



June 25, 2010

VIA FEDERAL EXPRESS

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

Re: IN THE MATTER OF NEW JERSEY NATURAL
GAS COMPANY ANNUAL REVIEW AND
REVISION OF SOCIETAL BENEFITS CHARGE FACTORS
FOR 2010.
DOCKET NO. GR1006 _____

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the Petition of New Jersey Natural Gas Company (NJNG) for the Annual Review and Revision of Societal Benefits Charge (SBC) Factors. Included in this filing are the testimonies of Michael P. Moscufo Jr. and John Raspa in support of the Petition.

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

Tracey Thayer
Director, Regulatory Affairs Counsel

Enclosures

C: Service List

**NEW JERSEY NATURAL GAS COMPANY
FOR THE ANNUAL REVIEW AND REVISION OF
SOCIETAL BENEFITS CHARGE (SBC) FACTORS
DOCKET NO. GR1006_____**

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**NEW JERSEY NATURAL GAS COMPANY
FOR THE ANNUAL REVIEW AND REVISION OF
SOCIETAL BENEFITS CHARGE (SBC) FACTORS
DOCKET NO. GR1006 _____**

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

IN THE MATTER OF THE PETITION)	
OF NEW JERSEY NATURAL GAS)	PETITION
COMPANY FOR THE ANNUAL REVIEW)	
AND REVISION OF SOCIETAL BENEFITS)	BPU DOCKET NO. 1006 _____
CHARGE FACTORS)	

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

New Jersey Natural Gas Company (“NJNG” or the “Company”) hereby requests that the New Jersey Board of Public Utilities (the “Board” or “BPU”) approve, pursuant to N.J.S.A. 48:2-21, the Company’s filing related to the Societal Benefits Charge (“SBC”) factors. The factors included in the SBC are the Remediation Adjustment (“RA”) rate, the statewide Universal Service Fund (“USF”) rate, and the New Jersey Clean Energy Program (“NJCEP”) rate. The Company is requesting in this filing: (1) to maintain its existing overall SBC rate of \$0.0719 per therm on an after-tax basis; (2) for the BPU to approve the remediation expenditures for the period July 1, 2008 through June 30, 2009 (“Remediation Year 2009”), to be effective October 1, 2010 or as of the date of the Board Order in this proceeding.

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

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

Mark R. Sperduto, Vice President - Regulatory and External Affairs
Tracey Thayer, Esq., Director - Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road, P.O. Box 1464
Wall, N.J. 07719
(732) 938-1214 (M. Sperduto)
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1101 14th Street, NW
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Washington, D.C. 20005
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3. The SBC was established within the Electric Discount and Energy Competition Act (“EDECA”), N.J.S.A. 48:3-49 et seq., for the recovery by electric and natural gas utilities of costs associated with Manufactured Gas Plant (“MGP”) remediation, consumer education, assistance to low-income customers including the USF, and renewable and energy efficiency programs now provided through the NJCEP.

4. Pursuant to a Board Order dated March 30, 2001 approving the stipulation in Docket Nos. GX99030121 and GO99030123 (the “Unbundling Order”), NJNG received approval to implement and assess an SBC as a non-bypassable charge applicable to applicable customers.

5. This filing includes testimony, schedules and data that support NJNG in maintaining its current SBC factors. Additional information responsive to the fourteen (14)

minimum filing requirements (“MFR’s”) for RA filings, approved by the BPU in Docket No. GR04121565, will be provided under separate cover.

6. As part of the settlement of the Company’s base rate case in BPU Docket No. GR91081383J, and subsequently approved in the Unbundling Order noted above, the Board approved and established the RA clause as the cost recovery method by which the Company is permitted to recover its actual Remediation Costs, on a deferred basis, over a rolling-seven year period. Remediation Costs include all investigation, testing, land acquisition if appropriate, remediation and/or litigation costs and expenses, and other liabilities specifically relating to MGP facility sites, disposal sites, or sites to which material may have migrated, as a result of the earlier operation or decommissioning of MGP sites. On June 10, 2009, in BPU Docket No. GR08020106, the Board authorized the Company to maintain its existing after-tax RA factor of \$0.0260 per therm. Also, on April 28, 2010, in BPU Docket No. GR09010076, the Board authorized NJNG to increase its RA Factor of \$0.0260 per therm to \$0.0324 per therm after-tax. For the reasons set forth in supporting schedules and testimony, the Company is proposing herein to maintain its current RA Factor pf \$0.0324 per therm after-tax. Supporting documentation for maintaining this rate is included in the pre-filed testimony of Michael P. Moscufo, Jr. and in Exhibit A, Schedule 3. The pre-filed testimony of John Raspa is also included in support of this Petition regarding the remediation activity at NJNG’s former MGP sites.

7. The USF is a fund established by the Board to help provide affordable electric and natural gas heating service for eligible residential customers in New Jersey. Provisions of EDECA established the USF in New Jersey and, pursuant to various Board orders, the electric

and natural gas companies make a filing each July seeking approval to implement a statewide recovery factor. The USF recovery factor is determined on a statewide basis and, since it is collected through the SBC, the rate is included herein for reference. The Company is not proposing an adjustment to the USF recovery factor through this Petition. Accordingly, this Petition reflects the October 8, 2009 USF/Lifeline rate of \$0.0192 per therm after-tax, approved by the Board in Docket No. ER09060506.

8. In Docket No. EX99050347, the Board approved the implementation of the Comprehensive Resource Analysis ("CRA") Program pursuant to EDECA. Those programs now are referred to as New Jersey's Clean Energy Program ("NJCEP"). On August 7, 2008, in BPU Docket No. EO07030203, the Board established each utility's level of expenditures for the statewide NJCEP for the calendar years 2009 through 2012. NJNG's NJCEP funding obligations for each calendar year were set as follows: \$10.269 million for 2009; \$11.275 million for 2010; \$13.391 million for 2011; and \$15.9 million for 2012. By this petition, the Company is proposing to maintain its after-tax NJCEP factor of \$0.0203 per therm. Included in the testimony of Michael P. Moscufo, Jr. is Exhibit B which provides the supporting schedule for the NJCEP factor.

9. NJNG requests through this Petition that the proposal to maintain its current SBC for the RA factor, NJCEP and the USF be approved by the Board. NJNG is also requesting that the RA expenditures for the period July 1, 2008 through June 30, 2009 be approved by the Board for recovery by NJNG.

10. Annexed hereto and made a part of this Petition are the following Exhibits are included in the testimony for Michael P. Moscufo, Jr.:

Exhibit A Supporting schedules for the RA factor

Exhibit B Supporting schedules for the NJCEP factor

11. The Company has served a copy of this Petition, together with the annexed exhibits, schedules and draft tariff sheets, upon the Department of the Public Advocate, Division of Rate Counsel and the Division of Law.

WHEREFORE, NJNG respectfully requests that the Board:

- (i) Approve, as of October 1, 2010 or the date of the Board Order in this proceeding, the requested SBC rates and the costs the rates are designed to recover;
- (ii) Grant final approval of the Company's proposals included in this Petition; and
- (iii) Grant such other relief, as the Board deems just, reasonable and necessary.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By:



Tracey Thayer, Esq.

Frederick W. Peters, Esq.

Attorneys for New Jersey Natural Gas Company

STATE OF NEW JERSEY)
 SS :
COUNTY OF MONMOUTH)

VERIFICATION

MARK R. SPERDUTO, being duly sworn according to law, upon his oath, deposes and says that:

1. I am the Vice President of Regulatory and External Affairs for New Jersey Natural Gas Company, the Petitioner in the foregoing Petition, and I am authorized to make this affidavit on behalf of New Jersey Natural Gas Company.

