out specific information that is to be provided in such filings by delineating Minimum Filing Requirements (“MFRs”).

8. Based on the Legislation and the May 2008 Order, NJNG has made filings in Docket Nos. EO09010056 and GO09010057, GO10030225 and GR11070425 seeking approval to implement energy-efficiency programs through SAVEGREEN that complemented or supplemented existing programs offered through New Jersey’s Clean Energy Program (“NJCEP”). In Orders dated July 17, 2009 (the “July 2009 Order”), September 24, 2010 (the “September 2010 Order”) and January 18, 2012 (the “January 2012 Order”), the BPU adopted the terms of Stipulations entered into among representatives from the BPU Staff, the New Jersey Division of Rate Counsel¹ and NJNG (the “Parties”) approving the implementation of energy-efficiency programs and the associated cost recovery mechanism. Recovery of the costs necessary to deliver these programs, including grants, incentives, incremental operation and

¹That agency was formerly known as the Division of Rate Counsel within the Department of the Public Advocate.

maintenance (“O&M”) expenses and carrying costs is provided through Rider F to the Company’s Tariff.

9. In the instant proceeding, NJNG is seeking Board approval to continue offering through SAVEGREEN the energy-efficiency programs described herein and the on-bill-repayment-program (“OBRP”) initially approved in the September 2010 Order. The programs are further described in the pre-filed testimony and exhibits of Thomas J. Massaro (“Massaro Testimony”), included with the submission of this Petition. Additionally, NJNG has proposed several new elements for customer offers through SAVEGREEN, including the Oil to Gas Conversion opportunity and a no-cost audit for the underserved market of middle-income customers. Finally, NJNG is proposing that, after two full years of operation beginning in January 2013 or as of the effective date of the Board Order approving this proposal, an independent evaluation be conducted with the results to be shared with Rate Counsel and BPU Staff to discuss the outcomes and any implications to be considered as part of program changes to be filed in 2016.

Procedural Matters

10. The May 2008 Order established that certain information must be included in any petition for approval to offer energy-efficiency programs in order to permit a comprehensive review of these filings by BPU Staff and Rate Counsel within the statutorily designated 180-day review period. The MFRs detail the information, analyses and data that generally must be included within such a filing. Attached hereto as Schedule NJNG-14 is a listing of the MFRs and the locations within NJNG’s filing where the respective information can be found.

11. NJNG requests that the BPU retain this matter at the Agency for an administrative review and issuance of a Decision and Order pursuant to the terms of the Legislation and the May 2008 Order.

12. The May 2008 Order also requires that a utility must meet with Board Staff and Rate Counsel at least 30 days in advance of submitting a filing to provide an overview of the elements and cost recovery mechanism proposed. Accordingly, NJNG conferred with representatives of various divisions within the BPU, Rate Counsel, and the Division of Law within the Department of Law and Public Safety on June 1, 2012, to provide an overview of the programs and cost recovery mechanism proposed within this filing.

13. Attached hereto and made part of this Petition is a draft form of notice (Schedule NJNG-9) that will be published in papers of general circulation within NJNG's service territory providing notice to customers of this filing and the details about the public hearing that will be scheduled. A proposed notice to counties and municipalities within the service territory is attached as Schedule NJNG-7.

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 Rate Counsel, 31 Clinton Street, Newark, New Jersey and to those listed on the attached Service List. Additionally, a copy will be made available at all NJNG Customer Service Centers within its Service Territory.

15. NJNG has proposed the extension of BPU-approved energy-efficiency programs that coordinate closely with existing programs in NJCEP with the modifications addressed herein and within the supporting documents. The Company reserves the right to amend this filing should that be necessitated by future modifications or changes to the current NJCEP offerings,

incentives, grants, program management, evaluation, statewide policies, overall budget, and/or coordination with other utilities and state agencies at any time during the review period. Since NJNG anticipates that any amendment would serve to better align its program with State policy, the Company requests that such amendment be addressed within the original 180-day period.

NJNG Proposed Programs

16. In this filing, NJNG proposes to continue the ongoing work of SAVEGREEN with modifications that have been developed in response to market demands, state policy changes and customer needs. In that way, NJNG will avoid unnecessary start-up expenses, delays, the loss of qualified staff and disruptions to the trade ally businesses serving the marketplace. NJNG seeks approval to provide customers with the opportunities proposed in this filing over a four-year period as of January 1, 2013 or the effective date of the Board Order approving this filing.

17. For residential customers, NJNG proposes the following modifications to the current SAVEGREEN offers. These proposals are discussed in greater detail in the Massaro Testimony and the supporting Schedules TJM-1, 2 and 3.

- Segment 1: Residential customers participating in NJCEP WARMAdvantage and small commercial customers using residential size equipment.
 - NJNG will provide a grant of \$300 for the installation of a high-efficiency furnace or boiler².
 - These customers will receive an HPwES audit at no cost after the installation of the above equipment.

² High-efficiency will be based on the ENERGY STAR and NJCEP criteria.

- If additional energy-efficiency measures are implemented following the audit, customers may access the prevailing HPwES incentives for the remaining energy efficiency measures installed.
- NJNG will provide a grant of \$300 for the installation of a high-efficiency water-heater (.67+ annual fuel utilization efficiency). This incentive is not available for indirect water heaters.
- To encourage customers to invest in both a high-efficiency furnace/boiler and water heater at the same time, NJNG will offer a grant of \$900 to offset the incremental costs of these units or, in the alternative, the opportunity to participate in the OBRP for amounts up to \$6,500.
- Segment 2: Customers initiating HVAC equipment upgrades to energy-efficient units through HPwES.
 - NJNG offers participation in the OBRP through which up to \$10,000 can be repaid on the NJNG bill at no interest over 10 years. These customers are also eligible for HPwES grants.
 - For customers starting with WARMAdvantage and moving into HPwES for additional energy-efficiency measures, NJNG will provide the opportunity to access the OBRP for such investments that are initiated within 6 months of the audit.
 - Customers who received an initial grant from NJNG can access the OBRP through the HPwES program for such measures up to the value of prevailing HPwES incentives.

- Customers who received the initial OBRP of up to \$6,500 can increase the level of their OBRP up to a combined maximum of \$10,000 and extend the repayment term for the full value of the OBRP to 10 years. For customers who used the full \$6,500 for their initial OBRP, this translates to having up to an additional \$3,500 available for OBRP for further HPwES upgrades. Under any scenario, the total repayment amount through the OBRP cannot exceed \$10,000.
- HPwES audits will be provided by NJNG for customers seeking an independent audit. The fee of \$250 paid to NJNG for this audit will benefit all customers through an offset to the SAVEGREEN revenue requirement included in the calculations for future cost recovery pursuant to the Board-approved methodology.
- Customers meeting specific verified income criteria will be entitled to a no-cost HPwES audit performed by trained NJNG staff. Such customers will be prescreened for eligibility in NJNG's OBRP to ensure that they have the ability to invest in the recommended HPwES energy-efficiency upgrades.
- NJNG is proposing an Oil Tank Removal ("OTR") program through which grants will be provided for customers converting their heating source and needing to remove either an above-ground or underground heating oil tank. NJNG will offer customers who currently heat with oil and install high-efficiency gas heating equipment an oil tank removal grant of up to \$800 for removal of an above-ground tank or up to \$1,200 for removal of a below-ground tank.

18. In this filing, NJNG is seeking approval to extend the term for the implementation of the Access to Affordable Energy ("Access") Pilot program until the Company has had the

opportunity to provide this program to the 200 customers approved in the January 2012 Order. This program serves to assist customers with electric heat who are receiving benefits from the Universal Service Fund (“USF”) by helping them obtain energy savings through conversions to higher-efficiency equipment. In addition to providing the energy savings through more efficient heating equipment, this offer reduces the amount of financial support other customers must provide through the USF program. As noted in the Massaro Testimony, NJNG has encountered unanticipated delays in obtaining information related to customer eligibility. In light of that, this filing seeks approval to extend for one year the time within which NJNG makes Access available to the originally approved number of 200 customers.

19 Within this filing, NJNG is proposing to have the OPOWER pilot program, or a similar program, continue through 2016. Originally approved for a three-year period that will terminate in 2013, OPOWER provides customers with educational and informational data on how to reduce their personal energy usage. Similarly, the Company is seeking approval to continue through 2016 the Fostering Environmental and Economic Development (“FEED”) program as currently structured, originally approved in the September 2010 Order for a three-year period. This program provides interested commercial customers with individualized opportunities to benefit from environmental and economic development projects with no direct subsidy from NJNG ratepayers.

20. For the commercial sector, NJNG seeks approval to provide grants that align with the current NJCEP SmartStart and Direct Install programs. As further described in the Massaro Testimony and Schedule TJM-3, NJNG will match the current NJCEP grant of up to \$15,000 for commercial customers with a peak demand of 200 kW or less installing high-efficiency gas equipment (including, but not limited to, furnaces/boilers, water heaters and booster water

heaters). For customers with a peak demand greater than 200 kW, the matching grant for installing high-efficiency equipment could be up to \$25,000. Additionally, commercial customers implementing upgrades to high-efficiency natural gas equipment through the NJCEP Direct Install program may be eligible to utilize an OBRP for the balance of their approved project. Based upon current NJCEP project incentive caps and grant levels, customers can receive up to \$32,800 through the OBRP, payable over a two-year period, providing that NJNG's credit review criteria are met.

21. The SAVEGREEN energy-efficiency programs proposed herein and within the supporting documents enhance and complement ongoing efforts in New Jersey that are directed toward lowering energy costs for New Jersey residents, support state policies articulated in the Energy Master Plan and address environmental concerns while stimulating the economy through opportunities for local businesses to grow and jobs to be created for residents of New Jersey. The SAVEGREEN programs address and support economic growth through increased activity specifically in the energy-efficiency industries. Increased economic activity will benefit not only developers and installers of high-efficiency equipment but also the associated businesses and service personnel in other industries and fields providing ancillary services.

22. In this Petition, NJNG is seeking approval to continue the SAVEGREEN programs through December 31, 2016. Pursuant to the structure approved by the Board in the September 2010 Order, NJNG proposes that work related to a SAVEGREEN program may continue into 2017 for close-out and completion of projects approved or committed prior to December 31, 2016.

23. To appropriately address customer needs, market and economic conditions, the impact of variations in weather and possible policy changes in New Jersey, NJNG is proposing

funding flexibility in two manners. As described in more detail in the testimony of Daniel P. Yardley (Exhibit P-3) and his supporting Schedules (“Yardley Testimony”), the Company is seeking to clarify that the current funding flexibility accommodate shifting funds between the grant and OBRP incentives to accommodate the revenue requirement differences. Additionally, in light of the multi-year approach proposed in this filing, the funding flexibility should allow the Company to carry forward up to 20 percent of the approved revenue requirement for the residential and commercial programs to subsequent years. The Company will still limit funding flexibility by preventing the shift of funds between residential and commercial programs. Based on the terms of the January 2012 Order, the Company will still provide written notice to the Board Staff and Rate Counsel for any changes between residential and commercial program funding or any change in incentive levels, including a description of the proposed budget re-allocation with supporting schedules. Additionally, if funds allocated for SAVEGREEN in 2012 are not fully expended or committed by January 18, 2013, NJNG will transfer those amounts to the program work in future years.

24. As discussed in the Massaro Testimony, NJNG will arrange for an independent evaluation of the SAVEGREEN programs to be initiated after two full years of operation of the SAVEGREEN programs proposed herein. Following that, it is proposed that the Company meet with BPU Staff and Rate Counsel to discuss the outcomes from that evaluation and any implications to be considered as part of program changes to be filed by NJNG in 2016.

Cost Recovery Mechanism

25. NJNG is requesting that the BPU approve the continued use of deferred accounting for all costs associated with the SAVEGREEN Programs, including the costs of the grants, customer incentives, operations and maintenance (“O&M”) expenses, amortization

expense, return on investments and income taxes. The recovery of those costs shall be through a per-therm charge applicable to all jurisdictional volumes through NJNG's system. The investments associated with the SAVEGREEN Programs will be amortized over a five- or ten-year period from the month in which they are incurred. It is proposed that the recovery be through Rider F of the NJNG Tariff, the previously-approved mechanism now in place for the recovery of costs for SAVEGREEN. The cost recovery mechanism is discussed in further detail in the Yardley Testimony.

26. As with the current Board-approved SAVEGREEN cost recovery mechanism, NJNG will submit for approval by the Board an annual filing to establish future rates for Rider F. In that filing, the Company will provide a reconciliation of the SAVEGREEN recoveries to actual investments and operating costs incurred. Any federal or state benefits, if applicable, received by the Company and associated with the SAVEGREEN programs will be used to reduce the revenue requirement or costs to be collected from ratepayers.

WHEREFORE, NJNG respectfully requests that the Board issue an Order finding that:

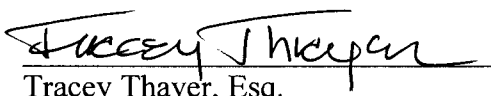
1. The Board will retain this matter for review at the Agency in the manner and timeframe incorporated in the Legislation, specifically Section 13;
2. The SAVEGREEN Programs proposed by NJNG (Residential and Commercial) and associated cost recovery mechanism are in the public interest and NJNG is fully authorized to implement and administer these Programs on a regulated basis for at least four years under the terms and conditions set forth in this Petition, as well as the Exhibits and Schedules attached thereto;
3. NJNG is authorized to utilize deferred accounting and recover all reasonably incurred costs associated with the SAVEGREEN Programs herein through Rider F to the NJNG tariff with such recovery starting as of the effective date of the Board Order in this proceeding;
4. The return and associated taxes on the investments related to the SAVEGREEN Programs herein will be set pursuant to NJNG's overall Weighted Average Cost of Capital as authorized by the BPU in the most recent NJNG base rate case (Docket No. GR071108899);

5. The proposed Energy Efficiency (“EE”) rate as collected through Rider F and set forth in the proposed Tariff Sheets in Schedule NJNG-8 is approved;
6. NJNG will make an annual filing related to the EE rate and the costs associated thereto to be submitted to the BPU and Rate Counsel;
7. The proposed rates and charges, as set forth in this Petition and the supporting Exhibits and Schedules, are just and reasonable and, as discussed in the Yardley Testimony and in the annual Energy Efficiency cost recovery filing filed concurrently with this Petition, NJNG is authorized to increase the current EE rate of \$0.0127 after-tax to \$0.0327 per therm after-tax as of the effective date of the BPU order approving the SAVEGREEN Programs herein;
8. In the event funding for specific incentives is no longer available from NJCEP or is reduced, NJNG has the authority to increase the incentives offered to customers to match the decrease in NJCEP funding. Additionally, if funds allocated for SAVEGREEN in 2012 are not fully expended or committed by January 18, 2013, NJNG has the authority to transfer those amounts to the program work beginning in 2013 and going forward;
9. Projects started prior to December 31, 2016 may continue into 2017 for close-out and completion activities; and

10. 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: July 6, 2012

STATE OF NEW JERSEY)

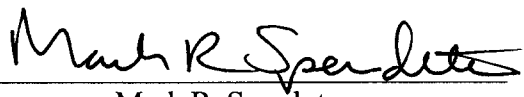
COUNTY OF MONMOUTH)

VERIFICATION

MARK R. SPERDUTO of full age, being duly sworn according to law, on his oath
deposes and says:

1. I am Vice President, Regulatory and External Affairs for New Jersey Natural Gas
Company, the Petitioner in the foregoing Petition.

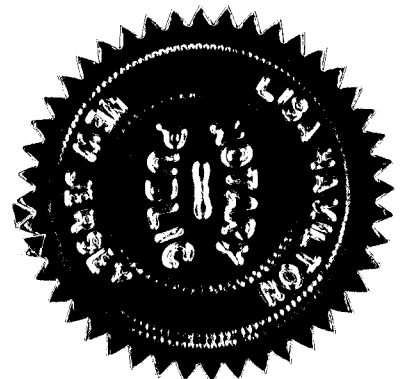
2. I have read the annexed Petition, along with the Exhibits attached thereto, and the
matters and things contained therein are true to the best of my knowledge, information and belief.


Mark R. Spurduto
Vice-President, Regulatory and External Affairs

Sworn and subscribed to
before me this 6th day
of July, 2012



LISA HAMILTON
NOTARY PUBLIC FOR NEW JERSEY
Commission Expires January 4, 2015



NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF DECEMBER 31

	(\$000)	
	2011	2010
<u>ASSETS</u>		
<u>PROPERTY, PLANT & EQUIP</u>		
UTILITY PLANT, AT COST	\$1,512,646	\$ 1,455,327
CONSTRUCTION WORK IN PROGRESS	99,595	92,383
	1,612,241	1,547,710
ACCUMULATED DEPRECIATION AND AMORT.	(461,407)	(473,518)
PROPERTY, PLANT & EQUIPMENT, NET	1,150,834	1,074,192
<u>CURRENT AND ACCRUED ASSETS</u>		
CASH AND TEMPORARY INVESTMENTS	2,418	3,072
ACCOUNTS RECEIVABLE	68,204	20,366
ACCRUED UTILITY REVENUE	33,335	79,726
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(4,473)	(3,440)
GAS IN STORAGE, AT AVG COST	134,994	138,517
MATERIALS AND SUPPLIES	6,385	4,470
PREPAYMENTS	5,445	4,592
DERIVATIVE ASSETS	2,669	11,424
DERIVATIVE HEDGES	30,774	27,322
TOTAL CURRENT ASSETS	279,750	286,049
<u>DEFERRED DEBITS</u>		
UNAMORTIZED DEBT EXPENSE	7,811	6,985
REGULATORY ASSETS	410,250	415,239
ACCUMULATED DEFERRED TAXES	-	2,319
UNRECOVERED PURCHASED GAS COSTS	(31,078)	24,751
MISC DEFERRED DEBITS	1,266	1,227
TOTAL NONCURRENT ASSETS	388,249	450,521
 TOTAL ASSETS	 \$1,818,833	 \$ 1,810,762

Source: NJNG ANNUAL BPU REPORTS

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF DECEMBER 31

	(\$000)	
	2011	2010
<u>CAPITALIZATION AND LIABILITIES</u>		
<u>CAPITALIZATION</u>		
COMMON STOCK EQUITY	\$ 658,241	\$ 630,452
LONG-TERM DEBT	329,845	329,845
TOTAL CAPITALIZATION	988,086	960,297
<u>OTHER NONCURRENT LIABILITIES</u>		
CAPITAL LEASE OBLIGATIONS	51,705	52,605
INCOME TAX - FAS 109	(10,878)	(13,860)
ACCUM PROV FOR INJ & DAMAGES, PENSIONS	1,862	2,723
DERIVATIVE LIABILITY	-	-
ASSET RETIREMENT OBLIGATION	27,125	26,131
TOTAL OTHER NONCURRENT LIABILITIES	69,814	67,599
<u>CURRENT AND ACCRUED LIABILITIES</u>		
NOTES PAYABLE	74,700	57,000
CURRENT MATURITIES OF L/T DEBT	-	-
CAPITAL LEASE OBLIGATIONS	8,182	12,060
ACCOUNTS PAYABLE ASSOC COMPANIES	2,664	2,122
ACCOUNTS PAYABLE AND OTHER	86,042	95,981
TAXES PAYABLE	11	77
MISC CURRENT AND ACCRUED LIAB	37,861	42,238
DERIVATIVE INSTRUMENTS	2,669	11,424
CUSTOMERS DEPOSITS	7,021	6,344
DIVIDENDS DECLARED	15,744	14,867
ACCRUED TAXES AND INTEREST	(5,964)	15,192
TOTAL CURRENT LIABILITIES	228,930	257,305
<u>NONCURRENT LIABILITIES</u>		
DEFERRED INCOME TAXES	295,478	278,104
DEFERRED INVESTMENT TAX CREDITS	2,793	2,942
CUSTOMER ADVANCES FOR CONSTRUCTION	2,271	2,601
OTHER DEFERRED CREDITS	48,561	40,314
OTHER REGULATORY LIABILITY	182,900	201,600
TOTAL NONCURRENT LIABILITIES	532,003	525,561
TOTAL CAPITALIZATION AND LIABILITIES	\$ 1,818,833	\$ 1,810,762

Source: NJNG ANNUAL BPU REPORTS

NEW JERSEY NATURAL GAS COMPANY
STATEMENT OF INCOME
AS OF DECEMBER 31

	(\$000)	(\$000)	
	<u>May-12</u>	<u>2011</u>	<u>2010</u>
<u>OPERATING REVENUE</u>	<u>\$ 649,021</u>	<u>\$ 885,553</u>	<u>\$ 989,365</u>
<u>OPERATING EXPENSES</u>			
GAS PURCHASES	295,395	533,003	642,336
OPERATION AND MAINTENANCE	148,834	136,669	135,044
DEPRECIATION	34,538	33,549	32,027
TAXES - OTHER THAN INCOME	41,402	55,694	56,847
INCOME TAXES	42,025	41,172	37,365
TOTAL OPERATING EXPENSES	<u>562,194</u>	<u>800,087</u>	<u>903,619</u>
OPERATING INCOME	86,827	85,466	85,746
OTHER INCOME, NET	1,546	2,069	1,734
INTEREST CHARGES, NET	14,553	14,596	16,383
NET INCOME	<u>\$ 73,820</u>	<u>\$ 72,939</u>	<u>\$ 71,097</u>

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF MAY 31, 2012

	(\$000)
	<u>May-2012</u>
<u>ASSETS</u>	
<u>PROPERTY, PLANT & EQUIP</u>	
UTILITY PLANT, AT COST	\$ 1,547,274
CONSTRUCTION WORK IN PROGRESS	104,704
	<u>1,651,978</u>
ACCUMULATED DEPRECIATION AND AMORT.	(465,487)
PROPERTY, PLANT & EQUIPMENT, NET	<u>1,186,491</u>
<u>CURRENT AND ACCRUED ASSETS</u>	
CASH AND TEMPORARY INVESTMENTS	1,412
ACCOUNTS RECEIVABLE	44,362
ACCRUED UTILITY REVENUE	2,635
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(4,665)
GAS IN STORAGE, AT AVG COST	97,025
MATERIALS AND SUPPLIES	6,420
PREPAYMENTS	34,334
DERIVATIVE ASSETS	6,062
TOTAL CURRENT ASSETS	<u>187,585</u>
<u>DEFERRED DEBITS</u>	
UNAMORTIZED DEBT EXPENSE	7,619
REGULATORY ASSETS	403,934
ACCUMULATED DEFERRED TAXES	12,424
UNRECOVERED PURCHASED GAS COSTS	14,893
MISC DEFERRED DEBITS	954
TOTAL NONCURRENT ASSETS	<u>439,824</u>
 TOTAL ASSETS	 <u>\$ 1,813,900</u>

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF MAY 31, 2012

	(\$000)
	<u>May-2012</u>
<u>CAPITALIZATION AND LIABILITIES</u>	
<u>CAPITALIZATION</u>	
COMMON STOCK EQUITY	\$ 693,681
LONG-TERM DEBT	378,528
TOTAL CAPITALIZATION	<u>1,072,209</u>
 <u>CURRENT AND ACCRUED LIABILITIES</u>	
SHORT-TERM DEBT	69,000
CAPITAL LEASE OBLIGATIONS	8,062
ACCOUNTS PAYABLE ASSOC COMPANIES	2,613
ACCOUNTS PAYABLE AND OTHER	69,931
ACCRUED TAXES AND INTEREST	(6,869)
MISC CURRENT AND ACCRUED LIAB	52,219
CUSTOMERS DEPOSITS	7,114
TOTAL CURRENT LIABILITIES	<u>202,070</u>
 <u>NONCURRENT LIABILITIES</u>	
DEFERRED INCOME TAXES	307,694
DEFERRED INVESTMENT TAX CREDITS	2,659
CUSTOMER ADVANCES FOR CONSTRUCTION	2,332
OTHER DEFERRED CREDITS	22,913
OTHER REGULATORY LIABILITY	204,023
TOTAL NONCURRENT LIABILITIES	<u>539,621</u>
 TOTAL CAPITALIZATION AND LIABILITIES	 <u>\$ 1,813,900</u>

NEW JERSEY NATURAL GAS COMPANY
GAS REVENUE BY CLASS OF BUSINESS
AS OF DECEMBER 31, 2011

	<u>(\$000)</u>
Residential	\$ 533,963
Commercial	144,561
Industrial	607
Firm Transportation	4,791
Street & Yard Light Service	4
Cogeneration	-
Off-System Sales & Storage	<u>201,627</u>
Total	<u>\$ 885,553</u>

New Jersey Natural Gas
Enhanced SMARTGREEN Programs
Income Statement and Balance Sheet

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Year												
Residential Grants												
I. Residential Energy Efficiency												
A. Income Statement												
Operating Revenue	\$ 6,290	\$ 9,134	\$ 11,654	\$ 13,850	\$ 9,104	\$ 6,392	\$ 4,131	\$ 2,000	\$ -	\$ -	\$ -	\$ -
Operating Expense												
Operations & Maintenance	\$ 4,094	\$ 4,546	\$ 4,805	\$ 4,870	\$ 319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	1,935	3,870	5,805	7,740	7,740	5,805	3,870	1,935	-	-	-	-
Income Taxes	83	229	334	396	334	188	83	21	-	-	-	-
Interest Expense	57	156	227	270	227	128	57	14	-	-	-	-
Total Operating Expense	6,169	8,802	11,171	13,276	8,620	6,120	4,010	1,970	-	-	-	-
Net Income	\$ 121	\$ 332	\$ 483	\$ 574	\$ 483	\$ 272	\$ 121	\$ 30	\$ -	\$ -	\$ -	\$ -
B. Balance Sheet												
Assets												
Property, Plant & Equipment	\$ 9,675	\$ 19,350	\$ 29,025	\$ 38,700	\$ 38,700	\$ 29,025	\$ 19,350	\$ 9,675	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(1,935)	(5,805)	(11,610)	(19,350)	(27,090)	(23,220)	(17,415)	(9,675)	-	-	-	-
Net Property, Plant & Equipment	7,740	13,545	17,415	19,350	11,610	5,805	1,935	-	-	-	-	-
Deferred Tax Asset	(3,162)	(5,533)	(7,114)	(7,904)	(4,743)	(2,371)	(790)	-	-	-	-	-
Total Assets	4,578	8,012	10,301	11,446	6,867	3,434	1,145	-	-	-	-	-
Liabilities & Capitalization												
Liabilities:												
Deferred Income Taxes	(3,162)	(5,533)	(7,114)	(7,904)	(4,743)	(2,371)	(790)	-	-	-	-	-
Capitalization:												
Debt	3,774	6,604	8,491	9,435	5,661	2,830	943	-	-	-	-	-
Common Equity	3,966	6,941	8,924	9,915	5,949	2,975	992	-	-	-	-	-
Total Capitalization	7,740	13,545	17,415	19,350	11,610	5,805	1,935	-	-	-	-	-
Total Liabilities & Capitalization	4,578	8,012	10,301	11,446	6,867	3,434	1,145	-	-	-	-	-

