



January 19, 2010

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

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

Re: In the Matter of the Petition of
New Jersey Natural Gas Company
for the Annual Review and Revision
of Its Basic Gas Supply Service (BGSS),
Its Conservation Incentive Program (CIP)
Factors and for Modification to its Weather
Normalization Clause (WNC) Factor
for F/Y 2010
Docket Nos. GR09060432 and GX01050304

Dear Ms. Izzo:

Please accept this letter as notification that New Jersey Natural Gas Company (the Company or NJNG) intends to implement a Bill Credit effective February 1, 2010, through March 31, 2010 for customers being billed at the Periodic Basic Gas Supply Service (BGSS) rates. Pursuant to the terms of the order in BPU Docket No. GX01050304, dated January 6, 2003, approving the BGSS Pricing Structure and the Stipulation adopted within that order, the Company can implement a bill credit with five days notice to the Staff of the New Jersey Board of Public Utilities (BPU) and the Department of the Public Advocate, Division of Rate Counsel. Accordingly, this letter and the attachments hereto constitute the required notice.

On June 1, 2009, NJNG filed an initial petition seeking the review and revision of its Basic Gas Supply Service (BGSS) factor for the 2010 fiscal year in Docket No. GR09060432, captioned above. Within that filing, the Company requested a decrease to the BGSS price that

would result in a 15.7 percent decrease in the bill of an average residential heating customer using 100 therms a month. After further review and discussion, NJNG determined that a further decrease in the BGSS rates was possible, based on natural gas market conditions. Therefore, on September 4, 2009, NJNG, Rate Counsel, and Board Staff (collectively, "the Parties") entered into a Stipulation which provided for a BGSS decrease that would result in a 17.2 percent decrease in the bill of an average residential heating customer. In an order dated September 16, 2009, this decrease was approved by the BPU on a provisional basis, subject to refund with interest.

Since the wholesale price of natural gas has recently moderated, NJNG is now able to provide a bill credit of approximately \$37.5 million, on an after-tax basis, for residential and small commercial customers subject to the Periodic BGSS pricing. That credit will be effective as of February 1, 2010 and continue through March 31, 2010, two winter months with high consumption patterns. The after-tax credit of \$0.2745 per therm will be based on each customer's usage during the two months that it is in effect. Although the impact of this credit will vary from customer to customer and is dependent on weather patterns during the two months, the average residential customer could see a total credit of approximately \$89, or 20 percent, over the two months, or 6.4 percent on an annual basis.

NJNG continuously monitors the natural gas markets and will continue to make every effort possible to reduce the impact on customers of natural gas prices.

EXHIBITS

NJNG is providing the following information within this notification:

Exhibit A demonstrates the impact of this bill credit on the average residential heating customer using 100 therms a month and also based on an annual consumption of 1000 therms.

Exhibit B includes the tariff page that will be changed to reflect the impact of this bill credit for the months of February and March 2010 in a red-line and clean format.

The costs and recoveries associated with this filing have no net impact on NJNG's base revenues or return on investment, and the credit on the BGSS price will not change NJNG's income or rate of return as previously fixed by the Board.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By:



Tracey Thayer, Esq.
Director, Regulatory Affairs Counsel

C: Service List (Electronic mail only)
Encl.

**NEW JERSEY NATURAL GAS COMPANY
ANNUAL REVIEW AND REVISION OF ITS
BASIC GAS SUPPLY SERVICE (BGSS),
ITS CONSERVATION INCENTIVE PROGRAM (CIP)
AND FOR MODIFICATION TO ITS
WEATHER NORMALIZATION CLAUSE (WNC) FACTOR
FOR F/Y 2010
DOCKET NO. GR09060432**

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ANNUAL REVIEW AND REVISION OF ITS
BASIC GAS SUPPLY SERVICE (BGSS),
ITS CONSERVATION INCENTIVE PROGRAM (CIP)
AND FOR MODIFICATION TO ITS
WEATHER NORMALIZATION CLAUSE (WNC) FACTOR
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10/6/09

New Jersey Natural Gas Company
Net Impact of Rate Changes for Residential Heat Customers
BPU Docket Nos. GX01050304 and GR09060432
F/Y 2010

	(\$/therm)		
	Current	With Feb and Mar 2010 Bill Credit	Change
Pre-tax Rate Credit Adjustment	\$0.0000	(\$0.2565)	(\$0.2565)
After-tax Rate Credit Adjustment	\$0.0000	(\$0.2745)	(\$0.2745)
After-tax BGSS for Residential Heat Customers	<u>\$0.8039</u>	<u>\$0.8039</u>	<u>\$0.0000</u>
Net After-tax Gas Cost Related Rates	\$0.8039	\$0.5294	(\$0.2745)

Impact on Residential Heating Customers

		100 therm bill	1000 therm annual bill
Current Prices			
Customer Charge	\$8.25	\$8.25	\$99.00
Delivery	\$0.4929	\$49.29	\$492.90
BGSS	\$0.8039	\$80.39	\$803.90
Total	<u>\$1.2968</u>	<u>\$137.93</u>	<u>\$1,395.80</u>
Prices- effective 2/1/10 through 3/31/10			
Customer Charge	\$8.25	\$8.25	\$99.00
Delivery	\$0.4929	\$49.29	\$492.90
BGSS	\$0.8039	\$80.39	\$803.90
Rate Credit Adjustment	(\$0.2745)	(\$27.45)	(\$89.21) ¹
Total	<u>\$1.0223</u>	<u>\$110.48</u>	<u>\$1,306.59</u>
Decrease		(\$27.45)	(\$89.21)
Decrease as a %		(19.9%)	(6.4%)

Projected Rate Credit for February and March 2010

Projected Periodic BGSS therms 2/1/10 to 3/31/10 136,470 (000s)

	Projected Credit at Current Rate \$million	Projected Credit at Proposed Rate \$million	Change \$million
Pre-tax Rate Credit Adj.	<u>\$0.0</u>	<u>(\$35.0)</u>	<u>(\$35.0)</u>
After-tax Rate Credit Adj.	<u>\$0.0</u>	<u>(\$37.5)</u>	<u>(\$37.5)</u>

¹ The February and March sales included in the 1,000 therm annual usage is 325 therms.

EXHIBIT B
TARIFF SHEETS

RIDER "A"BASIC GAS SUPPLY SERVICE - BGSS(Continued)BGSS SAVINGS COMPONENT RELATED TO THE CONSERVATION INCENTIVE PROGRAM (CIP)
IN RIDER "I"

<u>CLASS</u>	<u>APPLICATION</u>	<u>CREDIT</u>
RS, GSS, GSL, FC, and ED sales customers	Embedded within the Periodic Basic Gas Supply Charge and the Monthly Basic Gas Supply Charge	(\$0.0260) per therm

TEMPORARY BGSS RATE CREDIT ADJUSTMENT

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

Date of Issue: ~~August 28~~ January 19, 2010
 Issued by: Mark R. Spurduto, Vice President
 16, 2010

Wall, NJ 07719

Effective for service rendered on
 and after February ~~September~~

RIDER "A"BASIC GAS SUPPLY SERVICE - BGSS(Continued)BGSS SAVINGS COMPONENT RELATED TO THE CONSERVATION INCENTIVE PROGRAM (CIP)
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