



July 14, 2011

***VIA FEDERAL EXPRESS***

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

Re: IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF AN EXTENSION OF  
ENERGY-EFFICIENCY PROGRAMS AND  
THE ASSOCIATED COST RECOVERY MECHANISM,  
PURSUANT TO N.J.S.A. 48:3-98.1  
BPU DOCKET NO. GR1107 \_\_\_\_\_

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 Approval of the Extension of Energy-Efficiency Programs with the associated cost recovery mechanism.

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

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

Very truly yours,

A handwritten signature in blue ink that reads 'Tracey Thayer'.

Tracey Thayer  
Director, Regulatory Affairs Counsel

Enclosures

C: Service List

**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
THE ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1  
Docket No. GR1107\_\_\_\_\_**

NJNG

Mark R. Sperduto  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Anne-Marie Peracchio  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Tracey Thayer  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Michael Moscufo  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Tina Sinks  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Thomas Massaro  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Susan Ellman  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

France Karras  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
P.O. Box 1464  
Wall, NJ 07719

Daniel P. Yardley  
Yardley & Associates  
2409 Providence Hills Drive  
Matthews, NC 28105

NJ BOARD OF PUBLIC UTILITIES

Jerome May  
N.J. Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

Alice Bator  
N.J. Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

Stacy Peterson  
N.J. Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

Mona Mosser  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Michael Winka  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Sheila DeLucia  
N.J. Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
THE ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1  
Docket No. GR1107\_\_\_\_\_**

Naji Ugoji  
N.J. Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

Rosalie Serapiglia  
N.J. Board of Public Utilities  
Two Gateway Center, Suite 801  
Newark, NJ 07102

Andrea Sarmentero-Garzon  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Rachel Boylan  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Scott Hunter  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Sharon Wolfe  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

**DIVISION OF RATE COUNSEL**

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
31 Clinton Street – 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

Paul Flanagan, Esq.  
Division of Rate Counsel  
31 Clinton Street – 11<sup>th</sup> Floor  
P.O. Box 46005

Felicia Thomas-Friel, Esq.  
Department of Public Advocate  
Division of Rate Counsel  
31 Clinton Street – 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

Kurt Lewandowski, Esq.  
Division of Rate Counsel  
31 Clinton Street – 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

**DEPT. OF LAW & PUBLIC SAFETY –  
DIVISION OF LAW**

Caroline Vachier  
Deputy Attorney General  
Dept. of Law & Public Safety – Div of Law  
124 Halsey Street, P.O. Box 45029  
Newark, NJ 07101

Veronica Beke  
Deputy Attorney General  
Dept. of Law & Public Safety – Div of Law  
124 Halsey Street, P.O. Box 45029  
Newark, NJ 07101

Alex Moreau  
Deputy Attorney General  
Dept. of Law & Public Safety – Div of Law  
124 Halsey Street, P.O. Box 45029  
Newark, NJ 07101

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

-----  
**IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS )  
COMPANY FOR APPROVAL OF THE )  
EXTENSION OF ENERGY-EFFICIENCY )  
PROGRAMS AND THE ASSOCIATED )  
COST RECOVERY MECHANISMS )  
PURSUANT TO N.J.S.A. )  
**48:3-98.1** )  
-----**

**PETITION**

**BPU DOCKET NO. GR1107\_\_\_\_\_**

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

**IN THE MATTER OF THE PETITION )  
OF NEW JERSEY NATURAL GAS ) PETITION  
COMPANY FOR APPROVAL OF THE )  
EXTENSION OF ENERGY-EFFICIENCY ) BPU DOCKET NO. GR1107 \_\_\_\_\_  
PROGRAMS AND THE ASSOCIATED )  
COST RECOVERY MECHANISM )  
PURSUANT TO N.J.S.A. )  
48:3-98.1 )**

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

New Jersey Natural Gas Company (“NJNG” or the “Company”) respectfully petitions the New Jersey Board of Public Utilities (the “Board” or “BPU”) pursuant to N.J.S.A. 48:3-98.1, et seq., as follows:

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

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

Mark R. Sperduto, Vice President, Regulatory & 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 (Sperduto)  
(732) 919-8025 (Thayer)  
(732) 938-2620 (fax)

3. Through this Petition and the accompanying schedules and testimonies, NJNG seeks BPU approval to continue, with modifications, the current energy-efficiency programs offered in The SAVEGREEN™ Project (“SAVEGREEN”). The proposed modifications are described further herein.

4. This Petition is supported by the schedules and exhibits attached hereto and made a part of this Petition:

Schedule NJNG-1	Comparative Balance Sheet
Schedule NJNG-2	Comparative Income Statement
Schedule NJNG-3	Balance Sheet (May 2011)
Schedule NJNG-4	Statement of Revenues
Schedule NJNG-5	Pro-Forma Income Statement
Schedule NJNG-6	Payments to Affiliates
Schedule NJNG-7	Notice of Filing to Counties and Municipalities
Schedule NJNG-8	Proposed Tariff Sheets
Schedule NJNG-9	Draft Public Notice
Schedule NJNG-10	Accounting Entries
Schedule NJNG-11	Proposed Budget in New Jersey’s Clean Energy Program Format
Schedule NJNG-12	Sample On-Bill Repayment Agreement
Schedule NJNG-13	Cost Benefit Analysis
Schedule NJNG-14	Listing of Minimum Filing Requirements
Schedule NJNG-15	Job Creation Overview
Exhibit P-2	Testimony of Thomas J. Massaro
Schedule TJM-1	NJCEP and NJNG Program Comparison

Schedule TJM-2	Marketing Plan
Schedule TJM-3	Complaint Resolution Process
Schedule TJM-4	Residential Energy-Efficiency Program
Schedule TJM-5	Access
Schedule TJM-6	Commercial Combined Heat and Power
Exhibit P-3	Testimony of Daniel P. Yardley
Schedule DPY-1	Program Unit Costs and Projected Take Rates
Schedule DPY-2	Net EE Investments
Schedule DPY-3	Cost of Capital
Schedule DPY-4	Operations and Maintenance Costs
Schedule DPY-5	Revenue Requirements Summary
Schedule DPY-6	Determination of EE Rate
Schedule DPY-7	Projected Bill Impacts by Class

### **Background**

5. Pursuant to N.J.S.A. 26:2C-45 (“Global Warming Response Act” or the “the Legislation”), signed into law on January 13, 2008, the New Jersey Legislature found, among other things, that New Jersey can help to address the global-warming problem through the establishment of energy-efficiency and conservation programs. An additional finding in the Legislation highlights that public utilities in New Jersey need to be involved with and participate in efforts to reduce greenhouse gas emissions, specifically through the establishment of energy-efficiency, conservation and renewable energy programs. The active participation of New Jersey utilities provides an integral element in developing a coordinated approach to successfully reducing energy usage.

5. Specifically, section 13 of the Legislation, codified as N.J.S.A. 48:3-98.1, establishes that an electric or natural gas utility can offer and invest in regulated energy-efficiency and conservation programs within its service territory. Furthermore, utilities are authorized to file a petition with the BPU seeking approval for the recovery of costs related to such programs. That recovery may include a return on equity, the establishment of incentives and the development of a rate mechanism that breaks the link between utility revenues and customer usage. The eligible ratemaking treatment can provide for the inclusion of certain related investments in rate base or the recovery of such costs through another BPU-approved method.

