



February 6, 2012

VIA FEDERAL EXPRESS

Ms. Kristi Izzo, Secretary
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Re: IN THE MATTER OF NEW JERSEY NATURAL
GAS COMPANY ANNUAL REVIEW AND
REVISION OF SOCIETAL BENEFITS CHARGE FACTORS
FOR REMEDIATION YEARS 2010 AND 2011
DOCKET NO. GR1202_____

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 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 'Tracey Thayer'.

Tracey Thayer, Esq.
Director, Regulatory Affairs Counsel

Enclosures

C: Service List

**IN THE MATTER OF THE PETITION OF
NEW JERSEY NATURAL GAS COMPANY
FOR THE ANNUAL REVIEW AND REVISION OF
SOCIETAL BENEFITS CHARGE (SBC) FACTORS
DOCKET NO. GR1202_____**

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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. GR1202__
CHARGE FACTORS FOR)	
REMEDICATION YEARS 2010 AND 2011)	

**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 its 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 that the Board: (1) maintain the Company’s existing after-tax RA and NJCEP rates of \$0.0324 per therm and \$0.0203 per therm, respectively; (2) include in the Company’s SBC the after-tax USF rate of \$0.0185 per therm, which statewide rate was updated by the Board on October 13, 2011; and (3) approve the remediation expenditures incurred by the Company for the period July 1, 2009 through June 30, 2011 (“Remediation Years 2010/2011”), to be effective May 1, 2012, or as of the effective 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
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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 natural gas and electric 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 the Company’s customers¹.

5. This filing includes testimony, schedules and data that support NJNG in maintaining its current RA and NJCEP factors and updating its USF factor within the SBC. Additional information responsive to the fourteen (14) minimum filing requirements (“MFR’s”) for RA

¹ Pursuant to legislation signed into law on January 28, 2011, N.J.S.A. 48:3-60.1, natural gas commodity and delivery service charges for natural gas that is used to generate electricity for resale are not to include SBC charges.

filings, approved by the BPU in Docket No. GR04121565, will be provided at a later date under separate cover.

6. On January 18, 2012, in BPU Docket No. GR10060433, the Board issued an “Order Adopting Initial Decision and Approving Stipulation” (“January 18 Order”) which authorized the Company to maintain its overall SBC after-tax rate of \$0.0712 per therm, to maintain its after-tax RA rate of \$0.0324 per therm; to maintain its NJCEP after-tax rate of \$0.0203 per therm; and to include the USF after-tax rate in its SBC of \$0.0185 per therm, as approved by the Board on October 13, 2011 in Docket No. ER11070397. For the reasons set forth in the supporting schedules and testimony accompanying this Petition, the Company is proposing herein to maintain the Company’s existing after-tax RA and NJCEP rates of \$0.0324 per therm and \$0.0203 per therm, respectively. Supporting documentation for these rates is included in the pre-filed direct testimony of Michael P. Moscufo, Jr. and in Exhibit A, Schedule 3. The pre-filed direct testimony of John Raspa is also included in support of this Petition addressing the remediation activity at each of NJNG’s former MGP sites.

7. 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.

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 existing after-tax NJCEP factor of \$0.0203 per therm. Exhibit B provides a supporting schedule for the NJCEP factor.

9. 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 USF recovery rate. The USF rate is determined on a statewide basis and is collected through the SBC. As noted above, a statewide after-tax USF rate of \$0.0185 per therm was approved by the Board on October 13, 2011 in Docket No. ER11070397 and further authorized for inclusion in the Company’s SBC by the January 18 Order. By this Petition, the Company is proposing to reflect and include that same after-tax USF rate in the Company’s SBC.

10. NJNG also requests through this Petition that the Board approve the RA expenditures incurred by the Company for the period July 1, 2009 through June 30, 2011 (Remediation Years 2010/2011) for recovery by the Company.

11. The Company has served a copy of this Petition, together with the schedules and draft tariff sheets, upon the New Jersey Division of Rate Counsel and the Division of Law.

WHEREFORE, NJNG respectfully requests that the Board:

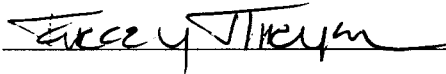
(i) approve as of May 1, 2012, or as of the effective date of the Board Order in this proceeding, NJNG's request to maintain the current Board-approved SBC rates and the costs for Remediation Years 2010/2011 the rates are designed to recover;

(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

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 & Tariffs for
4 New Jersey Natural Gas Company (“NJNG” or the “Company”). My business
5 address is 1415 Wyckoff Road, Wall, New Jersey 07719.

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

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

12 I was employed by Associated Utility Services in 1980 as a Regulatory Analyst
13 and promoted to Assistant Vice President in late 1984. In July 1985 I joined the
14 firm of Coopers & Lybrand in their Regulatory Advisory and Accounting Group,
15 providing accounting, auditing and regulatory services to gas, electric and
16 municipal utility clients of the firm. In 1990 I joined Public Service Electric and
17 Gas Company (“PSE&G”) as a Principal Auditor and in 1991 was promoted to
18 their Utility Rate Group. During the period 1991 through mid-2006, I participated
19 in the following proceedings: gas and electric distribution base rate proceedings,
20 former manufactured gas plant remediation (“RAC”) proceedings, nuclear
21 decommissioning proceedings, Basic Gas Supply Service (“BGSS”) proceedings
22 and a Merger & Acquisition proceeding. I submitted testimony in several PSE&G
23 RAC proceedings and testified in a PSE&G gas base rate proceeding on the
24 subject of Cash Working Capital.

25 In September 2006, I became the Director - Rates & Tariffs at NJNG. Since then,
26 I have been involved in a base rate case filing before the New Jersey Board of
27 Public Utilities (“BPU” or the “Board”) and several rate proceedings, including

1 the BGSS, and Societal Benefits Charge (“SBC”), Accelerated Infrastructure
2 Program (“AIP”), Energy Efficiency (“EE”) Programs and other matters requiring
3 BPU review and/or approval. I submitted testimony in the NJNG 2007, 2008 and
4 2009 RAC proceedings and in the 2007 NJNG base rate case on the subject of
5 Cash Working Capital.

