



May 29, 2015

Honorable Irene Kim-Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625-0350

Re: New Jersey Natural Gas Company for Approval of the NJ RISE Program and Associated
Rate Recovery Mechanism
BPU Docket No. GR1505 _____

Dear Secretary Kim-Asbury:

Enclosed herewith for filing please find an original and ten (10) copies of the Petition of New Jersey Natural Gas Company (NJNG) with supporting documents seeking approval from the New Jersey Board of Public Utilities (the Board) for the NJ Reinvestment in System Enhancement (NJ RISE) cost recovery filing. This submission is being made in accordance with the Board's Order of July 23, 2014 (Docket Nos. AX13030197 and GR13090828) authorizing a rate recovery filing for tariff rates effective November 1, 2015.

Copies of the Petition, including the supporting Exhibits, are also being served upon the New Jersey Division of Rate Counsel and the Division of Law.

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

Very truly yours,

A handwritten signature in black ink that reads 'Andrew K. Dembia'. The signature is fluid and cursive, with the first and last names being the most prominent.

Andrew K. Dembia
Regulatory Affairs Counsel

Enclosures

C: Service List

NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF THE
NJ RISE PROGRAM AND ASSOCIATED RATE RECOVERY MECHANISM
BPU DOCKET NO.GR1505_____

SERVICE LIST

NJNG

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NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF THE
NJ RISE PROGRAM AND ASSOCIATED RATE RECOVERY MECHANISM
BPU DOCKET NO.GR1505_____

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5/28/2015

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

IN THE MATTER OF THE PETITION OF)	
NEW JERSEY NATURAL GAS)	
COMPANY FOR APPROVAL OF A)	PETITION
BASE RATE ADJUSTMENT PURSUANT TO)	BPU Docket No. GR1505_____
THE NJ RISE PROGRAM)	

1. New Jersey Natural Gas Company (NJNG, the Company, or Petitioner), a corporation of the State of New Jersey, having its principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719, respectfully petitions the New Jersey Board of Public Utilities (Board or BPU) pursuant to N.J.S.A. 48:2-21 and the Board Order dated July 23, 2014 in BPU Docket Nos. AX13030197 and GR13090828 (NJ RISE Order) for tariff rate changes to provide for cost recovery associated with the Company’s NJ Reinvestment in System Enhancement Program (NJ RISE Program). The NJ RISE Order adopted a Stipulation of Settlement (NJ RISE Stipulation) between the Company, the Division of Rate Counsel (Rate Counsel) and the Staff of the Board that authorizes this rate filing in May 2015 for rates to be effective November 1, 2015. See, NJ RISE Stipulation, ¶17.a.

INTRODUCTION AND OVERVIEW

2. 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 is a local natural gas distribution company providing regulated retail natural gas service to approximately 512,000 customers within Monmouth and Ocean counties, as well as portions of Burlington, Middlesex and Morris counties.

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

Mark R. Sperduto, Senior Vice President, Regulatory Affairs
Andrew K. Dembia, Esq., Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road, P.O. Box 1464
Wall, NJ 07719
(732) 938-1214 (M. Sperduto)
(732) 938-1073 (A. Dembia)
(732) 938-2620 (fax)

4. Petitioner is subject to regulation by the Board for the purposes of setting its retail distribution rates and to assure safe, adequate and reliable natural gas distribution service pursuant to N.J.S.A. 48:2-13, *et seq.*

5. Through this Petition and the accompanying schedules and testimonies, NJNG is requesting BPU approval for a base rate adjustment to provide for cost recovery associated with the Company's NJ RISE Program.

6. This Petition is supported by Appendix A and the Exhibits attached hereto and made a part of this Petition:

Exhibit A: Pre-filed Direct Testimony and Schedules of Craig A. Lynch, NJNG's Senior Vice President – Energy Delivery addressing the progress of the NJ RISE Program.

Exhibit B: Pre-filed Direct Testimony and Schedules of James M. Corcoran, NJNG's Manager – Revenue Requirements addressing the increase in revenue requirements associated with NJ RISE investments as of July 31, 2015.

BACKGROUND

7. On September 3, 2013, NJNG filed a petition with the Board requesting approval of its NJ RISE Program. The Petition also included a mechanism for the recovery of costs invested through NJ RISE. The Petition was filed pursuant to the Board's March 20, 2013 Order, BPU Docket No. AX13030197 which initiated a generic proceeding to investigate possible alternatives to support and protect New Jersey's utility infrastructure to withstand the effects of future Major Storm Events.

8. On July 23, 2014 the Board approved the NJ RISE Stipulation setting forth the NJ RISE Program investment level of up to \$102.5 million to be recovered through the stipulated cost recovery mechanism described below. The Parties acknowledged that the amount of \$102.5 million proposed for the six NJ RISE projects was an estimate based upon a high level preliminary pre-engineering study basis. NJNG reserved its right to request additional relief in a subsequent proceeding should the total project costs exceed \$102.5 million.

9. Pursuant to the NJ RISE Order adopting the Stipulation, specific NJ RISE investment levels, excluding AFUDC, shall be up to the following amounts:

<u>NJ RISE Program</u>	<u>\$ Millions</u>
Sea Bright Project	\$3.5
North Seaside Project	6.0
South Seaside Project	25.0
Long Beach Island Project	30.0
Long Beach Island Regulator Station	3.0
Excess Flow Valve (EFV) Project	<u>35.0</u>
TOTAL NJ RISE Program	\$102.5

COST RECOVERY

10. The progress of the NJ RISE Program as of July 31, 2015 is supported by the Direct Testimony of Craig A. Lynch.

11. Consistent with the NJ RISE Order, NJNG is seeking BPU approval to adjust tariff rates to recover the revenue requirements associated with capitalized investment costs of the NJ RISE Program as of July 31, 2015. The annualized increase in revenue requirement associated with NJ RISE investments is approximately \$0.130 million and is supported by the Direct Testimony and Schedules of James M. Corcoran. The base rate revenue requirement adjustments and rate increase calculations have been used as the basis to increase current tariff rates, and include actual expenditures through April 30, 2015 and projected expenditures through July 31, 2015. The projected amounts for May 1, 2015 through July 31, 2015 will be updated for actual results by September 15, 2015.

12. In accordance with the NJ RISE Order and Stipulation, the proposed rate adjustments are based on a consistent calculation to the rate design methodology used to set rates in NJNG's most recent base rate case¹. The detailed calculations supporting the rate design is shown in Schedule NJNG-11.

13. Schedule NJNG-12 is a draft Form of Notice of Filing and of Public Hearings (Form of Notice). This Form of Notice will be placed in newspapers having a circulation within the Company's service territory upon scheduling of public hearing dates. Public hearings will be held in each geographic area within the Company's service territory. A Notice will be served on

¹ I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Rates, Depreciation Rates for Gas Property, and for Changes in the Tariff for Gas Service Pursuant to N.J.S.A. 48:2-18 and N.J.S.A. 48-2-21, Order dated October 3, 2008.

the County Executives and Clerks of all municipalities within the Company's service territory upon scheduling of public hearing dates.

14. Notice of this filing and two copies of the Petition, testimony, and schedules will be served upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07101 and upon the Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, New Jersey 08625. Electronic copies of the Petition, testimony, and schedules will also be sent to the persons identified on the service list provided with this filing.

15. The annual average bill impacts of the requested rate increase are set forth in Schedule NJNG-13 attached to this Petition. The impact of the proposed rates to a residential heating customer using 100 therms per month is an increase of \$0.03, or 0.03 percent. On an annual basis, the same residential heating customer, using 1,000 therms annually, will see an increase of \$0.30.


16. The final rate relief found by the Board to be just and reasonable may be allocated by the Board for consistency with the provisions of N.J.S.A. 48:2-21 and for other good and legally sufficient reasons, to any class or classes of customers of the Company. Therefore, the average percentage changes in final rates may increase or decrease compared to the proposed rates based upon the Board's decision.

WHEREFORE, NJNG requests that the Board retain jurisdiction of this matter and review and expeditiously issue an Order:

1. Retaining this matter for review at the Agency; designate a Commissioner as Presiding Officer, establish an expedited hearing date and procedural schedule;
2. Approving this Petition as it is in the public interest;
3. Authorizing NJNG to recover all capital investments identified herein associated with NJ RISE incurred as of July 31, 2015, as such costs are reflected in this Petition and accompanying materials, along with updates of data;
4. Approving the rates as calculated in the proof of revenue, Schedule NJNG-11, to this Petition, as just and reasonable and may be implemented for service rendered on and after November 1, 2015; and
5. Granting such other relief as the Board deems just, reasonable and necessary.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By: 
Andrew K. Dembia, Esq.
Regulatory Affairs Counsel

Dated: May 29, 2015

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 Senior Vice President, Regulatory 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 and belief.


Mark R. Spurduto

Sworn and subscribed to
before me this 29th day
of May, 2015.



Lisa Hamilton



NEW JERSEY NATURAL GAS COMPANY - NJ RISE PROGRAM
MINIMUM FILING REQUIREMENTS

SCHEDULE	FILING REQUIREMENT	REQUIREMENT LOCATION
Schedule NJNG-1	NJNG Income Statement as of the current quarter - March 31, 2015.	Attachment to Petition
Schedule NJNG-2	NJNG Balance Sheet as of the current quarter - March 31, 2015.	Attachment to Petition
Schedule NJNG-3	NJNG's overall capital budget broken down by major categories, including distribution and incremental capital expenditures for NJ RISE Projects, both budgeted and actual amounts to be reported per fiscal year.	Attachment to Petition
Schedule NJNG-4	For each NJ RISE Project: 1. The original project summary for each Qualifying Project; 2. Actual capital expenditures incurred through the most recent quarter.	Attachment to Petition
Schedule NJNG-5	Anticipated project timelines with updates and expected changes.	Attachment to Petition
Schedule NJNG-6	Planned and forecasted spending schedule detailing the NJ RISE Projects for Fiscal Year 2015 as compared to originally approved capital spending plans.	Attachment to Petition
Schedule NJNG-7	Summary of actual expenditures for each NJ RISE Projects, identifying each capital expenditure from project inception through the current quarter - March 31, 2015 .	Attachment to Petition
Schedule NJNG-8	A calculation of the proposed rate adjustment based on details related to NJ RISE Projects included in Plant in Service, including a calculation of the associated depreciation expense, based on projects closed to Plant in Service during the most recent quarter.	Electronic Workpaper-WP-JMC-NJ RISE-1.xlsx
Schedule NJNG-9	A list of full time equivalent ("FTE") jobs created and the duration associated with each NJ RISE Project as of the current quarter - March 31, 2015.	Attachment to Petition
Schedule NJNG-10.	An explanation of the financial treatment associated with the receipt of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the NJ RISE Projects, such as relocation, reimbursement or stimulus money - as of March 31, 2015.	Attachment to Petition
Schedule NJNG-11.	Revenue requirement calculation showing the actual capital expenditures and the forecasted spending, as well as supporting calculations; a schedule of base rate revenues at present and proposed rates; and Tariff Sheets reflecting the proposed rates.	Attachment to Petition and Electronic Workpaper-WP-JMC-NJ RISE-1.xlsx
Schedule NJNG-12	Draft form of Public Notice.	Attachment to Petition
Schedule NJNG-13	Projected Bill Impact.	Attachment to Petition