6. Pursuant to the Legislation, the BPU was mandated to issue an order within 120 days of the enactment, establishing the procedures through which electric and natural gas utilities can seek BPU approval to offer energy-efficiency, conservation and renewable energy programs on a regulated basis. That order was issued on May 12, 2008 (“May 2008 Order”) after active participation from the members of a stakeholder group that included representatives from the BPU Staff, the New Jersey Division of Rate Counsel (“Rate Counsel”)<sup>1</sup>, the electric and natural gas utilities and other interested parties.

7. Based on the Legislation and the May 2008 Order, NJNG made a filing on January 19, 2009 in Docket Nos. EO09010056 and GO09010057, seeking BPU approval to implement three energy-efficiency programs through SAVEGREEN that complemented or supplemented existing programs offered through New Jersey’s Clean Energy Program (“NJCEP”). In an Order dated July 17, 2009 (the “July 2009 Order”), the BPU adopted the terms of a Stipulation entered into among representatives from the BPU Staff, Rate Counsel and NJNG (the “Parties”) approving the implementation of the following energy-efficiency programs and the associated cost recovery mechanism: Home Performance with Energy Star (“HPwES”) Enhancements; Enhancement to the WARMAdvantage Rebate Programs; and, the Commercial

---

<sup>1</sup> That agency was formerly known as the New Jersey Department of the Public Advocate, Division of Rate Counsel.

Customer Direct Install Program. NJNG also received BPU approval to buy down costs associated with loans entered into through the NJCEP financing arrangements with Energy Finance Solutions (“EFS”). Recovery of the costs necessary to deliver these programs, including rebates, incentives, incremental operation and maintenance (“O&M”) expenses and carrying costs is provided through Rider F to the Company’s Tariff.

8. Following approximately eight months of offering programs through SAVEGREEN, NJNG filed a petition with the BPU on March 29, 2010 for approval to expand the NJNG energy-efficiency offers available and to implement certain renewable-energy programs, continuing the form for cost recovery approved in the July 2009 Order. Following a full discovery process and subsequent negotiations, the Parties entered into a Stipulation agreeing to certain modifications to the originally requested programs. The two intervenors in the case, Atlantic City Electric Company and Jersey Central Power & Light Company, filed letters with the BPU stating they had no objection to the Stipulation of the Parties. In an Order dated September 24, 2010 (the “September 2010 Order”), the BPU adopted the terms of the Stipulation through which, taking into consideration the future potential for statewide policy changes and the pending release of a revised Energy Master Plan for New Jersey, the Parties agreed to the following NJNG programs and offers to be effective through at least December 31, 2011: enhanced rebates for the purchase and installation of various heating, ventilation and air-conditioning (“HVAC”) equipment; an on-bill-repayment program (“OBRP”) available at zero-percent interest for eligible customers and managed by NJNG employees; free air-sealing work for customers taking advantage of the NJNG WARMAdvantage rebate; additional rebates for eligible customers participating in HPwES Audits and additional energy saving projects; the OPOWER pilot through which customers obtain information about their specific energy use in comparison to comparable households; an incremental incentive for Combined Heat and Power

(“CHP”) projects undertaken in conjunction with NJCEP and a program with no ratepayer impact that offers eligible customers an opportunity for customized provisions, Fostering Environmental and Economic Development (“FEED”).

9. NJNG is filing this Petition, with supporting testimony and schedules, to obtain BPU approval to extend, with modifications, the current energy-efficiency programs operating through SAVEGREEN.

### **Procedural Matters**

10. The May 2008 Order established that certain information must be included in any petition for approval to offer energy-efficiency programs. It was intended that such data will permit a comprehensive review of these filings by BPU Staff and Rate Counsel within the statutorily designated 180-day review period. The Minimum Filing Requirements (“MFRs”) detail the information, analyses and data that generally must be included within such a filing. Attached hereto as Schedule NJNG-14 is a listing of the MFRs and the locations within NJNG’s filing where the respective information can be found.

11. NJNG requests that the BPU retain this matter at the Agency for an administrative review and issuance of a BPU Decision and Order pursuant to the terms of the Legislation and the May 2008 Order.

12. The May 2008 Order also requires that a utility must meet with Board Staff and Rate Counsel at least 30 days in advance of submitting a filing to provide an overview of the elements and cost recovery mechanism proposed. Accordingly, NJNG conferred with representatives of various divisions within the BPU, Rate Counsel, and the Division of Law within the Department of Law and Public Safety on June 9, 2011 to provide an overview of the programs and cost recovery mechanism proposed within this filing.

13. Attached hereto and made part of this Petition is a draft form of notice (Schedule NJNG-9) that will be published in papers of general circulation within NJNG's service territory providing notice to customers of this filing and the details about the public hearing that will be scheduled. A proposed notice to counties and municipalities within the service territory is attached as Schedule NJNG-7.

14. NJNG has served notice and a copy of this filing, together with a copy of the annexed exhibits and schedules and NJNG's supporting testimonies being filed herewith, upon Rate Counsel, 31 Clinton Street, Newark, New Jersey and to those listed on the attached Service List. Additionally, a copy will be made available at all NJNG Customer Service Centers within its Service Territory.

15. NJNG has proposed the extension of BPU-approved energy-efficiency programs that coordinate closely with existing programs in NJCEP with the modifications addressed herein and within the supporting documents. The Company reserves the right to amend this filing should that be necessitated by future modifications or changes to the current NJCEP programs, incentives, rebates, statewide policies, overall budget, and/or coordination with other utilities and state agencies at any time during the review period. Since NJNG anticipates that any amendment would serve to better align its program with State policy, the Company requests that such amendment not cause delay to the statutorily mandated schedule.

#### **NJNG Proposed Programs**

16. In this filing, NJNG proposes to continue the ongoing work of SAVEGREEN with modifications in response to market demands, state policy changes and customer needs. In that way, NJNG will avoid any start-up expenses, delays and the loss of qualified staff. NJNG seeks approval to provide customers with the opportunities proposed in this filing over a twelve-

month period from January 1, 2012 or from the date of the Board Order approving this filing. The EE programs expand upon and enhance those currently available through NJCEP.

17. For residential customers, NJNG proposes the following modifications to the current SAVEGREEN offers. These proposals are discussed in greater detail in the Pre-Filed Testimony of Thomas J. Massaro (Exhibit P-2) and the supporting Schedules TJM-4, 5 and 6 (“Massaro Testimony”).