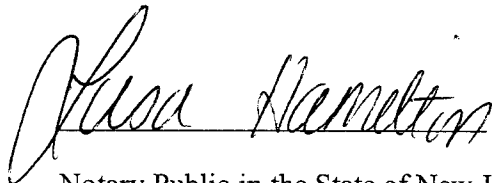
2. The statements made in the foregoing petition correctly portray the information set forth therein, to the best of my knowledge and belief.



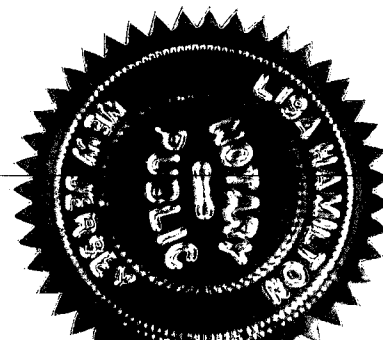
MARK R. SPERDUTO

Sworn and Subscribed before me this

25th day of June 2010



Notary Public in the State of New Jersey



NEW JERSEY NATURAL GAS COMPANY

**DIRECT TESTIMONY OF MICHAEL P. MOSCUFO, JR.
DIRECTOR OF RATES AND TARIFFS**

1 **Q. PLEASE STATE YOUR NAME, CURRENT POSITION AND BUSINESS**
2 **ADDRESS?**

3 **A.** My name is Michael P. Moscufo, Jr. and I am the Director – Rates and Tariffs for New
4 Jersey Natural Gas Company (“NJNG” or the “Company”). My business address is 1415
5 Wyckoff Road, Wall, New Jersey 07719.

6 **Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS EXPERIENCE.**

7 **A.** I received a Bachelor of Science degree in Accounting from the Philadelphia College of
8 Textiles and Sciences in 1979. Furthermore, I am a Certified Public Accountant licensed
9 in the State of New Jersey and the Commonwealth of Pennsylvania.

10 I was employed by Associated Utility Services in 1980 as a Regulatory Analyst
11 and promoted to Assistant Vice President in early 1985. In July 1985 I joined the firm of
12 Coopers & Lybrand in their Regulatory Advisory and Accounting Group, providing
13 accounting, auditing and regulatory services to gas, electric and municipal utility clients
14 of the firm. In 1990 I joined Public Service Electric and Gas Company (“PSE&G”) as a
15 Principal Auditor and in 1991 was promoted to their Utility Rate Group. During the
16 period 1991 through 2006, I participated in the following proceedings: gas and electric
17 distribution base rate proceedings, former manufactured gas plant remediation (“RAC”)
18 proceedings, nuclear decommissioning proceedings, Basic Gas Supply Service (“BGSS”)
19 proceedings and a Merger & Acquisition proceeding. I submitted testimony in several
20 PSE&G RAC proceedings and testified in a PSE&G gas base rate proceeding on the
21 subject of Cash Working Capital.

22 In September 2006, I accepted the position of Director - Rates and Tariffs at
23 NJNG and have been involved in several rate proceedings including a base rate case
24 filing before the New Jersey Board of Public Utilities (“BPU” or the “Board”), BGSS and
25 Societal Benefits Charge (“SBC”) proceedings, Accelerated Infrastructure Program (AIP)
26 and several other matters requiring BPU review and/or approval. I submitted testimony in

1 the NJNG 2007 and 2008 RAC proceedings and in the 2007 NJNG base rate case on the
2 subject of Cash Working Capital.

3 **Q. WHAT ARE YOUR RESPONSIBILITIES AS THE DIRECTOR - RATES &**
4 **TARIFFS?**

5 **A.** I am responsible for directing the preparation of the Company's rate and tariff matters
6 submitted to the BPU, including the 2007 base rate case filing before the BPU, the annual
7 SBC filing, the annual BGSS filing, other miscellaneous regulatory filings requiring
8 review and approval by the BPU, regulatory audits related to BGSS, SBC, RAC and
9 other regulatory matters. I am also involved in the Regulatory Affairs Department's daily
10 operations including the financial and regulatory review of quarterly and annual filings
11 before the SEC and other matters that may impact the current tariff rates at NJNG.

12 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS?**

13 **A.** Yes. In addition to the proceedings mentioned previously in New Jersey, I have testified
14 in a base rate case regulatory proceeding in the State of Florida.

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

17 **A.** I am responsible for: 1) supporting the schedules contained in the Company's SBC filing,
18 including the Remediation Adjustment ("RA") component of the SBC, which sets forth
19 and summarizes actual remediation expenditures incurred by the Company during the one
20 year period from July 1, 2008 – June 30, 2009 ("Remediation Year 2009") for the
21 remediation at former NJNG manufactured gas plant ("MGP") sites; 2) supporting the
22 interest calculation on unrecovered deferred MGP expenditure balances; 3) calculating
23 the proposed RA factor necessary to recover the MGP expenditure balance, including
24 interest; 4) addressing the rates for the other clauses within the SBC, including the New
25 Jersey Clean Energy Program ("NJCEP") and the Universal Service Fund ("USF"); and
26 (5) proposing for BPU approval modifications to the NJNG Tariff for Gas Services –
27 Rider C, Tariff Sheet No. 164 to remove outdated language and to reflect the current
28 authorized methodology for determining the interest rate on unamortized deferred
29 remediation expenditures at the seven-year constant maturity Treasury rate plus 60 basis
30 points, effective October 1, 2009.

1 In this SBC filing, NJNG is petitioning the Board: (1) for approval of the RA
2 expenditures for the period July 1, 2008 through June 30, 2009; and (2) to maintain the
3 current after-tax RA, NJCEP and USF rates, effective October 1, 2010.

4 **I. HISTORY OF NJNG'S REMEDIATION ADJUSTMENT CLAUSE**

5 **Q. PLEASE DESCRIBE THE HISTORY OF NJNG'S REMEDIATION**
6 **ADJUSTMENT CLAUSE.**

7 A. As part of the settlement of the Company's base rate case filing in Docket No.
8 GR91081383J, NJNG was authorized in June 1992 to recover Remediation Costs on a
9 deferred basis, without carrying costs, over a rolling seven-year period and subject to
10 BPU approval. As defined in the Company's BPU-approved tariff, "Remediation Costs"
11 include costs associated with all investigation, testing, land acquisition if appropriate,
12 remediation and/or litigation costs and expenses, or other liabilities, excluding personal
13 injury claims, specifically relating to former MGP facility sites, disposal sites, or sites to
14 which material may have migrated, as a result of the earlier operation or
15 decommissioning of MGP sites. Examples of Remediation Costs the Company has
16 previously included for recovery in SBC filings include soil disposition and replacement,
17 installation of long-term water treatment facilities, estuary development, MGP site
18 engineering and construction, consulting, community communication/outreach, and legal
19 and certain incremental payroll costs specifically relating to the remediation of former
20 MGP sites, disposal sites, or sites to which material may have migrated since operation of
21 these MGP sites. The total annual charge for such Remediation Costs during any
22 Recovery Year is not permitted to exceed five percent of the Company's total revenues
23 from firm natural gas sales during the preceding Remediation Year.

