



September 4, 2019

To: County Clerk, Municipal Clerk and County Administrator

Re: In The Matter Of The Petition Of New Jersey Natural Gas Company's Request for Deferred Accounting Authority for Costs Related to New Information Technology Systems and For Approval of an Increase in Gas Base Rates, for Changes in Its Tariff for Gas Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for Changes to Depreciation Rates for Gas Property Pursuant to N.J.S.A. 48:2-18 BPU Docket Nos. GR18101096 and GR19030420

Pursuant to N.J.S.A. 48:2-32.6, New Jersey Natural Gas Company hereby serves upon you the Notice of Public Hearings in the above referenced matter. The subject hearings are scheduled for September 26, 2019 at 4:00 and 5:30 P.M. at the Freehold Township Municipal Building, One Municipal Plaza-Schanck Road, Freehold, New Jersey and on October 3, 2019 at 4:00 and 5:30 P.M. at the Rockaway Township Municipal Building, 65 Mt. Hope Road, Rockaway Township, New Jersey.

Very truly yours,

A handwritten signature in blue ink that reads 'Andrew K. Dembia'.

Andrew K. Dembia, Esq.
Regulatory Affairs Counsel

AKD: sf

Enclosure

NOTICE OF FILING AND PUBLIC HEARINGS FOR APPROVAL OF DEFERRED ACCOUNTING AUTHORITY FOR COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS AND OF AN INCREASE IN NATURAL GAS RATES, DEPRECIATION RATES AND FOR CHANGES IN THE TARIFF FOR GAS SERVICE TO NEW JERSEY NATURAL GAS CUSTOMERS

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY'S REQUEST FOR DEFERRED ACCOUNTING AUTHORITY FOR COSTS RELATED TO NEW INFORMATION TECHNOLOGY SYSTEMS AND FOR APPROVAL OF AN INCREASE IN GAS BASE RATES, FOR CHANGES IN ITS TARIFF FOR GAS SERVICE PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1, AND FOR CHANGES TO DEPRECIATION RATES FOR GAS PROPERTY PURSUANT TO N.J.S.A. 48:2-18

**OAL Docket No. PUC 06769-19
BPU Docket Nos. GR18101096 and GR19030420**

TO OUR CUSTOMERS:

PLEASE TAKE NOTICE that on October 5, 2018, New Jersey Natural Gas ("NJNG" or the "Company") filed a petition ("Deferred Accounting Petition") with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking deferred accounting treatment for costs associated with upgrades to the Company's information technology ("IT") systems, known as Project NEXT. The Company expects to incur approximately \$219 million in capital expenditures and \$50 million in operation and maintenance expense during calendar years 2019 through 2024 to implement Project NEXT. The Company requested Board approval of the authority to defer on its books actually incurred operation and maintenance expense associated with Project NEXT and not otherwise recovered through its current base rates. In addition, the Company requested permission to accrue Allowance for Funds Used During Construction ("AFUDC") associated with the Project NEXT capital expenditures using the "Modified FERC formula" to determine its AFUDC rate consistent with the method approved and used for NJNG's SAFE II and NJRISE programs.

PLEASE TAKE NOTICE that on March 29, 2019, NJNG filed a petition with the Board requesting an increase in the Company's base rate charges for natural gas service ("Base Rate Petition"). NJNG's Base Rate Petition provides that the requested rate increase is necessary to support the Company's ability to continue to operate and maintain its natural gas distribution system in a safe, adequate and proper manner. NJNG last requested such an increase in a filing dated November 13, 2015. Additionally, pursuant to the Board's September 23, 2016 Order in BPU Docket No. GR15111304, NJNG is requesting to decrease its Balancing Charge. In the Base Rate Petition the Company requested a natural gas revenue increase of \$128.22 million, including a change in the Company's overall rate of return to 7.87 percent. The impact of this request on the average residential heating customer using 100 therms per month is a \$19.38 increase in the customer's monthly bill, from \$101.89 to \$121.27, or approximately 19.0 percent. Monthly bill impacts for residential and other customers are shown in the tables below.

Included in the Base Rate Petition is a request pursuant to N.J.S.A. 48:2-18 to increase depreciation rates based upon a current Depreciation Study. The Company proposed that the requested changes in its depreciation rates be approved for implementation simultaneously with the effective date of the proposed new natural gas rates.