- Segment 1: Customers participating in the NJCEP WARMAdvantage rebate program will now be able to receive the NJNG supplemental rebate of \$900 or the opportunity to participate in the NJNG OBRP (up to \$5,000 for installation of a high-efficiency furnace or boiler to be repaid over 5 years or up to \$6,500 to be repaid over 5 years if a high efficiency water heater or the necessary safety modifications are made to ensure proper equipment venting).
  - These customers will receive an HPwES audit after the installation of the above equipment at no cost to the customer.
  - If additional energy-efficiency measures are implemented, additional OBRP opportunities may be available.
- Segment 2: Customers initiating HVAC equipment upgrades to energy-efficient units through HPwES are eligible for participation in the OBRP through which up to \$10,000 can be repaid on the NJNG bill at no interest over 10 years. As the SAVEGREEN and NJCEP programs currently allow, these customers may also be eligible for HPwES rebates. NJNG will provide up to \$4,000 in such rebates for customers participating in the OBRP.
- HPwES audits will be provided by NJNG for customers seeking an independent Audit. The fee of \$250 paid to NJNG for this audit will benefit all customers through an offset

to the SAVEGREEN revenue requirement included in the calculations for future cost recovery pursuant to the Board-approved methodology.

18. NJNG is also seeking approval for the Access to Affordable Energy (“Access”) Pilot program. This program serves to assist customer with electric heat who are receiving benefits from the Universal Service Fund (“USF”) by helping them obtain higher efficiency through conversions to natural gas equipment. In addition to providing the energy savings through more efficient heating equipment, this offer reduces the amount of financial support other customers must provide through the USF program. More details about this proposal are provided in the Massaro Testimony and Schedule TJM-5.

19. For the commercial sector, NJNG seeks approval to continue the Combined Heat and Power (“CHP”) program through which eligible customers may receive additional incentives to those provided through NJCEP or other state agencies for the development of CHP projects.

20. Within this filing, NJNG is not proposing any changes in the Board-approved pilot program with OPOWER that was approved in the September 2010 Order for a three-year period. Similarly, the BPU-approved FEED program, originally approved for a three-year pilot period, will continue as currently structured.

21. The SAVEGREEN energy-efficiency programs proposed herein and within the supporting documents enhance and complement ongoing efforts in New Jersey that are directed toward lowering energy costs for New Jersey residents and addressing environmental concerns while stimulating the economy through opportunities for local businesses to grow and jobs to be created for residents of New Jersey. The SAVEGREEN programs address and support economic growth through increased activity specifically in the energy-efficiency industries. Increased economic activity will benefit not only developers and installers of high-efficiency equipment

but also the associated businesses and service personnel in other industries and fields providing ancillary services.

22. In this Petition, NJNG is seeking approval to continue the SAVEGREEN programs through December 31, 2012. Pursuant to the structure approved by the Board in the September 2010 Order, NJNG proposes that work related to a SAVEGREEN program may continue into 2013 for close-out and completion of projects approved or committed prior to December 31, 2012. Additionally, given the complexity of CHP projects, and the approval and implementation cycles associated with NJCEP, the Company is proposing that the close-out and completion of CHP projects extend into 2014.

23. To provide the flexibility necessary to address customer needs, market conditions and possible policy changes in New Jersey, NJNG is proposing that it be able to make adjustments to the projected incentive levels between the several programs or to shift program budgets should that be necessary. The Company will provide written notice to the Board Staff and Rate Counsel, including a description of the proposed budget re-allocation with supporting schedules. NJNG will not seek to increase or re-allocate the budget of any SAVEGREEN programs if the complementary NJCEP program has been eliminated. Additionally, if funds allocated for SAVEGREEN in 2011 are not fully expended or committed by December 31, 2011, NJNG will transfer those amounts to the program work in 2012.

24. NJNG is aware that potential policy, management and direction changes may take place in relation to NJCEP activities in New Jersey, especially as the EMP process continues. In the event that decisions impacting SAVEGREEN are not finalized by December 31, 2012, or the Board has not issued Orders related to such activities by December 31, 2012, NJNG proposes that SAVEGREEN programs may continue to be offered by NJNG on a quarterly basis as of January 1, 2013. Such continuation is based on NJNG having unspent funds in the

SAVEGREEN budget and the maximum investment levels permitted in any quarterly period will not exceed one-fourth of the annual budget levels established through this proceeding.

### **Cost Recovery Mechanism**

25. NJNG is requesting that the BPU approve the continued use of deferred accounting for all costs associated with the SAVEGREEN Programs, including the costs of the rebates, customer incentives, Operations and Maintenance (“O&M”) expenses, amortization expense, return on investments and income taxes. The recovery of those costs shall be through a per-therm charge applicable to all jurisdictional volumes through NJNG’s system. The investments associated with the SAVEGREEN Programs will be amortized over a five or ten year period from the month they are incurred. It is proposed that the recovery be through Rider F of the NJNG Tariff, the same mechanism now in place for the recovery of costs for SAVEGREEN. NJNG seeks approval for Rider F, to be entitled Energy Efficiency (“EE”), to be effective as of the date of the Board Order approving this filing. The Cost Recovery Mechanism is discussed in further detail in the testimony of Daniel P. Yardley (Exhibit P-3) and his supporting Schedules.

26. As with the current Board-approved SAVEGREEN cost recovery mechanism, NJNG will submit for approval by the Board an annual filing by June 1 each year to establish future rates for Rider F (the EE rate). In that filing, the Company will provide a reconciliation of the proposed SAVEGREEN investments and operating costs in comparison to actual investments and operating costs. Any federal or state benefits, if applicable, received by the Company and associated with the SAVEGREEN programs will be used to reduce the revenue requirement to be collected from ratepayers.

**WHEREFORE, NJNG** respectfully requests that the Board retain jurisdiction of this filing for review within the time frame allowed through the Legislation and issue an Order finding that:

1. The Board will retain this matter for a review at the Agency in the manner incorporated in the Legislation, specifically Section 13;
2. The SAVEGREEN Programs proposed by NJNG (Residential, Commercial CHP and Access) and associated cost recovery mechanism are in the public interest and NJNG is fully authorized to continue to implement and administer these Programs on a regulated basis for at least one year under the terms and conditions set forth in this Petition, as well as the Exhibits and Schedules attached thereto;
3. NJNG is authorized to utilize deferred accounting and recover all reasonable costs associated with the ongoing SAVEGREEN Programs through Rider F to the NJNG tariff with such recovery being effective as of the date of the Board Order in this proceeding;
4. The return and associated taxes on the investments related to the SAVEGREEN Programs herein will be set pursuant to NJNG's overall Weighted Average Cost of Capital as authorized by the BPU in the most recent NJNG base rate case;
5. The proposed Energy Efficiency ("EE") charge, a continuation of the Board approved Energy Efficiency Rider as collected through

Rider F as set forth in the proposed Tariff Sheets shown in Schedule NJNG-8 is approved;

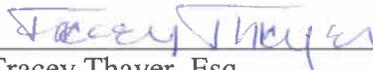
6. NJNG will make an annual filing related to the EE rate and the costs associated thereto to be submitted on or before June 1;
7. The proposed rates and charges, as set forth in this Petition and the supporting Exhibits and Schedules, are just and reasonable and, as discussed in the testimony of Daniel P. Yardley (Exhibit P-3 to this Petition), NJNG is authorized to maintain the current EE rate of \$0.0127 after-tax as of the date of the BPU order approving the continuation of the SAVEGREEN Programs;
8. In the event funding for specific incentives is no longer available from NJCEP or is reduced, NJNG has the authority to increase the incentives offered to customers to match the decrease in NJCEP funding. Additionally, if funds allocated for SAVEGREEN in 2011 are not fully expended or committed by December 31, 2011, NJNG will transfer those amounts to the program work in 2012;
9. As currently allowed, NJNG may continue to offer the SAVEGREEN programs beyond December 31, 2012 on a quarterly basis provided that no Statewide policy or BPU Order has been issued addressing the SAVEGREEN programs or changing that authority and there are NJNG funds available from the budget proposed herein:

10. Projects started prior to December 31, 2012 may continue into 2013 for close-out and completion activities; CHP projects may extend into 2014 for close-out and completion activities; and
11. Granting such other relief as the Board deems just, reasonable and necessary.