24 **Q. HOW IS THE NJNG RA FACTOR CURRENTLY DERIVED AND**
25 **CALCULATED?**

26 A. The Company is currently authorized by the BPU to calculate its RA factor using a
27 methodology that permits the Company to recover one-seventh of the actual Remediation
28 Costs the Company incurs each RA year (plus applicable third party claims and sale of
29 property), until fully amortized, plus any prior year Remediation Cost under- or over-
30 recoveries and any net accumulated deferred third-party recoverable costs. In addition,

1 pursuant to the BPU's "Order Adopting Initial Decision and Stipulation" dated October
2 5, 2004 in Docket No. GR03030200, the Company is required to calculate and is
3 permitted to recover monthly carrying costs on its unamortized MGP expenditure
4 balances using the methodology set forth on Original Sheet No. 164 of the Company's
5 currently-effective Tariff dated October 3, 2008. The referenced methodology provides,
6 in pertinent part, that the Company shall calculate carrying costs on any under-or over-
7 recovered RA cost balances, net of the deferred income taxes associated with those
8 balances, using the same interest rate, which rate will be adjusted each August 31 based
9 upon the seven-year constant maturity Treasury rate, shown in the Federal Reserve
10 Statistical Release, plus 60 basis points. However, that interest rate shall be reduced by
11 30 basis points effective from October 2004 through September 30, 2009. In this RA
12 Petition, the Company is proposing to modify the Tariff for Gas Services – Rider C,
13 Original Sheet No. 164 to remove the outdated language related to the October 2004
14 through September 2009 period and to reflect the current interest rate as the seven-year
15 constant maturity Treasury rate plus 60 basis points. Interest applicable to the
16 Company's unamortized RA balance shall be calculated and will accrue on a monthly
17 basis and shall be rolled into the RA balance at the beginning of the next RA year, as set
18 forth in Original Sheet No. 164 of the Company's effective Tariff dated October 3, 2008.
19 The impact and effect of this carrying cost methodology is set forth on Exhibit A,
20 Schedule 7 of the Petition, addressed in further detail below.

21 **II. DESCRIPTION OF SUPPORTING RA SCHEDULES**

22 **Q. PLEASE PROVIDE A BRIEF EXPLANATION OF THE SCHEDULES IN**
23 **EXHIBIT A THAT SUPPORT THE COMPANY'S PROPOSED REMEDIATION**
24 **ADJUSTMENT FILING IN THIS CASE.**

25 **A. Schedule 1 - Summary of Actual July 2008 - June 2009 Site Expenses**

26 Schedule 1 provides a summary of actual RA expenditures of approximately \$17.3
27 million by MGP site and type, as well as the associated costs to be recovered. A summary
28 of expenses by vendor will be provided in the Minimum Filing Requirements ("MFRs")
29 to be provided subsequently.

Schedule 2 – Amortization of Recoverable Costs

Schedule 2 provides the amortization calculation for Remediation Year 2009 and shows the applicable seven-year Recovery Period including the 2003-2009 remediation expenditures to be recovered in Remediation Year 2009 of approximately \$19.7 million.

Schedule 3 - Remediation Adjustment Factor

Schedule 3 provides the calculation of the pre-tax and after-tax RA factor for the 2009 Recovery Year. The amount to be recovered is the sum of the following:

- The Remediation Year amortizations from July 2003 through June 2009 of approximately \$19.7 million per Schedule 2; plus
- The reconciliation amount comprised of the total to be recovered during the period October 2008 through September 2009 per Exhibit A, Schedule 3 of the Company's January 26, 2009 filing in Docket No. GR09010076 (approximately \$20.6 million), less actual recoveries through September 2009 (approximately \$16.1 million), which results in a net under-recovery of approximately \$4.5 million as of September 30, 2009; plus
- Actual interest for Remediation Year 2009, the period October 1, 2008 through September 30, 2009, of approximately \$1.9 million; less
- Third party insurance recoveries of approximately \$5.4 million.
- The resulting net total amount of \$20.76 million to be recovered is then divided by the projected therm sales of natural gas for the prospective twelve month Recovery Year ending September 30, 2011 which yields a pre-tax RA factor of \$0.0307 per therm (\$0.0328 per therm after-tax). The Company's current pre-tax RA factor is \$0.0303 per therm (\$0.0324 after-tax). At this time NJNG is proposing that the current RA Factor of \$0.0324, after-tax, be maintained since the increase results in only a \$0.0005 per therm increase.

Schedule 4 – Prior Year Reconciliation

Schedule 4 shows the Company's actual recovery of \$16.1 million for prior year amounts for the fiscal year ended September 2009, which amount is carried over to and utilized in Schedule 3, Line 2.

1 **Schedule 5 - Annual Cap Calculation**

2 Schedule 5 provides the calculation of the limitation on the annual recovery of
3 remediation costs. The Company's total annual amortization to be collected from
4 customers during the prospective Recovery Year may not exceed 5 percent of the
5 Company's total firm gas revenues collected from customers during the preceding
6 Remediation Year (July 1, 2008 through June 30, 2009). Schedule 5 shows that the total
7 amount of approximately \$20.6 million projected to be recovered in 2010 is less than the
8 five percent revenue cap of approximately \$43.0 million, based on the \$860.5 million in
9 firm gas revenues for the remediation year 2009.

10 **Schedule 6 – Projected Remediation Expenses**

11 Schedule 6 provides the projected gross remediation expenses for fiscal year 2010 of
12 \$18.9 million.

13 **Schedule 7 – Remediation Interest Calculation**

14 Schedule 7 calculates interest for the Remediation Year 2009 (the period beginning
15 October 2008 and ending September 2009) on the Company's monthly average balance
16 of deferred remediation costs using the methodology approved by the Board in Docket
17 No. GR09010076, dated April 28, 2010. The column on Schedule 7 labeled "Net of Tax"
18 reflects the offset of deferred taxes based on the above-mentioned Board approved
19 methodology. The annual interest rate reflected on Schedule 7 also complies with the
20 above Order which requires the Company to reduce the annual SBC interest rate by 30
21 basis points through September 30, 2009. Effective October 1, 2009 the SBC interest rate
22 for NJNG is 3.03 percent plus 60 basis points or 3.63 percent.

23 **Schedule 8 – Insurance Litigation Expenses for 2009**

24 Schedule 8 calculates and shows net accumulated deferred third-party recoverable costs,
25 which are applied as a credit against recoverable Remediation Costs. Pursuant to the
26 Board's approval of the settlement in Docket No. GR05100846, \$12.8 million of
27 insurance proceeds were received by NJNG for Remediation Year 2007 and included as a
28 reduction to the deferred RA balance in January 2007. This reflects a settlement with a
29 major insurance carrier of NJNG regarding the recovery of environmental remediation
30 expenditures associated with former MGP plants. In its 2007 and 2008 SBC proceedings,

1 NJNG proposed to amortize and provide credits for the \$12.8 million of insurance
2 proceeds over a three-year period, and therefore reflected one-third of those proceeds as a
3 reduction (approximately \$4.27 million per year) in the recoverable cost calculation set
4 forth on Exhibit A, Schedule 8. In this proceeding, the 3rd period of amortization is
5 recognized as an offset to the recoverable remediation expenditures in Remediation Year
6 2009. Accordingly, Schedule 8 shows a credit of approximately \$4.27 million, resulting
7 in a reduction to remediation expenditures in Remediation Year 2009. Also included in
8 Exhibit A, Schedule 8 is \$1.1 million of net insurance recoveries related to a Settlement
9 in a litigated matter regarding an NJNG environmental insurance lawsuit. The settlement
10 proceeds have been credited against the Remediation Year 2009 expenditures.

11 **III. SBC COMPONENTS**

12 **Q. WHAT IS THE PROPOSED AFTER-TAX RA FACTOR FOR THIS FILING?**

13 **A.** The Company is proposing to maintain the current after-tax RA factor of \$0.0324 at this
14 time due to the minimal increase that has been incurred between the prior and current RA
15 period.

