

NOTICE TO NEW JERSEY NATURAL GAS COMPANY CUSTOMERS In The Matter Of The Petition Of New Jersey Natural Gas Company For Approval Of A Base Rate Adjustment Pursuant To The SAFE II And NJ RISE Programs Notice of a Filing and Notice of Public Hearings Docket No. GR18030354

TAKE NOTICE that on March 28, 2018 New Jersey Natural Gas Company ("NJNG", "the Company") filed a Petition and supporting documentation with the New Jersey Board of Public Utilities ("Board", "BPU") seeking Board approval for base rate changes to provide for cost recovery associated with the Company's NJ Reinvestment in System Enhancement Program ("NJ RISE Program") and Safety Acceleration and Facility Enhancement Extension Program ("SAFE II"). As set forth in BPU Docket No. GR15111304, the NJ RISE and SAFE II annual rate filings shall be combined for administrative ease.

NJ RISE Program: In an Order dated March 20, 2013 ("the March 20 Order"), the BPU found it critical to investigate prudent, cost efficient and effective opportunities to enhance utility infrastructure against damage from major storm events. On July 23, 2014, the Board issued an Order approving the NJ RISE Program in Docket Nos. AX13030197 and GR13090828. The Order provided approval for NJNG to invest up to \$102.5 million, excluding Allowance for Funds Used During Construction ("AFUDC"), to be recovered through base rate adjustments in order to undertake six infrastructure projects aimed at making the Company's distribution system more resilient in anticipation of future major storms.

The NJ RISE Program is a series of capital investment projects that promote enhanced reliability and safety through facility enhancements for storm readiness and response. The NJ RISE projects are to be completed over a period of five years and consist of the installation of secondary gas distribution mains into the Sea Bright Peninsula, the Seaside Peninsula and Long Beach Island. Additionally, two regulator station reinforcement projects will be undertaken, one in Mantoloking and the other in Ship Bottom on Long Beach Island. Also, an existing back-up regulator station will be relocated from Mantoloking to the mainland. Finally, the Company is installing excess flow valves ("EFVs") on all distribution services in waterfront communities that may be impacted by coastal and back-bay flooding and/or storm surge.

The Company's rate filing includes a request for recovery in base rates of the actual costs associated with the NJ RISE projects through June 30, 2018, consisting of prudently-incurred capital expenditures, including actual costs of engineering, design and construction, cost of removal (net of salvage), property acquisition, actual labor, materials overheads and capitalized AFUDC.

SAFE II: On September 23, 2016, the Board issued an Order approving the SAFE II Program in Docket No. GR15111304 ("the September 2016 Order"). The September 2016 Order provided for NJNG to invest up to \$200 million, excluding AFUDC, to be recovered through base rate adjustments over the five year term of the SAFE II Program. The SAFE II Program is designed to replace all of the Company's existing unprotected steel mains and services throughout its service territory on or before September 30, 2021. The Company's rate filing includes a request for recovery in base rates of the costs associated with the SAFE II Program actual costs through June 30, 2018.

As agreed to by the Parties and set forth in the Board's Order in Docket No. GR15111304, the rate design for the SAFE II and NJ RISE annual rate adjustments will be structured to reflect the same rate design methodology used to set rates in the Company's most recent base rate case.

At this time, the Company is requesting BPU approval to adjust base rates effective October 1, 2018 to recover approximately \$59.4 million of NJ RISE and SAFE II investment costs made through June 30, 2018, resulting in a base rate increase of approximately \$6.7 million. If the proposed rates are approved by the Board, the impact to the typical residential heating customer using 100 therms in a month is an increase of \$1.05, or 1.0 percent.

The impact of the Company's filing, requested to be effective on October 1, 2018 or as of the date of the Final Board Order in this proceeding, on a typical residential customer (both heat and non-heat), a typical general service small customer and a typical general service large customer on a monthly basis is estimated to be as follows based on the usage levels shown below:

Customer Type	Therm Level	Total Bill		Increase	
		Bill as of July, 1 2018	Proposed Bill	Amount	Percent
Residential Heat Sales	100	\$100.53	\$101.58	\$1.05	1.0%
Residential Non-Heat Sales	25	\$30.79	\$31.11	\$0.32	1.0%
General Service - Small	100	\$113.96	\$115.30	\$1.34	1.2%
General Service - Large	1200	\$1,240.49	\$1,252.29	\$11.80	1.0%

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

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

August 22, 2018 4:30 and 5:30 pm
Freehold Township Municipal Building
One Municipal Plaza, Schank Road
Freehold, NJ 07728-3099

August 23, 2018 4:30 and 5:30 pm
Rockaway Township Municipal Bldg
65 Mt. Hope Road
Rockaway, NJ 07866

The public is invited to attend, and interested persons will be permitted to testify and/or make a statement of their views on the proposed increases. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to these hearings to the Board Secretary at the address below. Regardless of whether they attend the hearing, members of the public may submit written comments concerning the petition to the Board by addressing them to: Aida Camacho-Welch, Secretary, New Jersey Board of Public Utilities, 44 South Clinton Avenue, 3rd Floor, Suite 314, P.O. Box 350, Trenton, New Jersey, 08625-0350. Copies of the NJNG filing can be reviewed at the NJNG Customer Service Centers, the addresses of which are located on the NJNG bill, or at the New Jersey Board of Public Utilities, 44 South Clinton Avenue, 3rd Floor, Suite 314, P.O. Box 350, Trenton, New Jersey, 08625-0350 or online at <https://www.njng.com/regulatory/filings.asp>.

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New Jersey Natural Gas