New Jersey Natural Gas
Enhanced SMARTGREEN Programs
Income Statement and Balance Sheet

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential On-Bill Repayment Plan												
I. Residential Energy Efficiency												
A. Income Statement												
Operating Revenue	\$ 1,478	\$ 4,188	\$ 6,404	\$ 8,127	\$ 7,879	\$ 6,055	\$ 4,527	\$ 3,295	\$ 2,360	\$ 1,574	\$ 885	\$ 98
Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	472	1,339	2,047	2,598	2,519	1,936	1,447	1,053	755	503	283	31
Income Taxes	321	911	1,393	1,768	1,714	1,317	985	717	513	342	192	21
Interest Expense	794	2,249	3,440	4,366	4,232	3,252	2,432	1,770	1,268	845	475	53
Total Operating Expense	\$ 684	\$ 1,938	\$ 2,964	\$ 3,762	\$ 3,647	\$ 2,803	\$ 2,095	\$ 1,525	\$ 1,093	\$ 728	\$ 410	\$ 46
Net Income	\$ 30,250	\$ 60,500	\$ 90,750	\$ 121,000	\$ 121,000	\$ 108,000	\$ 95,000	\$ 82,000	\$ 69,000	\$ 69,000	\$ 51,750	\$ 17,250
	(4,325)	(12,975)	(25,950)	(43,250)	(60,550)	(62,250)	(61,350)	(57,850)	(51,750)	(58,650)	(46,575)	(17,250)
Net Property, Plant & Equipment	25,925	47,525	64,800	77,750	60,450	45,750	33,650	24,150	17,250	10,350	5,175	-
Deferred Tax Asset	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	25,925	47,525	64,800	77,750	60,450	45,750	33,650	24,150	17,250	10,350	5,175	-
Liabilities & Capitalization												
Liabilities:	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization:												
Debt	12,641	23,172	31,595	37,910	29,474	22,307	16,407	11,775	8,411	5,046	2,523	-
Common Equity	13,284	24,353	33,205	39,840	30,976	23,443	17,243	12,375	8,839	5,304	2,652	-
Total Capitalization	25,925	47,525	64,800	77,750	60,450	45,750	33,650	24,150	17,250	10,350	5,175	-
Total Liabilities & Capitalization	\$ 25,925	\$ 47,525	\$ 64,800	\$ 77,750	\$ 60,450	\$ 45,750	\$ 33,650	\$ 24,150	\$ 17,250	\$ 10,350	\$ 5,175	\$ -
B. Balance Sheet												
Assets												
Property, Plant & Equipment	\$ 30,250	\$ 60,500	\$ 90,750	\$ 121,000	\$ 121,000	\$ 108,000	\$ 95,000	\$ 82,000	\$ 69,000	\$ 69,000	\$ 51,750	\$ 17,250
Less: Accum Depreciation	(4,325)	(12,975)	(25,950)	(43,250)	(60,550)	(62,250)	(61,350)	(57,850)	(51,750)	(58,650)	(46,575)	(17,250)
Net Property, Plant & Equipment	25,925	47,525	64,800	77,750	60,450	45,750	33,650	24,150	17,250	10,350	5,175	-
Deferred Tax Asset	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	25,925	47,525	64,800	77,750	60,450	45,750	33,650	24,150	17,250	10,350	5,175	-
Liabilities & Capitalization												
Liabilities:	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization:												
Debt	12,641	23,172	31,595	37,910	29,474	22,307	16,407	11,775	8,411	5,046	2,523	-
Common Equity	13,284	24,353	33,205	39,840	30,976	23,443	17,243	12,375	8,839	5,304	2,652	-
Total Capitalization	25,925	47,525	64,800	77,750	60,450	45,750	33,650	24,150	17,250	10,350	5,175	-
Total Liabilities & Capitalization	\$ 25,925	\$ 47,525	\$ 64,800	\$ 77,750	\$ 60,450	\$ 45,750	\$ 33,650	\$ 24,150	\$ 17,250	\$ 10,350	\$ 5,175	\$ -

[illegible]

New Jersey Natural Gas
Enhanced SMARTGREEN Programs
Income Statement and Balance Sheet

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Year												
Commercial Grants												
I. Commercial Energy Efficiency												
<u>A. Income Statement</u>												
Operating Revenue	\$ 461	\$ 806	\$ 1,133	\$ 1,441	\$ 1,248	\$ 908	\$ 587	\$ 284	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-
Operations & Maintenance	149	154	160	165	-	-	-	-	-	-	-	-
Depreciation & Amortization	275	550	825	1,100	1,100	825	550	275	-	-	-	-
Income Taxes	12	33	47	56	47	27	12	3	(0)	(0)	(0)	(0)
Interest Expense	8	22	32	38	32	18	8	2	(0)	(0)	(0)	(0)
Total Operating Expense	444	759	1,064	1,360	1,180	870	570	280	(0)	(0)	(0)	(0)
Net Income	\$ 17	\$ 47	\$ 69	\$ 82	\$ 69	\$ 39	\$ 17	\$ 4	\$ (0)	\$ (0)	\$ (0)	\$ (0)
<u>B. Balance Sheet</u>												
<u>Assets</u>												
Property, Plant & Equipment	\$ 1,375	\$ 2,750	\$ 4,125	\$ 5,500	\$ 5,500	\$ 4,125	\$ 2,750	\$ 1,375	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(275)	(825)	(1,650)	(2,750)	(3,850)	(3,300)	(2,475)	(1,375)	-	-	-	-
Net Property, Plant & Equipment	1,100	1,925	2,475	2,750	1,650	825	275	-	-	-	-	-
Deferred Tax Asset	(449)	(786)	(1,011)	(1,123)	(674)	(337)	(112)	(0)	(0)	(0)	(0)	(0)
Total Assets	651	1,139	1,464	1,627	976	488	163	(0)	(0)	(0)	(0)	(0)
<u>Liabilities & Capitalization</u>												
<u>Liabilities:</u>												
Deferred Income Taxes	(449)	(786)	(1,011)	(1,123)	(674)	(337)	(112)	(0)	(0)	(0)	(0)	(0)
<u>Capitalization:</u>												
Debt	536	939	1,207	1,341	805	402	134	-	-	-	-	-
Common Equity	564	986	1,268	1,409	845	423	141	-	-	-	-	-
Total Capitalization	1,100	1,925	2,475	2,750	1,650	825	275	-	-	-	-	-
Total Liabilities & Capitalization	\$ 651	\$ 1,139	\$ 1,464	\$ 1,627	\$ 976	\$ 488	\$ 163	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Commercial On-Bill Repayment Plan												
I. Commercial Energy Efficiency												
A. Income Statement												
Operating Revenue	\$ 94	\$ 187	\$ 187	\$ 187	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ 30	\$ 60	\$ 60	\$ 60	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense	\$ 20	\$ 41	\$ 41	\$ 41	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expense	\$ 50	\$ 100	\$ 100	\$ 100	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 43	\$ 87	\$ 87	\$ 87	\$ 43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B. Balance Sheet												
Assets												
Property, Plant & Equipment	\$ 3,280	\$ 6,560	\$ 6,560	\$ 6,560	\$ 3,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(1,640)	(4,920)	(4,920)	(4,920)	(3,280)	-	-	-	-	-	-	-
Net Property, Plant & Equipment	1,640	1,640	1,640	1,640	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	1,640	1,640	1,640	1,640	-	-	-	-	-	-	-	-
Liabilities & Capitalization												
Liabilities:												
Capitalization:	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Debt	800	800	800	800	-	-	-	-	-	-	-	-
Common Equity	840	840	840	840	-	-	-	-	-	-	-	-
Total Capitalization	1,640	1,640	1,640	1,640	-	-	-	-	-	-	-	-
Total Liabilities & Capitalization	\$ 1,640	\$ 1,640	\$ 1,640	\$ 1,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NEW JERSEY NATURAL GAS COMPANY
PAYMENTS AND ACCRUALS TO AFFILIATES

	FISCAL YEAR		
	2011	2010	2009
NJR Service Company & NJR Parent to NJNG	\$ 18,398,665	\$ 18,414,498	\$ 18,097,414
NJR Service Company , NJNG, & NJR Parent to NJRES	\$ 5,427,427	\$ 5,985,265	\$ 5,585,753
NJR Service Company , NJNG, & NJR Parent to NJR Home Services	\$ 5,542,385	\$ 5,225,321	\$ 4,277,784
NJR Service Company , NJNG, & NJR Parent to CR&R	\$ 198,047	\$ 190,189	\$ 183,296
NJR Service Company & NJR Parent to NJR Energy	\$ 260,288	\$ 194,957	\$ 213,299
NJR Service Company, NJNG, & NJR Parent to NJRCEV	\$ 1,558,177	\$ 606,571	\$ -
Total	\$ 31,384,989	\$ 30,616,801	\$ 28,357,546

<<ADD DATE>>

To: County Clerks, Municipal Clerks and County Administrators

IN THE MATTER OF THE PETITION)	
OF NEW JERSEY NATURAL GAS)	PETITION
COMPANY FOR APPROVAL OF THE)	
EXTENSION OF ENERGY EFFICIENCY)	BPU DOCKET NO.
PROGRAMS AND THE ASSOCIATED)	GR1207 _____
COST RECOVERY MECHANISMS)	
PURSUANT TO <u>N.J.S.A. 48:3-98.1</u>)	

Pursuant to law, New Jersey Natural Gas Company ("NJNG" or the "Company") is providing you with notice of a filing made on <<ADD FILING DATE>> with the New Jersey Board of Public Utilities for approval of the extension of energy-efficiency programs and the associated cost recovery mechanisms. As noted on the attached copy of the public notice, a hearing on this matter has been scheduled by the BPU for <<ADD DATE AND TIME>> in Rockaway Township and Freehold Township. Copies of the filing are available for review at the Company's Customer Service Offices and at the New Jersey Board of Public Utilities, 44 South Clinton Street, 9th Floor, P.O. Box 350, Trenton, New Jersey 08450-0350.

Very truly yours,

Tracey Thayer
Director, Regulatory Affairs Counsel

Enclosure

RIDER "F"**ENERGY EFFICIENCY - EE****AVAILABILITY**

Applicable to the following service classifications:

RS	Residential Service	ED	Economic Development
DGR	Distributed Generation Residential	FC	Firm Cogeneration
GSS	General Service - Small	NGV	Natural Gas Vehicle
GSL	General Service - Large	IS	Interruptible Service
FT	Firm Transportation	IGS	Incremental Gas Service
DGC	Distributed Generation Commercial		

In accordance with P.L. 2011, c. 9, societal benefits charges pursuant to section 12 of P.L. 1999, c.23 (C.48:3-60), or any other charge designed to recover the costs for societal, energy efficiency, conservation, environmental or renewable energy programs, are not applicable to natural gas delivery service or commodity that is used to generate electricity that is sold for resale. Natural gas used to generate electricity that is sold for resale by customers served under the above Service Classifications is exempt from costs associated with the Energy Efficiency ("EE") Rider and shall not be billed for such charges. In order to qualify for this exemption, a customer who uses natural gas to generate electricity for resale must complete an Annual Certification form, provided by the Company, to certify the percentage of natural gas used at the customer's New Jersey generation facilities during the previous calendar year to generate electricity that was sold for resale.

The EE rate is for recovering authorized expenditures related to the energy efficiency programs as approved in BPU Docket Nos. GO09010057, GO10030225, and GR11070425 and GR1207____.

DETERMINATION OF THE EE

The Company shall file an annual request with the Board for implementation of an EE charge, which shall be applicable to customers on all service classifications to which Rider "F" applies. The EE recovery year is intended to run from October 1st to September 30th of each year.

Date of Issue: ~~January 23, 2012~~
Issued by: Mark R. Sperduto, Vice President
Wall, NJ 07719

Effective for service rendered on
and after January 18, 2013

RIDER "F"**ENERGY EFFICIENCY - EE****I. Determination of the Rate**

The EE rate shall be derived in the following manner:

1. An estimate shall be made of the total annual cost related to the programs. This rider will include only expenses for energy efficiency programs approved by the Board in BPU Docket Nos. GO09010057, GO10030225, and GR11070425 and GR1207____ unless modified further by Board Order.
2. An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers.
3. The prospective costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery to determine the total costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit cost recovery rate.

II. Tracking the Operation of the EE

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred costs based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the balance at the end of each EE recovery year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The EE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EE factor is as set forth below:

\$0.0127

Date of Issue: *January 23, 2012*
 Issued by: *Mark R. Sperduto, Vice President*
Wall, NJ 07719

Effective for service rendered on
and after January 18, 20132

NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS
Petition for Approval of SAVEGREEN Extension and Associated Cost Recovery
Mechanisms
Docket No. GR1207 _____

NOTICE OF FILING AND PUBLIC HEARING

TO OUR CUSTOMERS:

PLEASE TAKE NOTICE that on July 9, 2012, New Jersey Natural Gas (“NJNG” or the “Company”) filed a Petition with the New Jersey Board of Public Utilities (“Board”) seeking approval of an extension to the currently approved energy-efficiency programs offered through NJNG’s The SAVEGREEN™ Project and the associated cost recovery mechanisms. The proposed programs target residential and commercial customers in the NJNG service territory and complement or supplement existing offers through New Jersey’s Clean Energy Program (NJCEP). These NJNG programs will provide customers with increased incentives for participation in NJCEP programs through grants, on-bill repayment arrangements, audits and weatherization opportunities as well as expanded outreach efforts. NJNG also requested that the Board permit the Company to continue the Board-approved Energy Efficiency (“EE”) Rider that has been in effect since August 1, 2009 for collection of the costs associated with these programs. Those costs include funds for grants, customer incentives and the associated incremental Operations and Maintenance expenses. NJNG has requested that the carrying costs associated with these programs be allowed. NJNG also made a filing on July 9, 2012 requesting that the Board approve a change of the EE rate from \$0.0127 to \$0.0327 per therm after-tax.

The Company is requesting a four-year extension. If these programs are approved as filed, customers will see no change in their bill before January 2013.

The EE recovery charge mechanism will operate and be applied in a manner consistent with existing components and processes of the EE Rider applicable to all jurisdictional throughput volumes. Individual customers participating in the SAVEGREEN programs are expected to achieve annual savings on their energy bills.

The impacts of the Company’s filing herein and other changes to the EE rate, requested to be effective as of January 1, 2013 or as of the effective date of the Final Board Order in this proceeding, on a typical residential customer (both heat and non-heat), a typical general service small customer on a monthly basis and a typical general service large customer are estimated to be as follows based on the usage levels shown below:

Customer Type	Therm Level (Usage)	Total Bill		Net Dollar Increase	Percent Increase
		Monthly Bill as of June 1, 2012	Proposed After-tax Monthly Bill		
Residential Heat Sales	100	\$118.17	\$120.17	\$2.00	1.7%
Residential Non-Heat Sales	25	\$36.20	\$36.70	\$0.50	1.4%
General Service Small	100	\$134.37	\$136.37	\$2.00	1.5%
General Service Large	1200	\$1,257.70	\$1,281.70	\$24.00	1.9%

The EE rates above reflect the proposed impact on customers for 2013 and in subsequent years the applicable rates will be determined following an annual filing by NJNG based on actual collections through April and projected collections through September. Additionally, the Board has the statutory authority to establish the EE rate at a level it finds just and reasonable pursuant to *N.J.S.A. 48:2-21*. Therefore, the Board may establish the EE charge at a level other than those proposed by NJNG and the impact on a customer’s bill may vary from the information provided above.

PLEASE TAKE NOTICE that a public hearing on the extension of the SAVEGREEN Programs and EE Rider has been scheduled at the following dates, times and places:

?? at 4:30 and 5:30
Freehold Township Municipal Building
One Municipal Plaza-Schanck Road
Freehold, NJ 07728-2195

?? at 4:30 and 5:30
Rockaway Township Municipal Building
65 Mt. Hope Road
Rockaway, NJ 07866

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, 44 South Clinton Street, 9th Floor, P.O. Box 350, Trenton, New Jersey 08625-0350. Copies of NJNG's filing can be reviewed either at the NJNG Customer Service Centers or at the New Jersey Board of Public Utilities, 44 South Clinton Street, 9th Floor, P.O. Box 350, Trenton, New Jersey 08625-0350.

Tracey Thayer, Esq.
New Jersey Natural Gas

**NEW JERSEY NATURAL GAS COMPANY
ACCOUNTING ENTRIES**

<u>Entry</u>	<u>Acct.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<u>Accounting for NJNG SAVEGREEN Programs</u>				
EE1		To defer program expenditures and incremental O&M.		
	182	Program Investment Regulatory Asset	XXX	
	131	Cash		XXX
EE2		To amortize direct program expenditures over __ years.		
	908	Customer Assistance Expenses	XXX	
	182	Program Investment Regulatory Asset		XXX
EE3		To charge incremental O&M to operating expense		
	908	Customer Assistance Expenses	XXX	
	182	Program Investment Regulatory Asset		XXX
EE4		Record the Regulatory asset recovery		
	131	Cash	XXX	
	400	Clause Revenues		XXX
	400	Clause Revenues	XXX	
	182	Regulatory Asset		XXX
EE5		To record any over/ under recovery.		
	182	Regulatory Asset	XXX	
	407.3	Regulatory Debits	XXX	
	407.4	Regulatory Credits		XXX
	254	Regulatory Liability		XXX
EE6		Record cost of capital on unrecovered balance using NJNG's WACC.		
	182	Regulatory Asset	XXX	
	419	Other Income	XXX	XXX
	254	Regulatory Liabilities		XXX
EE7		Record the Regulatory asset recovery On Bill Repayment Plan		
	908	Customer Assistance Expenses	XXX	
	131	Cash		XXX
	182	Regulatory Asset	XXX	
	908	Customer Assistance Expenses		XXX
EE8		Record Recovery of On Bill Financing Repayment		
	131	Cash	XXX	
	908	Customer Assistance Expenses		XXX
	908	Customer Assistance Expenses	XXX	
	182	Regulatory Asset		XXX

NJNG SAVEGREEN Program Budgets

2013

Energy Efficiency Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$13,769,003	\$512,632	\$1,011,550	\$0	\$9,675,000	\$577,470	\$1,992,351		
Commercial Energy Efficiency Programs	\$1,523,990	\$56,959	\$45,835	\$0	\$1,375,000	\$30,231	\$15,965		
Oil to Gas Conversions	\$1,326,000	\$0	\$0	\$0	\$1,326,000	\$0	\$0		
Total	\$16,618,993	\$569,591	\$1,057,385	\$0	\$12,376,000	\$607,701	\$2,008,316	\$0	\$0

2014

Energy Efficiency Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$14,221,193	\$530,574	\$1,355,854	\$0	\$9,675,000	\$597,681	\$2,062,083		
Commercial Energy Efficiency Programs	\$1,529,205	\$58,953	\$47,439	\$0	\$1,375,000	\$31,289	\$16,524		
Oil to Gas Conversions	\$1,326,000	\$0	\$0	\$0	\$1,326,000	\$0	\$0		
Total	\$17,076,398	\$589,527	\$1,403,293	\$0	\$12,376,000	\$628,971	\$2,078,607		

2015

Energy Efficiency Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$14,480,310	\$549,144	\$1,403,309	\$0	\$9,675,000	\$618,600	\$2,134,256		\$100,000
Commercial Energy Efficiency Programs	\$1,534,602	\$61,016	\$49,100	\$0	\$1,375,000	\$32,384	\$17,102		
Oil to Gas Conversions	\$1,326,000	\$0	\$0	\$0	\$1,326,000	\$0	\$0		
Total	\$17,340,912	\$610,160	\$1,452,409	\$0	\$12,376,000	\$650,985	\$2,151,358		

2016

Energy Efficiency Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$14,544,996	\$568,364	\$1,452,425	\$0	\$9,675,000	\$640,251	\$2,208,955		
Commercial Energy Efficiency Programs	\$1,540,188	\$63,151	\$50,818	\$0	\$1,375,000	\$33,518	\$17,701		
Oil to Gas Conversions	\$1,326,000	\$0	\$0	\$0	\$1,326,000	\$0	\$0		
Total	\$17,411,184	\$631,516	\$1,503,243	\$0	\$12,376,000	\$673,769	\$2,226,656		

2017 - Close-out

Energy Efficiency Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$319,429	\$91,155	\$19,956	\$0	\$0	\$208,318	\$0		
Commercial Energy Efficiency Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Access to Affordability Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Total	\$319,429	\$91,155	\$19,956	\$0	\$0	\$208,318	\$0		



**PROMISSORY NOTE
ON-BILL REPAYMENT PROGRAM**

NEW JERSEY NATURAL GAS COMPANY 1415 Wyckoff Rd P.O. Box 1464 Wall NJ, 07719	Name: Joint Name: Address: Town: State & Zip: NJ, Borrower(s) "I", "Me", "My" includes each Borrower above, individually and together.	On-Bill Repayment Number: Date: On-Bill Repayment Amount: Maturity Date:
---------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------

ANNUAL PERCENTAGE RATE: The cost of my credit as a yearly rate: 0%

FINANCE CHARGE: The dollar amount the credit will cost me: \$0.00

AMOUNT FINANCED: The amount of credit provided to me or on my behalf:

TOTAL OF PAYMENTS: The amount I will have paid after I have made all scheduled payments:

My payment schedule will be: as follows

Number of payments: 120

Amount of payments: 119 payments of . One final payment of

Definitions: In this Promissory Note ("Note"), the words "I," "me" and "my" mean anyone signing this Note as a Borrower(s) or in any other way. The words "you" and "your" mean New Jersey Natural Gas Company ("NJNG").

Promise to Pay: I promise to pay to your order, either in-person, during your normal business hours, at your office at 1415 Wyckoff Road, P.O. Box 1464, Wall, New Jersey 07719, or by mailing to the NJNG designated payment address that appears on my NJNG monthly natural gas account bill, the Total of Payments, by paying the following amounts: and 00/100 Dollars, in 120 monthly installments as follows:

119 installments of each and one final payment of , with each of the installments to be due the same date as my NJNG account monthly billing due date on the New Jersey Natural Gas Company Account Number set forth below.

When payments are due: Monthly, the same date as my NJNG account monthly billing due date on the New Jersey Natural Gas Company Account Number set forth below.

Prepayment: I have the right to make payments of principal at any time before they are due, which is known as a "prepayment." When I make a prepayment, I am required to tell you in writing that I am doing so by mailing a written notice of prepayment, enclosing a separate check for the prepayment, to: NJNG, Revenue Billing Department, 1415 Wyckoff Road, P.O. Box 1464, Wall, New Jersey 07719. I may not designate a payment as a prepayment if I have not made all the monthly payments due under this Note.

Notwithstanding anything herein to the contrary, the minimum amount of any prepayment shall be no less than 20% of the **AMOUNT FINANCED**. If I attempt to make a prepayment in an amount less than 20% of the **AMOUNT FINANCED**, or fail to tell you in writing, as set forth above, that I am making a prepayment, you may, at your sole discretion, either credit the attempted prepayment to my NJNG natural gas account (rather than to reduce the amount of principal that I owe under this Note), or return the attempted prepayment to me.

I may make a full prepayment or partial prepayments in the manner set forth above without paying a prepayment charge. You will use my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date or in the amount of my monthly payment unless you agree in writing to those changes. It is further understood and agreed that if my NJNG natural gas account is in arrears, any such prepayment shall be applied first to the overdue balance on my NJNG natural gas account, and any remaining amount to reduce the amount of principal that I owe under this Note.



ADDITIONAL TERMS OF THE NOTE

Collection Costs: If you hire an attorney to bring a lawsuit to collect any amount owing under this Note, I will pay any reasonable attorneys' fees and any court costs you have to pay.

Waivers and Releases: You can waive or delay enforcing any of your rights without losing them. You can waive or delay enforcing a right as to one borrower without waiving it as to any other borrower. Also, you need not give anyone any notice of any waiver, delay or release of any party or any extension of time payment. You need not give notice to one of us of defaults of the other.

Continued Effectiveness: If any part of this Note is determined by a court to be invalid, the rest will remain in effect.

What Law Applies: Any legal question about this Note will be decided according to New Jersey State law.

Responsibility: I and everyone else signing this Note will be, individually and together, liable under it. You can sue me under this Note even if you do not sue anyone else.

Default: Any of the following is a default under this Note:

1. Any amount owing under this Note is not paid by the day it becomes due; or
2. I violate a provision of this Note now or in the future; or
3. I file for bankruptcy or become subject to a proceeding which seeks relief from debt; or
4. I die or become legally unable to manage my affairs; or
5. I terminate the NJNG account number listed in this Note; or
6. I sell or otherwise transfer ownership of the real property at which NJNG currently provides natural gas utility service under the NJNG account number listed in this Note; or
7. I have made a false or misleading statement about an important matter in connection with the transaction covered by this Note or I have made or make one in any application to you related to this Note; or
8. You reasonably believe that any amount owing under this Note will not be paid by the day it becomes due.

If a Default Occurs: If a default occurs, you can declare all amounts owing under this Note immediately due.

Obligations Independent: My obligation to pay the Total of Payments is independent of the obligation of any other person who has also agreed to pay it. You may, without notice, release me or any of us, extend new credit to any of us, or renew or change this Note one or more times and for any term, and I will still be obligated to pay the Total of Payments or any other amount due pursuant to this Note.

Privacy: From time to time you may receive credit information about me from others, including lenders and credit reporting agencies. You may furnish to others on a regular basis credit and experience information regarding this Note. To the extent permitted by law, I agree that you will not be liable for any claim arising from the use of information provided to you by others or for providing information to others.

Agreement: I agree to be bound by all the provisions of this Note.

Copy Received: Borrower(s) acknowledges receipt of a completely filled in copy of this Note.