NEW JERSEY NATURAL GAS COMPANY
STATEMENT OF INCOME

	(\$000)
	<u>Mar-15</u>
<u>OPERATING REVENUE</u>	<u>\$ 779,545</u>
<u>OPERATING EXPENSES</u>	
GAS PURCHASES	351,771
OPERATION AND MAINTENANCE	207,105
DEPRECIATION	41,926
TAXES - OTHER THAN INCOME	48,604
INCOME TAXES	39,409
TOTAL OPERATING EXPENSES	<u>688,814</u>
OPERATING INCOME	90,731
OTHER INCOME, NET	3,379
INTEREST CHARGES, NET	17,808
NET INCOME	<u>\$ 76,302</u>

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF MARCH 31, 2015

	(\$000)
	Mar-2015
<u>ASSETS</u>	
<u>PROPERTY, PLANT & EQUIPMENT</u>	
UTILITY PLANT, AT COST	\$ 1,831,757
CONSTRUCTION WORK IN PROGRESS	142,411
TOTAL UTILITY PLANT	1,974,168
ACCUMULATED DEPRECIATION AND AMORTIZATION	(422,094)
NET UTILITY PLANT	1,552,074
 <u>CURRENT AND ACCRUED ASSETS</u>	
CASH AND TEMPORARY INVESTMENTS	2,999
ACCOUNTS RECEIVABLE	157,090
ACCRUED UTILITY REVENUE	42,864
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(5,330)
GAS IN STORAGE, AT AVG COST	6,373
MATERIALS AND SUPPLIES	6,856
PREPAYMENTS	36,581
DERIVATIVE ASSETS	907
TOTAL CURRENT ASSETS	248,339
 <u>DEFERRED DEBITS</u>	
UNAMORTIZED DEBT EXPENSE	7,695
REGULATORY ASSETS	393,521
ACCUMULATED DEFERRED TAXES	11,515
UNRECOVERED PURCHASED GAS COSTS	3,206
MISC DEFERRED DEBITS	16,841
TOTAL NONCURRENT ASSETS	432,778
TOTAL ASSETS	\$ 2,233,191

Source: NJNG Monthly Financial Report - March 2015

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF MARCH 31, 2015

	(\$000)
	Mar-2015
<u>CAPITALIZATION AND LIABILITIES</u>	
<u>CAPITALIZATION</u>	
COMMON STOCK EQUITY	\$ 777,272
LONG-TERM DEBT	474,198
TOTAL CAPITALIZATION	1,251,470
 <u>OTHER NONCURRENT LIABILITIES</u>	
CIP - REGULATORY LIABILITY	12,116
INCOME TAX - FAS 109	1,547
ACCUM PROV FOR INJ & DAMAGES, PENSIONS	4,575
ASSET RETIREMENT OBLIGATION	31,129
TOTAL OTHER NONCURRENT LIABILITIES	49,367
 <u>CURRENT AND ACCRUED LIABILITIES</u>	
SHORT TERM DEBT	146,000
CURRENT LEASE OBLIGATIONS	11,279
ACCOUNTS PAYABLE ASSOC COMPANIES	2,820
ACCOUNTS PAYABLE AND OTHER	70,507
MISC CURRENT AND ACCRUED LIAB	37,353
CUSTOMERS DEPOSITS	8,487
ACCRUED TAXES AND INTEREST	37,667
TOTAL CURRENT LIABILITIES	314,113
 <u>NONCURRENT LIABILITIES</u>	
DEFERRED INCOME TAXES	332,858
DEFERRED INVESTMENT TAX CREDITS	2,260
CUSTOMER ADVANCES FOR CONSTRUCTION	1,504
OTHER DEFERRED CREDITS	0
OTHER REGULATORY LIABILITY	281,619
TOTAL NONCURRENT LIABILITIES	618,241
TOTAL CAPITALIZATION AND LIABILITIES	\$ 2,233,191

Source: NJNG Monthly Financial Report - March 2015

NEW JERSEY NATURAL GAS COMPANY
FISCAL 2015 CONSTRUCTION EXPENDITURES
BY SUMMARY GROUP
MARCH ACTUAL EXPENDITURES VERSUS FULL YEAR 2015 PLAN

BUDGET TYPE	2015 PLAN	MARCH YEAR-TO-DATE ACTUAL	MARCH YEAR-TO-DATE PLAN	PLAN DOLLARS REMAINING
<u>NEW CUSTOMER:</u>				
MAINS - DIRECT	\$13,081,999	\$9,082,537	\$5,524,845	\$3,999,462
METERS - NEW CUSTOMER	4,404,289	2,560,421	2,219,100	\$1,843,868
CONTRACTOR SERVICES	8,785,404	7,289,626	4,168,038	\$1,495,778
NJNG SERVICES	1,354,570	342,321	642,646	\$1,012,249
CIAC, CONSTR. DEP. & ADJ.	(800,000)	(760,605)	(337,859)	-\$39,395
SUBTOTAL - NEW CUSTOMER (1)	\$26,826,263	\$18,514,300	\$12,216,769	\$8,311,962
<u>SYSTEM REPLACEMENT:</u>				
MAIN IMPROVEMENT	\$2,689,511	\$3,222,690	\$1,341,720	-\$533,179
METERS - OPERATIONS	6,144,347	1,726,953	2,951,151	\$4,417,394
SERVICE RENEWAL	2,064,896	3,854,505	974,839	-\$1,789,609
SUBTOTAL - SYSTEM REPLACEMENT	\$10,898,754	\$8,804,148	\$5,267,710	\$2,094,606
<u>SYSTEM INTEGRITY:</u>				
DISTRIBUTION	\$3,154,006	\$663,249	\$589,304	\$2,490,757
TRANSMISSION - TRUNK	6,923,491	\$3,146,159	567,853	\$3,777,332
LAND	821,360	39,601	410,680	\$781,759
CATHODIC PROTECTION	1,841,300	901,150	920,650	\$940,150
PRODUCTION	6,285,713	\$0	3,528,954	\$6,285,713
REGULATORS	7,888,474	\$1,207,068	1,558,727	\$6,681,406
SUBTOTAL - SYSTEM INTEGRITY	\$26,914,345	\$5,957,227	\$7,576,168	\$20,957,118
<u>SPECIAL PROJECTS</u>				
SAFE	\$41,151,557	15,115,760	19,341,232	26,035,797
SANDY INSTALL COSTS	\$5,014,403	798,448	2,507,201	4,215,955
CNG	\$0	2,355,156	0	-2,355,156
SOUTHERN FEED	\$19,327,742	0	2,768,908	19,327,742
NJ RISE	\$6,999,938	207,968	3,499,969	6,791,970
LIQUIFACTION	\$11,966,189	6,386,708	6,581,404	5,579,481
SUBTOTAL - SPECIAL PROJECTS	\$84,459,828	\$24,864,040	\$34,698,713	\$59,595,788
Vehicles	\$7,581,297	\$380,375	\$3,686,101	\$7,200,922
TOOLS	\$257,484	\$146,214	\$171,663	\$111,270
TECHNOLOGY - IBS	\$5,354,526	\$1,863,192	\$2,677,263	\$3,491,334
TECHNOLOGY - GIS	125,360	\$0	\$62,680	\$125,360
TECHNOLOGY - SCADA	1,765,326	\$0	\$882,663	\$1,765,326
STRUCTURES	\$1,756,593	\$230,556	\$878,297	\$1,526,037
LAND - STRUCTURES	0	0	0	-
FURNITURE	39,887	0	19,944	39,887
SUBTOTAL - STRUCTURES & FACILITIES	\$1,796,480	\$230,556	\$898,240	\$1,565,924
CONSTRUCTION EXPENDITURES	\$165,979,662	\$60,760,052	\$68,137,971	\$105,219,609
COST OF REMOVAL	\$16,500,000	\$11,031,073	\$8,250,000	\$5,468,927
SANDY COST OF REMOVAL		309,939		
CONSTRUCTION plus COST OF REMOVAL	\$182,479,662	\$72,101,064	\$76,387,971	\$110,688,536

SCHEDULE NJNG - 4 & 7		SCHEDULE JMC-NJ RISE-1			SCHEDULE NJNG - 5		SCHEDULE NJNG - 6		SCHEDULE NJNG - 9	
PROJECT	PROJECT SUMMARY	ACTUAL EXPENITURES THROUGH MARCH 31, 2015	ACTUAL EXPENDITURES THROUGH APRIL 30, 2015	FORCASTED EXPENDITURES - MAY 1 - JULY 31, 2015	PROJECT START DATE	ESTIMATED COMPLETION DATE	FORECASTED EXPENDITURES - FISCAL YEAR 2015 - ORIGINAL	FORECASTED EXPENDITURES - FISCAL YEAR 2015 - UPDATED	FTE'S - CREATED	FTE'S - DURATION
Sea Bright Project	The Sea Bright Project involves the installation of approximately 1.5 miles of distribution main into the upper portion of the Sea Bright Peninsula in order to provide a secondary feed to that area from Rumson. The secondary main will improve reliability and integrity while aiding in future restoration efforts through redundancy to an isolated area of the system. The preliminary estimated cost of the Sea Bright Project is \$3.5 million.				Design - 2014 Permitting - 2015	Construction - 2015-16				TBD
North Seaside Project	The North Seaside Project reconfigures the distribution system in that area by moving a regulator station off the island and installing a secondary high pressure main from the mainland distribution system in Brick into the upper portion of the Seaside Peninsula in Mantoloking. There are two potential routes for this new line that will be assessed in a feasibility and route selection study. Relocating the regulator station and relying on an additional new high pressure main will improve reliability and integrity for this portion of the distribution system that serves approximately 20,000 customers. Additionally, any future restoration work following a major storm or extreme weather event will be expedited. The preliminary estimated cost of the North Seaside Project is \$6.0 million.				Design - 2014-15 Permitting - 2015-16	Construction - 2016-17				TBD
South Seaside Project	Through the South Seaside Project, NJNG will install a secondary feed from either Toms River or Berkeley Township to the South Seaside Peninsula. Since there are five alternative routes for the new main, NJNG will assess those options in a feasibility and route selection study. This secondary main will improve reliability, integrity and future restoration efforts through redundancy to an isolated area of the system that serves approximately 20,000 customers. The preliminary estimated cost of the South Seaside Project is \$25 million.				Design - 2014-15 Permitting - 2015-16	Construction - 2017-18				TBD
Long Beach Island Project	The Long Beach Island Project involves the installation of approximately 6 miles of new distribution main in order to provide a secondary main to the southern portion of Long Beach Island from the mainland distribution system in Eagleswood or Stafford Townships. This secondary line will improve reliability and integrity while aiding future restoration efforts by providing redundancy to an isolated area of the system that serves approximately 10,000 customers. The preliminary estimated cost of the Long Beach Island Project is \$30.0 million.				Design - 2014-15 Permitting - 2015-16	Construction - 2017-18				TBD
Long Beach Island Regulator Station	In the Long Beach Island Regulator Station Project, NJNG will fortify and reinforce the existing distribution regulator station in Ship Bottom to reduce the impact of flooding from a future major storm or extreme weather event. NJNG will redesign the station and also install communications equipment. These improvements will improve reliability by securing the regulator station that is essential to providing service to customers. The preliminary estimated cost of the Long Beach Island Regulator Station Project is \$3 million.				Design - 2014 Permitting - 2015	Construction - 2015-16				TBD
Excess Flow Valve Project	The EFV Project represents the installation of approximately 35,000 EFVs in potential storm-affected areas of NJNG's waterfront communities. The installation of EFVs in these areas provides important safety benefits by reducing the potential for gas venting to the atmosphere when storm damage impacts dwellings or other service disruptions occur. The installation of EFVs improves the safety of service to the thousands of customers as well as the reliability of service to all customers in these communities. The preliminary estimated cost of the EFV Project is \$35 million.	\$207,968	\$386,290	\$645,000	2014	2019	\$7.0 M	\$7.0 M	12	12

As of the date of this filing, May 29, 2015, New Jersey Natural Gas Company has not received any funds or credits from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the NJ RISE Projects, such as relocation, reimbursement or stimulus money.