6 **Q. WHAT ARE YOUR RESPONSIBILITIES AS THE DIRECTOR - RATES**
7 **& TARIFFS?**

8 **A.** I am responsible for directing the preparation of the Company’s rate and tariff
9 matters submitted to the BPU, including the annual SBC filing, the annual
10 BGSS/CIP filing, the annual AIP and EE Program filings, other miscellaneous
11 regulatory filings requiring review and approval by the BPU, regulatory audits
12 related to BGSS, SBC, RAC and other regulatory matters. I am also involved in
13 the Regulatory Affairs Department’s daily operations including the financial and
14 regulatory review of quarterly and annual filings before the SEC and other
15 matters that may impact the current tariff rates at NJNG.

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN OTHER STATE**
17 **REGULATORY PROCEEDINGS?**

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

20 **Q. WHAT ARE YOUR RESPONSIBILITIES WITH RESPECT TO THIS**
21 **PROCEEDING?**

22 **A.** I am responsible for: 1) supporting the schedules contained in the Company’s
23 SBC filing, including the Remediation Adjustment (“RA”) component of the
24 SBC, which sets forth and summarizes actual remediation expenditures incurred
25 by the Company during the periods July 1, 2009 – June 30, 2011 (“Remediation
26 Years 2010/2011”) for the remediation at former NJNG manufactured gas plant
27 (“MGP”) sites; 2) supporting the interest calculation on unrecovered deferred
28 MGP expenditure balances; 3) calculating the proposed RA factor necessary to
29 recover the MGP expenditure balance, including interest; and 4) addressing the
30 rates for the other clauses within the SBC, including the New Jersey Clean
31 Energy Program (“NJCEP”) and the Universal Service Fund (“USF”).

1 In this SBC filing, NJNG is petitioning the Board: (1) for approval of the RA
2 expenditures for the period July 1, 2009 through June 30, 2011; and (2) to
3 maintain the current after-tax RA and NJCEP rates of \$0.0324 and \$0.0203 per
4 therm, respectively, and to include in the SBC the current Board-approved after-
5 tax USF rate of \$0.0185, effective May 1, 2012, or as of the date of a Board order
6 in this proceeding approving these proposed rates.

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

8 **Q. PLEASE DESCRIBE THE HISTORY OF NJNG'S REMEDIATION**
9 **ADJUSTMENT CLAUSE.**

10 **A.** As part of the settlement of the Company's base rate case filing in Docket No.
11 GR91081383J, NJNG was authorized in June 1992 to recover Remediation Costs
12 on a deferred basis, over a rolling seven-year period and subject to BPU approval.
13 As defined in the Company's BPU-approved tariff, "Remediation Costs" include
14 costs associated with all investigation, testing, land acquisition if appropriate,
15 remediation and/or litigation costs and expenses, or other liabilities, excluding
16 personal injury claims, specifically relating to former MGP facility sites, disposal
17 sites, or sites to which material may have migrated, as a result of the earlier
18 operation or decommissioning of MGP sites. Examples of Remediation Costs the
19 Company has previously included for recovery in SBC filings include soil
20 disposition and replacement, installation of long-term water treatment facilities,
21 estuary development, MGP site engineering and construction, consulting,
22 community communication/outreach, legal and certain incremental payroll costs
23 directly relating to the remediation of former MGP sites, disposal sites, or sites to
24 which material may have migrated since operation of these MGP sites. Based on
25 the above settlement, the total annual charge for such Remediation Costs during
26 any Recovery Year (October through the following September) is not permitted to
27 exceed five percent of the Company's total revenues from firm natural gas sales
28 during the preceding Remediation Year (July through the following June).

1 **Q. HOW IS THE NJNG RA FACTOR CURRENTLY DERIVED AND**
2 **CALCULATED?**

3 A. The Company is currently authorized by the BPU to calculate its RA factor using
4 a methodology that permits the Company to recover one-seventh of the actual
5 Remediation Costs the Company incurs each Remediation Year (plus applicable
6 third party claims and sale of property), until fully amortized, plus any prior year
7 Remediation Cost under- or over-recoveries and any net accumulated deferred
8 third-party recoverable costs. In addition, pursuant to the BPU's "Order Adopting
9 Initial Decision and Stipulation" dated October 5, 2004 in Docket No.
10 GR03030200, the Company is required to calculate and is permitted to recover
11 monthly carrying costs on its unamortized MGP expenditure balances using the
12 methodology set forth on Original Sheet No. 164 of the Company's tariff sheet
13 dated October 3, 2008. The referenced methodology provides, in pertinent part,
14 that the Company shall calculate carrying costs on any under-or over-recovered
15 RA cost balances, net of the deferred income taxes associated with those
16 balances, using the same interest rate, which rate will be adjusted each August 31
17 based upon the seven-year constant maturity Treasury rate, shown in the Federal
18 Reserve Statistical Release, plus 60 basis points. Interest applicable to the
19 Company's unamortized RA balance shall be calculated and will accrue on a
20 monthly basis and shall be rolled into the RA balance at the beginning of the next
21 Remediation Year, as set forth in Original Sheet No. 164 referenced above. The
22 impact and effect of this carrying cost methodology is set forth on Exhibit A,
23 Schedule 7 of the Petition, addressed in further detail below.

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II. DESCRIPTION OF SUPPORTING RA SCHEDULES

Q. PLEASE PROVIDE A BRIEF EXPLANATION OF EXHIBIT A, SCHEDULES 1 THROUGH 7, WHICH SUPPORT THE COMPANY'S PROPOSED REMEDIATION ADJUSTMENT IN THIS FILING.

Schedule 1 – Two Year Summary of Actual Site Expenses for July 2009 - June 2010 and July 2010 – June 2011.

Schedule 1 provides a summary of actual RA expenditures, by MGP site and specific category, of approximately \$4.18 million for the period July 2009 – June 2010 and approximately \$13.02 million for the period July 2010 – June 2011, as well as the associated costs by category to be recovered. A summary of expenses by vendor will be provided subsequently in the Minimum Filing Requirements (“MFRs”).

Schedule 2 – Amortization of Recoverable Costs

Schedule 2 provides the amortization calculation for Remediation Years 2010/2011 and recognizes the applicable seven-year Recovery Period for the Year End periods June 30, 2005 - 2011. Expenditures to be recovered are approximately \$16.24 million.