Signature of Borrower(s)

Print Signature of Borrower(s)

Address

Summary of Residential Program
Cost-Benefit Analysis

	Furnace / Boiler Grant	Water Heater Only Grant	Furnace/WH Combo Grant	Oil to Gas Furnace/WH Grant	Furnace/WH Combo OBRRP	HPES Tier II OBRRP	HPES Tier III OBRRP	Oil to Gas Furnace/WH OBRRP	OPower	Total Residential
Participant Test										
Benefits	\$ 7,851,540	\$ 1,993,317	\$ 29,083,807	\$ 30,459,830	\$ 27,912,737	\$ 23,840,158	\$ 68,234,595	\$ 36,420,235	\$ 2,271,290	\$ 228,067,507
Costs	3,153,331	1,759,415	13,753,045	14,518,396	13,753,045	5,368,559	30,826,307	14,541,188	-	97,675,286
Net Benefits	\$ 4,696,209	\$ 233,901	\$ 15,330,762	\$ 15,941,434	\$ 14,159,692	\$ 18,471,599	\$ 37,408,288	\$ 21,879,047	\$ 2,271,290	\$ 130,392,222
Ratio	2.49	1.13	2.11	2.10	2.03	4.44	2.21	2.50	-	2.33
Program Administrator Test										
Benefits	\$ 4,623,070	\$ 693,591	\$ 13,869,645	\$ 41,629,639	\$ 13,869,645	\$ 7,809,862	\$ 26,996,656	\$ 41,694,992	\$ 1,242,274	\$ 152,429,374
Costs	4,555,004	2,292,026	17,008,644	5,970,456	16,579,592	15,263,553	34,380,558	12,081,780	1,090,500	109,222,114
Net Benefits	\$ 68,066	\$ (1,598,436)	\$ (3,139,000)	\$ 35,659,183	\$ (2,709,947)	\$ (7,453,692)	\$ (7,383,902)	\$ 29,613,212	\$ 151,774	\$ 43,207,259
Ratio	1.01	0.30	0.82	6.97	0.84	0.51	0.79	3.45	1.14	1.40
Ratepayer Impact Test										
Benefits	\$ 4,623,070	\$ 693,591	\$ 13,869,645	\$ 41,629,639	\$ 13,869,645	\$ 7,809,862	\$ 26,996,656	\$ 41,694,992	\$ 1,242,274	\$ 152,429,374
Costs	9,783,347	3,442,173	26,697,960	(35,855,450)	33,484,271	25,269,348	69,739,005	(29,620,423)	3,361,790	106,302,022
Net Benefits	\$ (5,160,277)	\$ (2,748,582)	\$ (12,828,316)	\$ 77,485,089	\$ (19,614,627)	\$ (17,459,486)	\$ (42,742,349)	\$ 71,315,415	\$ (2,119,516)	\$ 46,127,352
Ratio	0.47	0.20	0.52	(1.16)	0.41	0.31	0.39	(1.41)	0.37	1.43
Total Resource Cost Test										
Benefits	\$ 5,246,225	\$ 840,467	\$ 15,917,117	\$ 36,239,282	\$ 15,917,117	\$ 9,033,847	\$ 31,340,194	\$ 36,296,172	\$ 1,542,654	\$ 152,373,074
Costs	5,087,138	3,208,272	18,582,562	14,903,018	19,324,579	6,797,749	32,330,718	15,115,777	1,090,500	116,440,312
Net Benefits	\$ 159,087	\$ (2,367,805)	\$ (2,665,445)	\$ 21,336,264	\$ (3,407,462)	\$ 2,236,098	\$ (990,524)	\$ 21,180,396	\$ 452,154	\$ 35,932,762
Ratio	1.03	0.26	0.86	2.43	0.82	1.33	0.97	2.40	1.41	1.31
Societal Cost Test										
Benefits	\$ 5,997,446	\$ 984,862	\$ 18,276,486	\$ 30,951,912	\$ 18,276,486	\$ 10,404,576	\$ 36,145,252	\$ 31,000,483	\$ 1,882,660	\$ 153,920,161
Costs	5,087,138	3,208,272	18,582,562	14,903,018	19,324,579	6,797,749	32,330,718	15,115,777	1,090,500	116,440,312
Net Benefits	\$ 910,308	\$ (2,223,410)	\$ (306,076)	\$ 16,048,894	\$ (1,048,094)	\$ 3,606,827	\$ 3,814,534	\$ 15,884,707	\$ 792,160	\$ 37,479,849
Ratio	1.18	0.31	0.98	2.08	0.95	1.53	1.12	2.05	1.73	1.32

Participant Test				
Benefits	\$ 47,332,732	\$	37,589,758	\$ 84,922,490
Costs	19,104,834		14,320,405	33,425,239
Net Benefits	\$ 28,227,898	\$	23,269,353	\$ 51,497,251
Ratio	2.48		2.62	2.54
Program Administrator Test				
Benefits	\$ 51,458,044	\$	37,923,462	\$ 89,381,506
Costs	10,557,369		10,390,152	20,947,521
Net Benefits	\$ 40,900,674	\$	27,533,310	\$ 68,433,985
Ratio	4.87		3.65	4.27
Ratepayer Impact Test				
Benefits	\$ 51,458,044	\$	37,923,462	\$ 89,381,506
Costs	47,584,874		37,925,947	85,510,821
Net Benefits	\$ 3,873,170	\$	(2,485)	\$ 3,870,685
Ratio	1.08		1.00	1.05
Total Resource Cost Test				
Benefits	\$ 56,712,331	\$	41,800,543	\$ 98,512,873
Costs	19,356,976		14,656,594	34,013,569
Net Benefits	\$ 37,355,355	\$	27,143,949	\$ 64,499,304
Ratio	2.93		2.85	2.90
Societal Cost Test				
Benefits	\$ 64,384,892	\$	47,483,027	\$ 111,867,919
Costs	19,356,976		14,656,594	34,013,569
Net Benefits	\$ 45,027,916	\$	32,826,434	\$ 77,854,350
Ratio	3.33		3.24	3.29

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND
ASSOCIATED COST RECOVERY MECHANISMS
PURSUANT TO N.J.S.A. 48:3-98.1

Schedule NJNG-14

		I. General Filing Requirements- RGGI	Location in NJNG's EE filing
		The utility shall provide with all filings, information and data pertaining to the specific program proposed, as set forth in applicable sections of N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12.	Exhibit P-1, Petition Schedule NJNG-1 Comparative Balance Sheet Schedule NJNG-2 Comparative Income Statement Schedule NJNG-3 Balance Sheet (May 2012) Schedule NJNG-4 Statement of Revenue Schedule NJNG-5 Pro-Forma Income Statement Schedule NJNG-6 Payments to Affiliates Schedule NJNG-7 Notice of Filing to Counties and Municipalities Schedule NJNG-8 Proposed Tariff Sheets Schedule NJNG-9 Draft Public Notice Certification incorporated within Petition
I	a		
		All filings shall contain information and financial statements for the proposed program in accordance with the applicable Uniform System of Accounts that is set forth in N.J.A.C. 14:1-5.12. The utility shall provide the Accounts and Account numbers that will be utilized in booking the revenues, costs, expenses and assets pertaining to each proposed program so that they can be properly separated and allocated from other regulated and/or other programs.	Schedule NJNG-10 Accounting Entries Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Energy Efficiency Program Rate Base Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary
I	b		
		The utility shall provide supporting explanations, assumptions, calculations, and work papers for each proposed program and cost recovery mechanism petition filed under N.J.S.A. 48:3-98.1 and for all qualitative and quantitative analyses therein. The utility shall provide electronic copies of all materials and supporting schedules, with all inputs and formulae intact.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Energy Efficiency Program Rate Base Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary Exhibit P-2, Direct Testimony of Thomas J. Massaro
I	c		
		The utility shall file testimony supporting its petition.	Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3, Direct Testimony of Daniel P. Yardley
I	d		
		For any small scale or pilot program, the utility shall only be subject to the requirements in this Section and Sections II, III, and IV. The utility shall, however, provide its estimate of costs and a list of data it intends to collect in a subsequent review of the benefits of the program. Information in Section V may be required for pilot and small programs if such programs are particularly large or complex. A "small scale" project is defined as one that would result in either a rate increase of less than a half of one percent of the average residential customer's bill or an additional annual total revenue requirement of less than \$5 million. A pilot program shall be no longer than three years, but can be extended under appropriate circumstances.	Not Applicable
I	e		
		If the utility is filing for an increase in rates, charges etc., or for approval of a program which may increase rates/charges to ratepayers in the future, the utility shall include a draft public notice with the petition and proposed publication dates.	Schedule NJNG-9 Draft Form of Public Notice
I	f		

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY
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Schedule NING-14

		II. Program Description	
II	a	The utility shall provide a detailed description of each proposed program for which the utility seeks approval: Description of Program 2, Market Segment/Efficiency Targeted 3, Delivery Method 4, Estimated Program Participants 5, Link to Existing Programs 6, Existing Incentives 7, Proposed Incentives 8, Anticipated Job Creation 9, Budget Information 10, Marketing Approach 11, Contractor Role	Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-1 Residential Program Paths Schedule TJM-2 Residential Schedule TJM-3 Commercial Schedule NING-11 Proposed Budget Information in NJCEP Format Schedule TJM-4 NJCEP and NJNG Program Comparison
II	b	The utility shall provide a detailed explanation of the differences and similarities between each proposed program and existing and/or prior programs offered by the New Jersey Clean Energy Program, or the utility.	Schedule TJM-4 NJCEP and NJNG Program Comparison
II	c	The utility shall provide a description of how the proposed program will complement, and impact existing programs being offered by the utility and the New Jersey Clean Energy Program with all supporting documentation.	Exhibit P-2, Direct Testimony of Thomas J. Massaro
II	d	The utility shall provide a detailed description of how the proposed program is consistent with and/or different from other utility programs or pilots in place or proposed with all supporting documentation.	Schedule TJM-4 NJCEP and NJNG Program Comparison
II	e	The utility shall provide a detailed description of how the proposed program comports with New Jersey State policy as reflected in reports, including the New Jersey Energy Master Plan, or, pending issuance of the final Energy Master Plan, the draft Energy Master Plan, and the greenhouse gas emissions reports to be issued by the New Jersey Department of Environmental Protection pursuant to N.J.S.A. 26:2C-42(b) and (c) and N.J.S.A. 26:2C-43 of the Global Warming Response Act, N.J.S.A. 26:2C-37 et seq.	Exhibit P-2, Direct Testimony of Thomas J. Massaro
II	f	The utility shall provide the features and benefits for each proposed program including the following: i. the target market and customer eligibility if incentives are to be offered; ii. the program offering and customer incentives; iii. the quality control method including inspection; iv. program administration; and v. program delivery mechanisms.	Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-2 Residential Schedule TJM-3 Commercial
II	g	The utility shall provide the criteria upon which it chose the program.	Exhibit P-2, Direct Testimony of Thomas J. Massaro
II	h	The utility shall provide the estimated program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives including inspections and quality control, program implementation (all contract costs) and evaluation and other.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule NING-11 Proposed Budget Information in NJCEP Format
II	i	The utility shall provide the extent to which the utility intends to utilize employees, contractors or both to deliver the program and, to the extent applicable, the criteria the utility will use for contractor selection.	Exhibit P-2, Direct Testimony of Thomas J. Massaro
II	j	In the event the program contemplates an agreement between the utility and its contractors and/or the utility and its ratepayers, copies of the proposed standard contract or agreement between the ratepayer and the utility, the contractor and the utility, and/or the contractor and the ratepayer shall be provided.	Schedule NING-12 Sample On-Bill Repayment Agreement
II	k	The utility shall provide a detailed description of the process for resolving any customer complaints related to these programs.	Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-6 Complaint Resolution Flow Chart
II	l	The utility shall describe the program goals including number of participants on an annual basis and the energy savings, renewable energy generation and resource savings, both projected annually and over the life of the measures.	Schedule TJM-2 Residential Schedule TJM-3 Commercial Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates
II	m	Marketing – The utility shall provide the following: a description of where and how the proposed program/project will be marketed or promoted throughout the demographic segments of the utility's customer base including an explanation of how prices and the service for each proposed program/project will be conveyed to customers.	Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-5 Marketing Plan

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND
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Schedule NJNG-14

		III. Additional Filing Information	
III	a	The utility shall describe whether the proposed programs will generate incremental activity in the energy efficiency/ conservation/ renewable energy marketplace and what, if any, impact on competition may be created, including any impact on employment, economic development and the development of new business with all supporting documentation. This shall include a breakdown of the impact on the employment within this marketplace as follows: marketing/sales, training, program implementation, installation, equipment, manufacturing and evaluation and other applicable markets. With respect to the impact on competition the analysis should include the competition between utilities and other entities already currently delivering the service in the market or new markets that may be created.	Schedule TJM-2 Residential Schedule TJM-3 Commercial Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule NJNG-15 Job Creation Overview
III	b	The utility shall provide a description of any known market barriers that may impact the program and address the potential impact on such known market barriers for each proposed program with all supporting documentation. This analysis shall include barriers across the various markets including residential (both single and multi-family), commercial and industrial (both privately owned and leased buildings), as well as between small, medium and large commercial and industrial markets. This should include both new development and retrofit or replacement upgrades across the market sectors.	Exhibit P-2, Direct Testimony of Thomas J. Massaro
III	c	The utility shall provide a qualitative/quantitative description of any anticipated environmental benefits associated with the proposed program and a quantitative estimate of such benefits for the program overall and for each participant in the program with all supporting documentation. This shall include an estimate of the energy saved in kWh and/or therms and the avoided air emissions, wastewater discharges, waste generation and water use or other saved or avoided resources.	Schedule TJM-2 Residential Schedule TJM-3 Commercial
III	d	To the extent known, the utility shall identify whether there are similar programs available in the existing marketplace and provide supporting documentation if applicable. This shall include those programs that provide other societal benefits to other under-served markets. This should include an analysis of the services already provided in the market place, and the level of competition.	Schedule TJM-4 NJCEP and NJNG Program Comparison
III	e	The utility shall provide an analysis of the benefits or impacts in regard to Smart Growth.	Exhibit P-2, Direct Testimony of Thomas J. Massaro
III	f	The utility shall propose the method for treatment of Renewable Energy Certificates ("REC") including solar RECs or any other certificate developed by the Board of Public Utilities, including Greenhouse Gas Emissions Portfolio and Energy Efficiency Portfolio Standards including ownership, and use of the certificate revenue stream(s).	Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3 Direct Testimony of Daniel P. Yardley
III	g	The utility shall propose the method for treatment of any air emission credits and offsets, including Regional Greenhouse Gas Initiative carbon dioxide allowances and offsets including ownership, and use of the certificate revenue stream(s).	Not Applicable
III	h	The utility shall analyze the proposed quantity and expected prices for any REC, solar REC, air emission credits, offsets or allowances or other certificates to the extent possible.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-5 Revenue Requirements Summary

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND
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Schedule NJNG-14

		IV. Cost Recovery Mechanism	
IV	a	The utility shall provide appropriate financial data for the proposed program, including estimated revenues, expenses and capitalized investments, for each of the first three years of operations and at the beginning and end of each year of said three-year period. The utility shall include pro forma income statements for the proposed program, for each of the first three years of operations and actual or estimated balance sheets as at the beginning and end of each year of said three year period.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Energy Efficiency Program Rate Base Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary Schedule NJNG-5 Pro-Forma Income Statement
IV	b	The utility shall provide detailed spreadsheets of the accounting treatment of the cost recovery including describing how costs will be amortized, which accounts will be debited or credited each month, and how the costs will flow through the proposed method of recovery of program costs.	Schedule NJNG-10 Accounting Entries
IV	c	The utility shall provide a detailed explanation, with all supporting documentation, of the recovery mechanism it proposes to utilize for cost recovery of the proposed program, including proposed recovery through the Societal Benefits Charge, a separate clause established for these programs, base rate revenue requirements, government funding reimbursement, retail margin, and/or other.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-6 Energy Efficiency Rate
IV	d	The utility's petition for approval, including proposed tariff sheets and other required information, shall be verified as to its accuracy and shall be accompanied by a certification of service demonstrating that the petition was served on the Department of the Public Advocate, Division of Rate Counsel simultaneous to its submission to the Board.	Exhibit P-1, Petition Schedule NJNG-8 Proposed Tariff Sheets
IV	e	The utility shall provide an annual rate impact summary by year for the proposed program, and an annual cumulative rate impact summary for all approved and proposed programs showing the impact of individual programs as well as the cumulative impact of all programs upon each customer class of implementing each program and all approved and proposed programs based upon a revenue requirement analysis that identifies all estimated program costs and revenues for each proposed program on an annual basis. The utility shall also provide an annual bill impact summary by year for each program, and an annual cumulative bill impact summary by year for all approved and proposed programs showing bill impacts on a typical customer for each class.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-7 Projected Bill Impacts by Class
IV	f	The utility shall provide, with supporting documentation, a detailed breakdown of the total costs for the proposed program, identified by cost segment (capitalized costs, operating expense, administrative expense, etc.). This shall also include a detailed analysis and breakdown and separation of the embedded and incremental costs that will be incurred to provide the services under the proposed program with all supporting documentation.	Exhibit P-3 Direct Testimony of Daniel P. Yardley Schedule DPY-5 Revenue Requirements Summary
IV	g	The utility shall provide a detailed revenue requirement analysis that clearly identifies all estimated program costs and revenues for the proposed program on an annual basis, including effects upon rate base and pro forma income calculations.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-5 Revenue Requirements Summary
IV	h	The utility shall provide, with supporting documentation: (i) a calculation of its current capital structure as well as its calculation of the capital structure approved by the Board in its most recent electric and/or gas base rate cases, and (ii) a statement as to its allowed overall rate of return approved by the Board in its most recent electric and/or gas base rate cases.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-3 Cost of Capital
IV	i	If the utility is seeking carrying costs for a proposed program, the filing shall include a description of the methodology, capital structure, and capital cost rates used by the utility.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-3 Cost of Capital
IV	j	A utility seeking incentives or rate mechanism that decouples utility revenues from sales, shall provide all supporting justification, and rationale for incentives, along with supporting documentation, assumptions and calculations.	Not Applicable

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND
ASSOCIATED COST RECOVERY MECHANISMS
PURSUANT TO N.J.S.A. 48:3-98.1

Schedule NJNG-14

V. Cost Benefit Analysis			
V	a	The utility shall provide a detailed analysis with supporting documentation of the net benefits associated with the proposed program, including, if appropriate, a comprehensive and detailed avoided cost savings study with supporting documentation. The value of the avoided environmental impacts and the environmental benefits and the value of any avoided or deferred energy infrastructure should be stated separately.	Schedule NJNG-13 Cost Benefit Analysis
V	b	The utility shall calculate a cost/benefit analysis utilizing the Total Resource Cost ("TRC") test that assesses all program costs and benefits from a societal perspective. The utility may also provide any cost benefit analysis that it believes appropriate with supporting rationales and documentation.	Schedule NJNG-13 Cost Benefit Analysis
V	c	The utility shall quantify all direct and indirect benefits as well as provide projected costs resulting from a proposed program that is subject to a cost/benefit test.	Schedule NJNG-13 Cost Benefit Analysis
V	d	Renewable energy programs shall not be subject to a cost/benefit test but the utility must quantify all direct and indirect benefits resulting from such a proposed program as well as provide the projected costs. The utility must also demonstrate how such a proposed program will support energy and environmental statewide planning objectives, such as attainment of the Renewable Portfolio Standard and any emission requirements.	Schedule NJNG-13 Cost Benefit Analysis
V	e	The utility must demonstrate for the proposed program that it results in a positive benefit/cost ratio, or, if the utility cannot make such a demonstration, it must provide the rationale for why the proposed program should be approved.	Schedule NJNG-13 Cost Benefit Analysis
V	f	The level of energy and capacity savings utilized in these calculations shall be based upon the most recent protocols approved by the Board of Public Utilities to measure energy savings for the New Jersey Clean Energy Program. In the event no such protocols exist, or to the extent that a protocol does not exist for a filed program, the utility must submit a measurement protocol for the program or contemplated measure for approval by the Board.	Schedule NJNG-13 Cost Benefit Analysis
V	g	The utility shall also quantify and deduct from the energy and capacity savings any free rider effects and the business as usual benefits from homeowners and businesses installing Energy Efficiency or Renewable Energy without the N.J.S.A. 48:3-98.1 benefits or incentives.	Schedule NJNG-13 Cost Benefit Analysis

New Jersey Natural Gas **Estimate of Jobs Created/Sustained**

Note: These estimates do not include any multiplier effects or any impact on job retention at companies that participate in the program.

Estimated # of Projects per year	Assumed avg # work days per project	Estimated Total Work Hours	FTEs based upon 1820 work hours
----------------------------------------	-------------------------------------------	----------------------------------	---------------------------------------

Current NJNG EE positions

29

Residential

Gas Furnace/Boiler	1,000	4	32,000	18
Combination Gas Furnace/Boiler & Water Heater	5,000	5	200,000	110
Hot Water Heater when combined with WARMAdvantage path	750	1	6,000	3
HPwES upgrades associated with NJNG audits	950	2	15,200	8
HPwES Projects served entirely by HPwES contractor in NJNG territory (Tier II)	100	2	1,600	1
HPwES Projects served entirely by HPwES contractor in NJNG territory (Tier III)	900	7	50,400	28

Estimate of Jobs Created/Sustained from residential projects

197

Commercial

Direct Install	100	7	5,600	3
Small Commerical < 200 KW	50	9	3,600	2
Large Commercial > 200 KW	25	13	2,600	1

Range of Estimated of Jobs Created/Sustained from Commerical

6

Total Range of Jobs/Created Sustained 203

1 **NEW JERSEY NATURAL GAS COMPANY**
2
3 **DIRECT TESTIMONY OF THOMAS J. MASSARO**
4 **VICE PRESIDENT – MARKETING AND BUSINESS INTELLIGENCE**
5

6 **I. INTRODUCTION AND BACKGROUND**

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

8 A. My name is Thomas J. Massaro. I am Vice President-Marketing and Business
9 Intelligence for New Jersey Natural Gas Company (“NJNG” or the “Company”). My
10 business address is 1415 Wyckoff Road, Wall, NJ 07719.

11 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
12 **BACKGROUND.**

13 A. I attended Drexel University, receiving a Bachelor of Science degree in mechanical
14 engineering in June 1989 at which time I joined NJNG as a Management Engineer.
15 Since that time, I have held several positions in marketing, operations and customer
16 service, including serving as Vice President of Corporate Strategy from June 2005 to
17 September 2007 and Treasurer of NJNG. In my current position of Vice President of
18 Marketing and Business Intelligence, which I have held since July 2007, I am
19 responsible for all aspects of the marketing function at NJNG. That includes
20 supervision of and direct involvement with the operations of The SAVEGREEN
21 Project™ (“SAVEGREEN”) through which NJNG’s Energy-Efficiency (“EE”)
22 programs operate.

23 Presently, I serve on the Board of Directors of PlanSmartNJ and I am a
24 member of the American Gas Association (“AGA”) Communications and Marketing
25 Committee. I have also participated in AGA Strategic and Visionary sessions and am
26 a past chair of the AGA Growth Task Force. I am also participating at both the
27 Executive and Working Group levels for the State and Local Energy Efficiency
28 Action Network (“SEE Action”), whose goal is to help the nation achieve all cost-
29 effective energy efficiency by 2020 through assisting state and local governments in

1 their implementation of energy efficiency policies and programs. I was asked to chair
2 the Residential and Commercial sub-group of the Prudent Development of the North
3 American Natural Gas and Oil Resources Study, conducted by the National
4 Petroleum Council at the request of the United States Secretary of Energy, Dr. Steven
5 Chu.

6 **Q. WHAT IS YOUR INVOLVEMENT WITH NJNG'S EXISTING ENERGY-**
7 **EFFICIENCY PROGRAMS?**

8 A. I am directly responsible for the Company's current energy-efficiency programs.
9 Presently, these programs fall under SAVEGREEN, the initiative through which
10 NJNG manages the EE programs approved by the New Jersey Board of Public
11 Utilities (the "Board" or "BPU") in Docket Nos. EO09010056, GO09010057 ("July
12 2009 Order"), GO10030225 ("September 2010 Order") and GR11070425 ("January
13 2012 Order"). SAVEGREEN currently provides on-bill repayment opportunities,
14 along with grants and incentives for customer participation in a variety of energy-
15 efficiency programs designed to complement those administered by the BPU through
16 New Jersey's Clean Energy Program ("NJCEP"). I am responsible for running these
17 programs and I also oversee the 27 NJNG employees currently supporting the
18 SAVEGREEN programs. In addition, I am directly involved with the Company's
19 ongoing strategic assessment of opportunities that will enhance our customers' energy
20 efficiency and conservation efforts, including the use of natural gas as a source for
21 heating, electric generation and as a transportation fuel.

22 **Q. PLEASE SUMMARIZE THE BOARD APPROVALS THAT NJNG IS**
23 **SEEKING THROUGH THIS FILING?**

24 A. NJNG is seeking Board authority to continue to offer energy-efficiency programs to
25 its customers over a four-year period as of January 1, 2013 or the effective date of the
26 Board Order approving this filing. The programs will continue to be delivered
27 through SAVEGREEN and include important program changes that reflect what the
28 Company has learned about customer needs, activity in the current marketplace,

1 changes in Federal efficiency standards, and State policy directions, including those
2 set forth in the 2011 New Jersey Energy Master Plan (“EMP”). Approval of the
3 Company’s request will ensure that participating NJNG customers continue to have
4 access to cost-effective energy-efficiency programs that provide economic benefits to
5 New Jersey and allow our customers to make environmentally-sound consumption
6 decisions to meet energy needs. A multi-year approach, as reflected in the Company’s
7 proposal, is an important means of enhancing the effectiveness of the types of
8 programs NJNG is offering to customers. The proposed four-year term aligns with the
9 State’s Comprehensive Resource Analysis of energy efficiency programs and
10 associated funding.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY AND THAT OF OTHER**
12 **WITNESSES WHO SUPPORT THE COMPANY’S PETITION?**

13 **A.** In this testimony, I describe how the continuation of the SAVEGREEN programs
14 reinforces the direct link between addressing customer interests and supporting
15 current State and national policy initiatives promoting economic development, job
16 creation, energy efficiency and lower energy costs. I also explain specific program
17 changes that improve upon the success of SAVEGREEN and position the Company
18 to more effectively meet the energy-efficiency needs of our customers. Approval of
19 NJNG’s request ensures important program continuity for our customers and the
20 many trade allies who support these activities in the marketplace in a cost-efficient
21 manner.

22 NJNG is also submitting the pre-filed testimony of Daniel P. Yardley,
23 Principal, Yardley Associates (Exhibit P-3) (the “Yardley Testimony”). Mr. Yardley
24 explains the ratemaking aspects of the Company’s petition, including projected
25 revenue requirements and customer bill impacts based on the proposed recovery of
26 the program investments and related costs. NJNG’s filing also includes the
27 information sought by the BPU for filings pursuant to the Board Order dated May 12,
28 2008 (“May 2008 Order”) in Docket No. EO08030164 establishing Minimum Filing
29 Requirements (“MFRs”) for certain energy-efficiency proposals. Attached to and

made a part of this filing is Schedule NJNG-14 that lists the MFRs and the location of the requested information within this filing.