**New Jersey Natural Gas Company
Base Revenues at Present and Proposed Rates**

	<u>Billing Units</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		
		<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
Residential Service						
		<u>RS</u>		<u>RS</u>		
Customer	5,772,200	\$ 7.71	\$ 44,503,661	\$ 7.71	\$ 44,503,661	
Distribution Service						
Residential Sales	426,151,139	\$ 0.3163	\$ 134,791,605	\$ 0.3165	\$ 134,876,836	
Residential Transport	42,406,580	\$ 0.3163	13,413,201	\$ 0.3165	13,421,683	
Subtotal	<u>468,557,719</u>		<u>\$ 192,708,467</u>		<u>\$ 192,802,179</u>	
<u>Adjustments</u>						
Air Conditioning Discount	19,517	\$ (0.2600)	\$ (5,074)	\$ (0.2602)	\$ (5,078)	
Total Class Base Revenues			\$ 192,703,393		\$ 192,797,100	0.05%
General Service - Small						
		<u>GS - Small</u>		<u>GS - Small</u>		
Less than 5,000 Annual Therms						
Customer	329,555	\$ 23.36	\$ 7,698,396	\$ 23.36	\$ 7,698,396	
Distribution Service						
Sales	25,428,174	\$ 0.2778	\$ 7,063,947	\$ 0.2781	\$ 7,071,575	
Transport	8,555,534	\$ 0.2778	2,376,727	\$ 0.2781	2,379,294	
Subtotal	<u>33,983,708</u>		<u>\$ 17,139,070</u>		<u>\$ 17,149,266</u>	0.06%
Total Class Base Revenues			\$ 17,139,070		\$ 17,149,266	0.06%
General Service - Large						
		<u>GS - Large</u>		<u>GS - Large</u>		
Greater than 5,000 Annual Therms						
Customer	113,734	\$ 37.38	\$ 4,251,360	\$ 37.38	\$ 4,251,360	
Demand	13,622,030	\$ 1.4019	\$ 19,096,724	\$ 1.4019	\$ 19,096,724	
Distribution Service						
Sales	69,654,714	\$ 0.2179	\$ 15,177,762	\$ 0.2181	\$ 15,191,693	
Transport	70,836,095	\$ 0.2179	15,435,185	\$ 0.2181	15,449,352	
Subtotal	<u>140,490,809</u>		<u>\$ 53,961,032</u>		<u>\$ 53,989,130</u>	0.05%
Total Class Base Revenues			\$ 53,961,032		\$ 53,989,130	0.05%

**New Jersey Natural Gas Company
Base Revenues at Present and Proposed Rates**

	Billing Units	Present Rates		Proposed Rates		
		Rate	Revenue	Rate	Revenue	Increase
General Service - CAC						
		<u>CAC</u>		<u>GS - Small</u>		
Less than 5,000 Annual Therms						
Customer	493	\$ 23.36	\$ 11,515	\$ 23.36	\$ 11,515	
Distribution Service						
Winter Therms	66,391	\$ 0.2778	\$ 18,443	\$ 0.2781	\$ 18,463	
All summer therms	48,696	\$ 0.0563	2,742	\$ 0.0563	2,742	
Subtotal	<u>115,087</u>		<u>\$ 32,700</u>		<u>\$ 32,720</u>	
		<u>CAC</u>		<u>GS - Large</u>		
Greater than 5,000 Annual Therms						
Customer	256	\$ 37.38	\$ 9,577	\$ 37.38	\$ 9,577	
Demand	46,159	\$ 1.4019	\$ 64,711	\$ 1.4019	\$ 64,711	
Distribution Service						
Winter Therms	195,805	\$ 0.2179	\$ 42,666	\$ 0.2181	\$ 42,705	
All summer therms	67,094	\$ 0.0563	3,777	\$ 0.0563	3,777	
Subtotal	<u>262,900</u>		<u>\$ 120,731</u>		<u>\$ 120,770</u>	
Total Class Base Revenues			\$ 153,430		\$ 153,489	0.0%

Firm Transportation						
		<u>FT</u>		<u>FT</u>		
Customer	2,484	\$ 46.73	\$ 116,077	\$ 46.73	\$ 116,077	
Demand	1,753,694	\$ 1.2776	\$ 2,240,519	\$ 1.2776	\$ 2,240,519	
Distribution Service						
High Load Factor therms	13,012,627	\$ 0.1028	\$ 1,337,698	\$ 0.1028	\$ 1,337,698	
Low Load Factor therms	5,585,174	\$ 0.1325	740,036	\$ 0.1325	740,036	
Total Class Base Revenues	<u>18,597,801</u>		<u>\$ 4,434,330</u>		<u>\$ 4,434,330</u>	0.0%

Distributed Generation - Commercial						
		<u>DGC</u>		<u>DGC</u>		
Customer	84	\$ 37.38	\$ 3,140	\$ 37.38	\$ 3,140	
Demand	213,395	\$ 0.56	\$ 119,501	\$ 0.56	\$ 119,501	
Distribution Service						
Winter therms	1,335,995	\$ 0.0951	\$ 127,053	\$ 0.0952	\$ 127,187	
Summer therms	1,019,493	\$ 0.0645	65,757	\$ 0.0646	65,859	
Total Class Base Revenues	<u>2,355,488</u>		<u>\$ 315,452</u>		<u>\$ 315,687</u>	0.07%

SERVICE CLASSIFICATION - RS**RESIDENTIAL SERVICE****AVAILABILITY**

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

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

CHARACTER OF SERVICE

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

MONTHLY RATES**Customer Charge:**

Customer Charge per meter per month	\$8.25
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Delivery Charge:**Residential Heating**

Delivery Charge per therm	\$ 0.47890 .4792
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Residential Non-Heating

Delivery Charge per therm	\$ 0.46940 .4697
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BGSS Charge:

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

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SERVICE CLASSIFICATION – GSS**GENERAL SERVICE - SMALL****AVAILABILITY**

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

CHARACTER OF SERVICE

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

MONTHLY RATES**Customer Charge:**

Customer Charge per meter per month \$25.00

Delivery Charge:

Delivery Charge per therm ~~\$0.4714~~ 0.4715

BGSS Charge:

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

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

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the Customer Charge.

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

BALANCING CHARGE ADJUSTMENTS

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

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SERVICE CLASSIFICATION - GSL**GENERAL SERVICE - LARGE****AVAILABILITY**

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

CHARACTER OF SERVICE

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

MONTHLY RATES**Customer Charge:**

Customer Charge per meter per month \$40.00

Demand Charge:

Demand Charge per therm applied to HMAD \$1.50

Delivery Charge:

Delivery Charge per therm \$~~0.42550~~.4257

BGSS Charge:

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

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

MINIMUM MONTHLY CHARGE

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

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

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SERVICE CLASSIFICATION - DGC**DISTRIBUTED GENERATION SERVICE - COMMERCIAL****AVAILABILITY**

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

CONDITIONS PRECEDENT

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

MONTHLY RATES

	<u>DGC-Balancing</u>	<u>DGC-FT</u>
<u>Customer Charge:</u>		
Customer Charge per meter per month	\$40.00	\$40.00
<u>Demand Charge:</u>		
Demand Charge per therm applied to PBQ	\$0.60	\$0.60
<u>Delivery Charge per therm:</u>		
November - April	\$0.26550 <u>0.2656</u>	\$0.19050 <u>0.1906</u>
May - October	\$0.23270 <u>0.2328</u>	\$0.15770 <u>0.1578</u>

The Delivery Charges for DGC-Balancing above include the Balancing Charge as reflected in Rider "A" of this Tariff for customers whose Marketer or Broker deliver gas on their behalf pursuant to paragraph (1) under Minimum Daily Delivery Volumes section of this Service Classification. For DGC-FT customers whose Marketer or Broker deliver gas on their behalf pursuant to paragraph (2) under Minimum Daily Delivery Volumes section of this Service Classification, the DGC-FT Delivery Charges above exclude the Balancing Charge reflected in Rider "A" of this Tariff.

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

MINIMUM MONTHLY CHARGE

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

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RIDER "D"WEATHER NORMALIZATION CLAUSE (continued)

will be updated annually in the WNC proceeding for the offset of the update of degree days. Degree day consumption factors for the _____ Winter Period are set forth below and presented as therms per degree day:

	Residential	GSS	GSL
	Heat	Total	Total
	<u>Total</u>	<u>Total</u>	<u>Total</u>
Oct.			
Nov.			
Dec.			
Jan.			
Feb.			
Mar.			
Apr.			
May			

The consumption factors established in advance of each Winter Period shall be based on the forecast number of customers by class. These factors shall be true-up at the end of the Winter Period for which the factors apply in order to reflect the actual average number of customers by class.

- Margin Revenue Factor** - the weighted average block rate as quoted in the individual service classes to which this clause applies net of any adjustment from applicable Riders, including taxes. The weighted average shall be determined by multiplying the marginal revenue component of the rate of each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factors shall be redetermined each time new base rates are put into effect. The Margin Revenue Factor for Residential Heat Customers is \$~~0.31630~~0.3165. The Margin Revenue Factor for GSS customers is \$~~0.27780~~0.2781. The Margin Revenue Factor for GSL customers is \$~~0.21790~~0.2181.
- Annual Period** - shall be the 12 consecutive months from October 1 of one calendar year through September 30 of the following calendar year.
- Average 13 Month Common Equity Balance** - shall be the common equity balance at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13).

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RIDER "I"CONSERVATION INCENTIVE PROGRAM – CIP (Continued)

7. **Customer Class Group** – For purposes of determining and applying the CIP, customers shall be aggregated into four separate recovery class groups. The Customer Class Groups shall be as follows:

Group I: RS (non-heating customers only)
 Group II: RS (heating customers only)
 Group III: GSS, ED using less than 5,000 therms annually
 Group IV: GSL, ED using 5,000 therms or greater annually

8. **Forecast Annual Usage** – the Forecast Annual Usage (“FAU”) shall be the projected total annual throughput for all customers within the applicable Customer Class Group. The FAU shall be estimated based on normal weather.