16 **Q. PLEASE EXPLAIN NJNG'S NEW JERSEY CLEAN ENERGY FUNDING** 17 **OBLIGATION.**

18 **A.** In BPU Order, Docket No. EX04040276, dated December 22, 2004, the BPU established
19 each utility's level of expenditures for the statewide NJCEP programs for each calendar
20 year through 2008, rather than establish a uniform statewide recovery rate. NJNG's
21 funding obligations for each year were set as follows: \$5.9 million for calendar 2005;
22 \$7.0 million for calendar 2006; \$8.6 million for calendar 2007; and \$9.9 million for
23 calendar 2008. In October 2008, the BPU released an order updating NJNG's funding
24 obligations for the period January 2009 through December 2012. NJNG's calendar year
25 2009 obligation is \$10.269 million, the calendar year 2010 obligation is \$11.275 million,
26 the calendar year 2011 obligation is \$13.391 million and the obligation for calendar year
27 2012 is \$15.9 million. The Company must provide this level of NJCEP funding to the
28 State Treasurer regardless of actual customer usage. Any shortfall or excess in recovery
29 is carried in the Company's NJCEP deferred account balance to be included in the future
30 year's funding calculations.

1 **Q. WHAT IS THE PROPOSED AFTER-TAX NJCEP FACTOR FOR THIS FILING?**

2 **A.** The Company proposes to maintain its current after-tax NJCEP factor of \$0.0203 per
3 therm since the calculated increase necessary to recover NJNG's underrecovery balance
4 and mandated contributions to the NJCEP through September 2011 is \$0.0001 or 0.5
5 percent. Supporting documentation for this factor is presented in Exhibit B.

6 **Q. WHAT IS THE PROPOSED AFTER-TAX USF FACTOR THAT IS INCLUDED**
7 **IN THIS SBC FILING?**

8 **A.** The after-tax USF factor included in this filing is \$0.0192 per therm. This statewide USF
9 factor was approved by the BPU in Docket No. ER09060506, dated October 8, 2009
10 Order and no changes are being requested at this time.

11 **IV. OVERALL PROPOSED PRICE CHANGES**

12 **Q. WHAT IS THE PROPOSED AFTER-TAX SBC BILLING FACTOR FOR THIS**
13 **SBC FILING AND THE IMPACT ON CUSTOMERS?**

14 **A.** The Company is proposing to maintain its current after-tax SBC billing factor at \$0.0719
15 per therm, with the individual factors within the SBC being discussed in Section III
16 above.

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

18 **A.** Yes.

NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR 2009
BPU. DOCKET NO. GR1006

SUMMARY OF SITE EXPENSES
July 2008 - June 2009

LINE NO.	SITE	CONSULTING	REMEDIATION	LEGAL	OTHER	TOTAL REMEDIATION EXPENSES	THIRD PARTY EXPENSES	RECOVERY COST
1	Atl. Highlands	\$1,491,173.38	\$520,953.69	\$1,442,757.44	\$1,166,244.18	4,621,128.69		\$4,621,128.69
2	Berkeley	\$4,579.42		\$40,576.52	\$5,820.68	50,976.62		50,976.62
3	Lakewood				2,886.66	2,886.66		2,886.66
4	Long Branch	1,711,888.30	9,716,115.94	19,054.01	518,885.28	11,965,943.53		11,965,943.53
5	Manchester	64,610.71		1,384.95	69,437.17	135,432.83		135,432.83
6	Toms River	266,556.07	88,989.00	17,507.49	139,492.84	512,545.40		512,545.40
7	Insurance Litigation	531.25		17,492.25		18,023.50		18,023.50
	TOTALS	\$3,539,339.13	\$10,326,058.63	\$1,538,772.66	\$1,902,766.81	\$17,306,937.23		\$17,306,937.23

NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR 2009
BPU. DOCKET NO. GR1006

AMORTIZATION OF 6/30/09 RECOVERABLE COSTS

Line	YE 6/30/03	YE 6/30/04	YE 6/30/05	YE 6/30/06	YE 6/30/07	YE 6/30/08	YE 6/30/09	TOTAL
1	\$24,564,912	\$16,768,393	\$15,794,893	\$10,988,570	\$34,400,226	\$18,036,915	\$17,306,937	\$137,860,846
2	0	0	0	0	0	0	0	\$0
3	(3,509,273)	0	0	0	0	0	0	\$3,509,273
4	(3,509,273)	(2,395,485)	0	0	0	0	0	\$5,904,758
5	(3,509,273)	(2,395,485)	(2,256,413)	0	0	0	0	\$8,161,171
6	(3,509,273)	(2,395,485)	(2,256,413)	(1,569,796)	0	0	0	\$9,730,967
7	(3,509,273)	(2,395,485)	(2,256,413)	(1,569,796)	(4,914,318)	0	0	\$14,645,285
8	(3,509,273)	(2,395,485)	(2,256,413)	(1,569,796)	(4,914,318)	(2,576,702)	0	\$17,221,987
9	\$3,509,273	\$4,790,969	\$6,769,240	\$6,279,183	\$24,571,590	\$15,460,213	\$17,306,937	\$78,687,405
10	3,509,273							3,509,273
11		2,395,485						2,395,485
12			2,256,413					2,256,413
13				1,569,796				1,569,796
14					4,914,318			4,914,318
15						2,576,702		2,576,702
16							2,472,420	2,472,420
18	\$3,509,273	\$2,395,485	\$2,256,413	\$1,569,796	\$4,914,318	\$2,576,702	\$2,472,420	\$19,694,407

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR 2009
BPU. DOCKET NO. GR1006**

REMEDATION ADJUSTMENT FACTOR

Line				
1	<u>AMORTIZATION (Per Schedule 2)</u> 7/08-6/09		<u>\$19,694,407</u>	
	Total Amortization		\$19,694,407	\$19,694,407 a
2	<u>PRIOR YEARS' RECONCILIATION</u>			
	Total to be Recovered 10/08-9/09	\$20,642,056		
	Actual Recovery through September 30, 2009 (Per Schedule 4)	<u>16,104,808</u>		
	Projected Under-recovery	\$4,537,248	\$4,537,248	b
3	<u>INTEREST CALCULATION (Per Schedule 7)</u>			
	Interest 10/08-9/09 (12 months actual)		1,890,693	c
4	NET ACCUMULATED DEFFERED 3RD PTY RECOVERABLE COSTS (Per Schedule 8)		<u>(5,366,667)</u>	d
5	TOTAL TO BE RECOVERED		\$20,755,681	a+b+c+d
6	<u>THERM SALE PROJECTION (October 1, 2010 - September 30, 2011)</u>			
7	FIRM SALES	527,770,957		
9	FIRM TRANSPORTATION	89,258,395		
10	RESIDENTIAL TRANSPORTATION	16,531,828		
11	INTERRUPTIBLE TRANSPORTATION	29,090,000		
12	OCEAN PEAKING POWER	<u>13,941,000</u>		
13	TOTAL	<u>676,592,180</u>		
	PRE-TAX RA FACTOR PER THERM (L5/L13)		<u>\$0.0307</u>	
	AFTER-TAX RA FACTOR PER THERM		<u>\$0.0328</u>	

NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDIATION ADJUSTMENT RIDER
REMEDIATION YEAR 2009
BPU. DOCKET NO. GR1006

PRIOR YEAR RECONCILIATION

PRE-TAX RA REVENUE FACTOR - OCT 2008 - SEPT 2009 0.0243

ACTUAL THERM SALES OCT 2008 - SEPT 2009

FIRM SALES	533,286,998
INTERRUPTIBLE SALES	1,674
FIRM TRANSPORTATION	81,428,129
RESIDENTIAL TRANSPORTATION	12,734,821
INTERRUPTIBLE TRANSPORTATION	29,687,825
OCEAN PEAKING POWER	5,609,852
TOTAL	<u>662,749,299</u>

ACTUAL RECOVERY 10/08-9/09

\$16,104,808

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR 2009
BPU. DOCKET NO. GR1006**