Schedule 3 - Remediation Adjustment Factor

Schedule 3 provides the calculation of the pre-tax and after-tax RA factor for the 2011 Recovery Year. The amount to be recovered is the sum of the following:

The Remediation Year amortizations from July 2005 through June 2011 of approximately \$16.24 million, per Schedule 2; plus

The reconciliation amount comprised of the total to be recovered during the period October 2009 through September 2011 per Exhibit A, Schedule 3 of the Company's January 26, 2009 filing in Docket No. GR09010076 and the June 25, 2010 filing in Docket No. GR10060433 (approximately \$38.8 million), less actual recoveries through September 2011 of approximately \$35.6 million), which

1 results in a net under-recovery of approximately \$3.3 million as of September 30,
2 20011; plus

3
4 Actual interest for Remediation Years 2010 and Year 2011, the 24-month period
5 October 1, 2009 through September 30, 2011, of approximately \$2.69 million.
6

7 The resulting net total amount of \$22.2 million to be recovered is then divided by
8 the projected therm sales of natural gas for calendar year 2012 which yields a pre-
9 tax RA factor of \$0.0333 per therm (\$0.0356 per therm after-tax). This calculated
10 pre-tax factor of \$0.0333 per therm (\$0.0356 per therm after tax) is only \$0.0030
11 per therm higher on a pre-tax basis and only \$0.0032 per therm on an after-tax
12 basis than the Company's current pre-tax RA factor of \$0.0303 per therm
13 (\$0.0324 after-tax). Accordingly, at this time NJNG is proposing that the current
14 RA Factor of \$0.0324, after-tax be maintained on a going-forward basis.

15 **Schedule 4 – Prior Year Reconciliation**

16 Schedule 4 details the Company's actual recovery of \$35.6 million for prior year
17 amounts for the fiscal year ended September 2011, which amount is carried over
18 to and utilized in Schedule 3, Line 2.

19 **Schedule 5 - Annual Cap Calculation**

20 Schedule 5 calculates the limitation on the annual recovery of NJNG's
21 remediation costs. The Company's total annual amortization to be collected from
22 customers during the prospective Recovery Year may not exceed 5 percent of the
23 Company's total firm gas revenues collected from customers during the preceding
24 Remediation Year (July 1, 2010 through June 30, 2011). Schedule 5 shows that
25 the total amount of approximately \$22.2 million projected to be recovered in 2011
26 is less than the five percent revenue cap of approximately \$37.4 million, based on
27 the \$748.1 million in firm gas revenues for the Remediation Year 2011.

28 **Schedule 6 – Projected Remediation Expenses**

29 Schedule 6 provides the projected gross remediation expenses for fiscal year 2012
30 of \$14.0 million.

31 **Schedule 7 – Remediation Interest Calculation**

1 Schedule 7 calculates interest for the Remediation Years 2010/2011 (for the
2 period beginning October 2009 and ending September 2011) on the Company's
3 monthly average balance of deferred remediation costs using the methodology
4 approved by the Board in Docket No. GR09010076, dated April 28, 2010. The
5 column on Schedule 7 labeled "Net of Tax" reflects the offset of deferred taxes
6 based on the above-mentioned Board approved methodology. Effective October
7 1, 2011 the SBC annual interest rate for NJNG is 1.56 percent plus 60 basis points
8 or 2.16 percent.

9
10 **III. SBC COMPONENTS**

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

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

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
19 established each utility's level of expenditures for the statewide NJCEP programs
20 for each calendar year through 2008, rather than establish a uniform statewide
21 recovery rate. NJNG's funding obligations for each year were set as follows: \$5.9
22 million for calendar 2005; \$7.0 million for calendar 2006; \$8.6 million for
23 calendar 2007; and \$9.9 million for calendar 2008. In October 2008, the BPU
24 released an order updating NJNG's funding obligations for the period January
25 2009 through December 2012. NJNG's obligation for calendar year 2009 is
26 \$10.269 million, the calendar year 2010 obligation is \$11.275 million, the
27 calendar year 2011 obligation is \$13.391 million and the calendar year obligation
28 for 2012 is \$15.9 million. The Company must provide this level of NJCEP
29 funding to the State Treasurer regardless of actual customer usage. Any shortfall
30 or excess in recovery is carried in the Company's NJCEP deferred account
31 balance to be included in the future year's rate calculations.

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

3 **A.** The Company proposes to maintain its current after-tax NJCEP factor of \$0.0203
4 per therm. The calculated increase necessary to recover NJNG's underrecovery
5 balance and mandated contributions to the NJCEP through December 2012 is
6 \$0.0074 or 0.6 percent, however, the Company is not proposing to change the
7 NJCEP factor at this time. Supporting documentation for maintaining this factor
8 is presented in Exhibit B.

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

11 **A.** The after-tax USF factor included in this filing is \$0.0185 per therm. This
12 statewide USF factor was approved by the Board in an Order from Docket No.
13 ER11070397, dated October 13, 2011, and further authorized by the Board for
14 inclusion in the Company's SBC in the "Order Adopting Initial Decision and
15 Approving Stipulation" issued by the Board on January 18, 2012, in BPU Docket
16 No. GR10060433. No other changes to the USF Factor are being requested by the
17 Company at this time.

18 **IV. OVERALL PROPOSED PRICE CHANGES**

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

21 **A.** The Company is proposing to maintain its current after-tax RA rate, its NJCEP
22 rate and its USF rate as set forth in Section III above. This results in a proposed
23 overall SBC after-tax rate of \$0.0712 per therm.

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

25 **A.** Yes.

NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE
REMEDATION ADJUSTMENT RIDEF
REMEDATION YEAR(S) 2010/2011
BPU. DOCKET NO. GR1202

SUMMARY OF SITE EXPENSES
July 2009 - June 2010

LINE NO.	SITE	CONSULTING	REMEDATION	LEGAL	OTHER	TOTAL REMEDIATION EXPENSES	THIRD PARTY EXPENSES	RECOVERY COST
1	Atl. Highlands	\$1,257,771.36	\$769,418.22	\$110,421.82	\$ (3,605.65)	\$ 2,134,005.75	-	\$2,134,005.75
2	Berkeley	113,616.58	14,634.87	35,363.04	535.26	164,149.75		164,149.75
3	Dover	1,350.00			(30.78)	1,319.22		1,319.22
4	Long Branch	556,985.31	454,661.01	54,269.75	117,866.86	1,183,782.93		1,183,782.93
5	Manchester	46,920.86	28,317.05	-	1,582.92	76,820.83		76,820.83
6	Toms River	398,239.44	91,277.49	40,616.24	21,781.30	551,914.47		551,914.47
7	Insurance Litigation			65,274.31	48.42	65,322.73		65,322.73
	TOTALS	<u>\$2,374,883.55</u>	<u>\$1,358,308.64</u>	<u>\$305,945.16</u>	<u>\$138,178.33</u>	<u>\$4,177,315.68</u>	<u>-</u>	<u>\$4,177,315.68</u>