II. CURRENT SAVEGREEN PROGRAMS

Q. WHEN DID NJNG BEGIN OFFERING ENERGY-EFFICIENCY PROGRAMS TO CUSTOMERS?

A. NJNG initially offered energy-efficiency programs to its customers in September 2009 pursuant to a BPU Order dated July 17, 2009 (the “July 2009 Order”) approving a Stipulation between the Company, the New Jersey Division of Rate Counsel (“Rate Counsel”) and BPU Staff. The initial programs, promoted through SAVEGREEN to customers, complemented or supplemented programs offered through NJCEP and incorporated both grant and financing-based options. A major focus of these programs was the stimulation of New Jersey’s economy and creation of jobs, along with the promotion of energy efficiency. The specific programs incorporated additional incentives and opportunities for customers to participate in NJCEP’s residential programs Home Performance with Energy Star (“HPwES”) and WARMAdvantage, as well as the Direct Install program for commercial customers. The July 2009 Order also addressed the recovery of the costs necessary to deliver SAVEGREEN Programs to customers, including grants, incentives, incremental operation and maintenance (“O&M”) expenses and investment-related carrying costs and income taxes. Specifically, the Company was authorized to implement the Energy-Efficiency (“EE”) Rider to its Tariff, designated as Rider F, which enables the SAVEGREEN program offerings.

The initial experience under SAVEGREEN demonstrated important benefits for NJNG’s customers and provided significant opportunities for acquiring direct knowledge related to customer choices regarding the utilization of energy efficiency to reduce their consumption. The Company worked alongside Rate Counsel and BPU Staff to improve and enhance the programs offered through SAVEGREEN. Program

1 changes were approved by the BPU in the September 2010 Order (effective in
2 January 2011) and in the January 2012 Order (effective January 2012).

3 **Q. WHAT ARE THE GOALS THAT GUIDE THE DEVELOPMENT OF NJNG'S**
4 **ENERGY EFFICIENCY PROGRAM?**

5 A. The energy-efficiency programs offered by NJNG are structured with three primary
6 goals in mind. The first goal is to offer cost-effective programs that are consistent
7 with New Jersey energy policy and NJCEP programs. The second goal is to
8 encourage customers to take into consideration energy efficiency whenever
9 equipment is purchased, both when customers proactively plan on improving the
10 energy efficiency of their building and when unplanned equipment replacements are
11 needed. The third goal is to provide customers with options that address various
12 impediments to the adoption of energy-efficient equipment and encourage customers
13 to take the next step towards achieving higher efficiency overall.

14 **Q. PLEASE DESCRIBE THE SUITE OF PROGRAMS CURRENTLY**
15 **AVAILABLE TO NJNG CUSTOMERS.**

16 A. The specific programs offered to NJNG's customers incorporate all of the program
17 goals by addressing various circumstances when customers consider equipment
18 purchases, layering in NJCEP energy-efficiency programs and promoting residential
19 customer understanding of ways to improve whole-house energy efficiency. The
20 Company classifies the existing residential energy-efficiency program into three
21 general categories.

22 The first category provides grants for customers who replace their heating,
23 ventilation and air conditioning ("HVAC") equipment on a planned or unplanned
24 basis. For this category, the grants encourage customers who replace heating
25 equipment to consider investing in high-efficiency options and provide an
26 incremental grant to customers eligible for the NJCEP WARMAdvantage Program.
27 All customers receiving a NJNG grant must accept a no-cost home energy audit
28 following installation of high-efficiency equipment. Participants are educated about

1 and encouraged to pursue the remaining recommended energy-efficiency measures
2 through HPwES.

3 The second category encompasses grants and on-bill repayment plan
4 (“OBRP”) options for customers implementing a package of measures in order to
5 achieve 10 percent or more of whole house energy savings by participating in
6 HPwES. Within this category, customers are encouraged to invest in measures that
7 reduce whole house energy consumption and SAVEGREEN provides OBRP
8 opportunities to customers eligible for the NJCEP HPwES program. The OBRP can
9 be combined with the prevailing HPwES grants. Audits are offered by NJNG or other
10 Building Performance Institute certified (“BPI-certified”) HPwES contractors to
11 identify energy savings opportunities, including equipment replacement and seal-up
12 measures.

13 Lastly, a third category is a pilot program offered to a specific segment of
14 income-qualified electric heating customers in NJNG’s service area. This program,
15 open to 200 electric heat customers, provides grants associated with the installation of
16 weatherization and high-efficiency heating equipment.

17 **Q. WHAT INCENTIVE OPTIONS ARE CURRENTLY OFFERED BY NJNG TO**
18 **THE FIRST CATEGORY OF CUSTOMERS REPLACING HVAC**
19 **EQUIPMENT?**

20 A. NJNG offers customers participating in the first category a \$900 grant for replacing
21 HVAC equipment with a high-efficiency WARMAdvantage qualified furnace or
22 boiler. To ensure that the whole-house approach continues as a focus, NJNG requires
23 participation in an HPwES audit to qualify for these financial incentives and to
24 identify additional energy-efficiency opportunities in the home. The audit is
25 conducted by BPI-certified SAVEGREEN employees at no cost to the customer. The
26 required audits are conducted after installation of WARMAdvantage qualified heating
27 equipment.

1 **Q. WHAT INCENTIVE OPTIONS ARE CURRENTLY OFFERED BY NJNG TO**
2 **THE SECOND CATEGORY OF CUSTOMERS PARTICIPATING IN**
3 **HPWES?**

4 A. Customers who initiate HVAC equipment upgrades through HPwES are considered
5 eligible for participation in NJNG's OBRP through which a maximum of \$10,000, to
6 be repaid over 10 years, can be available to cover the costs of approved energy-
7 efficiency measures. Through this program, these customers can take advantage of
8 both the HPwES grant and the NJNG OBRP. NJNG reserves the right to limit
9 participation in OBRP to customers who utilize natural gas as their heat source.
10 Eligible customers may receive a grant from NJNG at the NJCEP levels, currently
11 estimated to be up to \$5,000 based on estimated savings for the energy-efficiency
12 measures installed. Consistent with NJCEP treatment, such incentive cannot exceed
13 50 percent of the project costs. Receipt of the NJNG grant is limited to customers
14 participating in the OBRP. NJCEP will fund grants to those eligible customers not
15 using OBRP.

16 NJNG also offers a proactive HPwES audit to those customers seeking an
17 independent audit. The fee for the audit is \$250 and all revenue from this option is
18 credited against the program's revenue requirement through the cost recovery
19 mechanism.

20 **Q. PLEASE DESCRIBE THE PILOT PROGRAM FOR INCOME ELIGIBLE**
21 **ELECTRIC HEAT CUSTOMERS.**

22 A. The Access to Affordable Energy Pilot Program ("Access"), approved in the January
23 2012 Order, offers residential home owners receiving at least \$50 per month for
24 electricity benefits from the state's Universal Service Fund Program ("USF") a grant
25 of up to \$7,000 in order to convert an existing electric heating system to a high-
26 efficiency system. The USF is a statewide program that offers eligible customers
27 financial assistance toward paying electric and natural gas bills, which is funded
28 through utility charges. The pilot program is also structured to examine the benefits of

1 installing high-efficiency gas heating equipment as opposed to the installation of
2 high-efficiency electric heat pump equipment.

3 By providing an opportunity for these customers to convert to a lower cost,
4 efficient and more environmentally friendly source of energy, Access provides a two-
5 fold benefit. Initially, eligible customers will receive high-efficiency natural gas
6 heating equipment or high-efficiency electric heat pump equipment to decrease their
7 overall energy burden. Secondly, with an overall decrease in energy costs, the amount
8 required for subsidization through the USF should decrease.

9 **Q. HOW DO THE CURRENT SAVEGREEN PROGRAM OFFERS**
10 **SUCCESSFULLY MEET CUSTOMER NEEDS?**

11 A. SAVEGREEN provides residential customers with critical information to enable
12 informed equipment purchase decisions as well as grants and OBRP benefits to
13 promote cost-effective purchase decisions that offer long-term benefits to consumers,
14 the environment and the New Jersey economy.

15 NJNG believes it is especially important to influence the customers' decision-
16 making processes before or, at the latest, at the time they evaluate equipment options
17 to reinforce the importance of investing in energy-efficient units. Since those
18 decisions are only made on average every 15 to 20 years, it is crucial to influence
19 purchase decisions for as many customers as possible. If a customer is not able to
20 make the necessary incremental investment in high-efficiency equipment at or before
21 the time of purchase, that opportunity is lost for a significant time period. Public
22 awareness of energy-efficiency equipment has been expanding, making it even more
23 important to capture those customers who might be deterred by the high upfront
24 investment required.

25 Through SAVEGREEN, residential customers can participate in energy-
26 efficiency programs that provide the means of reducing their individual energy costs
27 and support decreased reliance on imported petroleum-based fuels through the
28 installation of high-efficiency natural gas appliances, including furnaces and water
29 heaters. By focusing on the whole-house, participants receive the greatest benefit

1 from higher-efficiency equipment. Additionally, some measures installed to reduce
2 natural gas usage also reduce electricity usage at peak periods. For example, seal-up
3 and insulation work results in energy savings for air conditioning load since the
4 system does not have to compensate for cool air that previously would have escaped.
5 Finally, the NJNG OBRP provides funds to homeowners who might otherwise not be
6 able to make the necessary energy-efficiency investments to obtain energy and cost
7 savings. As those funds are repaid by the participating customer over the agreed upon
8 number of years, the repayments lead to a revolving fund creating future
9 opportunities for NJNG to offer OBRP incentives to additional customers.

10 **Q. WHAT BENEFITS HAVE BEEN REALIZED THROUGH SAVEGREEN?**

11 A. After nearly three years of experience offering SAVEGREEN programs, NJNG has
12 provided substantial benefits to participating customers, the environment and the
13 state's economy. Since September 2009, NJNG completed more than 15,000 audits
14 and nearly 17,000 grants were submitted for processing. In that same time period,
15 over 1,000 customers have been approved for financing associated with HPwES
16 projects. These customers are realizing substantial ongoing annual energy cost
17 savings and contributing to lower emissions while meeting their energy needs.

18 SAVEGREEN provides substantial economic benefits to New Jersey as well.
19 NJNG has created 27 incremental direct jobs including 12 employees trained and
20 BPI-Certified to conduct audits. Additionally, the program provides important
21 benefits to contractors serving the residential high-efficiency market which leads to
22 indirect economic benefits as well. An increased focus on installing high-efficiency
23 equipment encourages increased activity in the contractor market and ancillary
24 services, benefiting local contractors, manufacturers and distributors. Based on an
25 informal survey and conversations with local contractors, including BPI-certified
26 firms providing HPwES services, the SAVEGREEN programs have helped increase
27 their activity levels. NJNG's programs also resulted in dramatic increases in
28 contractor participation in the high efficiency marketplace. The number of contractors

1 participating in high efficiency installations through SAVEGREEN has grown from
2 just over 100 at the end of 2009 to more than 1,000 today.

3 Lastly, the OBRP provides important benefits to customers by aligning the
4 incremental costs associated with purchasing high-efficiency equipment with the bill
5 savings that are achieved. NJNG's involvement in energy efficiency increases
6 customer awareness of the various programs available and the importance of moving
7 to energy-efficient equipment. Additionally, the opportunity to participate in the
8 OBRP encourages customers to participate in additional energy-saving measures,
9 increasing the economic activity of local contractors that perform the work.

10 **Q. PLEASE EXPLAIN FURTHER THE IMPORTANCE OF OBRP TO THE**
11 **BENEFITS ACHIEVED THROUGH SAVEGREEN.**

12 **A.** In addition to assisting participating customers overcome the upfront financial
13 barriers to installing energy-efficient appliances, the OBRP actually returns funds to
14 NJNG with those funds available to benefit other customers in future years. The
15 money that NJNG provides to customers participating in the current OBRP is repaid
16 by those customers over a 10-year period, establishing a revolving fund that can be
17 used to assist even more customers install energy-efficiency appliances and reap the
18 energy saving benefits. Having the repayment included on the monthly NJNG bill
19 simplifies the process for participating customers as well as for contractors.
20 Importantly, this provides a way for customers to directly associate their payment
21 with the energy savings achieved. In addition, by managing the OBRP in-house,
22 instead of through an out-of-state financing company, NJNG has created several full-
23 time positions in New Jersey that would not otherwise have been available. Further, it
24 has also avoided administrative burdens for both customers and contractors who were
25 frequently forced to resubmit paperwork and supporting documentation when any
26 project passed the initial 60-day approval period. The screening process used by
27 NJNG relies on the review of a customer's actual payment experience rather than
28 credit ratios used by external financing agencies. The importance of this shift should
29 not be underestimated for its impact on making the programs accessible to customers

1 who have demonstrated their diligence in meeting their monthly payments but may
2 fail the debt-to-equity screening requirements used by external financing companies
3 because of the dramatic drop in housing values over the past few years.

4 **III. SAVEGREEN EXTENSION**

5 **Q. PLEASE SUMMARIZE THE APPROVALS SOUGHT BY NJNG THROUGH**
6 **THIS FILING.**

7 A. The Company is requesting that the BPU approve a four-year extension of the core
8 SAVEGREEN programs. The proposed extension reflects the ongoing success of
9 SAVEGREEN as well as the benefits associated with a multi-year plan. In addition,
10 the Company's proposals support the State's energy policy goals of lowering
11 consumer costs while promoting energy efficiency and portfolio diversity. The four-
12 year proposal continues the existing approach that benefits customers and
13 incorporates a modest level of year-to-year funding flexibility, while maintaining an
14 overall funding cap.

15 Funding SAVEGREEN on a year-to-year basis as has been done in the past is
16 quite simply not as efficient as a multi-year approach. A multi-year approach allows
17 the Company to plan around the long-term needs of its customers and maximize the
18 benefits achieved through employee interactions with customers to continually
19 encourage the consideration of energy-efficiency opportunities. The annual funding
20 cycle creates uncertainty, particularly for motivated customers who have already
21 implemented some energy-efficiency measures, but that could continue to pursue
22 additional savings. The four-year term aligns with the State's Comprehensive
23 Resource Analysis of energy efficiency programs and associated funding.
24 Additionally, the increased stability of a four-year program term will benefit
25 contractors in the NJNG service territory by reinforcing both business planning and
26 the determination of employee complement levels. Finally, contractor investments in
27 equipment and staff training opportunities are more likely when a longer program
28 terms is provided.

1 In conjunction with the proposed extension, NJNG is also recommending
2 limited changes to existing programs and including new elements targeting both the
3 removal of oil tanks and providing incentives to commercial customers. The specific
4 program changes are described later in my testimony.

5 **Q. PLEASE DESCRIBE RECENT STATE INITIATIVES AND ACTIONS THAT**
6 **SHAPE PUBLIC POLICY RELATED TO NJNG'S ENERGY EFFICIENCY**
7 **PROGRAMS.**

8 A. In December 2011, the State released the EMP reflecting the State's overall energy-
9 related policy goals formulated through extensive analysis and involvement of
10 various stakeholder groups. The goals of the EMP are:

- 11 1. Drive down the cost of energy for all customers.
- 12 2. Promote a diverse portfolio of new, clean, in-State generation.
- 13 3. Reward energy efficiency and energy conservation and reduce peak
14 demand.
- 15 4. Capitalize on emerging technologies for transportation and power
16 production
- 17 5. Maintain support for the renewable energy portfolio standard of 22.5
18 percent of energy from renewable sources by 2021.

19 With respect to energy efficiency, the EMP maintains the commitment to
20 achieving cost-effective energy efficiency in order to reduce energy costs and
21 emissions. The EMP recognizes the important role that energy efficiency and
22 conservation play in fostering economic development and promoting the State's
23 environmental goals. Both energy-efficiency and conservation programs are touted
24 as one aspect of reducing energy costs for current residents and, importantly, to
25 encourage business retention and growth in New Jersey. "Reducing energy costs
26 through conservation, energy-efficiency and demand response programs lowers the
27 cost of doing business in the State, enhances economic development, and advances
28 the State's environmental goals." (EMP, Page 1). The EMP recognizes that the State

1 is open to reconsidering the most efficient delivery of energy-efficiency programs to
2 customers.

3 With respect to fuel diversity, the EMP advocates movement away from
4 petroleum-based products as sole sources for heating and transportation in order to
5 reduce the State's reliance on foreign fuels and increase the use of domestic,
6 competitively priced fuels. "We encourage increased natural gas use for power
7 generation as well as for residential and commercial applications, in lieu of oil. The
8 use of high-efficiency natural gas appliances is encouraged, including the substitution
9 of natural gas furnaces and hot water heaters for distillate oil use." (EMP, Page 9) .

10 **Q. WHY IS A FOUR-YEAR EXTENSION THE APPROPRIATE COURSE OF**
11 **ACTION FOR NJNG?**

12 A. In general, multi-year planning enabled by a four-year program term offers
13 advantages across a number of important factors that contribute to the success of the
14 program when compared with a one-year program. From the perspective of NJNG's
15 customers, a multi-year program provides consistent messaging, supports the most
16 cost-effective choices regarding the timing of equipment replacement, and reduces
17 potential sources of confusion associated with programs that may appear to be
18 ending, but are merely awaiting annual reauthorization. A multi-year commitment
19 provides important benefits to contractors and trade allies as it supports effective
20 business planning including employee hiring and development, and equipment
21 purchases through program stability. The longer term will also allow NJNG to retain
22 qualified and trained personnel supporting the programs, eliminating the ongoing
23 employment uncertainty created by annual program approvals.

24 I believe that a four-year program extension will also allow the Company to
25 devote resources to important program evaluation based upon a longer study period.
26 NJNG, customers, contractors and other stakeholders have benefitted from the direct
27 knowledge acquired through the initial years of SAVEGREEN as this experience has
28 been translated into important enhancements and changes. At the same time, longer-
29 term evaluation is supported through the compilation of additional data and a

1 reduction of resources directed to obtaining approvals on an annual basis. The
2 evaluation results will also provide effective information for the local contractor base.

3 Lastly, a four-year term is consistent with the funding cycle for the State's
4 Comprehensive Resource Analysis ("CRA") proceedings. While the timing of CRA
5 funding plans is not determinative to the Company's programs, a longer term for
6 NJNG's programs is consistent with the current CRA funding period.

7 **Q. UNDER THE FOUR-YEAR EXTENSION, WILL NJNG BE FREE TO SHIFT**
8 **AVAILABLE FUNDING AMONG YEARS?**

9 A. The Company is proposing limited flexibility to shift program funding from one year
10 to another in order to accommodate circumstances that occur in the marketplace and
11 achieve the stability enabled by a multi-year plan. Specifically, the Company is
12 proposing to carry-forward up to 20 percent of the unutilized program funding from
13 one year into remaining program years. This limited flexibility allows the program to
14 be responsive to customer needs in a given year that are affected by weather, general
15 economic conditions and energy costs, while maintaining appropriate funding levels
16 over the long-term. Any funding shift will be documented within the company's
17 annual rate filing. The proposed flexibility is consistent with the existing format that
18 allows annual funding to be shifted among offers available to residential customers.
19 The specific mechanics of implementing funding flexibility on a multi-year basis are
20 described in the Yardley Testimony.

21 **Q. WILL AN EVALUATION OF THE PROGRAMS BE PERFORMED PRIOR**
22 **TO CONTINUING SAVEGREEN BEYOND THE FOUR YEARS PROPOSED**
23 **IN THIS FILING?**

24 A. Yes. NJNG is proposing that an independent evaluation of the various elements of the
25 SAVEGREEN program be performed in conjunction with the approved extension.
26 The most effective approach would be to conduct the evaluation during 2015 based
27 upon program results through the end of 2014. The Company will then meet with

1 representatives of BPU Staff and Rate Counsel to discuss the results of the evaluation
2 and any implications to be considered as part of program changes to be filed in 2016.

3 **IV. PROGRAMS**

4 **Q. HOW IS THIS SECTION OF YOUR TESTIMONY ADDRESSING**
5 **SAVEGREEN PROGRAMS ORGANIZED?**

6 A. The focus of the program section of my testimony is upon NJNG's proposed changes
7 to the existing residential programs as well as new program offerings to be effective
8 January 2013. I will first describe changes to SAVEGREEN programs applicable to
9 customers replacing equipment or participating in HPwES. Then I will explain the
10 proposed oil tank removal incentive, an option for oil heat customers installing high-
11 efficiency gas heating equipment, and provide an update on the Company's ACCESS
12 program. Lastly, I will describe recommended programs for commercial customers.

13 **Modifications to Existing Residential Programs**

14 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE GRANTS**
15 **AVAILABLE THROUGH SAVEGREEN.**

16 A. NJNG is proposing limited changes to the grant levels to reflect upcoming changes to
17 United States Department of Energy ("DOE") minimum furnace efficiency standards
18 scheduled to take effect in May of 2013. The new efficiency standards reflecting
19 regional differences for the first time require minimum annual fuel utilization
20 efficiency ("AFUE") of 90 percent for New Jersey. The new standard represents a 10
21 percent increase over the previously established AFUE of 80 percent for non-
22 weatherized furnaces. While the current NJNG grant provides \$900 for a furnace
23 installation, NJNG is now proposing to establish a lower incentive of \$300 as of
24 January 2013. Even though it is several months before the effective date of the new
25 DOE standards, making this change in January avoids any future confusion from
26 changing program requirements. In order to qualify for an NJNG grant of \$300,
27 customers will be required to install ENERGY STAR WARMAdvantage qualified

1 equipment, currently requiring a minimum 95 percent AFUE furnace incorporating a
2 2 percent efficiency motor. The required boiler efficiency is unchanged at 85 percent
3 AFUE and steam boilers remain at a minimum 82 percent AFUE.

4 The Company is proposing a lower grant for HVAC only-equipment and is
5 also proposing a \$300 grant for the installation of high-efficiency water heating
6 equipment that achieves an efficiency rating of 0.67 or greater. Consistent with
7 current program requirements for the SAVEGREEN incentives, customers must
8 accept an NJNG audit to identify other energy-efficiency opportunities in their home.
9 Many of these customers have inefficient older HVAC equipment and are excellent
10 candidates for comprehensive HPwES upgrades. In this way, the water heating grant
11 provides an important opportunity for informing customers about worthwhile energy-
12 efficiency improvements in other areas of the home.

13 Customers who install eligible high-efficiency heating and water heating
14 equipment at the same time will qualify for a \$900 grant. The proposed grant levels
15 supplement those available from NJCEP and are intended to provide the most
16 significant grants to customers installing high-efficiency heating and water heating
17 equipment at the same time. An important benefit of the higher combined grant is
18 that it encourages contractors and consumers to consider replacing both pieces of
19 equipment simultaneously to avoid potential health and safety risks related to
20 “orphaned water heaters,” an issue that has become increasingly important to NJCEP.

21 The implementation of the new efficiency standards necessitates greater
22 communication within the HVAC contractor community. It is more important than
23 ever to encourage contractors to educate customers about the merits and benefits
24 associated with high-efficiency installations and provide fundamental information
25 about how the equipment interacts. The NJNG offers help reach that broader
26 contractor base.

27 **Q. WHAT CHANGES IS NJNG PROPOSING TO THE OBRP IN THIS FILING?**

28 A. The Company is proposing to continue offering HPwES customers the opportunity to
29 participate in the OBRP for up to 50 percent of the project cost, up to a total of

1 \$10,000 at zero percent interest for 10 years. Additionally, non HPwES customers
2 who install both high-efficiency heating and water heating measures will have the
3 opportunity to qualify for an OBRP of up to \$6,500 at zero percent interest for 5 years
4 as an alternative to the \$900 grant as long as an NJNG audit is conducted. The
5 Company is proposing to incorporate an additional financing option for these
6 customers who opt for the up-to \$6,500 OBRP program. Specifically, customers who
7 continue with additional whole-house measures and install the available seal-up and
8 insulation measures within the first six months of their OBRP will be eligible for
9 additional OBRP financing, up to a combined maximum of \$10,000 including the
10 value of their original OBRP, along with the opportunity to modify the term of the
11 initial financing from 5 to 10 years. This change will encourage customers who have
12 benefitted from the installation of high-efficiency heating and water heating
13 equipment to take further actions in support of whole-house efficiency considerations
14 consistent with the results of a comprehensive energy audit. Additionally, in order for
15 a customer to receive the OBRP, the contractor must perform and submit proof that
16 ACCA Manual J and Manual S calculations have been performed. This step, not
17 currently an NJCEP requirement for heating equipment, will help raise contractor
18 awareness of the importance of these calculations and potentially result in further
19 homeowner energy savings.

20 **Q. IS NJNG RECOMMENDING ANY CHANGES TO THE AUDIT**
21 **COMPONENT OF ITS SAVEGREEN PROGRAM?**

22 A. Yes. NJNG currently requires that customers who qualify for the WARMAdvantage
23 program obtain a no cost residential audit following installation. In addition, the
24 Company offers other customers the opportunity to acquire a proactive
25 comprehensive Tier III HPwES audit from NJNG at a cost of \$250 as a means of
26 obtaining audits on an independent basis in advance of selecting a contractor. The
27 Company is proposing to offer these audits at no cost to customers at or below 400
28 percent of the poverty level, an income level standard that New Jersey has used for
29 determining eligibility for other programs, including prior Assisted HPwES, the

1 Public Service Electric & Gas (“PSE&G”) residential retrofit program, and even the
2 current Temporary Relief from Utility Expenses (“TRUE”) grant assistance program.

3 Over the past year, there has been significant national attention to challenges
4 associated with delivering energy-efficiency solutions to “middle-income
5 customers”.¹ The Company believes that a no-cost audit for these customers may
6 help remove an initial cost barrier, especially when paired with screening for
7 eligibility in NJNG’s OBRP. The intention is to identify energy-efficiency
8 improvements where the expected bill savings may meet or exceed the monthly
9 repayment so the customer has the benefit of lower bills and a more comfortable
10 home, and the state and society will benefit from the reduced energy usage and
11 lowered emissions. In contrast to previous NJCEP Assisted HPwES program and the
12 PSE&G residential retrofit program, NJNG is not proposing any supplemental grant
13 to implement the upgrades. It is really intended to be a middle ground between the
14 Comfort Partners approach (which provides a free audit and free implementation of
15 measures for income qualified customers) and the current HPwES where the
16 customer pays for both the audit and the upgrades, net of any incentives. Under this
17 program, the customer will still pay the full cost of the upgrades, net of any
18 incentives, but will be able to identify energy-efficiency opportunities through the
19 free audit.

20 **Q. WHAT ARE THE ESTIMATED PARTICIPANT RATES FOR THE**
21 **MODIFIED GRANT AND OBRP INCENTIVES?**

22 A. I have prepared a summary of the residential programs that incorporates the changes I
23 outlined and shows NJNG’s estimated participant rates. This summary, presented in
24 Schedule TJM-1, provides information related to each potential path for initial

¹ A December 2011 Lawrence Berkeley National Laboratory study, “Delivering Energy Efficiency to Middle Income Single Income Family Households,” found that middle-income households face greater financial insecurity that negatively impacts their ability to invest in energy efficiency as a result of the inability to access financing or costly structural or maintenance needs that must be addressed. At the same time, middle income customers comprise a larger proportion of housing stock that predates modern building codes and that will benefit from energy efficiency.