Respectfully submitted,

**NEW JERSEY NATURAL GAS COMPANY**

By:

  
\_\_\_\_\_

Tracey Thayer, Esq.

Attorney for New Jersey Natural Gas Company

Dated:

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF DECEMBER 31**

	(\$000)		
	2010	2009	2008
<u>ASSETS</u>			
<u>PROPERTY, PLANT &amp; EQUIP</u>			
UTILITY PLANT, AT COST	\$ 1,455,327	\$ 1,409,548	\$ 1,356,770
CONSTRUCTION WORK IN PROGRESS	92,383	42,553	27,575
	1,547,710	1,452,101	1,384,345
ACCUMULATED DEPRECIATION AND AMORT.	(473,518)	(455,407)	(436,910)
PROPERTY, PLANT & EQUIPMENT, NET	1,074,192	996,694	947,435
<u>CURRENT AND ACCRUED ASSETS</u>			
CASH AND TEMPORARY INVESTMENTS	3,072	10,086	22,005
ACCOUNTS RECEIVABLE	20,366	26,936	66,063
ACCRUED UTILITY REVENUE	79,726	79,104	75,009
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,440)	(3,134)	(5,116)
GAS IN STORAGE, AT AVG COST	138,517	143,498	163,809
MATERIALS AND SUPPLIES	4,470	5,292	4,075
PREPAYMENTS	4,592	5,161	2,858
DERIVATIVE ASSETS	11,424	2,853	6,614
DERIVATIVE HEDGES	27,322	10,227	74,884
TOTAL CURRENT ASSETS	286,049	280,023	410,201
<u>DEFERRED DEBITS</u>			
UNAMORTIZED DEBT EXPENSE	6,985	7,369	8,089
REGULATORY ASSETS	415,239	345,449	300,545
ACCUMULATED DEFERRED TAXES	2,319	2,319	2,320
UNRECOVERED PURCHASED GAS COSTS	24,751	(13,851)	2,977
MISC DEFERRED DEBITS	1,227	782	670
TOTAL NONCURRENT ASSETS	450,521	342,068	314,601
TOTAL ASSETS	\$ 1,810,762	\$ 1,618,785	\$ 1,672,237

Source: NJNG ANNUAL BPU REPORTS

**NEW JERSEY NATURAL GAS COMPANY  
BALANCE SHEET  
AS OF DECEMBER 31**

	(\$000)		
	2010	2009	2008
<u>CAPITALIZATION AND LIABILITIES</u>			
<u>CAPITALIZATION</u>			
COMMON STOCK EQUITY	\$ 630,452	\$ 602,556	\$ 503,058
LONG-TERM DEBT	329,845	329,845	349,845
TOTAL CAPITALIZATION	<u>960,297</u>	<u>932,401</u>	<u>852,903</u>
<u>OTHER NONCURRENT LIABILITIES</u>			
CAPITAL LEASE OBLIGATIONS	52,605	58,567	60,863
INCOME TAX - FAS 109	(13,860)	(11,559)	(12,625)
ACCUM PROV FOR INJ & DAMAGES, PENSIONS	2,723	3,238	2,923
DERIVATIVE LIABILITY	-	-	8,996
ASSET RETIREMENT OBLIGATION	26,131	25,450	24,768
TOTAL OTHER NONCURRENT LIABILITIES	<u>67,599</u>	<u>75,696</u>	<u>84,925</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>			
NOTES PAYABLE	57,000	-	203,550
CURRENT MATURITIES OF L/T DEBT	-	20,000	
CAPITAL LEASE OBLIGATIONS	12,060	7,169	5,844
ACCOUNTS PAYABLE ASSOC COMPANIES	2,122	2,680	1,698
ACCOUNTS PAYABLE AND OTHER	95,981	102,653	110,520
TAXES PAYABLE	77	77	451
MISC CURRENT AND ACCRUED LIAB	42,238	29,703	32,701
DERIVATIVE INSTRUMENTS	11,424	2,853	(2,381)
CUSTOMERS DEPOSITS	6,344	6,228	5,358
DIVIDENDS DECLARED	14,867	14,148	12,444
ACCRUED TAXES AND INTEREST	15,192	(16,417)	14,693
TOTAL CURRENT LIABILITIES	<u>257,305</u>	<u>169,094</u>	<u>384,878</u>
<u>NONCURRENT LIABILITIES</u>			
DEFERRED INCOME TAXES	278,104	249,074	204,922
DEFERRED INVESTMENT TAX CREDITS	2,942	3,091	3,282
CUSTOMER ADVANCES FOR CONSTRUCTION	2,601	1,636	1,765
OTHER DEFERRED CREDITS	40,314	41,093	19,332
OTHER REGULATORY LIABILITY	201,600	146,700	120,230
TOTAL NONCURRENT LIABILITIES	<u>525,561</u>	<u>441,594</u>	<u>349,531</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 1,810,762</u>	<u>\$ 1,618,785</u>	<u>\$ 1,672,237</u>

Source: NJNG ANNUAL BPU REPORTS

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF INCOME**  
**AS OF DECEMBER 31**

---

	(\$000)	(\$000)		
	<u>May-11</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUE</u>	<u>\$ 1,023,205</u>	<u>\$ 989,365</u>	<u>\$ 1,002,670</u>	<u>\$ 1,139,038</u>
<u>OPERATING EXPENSES</u>				
GAS PURCHASES	643,748	642,336	652,373	811,420
OPERATION AND MAINTENANCE	155,734	135,044	137,305	125,942
DEPRECIATION	32,696	32,027	29,916	35,651
TAXES - OTHER THAN INCOME	62,565	56,847	63,592	67,279
INCOME TAXES	39,218	37,365	39,332	29,791
TOTAL OPERATING EXPENSES	<u>933,961</u>	<u>903,619</u>	<u>922,518</u>	<u>1,070,083</u>
OPERATING INCOME	89,244	85,746	80,152	68,955
OTHER INCOME, NET	1,683	1,734	2,177	1,847
INTEREST CHARGES, NET	15,707	16,383	16,497	21,618
NET INCOME	<u>\$ 75,220</u>	<u>\$ 71,097</u>	<u>\$ 65,832</u>	<u>\$ 49,184</u>