9. **Incremental Large Customer Count Adjustment** – the Company shall maintain a list of incremental commercial and industrial customers added to its system on or after May 1, 2008 whose connected load is greater than that typical for the Company’s average commercial and industrial customer. For purposes of the CIP, large incremental customers shall be those customers whose connected load exceeds 2,000 cubic feet per hour (“CFH”). A new customer at an existing location previously connected to NJNG’s facilities shall not be considered an incremental customer. The Actual Number of Customers for the Customer Class Group shall be adjusted to reflect the impact of all such incremental commercial or industrial customers. Specifically, the Incremental Large Customer Count Adjustment for the applicable month shall equal the aggregate connected load for all active customers that exceed the 2,000 CFH threshold divided by 1,000 CFH, rounded to the nearest whole number.

10. **Margin Revenue Factor** – the Margin Revenue Factor (“MRF”) shall be the weighted-average margin rate as quoted in the individual service classes to which the CIP applies. The MRFs by Customer Class Group are as follows:

Group I (RS non-heating):	\$0.31630 .3165
Group II (RS heating):	\$0.31630 .3165
Group III (GSS, ED using less than 5,000 therms annually)	\$0.27780 .2781
Group IV (GSL, ED using 5,000 therms or greater annually)	\$0.21790 .2181

The MRF shall be reset each time new base rates are placed into effect.

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SUMMARY OF RESIDENTIAL RATE COMPONENTSResidential Heating Customers

<u>Customer Charge</u>		<u>Bundled Sales</u>	<u>Transport Sales</u>	<u>Reference</u>
Customer Charge per meter per month		8.25	8.25	
<u>Delivery Charge ("DEL") per therm</u>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.31630.3 <u>165</u>	0.31630.3165	
SUT		0.02210.0 <u>222</u>	0.02210.0222	Rider B
After-tax Base Rate		0.33840.3 <u>387</u>	0.33840.3387	
WNC		0.0000	0.0000	Rider D
CIP		(0.0232)	(0.0232)	Rider I
EE		0.0327	0.0327	Rider F
CNGC		<u>0.0000</u>	<u>0.0000</u>	Rider G
<i>Total Transport Rate</i>	a	0.34790.3 <u>482</u>	0.34790.3482	
<i>Balancing Charge</i>	b	0.0750	0.0750	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0257	0.0257	Rider E
RA		0.0134	0.0134	Rider C
USF		<u>0.0169</u>	<u>0.0169</u>	Rider H
<i>Total SBC</i>	c	<u>0.0560</u>	<u>0.0560</u>	
Delivery Charge (DEL)	a+b+c=d	0.47890.4 <u>792</u>	0.47890.4792	
<u>Basic Gas Supply Charge ("BGS")</u>				
Periodic BGSS	e	0.4804	x	Rider A
Less: Balancing	f	<u>0.0750</u>	x	
BGS	e-f=g	<u>0.4054</u>	x	

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

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SUMMARY OF RESIDENTIAL RATE COMPONENTS

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

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BPU No. 8 - Gas

~~Thirtieth Twenty-Ninth~~ Revised Sheet No. 253
~~Superseding Twenty-Ninth Eighth~~ Revised Sheet No. 253SUMMARY OF RESIDENTIAL RATE COMPONENTSResidential Non-Heating Customers

<u>Customer Charge</u>		<u>Bundled Sales</u>	<u>Transport Sales</u>	<u>Reference</u>
Customer Charge per meter per month		8.25	8.25	
<u>Delivery Charge ("DEL") per therm</u>				
Transport Rate:				
Pre-tax Base Rate		0.31630.3 <u>165</u>	0.31630.3165	
SUT		0.02210.0 <u>222</u>	0.02210.0222	Rider B
After-tax Base Rate		0.33840.3 <u>387</u>	0.33840.3387	
CIP		(0.0327)	(0.0327)	Rider I
EE		0.0327	0.0327	Rider F
CNGC		<u>0.0000</u>	<u>0.0000</u>	Rider G
Total Transport Rate	a	0.33840.3 <u>387</u>	0.33840.3387	
Balancing Charge	b	0.0750	0.0750	Rider A
<u>Societal Benefits Charge ("SBC"):</u>				
NJ's Clean Energy		0.0257	0.0257	Rider E
RA		0.0134	0.0134	Rider C
USF		<u>0.0169</u>	<u>0.0169</u>	Rider H
Total SBC	c	<u>0.0560</u>	<u>0.0560</u>	
Delivery Charge (DEL)	a+b+c=d	0.46940.4 <u>697</u>	0.46940.4697	
<u>Basic Gas Supply Charge ("BGS")</u>				
Periodic BGSS	e	0.4804	x	Rider A
Less: Balancing	f	<u>0.0750</u>	x	
BGS	e-f=g	<u>0.4054</u>	x	

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

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BPU No. 8 - Gas

*~~Thirtieth~~~~Twenty-Ninth~~ Revised Sheet No. 253
Superseding ~~Twenty-Ninth~~~~Eighth~~ Revised Sheet No. 253*

SUMMARY OF RESIDENTIAL RATE COMPONENTS

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

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SUMMARY OF FIRM COMMERCIAL RATE COMPONENTSGeneral Service - Small (GSS)

		<u>Bundled</u> <u>Sales</u>	<u>Transport</u> <u>Sales</u>	<u>Reference</u>
<u>Customer Charge</u>				
Customer Charge per meter per month		25.00	25.00	
<u>Delivery Charge ("DEL") per therm</u>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.27780.2 781	0.27780.2781	
SUT		0.01940.0 195	0.01940.0195	Rider B
After-tax Base Rate		0.29720.2 976	0.29720.2976	
WNC		0.0000	0.0000	Rider D
CIP		0.0102	0.0102	Rider I
EE		0.0327	0.0327	Rider F
CNGC		<u>0.0000</u>	<u>0.0000</u>	Rider G
<i>Total Transport Rate</i>	a	0.34010.3 405	0.34010.3405	
<i>Balancing Charge</i>	b	0.0750	0.0750	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0257	0.0257	Rider E
RA		0.0134	0.0134	Rider C
USF		<u>0.0169</u>	<u>0.0169</u>	Rider H
<i>Total SBC</i>	c	<u>0.0560</u>	<u>0.0560</u>	
Delivery Charge (DEL)	a+b+c=d	0.47110.4 715	0.47110.4715	
<u>Basic Gas Supply Charge ("BGS")</u>				
Periodic BGSS	e	0.4804	x	Rider A
Less: Balancing	f	<u>0.0750</u>	x	
BGS	e-f=g	<u>0.4054</u>	x	

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SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS

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

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

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SUMMARY OF FIRM COMMERCIAL RATE COMPONENTSGeneral Service - Large (GSL)

		<u>Bundled</u> <u>Sales</u>	<u>Transport</u> <u>Sales</u>	<u>Reference</u>
<u>Customer Charge</u>				
Customer Charge per meter per month		40.00	40.00	
<u>Demand Charge</u>				
Demand Charge per month applied to HMAD		1.50	1.50	
<u>Delivery Charge ("DEL") per therm</u>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.21790.2 <u>181</u>	0.21790.2181	
SUT		<u>0.0153</u>	<u>0.0153</u>	Rider B
After-tax Base Rate		0.23320.2 <u>334</u>	0.23320.2334	
WNC		0.0000	0.0000	Rider D
CIP		0.0286	0.0286	Rider I
EE		0.0327	0.0327	Rider F
CNGC		<u>0.0000</u>	<u>0.0000</u>	Rider G
<i>Total Transport Rate</i>	a	0.29450.2 <u>947</u>	0.29450.2947	
<i>Balancing Charge</i>	b	0.0750	0.0750	Rider A
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0257	0.0257	Rider E
RA		0.0134	0.0134	Rider C
USF		<u>0.0169</u>	<u>0.0169</u>	Rider H
<i>Total SBC</i>	c	<u>0.0560</u>	<u>0.0560</u>	
Delivery Charge (DEL)	a+b+c=d	0.42550.4 <u>257</u>	0.42550.4257	
<u>Basic Gas Supply Charge ("BGS")</u>				
Monthly BGSS	e	0.3984	X	Rider A
Less: Balancing	f	<u>0.0750</u>	X	
BGS	e-f=g	<u>0.3234</u>	X	

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SUMMARY OF FIRM COMMERCIAL RATE COMPONENTS

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

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

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SUMMARY OF FIRM COMMERCIAL RATE COMPONENTSCommercial Distributed Generation Service

		<u>Nov - Apr</u>	<u>May - Oct</u>	<u>Reference</u>
<u>Customer Charge</u>				
Customer Charge per meter per month		40.00	40.00	
<u>Demand Charge</u>				
Demand Charge per therm per month applied to PBQ		0.60	0.60	
<u>Delivery Charge ("DEL") per therm</u>				
<i>Transport Rate:</i>				
Pre-tax Base Rate		0.0951 <u>0.0952</u>	0.0645 <u>0.0646</u>	
SUT		<u>0.0067</u>	<u>0.0045</u>	Rider B
After-tax Base Rate		0.1018 <u>0.1019</u>	0.0690 <u>0.0691</u>	
EE		0.0327	0.0327	Rider F
CNGC		<u>0.0000</u>	<u>0.0000</u>	Rider G
<i>Total Transport Rate</i>	a	0.1345 <u>0.1346</u>	0.1017 <u>0.1018</u>	
<i>Societal Benefits Charge ("SBC"):</i>				
NJ's Clean Energy		0.0257	0.0257	Rider E
RA		0.0134	0.0134	Rider C
USF		<u>0.0169</u>	<u>0.0169</u>	Rider H
<i>Total SBC</i>	c	<u>0.0560</u>	<u>0.0560</u>	
DGC-FT Delivery Charge (DEL)	a+b=c	0.1905 <u>0.1906</u>	0.1577 <u>0.1578</u>	
Balancing Charge	b	<u>0.0750</u>	<u>0.0750</u>	
DGC-Balancing Delivery Charge (DEL)	a+b+c=d	0.2655 <u>0.2656</u>	0.2327 <u>0.2328</u>	

The Delivery Charges for DGC-Balancing above include the Balancing Charge as reflected in Rider "A" of this Tariff for customers whose Marketer or Broker deliver gas on their behalf pursuant to paragraph (1) under Minimum Daily Delivery Volumes section of Service Classification DGC. For DGC-FT customers whose Marketer or Broker deliver gas on their behalf pursuant to paragraph (2) under Minimum Daily Delivery Volumes section of Service Classification DGC, the DGC-FT Delivery Charges above exclude the Balancing Charge reflected in Rider "A" of this Tariff.

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

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

Date of Issue: ~~May 21, 2015~~
 Issued by: Mark R. Spurduto, Senior Vice President
 2015
 Wall, NJ 07719

Effective for service rendered on
 and after ~~November 1, 2015~~^{June 1, 2015}

NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS
Docket No. GR1505_____

NOTICE OF FILING AND PUBLIC HEARINGS

TO OUR CUSTOMERS:

PLEASE TAKE NOTICE that on May 29, 2015, New Jersey Natural Gas Company (NJNG or the Company) filed with the New Jersey Board of Public Utilities (BPU) for approval to implement a change in its base tariff rates to recover the investment costs incurred for the Company's NJ Reinvestment in System Enhancement (NJ RISE) Program. The Board authorized the Company to invest approximately \$102.5 million, excluding an Allowance for Funds Used During Construction (AFUDC) related to the infrastructure upgrades. The BPU also established the mechanism for the investment costs incurred through July 1, 2015 to be collected from NJNG's ratepayers through a NJ RISE base rate adjustment effective November 1, 2015.