ANNUAL CAP CALCULATION

FIRM GAS REVENUES-REMEDATION YEAR 2009	\$860,510,223
5% CAP	\$43,025,511
TOTAL TO BE RECOVERED IN 2010	\$20,642,056

* Revenues based on Remediation Year July 1, 2008 - June 30, 2009

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR 2009
BPU. DOCKET NO. GR1006**

PROJECTED REMEDIATION EXPENDITURES

<u>MGP Site Location</u>	<u>Projected Gross Fiscal 2010 Remediation Expenditures</u>
Atlantic Highlands	\$5,900,000
Berkeley	\$2,000,000
Long Branch	\$9,700,000
Manchester	\$66,000
Toms River	\$1,000,000
Insurance Litigation	\$250,000
Total	<u>\$18,916,000</u>

Exhibit A
 Schedule 7

NEW JERSEY NATURAL GAS COMPANY
 SOCIETAL BENEFITS CHARGE (SBC) - REMEDIATION ADJUSTMENT RIDER
 REMEDIATION YEAR 2009
 BPU. DOCKET NO. GR1006

REMEDATION INTEREST CALCULATION

	Deferred Balance		RECOVERIES	Cum Cust	Cum Ins	Costs less recoveries	Deferred Tax	Net of Tax	Yr Rate To Sep> Avg Bal	MoRate	Monthly Interest
	COSTS	Cum Exp									
9/30/2008	\$ 19,706,227	\$ 202,629,085	\$ (83,160,898)	\$ (49,350,000)	\$ 89,824,414	\$ (36,903,462)	\$ 52,920,952	\$ 53,666,661	0.313%	\$ 167,708	
10/31/2008	\$ 22,010,473	\$ 203,776,204	\$ (84,080,833)	\$ (49,350,000)	\$ 92,355,844	\$ (37,943,475)	\$ 54,412,369	\$ 54,502,587	0.313%	\$ 170,321	
11/30/2008	\$ 22,010,473	\$ 205,732,474	\$ (85,730,845)	\$ (49,350,000)	\$ 92,662,102	\$ (38,069,298)	\$ 54,592,804	\$ 54,044,082	0.313%	\$ 168,888	
12/31/2008	\$ 22,010,473	\$ 206,237,680	\$ (88,098,779)	\$ (49,350,000)	\$ 90,799,374	\$ (37,304,015)	\$ 53,495,359	\$ 52,905,413	0.313%	\$ 165,329	
1/31/2009	\$ 22,010,473	\$ 207,421,975	\$ (91,285,743)	\$ (49,350,000)	\$ 88,796,705	\$ (36,481,238)	\$ 52,315,467	\$ 51,343,005	0.313%	\$ 160,447	
2/28/2009	\$ 22,010,473	\$ 207,528,129	\$ (93,583,079)	\$ (50,460,000)	\$ 85,495,523	\$ (35,124,981)	\$ 50,370,542	\$ 49,870,647	0.313%	\$ 155,846	
3/31/2009	\$ 22,010,473	\$ 207,825,737	\$ (95,577,665)	\$ (50,460,000)	\$ 83,798,545	\$ (34,427,794)	\$ 49,370,751	\$ 49,248,861	0.313%	\$ 153,903	
4/30/2009	\$ 22,010,473	\$ 208,559,755	\$ (96,725,458)	\$ (50,460,000)	\$ 83,384,770	\$ (34,257,799)	\$ 49,126,971	\$ 49,081,577	0.313%	\$ 153,380	
5/31/2009	\$ 22,010,473	\$ 209,022,318	\$ (97,342,118)	\$ (50,460,000)	\$ 83,230,673	\$ (34,194,490)	\$ 49,036,183	\$ 48,999,551	0.313%	\$ 153,124	
6/30/2009	\$ 22,010,473	\$ 209,397,533	\$ (97,841,687)	\$ (50,460,000)	\$ 83,106,319	\$ (34,143,400)	\$ 48,962,919	\$ 48,962,727	0.313%	\$ 153,009	
7/31/2009	\$ 22,010,473	\$ 209,864,052	\$ (98,308,856)	\$ (50,460,000)	\$ 83,105,669	\$ (34,143,133)	\$ 48,962,536	\$ 48,879,941	0.313%	\$ 152,750	
8/31/2009	\$ 22,010,473	\$ 210,079,086	\$ (98,804,270)	\$ (50,460,000)	\$ 82,825,289	\$ (34,027,942)	\$ 48,797,347	\$ 49,004,639	0.278%	\$ 135,988	
9/30/2009	\$ 22,010,473	\$ 211,244,078	\$ (99,265,575)	\$ (50,460,000)	\$ 83,528,976	\$ (34,317,045)	\$ 49,211,931	\$ 49,004,639		\$ 1,890,693	
											<u>\$ 1,890,693</u>

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR 2009
BPU. DOCKET NO. GR1006**

INSURANCE LITIGATION

	<u>Remediation Year 2009</u>
3rd Party Remediation Cost	\$0
Less: Amortized (50%)	\$0
Deferred (50%)	\$0
Prior Yr Accum Deferred	\$0
Curr Yr Accum Def - Gross	\$0
Less Recovery of 2/3 of Kemper Settlement Costs	(4,266,667)
Less Recovery of Willis Complaint Settlement Costs	<u>(1,100,000)</u>
Curr Yr Accum Def - Net	<u>(\$5,366,667)</u>

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
NEW JERSEY CLEAN ENERGY ADJUSTMENT CLAUSE
BPU. DOCKET NO. GR1006_____**

NEW JERSEY CLEAN ENERGY ADJUSTMENT CLAUSE CALCULATION

	Estimated Balance (\$ 000)																		
NJ Clean Energy Underrecovery Balance @ 3/31/10	(\$14)																		
Estimated Recovery through September 2010	(\$2,795)																		
Board Mandated Contributions for April 2010 through September 2011 ¹	\$15,733																		
 Estimated Amount to be Recovered	 \$12,924																		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Projected 10/10-9/11 Sales</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Firm Sales</td> <td style="text-align: center; border-top: 1px solid black;">527,771</td> <td></td> </tr> <tr> <td>Firm Transportation</td> <td style="text-align: center;">105,790</td> <td></td> </tr> <tr> <td>Interruptible</td> <td style="text-align: center;">29,090</td> <td></td> </tr> <tr> <td>Ocean Peaking Power</td> <td style="text-align: center;">13,941</td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: center;">676,592</td> <td></td> </tr> </tbody> </table>		Projected 10/10-9/11 Sales		Firm Sales	527,771		Firm Transportation	105,790		Interruptible	29,090		Ocean Peaking Power	13,941		Total	676,592		676,592
	Projected 10/10-9/11 Sales																		
Firm Sales	527,771																		
Firm Transportation	105,790																		
Interruptible	29,090																		
Ocean Peaking Power	13,941																		
Total	676,592																		
Pre-tax NJ Clean Energy Recovery Rate \$ per Therm as Calculated	\$0.0191																		
After-tax NJ Clean Energy Recovery Rate \$ per Therm as Calculated	\$0.0204																		
Current Pre-tax NJ Clean Energy Recovery Rate \$ per Therm	\$0.0190																		
Current After-tax NJ Clean Energy Recovery Rate \$ per Therm	\$0.0203																		
Calculated Pre-tax NJ Clean Energy Recovery Rate \$ per Therm Increase	\$0.0001																		
Calculated After-tax NJ Clean Energy Recovery Rate \$ per Therm Increase	\$0.0001																		

¹ Per 8/7/08 Order in BPU Docket No. EO07030203

NEW JERSEY NATURAL GAS COMPANY

1

**DIRECT TESTIMONY OF JOHN RASPA
DIRECTOR OF ENVIRONMENTAL, HEALTH AND SAFETY SERVICES**

2 **Q. PLEASE STATE YOUR NAME, CURRENT POSITION AND BUSINESS**
3 **ADDRESS?**

4 **A.** My name is John Raspa. I am the Director of Environmental, Health and Safety
5 Services for New Jersey Natural Gas Company (“NJNG” or the “Company”). My
6 business address is 1415 Wyckoff Road, Wall, New Jersey 07719.