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**

	(\$000)
	<b>May-2011</b>
<u>ASSETS</u>	
<u>PROPERTY, PLANT &amp; EQUIP</u>	
UTILITY PLANT, AT COST	\$ 1,447,049
CONSTRUCTION WORK IN PROGRESS	104,693
	1,551,742
ACCUMULATED DEPRECIATION AND AMORT.	(451,711)
PROPERTY, PLANT & EQUIPMENT, NET	1,100,031
 <u>CURRENT AND ACCRUED ASSETS</u>	
CASH AND TEMPORARY INVESTMENTS	66,325
ACCOUNTS RECEIVABLE	22,975
ACCRUED UTILITY REVENUE	9,403
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(4,470)
GAS IN STORAGE, AT AVG COST	71,134
MATERIALS AND SUPPLIES	5,089
PREPAYMENTS	19,687
DERIVATIVE ASSETS	11,100
TOTAL CURRENT ASSETS	201,243
 <u>DEFERRED DEBITS</u>	
UNAMORTIZED DEBT EXPENSE	6,743
REGULATORY ASSETS	417,542
ACCUMULATED DEFERRED TAXES	18,926
UNRECOVERED PURCHASED GAS COSTS	2,033
MISC DEFERRED DEBITS	1,084
TOTAL NONCURRENT ASSETS	446,328
TOTAL ASSETS	\$ 1,747,602

**NEW JERSEY NATURAL GAS COMPANY  
BALANCE SHEET**

	(\$000)
	<b>May-2011</b>
<u>CAPITALIZATION AND LIABILITIES</u>	
<u>CAPITALIZATION</u>	
COMMON STOCK EQUITY	\$ 665,920
LONG-TERM DEBT	378,799
TOTAL CAPITALIZATION	1,044,719
 <u>CURRENT AND ACCRUED LIABILITIES</u>	
CAPITAL LEASE OBLIGATIONS	12,205
ACCOUNTS PAYABLE ASSOC COMPANIES	2,546
ACCOUNTS PAYABLE AND OTHER	69,760
ACCRUED TAXES AND INTEREST	4,047
MISC CURRENT AND ACCRUED LIAB	35,567
CUSTOMERS DEPOSITS	6,593
TOTAL CURRENT LIABILITIES	130,718
 <u>NONCURRENT LIABILITIES</u>	
DEFERRED INCOME TAXES	269,957
DEFERRED INVESTMENT TAX CREDITS	2,895
CUSTOMER ADVANCES FOR CONSTRUCTION	2,559
OTHER DEFERRED CREDITS	60,071
OTHER REGULATORY LIABILITY	236,683
TOTAL NONCURRENT LIABILITIES	572,165
TOTAL CAPITALIZATION AND LIABILITIES	\$ 1,747,602

**NEW JERSEY NATURAL GAS COMPANY**  
**GAS REVENUE BY CLASS OF BUSINESS**  
**AS OF DECEMBER 31, 2010**

---

	<u>(\$000)</u>
Residential	\$ 536,220
Commercial	152,479
Industrial	1,443
Firm Transportation	4,754
Street & Yard Light Service	4
Cogeneration	4
Off-System Sales & Storage	<u>294,461</u>
Total	<u>\$ 989,365</u>

Source: NJNG BPU ANNUAL REPORT

New Jersey Natural Gas  
RGGI Program

Income Statement and Balance Sheet

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>I. Residential Energy Efficiency</b>										
<i>A. Income Statement</i>										
Operating Revenue	\$ 6,041	\$ 3,320	\$ 2,813	\$ 2,489	\$ 2,165	\$ 462	\$ 359	\$ 257	\$ 154	\$ 51
Operating Expense	\$ 3,647	\$ 183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations & Maintenance	1,490	1,490	1,490	1,490	1,490	-	-	-	-	-
Depreciation & Amortization	352	642	518	395	271	189	147	105	63	21
Income Taxes	44	76	55	33	11	-	-	-	-	-
Interest Expense	5,532	2,391	2,063	1,918	1,772	189	147	105	63	21
Total Operating Expense	\$ 509	\$ 929	\$ 750	\$ 572	\$ 393	\$ 273	\$ 212	\$ 152	\$ 91	\$ 30
Net Income	\$ 7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ -	\$ -	\$ -	\$ -	\$ -
<i>B. Balance Sheet</i>										
<u>Assets</u>										
Property, Plant & Equipment	\$ 7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(1,490)	(2,980)	(4,470)	(5,960)	(7,450)	-	-	-	-	-
Net Property, Plant & Equipment	5,960	4,470	2,980	1,490	-	-	-	-	-	-
Deferred Tax Asset	(2,435)	(1,826)	(1,217)	(609)	-	-	-	-	-	-
Total Assets	3,525	2,644	1,763	881	-	-	-	-	-	-
<u>Liabilities &amp; Capitalization</u>										
<u>Liabilities:</u>										
Deferred Income Taxes	(2,435)	(1,826)	(1,217)	(609)	-	-	-	-	-	-
<u>Capitalization:</u>										
Debt	2,906	2,179	1,453	726	-	-	-	-	-	-
Common Equity	3,054	2,291	1,527	764	-	-	-	-	-	-
Total Capitalization	5,960	4,470	2,980	1,490	-	-	-	-	-	-
Total Liabilities & Capitalization	3,525	2,644	1,763	881	-	-	-	-	-	-

New Jersey Natural Gas  
RGGI Program

Income Statement and Balance Sheet

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>II. Commercial Energy Efficiency</b>										
<i>A. Income Statement</i>										
Operating Revenue	\$ 822	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ -	\$ -	\$ -	\$ -
Operating Expense										
Operations & Maintenance	\$ 222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	600	600	600	600	600	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-
Total Operating Expense	822	600	600	600	600	600	-	-	-	-
Net Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>B. Balance Sheet</i>										
<u>Assets</u>										
Property, Plant & Equipment	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(600)	(1,200)	(1,800)	(2,400)	(3,000)	-	-	-	-	-
Net Property, Plant & Equipment	2,400	1,800	1,200	600	-	-	-	-	-	-
Deferred Tax Asset	(980)	(735)	(490)	(245)	-	-	-	-	-	-
Total Assets	1,420	1,065	710	355	-	-	-	-	-	-
<u>Liabilities &amp; Capitalization</u>										
<u>Liabilities:</u>										
Deferred Income Taxes	(980)	(735)	(490)	(245)	-	-	-	-	-	-
<u>Capitalization:</u>										
Debt	1,170	878	585	293	-	-	-	-	-	-
Common Equity	1,230	922	615	307	-	-	-	-	-	-
Total Capitalization	2,400	1,800	1,200	600	-	-	-	-	-	-
Total Liabilities & Capitalization	1,420	1,065	710	355	-	-	-	-	-	-