The NJ RISE Program is a series of capital investment projects that promote enhanced reliability and safety through facility enhancements for storm readiness and response. In an Order dated March 20, 2013 (the March 20 Order), the BPU found it critical to investigate prudent, cost efficient and effective opportunities to enhance utility infrastructure against damage from major storm events. By Order dated July 23, 2014, NJNG received BPU approval for six NJ RISE projects to be completed over a period of five years. Those projects consist of the installation of secondary gas distribution mains into the Sea Bright Peninsula, the Seaside Peninsula and Long Beach Island. Additionally, two regulator station reinforcement projects will be undertaken, one in Mantoloking and the other in Ship Bottom on Long Beach Island. Also, an existing back-up regulator station will be relocated from Mantoloking to the mainland. Finally, the Company is installing excess flow valves (EFVs) on all distribution services in waterfront communities that may be impacted by coastal and back-bay flooding and/or storm surge. The work on these projects commenced after the Board approval of the NJ RISE Program and was completed by July 31, 2015.

The Company's rate filing includes a request for recovery in base tariff rates of the costs associated with the NJ RISE projects ("Capital Investment Costs") through July 31, 2015, consisting of prudently-incurred capital expenditures, including actual costs of engineering, design and construction, cost of removal (net of salvage), property acquisition, actual labor, materials overheads and capitalized AFUDC. Capital Investment Costs will be recorded, during construction, in an associated Construction Work in Progress Account ("CWIP") and transferred to a Plant in Service account.

The Company is authorized to recover the costs associated with NJ RISE Projects by adjusting, on a volumetric basis, the then-current rate for all customer classes, allocated in the manner prescribed in the Company's last base rate case. See, I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Rates, Depreciation Rates for Gas Property, and for Changes in the Tariff for Gas Service Pursuant to N.J.S.A. 48:2-18 and N.J.S.A. 48:2-21, Order dated October 3, 2008, BPU Docket No. GR07110889. Accordingly, the impact of the NJ RISE base rate adjustments will reflect an across-the-board adjustment to customer classes that will impact natural gas revenues for each class by the same percentage. The volumes used to determine base volumetric revenues for each customer class will be based on the sales forecast for NJNG's upcoming annual BGSS period.

At this time, the Company is requesting BPU approval to adjust base tariff rates to recover approximately \$1.03 million of NJ RISE investment costs made through July 31, 2015, resulting in a base tariff rate increase of \$0.13 million. If the proposed rate is approved by the Board, the impact to the average residential heating customer's bill, based on the Company's current rates and anticipated sales volumes, is \$0.0003 per therm effective November 1, 2015. The Company will seek Board approval of additional NJ RISE investment costs in a base rate case to be filed by November 15, 2015.

The impact of the Company's filing, requested to be effective on November 1, 2015 or as of the 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 and a typical general service large customer on a monthly basis is estimated to be as follows based on the usage levels shown below:

Customer Type	Therm Level	Total Bill		Increase	
		Bill as of June 1, 2015	Proposed Bill	Amount	Percent
Residential Heat Sales	100	\$96.68	\$96.69	\$0.03	0.03%
Residential Non-Heat Sales	25	\$30.12	\$30.12	\$0.00	0.00%
General Service - Small	100	\$112.65	\$112.67	\$0.04	0.04%
General Service - Large	1200	\$1,114.18	\$1,114.30	\$0.24	0.02%

The Board has the statutory authority to approve the requested changes to base rates at levels it finds just and reasonable. Therefore, the Board may establish the new rates at levels other than those proposed by NJNG.

PLEASE TAKE FURTHER NOTICE that the Board has scheduled public hearings on this petition at the following dates, times and places:

[] 4:30 and 5:30 pm
 Rockaway Township Municipal Bldg
 65 Mt. Hope Road
 Rockaway, NJ 07866

[] 4:30 and 5:30 pm
 Freehold Township Municipal Building
 One Municipal Plaza, Schank Road
 Freehold, NJ 07728-3099

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 increases. 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 these hearings 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: Irene Kim Asbury, Secretary, New Jersey Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, P.O. Box 350, Trenton, New Jersey, 08625-0350. Copies of the NJNG filing can be reviewed at the NJNG Customer Service Centers, the addresses of which are located on the NJNG bill, or at the New Jersey Board of Public Utilities, 7th Floor, 44 South Clinton Avenue, P.O. Box 350, Trenton, New Jersey, 08625-0350 or online at www.njng.com/regulatory.

Andrew K. Dembia, Esq.
 New Jersey Natural Gas

New Jersey Natural Gas Company
 Net Impact of Proposed Rate Changes
 BPU Docket No. GR1505

<u>Impact on Residential Non-Heating Customers</u>			
		25 therm bill	
Current Prices			
Customer Charge	\$8.25	\$8.25	
Delivery	\$0.4694	\$11.74	
BGSS	\$0.4054	\$10.14	
Total	<u>\$0.8748</u>	<u>\$30.13</u>	
Proposed prices- effective 11/1/15			
Customer Charge	\$8.25	\$8.25	
Delivery	\$0.4697	\$11.74	
BGSS	\$0.4054	\$10.14	
Total	<u>\$0.8751</u>	<u>\$30.13</u>	
Increase		\$0.00	
Increase as a percent		0.00%	
<u>Impact on Residential Heating Customers</u>			
		100 therm bill	1000 therm annual bill
Current Prices			
Customer Charge	\$8.25	\$8.25	\$99.00
Delivery	\$0.4789	\$47.89	\$478.90
BGSS	\$0.4054	\$40.54	\$405.40
Total	<u>\$0.8843</u>	<u>\$96.68</u>	<u>\$983.30</u>
Proposed prices- effective 11/1/15			
Customer Charge	\$8.25	\$8.25	\$99.00
Delivery	\$0.4792	\$47.92	\$479.20
BGSS	\$0.4054	\$40.54	\$405.40
Total	<u>\$0.8846</u>	<u>\$96.71</u>	<u>\$983.60</u>
Increase		\$0.03	\$0.30
Increase as a percent		0.03%	0.03%
<u>Impact on Commercial GSS Customers</u>			
		100 therm bill	
Current Prices			
Customer Charge	\$25.00	\$25.00	
Delivery	\$0.4711	\$47.11	
BGSS	\$0.4054	\$40.54	
Total	<u>\$0.8765</u>	<u>\$112.65</u>	
Proposed prices- effective 11/1/15			
Customer Charge	\$25.00	\$25.00	
Delivery	\$0.4715	\$47.15	
BGSS	\$0.4054	\$40.54	
Total	<u>\$0.8769</u>	<u>\$112.69</u>	
Increase		\$0.04	
Increase as a percent		0.04%	
<u>Impact on Commercial GSL Customers</u>			
		1200 therm bill	
Current Prices			
Customer Charge	\$40.00	\$40.00	
Demand Charge	\$1.50	\$175.50	
Delivery	\$0.4255	\$510.60	
BGSS (May 2015)	\$0.3234	\$388.08	
Total	<u>\$0.7489</u>	<u>\$1,114.18</u>	
Proposed prices- effective 11/1/15			
Customer Charge	\$40.00	\$40.00	
Demand Charge	\$1.50	\$175.50	
Delivery	\$0.4257	\$510.84	
BGSS (May 2015)	\$0.3234	\$388.08	
Total	<u>\$0.7491</u>	<u>\$1,114.42</u>	
Increase		\$0.24	
Increase as a percent		0.02%	

1 **NEW JERSEY NATURAL GAS COMPANY**
2 **DIRECT TESTIMONY**
3 **OF**
4 **CRAIG A. LYNCH**
5 **SENIOR VICE PRESIDENT – ENERGY DELIVERY**
6

7 **Q. Please state your name and title.**

8 A. My name is Craig A. Lynch. I am the Senior Vice President – Energy Delivery for
9 the New Jersey Natural Gas Company (NJNG). I am responsible for ensuring the
10 reliability of NJNG’s natural gas distribution and transmission infrastructure assets
11 and responsible for overseeing various functions that support the provision of safe,
12 adequate, proper and reliable gas distribution service.

13 **Q. Please describe your education and business experience.**

14 A. In 1984, I graduated from West Virginia University with a Bachelor of Science
15 degree in Chemical Engineering. In July of 1984, I commenced employment with
16 NJNG as a Corrosion Technician in their Monmouth County Operations where my
17 work included all aspects of designing, maintaining and troubleshooting the cathodic
18 protection systems. From January 1986 through April 1989, I held various positions
19 at NJNG including Assistant Superintendent overseeing field personnel and Engineer
20 II in the Engineering Department. In May of 1989, I was employed by Elizabethtown
21 Gas as a Design Engineer and held that position until December 1989. In January
22 1990, I accepted the position of Assistant to the Senior Vice President of Operations
23 at NJNG. From January 1991 through October 2005 I held various Manager and
24 Director titles in the Distribution Operations Department. In November 2005, I was
25 promoted to the position of Vice President - Energy Delivery. Subsequently, in

1 December 2013, I was promoted to the position of Senior Vice President – Energy
2 Delivery

3 As Senior Vice President - Energy Delivery, I am responsible for the
4 continued safe, reliable operation of NJNG's transmission and distribution natural gas
5 system including the operation of two liquefied natural gas peak shaving facilities. I
6 am responsible for the expansion and maintenance of NJNG's natural gas system to
7 ensure all federal, state, county and municipal regulations satisfy and conform to all
8 procedures and practices as established by NJNG. I am an active member of the
9 American Gas Association (AGA) serving as the Chairman of the Distribution,
10 Construction and Maintenance Committee in the Operations Section and currently a
11 member of AGA's Management Committee. I have served on the Pipeline
12 Hazardous Material and Safety Administration (PHMSA) sponsored Distribution
13 Integrity Management Steering Group. In addition, I am an active member of the
14 Operations, Safety and Environmental Committee at the Interstate Natural Gas
15 Association of America (INGAA), and serve on the Board of Directors of the
16 Northeast Gas Association.

17 **Q. What is the purpose of your testimony?**

18 A. This testimony provides information on the status of projects and expenditures related to
19 NJNG's NJ Reinvestment in System Enhancement (NJ RISE Program), which was
20 approved by the New Jersey Board of Public Utilities (BPU or Board) in an Order dated
21 July 23, 2014 (NJ RISE Order).

OVERVIEW OF NJ RISE PROGRAM

Q. Please describe NJNG's NJ RISE Program.

A. The Stipulation of Settlement approved by the NJ RISE Order provided that the NJ RISE Program will include a capital investment level of approximately \$102.5 million to be recovered through the stipulated cost recovery mechanism as described in the Settlement. The investment level of 102.5 million includes the actual investment and cost of removal expenditures but excludes AFUDC, which will be recovered in the cost recovery mechanism. The NJ RISE Order provided that the specific NJ RISE subprogram investment levels shall be up to the following amounts:

<u>NJ RISE Program</u>	<u>\$ Million</u>
• Sea Bright Project	\$3.5
• North Seaside Project	6.0
• South Seaside Project	25.0
• Long Beach Island Project	30.0
• Long Beach Island Regulator Station	3.0
• Excess Flow Valve (EFV) Project	<u>35.0</u>
TOTAL NJ RISE Program	\$102.5

The Parties acknowledged that the amount of \$102.5 million for these projects was an estimate based upon a high level preliminary pre-engineering study basis. NJNG reserved its right to request additional relief in a subsequent proceeding should the total project costs exceed \$102.5 million

Q. Can you provide details on the implementation of the NJ RISE program to date and particularly the projects currently included in plant in service that are a part of this rate filing?