SUMMARY OF SITE EXPENSES
July 2010 - June 2011

LINE NO.	SITE	CONSULTING	REMEDATION	LEGAL	OTHER	TOTAL REMEDIATION EXPENSES	THIRD PARTY EXPENSES	RECOVERY COST
1	Atl. Highlands	\$1,287,663.51	\$4,088,456.62	\$280,065.03	\$ (83,283.94)	5,572,901.22	-	\$5,572,901.22
2	Berkeley	13,624.59	42,189.05	134.50	371.05	56,319.19		56,319.19
3	Dover				(23.47)	(23.47)		(23.47)
4	Long Branch	991,226.62	5,316,019.50	107,812.04	106,023.15	6,521,081.31		6,521,081.31
5	Manchester	59,563.96	47,312.37		455.97	107,332.30		107,332.30
6	Toms River	636,760.79	84,762.05	7,237.43	17,853.91	746,614.18		746,614.18
7	Insurance Litigation			10,791.98		10,791.98		10,791.98
	TOTALS	<u>\$ 2,988,839.47</u>	<u>\$ 9,578,739.59</u>	<u>\$ 406,040.98</u>	<u>\$ 41,396.67</u>	<u>\$ 13,015,016.71</u>	<u>\$ -</u>	<u>\$ 13,015,016.71</u>

NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR(S) 2010/ 2011
BPU. DOCKET NO. GR1202

AMORTIZATION OF 6/30/11 RECOVERABLE COSTS

<u>Line</u>		<u>YE 6/30/05</u>	<u>YE 6/30/06</u>	<u>YE 6/30/07</u>	<u>YE 6/30/08</u>	<u>YE 6/30/09</u>	<u>YE 6/30/10</u>	<u>YE 6/30/11</u>	<u>TOTAL</u>
1	RECOVERABLE COSTS	\$15,794,893	\$10,988,570	\$34,400,226	\$18,036,915	\$17,306,937	\$4,177,316	\$13,015,017	\$113,719,873
2	LESS RECOVERED COSTS Y/E 9/30/05	0	0	0	0	0	0	0	\$0
3	LESS RECOVERED COSTS Y/E 9/30/06	(2,256,413)	0	0	0	0	0	0	(2,256,413)
4	LESS RECOVERED COSTS Y/E 9/30/07	(2,256,413)	(1,569,796)	0	0	0	0	0	(3,826,209)
5	LESS RECOVERED COSTS Y/E 9/30/08	(2,256,413)	(1,569,796)	(4,914,318)	0	0	0	0	(8,740,527)
6	LESS RECOVERED COSTS Y/E 9/30/09	(2,256,413)	(1,569,796)	(4,914,318)	(2,576,702)	0	0	0	(11,317,229)
7	LESS RECOVERED COSTS Y/E 9/30/10	(2,256,413)	(1,569,796)	(4,914,318)	(2,576,702)	(2,472,420)	0	0	(13,789,649)
8	LESS RECOVERED COSTS Y/E 9/30/11	(2,256,413)	(1,569,796)	(4,914,318)	(2,576,702)	(2,472,420)	(596,759)	0	(14,386,408)
9	RECOVERABLE COSTS (L9)	<u>\$2,256,413</u>	<u>\$3,139,591</u>	<u>\$14,742,954</u>	<u>\$10,306,809</u>	<u>\$12,362,098</u>	<u>\$3,580,556</u>	<u>\$13,015,017</u>	\$59,403,438
10	2005 REMEDIATION YEAR AMORTIZATION L9/1	2,256,413							2,256,413
11	2006 REMEDIATION YEAR AMORTIZATION L9/2		1,569,796						1,569,796
12	2007 REMEDIATION YEAR AMORTIZATION L9/3			4,914,318					4,914,318
13	2008 REMEDIATION YEAR AMORTIZATION L9/4				2,576,702				2,576,702
14	2009 REMEDIATION YEAR AMORTIZATION L9/5					2,472,420			2,472,420
15	2010 REMEDIATION YEAR AMORTIZATION L9/6						596,759		596,759
16	2011 REMEDIATION YEAR AMORTIZATION L9/7							1,859,288	1,859,288
18	AMORT. RECOVER. COSTS (L10...L16)	<u>\$2,256,413</u>	<u>\$1,569,796</u>	<u>\$4,914,318</u>	<u>\$2,576,702</u>	<u>\$2,472,420</u>	<u>\$596,759</u>	<u>\$1,859,288</u>	\$16,245,696

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR(S) 2010/2011
BPU. DOCKET NO. GR1202**

REMEDATION ADJUSTMENT FACTOR

<u>Line</u>				
1	<u>AMORTIZATION (Per Schedule 2)</u>			
	7 Year Amortization through June 30, 2011		<u>\$16,245,696</u>	\$16,245,696
2	<u>PRIOR YEARS' RECONCILIATION</u>			
	Total to be Recovered 10/09-9/10*		\$18,131,927	
	<i>Total to be Recovered 10/06-9/07**</i>	\$17,686,835	a	\$15,033,810 a x 85%
	<i>Total to be Recovered 10/07-9/08***</i>	\$20,654,118	b	\$3,098,118 b x 15%
	Total to be Recovered 10/10-9/11		<u>\$20,708,565</u>	
	Total to be Recovered 10/09 - 9/11		<u>\$38,840,492</u>	
	Actual Recovery through September 30, 2010 (Per Sch 4, Line 6)		\$ 15,546,894	
	Actual Recovery through September 30, 2011 (Per Sch 4, Line 9)		<u>\$ 20,013,866</u>	
	Total Actual Recovery		<u>\$ 35,560,760</u>	
	Projected Under-recovery		<u>\$3,279,732</u>	3,279,732
3	<u>INTEREST CALCULATION (Per Schedule 7)</u>			
	Interest 10/09-9/11 (24 months actual)			2,691,065
4	NET ACCUMULATED DEFFERED 3RD PTY RECOVERABLE COSTS			<u>0</u>
5	TOTAL TO BE RECOVERED			<u>\$22,216,493</u>
6	<u>THERM SALE PROJECTION (January 1, 2012 - December 31, 2012)</u>			
7	FIRM SALES	511,718,000		
8	FIRM TRANSPORTATION	123,205,000		
9	INTERRUPTIBLE TRANSPORTATION	<u>31,899,000</u>		
10	TOTAL	666,822,000		
	PRE-TAX RA FACTOR PER THERM (L5/L10)			<u><u>\$0.0333</u></u>
	AFTER-TAX RA FACTOR PER THERM			<u><u>\$0.0356</u></u>

* Recovery amount weighted based on percent of therms used prior and subsequent to RA factor change in May 2010 per BPU Docket #GR10060433. See Schedule 4 for breakout of weighting.