1 participation in the Company's SAVEGREEN program. The Company expects that
2 7,750 residential customers in total will participate in SAVEGREEN each year.
3 Additionally, all of the paths provide opportunities for customers to benefit from
4 achieving energy savings at levels that qualify for HPwES either through direct
5 participation in the HPwES program or by implementing measures identified in the
6 free audits provided after installing high-efficiency heating and/or water heating
7 equipment.

8 For customers replacing a furnace or boiler, NJNG anticipates that 1,000
9 customers will qualify for the \$300 grant on an annual basis. Of these customers, the
10 Company expects approximately 100 customers will continue with energy-efficiency
11 measures following the audit at levels that will qualify for HPwES incentives.

12 For customers who initially replace a water heater, NJNG anticipates that 750
13 customers will qualify for the \$300 grant on an annual basis. Of these, the Company
14 expects 100 customers to continue with energy-efficiency measures following the
15 audit at levels that will qualify for HPwES incentives.

16 On an annual basis, NJNG projects that 2,500 customers will take advantage
17 of the opportunity to install both heating and hot water heating equipment at the same
18 time in order to take advantage of the \$900 grant and another 2,500 will take
19 advantage of the OBRP covering the cost of the project up to \$6,500.

20 Of the 2,500 customers initially taking the NJNG grant, the Company expects
21 that 250 customers on an annual basis will qualify for HPwES incentives. Of the
22 remaining 2,500 customers who initially take the OBRP, NJNG expects that 500
23 customers will qualify for the additional OBRP under HPwES within the first six
24 months following the installation of the heating and water heating equipment. These
25 customers will qualify for an incremental OBRP up to a combined total of \$10,000
26 and will be allowed to extend the term of their original repayment plan to ten years.

27 Lastly, the Company expects that 1,000 customers will participate in
28 SAVEGREEN by beginning with a BPI-certified contractor under the HPwES

1 program directly. Specifically, the Company anticipates that 100 customers will
2 qualify for Tier II and 900 customers will qualify for Tier III.

3 The estimated participant rates are based upon past experience as well as
4 expectations related to the changes the Company is proposing. The actual participant
5 rates will depend on many factors including general economic conditions and
6 marketplace activity. The activity in one year may be higher than other years and
7 some years may indicate a greater proportion of grants or OBRP than that estimated
8 by the Company. The potential differences between actual and estimated participant
9 levels are addressed through the funding flexibility incorporated into the overall
10 program. The funding flexibility does not affect the revenue requirement cap that
11 results from the Company's request, as described more fully in the Yardley
12 Testimony.

13 **Oil Tank Removal Incentive**

14 **Q. PLEASE DESCRIBE THE COMPANY'S OIL TANK REMOVAL GRANT.**

15 A. NJNG will offer customers who currently heat with oil and install high-efficiency gas
16 heating equipment an oil tank removal grant of up to \$800 for removal of an above-
17 ground tank or up to \$1,200 for removal of a below-ground tank. This oil tank
18 removal grant will provide a new, innovative opportunity for customers to take
19 advantage of the economic and environmental benefits of utilizing natural gas.
20 NJNG's oil tank removal grant will: (i) help reduce the consumption of petroleum-
21 based fuels in the region, (ii) provide customers with access to cleaner burning,
22 cheaper priced natural gas supply; (iii) eliminate the risk of potential soil and/or
23 groundwater contamination associated with the oil tank; and (iv) provide customers
24 with a unique incentive to encourage the removal of a home heating oil tank, an
25 expensive project.

26 **Q. HOW DOES THIS GRANT OFFERING ALIGN WITH THE STATE'S**
27 **GOALS SET FORTH IN THE EMP?**

1 A. The EMP supports the expansion of natural gas as the primary fuel of choice to heat
2 homes, fuel vehicles and electric power plants, reduce greenhouse gas emissions, and
3 increase our country's energy independence. The EMP's fuel diversity goals support
4 the reduction of the use of oil for heating and supports oil-to-gas conversions in order
5 to promote a cleaner environment and realize economic benefits. Moreover, the EMP
6 specifically refers to oil-to-gas conversions for home heating in addressing the
7 growing gas infrastructure requirements in the State.² Therefore, NJNG believes that
8 this grant program fully aligns with, supports and advances the energy, environmental
9 and economic goals of the state.

10 **Q. WHAT IS THE RATIONALE FOR PROVIDING A GRANT IN ORDER TO**
11 **REMOVE THE OIL TANK?**

12 A. NJCEP is currently offering oil customers who install high-efficiency equipment and
13 qualify for HPwES program the opportunity to finance the cost of oil tank removal,
14 subject to a cap of \$2,000 on the financing for specified accessories to the job. While
15 this offer addresses an important market need, the need to remove an oil tank is also
16 an important issue for the WARMAdvantage program. Implementation of the oil tank
17 removal grant is a cost-effective means of promoting the installation of high-
18 efficiency gas heating equipment supporting the goals of the EMP.

19 **Q. WILL NJNG BE RESPONSIBLE FOR THE REMOVAL OF THE**
20 **CUSTOMER'S OIL TANK?**

21 A. No. NJNG will not be responsible for any aspect associated with the removal of the
22 customer's oil tank. NJNG will only provide eligible customers with a grant, in the
23 form of a check payable to the NJNG customer of record, to be applied to the costs of
24 tank removal. NJNG will not perform any work or engage a contractor on the
25 customer's behalf, for the removal, disconnection, decommissioning, disposal and/or
26 and any potential site remediation, if applicable, of the oil tank and associated

² With respect to oil-to-gas conversions, the EMP states "other program initiatives oriented around oil-to-gas conversions for home heating are likewise well served by expanding the interstate gas pipeline system into and within New Jersey." 2011 EMP at p. 85.

1 apparatus. The customer is solely responsible for all aspects of the removal,
2 disconnection, decommissioning, disposal and/or and any potential site remediation,
3 if applicable, of the oil tank. The customer must choose a licensed New Jersey
4 Department of Environmental Protection (“DEP”) oil tank removal contractor to
5 perform the removal work. Numerous DEP licensed contractors exist throughout the
6 State of New Jersey from whom customers may acquire such services. The eligible
7 customer is entirely responsible for ensuring that the tank removal is in compliance
8 with all applicable local, municipal, city, county and/or state requirements.

9 **Q. WHAT PROCEDURES WILL BE FOLLOWED TO ENSURE THAT**
10 **ELIGIBLE CUSTOMERS RECEIVE THE APPROPRIATE GRANT LEVEL?**

11 A. Customers will be required to contract with a DEP-licensed oil tank removal
12 contractor to qualify for the oil tank removal grant. Upon completion of the tank
13 removal, the contractor will submit paperwork certifying completion of the job
14 including the type of tank removed, total project cost and date completed. The
15 certification will include the customer’s signature that the job was completed
16 satisfactorily. Oil tanks must be removed within six months of the completed
17 installation of the high-efficiency furnace or boiler. NJNG will process the paperwork
18 and issue a check to the customer for the cost of removal up to the maximum grant
19 allowable.

20 **Q. HAVE YOU PREPARED A RESIDENTIAL PROGRAM DESCRIPTION**
21 **REFLECTING THESE PROPOSALS?**

22 A. Yes. Schedule TJM-2 sets forth a description of the residential program incorporating
23 the changes to the existing SAVEGREEN offers.

24 **Access to Affordable Energy Pilot Program (“Access”)**

25 **Q. IS THE COMPANY REQUESTING FUNDING FOR THE ACCESS**
26 **PROPOSAL THROUGH THIS FILING?**

1 A. No. The Company is only requesting an additional year to complete the 200
2 installations approved by the Board in the January 2012 Order beyond the one-year
3 period originally contemplated. The extension of time is due to longer-than-
4 anticipated time required to obtain information needed to ensure customer eligibility

5 **Commercial Programs**

6 **Q. IS NJNG PROPOSING A PROGRAM FOR COMMERCIAL CUSTOMERS?**

7 A. Yes. In an effort to influence and increase the number of commercial customers
8 choosing to install high-efficiency equipment before or at the time existing systems
9 are being replaced, NJNG is proposing commercial grant and OBRP offerings
10 targeted to commercial needs. These include a furnace/boiler grant comparable to the
11 residential grants, OBRP for customers who qualify for the NJCEP Direct Install
12 program, and matching grants for customers who qualify for certain NJCEP program
13 incentives available through the SmartStart© Building Program (“SmartStart”)
14 incentives.

15 **Q. PLEASE DESCRIBE THE FURNACE AND BOILER INCENTIVES TO BE**
16 **PROVIDED TO COMMERCIAL CUSTOMERS.**

17 A. The Company is proposing grants at the same residential customer level to any
18 commercial customer installing a furnace with a Btu rating of 225,000 or less or a
19 boiler with a Btu rating of 300,000 or less. The benefits of high-efficiency equipment
20 in this small commercial market are comparable with those in the residential market
21 and similar grant incentives are appropriate. Commercial customers will be required
22 to have an NJNG auditor perform an equipment check to be eligible to receive this
23 grant.

24 **Q. PLEASE DESCRIBE THE OBRP FOR DIRECT INSTALL ELIGIBLE**
25 **CUSTOMERS.**

26 A. NJNG proposes to offer customers participating in the NJCEP Direct Install program
27 the opportunity to receive OBRP financing at zero percent interest for the cost of the

1 project not covered by the NJCEP grant. Based upon the current Direct Install
2 incentive levels and caps, the OBRP would be capped at \$32,800 and repaid by the
3 participating customers over a 24 month term.

4 **Q. PLEASE DESCRIBE THE SMARTSTART INCENTIVE GRANTS**
5 **PROPOSED BY THE COMPANY.**

6 A. NJNG proposes to provide funding to match the incentive currently provided by
7 NJCEP through the SmartStart program. NJNG will match the amount currently
8 available through NJCEP for the purchase and installation of various types of natural
9 gas energy-efficient equipment, including but not limited to, absorption chillers,
10 engine driven chillers, desiccant systems, and high-efficiency water heaters, booster
11 heaters, boilers and furnaces. The NJNG match is limited to \$15,000 for commercial
12 customers with a peak demand of 200 kW or less and \$25,000 for commercial
13 customers with a peak demand of greater than 200 kW. A program summary
14 describing all aspects of the commercial program is provided as Schedule TJM-3.

15 **Q. DO THE COMMERCIAL PROGRAM OFFERS COORDINATE WITH**
16 **EXISTING NJCEP OFFERS?**

17 A. Yes. From the outset, the incentive payments that will be provided by NJNG to
18 commercial customers will be calculated according to current NJCEP formulas. To
19 maintain the link with existing programs, participation in the NJNG program requires
20 involvement with NJCEP's SmartStart for the various types of energy-efficient
21 equipment. The parameters of the NJNG program will match those of the SmartStart
22 program and, importantly, participating contractors must already have involvement
23 with SmartStart. NJNG anticipates that the grants being provided will not only
24 increase the number of commercial entities involved in energy-efficiency upgrades
25 but, as a result, will also increase the demand for work from eligible contractors,
26 spurring both employment opportunities in New Jersey and a potential increase in the
27 demand for the equipment covered through this program, benefitting the
28 manufacturing sector. NJNG also believes that helping New Jersey businesses trim

1 operating costs may help retain these businesses and related jobs within the state.
2 Finally, NJNG will coordinate payment of grants through the NJCEP Program
3 Administration to ensure that such benefits are only provided after NJCEP incentives
4 are approved for payment.

5 **Pilot Programs Approved in the September 2010 Order**

6 **Q. PLEASE DESCRIBE THE PILOT PROGRAM RELATED TO PROVIDING**
7 **CUSTOMERS WITH CUSTOMIZED INFORMATION REGARDING THEIR**
8 **ENERGY CONSUMPTION.**

9 A. The September 2010 Order authorized NJNG to implement a three-year pilot program
10 from 2011 through 2013 providing customers with additional information related to
11 energy efficiency and conservation that is customized to their individual situations.
12 Customers access this information securely through the Company's Web site and are
13 able to obtain customized analyses of potential energy savings based upon changes to
14 their individual behavior or equipment. NJNG implemented this benefit for customers
15 by contracting with OPOWER, a leading provider of this type of service for utility
16 customers.

17 **Q. ARE CUSTOMERS BENEFITTING FROM THIS PILOT PROGRAM?**

18 A. Preliminary results from the first six months of the OPOWER program were shared
19 with the NJCEP Energy Efficiency Committee in September 2011. Those results
20 showed strong preliminary energy savings and good related metrics (e.g. extremely
21 low opt-out rate). NJNG is expecting to receive an update on energy savings from
22 OPOWER later this month and can share the results with interested parties. However,
23 current data shows that the monthly savings continue to increase and less than 0.5
24 percent of eligible households (93 of 25,000) have opted out from participation.
25 OPOWER is willing to provide a presentation regarding the results of the current
26 program at a future meeting related to this filing.

27

1 **Q. DOES NJNG ANTICIPATE EXTENDING THE PILOT PROGRAM?**

2 A. Yes. The OPOWER solution is providing significant benefits for residential
3 customers. Therefore, the Company intends to continue to offer this type of service
4 and is requesting funding be extended through 2016 matching the SAVEGREEN
5 extension. The Company intends to issue an RFP during 2013 in order to obtain bids
6 from third-parties in order to continue this type of program for customers.

7 **Q. WHAT IS THE OTHER PILOT PROGRAM APPROVED IN THE**
8 **SEPTEMBER 2010 ORDER?**

9 A. The second program, Fostering Environmental and Economic Development
10 (“FEED”), provides financial assistance for energy-efficiency and economic
11 development opportunities for commercial and industrial customers with no direct
12 rate subsidy on NJNG’s non-participating customers. The Company is not proposing
13 any change to the FEED program other than an extension through 2016 in line with
14 the other SAVEGREEN programs.

15 **Consistency of SAVEGREEN Programs with NJCEP**

16 **Q. HOW ARE THE SAVEGREEN PROGRAMS CONSISTENT WITH**
17 **PROGRAMS OFFERED BY NJCEP?**

18 A. NJNG’s programs complement and enhance the NJCEP programs through integrated
19 grants and financing opportunities. The programs seek to promote the NJCEP HPwES
20 and WARMAdvantage programs through complementary messaging to customers
21 and enhanced participation rates. In addition, to providing customers with
22 opportunities to take advantage of both NJCEP and NJNG offers, the NJNG programs
23 provide important benefits to contractors and trade allies by maintaining consistency
24 in the marketplace even as the State may consider future changes to the role of
25 specific NJCEP programs. The proposed programs maintain a supportive integration
26 with ongoing NJCEP programs. I have prepared Schedule TJM-4 that demonstrates
27 the alignment between NJNG programs and NJCEP programs.

V. MARKETING PROPOSAL

Q. PLEASE DESCRIBE THE MARKETING EFFORTS THAT NJNG WILL EMPLOY FOR THE CONTINUATION OF SAVEGREEN.

A. NJNG employs a variety of channels to educate customers on the benefits of energy efficiency, including work through the Conservation Incentive Program communication channels, community outreach and the promotion of the SAVEGREEN programs. To continue the education of customers on energy-efficiency benefits and foster participation in SAVEGREEN, NJNG will utilize an approach similar to our current efforts. The Company will continue the multi-channel focus for informing customers and will also target certain programs to specific sectors. More information is provided in Schedule TJM-5, attached to and made a part of this testimony.

VI. USE OF EMPLOYEES AND CONTRACTORS

Q. WILL THE PROGRAM BENEFITS CONTINUE TO BE DELIVERED THROUGH NJNG EMPLOYEES AND OUTSIDE CONTRACTORS?

A. Yes. Over the past several years, the energy-efficiency programs offered by NJNG have created the opportunity for the Company to create 27 incremental positions for outreach, scheduling, promotion, audits, on-bill repayment work and oversight of energy-efficiency programs. One of the benefits in the proposed extension of SAVEGREEN is that NJNG will be able to retain these trained and effective employees.

NJNG employees do not and will not provide installation or weatherization work. Instead, for work that is already on a whole-house track, NJNG will promote its offers to BPI-certified and authorized contractors who will provide the necessary work in our service territory. NJNG will also continue to provide information on the elements of SAVEGREEN to all HVAC contractors in our service territory to ensure that the whole-house approach is emphasized to support the installation of higher

1 efficiency equipment, to continue education about the pending 2013 DOE change in
2 furnace standards and the need to properly address venting, as well as to support
3 workforce retention. As mentioned in the Marketing Overview, provided as Schedule
4 TJM-5, there will be various approaches to promote SAVEGREEN that target
5 customers and contractors alike to ensure the greatest exposure possible.

6 **VII. MARKET BARRIERS**

7 **Q. HOW DO THE SAVEGREEN PROGRAMS ADDRESS MARKET BARRIERS**
8 **TO PROMOTING ENERGY EFFICIENCY?**

9 A. Despite the increasing focus on energy efficiency at both the national and state levels,
10 market barriers continue to impede progress. Through the SAVEGREEN programs,
11 NJNG is able to address the primary market barriers of program awareness and
12 financing options more directly. It is still crucial that New Jersey residents be made
13 aware of opportunities for saving energy and that we continue to get more HVAC
14 contractors engaged in promoting and properly installing high-efficiency equipment
15 and other whole house measures. Through the marketing efforts incorporated within
16 this filing and ongoing in the SAVEGREEN programs, the Company provides an
17 active channel for promoting not only the benefits of energy efficiency but also the
18 sources through which various programs can be obtained. This work, in conjunction
19 with the promotional efforts of NJCEP, serves to broaden customers' awareness of
20 viable approaches toward saving energy and, as a result, potentially saving on energy
21 costs. And, by working closely with certified and authorized contractors, NJNG
22 further encourages those entities to also promote and make available energy-efficient
23 solutions to all customers.

24 It is also important to overcome the financial barriers that customers face
25 when making decisions about the installation of high-efficiency HVAC equipment.
26 Recent NJNG survey data indicates that nearly 70 percent of customers consider the
27 upfront costs to be the biggest barrier to energy efficiency. Through the OBRP,
28 NJNG promotes the statewide grant programs and simultaneously expands the base of

1 customers able to make the necessary efficiency changes. OBRP also broadens the
2 pool of qualifying customers. In fact, based on marketing data NJNG has obtained,
3 the average median income for OBRP customers is approximately \$53,400 as
4 compared to approximately \$96,000 for customers using the services of the traditional
5 NJCEP out-of-state financing company, EFS. The availability of additional incentives
6 and the OBRP help overcome the financial barriers that deter many customers,
7 especially moderate-income families, from taking that extra step of purchasing and
8 installing high-efficiency equipment. At the same time, encouraging customers to also
9 install weatherization and insulation measures increases the impact of high-efficiency
10 equipment, furthering the whole-house approach and saving energy overall.

11 **VIII. RESOLUTION OF CUSTOMER COMPLAINTS**

12 **Q. PLEASE DESCRIBE THE PROCESS NJNG INTENDS TO EMPLOY TO**
13 **RESOLVE ANY POTENTIAL CUSTOMER COMPLAINTS.**

14 **A.** NJNG will promptly address any customer complaints related to the programs
15 through existing customer relations procedures within the Company. Most customer
16 calls will come directly into the SAVEGREEN Department since that phone number
17 will be on all correspondence and promotional materials. Additionally, any calls
18 about the programs that come into the NJNG Call Center will be transferred to
19 SAVEGREEN employees for initial resolution. In all instances, NJNG will make
20 every effort to resolve a complaint informally at the outset. For concerns that cannot
21 be resolved within the Department, the matter will be moved to the NJNG Consumer
22 Advocate for further investigation and resolution. Only if those measures fail would a
23 complaint be resolved through the BPU Division of Customer Assistance. Attached as
24 Schedule TJM-6 is a flow-chart depicting the process that will be employed by
25 NJNG.

26 For disputes between NJNG and a contractor or supplier, resolution will be in
27 accordance with the relevant contract provisions in place at that time.

IX. IMPACT ON SMART GROWTH

Q. HAS NJNG IDENTIFIED ANY IMPACTS ON OR BENEFITS TO SMART GROWTH?

A. NJNG has not identified any impacts on or benefits to Smart Growth from the implementation of the proposed programs but will address this in a manner consistent with NJCEP.

X. PROPOSAL FOR ADDRESSING PROGRAM MODIFICATIONS

Q. PLEASE EXPLAIN THE APPROACH NJNG IS PROPOSING FOR MAKING MODIFICATIONS TO EITHER THE OVERALL SAVEGREEN PROGRAM OR TO ANY SPECIFIC CUSTOMER OFFER.

A. In the previous Stipulations related to SAVEGREEN, the Parties agreed upon the approach to be used for a shift in funding between specific approved programs and in instances where modifications or changes were necessary to any program elements. NJNG is proposing to retain those agreed-upon methods. As such, funding may be transferred between the residential and commercial programs within SAVEGREEN in order to address customer and market demand. The Company will submit to the Parties a written description of the proposed transfers, the rationale behind the proposal and schedules demonstrating the impact any transfers may have on aggregate costs and benefit analysis relevant to the changes. If there is any objection within 45 days from a Party, Board approval will be required. Additionally, Board approval will be required if the proposed transfers: 1) increase or decrease any individual program's budget by more than 20 percent: or 2) involve more than 10 percent of the total SAVEGREEN budget.

Based on market response, NJNG may also propose to modify programs but no such modification shall take place without Board approval being received. A proposal for changes to programs is to be provided to the Parties with a description, rationale and impact on costs and benefits. The Parties have 45 days in which to

1 review that proposal and, if no objection is received, the matter shall be presented to
2 the Board for its review and approval.

3 **XI. COORDINATION WITH OTHER FUNDING SOURCES**

4 **Q. HOW WILL THE FUNDING FOR SAVEGREEN INTERFACE WITH ANY**
5 **POTENTIAL FEDERAL FUNDS MADE AVAILABLE FOR ENERGY-**
6 **EFFICIENCY PROGRAMS?**

7 **A.** Subject to restrictions set forth in any applicable law, NJNG will utilize any funds or
8 credits received from governmental sources that are directly related to SAVEGREEN
9 to offset the respective program costs, thus reducing the impact on other customers. If
10 funding or credits from any state or federal action becomes available to NJNG
11 through the State of New Jersey, a County or Municipality for project reimbursement,
12 those funds or credits directly applicable to work related to a SAVEGREEN project
13 will be used to benefit customers by offsetting the costs for which recovery is sought,
14 to the extent permitted by law.

15 **XII. REPORTING PROCEDURES**

16 **Q. HOW DOES NJNG PROPOSE TO PROVIDE INFORMATION ON THE**
17 **SAVEGREEN PROGRAMS?**

18 **A.** NJNG proposes to continue the reporting and provision of program data that was
19 agreed to in the Stipulations approved by the BPU in the July 2009, September 2010
20 and January 2012 Orders. As such, the Company will submit the detailed data
21 regarding the SAVEGREEN program activity and expenses through NJCEP provided
22 formats, currently the Program Manager Data Tracking Sheet. Those reports are
23 consistent with the data and format used in reporting on the NJCEP Comfort Partners
24 and SAVEGREEN programs. NJNG has been meeting the reporting obligations for
25 submission to the NJCEP Integrated Management System on an automated basis
26 since March of 2010. Each Monthly Activity Report will be submitted within 30
27 days of the end of the calendar month covered by the report.

- 1 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**
2 **A. Yes, it does.**

New Jersey Natural Gas Comparative Residential Program Paths

Customer starts with a high efficiency installation of	Furnace or Boiler only	Water Heater only	Furnace or Boiler and water heater at the same time	Home Performance with Energy Star (HPwES)
Minimum Efficiency (all meet ENERGY STAR standards)	95% Annual Fuel Utilization Efficiency (AFUE) with 2% e motor for furnaces and boilers ≥85% AFUE or steam boilers ≥82% AFUE	Energy Factor (EF) of .67 or greater	As noted	Assumes NJCEP continues to manage approval of all projects and respective standards including elements not listed here.
Estimated incremental cost	\$842	\$626	\$1468	Varies
NJNG initial grant Note: customers can combine with NJCEP WARMAdvantage rebates	\$300	\$300	\$900 OR Up to \$6,500 On Bill Repayment Program (OBRP) for 5 years	Up to \$5,000 grant or prevailing maximum as set by NJCEP AND \$10,000 OBRP for 10 yrs
Remaining OBRP for seal-up or additional HPwES measures	No separate feature. Customers are encouraged to participate in HPwES for remaining measures identified through audit.		Customers can access OBRP (net of any HPwES incentive) up to a combined maximum of \$10,000 with repayment term extended from 5 years to 10 years if work initiated within 6 months	N/A
Est. number of grant customers	1000	750	2,500	1,000
Est. number of customers for initial OBRP	N/A	N/A	2,500	1,000
Est. number of customers who participate in OBRP for further HPwES measures	100	100	500 of the initial OBRP customers 250 of the initial grant customers	N/A

Requirements	HPwES audit performed by NJNG	HPwES audit performed by NJNG	<ul style="list-style-type: none"> Initial contractor must submit Manual J and S calculations when the OBRP option is used. HPwES audit performed by NJNG HPwES contractor must be used to access incentives for any follow-up work 	HPwES audit by an approved contractor or NJNG for \$250 fee (consistent with current program- any NJNG audit revenue credited to program)
Extra incentives for conversion	Up to \$1,200 for below ground tank removal or up to \$800 for above ground tank removal for any path involving a high efficiency furnace/boiler installation			
Extra provision for middle income customers	<p>NJNG will perform a free comprehensive home energy audit for customers who meet the specified income criteria – income is above Comfort Partners eligibility levels but at or below 400 percent of Federal poverty level. Completed audit can be used to determine best path to upgrade based on results and to maximize incentives (grants and OBRP). Unlike the approach used in Comfort Partners, customers will be responsible for installation costs of any measures. Intention is to align program grants and estimated energy savings with financing options to make energy-efficiency upgrades more affordable for this customer group.</p>			

Residential Program
Description of the Program
<p><u>Segment I - Customers starting with NJCEP's WARMAdvantage Program</u></p> <p>To encourage investment in high-efficiency equipment as well as participation in New Jersey's Clean Energy Program (NJCEP) Home Performance with Energy Star (HPwES) program (whole-house approach), NJNG will offer incentives through grants and/or on-bill-repayment plans (OBRP) that can be used toward the purchase and installation of high-efficiency gas furnaces/boilers and water heaters. Customers must participate in a no-cost HPwES audit conducted by NJNG following the installation of qualifying equipment and are expected to apply for the companion NJCEP WARMAdvantage grants. That audit identifies additional energy-saving opportunities, encouraging customers to move forward with further improvements through the HPwES program. If they do, there are incentives available under that program.</p> <ul style="list-style-type: none"> • NJNG will offer a \$300 grant for the installation of a high-efficiency gas furnace or boiler. Efficiency guidelines will follow ENERGY STAR and NJCEP criteria, currently established as 95 percent annual fuel utilization efficiency (AFUE) with a 2 percent e motor. • NJNG will offer a \$300 grant for the installation of a high-efficiency gas water heater¹. High-efficiency criteria is an Energy Factor (EF) of .67 or higher. • To encourage customers to replace a furnace/boiler and water heater at the same time, and to enhance contractor awareness of the need to address the integrated nature of equipment, NJNG will offer customers installing qualifying high-efficiency models of both at the same time a choice of the following incentives: <ul style="list-style-type: none"> ○ \$900 grant to offset the incremental costs of both units; or ○ OBRP of up to \$6,500 for a five-year term. To receive the OBRP, the contractor must perform and submit proof of an ACCA Manual J and Manual S calculations for the premise. This is currently not an NJCEP requirement for heating equipment. • Customers may qualify for additional measures through HPwES. These customers would be eligible for any HPwES incentives offered for the other measures. <p>Note:</p> <p>If NJCEP minimum efficiency levels change during the term of this program, NJNG's program guidelines will change to match NJCEP's new standards and shall notify parties of any required changes. Customers already in the queue when any such change occurs will still be entitled to receive the NJNG grants.</p> <p><u>Eligibility</u></p> <p><u>Grants</u></p> <p>Residential customers and small commercial customers (such as a medical or dental office) are eligible for a grant following the installation of a boiler less than 300,000 BTU or a furnace less than 225,000 BTU and for a grant for residential-sized, energy-efficient, sealed-combustion or tankless water heaters. Residential customers are required to have an HPwES audit conducted by an NJNG auditor. There is no audit requirement for small commercial customers; however, an</p>

¹ This will not apply to indirect water heaters.

equipment check is performed to ensure that the installed equipment meets NJCEP and NJNG program requirements and those customers are targeted to participate in other NJCEP programs to implement additional energy saving measures.