A. Yes. NJNG is at various stages on all aspects of the program. The schedules required

1 by the Stipulation as Minimum Filing Requirements (MFR) are contained in this filing
2 and provide specific details on the construction of the NJ RISE projects. Appendix A to
3 the Petition provides the location of the information required by each MFR. The MFR
4 Schedules include: Schedule NJNG-3 that provides the overall capital budget broken
5 down by major categories, including the distribution and incremental capital
6 expenditures for the NJ RISE Program projects, both budgeted and actual amounts per
7 fiscal year. Schedule NJNG-4 provides the original project summary for each qualifying
8 project and the actual capital expenditures incurred through the most recent quarter
9 ending March 31, 2015. Schedule NJNG-5 is the anticipated project timelines with
10 updates and any expected changes known and measurable at this time. Schedule NJNG-
11 6 is the planned and forecasted spending schedule detailing the NJ RISE Program
12 projects for Year 2015 as compared to originally approved capital spending plans.
13 Schedule NJNG-7 is the summary of actual expenditures for each of the NJ RISE
14 Program projects, identifying each capital expenditure from project inception through
15 March 31, 2015. Schedule NJNG-9 is a list of full time equivalent (“FTE”) jobs
16 created and the duration associated with each NJ RISE Program as of March 31,
17 2015.

18 In addition to the information required by the MFR’s, the expenditures listed in
19 Schedule NJNG- 4, 5, 6, 7 & 9 provides actual total expenditures through April 30, 2015
20 and forecasted expenditures through July 31, 2015 by project which is the basis for this
21 filing.

1 **Q. Please describe the Excess Flow Valve (“EFV”) Project and its benefits to the**
2 **NJNG natural gas distribution system.**

3 A. The EFV Project represents the installation of approximately 35,000 EFVs in
4 potential storm-affected areas of NJNG’s waterfront communities. The installation of
5 EFVs in these areas provides important safety benefits by reducing the potential for
6 gas venting to the atmosphere when storm damage impacts dwellings or when other
7 service disruptions occur in the NJNG natural gas distribution system. The
8 installation of EFVs improves the safety of service to the thousands of customers as
9 well as the reliability of service to all customers in these communities. The
10 preliminary estimated cost of the EFV Project is \$35 million, excluding AFUDC. As
11 of April 30, 2015, NJNG has installed EFV’s in several towns within the Monmouth
12 County portion of NJNG’s service territory. This area of the NJNG service territory
13 experienced extreme damage to residences and commercial businesses as a result of
14 Superstorm Sandy. This area of the NJNG service territory is still in the process of
15 rebuilding the surrounding communities.

16 **Q. Please describe the Sea Bright Project and its benefits to the NJNG natural gas**
17 **distribution system.**

18 A. The Sea Bright Project involves the installation of approximately 1.5 miles of
19 distribution main into the upper portion of the Sea Bright Peninsula in order to
20 provide a secondary feed to that area from Rumson. The secondary main will
21 improve reliability and integrity while aiding in future restoration efforts through
22 redundancy to an isolated area of NJNG’s system. The preliminary estimated cost of

1 the Sea Bright Project is \$3.5 million.

2 Requests for proposals have been issued for engineering design and
3 construction to outside contractor firms. The responses are currently being evaluated
4 by the NJNG engineering staff and this project is expected to be awarded in June
5 2015.

6 **Q. Please describe the North Seaside Project and its benefits to the NJNG natural**
7 **gas distribution system.**

8 **A.** The North Seaside Project reconfigures the distribution system in that area by moving
9 one regulator station off the barrier island, reinforcing and fortifying a second station
10 on the island, and installing a secondary high pressure main from the mainland
11 distribution system in Brick into the upper portion of the Seaside Peninsula in
12 Mantoloking. There are two potential routes for this new line that will be assessed in
13 a feasibility and route selection study. Relocating the regulator station and relying on
14 an additional new high pressure main will improve reliability and integrity for this
15 portion of the distribution system that serves approximately 20,000 customers.
16 Additionally, any future restoration work following a major storm or extreme weather
17 event will be expedited. The preliminary estimated cost of the North Seaside Project
18 is \$6.0 million.

19 Requests for proposals have been issued for engineering design and
20 construction to outside contractor firms. The responses are currently being evaluated
21 by the NJNG engineering staff and the distribution main portion of the project is

1 expected to be awarded in June 2015, and the regulator station portion in July 2015.

2 **Q. Please describe the South Seaside Project and its benefits to the NJNG system.**

3 A. Through the South Seaside Project, NJNG will install a secondary high pressure
4 distribution feed from either Toms River or Berkeley Township to the South Seaside
5 Peninsula. Since there are five alternative routes for the new main, NJNG will assess
6 those options in a feasibility and route selection study. This secondary distribution
7 main will improve reliability, integrity and future restoration efforts through
8 redundancy to an isolated area of the system that serves approximately 20,000
9 customers. The preliminary estimated cost of the South Seaside Project is \$25
10 million.

11 Requests for proposals have been issued for engineering design and
12 construction to outside contractor firms. The responses are expected in June 2015
13 and will be evaluated by the NJNG engineering staff. The contracts are expected to
14 be awarded in July 2015.

15 **Q. Please describe the Long Beach Island Project and its benefits to the NJNG**
16 **system.**

17 A. The Long Beach Island Project involves the installation of approximately 6 miles of
18 new distribution main in order to provide a secondary high pressure main to the
19 southern portion of Long Beach Island from the mainland distribution system in
20 either Eagleswood or Stafford Townships. This secondary line will improve
21 reliability and integrity while aiding future restoration efforts by providing

1 redundancy to an isolated area of the NJNG system that serves approximately 10,000
2 customers. The preliminary estimated cost of the Long Beach Island Project is \$30.0
3 million.

4 Requests for proposals have been issued for engineering design and
5 construction to outside contractor firms. The responses are expected in June 2015
6 and will be evaluated by the NJNG engineering staff. The contracts are expected to
7 be awarded in July 2015.

8 **Q. Please describe the Ship Bottom (Long Beach Island) Regulator Station Project**
9 **and its benefits to the system.**

10 A. In the Long Beach Island Regulator Station Project, NJNG will fortify and reinforce
11 the existing distribution regulator station in Ship Bottom to reduce the impact of
12 flooding from future major storms or extreme weather events. NJNG will redesign the
13 station and also install control and communications equipment above the flood zone.
14 These improvements will improve reliability by securing the regulator station that is
15 essential to providing service to customers. The preliminary estimated cost of the
16 Long Beach Island Regulator Station Project is \$3 million.

17 The request for proposal for engineering design for this project was issued in
18 early 2015 and was awarded to an engineering consultant in April 2015. Design
19 proposals are expected to be developed and submitted for NJNG review in July 2015.
20 Once a proposal is selected, detailed design and permitting will begin.

21

1 **Q. Does this complete your testimony at this time?**

2 **A. Yes, it does.**

1 **NEW JERSEY NATURAL GAS COMPANY**
2 **DIRECT TESTIMONY**
3 **OF**
4 **JAMES M. CORCORAN**
5 **MANAGER – REVENUE REQUIREMENTS**

6
7 **Q. Please state your name, position and business address.**

8 A. My name is James M. Corcoran and I am the Manager – Revenue Requirements for
9 the New Jersey Natural Gas Company (NJNG).

10 **Q. Please describe your education and experience.**

11 A. As Manager - Revenue Requirements, I perform the calculation of revenue
12 requirements for NJNG’s base rates as well as cost recovery riders.

13 I received a Bachelor of Science degree in Accounting from Seton Hall
14 University. In May 2010, I received a Masters of Business Administration - Finance
15 from Seton Hall University. I was employed by State of New Jersey – Board of
16 Public Utilities (BPU or Board) beginning in July 1986 as an Accountant-Trainee and
17 over a twenty-year career moved into various Analyst positions of increased
18 responsibility. In March 2007, I accepted a Senior Regulatory Analyst position at
19 Public Service Electric and Gas Company with responsibilities that included
20 preparing the requisite testimony and financial schedules for various rate recovery
21 clause mechanisms. In August 2007, I was promoted to the position of Principal Staff
22 Regulatory Analyst and in August 2011, I was promoted to the position of Revenue
23 Requirements Manager.

24 I joined New Jersey Natural Gas Company (“NJNG”) in July 2014 as the

EXHIBIT B

1 Manager – Revenue Requirements. My responsibilities include supporting the
2 Regulatory Affairs Group with the preparation and testimony regarding all rate
3 recovery matters and participation in the NJR financial reporting committee.

4 **Q. Have you previously testified in regulatory proceedings?**

5 **A.** Yes. I have provided oral testimony on behalf of PSEG Power, LLC in a rate matter
6 proceeding (Docket No. 12-07-17) before the Connecticut Public Utilities Regulatory
7 Authority.

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

9 **A.** The purpose of my testimony is to support NJNG's proposed change in tariff rates to
10 recover the revenue requirements associated with its NJ Reinvestment In System
11 Enhancement (NJ RISE) program) through the Board approved cost recovery
12 mechanism as described in the Stipulation of Settlement approved by the Board in
13 Docket Nos. AX13030197 and GR13090828 on July 23, 2014 (NJ RISE Order). The
14 NJ RISE capital investment costs that are part of the revenue requirements will
15 include actual costs of engineering, design and construction, cost of removal (net of
16 salvage) and property acquisition, actual labor, materials, overhead, and capitalized
17 Allowance for Funds Used During Construction (AFUDC) on NJ RISE projects. The
18 revenue requirement will also include a Revenue Factor for the recovery of federal
19 and state income taxes, as well as BPU and New Jersey Division Rate Counsel (Rate
20 Counsel) assessments and a factor associated with customer uncollectible expenses.
21 As specified in more detail below, the Board approved revenue requirement formula
22 allows the Company to recover a return of and on its NJ RISE investment costs. This

1 testimony describes the cost recovery mechanism along with a description of the
2 revenue requirement calculations and rate design methodology.

3 **COST RECOVERY MECHANISM**

4
5 **Q. Please describe NJNG's proposed cost recovery?**

6 A. NJNG is proposing to recover the annual revenue requirements associated with the NJ
7 RISE Program consistent with the NJ RISE Order. The proposed revenue
8 requirements are calculated based on expected plant in service and cost of removal
9 expenditures through July 31, 2015, based on actual results through April 30, 2015
10 and a forecast thereafter. The forecast for May 1, 2015 through July 31, 2015 will be
11 updated with actual results by September 15, 2015.

12 **Q. What is the forecasted annual revenue requirement that is being proposed by**
13 **NJNG?**

14 A. The Company is proposing a forecasted annual revenue requirement of \$0.130
15 million. The revenue requirements are calculated in Schedule JMC-NJ RISE-1.