The proposed increases that follow are based upon current NJNG delivery rates and the applicable Basic Gas Supply Service charges, and assume that customers receive commodity service from NJNG. The effect of the proposed price change on typical residential, general service small and general service large, natural gas bill is estimated to be as follows:

Customer Type	Therm Level (Usage)	Total Bill		Net Dollar Increase	Percent Increase
		Monthly Bill as of April 1, 2019	Monthly Bill with Proposed Base Rate Increase		
Residential Heat Sales	100	\$101.89	\$121.27	\$19.38	19.0%
Residential Non-Heat Sales	25	\$33.15	\$41.26	\$8.11	24.5%
General Service Small	100	\$114.46	\$136.90	\$22.44	19.6%
General Service Large	1200	\$1,284.21	\$1,515.49	\$231.28	18.0%

The Company proposes other changes to its tariff including, but not limited to, the addition of a service option to its service classification for natural gas vehicles, changes in terminology, and changes to reflect current operating requirements.

Southern Reliability Link Phase II Request:

The Company also proposed a Phase II Proceeding in the Base Rate Petition to account for its investment in the Southern Reliability Link (“SRL”) project. The SRL project is a 30 mile transmission pipeline that directly supports NJNG’s mandate to provide safe, reliable and resilient distribution of natural gas to 83 municipalities throughout Monmouth, Ocean and a portion of Burlington counties. SRL will provide a connection to a second interstate supply pipeline that will connect NJNG’s distribution system, reducing the risk of a disruption to gas service due to a single point of failure in NJNG’s supply. By reinforcing the supply of natural gas with a feed from a separate interstate supplier into the southern end of NJNG’s system, SRL will help mitigate potential customer interruptions and enhance system resiliency.

The Company estimates that the project’s total capital expense is approximately \$220 million, and further anticipates that the project would be completed and in service by the end of year 2020. The Phase II proceeding would allow the Company to include in rate base the plant associated with SRL, which the Company believes is prudent and major in nature and consequence, upon completion of the project as certified by a Company officer.

Taking into account the additional operating revenues proposed by virtue of the Base Rate Petition as well as the Company’s estimated additional capital expense of \$220 million for the SRL project, the estimated rate increase for a typical residential customer using 100 therms of gas per month at the time rates associated with the SRL project are implemented would be \$4.58 or 3.8 percent.

The effect of the estimated price change on typical residential, general service small and general service large natural gas bills is as follows:

Customer Type	Therm Level (Usage)	Total Bill		Net Dollar Increase	Percent Increase
		Monthly Bill with Proposed Base Rate Increase	Estimated Monthly Bill with Proposed Base Rate Increase and Proposed Phase II Increase		
Residential Heat Sales	100	\$121.27	\$125.85	\$4.58	3.8%
Residential Non-Heat Sales	25	\$41.26	\$42.41	\$1.15	2.8%
General Service Small	100	\$136.90	\$142.34	\$5.44	4.0%
General Service Large	1200	\$1,515.49	\$1,566.49	\$51.00	3.4%

Any rate increase found by the Board to be just and reasonable may be allocated by the Board and applied to any class or classes of customers or any rate schedule or rate schedules as the Board may determine. Accordingly, the final

rates approved by the Board in this proceeding for any rate class or classes may be higher or lower than those set forth herein.

PLEASE TAKE NOTICE that the Board has consolidated the Deferred Accounting Petition and the Base Rate Petition for hearings before the Office of Administrative Law.

PLEASE TAKE NOTICE that public hearings on the consolidated matter have been scheduled at the following dates, times and locations:

September 26, 2019, at 4:00 p.m. and 5:30 p.m.
Freehold Township Municipal Building
One Municipal Plaza-Schanck Road
Freehold, NJ 07728-2195

October 3, 2019, at 4:00 p.m. and 5:30 p.m.
Rockaway Township Municipal Building
65 Mt. Hope Road
Rockaway Township, NJ 07866-1698

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 rate 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 this hearing to the Office of Administrative Law at the address below. Regardless of whether they attend the hearing, members of the public may submit written comments concerning the consolidated matter by addressing them to: Honorable Jacob S. Gertsman, ALJ, Office of Administrative Law, P.O. Box 49, Trenton, NJ 08625-0049, and the Honorable 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. Please include the OAL Docket No. PUC 06769-19, and BPU Docket Nos. GR18101096 and GR19030420 with your written comments. Copies of NJNG's Deferred Accounting Petition and Base Rate Petition can be reviewed either at the NJNG Customer Service Centers listed on the Company's website, www.njng.com/regulatory, or at the New Jersey Board of Public Utilities, 44 South Clinton Avenue, 2nd floor, Trenton, New Jersey. Any member of the public who wants to inspect the filings at the Board may contact the Board's Division of Case Management at (609) 292-0806 to schedule an appointment.

Andrew K. Dembia, Esq.
New Jersey Natural Gas