** Per Schedule 3 in BPU Docket #GR08020106

***Per Schedule 3 in BPU Docket #GR09010076

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR(S) 2010/ 2011
BPU. DOCKET NO. GR1202**

PRIOR YEAR RECONCILIATION

Line No.		A	B	C
1	PRE-TAX RA REVENUE FACTOR <i>OCT 2009 - Sep 2011</i>	\$ 0.0243	\$ 0.0303	\$ 0.0303
2	ACTUAL THERM SALES	Oct 09 - April 10	May 10 - Sep 10	Oct 10 - Sep 11
	FIRM SALES	422,490,679	62,178,562	505,420,767
	INTERRUPTIBLE SALES	0	0	41,530
	FIRM TRANSPORTATION	69,312,257	16,032,171	96,257,154
	RESIDENTIAL TRANSPORTATION	13,383,080	2,042,512	26,182,430
	INTERRUPTIBLE TRANSPORTATION	18,211,377	13,091,231	32,621,747
	TOTAL	523,397,393	93,344,476	660,523,628
3	ACTUAL RECOVERY	\$12,718,557	\$2,828,338	\$20,013,866
4	Calculation of Weighted Recovery Amount	Therms 523,397,393	Recovery L2 Col. A \$ 12,718,557	L3 Col. A
5		93,344,476	L2 Col. B \$ 2,828,338	L3 Col. B
6		616,741,869	\$ 15,546,894	
7	Percent Weighting - L4 Col. A/L6 Col. A	84.86%		
8	Percent Weighting - L5 Col. A/L6 Col. A	15.14%		
9	Calculation of Weighted Recovery Amount	660,523,628	\$ 20,013,866	
10	Total Prior Year Reconciliation		\$ 35,560,760	

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR(S) 2010/2011
BPU. DOCKET NO. GR1202**

ANNUAL CAP CALCULATION

FIRM GAS REVENUES-REMEDATION YEAR 2011	\$748,123,736
5% CAP	\$37,406,187
TOTAL TO BE RECOVERED IN 2011	\$22,216,493

* Revenues based on Remediation Year July 1, 2010 - June 30, 2011

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR(S) 2010/2011
BPU. DOCKET NO. GR1202**

PROJECTED REMEDIATION EXPENDITURES

<u>MGP Site Location</u>	<u>Projected Gross Fiscal 2012 Remediation Expenditures</u>
Atlantic Highlands	\$4,400,000
Berkeley	\$100,000
Long Branch	\$6,300,000
Manchester	\$100,000
Toms River	\$2,800,000
Insurance Litigation	<u>\$300,000</u>
Total	<u>\$14,000,000</u>

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT RIDER
REMEDATION YEAR(S) 2010/2011
BPU. DOCKET NO. GR1202**

REMEDATION INTEREST CALCULATION

Month-Year	Deferred Balance	Deferred Taxes	Net of Tax	Average Balance	Annual Rate	Monthly Interest (1)	Total
09/30/09	83,528,976	(34,121,587)	49,407,389				
10/31/09	84,384,494	(34,471,066)	49,913,428	49,660,409	0.303%	\$ 150,223	
11/30/09	83,300,527	(34,028,265)	49,272,262	49,592,845	0.303%	150,018	
12/31/09	80,974,739	(33,078,181)	47,896,558	48,584,410	0.303%	146,968	
01/31/10	78,235,336	(31,959,135)	46,276,201	47,086,380	0.303%	142,436	
02/28/10	75,996,783	(31,044,686)	44,952,097	45,614,149	0.303%	137,983	
03/31/10	74,756,792	(30,538,149)	44,218,642	44,585,370	0.303%	134,871	
04/30/10	74,555,141	(30,455,775)	44,099,366	44,159,004	0.303%	133,581	
05/31/10	73,999,642	(30,228,854)	43,770,788	43,935,077	0.303%	132,904	
06/30/10	73,940,510	(30,204,698)	43,735,812	43,753,300	0.303%	132,354	
07/31/10	73,767,098	(30,133,860)	43,633,239	43,684,525	0.303%	132,146	
08/31/10	73,817,459	(30,154,432)	43,663,027	43,648,133	0.303%	132,036	
09/30/10	74,056,645	(30,252,140)	43,804,506	43,733,766	0.210%	91,841	<u>1,617,359</u>
10/31/10	76,697,144	(31,330,783)	45,366,361	44,585,433	0.210%	93,629	
11/30/10	75,769,607	(30,951,884)	44,817,723	45,092,042	0.210%	94,693	
12/31/10	73,951,920	(30,209,359)	43,742,560	44,280,141	0.210%	92,988	
01/31/11	72,263,614	(29,519,686)	42,743,928	43,243,244	0.210%	90,811	
02/28/11	71,269,570	(29,113,619)	42,155,951	42,449,939	0.210%	89,145	
03/31/11	69,552,230	(28,412,086)	41,140,144	41,648,047	0.210%	87,461	
04/30/11	70,868,986	(28,949,981)	41,919,005	41,529,574	0.210%	87,212	
05/31/11	72,096,876	(29,451,574)	42,645,302	42,282,154	0.210%	88,793	
06/30/11	72,683,658	(29,691,274)	42,992,384	42,818,843	0.210%	89,920	
07/31/11	72,665,989	(29,684,056)	42,981,932	42,987,158	0.210%	90,273	
08/31/11	72,781,950	(29,731,426)	43,050,523	43,016,228	0.210%	90,334	
09/30/11	74,576,855	(30,464,645)	44,112,210	43,581,367	0.180%	78,446	<u>1,073,705</u>
Total						\$	<u>2,691,065</u>

(1) Monthly Interest is accumulated and added to the balance at the beginning of October

**NEW JERSEY NATURAL GAS COMPANY
SOCIETAL BENEFITS CHARGE (SBC)
NEW JERSEY CLEAN ENERGY ADJUSTMENT CLAUSE
BPU. DOCKET NO. GR1201_____**