New Jersey Natural Gas  
RGGI Program

Income Statement and Balance Sheet

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>III. Access to Affordable Energy</b>										
<i>A. Income Statement</i>										
Operating Revenue	\$ 298	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -
Operating Expense										
Operations & Maintenance	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	200	200	200	200	200	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-
Total Operating Expense	298	200	200	200	200	-	-	-	-	-
Net Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>B. Balance Sheet</i>										
<u>Assets</u>										
Property, Plant & Equipment	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(200)	(400)	(600)	(800)	(1,000)	-	-	-	-	-
Net Property, Plant & Equipment	800	600	400	200	-	-	-	-	-	-
Deferred Tax Asset	(327)	(245)	(163)	(82)	-	-	-	-	-	-
Total Assets	473	355	237	118	-	-	-	-	-	-
<u>Liabilities &amp; Capitalization</u>										
<u>Liabilities:</u>										
Deferred Income Taxes	(327)	(245)	(163)	(82)	-	-	-	-	-	-
<u>Capitalization:</u>										
Debt	390	293	195	98	-	-	-	-	-	-
Common Equity	410	307	205	102	-	-	-	-	-	-
Total Capitalization	800	600	400	200	-	-	-	-	-	-
Total Liabilities & Capitalization	473	355	237	118	-	-	-	-	-	-

New Jersey Natural Gas  
RGGI Program

Income Statement and Balance Sheet

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b><u>V. All Programs - Combined</u></b>										
<b><u>A. Income Statement</u></b>										
Operating Revenue	\$ 7,162	\$ 4,120	\$ 3,613	\$ 3,289	\$ 2,965	\$ 462	\$ 359	\$ 257	\$ 154	\$ 51
Operating Expense	\$ 3,967	\$ 183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations & Maintenance	2,290	2,290	2,290	2,290	2,290	-	-	-	-	-
Depreciation & Amortization	352	642	518	395	271	189	147	105	63	21
Income Taxes	-	-	-	-	-	-	-	-	-	-
Recapture Tax on ITC Basis Adj.	44	76	55	33	11	-	-	-	-	-
Interest Expense	6,652	3,191	2,863	2,718	2,572	189	147	105	63	21
Total Operating Expense	\$ 509	\$ 929	\$ 750	\$ 572	\$ 393	\$ 273	\$ 212	\$ 152	\$ 91	\$ 30
Net Income	\$ 11,450	\$ 11,450	\$ 11,450	\$ 11,450	\$ 11,450	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>B. Balance Sheet</u></b>										
<b><u>Assets</u></b>										
Property, Plant & Equipment	\$ 11,450	\$ 11,450	\$ 11,450	\$ 11,450	\$ 11,450	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(2,290)	(4,580)	(6,870)	(9,160)	(11,450)	(11,450)	-	-	-	-
Net Property, Plant & Equipment	9,160	6,870	4,580	2,290	-	-	-	-	-	-
Deferred Tax Asset	(3,742)	(2,806)	(1,871)	(935)	-	-	-	-	-	-
Total Assets	5,418	4,064	2,709	1,355	-	-	-	-	-	-
<b><u>Liabilities &amp; Capitalization</u></b>										
<b><u>Liabilities:</u></b>										
Deferred Income Taxes	(3,742)	(2,806)	(1,871)	(935)	-	-	-	-	-	-
Capitalization:										
Debt	4,466	3,350	2,233	1,117	-	-	-	-	-	-
Common Equity	4,694	3,520	2,347	1,173	-	-	-	-	-	-
Total Capitalization	9,160	6,870	4,580	2,290	-	-	-	-	-	-
Total Liabilities & Capitalization	5,418	4,064	2,709	1,355	-	-	-	-	-	-

**NEW JERSEY NATURAL GAS COMPANY  
PAYMENTS AND ACCRUALS TO AFFILIATES**

	<b>FISCAL YEAR</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
NJR Service Company to NJNG	\$ 18,414,498	\$ 18,097,414	\$ 18,627,648
NJR Service Company to NJR Energy Services including NJNG to NJR Energy Services	\$ 5,985,265	\$ 5,585,753	\$ 5,867,797
NJR Service Company to NJR Home Services, including NJNG to NJR Home Services	\$ 5,225,321	\$ 4,277,784	\$ 4,077,479
NJR Service Company to NJR CR&R including NJNG to Commercial Realty & Resources	\$ 190,189	\$ 183,296	\$ 155,262
NJR Service Company to NJR Energy	<u>\$ 194,957</u>	<u>\$ 213,299</u>	<u>\$ 284,881</u>
Total	<u>\$ 30,010,230</u>	<u>\$ 28,357,546</u>	<u>\$ 29,013,067</u>

<<ADD DATE>>

To: County Clerks, Municipal Clerks and County Administrators

**IN THE MATTER OF THE PETITION** )  
**OF NEW JERSEY NATURAL GAS** ) **PETITION**  
**COMPANY FOR APPROVAL OF THE** )  
**EXTENSION OF ENERGY EFFICIENCY** ) **BPU DOCKET NO.**  
**PROGRAMS AND THE ASSOCIATED** ) **GR1107\_\_\_\_\_**  
**COST RECOVERY MECHANISMS** )  
**PURSUANT TO N.J.S.A.** )  
**48:3-98.1** )

Pursuant to law, New Jersey Natural Gas Company (“NJNG” or the “Company”) is providing you with notice of a filing made on <<ADD FILING DATE>> with the New Jersey Board of Public Utilities for approval of the extension of energy-efficiency programs and the associated cost recovery mechanisms. As noted on the attached copy of the public notice, a hearing on this matter has been scheduled by the BPU for <<ADD DATE AND TIME>> in Rockaway Township and Freehold Township. Copies of the filing are available for review at the Company’s Customer Service Offices and at the New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey.

Very truly yours,

Tracey Thayer  
Director, Regulatory Affairs Counsel

Enclosure

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

~~Third-Fouth~~ Revised Sheet No. 172  
Superseding ~~Second-Third~~ Revised Sheet No. 172

**RIDER "F"**

**ENERGY EFFICIENCY ~~AND RENEWABLE ENERGY - EERE~~**

**AVAILABILITY**

Applicable to the following service classifications:

RS	Residential Service	ED	Economic Development
DGR	Distributed Generation Residential	FC	Firm Cogeneration
GSS	General Service - Small	NGV	Natural Gas Vehicle
GSL	General Service - Large	IS	Interruptible Service
FT	Firm Transportation	IGS	Incremental Gas Service
DGC	Distributed Generation Commercial		

In accordance with P.L. 2011, c. 9, societal benefits charges pursuant to section 12 of P.L. 1999, c.23 (C.48:3-60), or any other charge designed to recover the costs for societal, energy efficiency, conservation, environmental or renewable energy programs, are not applicable to natural gas delivery service or commodity that is used to generate electricity that is sold for resale. Natural gas used to generate electricity that is sold for resale by customers served under the above Service Classifications is exempt from costs associated with the Energy Efficiency ~~and Renewable Energy~~ (“~~EERE~~”) Rider and shall not be billed for such charges. In order to qualify for this exemption, a customer who uses natural gas to generate electricity for resale must complete an Annual Certification form, provided by the Company, to certify the percentage of natural gas used at the customer’s New Jersey generation facilities during the previous calendar year to generate electricity that was sold for resale.

The ~~EERE~~ rate is for recovering authorized expenditures related to the energy efficiency ~~and renewable energy~~ programs as approved in BPU Docket Nos. GO09010057, ~~and~~ GO10030225 and GR1107.