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

8 **A.** I earned a bachelor’s degree in Chemical and Biological sciences from Rutgers
9 University in 1976 and completed advanced postgraduate education in
10 Environmental and Sanitary Engineering from Rutgers University, Cook College of
11 Sciences. I maintain professional certifications in the field of Hazardous Materials
12 Management. I am also skilled in Risk Management and Environmental
13 Management Systems through formal training and practical applications in my
14 professional career and have more than 20 years experience in the environmental
15 field. I have held numerous positions and responsibilities in the area of
16 environmental management that have included strategy, compliance, risk
17 management and business acquisition. From 1976 to 1988, I worked in the public
18 sector for various health and environmental agencies. Between 1989 and 2000, I
19 was employed by a Fortune 500 specialty chemical manufacturer, during which
20 period my responsibilities progressively included regional management (New
21 Jersey), divisional management (national) and eventually global leadership for
22 approximately 30 manufacturing locations. My duties during that time also
23 included direct responsibility for the clean-up of major properties under various
24 federal and state regulatory programs, including some located in New Jersey.

1 **Q. WHAT ARE YOUR PRIMARY DUTIES AND RESPONSIBILITIES AS**
2 **NJNG'S DIRECTOR OF ENVIRONMENTAL, HEALTH AND SAFETY**
3 **SERVICES?**

4 **A.** As the Director of Environmental, Health and Safety Services ("EHS") for NJNG, I
5 have overall responsibility for creating a corporate vision and environmental
6 strategy, through strategic planning, to address current and emerging trends
7 affecting environmental, health and safety issues, and to promote EHS's
8 performance by establishing and executing EHS's policy, key initiatives and
9 opportunities. These activities support NJNG's overall corporate commitment to
10 environmental responsibility. I am also responsible for developing and managing
11 EHS's operating budgets in connection with ongoing activities at each of the
12 Company's former manufactured gas plant ("MGP") sites which NJNG is
13 responsible for remediating under the direction of the New Jersey Department of
14 Environmental Protection ("NJDEP"). In addition, I maintain the oversight of
15 various day-to-day activities involving decision making on key departmental
16 matters, including the MGP program. My duties and responsibilities also include
17 the following: ensuring that key safety, health and environmental liabilities and
18 exposures are identified and addressed on a timely and effective basis through
19 internal processes and procedures: developing and monitoring the MGP program's
20 effectiveness; reporting key performance indicators to management; and,
21 developing and maintaining effective working relationships with federal, state and
22 local stakeholders, public agencies and organizations whose collective
23 responsibilities encompass environmental, health and safety issues. Those entities
24 include but are not limited to municipal governments, community groups, the U.S.
25 Environmental Protection Agency, the NJDEP, the U.S. Occupational Safety and
26 Health Administration, and the U.S. Department of Transportation.

27 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN REGULATORY**
28 **PROCEEDINGS?**

29 **A.** Yes. I testified on behalf of the Company in its last five Societal Benefits Charge
30 ("SBC") proceedings on the Remediation Adjustment ("RA") factor, Docket Nos.
31 GR04121565, GR05100846, GR06100746, GR08020106 and GR09010076.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 **A.** The purpose of this testimony is to: (1) provide a general overview of the
4 Company's on-going MGP remediation program; (2) identify and describe the
5 general nature and categories of Remediation Costs and expenses incurred by the
6 Company during the period of July 1, 2008 through June 30, 2009 ("Remediation
7 Year 2009"); (3) provide a brief history of the Company's former MGP sites, and
8 (4) identify and report on key developments relating to ongoing remediation
9 activities at those sites. In this latter regard, my testimony also serves as a
10 supplement to and an update on various progress reports the Company is required
11 to file with the NJDEP, copies of which will be provided with the Minimum Filing
12 Requirements ("MFRs") submitted in this proceeding.

13 **I. THE COMPANY'S MGP REMEDIATION PROGRAM**

14 **Q. PLEASE DESCRIBE THE COMPANY'S MGP REMEDIATION**
15 **STRATEGY AND YOUR SPECIFIC ROLE IN EFFECTIVELY IMPLE-**
16 **MENTING THAT STRATEGY.**

17 **A.** As a general matter, the Company's remediation strategy continues to include the
18 identification, development and implementation of both conventional and
19 innovative engineering and business solutions that will enable NJNG to cost-
20 effectively investigate, remediate and manage the risk of the long-term
21 environmental liabilities associated with the Company's former MGP properties.
22 NJNG's focus is on ensuring the protection of human health and the environment. I
23 am directly responsible for all aspects of the Company's MGP remediation
24 program, including the responsibility to identify and obtain the necessary resources
25 to carry out the program. I am also charged with direct oversight and responsibility
26 for monitoring all costs the Company incurs in connection with implementing the
27 MGP program, including those costs associated with investigations, testing, land
28 acquisition, remediation and/or other liabilities specifically relating to the
29 Company's former MGP sites, disposal sites, or sites to which MGP material may
30 have migrated as a result of the operation or decommissioning of the Company's
31 former MGP facilities. As part of its MGP program, the Company is committed to

1 ensuring that its MGP-related expenditures are limited to those that the Company
2 believes are reasonable and necessary to implement the MGP program for the work
3 plans and expenditures authorized by the NJDEP. As a result, the Company
4 consistently seeks to identify and separate MGP related soil/sediment impacts from
5 non-site related contamination, such as vehicle exhaust, industrial air emissions,
6 storm water runoff and residential furnaces, to avoid incurring any costs for the
7 extensive remediation of non-MGP impacts.

8 **Q. PLEASE EXPLAIN THE NJDEP'S ROLE IN MGP SITE REMEDIATION.**

9 A. The remediation of the Company's MGP sites is subject to strict oversight by the
10 NJDEP. NJNG must comply with relevant rules and regulations issued by that
11 agency, including specific procedures and timetables within Administrative
12 Consent Orders ("ACOs") for each of the Company's MGP sites. The ACOs also
13 delineate the responsibilities of all parties regarding site remediation. As a result of
14 the ACOs, all remedial action at the Company's MGP sites must be approved by the
15 NJDEP.

16 **II. THE GENERAL NATURE AND CATEGORIES OF REMEDIATION**
17 **COSTS**

18 **Q. PLEASE DESCRIBE THE NATURE AND CATEGORIES OF THE**
19 **REMEDATION COSTS THE COMPANY INCURRED DURING**
20 **REMEDATION YEAR 2009 IN CONNECTION WITH IMPLEMENTING**
21 **ITS MGP PROGRAM.**

22 A. The costs the Company incurred during Remediation Year 2009 to implement and
23 manage its MGP program include costs for the following: outside consulting and
24 engineering services; outside legal services; community outreach; analytical
25 laboratory work; construction services (including construction management); health
26 and safety activities; air monitoring and soil sampling; a variety of ancillary
27 support services; and incremental internal labor directly associated with MGP
28 activities. Third-party services provided to the Company in connection with MGP-
29 related activities (such as project management and engineering support services,
30 and contractors who provide physical remediation services) are competitively bid
31 through NJNG's contractor procurement procedures.

1

2

III. BACKGROUND AND CURRENT STATUS OF REMEDIATION

3

EFFORTS AT ATLANTIC HIGHLANDS, LONG BRANCH AND TOMS

4

RIVER MGP SITES

5

6

Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THE ATLANTIC HIGHLANDS MGP SITE.