NEW JERSEY CLEAN ENERGY ADJUSTMENT CLAUSE CALCULATION

		Estimated Balance (\$ 000)
NJ Clean Energy Underrecovery Balance @ 11/30/11		\$1,314
Estimated Recovery through December 2011		(\$1,978)
Board Mandated Contributions for December 2011 through December 2012 ¹		\$17,943
Estimated Amount to be Recovered		\$17,278
	Projected 1/12-12/12 Sales	
Firm Sales	511,718	
Firm Transportation	123,205	
Interruptible	31,899	
Total	666,823	666,823
Pre-tax NJ Clean Energy Recovery Rate \$ per Therm as Calculated		\$0.0259
After-tax NJ Clean Energy Recovery Rate \$ per Therm as Calculated		\$0.0277
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		\$0.0069
Calculated After-tax NJ Clean Energy Recovery Rate \$ per Therm Increase		\$0.0074

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

NEW JERSEY NATURAL GAS COMPANY

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

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

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

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

9 **A.** I earned a bachelor’s degree in Chemical and Biological sciences from Rutgers
10 University in 1976 and completed advanced postgraduate education in
11 Environmental and Sanitary Engineering from Rutgers University, Cook College
12 of Sciences. I maintain professional certifications in the field of Hazardous
13 Materials Management. I am also skilled in Risk Management and Environmental
14 Management Systems through formal training and practical applications in my
15 professional career and have more than 30 years experience in the environmental
16 field. I have held numerous positions and responsibilities in the area of
17 environmental management that have included strategy, compliance, risk
18 management and business acquisition. From 1976 to 1988, I worked in the public
19 sector for various health and environmental agencies. Between 1989 and 2000, I
20 was employed by a Fortune 500 specialty chemical manufacturer, during which
21 period my responsibilities progressively included regional management (New
22 Jersey), divisional management (national) and eventually global leadership for
23 approximately 30 manufacturing locations. My duties during that time also
24 included direct responsibility for the clean-up of major properties under various
25 federal and state regulatory programs, including some located in New Jersey. In
26 2001, I joined NJNG as the Director – EH&S.

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

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

29 **A.** Yes. I have submitted testimony on behalf of the Company in its last six Societal
30 Benefits Charge ("SBC") proceedings on the Remediation Adjustment ("RA")
31 factor, Docket Nos. GR04121565, GR05100846, GR06100746, GR08020106,
32 GR09010076 and GR10060433.

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 expenses incurred by the Company during the
6 periods of July 1, 2009 through June 30, 2010 and July 1, 2010 through June 30,
7 2011 ("Remediation Years 2010/2011"); (3) provide a brief history of the
8 Company's former MGP sites, and (4) identify and report on key developments
9 relating to ongoing remediation activities at those sites. In this latter regard, my
10 testimony also serves as a supplement to and an update on various progress
11 reports the Company is required to file with the NJDEP, copies of which will be
12 provided with the Minimum Filing Requirements ("MFRs") submitted in this
13 proceeding.

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

15 **Q. PLEASE DESCRIBE THE COMPANY'S MGP REMEDIATION**
16 **STRATEGY AND YOUR SPECIFIC ROLE IN EFFECTIVELY**
17 **IMPLEMENTING THAT STRATEGY.**

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

1 decommissioning of the Company's former MGP facilities ("Remediation
2 Costs"). More detail on Remediation Costs is provided in Sections II and III. As
3 part of its MGP program, the Company is committed to ensuring that its MGP-
4 related expenditures are limited to those that the Company believes are reasonable
5 and necessary to implement the MGP program for the work plans and
6 expenditures authorized by the NJDEP. As a result, the Company consistently
7 seeks to identify and separate MGP related soil/sediment impacts from non-site
8 related contamination, such as vehicle exhaust, industrial air emissions, storm
9 water runoff and residential furnaces, to avoid incurring any costs for the
10 extensive remediation of non-MGP impacts.

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

12 A. The remediation of the Company's MGP sites is subject to strict oversight by the
13 NJDEP. NJNG must comply with relevant rules and regulations issued by that
14 agency, including specific procedures and timetables within Administrative
15 Consent Orders ("ACOs") for each of the Company's MGP sites. The ACOs also
16 delineate the responsibilities of all parties regarding site remediation. As a result
17 of the ACOs, all remedial action work plans for the Company's MGP sites must
18 be submitted and approved by the NJDEP. Dramatic changes will go into effect in
19 May 2012 in which the NJDEP will address future remediation oversight
20 responsibilities. The Site Remediation Reform Act ("SRRA"), P.L. 2009, c.60,
21 dated May 7, 2009, establishes a licensing program for environmental consultants
22 and contractors to be certified by the NJDEP as Licensed Site Remediation
23 Professionals ("LSRPs") overseen by a State licensing board. The LSRPs will
24 essentially be replacing the basic functions of the NJDEP. For example, a wide
25 variety of settings and situations, LSRPs will be authorized to sign and certify
26 reports through the site investigation and cleanup process. The NJDEP will no
27 longer be required to review and approve investigation and cleanup plans in
28 advance, or to issue No Further Action letters and Covenants Not To Sue at the
29 conclusion of cleanups. LSRPs will determine the correctness and conclusion of
30 investigations and cleanups, and will issue the final sign-off document, to be
31 known as a "Response Action Outcome" ("RAO"). LSRPs will have wide-ranging
32 responsibilities, including permit revocation and other penalties and enforcement

1 actions. Following an LSRP's issuance of a RAO, the NJDEP will have three
2 years to audit the LSRP's work, though the facts and circumstances for the
3 NJDEP to invalidate an RAO are relatively narrow.

4 **II. THE GENERAL NATURE AND CATEGORIES OF REMEDIATION**
5 **COSTS**

6 **Q. PLEASE DESCRIBE THE NATURE AND CATEGORIES OF THE**
7 **REMEDATION COSTS THE COMPANY INCURRED DURING**
8 **REMEDATION YEARS 2010/2011 IN CONNECTION WITH**
9 **IMPLEMENTING AND MANAGING ITS MGP PROGRAM.**

10 **A.** The costs the Company incurred during Remediation Years 2010/2011 to
11 implement and manage its MGP program include costs for the following: outside
12 consulting and engineering services; outside legal services; community outreach;
13 analytical laboratory work; construction services (including construction
14 management); health and safety activities; air monitoring and soil sampling; a
15 variety of ancillary support services; and incremental internal labor directly
16 associated with MGP activities. Third-party services provided to the Company in
17 connection with MGP-related activities (such as project management and
18 engineering support services, and contractors who provide physical remediation
19 services) are competitively bid through NJNG's contractor procurement
20 procedures.