**DETERMINATION OF THE ~~EERE~~**

The Company shall file an annual request with the Board for implementation of an ~~EERE~~ charge, which shall be applicable to customers on all service classifications to which Rider “F” applies. The ~~EERE~~ recovery year is intended to run from October 1<sup>st</sup> to September 30<sup>th</sup> of each year.

~~Date of Issue: July 7, 2011~~  
Issued by: Mark R. Sperduto, Vice President  
Wall, NJ 07719

Effective for service rendered on  
and after ~~January 28, 2011~~

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Third-Fourth~~ Revised Sheet No. 173  
Superseding ~~Second-Third~~ Revised Sheet No. 173

RIDER "F"

ENERGY EFFICIENCY ~~AND RENEWABLE ENERGY~~ - EERE

**I. Determination of the Rate**

The EERE rate shall be derived in the following manner:

1. An estimate shall be made of the total annual cost related to the programs. This rider will include only expenses for energy efficiency ~~and renewable energy~~ programs approved by the Board in BPU Docket Nos. GO09010057, ~~and~~ GO10030225, ~~and~~ GR1107 unless modified further by Board Order.
2. An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers.
3. The prospective costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery to determine the total costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit cost recovery rate.

**II. Tracking the Operation of the EERE**

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred costs based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the balance at the end of each EERE recovery year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The EERE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EERE factor is as set forth below:

\$0.0127

Date of Issue: ~~July 7, 2011~~  
Issued by: Mark R. Spurduto, Vice President  
January 1, 2012  
Wall, NJ 07719

Effective for service rendered on  
and after ~~January 28, 2011~~

Filed pursuant to Order of the Board of Public Utilities entered in Docket No. GR1107  
GO10030225  
~~and to the June 21, 2011 Board of Public Utilities' Secretary's letter re: N.J.S.A. 48:3-60.1~~

**NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS  
Docket No. GR11**

**NOTICE OF FILING AND PUBLIC HEARING**

**TO OUR CUSTOMERS:**

**PLEASE TAKE NOTICE** that on July 15, 2011, New Jersey Natural Gas Company (“NJNG” or the “Company”) filed a Petition with the New Jersey Board of Public Utilities (“Board”) seeking approval of an extension to the currently approved energy-efficiency programs offered through NJNG’s The SAVEGREEN Project and associated cost recovery mechanisms. The proposed programs target various customer segments in the NJNG service territory and complement or supplement existing offers through New Jersey’s Clean Energy (NJCEP) programs. These NJNG programs will provide customers with increased incentives for participation in NJCEP through enhanced rebates, on-bill repayment arrangements, audit and weatherization opportunities, and expanded outreach efforts. Pursuant to this filing, NJNG requested that the Board permit NJNG to continue the Board-approved Energy Efficiency (“EE”) Rider that has been in effect since August 1, 2009 for collection of the costs associated with these programs. Those costs include funds for rebates, customer incentives and the associated incremental Operations and Maintenance expenses. NJNG has requested that the carrying costs associated with these programs be allowed.

The Company is requesting a one-year extension. If these programs are approved as filed, customers will see no change in their bill before October 2012.

The EE recovery charge mechanism will operate and be applied in a manner consistent with existing components and processes of the EE Rider applicable to all jurisdictional throughput volumes. Upon approval by the Board, the impact of this recovery mechanism will not result in an increase to the current EE rate. Individual customers participating in the SAVEGREEN programs are expected to achieve annual savings on their energy bills. The current rates are shown in the chart below.

The impact of the Company’s filing and the EE, requested to be effective as of January 1, 2012 or as of the date of the Final Board Order in this proceeding, on a typical residential customer (both heat and non-heat) and a typical general service small customer on a monthly basis is estimated to be as follows based on the usage levels shown below:

Customer Type	Therm Level (Usage)	Total Bill			
		Monthly Bill as of July 1, 2011	Proposed Monthly Bill as of January 1, 2012	Net Dollar Change	Percent Change
<b>Residential Heat Sales</b>	100	\$135.66	\$135.66	\$0.00	0.00%
<b>Residential Non-Heat Sales</b>	25	\$39.57	\$39.57	\$0.00	0.00%
<b>General Service Small</b>	100	\$149.25	\$149.25	\$0.00	0.00%
<b>General Service Large</b>	1200	\$1,485.22	\$1,485.22	\$0.00	0.00%

The EE rates above reflect the proposed impact on customers for the first year of operation. In subsequent years, the applicable rates will be determined following an annual filing by NJNG on June 1 based on actual collections through April and projected collections through September. Additionally, the Board has the statutory authority to establish the EE rate at a level it finds just and reasonable pursuant to *N.J.S.A. 48:2-21*. Therefore, the Board may establish the EE charge at a level other than those proposed by NJNG and the impact on a customer’s bill may vary from the information provided above.

**PLEASE TAKE NOTICE** that a public hearing on the extension of the SAVEGREEN Programs and EE Rider has been scheduled at the following dates, times and places:

?????

Freehold Borough Municipal Building  
51 W. Main Street  
Freehold, NJ 07728-2195

Rockaway Township Municipal Building  
Conference Room  
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 rate changes. 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 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: Kristi Izzo, Secretary, New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102. Copies of NJNG's July 15, 2011, filing can be reviewed either at the NJNG Customer Service Centers or at the New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

Tracey Thayer, Esq.  
**New Jersey Natural Gas**

DRAFT

**NEW JERSEY NATURAL GAS COMPANY  
ACCOUNTING ENTRIES**

<u>Entry</u>	<u>Acct.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b><u>Accounting for Energy Efficiency Program</u></b>				
EE1		To defer program expenditures and incremental O&M.		
	182	Program Investment Regulatory Asset	XXX	
	131	Cash		XXX
EE2		To amortize direct program expenditures over ___ years.		
	908	Customer Assistance Expenses	XXX	
	182	Program Investment Regulatory Asset		XXX
EE3		To charge incremental O&M to operating expense		
	908	Customer Assistance Expenses	XXX	
	182	Program Investment Regulatory Asset		XXX
EE4		Record the Regulatory asset recovery		
	131	Cash	XXX	
	400	Clause Revenues		XXX
	400	Clause Revenues	XXX	
	182	Regulatory Asset		XXX
EE5		To record any over/ under recovery.		
	182	Regulatory Asset	XXX	
	407.3	Regulatory Debits	XXX	
	407.4	Regulatory Credits		XXX
	254	Regulatory Liability		XXX
EE6		Record cost of capital on unrecovered balance using NJNG's WACC.		
	182	Regulatory Asset	XXX	
	419	Other Income	XXX	XXX
	254	Regulatory Liabilities		XXX
EE7		Record the Regulatory asset recovery On Bill Financing Repayment		
	908	Customer Assistance Expenses	XXX	
	131	Cash		XXX
	182	Regulatory Asset	XXX	
	908	Customer Assistance Expenses		XXX
EE8		Record Recovery of On Bill Financing Repayment		
	131	Cash	XXX	
	908	Customer Assistance Expenses		XXX
	908	Customer Assistance Expenses	XXX	
	182	Regulatory Asset		XXX