16 **Q. Please describe how the revenue requirements are calculated in Schedule JMC-**
17 **NJ RISE-1?**

18 A. The revenue requirement is calculated using the following formula approved by the
19 Board in the NJ RISE Order:

20 Revenue Requirements = ((NJ RISE Rate Base * Weighted Average Cost of
21 Capital (WACC)) + Depreciation Expense (net of tax)) * Revenue Factor

22

EXHIBIT B

1 **Q. How is the NJ RISE Rate Base calculated?**

2 A. Per the NJ RISE Order, the rate base is calculated based on the NJ RISE investment
3 costs less Accumulated Depreciation and less Accumulated Deferred Income Taxes
4 (ADIT). The NJ RISE investment costs consist of actual expenditures associated with
5 plant in service through April 30, 2015 and a forecast of capital expenditures for May
6 1, 2015 through July 31, 2015 for projects expected to be in service by July 31, 2015.
7 The details on the NJ RISE investment costs are included in Schedule NJNG-4
8 attached to the Petition. Accumulated Depreciation is the sum of the depreciation
9 expense incurred from the date the NJ RISE projects are placed into service through
10 July 31, 2015. Consistent with the calculation of Accumulated Depreciation, ADIT is
11 also calculated through July 31, 2015.

12 **Q. What is the WACC utilized in the calculation of the revenue requirement?**

13 A. Per the NJ RISE Order, the WACC is 6.74%, (6.12% net of tax) which is based on a
14 Return on Equity of 9.75%. For the calculation of the WACC, see Schedule JMC-NJ
15 RISE-2.

16 **Q. How is the depreciation expense net of tax calculated?**

17 A. Depreciation expense is calculated based on Gross Plant in Service multiplied by the
18 applicable annual depreciation rate for the assets being placed into service. The NJ
19 RISE Order specified the depreciation rate of 2.34% applicable to the NJ RISE
20 Program. Since the revenue requirement will be adjusted by the revenue factor as
21 shown in the revenue requirement formula approved by the Board, the depreciation
22 expense must be calculated on a net of tax basis. For Federal tax purposes, the tax

EXHIBIT B

1 basis associated with the depreciation expense is calculated as direct plant-in-service
2 capital expenditures plus the debt component of the AFUDC transferred into service.
3 The depreciation expense net of tax is calculated as the annual depreciation expense
4 less the tax associated with the depreciation expense as described above. The equity
5 portion of the AFUDC transferred into service is not recognized in the tax basis of the
6 plant transferred into service. As a result, there is no tax depreciation expense
7 associated with that portion of plant in service. Therefore, the depreciation expense
8 net of tax must be multiplied by the revenue factor to recover the income tax gross-up
9 related to the AFUDC-equity.

10 **Q. What is the Revenue Factor?**

11 A. The Revenue Factor adjusts the revenue requirement for federal and state income
12 taxes and the costs associated with the BPU and Rate Counsel Annual Assessments
13 and customer uncollectible expenses. The BPU and Rate Counsel Assessment
14 expenses consist of payments, based upon a percentage of revenues collected by
15 NJNG (updated annually), to the State based on the intrastate operating revenues for
16 the utility. The Company has utilized the respective BPU/Rate Counsel assessment
17 rates based on the 2015 fiscal year assessment, which are 0.21% and 0.06%,
18 respectively. See Schedule JMC-NJ RISE-3 for the calculation of the revenue factor.

19

EXHIBIT B

1 **Q. Have you provided the detailed calculations supporting the revenue**
2 **requirements?**

3 A. Yes. The detailed calculations supporting the revenue requirement calculation
4 described above are provided in electronic Schedules JMC-NJRISE1 and the
5 workpapers WP-JMC-NJ RISE-1.xlsx.

6 **RATE DESIGN**

7 **Q. What rate design is the Company proposing to use for this NJ RISE tariff rate**
8 **adjustment?**

9 A. As stipulated, the proposed base rate adjustment will recover the costs associated with
10 the NJ RISE projects by adjusting, on a volumetric basis, the then-current rate for all
11 customer classes, allocated in the manner prescribed in the Company's most recent
12 base rate case¹.

13 The detailed calculations supporting the rate design are shown in MFR
14 Schedule NJNG-11. This schedule contains the proposed tariff rates as a result of the
15 base rate adjustments effective November 1, 2015.

16 **Q. What are the annual rate impacts to the typical residential customer?**

17 A. Based upon rates effective October 1, 2015, the annual average bill impacts of the
18 rates requested are set forth in Schedule NJNG-13 attached to the Petition. The
19 annual impact of the proposed rates to the typical residential customer using 1,000
20 therms annually is an increase in their annual bill from \$983.30 to \$983.60 or \$0.30,
21 or approximately 0.03%.

¹ I/M/O the Petition of New Jersey Natural Gas Company for Approval of an Increase in Gas Rates, Depreciation Rates for Gas Property, and for Changes in the Tariff for Gas Service Pursuant to N.J.S.A. 48:2-18 and N.J.S.A. 48-2-21, Order dated October 3, 2008.

EXHIBIT B

1 **Q. Does this conclude your Direct Testimony at this time?**

2 **A. Yes, it does.**

EXHIBIT B

SCHEDULE INDEX

Schedule JMC-NJ RISE-1 Revenue Requirements Calculation

Schedule JMC-NJ RISE-2 Weighted Average Cost of Capital (WACC)

Schedule JMC-NJ RISE-3 Revenue Factor Calculation

ELECTRONIC WORKPAPER INDEX

WP-JMC-NJ RISE-1.xlsx

NJ RISE Program Gas Roll-in Calculation

Investment End Date 7/31/2015
in (\$000)

RATE BASE CALCULATION

	Total
1 Gross Plant	\$1,031,290
2 Accumulated Depreciation	-\$5,157
3 Net Plant	<u>\$1,026,133</u>
4 Accumulated Deferred Taxes	-\$9,728
5 Rate Base	<u>\$1,016,405</u>
6 Rate of Return - After-Tax (Schedule JMC-NJ RISE-2)	6.12%
7 Return Requirement	\$62,204
8 Depreciation Exp, net	<u>\$14,274</u>
	\$76,478
9 Revenue Factor (Schedule JMC-NJ RISE-3)	1.6978
10 Total Revenue Requirement	<u><u>\$129,845</u></u>

EXHIBIT B
Schedule JMC-NJ RISE-2

NJ RISE Capital Structure					
Type	Ratio	Cost	Weighted Cost	Pre-Tax	After-Tax
Long Term Debt	39.37%	3.69%	1.45%	1.45%	0.86%
Short Term Debt	6.68%	1.00%	0.07%	0.07%	0.04%
Customer Deposits	0.45%	0.11%	0.00%	0.00%	0.00%
Common Equity	53.50%	9.75%	5.22%	8.82%	5.22%
	<u>100.00%</u>		<u>6.74%</u>	<u>10.34%</u>	<u>6.12%</u>

NEW JERSEY NATURAL GAS COMPANY

REVENUE FACTOR

Revenue Increase	100.0000
BPU Assessment Rate	0.0021
Rate Counsel Assessment Rate	0.0006
Uncollectible Rate	<u>0.4200</u>
Income before State of NJ Bus. Income Tax	99.5773
State of NJ Bus. Income Tax @ 9.00%	<u>8.9620</u>
Income Before Federal Income Taxes	90.6154
Federal Income Taxes @ 35%	<u>31.7154</u>
Return	<u>58.9000</u>
Revenue Factor	<u><u>1.6978</u></u>

NJ RISE Program Gas Roll-in Calculation

Schedule JMC-NJ RISE-1

Investment End Date 7/31/2015
in (\$000)

RATE BASE CALCULATION

	<u>Total</u>
1 Gross Plant	\$1,031,290
2 Accumulated Depreciation	-\$5,157
3 Net Plant	\$1,026,133
4 Accumulated Deferred Taxes	-\$9,728
5 Rate Base	\$1,016,405
6 Rate of Return - After-Tax (Schedule JMC-NJ RISE-2)	6.12%
7 Return Requirement	\$62,204
8 Depreciation Exp, net	\$14,274
	\$76,478
9 Revenue Factor (Schedule JMC-NJ RISE-3)	1.6978
10 Total Revenue Requirement	\$129,845

SUPPORT

Gross Plant

Plant in-service	\$1,031,290
CWIP Transferred into Service	\$0
AFUDC on CWIP Transferred Into Service - Debt	\$0
AFUDC on CWIP Transferred Into Service - Equity	\$0
Total Gross Plant	\$1,031,290

Accumulated Depreciation

Accumulated Depreciation	-\$5,157
Cost of Removal	\$0
Net Accumulated Depreciation	-\$5,157

Depreciation Expense (Net of Tax)

Depreciable Plant (xAFUDC-E)	\$1,031,290
AFUDC-E	\$0
Depreciation Rate	2.34%
Depreciation Expense	\$24,132
Tax @ 40.85%	9,858
Depreciation Expense (Net of Tax)	\$14,274

NJ RISE Program
Weighted Average Cost of Capital (WACC)

NJ RISE Capital Structure					
Type	Ratio	Cost	Weighted Cost	Pre-Tax	After-Tax
Long Term Debt	39.37%	3.69%	1.45%	1.45%	0.86%
Short Term Debt	6.68%	1.00%	0.07%	0.07%	0.04%
Customer Deposits	0.45%	0.11%	0.00%	0.00%	0.00%
Common Equity	53.50%	9.75%	5.22%	8.82%	5.22%
	100.00%		6.74%	10.34%	6.12%

Federal Income Tax	35.00%
State NJ Business Incm Tax	9.00%
Tax Rate	40.85%

NJ RISE Program
Revenue Factor Calculation

	<u>GAS</u>
Revenue Increase	100.0000
Uncollectible Rate	0.4200
BPU Assessment Rate	0.0021
Rate Counsel Assessment Rate	<u>0.0006</u>
Income before State of NJ Bus. Tax	99.5773
State of NJ Bus. Income Tax @ 9.00%	<u>8.9620</u>
Income Before Federal Income Taxes	90.6154
Federal Income Taxes @ 35%	<u>31.7154</u>
Return	<u>58.9000</u>
Revenue Factor	<u><u>1.6978</u></u>

NJ RISE Program
Gas Annual Roll-in Calculation
in (\$000)

Roll-in 1

Plant In Service as of Date 4/30/2015
Rate Base Balance as of Date 7/31/2015

RATE BASE CALCULATION

	Distribution Mains	Regulator Stations	EFVs	Total	
1 Gross Plant	\$0	\$0	\$1,031,290	\$1,031,290	= ln 15
2 Accumulated Depreciation	\$0	\$0	-\$5,157	-\$5,157	= ln 18
3 Net Plant	\$0	\$0	\$1,026,133	\$1,026,133	= ln 1 + ln 2
4 Accumulated Deferred Taxes	\$0	\$0	-\$9,728	-\$9,728	= See "Dep-EFVs" Wkp, row 148
5 Rate Base	\$0	\$0	\$1,016,405	\$1,016,405	= ln 3 + ln 4
6 Rate of Return - After Tax (Schedule WACC)	6.12%	6.12%	6.12%	6.12%	= See Schedule JMC-NJ RISE-3
7 Return Requirement (After Tax)	\$0	\$0	\$62,204	\$62,204	= ln 5 * ln 6
8 Depreciation Exp, net	\$0	\$0	\$14,274	\$14,274	= ln 25
9 Revenue Factor	1.6978	1.6978	1.6978	1.6978	= See Schedule JMC-NJ RISE-4
10 Total Revenue Requirement	\$0	\$0	\$129,845	\$129,845	= (ln 7 + ln 8) * ln 9