21 **III. BACKGROUND AND CURRENT STATUS OF REMEDIATION**
22 **EFFORTS AT NJNG'S MGP SITES**

23
24 **Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THE ATLANTIC**
25 **HIGHLANDS SITE.**

26 **A.** The Atlantic Highlands site was first occupied by the Atlantic Highlands Gas
27 Company ("AHGC") in 1910. In 1913, AHGC was merged with and consolidated
28 into Standard Gas Company ("SGC"), which subsequently merged with Freehold
29 Gas Light Company in 1916. In the early 1920s, SGC was purchased and
30 reorganized into a new entity known as County Gas Company ("CGC"). In 1952,
31 CGC became New Jersey Natural Gas. The Atlantic Highlands site operated as a
32 carbureted water gas manufacturing facility from 1910 until 1949, when

1 manufacturing operations were discontinued. Coal and coke were used as
2 feedstock to produce the carbureted water gas. Demolition activities at this site
3 were completed around 1981. NJNG currently uses the site as a Division Service
4 Center.

5 **Q. PLEASE SUMMARIZE AND HIGHLIGHT THE KEY EVENTS THAT**
6 **OCCURRED DURING REMEDIATION YEARS 2010/2011 IN**
7 **CONNECTION WITH MGP REMEDIATION ACTIVITIES AT THE**
8 **ATLANTIC HIGHLANDS SITE.**

9 **A.** Key activities undertaken by the Company at the Atlantic Highlands site during
10 these time periods include continued remedial actions respective to groundwater
11 controls and soils pertaining to Area of Concern (AOC) 4 - Sodon Electric
12 property. Additional information can be found in the quarterly progress reports
13 filed with the NJDEP during Remediation Years 2010 and 2011, copies of which
14 will be included in the MFRs provided in this proceeding.

15 **Q. WHAT IS THE STATUS OF THE REMEDIATION WORK UNDERWAY**
16 **AT THE ATLANTIC HIGHLANDS SITE?**

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

- 19 • Obtained NJDEP approval to implement unrestricted-use remedial action at
20 AOC-4 (Sodon/Andersen) property. Remedial actions began in 2010 and were
21 completed in Fall 2011.
 - 22 • Prepared permit application for approved remedial actions referenced above.
 - 23 • Prepared specifications for approved remedial action of properties referenced
24 above.
 - 25 • Received NJDEP approval to upgrade ground water treatment system which
26 will reduce annual operational costs.
 - 27 • Continued successful (violation free) operation of approved ground water
28 treatment system.
 - 29 • Obtained NJDEP approval of soil delineation of AOC-3 (Julian Ice) property
30 and currently negotiating an agreement with property owner.
- 31

1 **Q. WHAT ARE THE NEXT STEPS REGARDING FUTURE REMEDIATION**
2 **AT THE ATLANTIC HIGHLANDS SITE?**

3 **A.** The Company expects to complete the soil and sediment remedies at the Atlantic
4 Highlands site in approximately three or more years, in accordance with the
5 current NJDEP's Technical Requirements for Site Remediation regulations.
6 However, future remedial actions and projected timeframes are, for the most part,
7 all tied into third party negotiations and legal settlements. Groundwater impacts
8 will be addressed through a continuing groundwater treatment program that will
9 enable the site to meet the Ground Water Quality Standards criteria. Because of
10 the previously referenced changes in the NJDEP, all future approvals will be the
11 responsibility of an LSRP. NJNG is planning to engage this service in the near
12 future. We continue to consider the excavation and removal of product hot spots
13 and piloting in-situ alternative remedies to address the remaining product impacts.
14 With respect to the proposed revision to the NJDEP Administrative Requirements
15 for Remediation of Contaminated Sites ("ARRCS") rules, NJNG expects to
16 utilize an LSRP as of May 2012. Additionally, because the Technical
17 Requirements for Site Remediation ("TRSR") are also undergoing a major
18 revision at this time, NJNG cannot ascertain with certainty the impacts, if any, to
19 our MGP program's that might arise from proposed or anticipated TRSR
20 remedies.

21 **Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THE LONG BRANCH**
22 **SITE.**

23 **A.** The Long Branch site first operated as a gas manufacturing facility for the Long
24 Branch Gas and Light Company ("LBGLC") from approximately 1860-1870. In
25 1895, LBGLC merged into Consolidated Gas Companies. The site was purchased
26 and operated by Jersey Central Power & Light ("JCP&L") from 1925 until 1952
27 and was included in the sale of all JCP&L gas operations to NJNG in 1952.
28 Although exact information is not available, it is likely that either carbureted
29 water or oil gas was manufactured at this site. All manufacturing operations
30 ceased in 1961. A portion of the former site was leased to the City of Long
31 Branch from 1966 until 1976 for use as a park. In 1976, NJNG donated the
32 property to the City of Long Branch. Demolition of plant-related structures was
33 completed around 1983. At that time, another portion of the site was sold to

1 private parties. The demolition of several plant structures on that portion of the
2 site was completed in 1991.

3 **Q. PLEASE SUMMARIZE AND HIGHLIGHT THE KEY EVENTS THAT**
4 **OCCURRED DURING REMEDIATION YEARS 2010/2011 IN**
5 **CONNECTION WITH MGP REMEDIATION ACTIVITIES AT THE**
6 **LONG BRANCH SITE.**

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

- 9 • Commenced remedial actions for former Talco property in 2010 and were
10 completed in July 2011.
- 11 • We anticipate addressing the remaining soils on the property, upon receipt of
12 the necessary permits, in 2012.
- 13 • Continued addressing Interim Product Recovery Activities related to
14 remaining product impacts.
- 15 • Continued permitting activities and regulatory approvals in support of
16 addressing the remaining off-site property MGP impacts including the
17 replacement of the Seaview Avenue Bridge, as required by the NJDEP, in
18 order to remove all existing impacts beneath the roadway.
- 19 • Continued groundwater and product recovery studies in order to meet NJDEP
20 ACO containment and removal requirements.
- 21 • Received a No Further Action letter from the NJDEP in 2011 regarding
22 certain portions of Lot 9.

23

24 **Q. WHAT IS THE STATUS OF THE REMEDIATION WORK UNDERWAY**
25 **AT THE LONG BRANCH SITE?**

26 **A.** The Company began remediation work regarding the on-site structures and
27 associated soils ("Talco Business Systems") in May 2010 and completed the
28 remedial effort in July 2011.