OBRP

Only residential customers who meet NJNG's credit review criteria are eligible to participate in the OBRP. If denied participation in the OBRP option, a residential customer may still be eligible for NJNG grants for WARMAdvantage-qualified equipment. OBRP is not available to small commercial customers, except as noted in the Commercial Program description presented on TJM-3.

Qualifying Equipment	Current NJCEP Equipment Award²	NJNG Grant	Total Award	Gross NJNG Investment
Furnace: 95% AFUE + 2% e motor Boiler: ≥85% AFUE Steam Boiler: ≥82% AFUE	\$400	\$300	\$700	
High-efficiency water heater, ENERGY STAR qualified				
EF of .67 to .81	\$0	\$300	\$300	
EF of .82 or greater	\$300	\$300	\$600	
Qualifying combination ³ of furnace/boiler and WH (see requirements above)				
With water heater EF of .67 to .81	\$400 (furnace/boiler only)	\$900 or OBRP	\$1,300 Or \$400 and OBRP	
With water heater EF of .82 or greater	\$700 (furnace/boiler and water heater)	\$900 or OBRP	\$1,600 Or \$700 and OBRP	

² NJNG recognizes that 2013 incentive levels for NJCEP programs have not been determined. NJNG proposal assumes NJCEP continues its current grant levels as noted.

³In lieu of this grant, customers may be eligible for NJNG OBRP and can also apply for the NJCEP WARMAdvantage available incentives.

Estimated Program Participants and Annual Savings		
Qualifying Equipment	Estimated Annual Participants	Estimated Annual Savings
Gas Furnace/Boiler	1,000	29,000 therms and 313,000 kWh
High-Efficiency WH	750	14,250 therms
Combination furnace/Boiler and WH	2,500	120,000 therms and 782,500 kWh

Qualifying Equipment	Estimated Annual Participants	Estimated Annual Savings
Gas Furnace/Boiler	1,000	29,000 therms and 313,000 kWh
High-Efficiency WH	750	14,250 therms
Combination furnace/Boiler and WH	2,500	120,000 therms and 782,500 kWh

Segment II - Customers starting with NJCEP HPwES

Customers starting with HPwES

Residential customers implementing upgrades through HPwES are eligible to participate in NJNG's OBRP with up to \$10,000 available for qualifying residential customers to be repaid over 10 years. Customers can take advantage of both the HPwES grants and the OBRP if they meet NJNG's credit review criteria. NJNG reserves the right to limit participation in OBRP to customers who utilize natural gas for heating. Customers not eligible for the NJNG OBRP may seek financing through NJCEP.

Customers starting with WARMAdvantage OBRP

To further promote whole-house upgrades through NJCEP's HPwES and encourage timely follow-up, NJNG will allow customers to expand their initial OBRP up to a total combined OBRP of \$10,000 to pursue further HPwES measures, provided such action is initiated within six months of the audit. The repayment term will be extended to 10 years and total repayment amount available cannot exceed \$10,000 (e.g. customers who used the full \$6,500 for the initial OBRP would be limited to an additional \$3,500). Customers can take advantage of both the HPwES grants and the OBRP.

Anticipated Number of Participants	Max. Amount available per customer/Assumed average loan amount	Repayment period	Investment Amount to be repaid by participants
500	\$10,000 max	10 years	\$5,000,000

NJNG provides grants for HPwES work at the levels being offered by NJCEP, currently up to \$5,000, when the OBRP is used. When customers do not utilize the OBRP, the HPwES grant is paid by NJCEP.

Maximum Number of Participants	Max. Amount available per customer	Estimated Annual Energy Savings	Investment Amount
1,950	Up to \$5,000	380,750 therms and 1,586,100 kWh	\$6,750,000

Oil to Gas Conversion Tank Removal Grants

To further promote the installation of high-efficiency natural gas heating equipment and support the New Jersey Energy Master Plan, NJNG customers who are converting from oil to natural gas and starting with WARMAdvantage will be eligible for a grant for the removal of an intact underground oil tank (up to \$1,200) or an above ground oil tank (up to \$800). The cost of the tank removal is currently an eligible measure under the 2012 HPwES guidelines and can be included in the financing options for those who choose the whole-house approach. Customers accepting an NJNG grant for tank removal are not eligible to have the value of the removal included in any OBRP.

Independent Audits

NJNG offers an HPwES audit upon customer request at the current HPwES audit price of \$250. Funds generated from these audits are used to offset the overall NJNG energy-efficiency program costs. As noted in the Marketing Plan (Schedule TJM-5), NJNG promotes this option through multiple communication channels but also emphasizes that eligible contractors can perform the HPwES audit.

For those households with income levels that exceed eligibility for the NJCEP Comfort Partners Program but fall at or below 400 percent of federal poverty level NJNG proposes to offer a free home-energy audit provided the customer meets the eligibility for NJNG's OBRP. The customers who pursue energy-efficiency upgrades through HPwES as a result of this audit may then be eligible to take advantage of both NJNG's OBRP and the HPwES grants. The energy savings from the upgrades should be targeted to approach or exceed the value of repayments.

Independent NJNG Audits

Number of participants	Revenue generated from audit fees (to be credited against program costs)
250 audits	\$62,500
250 free audits to qualified customers	\$0

OPOWER

OPOWER, approved for a three-year pilot period starting in 2011, is a program that influences customer behavior to encourage participation in available energy-efficiency and conservation programs. Approximately 25,000 residential customers are involved in the pilot. Preliminary results indicate this program should be successful in reducing customer energy usage cost-

effectively and increasing customer participation rates in companion energy-efficiency programs. NJNG is seeking approval to extend this program or pursue a similar program providing the same or enhanced functionality for an additional three years.

Market Segment/Efficiency Targeted

Segment I Targeted to residential (and certain smaller commercial customers) with HVAC equipment needing immediate or imminent replacement. The program promotes the installation of high-efficiency equipment and other whole-house energy conservation measures through opportunities identified in the HPwES audit.

Segment II Residential homeowners not immediately needing to replace HVAC equipment are targeted since participation in the HPwES audit is mandatory at the outset. The program targets the installation of high-efficiency HVAC equipment and the installation of whole-house energy conservation measures such as weatherization improvements.

Delivery Method and Contractor Role

Segment I Roles and Responsibilities

- Any HVAC contractor can install NJCEP WARMAdvantage-qualified equipment and all work may be subject to NJCEP WARMAdvantage quality control processes.
- NJNG performs the HPwES audits at no cost to the customer following installation of qualifying equipment and processes the NJNG grants or OBRP.
- NJNG grants can be assigned to a contractor at customer's request; however, OBRP funds must be paid directly to the customer.
- Any customers seeking to implement further energy-efficiency improvements from the HPwES audit recommendations and access HPwES incentives must use an NJCEP-approved HPwES contractor. Such contractors are subject to NJCEP HPwES quality control processes.

Segment II Roles and Responsibilities

- HPwES audits must be performed by an NJCEP-approved HPwES contractor or by NJNG staff (for the specified fee or free to qualified customers).
- Installation work must be performed by NJCEP-approved HPwES contractors. Currently, contractors must be Building Performance Institute (BPI) certified and accredited.
- NJNG grants and OBRP available if appropriate.
- Roles and responsibilities consistent with NJCEP treatment of HPwES grants.
- Work may be subject to HPwES quality control processes.

Link to existing NJCEP and federal programs

<ul style="list-style-type: none"> • NJCEP WARMAdvantage • NJCEP HPwES • ENERGY STAR
Estimated avoided air emissions
5220 tons of CO ₂ and 276 tons of NO _x annually (based upon estimated annual savings as noted above).
Anticipated Jobs Created/Sustained
Refer to Schedule NJNG-15.
Budget information
Refer to Schedule NJNG-11 for categorization of costs.
Marketing Approach
Refer to Schedule TJM-5
Cost Recovery/ Rate design
Refer to Schedule DPY-5 and Schedule NJNG-8.

Commercial Program
Description of the Program
<p><u>Small Commercial</u></p> <p>To encourage participation by smaller commercial customers pursuing individual equipment replacement, NJNG will match New Jersey’s Clean Energy Program (NJCEP) SmartStart® Building Program (“SmartStart”) grant up to \$15,000 for the installation of high-efficiency gas equipment (including, but not limited to, gas-fired boilers/furnaces, water heaters and booster water heaters). This program is open to commercial customers with a peak demand of 200 kW or less.</p> <p><u>Large Commercial</u></p> <p>To encourage participation by larger commercial customers pursuing individual equipment replacement programs, NJNG will match the NJCEP SmartStart grant up to \$25,000 for the installation of high-efficiency gas equipment (including, but not limited to, gas-fired boilers/furnaces, water heaters and booster water heaters). This program is open to commercial customers with a peak demand of greater than 200 kW.</p> <p><u>Direct Install Customers</u></p> <p>Commercial customers initially implementing upgrades through NJCEP’s Direct Install program will be eligible to participate in the NJNG no-interest on-bill repayment plan (OBRP) for the value of the project not covered by the NJCEP incentive. Repayment of the principal is made by the participating customer. Based on current NJCEP project caps and grant levels, a maximum of \$32,800 will be available to eligible commercial customers for repayment over 2 years through the OBRP. Commercial customers can take advantage of both the NJCEP Direct Install incentives and the NJNG OBRP, as long as NJNG’s credit review criteria are met. NJNG reserves the right to limit participation in OBRP to customers who utilize natural gas for heating.</p> <p>All commercial projects and/or measures must conform to NJCEP requirements to receive an NJNG matching grant and/or to take advantage of the OBRP. NJNG will offer this program for a 4-year period.</p>

Market Segment/Efficiency Targeted**Small and Large Commercial Customer Programs**

NJNG's outreach will focus on the more comprehensive NJCEP program approaches like Direct Install. However, some commercial customers may be exploring options to replace a single piece of equipment. This is intended to encourage them to pursue the purchase of the more energy-efficient equipment rather than standard efficiency or continuing to make repairs. Any contractor eligible to participate in NJCEP's SmartStart program can participate. Other prevailing NJCEP conditions (e.g. pre-approval where required) will also apply.

Direct Install Customers

This program targets commercial customers in NJNG's service territory who meet all NJCEP Direct Install program eligibility requirements and it includes existing small- to mid-size commercial and industrial facilities with a peak electric demand that does not exceed 150 kW in any of the preceding 12 months or the prevailing NJCEP eligibility criteria.

Only those customers (or their assignees) who are in good standing and subject to paying the NJCEP portion of the Societal Benefits Clause charge are eligible to participate in and receive the incentives associated with this program.

Delivery Method and Contractor Role

Any contractor eligible to perform installations under the current NJCEP SmartStart criteria or NJCEP appointed contractor (as in the case of approved Direct Install contractors) can participate. There is no change to the relationship between the contractor and customer, except that the customer can assign the NJNG grant to the contractor.

To streamline administration, NJNG will coordinate with the NJCEP Commercial Market Manager (or any subsequent entity responsible for NJCEP commercial programs) and only issue NJNG grants after notification that the NJCEP grants are approved. NJNG will promote the program to contractors, commercial customers, and municipalities.

Estimated Program Participants and Annual Savings

Program/Qualifying Equipment	Estimated Participants	Estimated Annual Savings
Commercial HVAC / AWH	75	107,550 therms and 4,504,950 kWh
OBRP for Direct Install Customers	100	88,000 therms and 3,278,600 kWh

Link to existing programs

- NJCEP SmartStart program
- NJCEP Pay for Performance

Estimated avoided air emissions

7059 tons of CO₂ and 709 tons of NO_x annually (based upon estimated annual savings as noted above)

Anticipated Jobs Created/Sustained
Refer to Schedule NJNG-15.
Budget information
Refer to Schedule NJNG-11.
Marketing Approach
Refer to Schedule TJM-5
Cost Recovery/ Rate design
Refer to Schedule DPY-5 and Schedule NJNG-8.

**New Jersey Natural Gas
Comparative Program Chart**

<u>The SAVEGREEN™ Project</u> <u>Residential Programs</u>		
Feature	NJCEP Treatment -2012	NJNG Programs
Incentives for high efficiency equipment (outside of the HPwES Program)	<p>Existing New Jersey Clean Energy Program ("NJCEP") WARMAdvantage grants.</p> <p>Qualified furnaces and boilers are eligible for a \$300-\$400 grant. As of July 15th, only the \$400 grant will be available.</p> <p>Qualified gas water heaters are eligible for a \$300 grant.</p> <p>No financing options available.</p>	<p><u>Existing SAVEGREEN Program</u> Incremental \$900 grant for furnaces and boilers that meet 2012 NJCEP WARMAdvantage minimum efficiency levels. This includes the July 15, 2012 NJCEP shift to new ENERGY STAR minimum standard of 95 percent Annual Fuel Utilization Efficiency (AFUE) with 2 percent fan efficiency.</p> <p><u>Proposed</u> Due to upcoming changes in DOE furnace efficiency standards (effective May 2013), NJNG uses the 90 percent AFUE as the baseline efficiency.</p> <ul style="list-style-type: none"> For customers installing only a qualifying high-efficiency furnace or boiler, the SAVEGREEN grant will be reduced to \$300 (based on the assumption that NJCEP still offers a \$400 grant). For customers installing a high-efficiency water heater (efficiency factor of .67 or greater), a SAVEGREEN grant of \$300 will be offered. For customers installing a qualifying high-efficiency furnace/boiler AND a qualifying high efficiency water heater, SAVEGREEN will offer either a \$900 grant OR the opportunity for up to \$6,500 in the OBRP at 0 percent interest for 5 years.
Requirements to receive incentives for high efficiency equipment (outside of the HPwES Program)	<p>Application submitted to NJCEP includes documentation regarding the equipment purchased including manufacturer, model number, and serial number for equipment.</p>	<p><u>Existing SAVEGREEN Program</u> Application submitted to NJNG and modeled on WARMAdvantage program terms. Customers are encouraged to apply for WARMAdvantage as well. Customer must accept an HPwES audit performed at no cost by NJNG to receive any proposed incremental grant.</p> <p><u>Proposed</u> No change for requirements for stand-alone furnace/boiler installations.</p>

New Jersey Natural Gas Comparative Program Chart

	NJCEP does not require Manual J or Manual S calculations for heating systems.	However, for customers participating in the combination furnace/boiler and water heater incentive and utilizing the OBRP option, the contractor will be required to perform a Manual J and Manual S calculations and provide supporting documentation.
Role of HVAC Contractors- not qualified for HPwES work.	Any HVAC contractor can participate in WARMAdvantage. No additional program certifications required. NJCEP does not require Manual J or Manual S calculations for heating systems	<u>Existing SAVEGREEN Program</u> Any HVAC contractor can participate in the current NJNG Enhanced Grant program. No additional program certifications required. NJNG's CIP programs focus on improving contractor training for this segment of contractors. NJNG continues to support networking efforts between these contractors and HPwES contractors to expand pool of contractors performing "whole house upgrades". <u>Proposed</u> No change except for Manual J and Manual S requirement noted in previous block.
Role of HVAC Contractors- HPwES qualified	Opportunity to perform HPwES audits and implement HPwES measures.	<u>Existing SAVEGREEN Program</u> Opportunity to perform HPwES audits and implement HPwES measures with access to NJNG OBRP plus NJNG supporting incremental activity in our service territory by funding some grants. <u>Proposed</u> No change from current NJNG program.
Performance of HPwES Audit	Performed only by HPwES contractors-must have BPI certification. No separate audit path for middle-income customers.	<u>Existing SAVEGREEN Program</u> Tier I audit performed by NJNG BPI-certified audit staff, only available to customers starting through WARMAdvantage. Comprehensive Tier III audit can be performed by either an HPwES contractor or NJNG BPI-certified audit staff for customers interested in starting with a proactive audit for a fee. All revenues from such audit fees (performed by NJNG) are credited against overall SAVEGREEN program costs. <u>Proposed</u> Same elements as above and NJNG to offer an HPwES audit at no cost to customers in the underserved middle-income levels (at specified income levels above NJCEP Comfort Partners).

**New Jersey Natural Gas
Comparative Program Chart**

Payment of HPwES contractor incentives	Paid by NJCEP.	<p><u>Existing SAVEGREEN Program</u> No direct payments to contractors by NJNG. NJCEP pays and processes those.</p> <p><u>Proposed</u> No change from current NJNG program.</p>
Payment of HPwES customer incentives	<p>NJCEP pays incentives for HPwES projects not associated with an OBRP.</p> <p>NJNG pays incentives when project includes an OBRP.</p> <p>Customers can access financial incentives for seal-up work through HPwES. Value of incentives, including financing, is tied to estimated Total Energy Savings (TES) as defined by the program.</p>	<p><u>Existing SAVEGREEN Program</u> NJNG pays HPwES customer grants for those participating in OBRP. Others covered by NJCEP.</p> <p><u>Proposed</u> No change from current NJNG program.</p>
Incentives for seal-up work		<p><u>Existing SAVEGREEN Program</u> Customers provided with information about HPwES incentives (OBRP, grants) and encouraged to participate, including use of NJNG's OBRP up to approved NJCEP limits.</p> <p><u>Proposed</u> Same opportunities exist; for customers who installed a combination furnace/boiler and water heater under the OBRP option, NJNG will provide additional OBRP up to a maximum amount of \$10,000 with the repayment period reset to 10 years. This will maintain or possibly lower the monthly OBRP repayment amount and encourage additional HPwES upgrades to save more energy. For these additional HPwES measures (including air sealing and/or insulation with option of installing water heater), customers must initiate additional HPwES work through participating HPwES BPI-certified contractor within 6 months of the date of the NJNG audit and it must result in at least 10 percent total energy savings.</p>
Quality Control	For WARM Advantage, NJCEP reviews documentation for all applications and performs quality control for a random sample of submission. For	<p><u>Existing SAVEGREEN Project</u> No NJNG quality control for HPwES since completed by NJCEP. Quality control work for WARM Advantage track is provided through the review of NJNG applications and NJNG's field visits performed by the NJNG BPI certified audit team.</p> <p><u>Proposed</u></p>

**New Jersey Natural Gas
Comparative Program Chart**

	HPwES, NJCEP reviews documentation for all applications and performs quality control on the first 10 projects for each contractor and for a random sample thereafter. NJCEP also has an approved contractor remediation procedure to address any recurring quality control issues.	No change proposed.
Availability of financing	In territories where a utility financing option is not available, NJCEP provides 0 percent for loans up to \$10,000 for HPwES projects that meet Tier 3, Level 1 or Level 2, TES thresholds and up to \$5,000 for Tier 2 HPwES projects that must meet a 10 percent TES. This financing incentive is available in combination with the HPwES grants and is made available by a buy down of a loan from an out of state entity. Currently, NJCEP does not offer any financing options for the WARMAvantage program.	<u>Existing SAVEGREEN Program</u> All NJNG customers who meet the credit criteria can access the 0 percent OBRP; currently only available for HPwES work. <u>Proposed</u> Alternative option of participating in OBRP instead of receiving NJNG grant for customers pursuing the combination furnace/boiler and water heater incentive. See first box above.
Oil Tank Removal	While not part of NJCEP, the state had previously provided a grant of up to \$1,500	<u>Existing SAVEGREEN Program</u> No incremental funding from NJNG <u>Proposed</u>

**New Jersey Natural Gas
Comparative Program Chart**

	<p>through the NJDEP petroleum underground storage tank remediation, upgrade & closure fund. This program was closed in May 2011 due to insufficient funding.</p>	<p>SAVEGREEN Program to offer a grant of up to \$800 for above ground oil tank removal and up to \$1,200 for underground oil tank removal, only for customers participating in the other SAVEGREEN Program equipment replacement programs, including HPwES.</p>
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**New Jersey Natural Gas
Comparative Program Chart**

The SAVEGREEN Project Commercial Programs																			
Feature	NJCEP Treatment -2012																		
Incentives	Direct Install NJCEP pays up to 70 percent of retrofit costs with a \$75,000 incentive cap on each project																		
	SmartStart <table><tr><th>Qualifying Equipment</th><th>Current NJCEP Equipment Grant</th></tr><tr><td colspan="2">Gas Cooling</td></tr><tr><td>Gas absorption chillers</td><td>\$185 -\$450 per ton</td></tr><tr><td>Gas Dessicant Systems</td><td>Up to \$1.00 per cfm</td></tr><tr><td>Gas Engine Driven Chillers</td><td>Calculated through Customer Measure Path</td></tr><tr><td colspan="2">Gas Heating</td></tr><tr><td>Residential size boiler</td><td>\$300</td></tr><tr><td>Residential size furnace</td><td>\$400</td></tr><tr><td>Gas-fired</td><td>\$1.75 per</td></tr></table>	Qualifying Equipment	Current NJCEP Equipment Grant	Gas Cooling		Gas absorption chillers	\$185 -\$450 per ton	Gas Dessicant Systems	Up to \$1.00 per cfm	Gas Engine Driven Chillers	Calculated through Customer Measure Path	Gas Heating		Residential size boiler	\$300	Residential size furnace	\$400	Gas-fired	\$1.75 per
	Qualifying Equipment	Current NJCEP Equipment Grant																	
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	Gas Engine Driven Chillers	Calculated through Customer Measure Path																	
	Gas Heating																		
	Residential size boiler	\$300																	
	Residential size furnace	\$400																	
Gas-fired	\$1.75 per																		
Proposed- all new to SAVEGREEN Project Residential sized furnaces /boilers (Furnace max is 225,000 BTU, boiler max is 300,000 BTU) Offer same value as SAVEGREEN Project grants. NJNG to perform equipment checks but not perform full HPwES audit since they are not eligible to participate in that program																			
Direct Install Customers <ul style="list-style-type: none">See financing block below																			
Small Commercial Match – Peak demand of 200 KW or less 100 percent (up to \$15,000) match of NJCEP grant for installation of qualifying equipment listed in chart at left (except for NJCEP SmartStart© Building Program residential sized equipment which would be treated as noted above). Projects and/or measures must conform to NJCEP requirements in order to receive grants.																			
Large Commercial Match – Peak demand greater than 200 KW 100 percent (up to \$25,000) match of NJCEP grant for installation of SmartStart qualifying equipment listed in chart at left (except for residential size equipment-which would be treated as noted above). Projects and/or measures must conform to NJCEP requirements in order to receive grants.																			

**New Jersey Natural Gas
Comparative Program Chart**

	<table><tr><td>boilers ≥300 -1500 MBH</td><td>MBH</td></tr><tr><td>Gas-fired boilers ≥1500- ≤4000 MBH</td><td>\$1.00 per MBH</td></tr><tr><td>Gas-fired boilers > 4000 MBH</td><td>Calculated through Customer Measure Path</td></tr><tr><td colspan="2">Natural Gas Water Heating</td></tr><tr><td>Gas-fired water heaters > 50 gallons</td><td>\$1.00- \$2.00 per MBH, but not less than \$50/unit</td></tr><tr><td>Gas-fired booster water heaters</td><td>\$17- \$35 per MBH</td></tr></table>	boilers ≥300 -1500 MBH	MBH	Gas-fired boilers ≥1500- ≤4000 MBH	\$1.00 per MBH	Gas-fired boilers > 4000 MBH	Calculated through Customer Measure Path	Natural Gas Water Heating		Gas-fired water heaters > 50 gallons	\$1.00- \$2.00 per MBH, but not less than \$50/unit	Gas-fired booster water heaters	\$17- \$35 per MBH	
boilers ≥300 -1500 MBH	MBH													
Gas-fired boilers ≥1500- ≤4000 MBH	\$1.00 per MBH													
Gas-fired boilers > 4000 MBH	Calculated through Customer Measure Path													
Natural Gas Water Heating														
Gas-fired water heaters > 50 gallons	\$1.00- \$2.00 per MBH, but not less than \$50/unit													
Gas-fired booster water heaters	\$17- \$35 per MBH													
Role of Contractors	<p>Currently, the Direct Install program uses a defined pool of contractors under contract to the NJCEP Market Manager.</p> <p>For SmartStart incentives any HVAC contractor qualified to perform commercial installations can participate.</p>	Any HVAC contractor qualified to perform commercial installations for a specific NJCEP program can participate.												

**New Jersey Natural Gas
Comparative Program Chart**

Payment of customer incentives	NJCEP pays all grants.	SmartStart grants paid by NJCEP and the SAVEGREEN Project grants paid by NJNG.
Availability of financing	NJCEP does not offer any financing options for the Direct Install program	All NJNG customers participating in the NJCEP Direct Install (DI) Program who meet the credit criteria can access the 0 percent OBRP up to the value of DI project not covered by the NJCEP grant. Based on current DI Program grant levels and caps, NJNG could provide up to \$32,800 for OBRP. Repayment over a 24 month term.
Quality Control	A minimum of 10 percent of all applications are selected for pre-installation and/or post-installation inspection by a Market Manager inspector (or one of its subcontractors).	No incremental NJNG quality control proposed for most commercial programs performed since completed by NJCEP. Incremental quality control work for residential sized furnace track as NJNG audit team would perform a visual inspection of the unit.

MARKETING OVERVIEW

This document provides the approach that New Jersey Natural Gas Company (NJNG) intends to use in marketing various programs through The SAVEGREEN™ Project. Please note that any final marketing plans and associated materials to be used to promote new offers are contingent on the agreements reached in resolving this proceeding and cannot be developed prior to that time. However, samples of materials in use for the current program are provided as part of this attachment as a reference point.