SUPPORT

Gross Plant

11 Plant in-service	\$0	\$0	\$1,031,290	\$1,031,290	= See "Dep-EFVs" Wkp, row 129
12 CWIP Transferred into Service	\$0	\$0	\$0	\$0	
13 AFUDC on CWIP Transferred Into Service - Debt	\$0	\$0	\$0	\$0	
14 AFUDC on CWIP Transferred Into Service - Equity	\$0	\$0	\$0	\$0	
15 Total Gross Plant	\$0	\$0	\$1,031,290	\$1,031,290	= ln 11 + ln 12 + ln 13 + ln 14

Accumulated Depreciation

16 Accumulated Depreciation	\$0	\$0	-\$5,157	-\$5,157	= See "Dep-EFVs" Wkp, row 136
17 Cost of Removal	\$0	\$0	\$0	\$0	
18 Net Accumulated Depreciation	\$0	\$0	-\$5,157	-\$5,157	= ln 16 + ln 17

Depreciation Expense (Net of Tax)

19 Depreciable Plant (xAFUDC-E)	\$0	\$0	\$1,031,290	\$1,031,290	= ln 11 + ln 12 + ln 13
20 AFUDC-E	\$0	\$0	\$0	\$0	= ln 14
21 Depreciation Rate	2.34%	2.34%	2.34%		= See "Dep-EFVs" Wkp, row 3
22 Depreciation Expense	\$0.00	\$0.00	\$24,132	\$24,132	= (ln 19 + ln 20) * ln 21
23 Tax @40.85%	\$0.00	\$0.00	\$9,858	\$9,858	= ln 19 * ln 21 * Tax Rate
24 Depreciation Expense (Net of Tax)	\$0.00	\$0.00	\$14,274	\$14,274	= ln 22 - ln 23

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Mains				Regulator Stations				EFVs				Total Program			
	Plant in Service	CWIP Spending	Cost of Removal	Total PIS Spending	Plant in Service	CWIP Spending	Cost of Removal	Total CWIP Spending	Plant in Service	CWIP Spending	Cost of Removal	Total CWIP Spending	Plant in Service	CWIP Spending	COR	Total Spending
Aug-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sep-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oct-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nov-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Jan-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,419	\$0	\$0	\$44,419	\$44,419	\$0	\$0	\$44,419
Feb-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$28,371	\$0	\$0	\$28,371	\$28,371	\$0	\$0	\$28,371
Mar-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$135,178	\$0	\$0	\$135,178	\$135,178	\$0	\$0	\$135,178
Apr-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$178,322	\$0	\$0	\$178,322	\$178,322	\$0	\$0	\$178,322
May-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$215,000	\$0	\$0	\$215,000	\$215,000	\$0	\$0	\$215,000
Jun-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$215,000	\$0	\$0	\$215,000	\$215,000	\$0	\$0	\$215,000
Jul-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$215,000	\$0	\$0	\$215,000	\$215,000	\$0	\$0	\$215,000
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,031,290	\$0	\$0	\$1,031,290	\$1,031,290	\$0	\$0	\$1,031,290

Depreciation of EFVs

(\$000)		Annual Rate	Monthly Rate
Book Life	43	513	2.34%
Tax Rate	15	6	0.20%
Tax Rate	40.85%		

Book Depreciation - PIS

			2014	2014	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
			Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15
		Total PIS												
Roll-in 1	1	Aug-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2	Sep-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	3	Oct-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	4	Nov-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	5	Dec-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	6	Jan-15	\$44,419	\$0.00	\$0.00	\$0.00	\$0.00	\$43.31	\$86.62	\$86.62	\$86.62	\$86.62	\$86.62	\$86.62
Roll-in 1	7	Feb-15	\$28,371	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27.66	\$55.32	\$55.32	\$55.32	\$55.32	\$55.32
Roll-in 1	8	Mar-15	\$135,178	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$131.80	\$263.60	\$263.60	\$263.60	\$263.60
Roll-in 1	9	Apr-15	\$178,322	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$173.86	\$347.73	\$347.73	\$347.73
Roll-in 1	10	May-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$209.63	\$419.25	\$419.25
Roll-in 1	11	Jun-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$209.63	\$419.25
Roll-in 1	12	Jul-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$209.63
		Total	\$1,031,290	\$0.00	\$0.00	\$0.00	\$0.00	\$43.31	\$114.28	\$273.74	\$579.40	\$962.89	\$1,382.14	\$1,801.39

Federal Tax Depreciation - PIS/CWIP/AFUDC-Debt

		Total Investment Tax Basis												
Roll-in 1	2014	1	Aug-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	2	Sep-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	3	Oct-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	4	Nov-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	5	Dec-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2015	6	Jan-15	\$44,419	\$0.00	\$0.00	\$0.00	\$0.00	\$246.77	\$246.77	\$246.77	\$246.77	\$246.77	\$246.77
Roll-in 1	2015	7	Feb-15	\$28,371	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$177.32	\$177.32	\$177.32	\$177.32	\$177.32
Roll-in 1	2015	8	Mar-15	\$135,178	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$965.56	\$965.56	\$965.56	\$965.56
Roll-in 1	2015	9	Apr-15	\$178,322	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,486.02	\$1,486.02	\$1,486.02
Roll-in 1	2015	10	May-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,150.00	\$2,150.00
Roll-in 1	2015	11	Jun-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,687.50
Roll-in 1	2015	12	Jul-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,583.33
		Total	\$1,031,290	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Federal Tax Depreciation - Bonus

		Total Investment Tax Basis												
Roll-in 1	2014	1	Aug-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2014	2	Sep-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2014	3	Oct-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2014	4	Nov-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2014	5	Dec-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	6	Jan-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	7	Feb-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	8	Mar-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	9	Apr-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	10	May-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	11	Jun-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Roll-in 1	2015	12	Jul-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2014	2014	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
1	2	3	4	5	6	7	8	9	10	11	12			
Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15			

State Tax Depreciation - PIS/CWIP/AFUDC-Debt

				<u>Total</u>											
				<u>Investment</u>											
				<u>Tax Basis</u>											
Roll-in 1	2014	1	Aug-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	2	Sep-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	3	Oct-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	4	Nov-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2014	5	Dec-14	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Roll-in 1	2015	6	Jan-15	\$44,419	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$246.77	\$246.77	\$246.77	\$246.77	\$246.77	\$246.77
Roll-in 1	2015	7	Feb-15	\$28,371	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$177.32	\$177.32	\$177.32	\$177.32	\$177.32
Roll-in 1	2015	8	Mar-15	\$135,178	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$965.56	\$965.56	\$965.56	\$965.56
Roll-in 1	2015	9	Apr-15	\$178,322	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,486.02	\$1,486.02	\$1,486.02	\$1,486.02
Roll-in 1	2015	10	May-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,150.00	\$2,150.00	\$2,150.00
Roll-in 1	2015	11	Jun-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,687.50	\$2,687.50
Roll-in 1	2015	12	Jul-15	\$215,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,583.33
Total				\$1,031,290	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Roll-in 1

		Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1	Roll-in 1
\$1,031,290	Plant in Service	\$0	\$0	\$0	\$0	\$0	\$44,419	\$28,371	\$135,178	\$178,322	\$215,000	\$215,000	\$215,000
\$0	CWIP Transferred into Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	AFUDC-D	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	AFUDC-E	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	Rate Base Roll-in (Plant)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$5,157	Depreciation Expense	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$43.31	\$114.28	\$273.74	\$579.40	\$962.89	\$1,382.14	\$1,801.39
-\$5,157	Accumulated Depreciation Expense Roll-in	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Depreciation Expense (Net of Tax)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25.62	\$67.60	\$161.92	\$342.72	\$569.55	\$817.54	\$1,065.52
	Book Depreciation (Tax Basis)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$43.31	\$114.28	\$273.74	\$579.40	\$962.89	\$1,382.14	\$1,801.39
	Federal Tax Depreciation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$246.77	\$424.09	\$1,389.65	\$2,875.66	\$5,025.66	\$7,713.16	\$11,296.50
	StateTax Depreciation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$246.77	\$424.09	\$1,389.65	\$2,875.66	\$5,025.66	\$7,713.16	\$11,296.50
35.00%	Federal Deferred Taxes	\$0	\$0	\$0	\$0	\$0	-\$65	-\$99	-\$355	-\$731	-\$1,294	-\$2,016	-\$3,024
9.00%	State Deferred Taxes	\$0	\$0	\$0	\$0	\$0	-\$18	-\$28	-\$100	-\$207	-\$366	-\$570	-\$855
40.85%	Total Deferred Taxes	\$0	\$0	\$0	\$0	\$0	-\$83	-\$127	-\$456	-\$938	-\$1,660	-\$2,586	-\$3,879
-\$9,728	ADIT	\$0	\$0	\$0	\$0	\$0	-\$83	-\$210	-\$666	-\$1,604	-\$3,263	-\$5,849	-\$9,728

Tax Depreciation Rates

Year:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	Total			
Gas Mains, Services & Regulators	20 yr MACRs	3.750%	7.219%	6.677%	6.177%	5.713%	5.285%	4.888%	4.522%	4.462%	4.461%	4.462%	4.462%	4.462%	4.462%	4.462%	4.462%	4.462%	4.462%	4.462%	4.462%	4.462%	2.226%	100.000%	
Tools/Communications	7 yr MACRs	14.300%	24.500%	17.500%	12.500%	8.900%	8.900%	8.900%	4.500%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
Software	3 SL	33.333%	33.333%	33.333%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
Computer Equipment	5 yr MACRs	20.000%	32.000%	19.200%	11.500%	11.500%	5.800%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
EFVs & Storage Plant	15 yr MACRs	5.000%	9.500%	8.550%	7.700%	6.930%	6.230%	5.900%	5.900%	5.910%	5.900%	5.910%	5.900%	5.910%	5.900%	5.910%	2.950%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%

Bonus Depreciation

(\$000)

	Tax Basis			Bonus Depreciation Rate
	Distribution Mains	Regulator Stations	EFVs	
Aug-14	\$0	\$0	\$0	50%
Sep-14	\$0	\$0	\$0	50%
Oct-14	\$0	\$0	\$0	50%
Nov-14	\$0	\$0	\$0	50%
Dec-14	\$0	\$0	\$0	50%
Jan-15	\$0	\$0	\$44,419	0%
Feb-15	\$0	\$0	\$28,371	0%
Mar-15	\$0	\$0	\$135,178	0%
Apr-15	\$0	\$0	\$178,322	0%
May-15	\$0	\$0	\$215,000	0%
Jun-15	\$0	\$0	\$215,000	0%
Jul-15	\$0	\$0	\$215,000	0%
Total	\$0	\$0	\$1,031,290	