29

30

31

1 **Q. PLEASE PROVIDE A BRIEF BACKGROUND AND SUMMARIZE THE**
2 **KEY EVENTS THAT OCCURRED DURING REMEDIATION YEARS**
3 **2010/2011 IN CONNECTION WITH MGP REMEDIATION ACTIVITIES**
4 **AT THE MANCHESTER SITE.**

5 **A.** As a result of the dismantling of the Company's Long Branch and Atlantic
6 Highlands plants in the mid 1970s, materials were delivered to an asphalt
7 recycling facility identified as South Brunswick Asphalt ("SBA") in Berkeley
8 Township, New Jersey. SBA operated in three locations, including Berkeley
9 Township, Manchester Township and Barnegat Township. The Company has
10 completed investigation and remediation of soil impacts at the Manchester
11 location and is currently assessing groundwater conditions for the presence of
12 potential coal tar residuals. It is anticipated that additional remediation measures
13 will be required to address residual product in the groundwater. The Company has
14 engaged an LSRP to perform all future oversight responsibilities in place of the
15 NJDEP.

16
17 **Q. WHAT IS THE STATUS OF THE REMEDIATION WORK UNDERWAY**
18 **AT THE MANCHESTER SITE?**

19 **A.** A groundwater investigation was performed at Manchester in the general area of
20 the former soil pile in accordance with current NJDEP requirements. The
21 investigation involved the installation of delineation monitoring wells and
22 groundwater sampling points. Historical groundwater monitoring well testing has
23 revealed low levels of MGP-related shallow groundwater impacts. A natural
24 remediation and compliance program was proposed for groundwater monitoring,
25 including an administrative control for the groundwater beneath the former soil
26 pile and surrounding areas. The NJDEP requested an investigation to confirm
27 vertical delineation. NJNG completed the additional investigation and found
28 product impacts at depths of 55 feet or more, which NJNG is required to address.
29 Upon completing the delineation, various in-situ remedial alternatives will be
30 considered and eventually employed to address the product at various depths of
31 55 feet or more.

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

3 **A.** The Toms River site was operated as a coal gas plant from approximately 1900 to
4 1911 by the Toms River and Island Heights Electric and Power Company. The
5 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
9 was included in the sale of all JCP&L gas operations to NJNG in 1952.
10 Demolition activities at this site were completed around 1975. From 1952 until
11 1989, NJNG used this site as a Division Service Center but ceased operations
12 there in 1989 when the Company relocated the Division Offices. This cessation of
13 operations triggered the Environmental Cleanup Responsibility Act ("ECRA"),
14 requiring the submittal of an Initial Notice to the NJDEP.

15
16 **Q. HAVE THERE BEEN ANY SIGNIFICANT NEW DEVELOPMENTS**
17 **RELATING TO MGP REMEDIATION ACTIVITIES AT THE TOMS**
18 **RIVER SITE DURING REMEDIATION YEARS 2010/2011?**

19 **A.** The Company is near completion with full delineation at the Toms River site,
20 including additional delineation of the vertical depths as requested by the NJDEP
21 to determine if alternative technologies are a feasible remedy. Key activities
22 undertaken by the Company at the Toms River site during this time period
23 include:

- 24 • Completed studies that propose alternative remediation technology for soils
25 remediation and submitted the studies to the NJDEP.
- 26 • Completed vapor intrusive studies on the adjacent NJDOT and JCP&L
27 properties.
- 28 • Completed a mandatory receptor evaluation study to determine potential
29 impacts to surrounding receptors.
- 30 • Revision of the Remedial Action Selection Report previously submitted to the
31 NJDEP to address newly found additional impacts. The discovery of
32 additional impacts at significant depth greater than 55 feet and the concerns
33 raised at the NJDEP make our initial remedy less practical, requiring some

1 adjustments. However, given the general NJDEP acceptance of our approach,
2 we are planning to begin next steps to execute an adjusted remedial approach.
3

4 **Q. WHAT ARE THE NEXT STEPS REGARDING FUTURE REMEDIATION**
5 **AT THE TOMS RIVER SITE?**

6 **A.** Continuing evaluation of appropriate technology is required regarding the
7 placement of appropriate institutional and engineering controls to address and
8 contain the contamination at the Toms River site. The remediation remedy and
9 controls were approved by the NJDEP in January 2012. Measures proposed by
10 NJNG include the removal and/or additional stabilization of product and impacted
11 soils and a soil cap. The construction of the previously approved slurry wall and
12 groundwater treatment system is being reconsidered, based on the strong
13 probability of utilizing soil stabilization as a remediation alternative. In Toms
14 River, NJNG submitted a Remedial Action Selection Report ("RASR") to the
15 NJDEP in April 2011 with our proposed approach for the multiple properties
16 impacted by the former manufactured gas plant. Comments from the NJDEP on
17 some aspects of the proposed remedy are being addressed, but NJNG is waiting
18 for NJDEP's acceptance of our approach in order to begin the engineering design
19 on certain elements of the remediation work plans.
20

21 **Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THE BERKELY SITE.**

22 **A.** The Berkeley MGP site has been identified as an additional MGP location as a
23 result of coal tar material disposal from the Long Branch and Atlantic Highlands
24 MGP facilities in the late 1970's and 1980's after the site was sold to SBA.
25

26 **Q. WHAT IS THE STATUS OF THE REMEDIATION WORK UNDERWAY**
27 **AT THE BERKELY MGP SITE?**

28 **A.** A Remedial Investigation ("RI") conducted in 2009 found amounts of MGP
29 materials that will require remediation. Additionally, contamination believed to be
30 from other source(s) was found co-mingled with the MGP impacts. Additional
31 studies are on hold pending a participation agreement with the property owner in
32 determining the extent of the non-MGP related impacts
33

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

3 **A.** The Company continues to await a response from the property owner on a
4 proposed allocation/cost-sharing investigation/remediation approach.

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

6 **A.** The term Natural Resource Damages (“NRD”) refers to claims that arise from
7 alleged releases of hazardous substances that have resulted in injuries to natural
8 resources (such as loss or impairment of ecological function) or the deprivation of
9 natural resource services (such as water supply, recreation or ecological services)
10 with respect to resources owned by, managed by, or otherwise within the
11 trusteeship or co-trusteeship of the State of New Jersey.

12 **Q. WHAT IS THE FOCUS OF THE STATE OF NEW JERSEY’S NRD**
13 **PROGRAM?**

14 **A.** The State of New Jersey, through the NJDEP, continues to administer an NRD
15 program with a primary focus on groundwater contamination, including possible
16 damages for on-site groundwater impacts above current groundwater quality
17 standards.

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

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

- 1 **Q.** **DOES THIS CONCLUDE YOUR TESTIMONY?**
- 2 **A.** Yes.