Residential Energy-Efficiency Programs

NJNG will promote the upgrade to high-efficiency equipment to all residential and eligible small commercial customers (installing boilers less than 300,000 BTU or furnaces less than 225,000 BTU) through a variety of communication channels. NJNG will continue to target homeowners at or close to the time they are making decisions about new heating and cooling equipment, and will continue its efforts to engage HVAC contractors in promoting the program. SAVEGREEN will continue to be marketed in a manner that encourages a change to high-efficiency equipment linked with the implementation of whole-house improvements.

The NJNG programs offered through SAVEGREEN are designed to encourage customers to take a more comprehensive look at energy efficiency throughout their residence, utilizing the “whole-house” method promoted in New Jersey’s Clean Energy Program (NJCEP). NJNG will conduct various outbound campaigns targeted to homes connected to NJNG’s distribution system for at least 12 years versus the previous target group of 18 years. SAVEGREEN has found that with the new efficiency requirements, even a customer with a 12 year old system may realize savings when installing a new high-efficiency system. We will work cooperatively with various entities, including community groups, our trade allies (local contractors, supply houses, and the realtor community) and big box stores, to coordinate with other grass roots efforts. Using information gathered over the nearly 36 months of the SAVEGREEN operation, NJNG will promote the NJNG Grants to stimulate the purchase and installation of high-efficiency equipment when change-outs are necessary. We will also promote the available NJCEP and NJNG financial incentives available for qualified customers performing whole house energy-efficiency measures recommended through the comprehensive home energy audit. In this regard, three significant differences from previous campaigns and outreach efforts are:

- Emphasis on the importance of addressing potential venting problems with existing equipment (e.g. water heaters) when installing high-efficiency equipment. Customers who install both a high-efficiency furnace or boiler and water heater will be provided with two options: an NJNG grant or the opportunity to use the on-bill-repayment-plan (OBRP) for five years to minimize out-of-pocket expenses. NJNG will promote these new incentives to its community of non-BPI HVAC contractors to ensure that awareness is increased.
- NJNG will promote the additional incentives available to customers who have replaced their furnace or boiler with high-efficiency equipment over the past 36 months, but may not have taken further action. Further investigation can be done to determine the bases for those customers not taking additional energy saving measures. NJNG will focus marketing efforts to move these customers into additional whole-house energy upgrades through NJCEP’s HPwES program.

- The SAVEGREEN on-line contractor portal, a web-site available only to contractors, has been expanded and includes audit information on customers who want to take advantage of the HPwES program. This includes customers who are beginning a whole-house upgrade (taking advantage of NJNG independent HPwES audit option) or customers receiving NJNG's post-installation audit. BPI-certified contractors can view these audits and provide a bid to customers for their HPwES upgrades.

Since its inception in 2009, SAVEGREEN has realized the importance of utilizing the HVAC contractors (BPI and non-BPI) as a sales channel to reach existing and potential customers. By way of training, education and outreach, SAVEGREEN has been able to grow the number of contractors participating in the SAVEGREEN program from just over 100 at the end of 2009 to more than 1,000 today. SAVEGREEN will continue these efforts. Programs include:

- Monthly E-Newsletters
- Program update meetings
- On-site training workshops
- Contractor on-line portal

In addition, SAVEGREEN will continue to foster the collaboration between BPI and non-BPI contractors, with a specific focus on HVAC and BPI accredited air seal and insulation contractors so more customers can take advantage of the incentives offered through NJCEP's HPwES program.

Through information gained from the BPU-approved Conservation Incentive Program and NJNG's energy-efficiency programs marketed through SAVEGREEN, NJNG has been successful in developing a large database of customers interested in improving the energy efficiency of their homes. Therefore, additional outreach will be directed toward the following groups:

- E-tip subscribers
- Heating, Ventilation and Air Conditioning (HVAC) contractors
- Equipment suppliers
- Realtors
- Municipalities, including partnering with Sustainable Jersey communities pursuing certification point for promoting the NJCEP Home Performance with ENERGYSTAR program
- Community Groups
- NJNG Facebook and Twitter followers

In addition to the above approaches, promotion will also occur through traditional utility communication channels, including the *njliving times* (NJNG's monthly newsletter that is provided to both residential and commercial customers), the SAVEGREEN Web site, NJNG's Web site, *njng.com*, on-hold messages in the Call Center, bill inserts, community outreach events, targeted direct mail campaigns and advertisements. Additionally, utilizing information obtained through the operation of SAVEGREEN, NJNG has been able to categorize almost 20,000 customers who have taken advantage of its rebates and promotions into 14 distinct demographic and behavioral groups. By using this segmentation information, NJNG will be able to tailor promotions geared toward those customers most likely to participate.

NJNG will also market the program through direct mail to NJNG non-heat customers and residents whose homes are located on or near existing natural gas mains. NJNG will continue to promote the benefits of converting to natural gas heat (including cost savings, comfort, convenience and the positive environmental impacts) and incentives available through NJNG's SAVEGREEN program. NJNG will also promote this offer to all employees and other stakeholders, including coordination with NJCEP to ensure that NJNG customers who have received NJCEP equipment rebates are taking advantage of the HPwES audit, associated energy-efficiency opportunities and enhanced equipment rebates available through NJNG.

No-Cost Comprehensive Home Energy Audits

With the start of its current energy efficiency program, SAVEGREEN began offering comprehensive home energy audits for those customers who were interested in having an HPwES audit from an entity other than an HPwES contractor. NJNG recognizes that the cost associated with this audit may limit the ability of middle-income customers to take a pro-active approach to energy efficiency, therefore, NJNG will provide at no cost, a free comprehensive audit to customers meeting the financial guidelines. This audit can be used in conjunction with the various energy assistance and weatherization programs or with the NJCEP HPwES program. Any materials for this customer segment would emphasize the availability of the OBRP to ensure that customers understood the program could help address the upfront cost barrier and seek to develop solutions where repayment obligations may match energy savings.

Information on the availability of this program will be included in all of SAVEGREEN's marketing collateral including:

- Direct mail and email campaign
- E-tip subscribers
- Community Groups
- Speakers Bureaus

In addition to the above approaches, promotion will also occur through traditional utility communication channels, including the residential issue of *njliving times*, SAVEGREEN's Web site, NJNG's Web site, bill inserts and on-hold messages in the Call Center. NJNG also has an Energy Assistance Outreach specialist who often fields inquiries from customers not eligible for the NJCEP Comfort Partners program. For such instances, he will be able to refer the customer to SAVEGREEN team members for follow-up.

Oil to Gas Conversation Tank Removal Grants

Since its inception, NJNG has been promoting the SAVEGREEN program to non-heat customers (see above) and has developed a database of households using oil as their heating fuel within our service territory. These households include existing customers (who have gas, but are not heating with it) as well as potential customers. Targeted direct mail has proved to be an effective method for reaching these households. However, other outreach efforts will include:

- Heating, Ventilation and Air Conditioning (HVAC) contractors
- Realtors

- Community outreach
- Targeted advertising (i.e. banner ads)

In addition, grants will be promoted on both the NJNG Web site (Convert to Natural Gas page) as well as the SAVEGREEN Web site to ensure maximum exposure.

Commercial Energy Efficiency Programs

NJNG OBRP will be made available to those NJNG commercial customers taking advantage of NJCEP's Direct Install Program, small to mid-sized commercial and industrial facilities with a peak electric demand that did not exceed 150 kW in any of the preceding 12 months. NJNG will work with NJCEP program administrators, as well as approved Direct Install contractors, to promote this offering in our service territory. Because NJNG does not have access to the customers' electric usage information, the Company will also promote this program through local business groups and organizations, commercial editions of *njliving times*, and bill inserts directed to commercial customers, as well as through other direct outreach efforts to this customer group. NJNG will continue to utilize our Conserve to Preserve Business Online service to reach current commercial customers and continue to increase enrollment.

Additionally, NJNG will work with NJCEP's administration to promote the program through various channels including:

- Local business organizations
- Chambers of Commerce
- UEZ Managers
- Municipal outreach including partnering with Sustainable Jersey communities pursuing certification point for promoting NJCEP's Direct Install program
- Town meetings

Similar methods will be utilized to promote both the small and large commercial customer energy-efficiency programs. Matching grants will be made available to commercial customers currently served by contractors other than the approved Direct Install contractors and/or those commercial customers who are not eligible to participate in NJCEP's Direct Install program. Such customers have a peak electric demand in one of the preceding 12 months that exceeds the 150 kW maximum.

As mentioned above, because NJNG does not have access to the customers' electric usage information, the Company will also promote this program through local business groups and organizations, commercial editions of *njliving times*, and bill inserts directed to commercial customers, as well as through other direct outreach efforts to this customer group. NJNG will continue to utilize our Conserve to Preserve Business Online service to reach current commercial customers and continue to increase enrollment.

Additionally, NJNG will work with NJCEP's administrators to promote the program through various channels including:

- Local business organizations
- Chambers of Commerce

- UEZ Managers
- Municipal outreach
- Town meetings

For all commercial programs, informational seminars, direct mail and commercial outreach programs will also be utilized to reach commercial customers.

Fostering Environmental and Economic Development (FEED)

NJNG will work with New Jersey's Economic Development Authority to determine suitable commercial customers for this program. Also, the Company's Marketing Department regularly communicates with the commercial customer base and can determine those amenable to the environmental and economic development projects that are the focus of FEED.

Attachments to TJM-5 MARKETING OVERVIEW

A. Enroll before September 30, 2011 and SAVE an extra ...

Direct mail campaign announcing the HPwES 2011 summer sale.

B. Now there are 5,000 reasons to get a Home Energy Audit

Direct mail campaign explaining the importance of an HPwES home energy audit and available financial incentives.

C. Replace your heating and cooling system ...

Direct mail campaign highlighting the change in furnace requirements taking effect on July 15, 2012.

D. Replace your heating and cooling system ...

Valpak coupon highlighting the change in furnace requirements taking effect on July 15, 2012.

E. Make Your Whole House Energy-Efficient

Weatherization brochure detailing the importance of taking next steps with a whole-house approach (can be used as hand-out or self-mailer).

F. You've taken the first step toward saving on your energy costs ... Why Stop There?

Personally addressed letter showing actual data (with matching envelope) mailed to individual customers who received the NJNG Enhanced Rebate, encouraging them to take next steps to whole-house energy-efficiency.

Enroll before September 30, 2011 and SAVE an extra

\$1,000

\$5,000



Take the **Whole-House Approach** to energy savings and receive up to ~~\$4,000~~ in incentives.



Take the Whole-House Approach and get more:



PLUS:

You may qualify for up to \$10,000 with 0% APR financing through the On-Bill Repayment Program.³

HPwES, offered by New Jersey's Clean Energy Program™, takes the whole-house approach to lowering your energy bills by up to **30 percent**.

And now through **September 30, 2011**, HPwES is offering up to **\$5,000** in financial incentives for qualified home energy-efficiency improvements—that's \$1,000 more than the standard offer!

Visit www.njcleanenergy.com or call **877-455-NJNG (6564)**

for more details on this summer promotion, as well as additional savings on equipment upgrades.



New Jersey
Natural Gas

1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719

¹ Visit www.njcleanenergy.com for more information, terms and conditions. Homeowners will continue to have the opportunity to receive up to \$4,000 in incentives with 0% financing until December 31, 2011. ² Qualifying homeowners will have until September 30, 2011 to receive the \$1,000 bonus for up to \$5,000 in financial incentives. ³ Contact New Jersey Natural Gas for complete terms and conditions of the On-Bill Repayment Program.

Now
there are
5,000 reasons
to get a
Home Energy
Audit!



Take advantage of a Home Energy Audit by December 31, 2012
and receive up to **\$5,000** in incentives.*





New Jersey
Natural Gas

1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719

Act now and start Saving!

With a comprehensive Home Energy Audit, you'll get an in-depth analysis of your home from top to bottom. A certified auditor will assess your energy usage, then evaluate what measures you can take to improve efficiency and save money. The more energy measures you install, the bigger the incentive — up to \$5,000.*

Receive up to
\$5,000*
in incentives

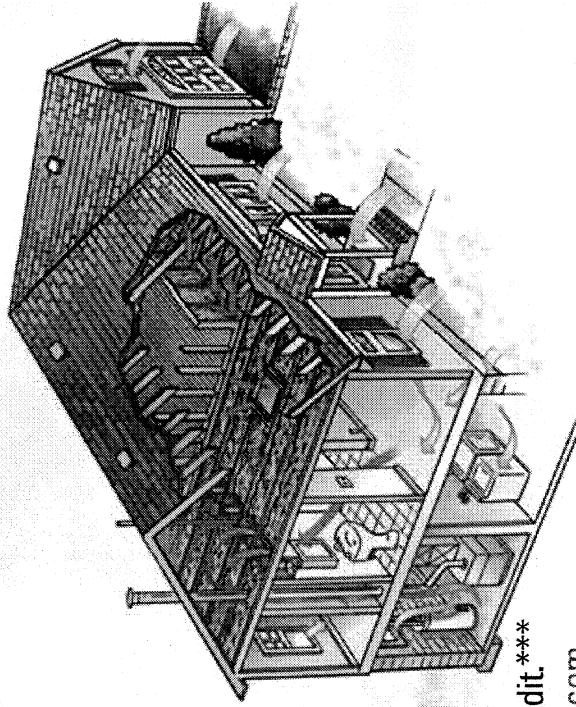
- ▶ In-depth Energy Analysis
- ▶ Detailed Report of Findings
- ▶ Recommended Measures
- ▶ Qualify for Up to \$10,000 with 0% APR Financing**

Call 877-455-NJNG (6564)

for a list of certified auditors.

If you prefer, NJNG can perform the audit.***

Learn more at www.savegreenproject.com.



*Visit www.njcleanenergy.com for complete terms and conditions for rebates and incentives.

**Available through NJNG's On-Bill Repayment Program. Visit www.savegreenproject.com for complete terms and conditions.

***Range of services performed and fees charged may vary by contractor. NJNG charges a fee of \$250.

Replace your heating and cooling system ...

GET INCENTIVES UP TO

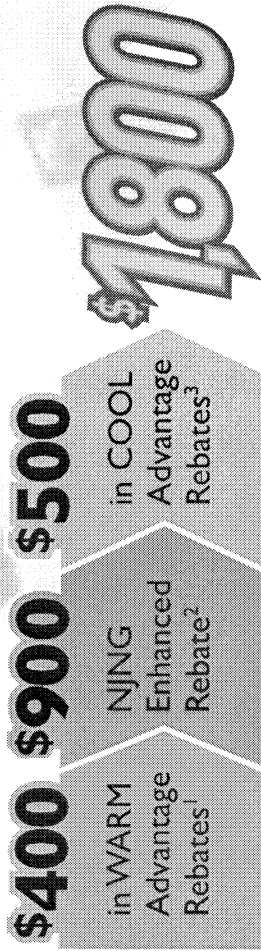
\$1800



DON'T WAIT - FURNACE REBATE REQUIREMENTS CHANGE JULY 15, 2012!



**Even a 10-year-old system may not be efficient.
Now's the time to UPGRADE and SAVE:**



BONUS

Installation of high-efficiency heating equipment qualifies you for a **FREE Home Energy Audit!**

OR

Take a whole-house approach and receive up to \$5,000* in rebates and incentives. Plus, you may qualify for our 0% APR On-Bill Repayment Program.⁴

DON'T WAIT – FURNACE REBATE REQUIREMENTS CHANGE JULY 15, 2012!¹

Visit www.savegreenproject.com or call 877-455-NJNG (6564).

¹ WARM Advantage qualified furnaces must have a minimum AFUE 95% + 2% (92% AFUE or greater accepted until 7/14/12). WARM Advantage qualified hydronic boilers must be 85% AFUE or greater. Natural gas steam boilers must be 82% AFUE or greater. Installation of WARM Advantage qualified furnace or boiler qualifies you for a NJNG FREE Home Energy Audit. ² Additional \$900 NJNG Enhanced Rebate is available (WARM Advantage qualified furnace or boiler) after completing a NJNG FREE Home Energy Audit. Offer applies to equipment purchased and installed no later than 12/31/12. ³ Compressor and coil combination that yields >= SEER 16 and EER 13. ⁴ Consult www.njcleanenergy.com for additional information on WARM and COOL Advantage programs. Visit www.savegreenproject.com for complete terms and conditions.



**New Jersey
Natural Gas**

1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719

PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
RED BANK, NJ
Permit No. 556


Replace your heating and cooling system ...

GET INCENTIVES UP TO \$1,800

**NEW JERSEY NATURAL
GAS CUSTOMERS – DON'T
WAIT. FURNACE REBATE
REQUIREMENT'S CHANGE
JULY 15, 2012!**

SAVEGREEN
The Best Investment You Can Make

**New Jersey
Natural Gas**



Even a 10-year-old system may not be efficient.
Now's the time to UPGRADE and SAVE:

Up to \$400
in WARMAdvantage
Rebates!¹

\$900
NJNG Enhanced
Rebate²

\$500
in COOLAdvantage
Rebates³

\$1,800

OR Take a whole-house approach and receive up to \$5,000* in rebates and incentives. Plus, you may qualify for our 0% APR On-Bill Repayment Program.⁴ Not an NJNG customer? Switch to natural gas – today's best heating value.

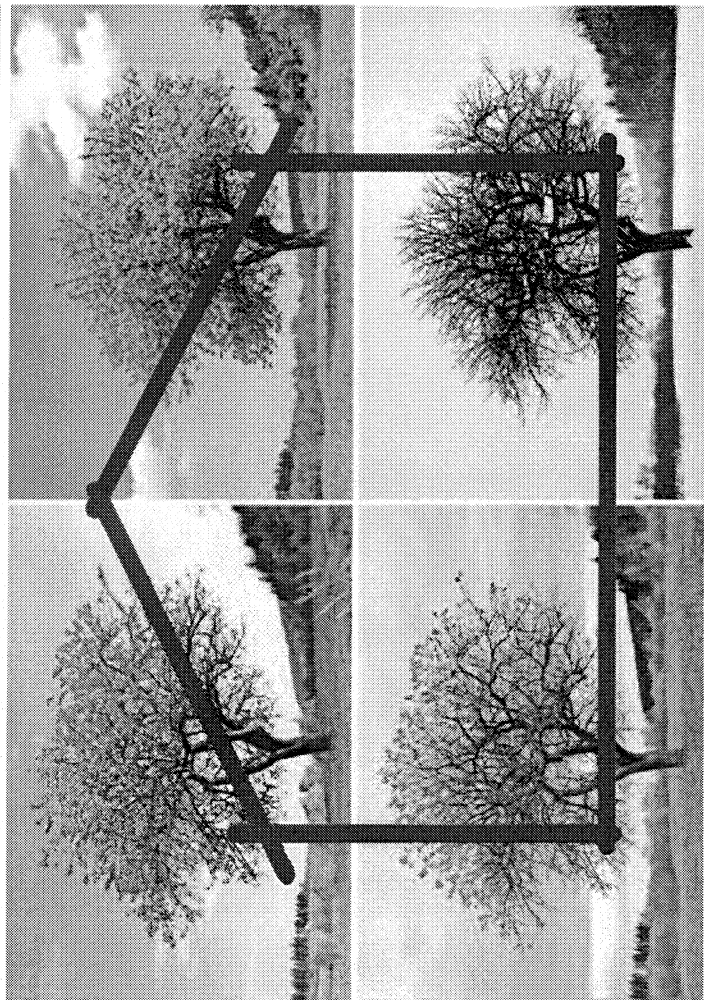
Furnace rebate requirements change July 15, 2012! Call 877-431-3176 today!

¹ WARMAdvantage qualified furnaces must have a minimum AFUE 95% + 2%e (92% AFUE or greater accepted until 7/14/12). WARMAdvantage qualified hydronic boilers must be 85% AFUE or greater. Natural gas steam boilers must be 82% AFUE or greater. Installation of WARMAdvantage qualified furnace or boiler qualifies you for a NJNG FREE Home Energy Audit. ² Additional \$900 NJNG Enhanced Rebate is available (WARMAdvantage qualified furnace or boiler) after completing a NJNG FREE Home Energy Audit. Offer applies to equipment purchased and installed no later than 12/31/12. ³ Compressor and coil combination that yields a SEER 16 and EER 13. * Consult www.njcleanenergy.com for additional information on WARM and COOLAdvantage programs. ⁴ Visit www.savegreenproject.com for complete terms and conditions.



www.savegreenproject.com

Make Your Whole House Energy-Efficient



Performance. Comfort. Savings.

Take the next step and weatherize your home for maximum energy efficiency.



New Jersey
Natural Gas



New Jersey
Natural Gas



1415 Wyckoff Road • PO Box 1464 • Wall, NJ 07719

Don't wait!

Call today and take the next step toward greater energy performance, comfort and savings.

877-455-NJNG (6564)

www.savegreenproject.com

Congratulations!

You've taken the first step toward saving energy and money by upgrading your home's heating and/or cooling systems. Now it's time to take the next step with a whole-house approach to energy efficiency through weatherization. Let the SAVEGREEN Team at New Jersey Natural Gas (NJNG) show you how.

Why Take the Next Step?

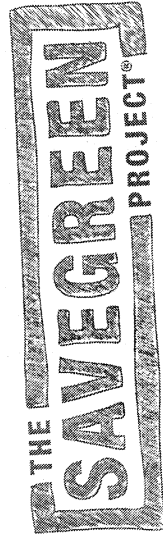
- Up to 60 percent of the energy used to heat and cool your home may be wasted due to leaky ducts, inadequate insulation and air leaks.
- Even if you recently installed an energy-efficient air conditioning and heating system, your equipment is forced to work harder and wastes energy dollars if your home is not properly insulated and sealed.

Weatherization can help maximize the performance of your heating and cooling system, improve the comfort of your home and save energy and money.

Take the Next Step and \$ave!

You could be eligible for up to \$5,000 in financial incentives through New Jersey's Clean Energy Program™. Plus, you may qualify for up to \$10,000 with 0% APR through NJNG's On-Bill Repayment Program*.

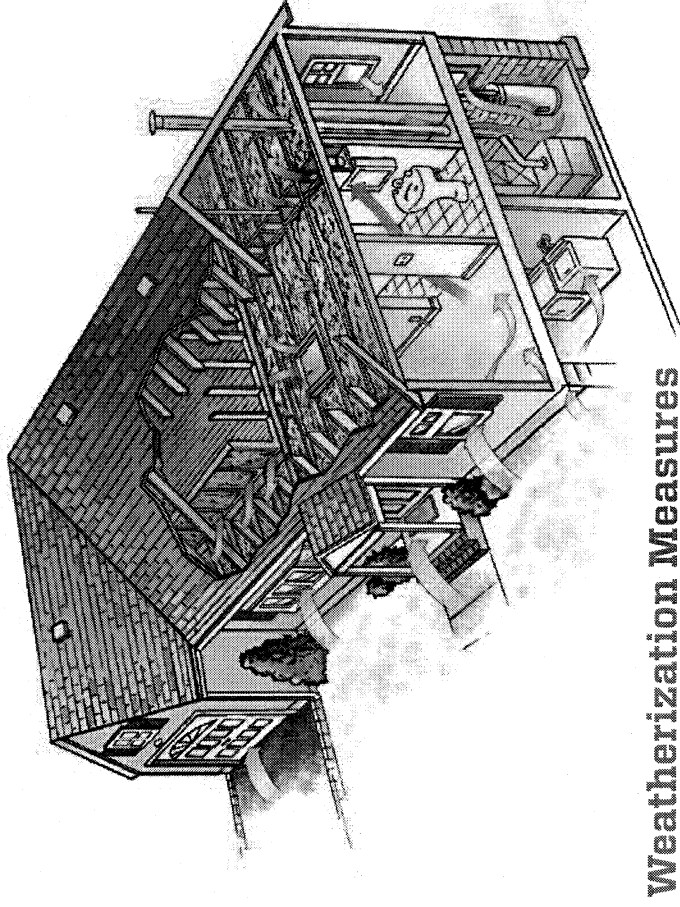
Don't wait! Call today and take the next step toward greater energy performance, comfort and savings.



877-455-NJNG (6564)

www.savegreenproject.com

* Visit www.savegreenproject.com for complete terms and conditions for rebates and NJNG's On-Bill Repayment Program.



Weatherization Measures

Air Sealing

Reducing air leaks is the most cost-effective way to improve your home's energy efficiency and comfort. The biggest air leaks are usually hidden in the attic, basement or crawlspace, but can also be found around pipes, windows, doors and other areas within your home.

Insulation

Inadequate insulation wastes energy. Proper attic insulation works as a buffer to slow energy loss from your living space into the attic, and is most effective when installed in conjunction with air sealing.

Duct Sealing

Forced air supply and return ducts should be as tight as possible to ensure that conditioned air is evenly distributed to each room. Supply duct leaks can contribute to high energy bills and an uncomfortable living space.

Sealed Combustion Hot Water Heating

Many open-vented water heaters are negatively affected by pressure changes in your home. Choosing a sealed combustion water heater improves energy efficiency and reduces the potential health and safety concerns from open combustion.

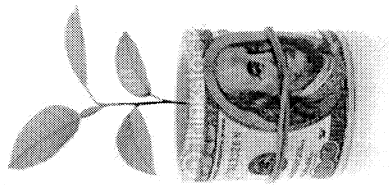


New Jersey
Natural Gas

1415 WYCKOFF ROAD
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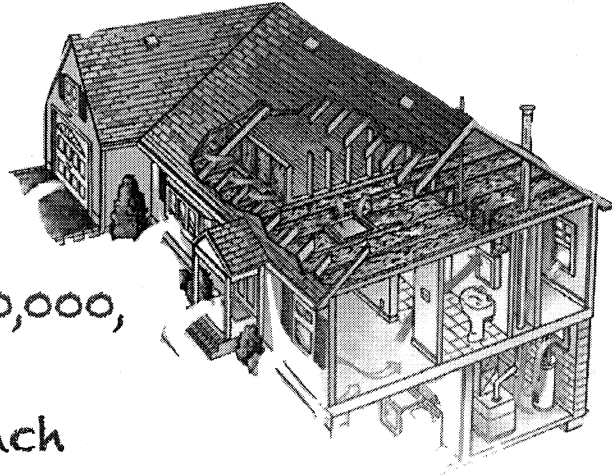
ATTACHMENT F
(envelope)

Raquel and Susan, By
Upgrading Your Heating System, You
Saved Money on Your Energy Costs ...
Ready to Save Even More?
See Inside for Details.



Raquel and Susan,
You've taken the first step toward saving
on your energy costs ... Why Stop There?