7

8

A. The Company's Atlantic Highlands MGP site was first occupied by the Atlantic Highlands Gas Company ("AHGC") in 1910. In 1913, AHGC was merged with and consolidated into Standard Gas Company ("SGC"), which subsequently merged with Freehold Gas Light Company in 1916. In the early 1920s, SGC was purchased and reorganized into a new entity known as County Gas Company ("CGC"). In 1952, CGC became NJNG and the Atlantic Highlands site operated as a carbureted water gas manufacturing facility from 1910 until 1949, when manufacturing operations were discontinued. Coal and coke were used as feedstock to produce the carbureted water gas. Demolition activities at this site were completed about 1981. NJNG currently uses the site as a Division Service Center.

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Q. PLEASE SUMMARIZE AND HIGHLIGHT THE KEY EVENTS THAT OCCURRED DURING REMEDIATION YEAR 2009 IN CONNECTION WITH MGP REMEDIATION ACTIVITIES AT THE ATLANTIC HIGHLANDS MGP SITE.

19

20

21

22

A. Key activities undertaken by the Company at the Atlantic Highlands site during this time period include continued remedial actions respective to groundwater controls. Additional information can be found in the quarterly progress reports filed with the NJDEP during Remediation Year 2009, copies of which will be included in the MFRs provided in this proceeding. Finally, the Company has reached a settlement with the Atlantic Highlands Fire Department ("AHFD") in connection with issues relating to the underground drainage system at the AHFD Fireman's Memorial Field.

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1 **Q. WHAT IS THE STATUS OF THE REMEDIATION WORK UNDERWAY**
2 **AT THE ATLANTIC HIGHLANDS MGP SITE?**

3 **A.** Remediation work underway is, in many respects, a continuation of work started in
4 Remediation Year 2005, and includes:

- 5 • Completed RAR report for remaining residential properties
- 6 • Completed wetland restoration of AOC-6A (former Marletta) property
- 7 • Obtained NFA (from NJDEP) for Highland Associates property
- 8 • Purchased AOC-1A (former Mellock property) and AOC-1B (former
9 Hoffmann property) and received NJDEP approval for restricted use remedy.
- 10 • Obtained NJDEP approval to implement unrestricted-use remedial action at
11 AOC-4 (Sodon/Andersen) property
- 12 • Prepared permit application for approved remedial actions as referenced above
- 13 • Preparation of specifications for approved remedial action of properties
14 referenced above
- 15 • Completed successful pilot study to reduce operation costs of ground water
16 treatment system
- 17 • Continued successful (violation free) operation of approved ground water
18 treatment system and currently awaiting a permit
- 19 • Obtained NJDEP approval of soil delineation of AOC-3 (Julian Ice) property
20 and currently negotiating an agreement with property owner
- 21 • Sold AOC-6H (former Hubeny) property
- 22 • Sold AOC-6E (former Macon) property
- 23 • Sold AOC-8N (formerly Nibbling) property; and
- 24 • Successfully negotiated access agreements and restricted land use clean-up
25 criteria for all remaining Atlantic Highland Borough properties.

26
27 **Q. WHAT ARE THE NEXT STEPS REGARDING FUTURE REMEDIATION**
28 **AT THE ATLANTIC HIGHLANDS MGP SITE?**

29 **A.** The Company expects to complete the soil and sediment remedies at the Atlantic
30 Highlands site in approximately three or more years, in accordance with the
31 NJDEP's Technical Requirements for Site Remediation regulations. Third-party
32 impacts on commercial properties will be addressed after agreement is reached with

1 the property owners on restoration and restitution. Groundwater impacts will be
2 addressed through a continuing groundwater treatment program that will enable the
3 site to meet the Ground Water Quality Standards criteria. Dialog with the NJDEP is
4 continuing regarding the methodology to remove remaining product from the
5 subsurface. We are considering the excavation and removal of product hot spots
6 and piloting an in-situ treatment using chemical oxidation to address the remaining
7 product impacts.

8 **Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THE LONG BRANCH**
9 **MGP SITE.**

10 **A.** The Long Branch MGP site first operated as a gas manufacturing facility for the
11 Long Branch Gas and Light Company (“LBGLC”) from approximately 1860-1870.
12 In 1895, LBGLC merged into Consolidated Gas Companies. The site was
13 purchased and operated by Jersey Central Power & Light (“JCP&L”) from 1925
14 until 1952 and was included in the sale of all JCP&L gas operations to NJNG in
15 1952. Although exact information is not available, it is likely that either carbureted
16 water or oil gas was manufactured at this site. All manufacturing operations ceased
17 in 1961. A portion of the former site was leased to the City of Long Branch from
18 1966 until 1976 for use as a park. In 1976, NJNG donated the property to the City
19 of Long Branch. Demolition of plant-related structures was completed about 1983.
20 At that time, another portion of the site was sold to private parties. The demolition
21 of several plant structures on that portion of the site was completed in 1991.

22 **Q. PLEASE SUMMARIZE AND HIGHLIGHT THE KEY EVENTS THAT**
23 **OCCURRED DURING REMEDIATION YEAR 2009 IN CONNECTION**
24 **WITH MGP REMEDIATION ACTIVITIES AT THE LONG BRANCH MGP**
25 **SITE.**

26 **A.** Key activities undertaken by the Company at the Long Branch MGP site during
27 this time period include:

- 28
- 29 • Concluded remediation efforts and awaiting NJDEP review and approval of
Remedial Action Report on Troutman’s Creek
 - 30 • Remedial Actions for former Talco property currently underway

- 1 • Remaining soils on property will be addressed with the Seaview Avenue bridge
2 replacement
- 3 • Implemented Product Recovery Activities to address remaining product
4 impacts
- 5 • Additional permitting activities and regulatory approvals continued in support
6 of addressing the remaining off-site property MGP impacts including the
7 replacement of the Seaview Avenue Bridge, as required by the NJDEP, in order
8 to remove all existing impacts beneath the roadway; and
- 9 • Continued groundwater and product recovery studies in order to meet NJDEP
10 ACO containment and removal requirements.
- 11

12 **Q. HAVE THE LONG BRANCH MASS TORT AND KEMPER MATTERS**
13 **BEEN RESOLVED**

14 **A.** Yes. On October 3, 2007, the BPU issued an “Order Adopting Final Stipulation on
15 Reserved Issues” in Docket Nos. GR05100846, *et al.* (the “October 3 Order”),
16 which resolves the LBMT and Kemper matters. Pursuant to the October 3 Order,
17 the Company was directed to make several adjustments to its deferred RA cost
18 recovery balance in the 2007 RA proceeding.

19 **Q. HAS THE COMPANY RESOLVED THE NJNG-WILLIS COMPLAINT IN**
20 **CONNECTION WITH THE LONG BRANCH SITE?**

21 **A.** Yes. As previously disclosed in last year’s RA filing, the Company filed a civil suit
22 in 2007 against the insurance broker (Willis Holdings Group and subsidiaries) and
23 the individual broker (Kenneth Ayers) responsible for recommending and
24 procuring the Kemper Policies for NJNG, through which the Company was seeking
25 compensatory and punitive damages based upon Willis’s breach of fiduciary duty,
26 breach of contract and negligence (the “NJNG-Willis Complaint”). Pursuant to the
27 previously referenced October 3 Order, if the NJNG-Willis Complaint was resolved
28 either through a judgment in NJNG’s favor and the subsequent payment of
29 damages to NJNG, or by way of a payment to NJNG in settlement of its asserted
30 claims, the Company will be permitted to retain the first \$500,000 of any such
31 damage payments or settlement proceeds, net of attorney’s fees and litigation

1 expenses. The Company would then reflect any remaining payment amount or net
2 proceeds as a credit to the Company's deferred RA balance for the Remediation
3 Year in which such payments or proceeds are received. The NJNG-Willis
4 Complaint was settled during the Remediation Year 2009 and the financial impact
5 to customers is included in the direct testimony of Michael P. Moscufo, Jr., Exhibit
6 A, Schedule 8.

7 **Q. WHAT IS THE STATUS OF THE REMEDIATION WORK UNDERWAY**
8 **AT THE LONG BRANCH MGP SITE?**

9 **A.** The Company began remediation work on the on-site structures and associated
10 soils (Talco Business Systems) in May 2010 and plans on completing the remedial
11 effort by January 2011. The Company's approach to addressing groundwater
12 impacts and product recovery associated with the former MGP site is to conduct
13 pilot studies to determine the best technology or engineering science to employ that
14 will meet the NJDEP remedial objectives for removing remaining product impacts
15 and meet groundwater quality requirements.

16 **Q. PLEASE DESCRIBE THE STATUS OF THE REMEDIATION EFFORTS**
17 **FOR THE MATERIALS TRANSFERRED FROM LONG BRANCH AND**
18 **ATLANTIC HIGHLANDS TO THE MANCHESTER SITE.**

19 **A.** As a result of Kaiser-Nelson's dismantling of the Company's MGP plants in the
20 mid 1970s, materials from the Long Branch and Atlantic Highlands sites were
21 delivered to an asphalt recycling facility identified as South Brunswick Asphalt
22 ("SBA") in Berkeley Township, New Jersey. SBA operated in three locations
23 including Manchester Township and Barnegat Township. The Company has
24 completed investigation and remediation of soil impacts at the Manchester location
25 and is currently addressing groundwater impacts. The Company has received a
26 request from representatives of the contract buyer to remove coal tar from the
27 Berkeley location. An investigation has determined the presence of coal tar at this
28 location along with other non-MGP contaminants. NJNG has conducted an
29 independent investigation to determine to what extent contamination may be
30 attributable to MGP contaminants. Our part in any contribution formula is currently
31 being discussed between NJNG and the owner's representative.

1 **Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THE TOMS RIVER**
2 **MGP SITE.**

3 **A.** The Toms River MGP site was operated as a coal gas plant from approximately
4 1900 to 1911 by the Toms River and Island Heights Electric and Power Company.
5 The site was sold to the Ocean County Gas Company in 1911 and operated by them
6 until 1928 when the site was purchased by JCP&L. Gas manufacturing operations
7 ceased in 1950. Although exact information is not available, it is likely that either
8 carbureted water or oil gas was manufactured at the Toms River site. This site was
9 included in the sale of all JCP&L gas operations to NJNG in 1952. Demolition
10 activities at this site were completed about 1975. From 1952 until 1989, NJNG
11 used this site as a Division Service Center but ceased operations there in 1989
12 when the Company relocated the Division Offices. This cessation of operations
13 triggered the Environmental Cleanup Responsibility Act (“ECRA”), requiring the
14 submittal of an Initial Notice to the NJDEP.

15 **Q. HAVE THERE BEEN ANY SIGNIFICANT NEW DEVELOPMENTS**
16 **RELATING TO MGP REMEDIATION ACTIVITIES AT THE TOMS**
17 **RIVER MGP SITE SINCE THE COMPANY’S LAST RA PROCEEDING?**

18 **A.** The Company continues to investigate the contamination plume at the Toms River
19 site since it appears that the groundwater impacts may have reached the Toms
20 River. The Company must, at a minimum, conduct a study of the water quality in
21 the river.

22 Key activities undertaken by the Company at the Toms River MGP site
23 during this time period include:

- 24 • Completed the soils and product delineation both on-site and off-site
- 25 • Completed a remedial investigation report/remedial alternatives selection report
26 that was submitted to the NJDEP in the fourth quarter 2009
- 27 • Identification of pilot studies to determine the most promising technology for
28 soils remediation to be completed by December 2010
- 29 • Demolished the remaining former MGP plant.

30

1 **Q. WHAT ARE THE NEXT STEPS REGARDING FUTURE REMEDIATION**
2 **AT THE TOMS RIVER MGP SITE?**

3 **A.** Continuing investigation and evaluation of appropriate technology is required
4 regarding the placement of appropriate institutional and engineering controls to
5 address and contain the contamination at the Toms River site since the NJDEP has
6 yet to approve the remediation remedy and controls. Such measures will include the
7 removal and/or additional stabilization of product and impacted soils, the
8 construction of a slurry wall and site cap, a groundwater treatment program and
9 deed restrictions. Construction of the ground water treatment facility has received
10 NJDEP approval and will commence after a soil and product removal remedy has
11 been approved and implemented.

12 **Q. HAS REMEDIATION WORK BEGUN ON ANY ADDITIONAL MGP**
13 **SITES?**

14 **A.** Yes. The Berkeley MGP site has been identified as an additional MGP location as a
15 result of coal tar material disposal from the Long Branch and Atlantic Highlands
16 MGP facilities in the late 1970's and 1980's after the site was sold to SBA.
17 Therefore, a Remedial Investigation (RI) was conducted in 2009. Certain amounts
18 of MGP materials were identified and will require remediation. The extent of
19 remedial effort has not been determined at this time and may be subject to
20 agreement[s] with a third party or parties.

21 **Q. DOES THE COMPANY'S FILING IN THIS CASE INCLUDE COSTS**
22 **RELATING TO ANY OF THE FORMER MGP SITES THAT HAVE BEEN**
23 **TRANSFERRED TO JCP&L?**

24 **A.** Yes. The Company's filing includes nominal charges for property taxes since the
25 Company still retained title to certain properties during the Remediation Year 2009.
26 The Company has since finalized the transfer of title to the respective sites to
27 JCP&L as of June 30, 2009, except for a land parcel in Long Branch related to an
28 easement.

29 **Q. WHAT ARE NATURAL RESOURCE DAMAGES?**

30 **A.** The term Natural Resource Damages ("NRD") refers to claims that arise from
31 alleged releases of hazardous substances that have resulted in injuries to natural

1 resources (such as loss or impairment of ecological function) or the deprivation of
2 natural resource services (such as water supply, recreation or ecological services)
3 with respect to resources owned by, managed by, or otherwise within the
4 trusteeship or co-trusteeship of the State of New Jersey.

5 **Q. WHAT IS THE FOCUS OF THE STATE OF NEW JERSEY'S NRD**
6 **PROGRAM?**

7 **A.** The State of New Jersey, through the NJDEP, has initiated an aggressive NRD
8 program with a primary focus on groundwater contamination, including possible
9 damages for on-site groundwater impacts above current groundwater quality
10 standards. The Company has been actively discussing a variety of possible
11 approaches for resolving NRD issues with the NJDEP, including potential NRD
12 offsets in connection with remediation work on or adjacent to the Company's Long
13 Branch site.

14 **Q. HAVE ANY FORMAL NRD CLAIMS BEEN MADE OR FILED AGAINST**
15 **THE COMPANY?**

16 **A.** No. The NJDEP has not filed any formal NRD claims against the Company to date.
17 Separately, an Environmental Justice petition filed on behalf of the Concerned
18 Citizens Coalition in Long Branch has included NRD claims. The NJDEP has
19 stated that they will explore Long Branch-related NRD claims upon the completion
20 of remediation activities in Long Branch. NJNG anticipates that NRD claims may
21 also be filed for each of its MGP sites since there are potential groundwater impacts
22 at each location. NJNG cannot predict whether the NJDEP will impose additional
23 or modified remediation-related requirements in the future. Subject to that caveat,
24 NJNG is not currently aware of any other material events relating to NJDEP
25 directives, or otherwise, which could have an impact on the Company's NRD
26 liability. As a result of prior settlement discussions with BPU Staff and Rate
27 Counsel, no NRD expenses have been included for recovery in this filing.

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

29 **A.** Yes.