Receive an
Additional Rebate
up to \$5,000, Plus
0% APR On-Bill
Repayment up to \$10,000,
When You Take the
Whole-House Approach
to Energy Efficiency.*



In (Month) of (Year) you took the first step by taking advantage of the New Jersey Natural Gas Enhanced Rebate in the amount of (\$XXX) and the WARMAdvantage Rebate from New Jersey's Clean Energy Program™. Now, take the next step toward even bigger energy savings through whole-house energy efficiency.

Summer is here. Keep cool AND maximize your home's energy efficiency by:

Air and Duct Sealing: Improve your home's energy efficiency and comfort by reducing air leakage.

Insulation: Prevent conditioned air loss through proper attic insulation.

Sealed Combustion Water Heater: Reduce potential health and safety concerns from open combustion by installing a sealed combustion water heater.

DON'T WAIT! Keep the cool air in now and be all set for the heating season later.
Find out what additional SAVEGREEN incentives you may qualify for with a call to:

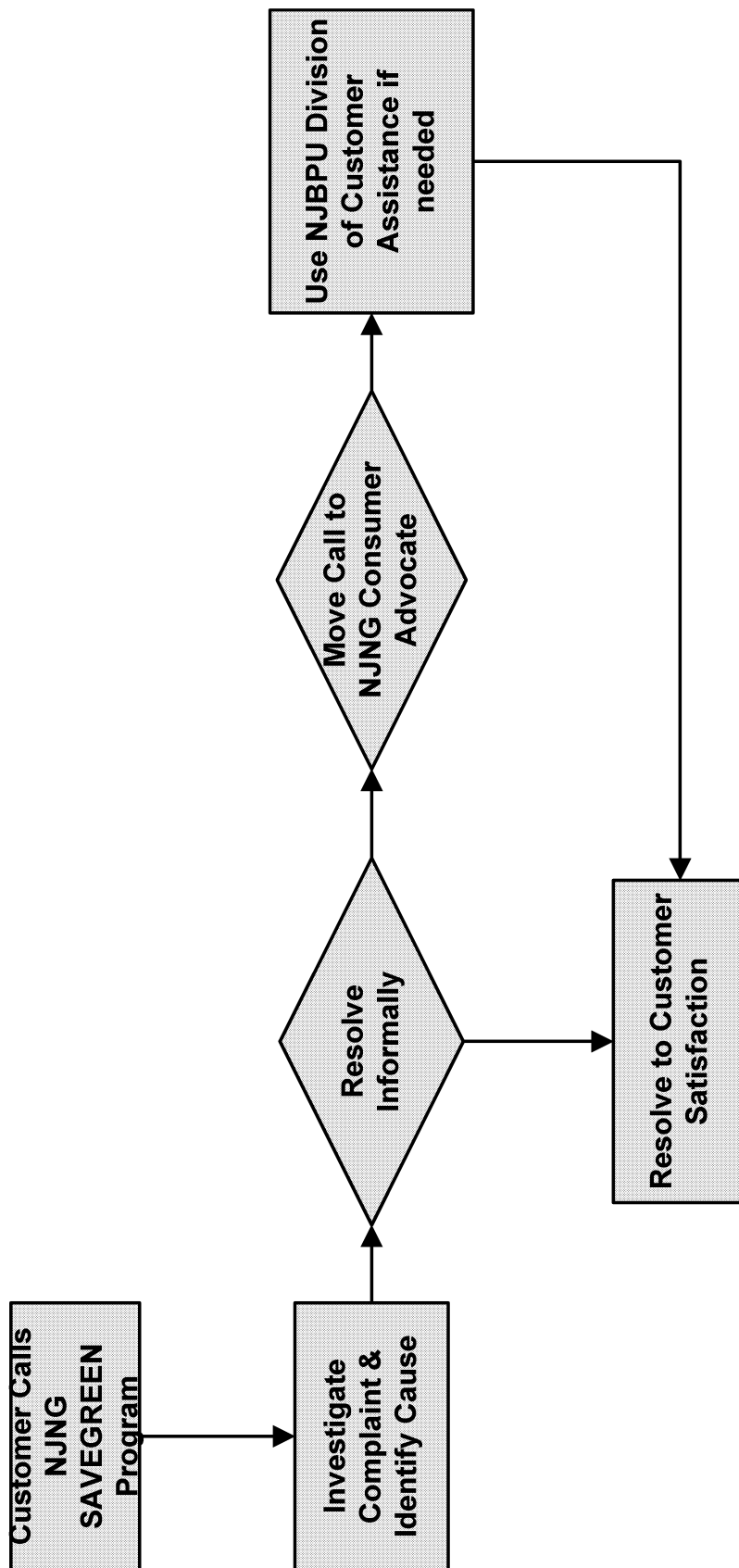
877-455-NJNG (6564)

www.savegreenproject.com



*Visit www.savegreenproject.com for complete terms and conditions for rebates and On-Bill Repayment Program.

Complaint Resolution Diagram



NEW JERSEY NATURAL GAS COMPANY
PREPARED DIRECT TESTIMONY OF
DANIEL P. YARDLEY

1 ***I. INTRODUCTION***

2 **Q. Please state your name, affiliation and business address.**

3 A. My name is Daniel P. Yardley. I am Principal, Yardley Associates and my business
4 address is 2409 Providence Hills Drive, Matthews, North Carolina 28105.

5 **Q. On whose behalf are you testifying?**

6 A. I am testifying on behalf New Jersey Natural Gas Company (“NJNG” or the
7 “Company”).

8 **Q. Please summarize your professional and educational background.**

9 A. I have been employed as a consultant to the natural gas industry for the past 20 years.
10 During this period, I have directed or participated in numerous consulting
11 assignments on behalf of local distribution companies ("LDCs"). A number of these
12 assignments involved the development of gas distribution company cost allocation,
13 pricing, service unbundling, revenue decoupling and other tariff analyses. In addition
14 to this work, I have performed interstate pipeline cost of service and rate design
15 analyses, gas supply planning analyses, and financial evaluation analyses. I received a
16 Bachelor of Science Degree in Electrical Engineering from the Massachusetts
17 Institute of Technology in 1988.

1 **Q. Have you previously testified before the New Jersey Board of Public Utilities?**

2 A. Yes. Over the last ten years, I have testified before the New Jersey Board of Public
3 Utilities (the "BPU") on rate and regulatory matters including rate unbundling, cost
4 allocation, rate design, revenue decoupling and tariff design. My testimony in various
5 proceedings has been presented on behalf of NJNG as well as Elizabethtown Gas
6 Company and South Jersey Gas Company. I have also testified in proceedings before
7 the Florida Public Service Commission, the Massachusetts Department of Public
8 Utilities, the New Hampshire Public Utilities Commission, the Rhode Island Public
9 Utilities Commission, the Tennessee Regulatory Authority, the Wisconsin Public
10 Service Commission, the Federal Energy Regulatory Commission and the National
11 Energy Board of Canada on matters pertaining to cost of service, cost allocation, rate
12 design and capacity planning. A summary of my previous expert testimony is
13 provided as Attachment A to my direct testimony.

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. My testimony describes the rate and revenue requirement aspects of NJNG's request
16 to extend energy-efficiency programs previously approved by the BPU and provided
17 through NJNG's The SAVEGREEN™ Project ("SAVEGREEN").¹ NJNG's
18 proposed four-year extension of existing programs and recommended program
19 updates and changes are described in the pre-filed testimony of Thomas J. Massaro,
20 Exhibit P-2 ("Massaro Testimony"), submitted in support of NJNG's proposals. In
21 particular, I provide estimates of the annual revenue requirements associated with the

¹ The BPU approved NJNG's energy-efficiency programs in Docket Nos. EO09010056, GO09010057 ("July 2009 Order"), GO10030225 ("September 2010 Order") and GR11070425 ("January 2012 Order").

1 energy-efficiency grant and on-bill repayment plan (“OBRP”) incentives described in
2 the Massaro Testimony. In addition, I will describe the existing cost recovery
3 mechanism applicable to the SAVEGREEN programs and the cost recovery
4 flexibility appropriate under NJNG’s proposed multi-year extension of its energy-
5 efficiency programs. Lastly, I provide an assessment of the estimated bill impacts
6 associated with NJNG’s proposals

7 My testimony supports a number of the current Minimum Filing Requirements
8 (“MFRs”) established by the BPU in an Order dated May 12, 2008 in Docket No.
9 EO08030164 and required for energy-efficiency program proposals.

10 **Q. Are you supporting any schedules that accompany your testimony?**

11 A. Yes. I am sponsoring the following seven schedules, which will be explained later in
12 my testimony:

13	Schedule DPY-1:	Program Unit Costs and Projected Take Rates
14	Schedule DPY-2:	Energy-Efficiency Program Rate Base
15	Schedule DPY-3:	Cost of Capital
16	Schedule DPY-4:	Operations and Maintenance Costs
17	Schedule DPY-5:	Revenue Requirements Summary and Projected Bill
18		Impacts
19	Schedule DPY-6:	Energy-Efficiency Cost Recovery Rate.

20

1 **II. PROGRAM REVENUE REQUIREMENTS**

2 **Q. What are the components included in the revenue requirements that are**
3 **associated with the SAVEGREEN programs proposed by the Company?**

4 A. The proposed energy-efficiency programs as described in the Massaro Testimony
5 incorporate grant and OBRP incentives. The SAVEGREEN revenue requirement
6 components vary with the type of incentive provided to customers. The provision of
7 energy-efficiency grants results in rate base related revenue requirements including
8 return on net investment, income taxes and amortization expense. The applicable rate
9 base incorporates reductions for accumulated deferred income taxes attributable to
10 timing differences between the tax and book amortization expense. The only
11 exception is that the Company is proposing to exclude return and income taxes from
12 revenue requirements for grants associated with the removal of oil tanks. The
13 provision of energy-efficiency OBRPs results in revenue requirements including
14 return on net investment and income tax expense, but not amortization expense given
15 that over time customers repay 100 percent of all capital received from the Company.
16 Additionally, the Company includes operations and maintenance (“O&M”) expense
17 associated with the energy-efficiency programs in SAVEGREEN revenue
18 requirements. The determination of revenue requirements is consistent with previous
19 BPU approvals of NJNG SAVEGREEN programs.

20 **Q. Please describe the factors that most strongly influence the level of revenue**
21 **requirements associated with the SAVEGREEN programs.**

22 A. The unit investment costs of the individual program measures and the number of
23 participants are the two factors that most significantly affect the level of

1 SAVEGREEN revenue requirements associated with these programs. In addition, the
2 length of time over which the investments are amortized and the incremental O&M
3 costs necessary to implement the energy-efficiency programs influence total revenue
4 requirements.

5 **Q. Have you prepared a summary of the number of participants you are relying**
6 **upon in your calculations?**

7 A. Yes. Schedule DPY-1 provides a list of energy-efficiency measures included within
8 the SAVEGREEN residential and commercial programs and the corresponding
9 expected participation rates by year. The information presented in Schedule DPY-1 is
10 segregated between residential and commercial programs.

11 **Q. Please describe the time period for amortization of the investments in energy-**
12 **efficiency rate base.**

13 A. Consistent with currently-approved programs, the Company amortizes all grants
14 provided to customers over a five-year period beginning with the month that the grant
15 is provided. For tax purposes, the energy-efficiency grants will be recognized as an
16 expense. The timing difference between book and tax amortization periods is properly
17 recognized in the calculated revenue requirements through deferred tax reductions to
18 the rate base associated with the energy-efficiency grants.

19 **Q. What is the projected rate base associated with the proposed SAVEGREEN**
20 **extension?**

21 A. The rate base relied upon for revenue requirement purposes reflects the net
22 investment in energy-efficiency grants and the revolving fund balance associated with

1 OBRPs. The rate base by program by year is provided in Schedule DPY-2 through
2 2025, which is when the OBRP revolving fund balance is zero and which is beyond
3 the 2020 time period over which the last of the grants would be fully amortized.

4 **Q. How are return on investment and income taxes calculated?**

5 A. Consistent with cost recovery for current BPU-approved SAVEGREEN programs,
6 the Company is proposing to include a regulated rate of return on energy-efficiency
7 rate base as part of the proposed revenue requirements. The rate of return and
8 associated income tax rates are provided in Schedule DPY-3 and reflect the rates
9 authorized by the BPU in the Company's most recent base rate case, Docket No.
10 GR07110889. The Company is not seeking a return on its investment in Oil Tank
11 Removal grants.

12 **Q. What are the estimated O&M and Administrative costs?**

13 A. NJNG prepared estimates of the anticipated labor and non-labor costs associated with
14 administering the SAVEGREEN programs, consistent with prior BPU-approved cost
15 recovery. The projections reflect the Company's experience administering the
16 existing programs in previous years, including the incremental employees performing
17 the required work. O&M costs associated with the proposed programs are only
18 incurred during years that incentives are provided to customers. A summary of
19 projected O&M and administrative costs is provided in Schedule DPY-4. The costs
20 included on this schedule represent the direct labor and associated personnel overhead
21 costs, such as benefits and office space. None of the Company's general

1 administrative overhead costs are included in revenue requirements for these
2 programs.

3 **Q. Have you prepared a summary of net revenue requirements associated with the**
4 **SAVEGREEN Investments?**

5 A. Yes. Schedule DPY-5 presents a summary of the projected revenue requirements for
6 the SAVEGREEN residential and commercial programs by year. The actual revenue
7 requirements will depend on the level of participation by customers in each year.
8 However, Schedule DPY-5 is presented on the basis of the maximum revenue
9 requirement impact to customers for the four-year term of the program extension.

10 ***III. COST RECOVERY MECHANISM***

11 **Q. Please describe the cost recovery mechanism established by the BPU for**
12 **recovery of costs associated with providing the SAVEGREEN programs.**

13 A. The BPU approved Rider F to the Company's tariff in order to provide recovery of
14 the costs of NJNG's energy-efficiency programs. The cost recovery mechanism is
15 consistent with the calculations of rate base and revenue requirements presented in
16 the various Schedules accompanying my testimony. Total energy-efficiency revenue
17 requirements for an annual period are recovered through a volumetric charge
18 applicable to all firm throughput. The Rider also incorporates provisions addressing
19 the applicability of charges and treatment of any over or under-recoveries.

20 The same recovery rate of \$0.0127 has been in effect since Rider F was implemented
21 pursuant to the July 2009 Order. The Company is proposing to implement a revised
22 rate of \$0.0327 upon approval of its request to approve a four-year extension of

1 SAVEGREEN programs. The derivation of the proposed rate is provided in Schedule
2 DPY-6.

3 **Q. Please describe the periodic filing and review process related to ongoing**
4 **SAVEGREEN investments recovered through Rider F.**

5 A. Consistent with the July 2009 Order, the Company makes an annual filing seeking
6 approval of any change to the rate applicable under Rider F. The filing incorporates
7 updated actual grant and OBRP activity in order to establish the revenue requirements
8 recoverable through Rider F. The BPU and interested parties are provided an
9 opportunity to review and conduct discovery regarding the Company's energy-
10 efficiency activities in conjunction with the filings to establish applicable rates under
11 Rider F.

12 **Q. Have you prepared a forecast of future bill impacts associated with the**
13 **Company's proposal?**

14 A. Yes. Schedule DPY-5 also presents annual bill impacts, assuming full participation at
15 the proposed levels, for each year based on the projected net revenue requirements
16 presented in Schedule DPY-5. The bill impacts are provided separately for various
17 NJNG customer classes. For residential heating customers, the bill impacts average
18 \$15.21 annually over the recovery period.

1 **IV. FUNDING FLEXIBILITY**

2 **Q. Why is it necessary to establish parameters that provide some degree of funding**
3 **flexibility for the SAVEGREEN energy-efficiency programs?**

4 A. The success of energy-efficiency programs depends, in significant part, upon
5 customers who participate in the programs. However, participation is not predictable
6 with certainty and customers' actions are not always steady over time. To ensure that
7 the potential success of an energy-efficiency program is maximized necessitates a
8 reasoned approach to funding flexibility. Funding flexibility allows the LDC, and its
9 customers and other stakeholders, to benefit from funding measures that best meet
10 changing customer, state policy and market needs over time. Moreover, funding
11 flexibility contributes to effective customer communication and messaging that is not
12 restricted by the previous success of a particular component of an overall energy-
13 efficiency program.

14 **Q. Please describe the funding flexibility associated with prior BPU approvals of**
15 **NJNG's SAVEGREEN programs.**

16 A. The existing residential energy-efficiency program reflects a number of different
17 types of incentives for participating customers. In conjunction with approving
18 SAVEGREEN to offer various measures through its programs, the Board also
19 approved funding flexibility that permits a shift in investment from one measure that
20 may be experiencing participant levels below expectations to one that is experiencing
21 higher-than-anticipated participant levels. The approved flexibility does not permit
22 shifting eligible funding from one group to another, *e.g.*, residential to commercial,
23 and does not permit adjustments to the total funding cap.

1 **Q. What changes do you propose to the existing funding flexibility?**

2 A. I am proposing to modify the funding flexibility in two respects. The first is to clarify
3 the application of the existing funding flexibility to accommodate the revenue
4 requirement differences that exist between grant and OBRP incentives. The second is
5 to provide flexibility to accommodate multi-year planning and the responsiveness of
6 the programs to market needs as they change over time.

7 **Q. How do you recommend modifying the existing flexibility that allows funding**
8 **shifts among measures within the residential program?**

9 A. One of the areas of uncertainty associated with offering the proposed programs to
10 residential customers is the proportion of customers who will opt for grants and the
11 proportion who will opt for OBRP. The revenue requirement and cost recovery
12 implications of grants and OBRP are different. In particular, the cost recovery for
13 grant incentives includes both return of the grant through amortization expense and
14 return on the incentive through the application of a pretax return. Cost recovery for
15 OBRP incentives only require the return on the incentive as customers pay back the
16 principal associated with the OBRP into the revolving fund. The cost recovery
17 implications are recognized in the absolute dollar value of the incentive, which is
18 higher for OBRP. However, the funding flexibility should reflect this distinction in
19 order to avoid an undesirable outcome if the proportion of grants or OBRPs is higher
20 than projected. This could occur as general economic conditions or credit markets
21 fluctuate over time, modifying the relative benefits that customers perceive for the
22 grant and OBRP options.

1 The most appropriate manner to ensure that the funding flexibility within the
2 SAVEGREEN residential program achieves its intended goal is to apply the
3 flexibility on the basis of total revenue requirements for the program. This method
4 maintains an appropriate cap on the program based upon the overall expectations of
5 program costs and benefits. Additionally, potential increases in customer participation
6 rates for grants or OBRP may be accommodated as long as a corresponding reduction
7 in the revenue requirement impacts of other measures is realized.

8 Therefore, NJNG is requesting that the Board approve the funding levels for
9 the residential program and for the commercial program based upon the projected
10 participant rates. NJNG will closely monitor customer activity and the associated cost
11 recovery impacts to ensure that the annual adjustments to the Rider F recovery rate
12 remain within the revenue requirement levels approved by the Board. The Company
13 proposes to maintain the current limitation that prevents shifting funds between the
14 residential and commercial programs.

15 **Q. Please describe the multi-year funding flexibility you recommend.**

16 A. A number of factors affect the participant rates that occur in a particular year. These
17 include overall economic conditions and the weather. For instance, extremely cold
18 weather tends to be followed by higher rates of equipment replacement while
19 extremely mild weather tends to result in the opposite outcome. The Company is
20 requesting the ability to carry-forward up to 20 percent of the approved revenue
21 requirement levels for the residential and commercial programs to subsequent years.
22 This will allow the Company to respond to periodic variations in customer

1 participation rates in its programs. No increase to the funding in any year could occur
2 without a corresponding reduction in a prior year in order to ensure that the total
3 impacts of the program remain within the levels approved by the Board.

4 **Q. Does the funding flexibility you propose result in any change to the overall**
5 **funding levels that NJNG is seeking through this proposal?**

6 A. No. As is the case under the current program, the proposed funding flexibility does
7 not permit NJNG to exceed the total funding levels approved by the Board in
8 conjunction with this proceeding. The objective of the flexibility is to maximize the
9 potential benefits of providing energy-efficiency programs to customers.

10 **Q. Does this conclude your testimony?**

11 A. Yes, it does.

New Jersey Natural Gas
SAVEGREEN Program

Projected Participation Rates

OBRP Term	Participation Rates				4-Year Total
	Year 1	Year 2	Year 3	Year 4	
Residential Grants					
Furnace / Boiler	1,000	1,000	1,000	1,000	4,000
Furnace / Boiler and Water Heater	2,500	2,500	2,500	2,500	10,000
Water Heater	750	750	750	750	3,000
HP w ES Tier II Seal-Up	950	950	950	950	3,800
HPwES Tier III	1,000	1,000	1,000	1,000	4,000
Above Ground Oil Tank Removal	510	510	510	510	2,040
Below Ground Oil Tank Removal	765	765	765	765	3,060
	7,475	7,475	7,475	7,475	29,900
Residential On-Bill Repayment Plans					
<u>WARM Advantage OBRP</u>					
Furnace / Boiler and Water Heater	2,000	2,000	2,000	2,000	8,000
Furnace / Boiler and Water Heater with Follow-up HPwES Measures	500	500	500	500	2,000
<u>From Initial WARM Advantage Grant Paths</u>					
Furnace / Boiler and Water Heater with Follow-up measures to reach HPwES Tier II	250	250	250	250	1,000
Furnace / Boiler with Follow-up measures to reach HPwES Tier II	100	100	100	100	400
Water Heater with Follow-up measures to reach HPwES Tier III	100	100	100	100	400
<u>From Initial HPwES Paths</u>					
HPwES Tier II	100	100	100	100	400
HPwES Tier III	900	900	900	900	3,600
	3,950	3,950	3,950	3,950	15,800
Commercial Grants					
SmartStart Under 200kW	50	50	50	50	200
SmartStart Above 200kW	25	25	25	25	100
	75	75	75	75	300
Commercial On-Bill Repayment Plans					
Direct Install OBRP	100	100	100	100	400
	100	100	100	100	400
TOTAL ALL PROGRAMS					
	11,600	11,600	11,600	11,600	46,400

New Jersey Natural Gas
SAVEGREEN Program
SAVEGREEN Investments
(\$000)

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential Grant Investments													
Gross Investment	\$ 9,675	\$ 19,350	\$ 29,025	\$ 38,700	\$ 38,700	\$ 29,025	\$ 19,350	\$ 9,675	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Amortization	(1,935)	(5,805)	(11,610)	(19,350)	(27,090)	(23,220)	(17,415)	(9,675)	-	-	-	-	-
Deferred Taxes	(3,162)	(5,533)	(7,114)	(7,904)	(4,743)	(2,371)	(790)	-	-	-	-	-	-
Total	\$ 4,578	\$ 8,012	\$ 10,301	\$ 11,446	\$ 6,867	\$ 3,434	\$ 1,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential OBRP Fund													
OBRP Loans	\$ 30,250	\$ 60,500	\$ 90,750	\$ 121,000	\$ 121,000	\$ 108,000	\$ 95,000	\$ 82,000	\$ 69,000	\$ 69,000	\$ 51,750	\$ 34,500	\$ 17,250
Customer Repayments	(4,325)	(12,975)	(25,950)	(43,250)	(60,550)	(62,250)	(61,350)	(57,850)	(51,750)	(58,650)	(46,575)	(32,775)	(17,250)
Total	\$ 25,925	\$ 47,525	\$ 64,800	\$ 77,750	\$ 60,450	\$ 45,750	\$ 33,650	\$ 24,150	\$ 17,250	\$ 10,350	\$ 5,175	\$ 1,725	\$ -
Commercial Grant Investments													
Gross Investment	\$ 1,375	\$ 2,750	\$ 4,125	\$ 5,500	\$ 5,500	\$ 4,125	\$ 2,750	\$ 1,375	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Amortization	(275)	(825)	(1,650)	(2,750)	(3,850)	(3,300)	(2,475)	(1,375)	-	-	-	-	-
Deferred Taxes	(449)	(786)	(1,011)	(1,123)	(674)	(337)	(112)	(0)	(0)	(0)	(0)	(0)	(0)
Total	\$ 651	\$ 1,139	\$ 1,464	\$ 1,627	\$ 976	\$ 488	\$ 163	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Commercial OBRP Fund													
OBRP Loans	\$ 3,280	\$ 6,560	\$ 6,560	\$ 6,560	\$ 3,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Repayments	(1,640)	(4,920)	(4,920)	(4,920)	(3,280)	-	-	-	-	-	-	-	-
Total	\$ 1,640	\$ 1,640	\$ 1,640	\$ 1,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL NET INVESTMENT	\$ 32,794	\$ 58,316	\$ 78,205	\$ 92,462	\$ 68,293	\$ 49,672	\$ 34,957	\$ 24,150	\$ 17,250	\$ 10,350	\$ 5,175	\$ 1,725	\$ (0)

New Jersey Natural Gas
SAVEGREEN Program

Cost of Capital

<u>Component</u>	<u>Amount</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Combined Tax Rate</u>	<u>Pre-Tax Cost of Capital</u>
Long-Term Debt	\$ 411,344	41.6%	5.44%	2.26%		2.26%
Short-Term Debt	66,000	6.7%	2.90%	0.19%		0.19%
Customer Deposits	4,447	0.5%	4.79%	0.02%		0.02%
Common Equity	<u>506,332</u>	<u>51.2%</u>	10.30%	<u>5.28%</u>	40.85%	<u>8.92%</u>
Total	\$ 988,123	100.0%		7.76%		11.40%

[illegible]

Year

[illegible]

**New Jersey Natural Gas
Energy Efficiency (EE) Recovery Rate
2013
(\$000)**

Actual Under/(Over) recovery at 5/31/12	\$ (3,271)
Estimated Revenue Requirements (June 2012 through Dec 2012) for programs approved in the following Dockets:	
GO09010057 (July 2009 Order)	2,345
GO01030225 (Sep 2010 Order)	1,725
GR11070425 (Jan 2012 Order)	4,668
Estimated Recovery (June 2012 through Dec 2012)	(3,263)
Estimated Interest (June 2012 through Dec 2012)	(0)
Estimated Under/(Over) Recovery Dec 2012	2,204
Estimated Revenue Requirements (Jan 2013 through Dec 2013) for programs approved in the following Dockets:	
GO09010057 (July 2009 Order)	3,817
GO01030225 (Sep 2010 Order)	2,900
GR11070425 (Jan 2012 Order)	3,321
GR1207 ___ filed on July 9, 2012	8,064
Total Amount to be Recovered	\$ 20,306
<u>Per Therm Recovery</u>	
Firm Throughput (000 therms) (Jan 2013 through Dec 2013)	663,564
Proposed Pre-tax EE Recovery Rate \$ per Therm	\$ 0.0306
Proposed After-tax EE Recovery Rate \$ per Therm	\$ 0.0327
Current Pre-tax EE Recovery Rate \$ per Therm	\$ 0.0119
Current After-tax EE Recovery Rate \$ per Therm	\$ 0.0127
Pre-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$ 0.0187
After-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$ 0.0200