**PROMISSORY NOTE  
ON-BILL REPAYMENT PROGRAM**

<b>NEW JERSEY NATURAL GAS COMPANY</b> 1415 Wyckoff Rd P.O. Box 1464 Wall NJ, 07719	Name: Joint Name: Address: Town: State & Zip: NJ,  <b>Borrower(s)</b> <b>"I", "Me", "My" includes each Borrower above, individually and together.</b>	On-Bill Repayment Number:  Date:  On-Bill Repayment Amount:  Maturity Date:
---	--	---

**ANNUAL PERCENTAGE RATE:** The cost of my credit as a yearly rate: 0%

**FINANCE CHARGE:** The dollar amount the credit will cost me: \$0.00

**AMOUNT FINANCED:** The amount of credit provided to me or on my behalf:

**TOTAL OF PAYMENTS:** The amount I will have paid after I have made all scheduled payments:

**My payment schedule will be:** as follows

**Number of payments:** 120

**Amount of payments:** 119 payments of . One final payment of

**Definitions:** In this Promissory Note ("Note"), the words "I," "me" and "my" mean anyone signing this Note as a Borrower(s) or in any other way. The words "you" and "your" mean New Jersey Natural Gas Company ("NJNG").

**Promise to Pay:** I promise to pay to your order, either in-person, during your normal business hours, at your office at 1415 Wyckoff Road, P.O. Box 1464, Wall, New Jersey 07719, or by mailing to the NJNG designated payment address that appears on my NJNG monthly natural gas account bill, the Total of Payments, by paying the following amounts: and 00/100 Dollars, in 120 monthly installments as follows:

119 installments of each and one final payment of , with each of the installments to be due the same date as my NJNG account monthly billing due date on the New Jersey Natural Gas Company Account Number set forth below.

**When payments are due:** Monthly, the same date as my NJNG account monthly billing due date on the New Jersey Natural Gas Company Account Number set forth below.

**Prepayment:** I have the right to make payments of principal at any time before they are due, which is known as a "prepayment." When I make a prepayment, I am required to tell you in writing that I am doing so by mailing a written notice of prepayment, enclosing a separate check for the prepayment, to: NJNG, Revenue Billing Department, 1415 Wyckoff Road, P.O. Box 1464, Wall, New Jersey 07719. I may not designate a payment as a prepayment if I have not made all the monthly payments due under this Note.

Notwithstanding anything herein to the contrary, the minimum amount of any prepayment shall be no less than 20% of the **AMOUNT FINANCED**. If I attempt to make a prepayment in an amount less than 20% of the **AMOUNT FINANCED**, or fail to tell you in writing, as set forth above, that I am making a prepayment, you may, at your sole discretion, either credit the attempted prepayment to my NJNG natural gas account (rather than to reduce the amount of principal that I owe under this Note), or return the attempted prepayment to me.

I may make a full prepayment or partial prepayments in the manner set forth above without paying a prepayment charge. You will use my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date or in the amount of my monthly payment unless you agree in writing to those changes. It is further understood and agreed that if my NJNG natural gas account is in arrears, any such prepayment shall be applied first to the overdue balance on my NJNG natural gas account, and any remaining amount to reduce the amount of principal that I owe under this Note.

**Important Condition:** Participation in the NJNG On-Bill Repayment Program is expressly conditioned upon NJNG's receipt of a work completion approval notification, in a form acceptable to NJNG, from the New Jersey Clean Energy Program for the energy-efficient home improvement(s) designated in my application for the On-Bill Repayment Program (the "Work Completion Approval Notification"). The Amount Financed will not be given to me unless NJNG receives an acceptable Work Completion Approval Notification. The Amount Financed will be given to me on or about ten business days after NJNG receives an acceptable Work Completion Approval Notification.

**Borrower(s) Name:**

**Borrower(s) Address:**

**Date of Note:**

**New Jersey Natural Gas Company Account Number:**



**ADDITIONAL TERMS OF THE NOTE**

**Collection Costs:** If you hire an attorney to bring a lawsuit to collect any amount owing under this Note, I will pay any reasonable attorneys' fees and any court costs you have to pay.

**Waivers and Releases:** You can waive or delay enforcing any of your rights without losing them. You can waive or delay enforcing a right as to one borrower without waiving it as to any other borrower. Also, you need not give anyone any notice of any waiver, delay or release of any party or any extension of time payment. You need not give notice to one of us of defaults of the other.

**Continued Effectiveness:** If any part of this Note is determined by a court to be invalid, the rest will remain in effect.

**What Law Applies:** Any legal question about this Note will be decided according to New Jersey State law.

**Responsibility:** I and everyone else signing this Note will be, individually and together, liable under it. You can sue me under this Note even if you do not sue anyone else.

**Default:** Any of the following is a default under this Note:

1. Any amount owing under this Note is not paid by the day it becomes due; or
2. I violate a provision of this Note now or in the future; or
3. I file for bankruptcy or become subject to a proceeding which seeks relief from debt; or
4. I die or become legally unable to manage my affairs; or
5. I terminate the NJNG account number listed in this Note; or
6. I sell or otherwise transfer ownership of the real property at which NJNG currently provides natural gas utility service under the NJNG account number listed in this Note; or
7. I have made a false or misleading statement about an important matter in connection with the transaction covered by this Note or I have made or make one in any application to you related to this Note; or
8. You reasonably believe that any amount owing under this Note will not be paid by the day it becomes due.

**If a Default Occurs:** If a default occurs, you can declare all amounts owing under this Note immediately due.

**Obligations Independent:** My obligation to pay the Total of Payments is independent of the obligation of any other person who has also agreed to pay it. You may, without notice, release me or any of us, extend new credit to any of us, or renew or change this Note one or more times and for any term, and I will still be obligated to pay the Total of Payments or any other amount due pursuant to this Note.

**Privacy:** From time to time you may receive credit information about me from others, including lenders and credit reporting agencies. You may furnish to others on a regular basis credit and experience information regarding this Note. To the extent permitted by law, I agree that you will not be liable for any claim arising from the use of information provided to you by others or for providing information to others.

**Agreement:** I agree to be bound by all the provisions of this Note.

**Copy Received:** Borrower(s) acknowledges receipt of a completely filled in copy of this Note.

\_\_\_\_\_  
Signature of Borrower(s)

\_\_\_\_\_

\_\_\_\_\_  
Print Signature of Borrower(s)

\_\_\_\_\_

\_\_\_\_\_  
Address

\_\_\_\_\_  
Date

Summary of Preliminary CBA Results

	Furnace / Boiler Rebate	HPES Tier II Rebate	HPES Tier III Rebate	Tier II and III OBRP	Warm Adv. OBRP	Warm Adv. w/ Water Heater OBRP	Total Residential	CHP	ACCESS
<b>Participant Test</b>									
Benefits	\$ 20,742,982	\$ 1,647,162	\$ 5,549,577	\$ 8,389,122	\$ 3,020,159	\$ 805,817	\$ 40,154,820	\$ 21,634,423	\$ 4,716,103
Costs	8,244,332	655,799	2,774,967	3,430,766	1,199,176	440,322	16,745,363	6,999,604	936,856
<b>Net Benefits</b>	<b>\$ 12,498,650</b>	<b>\$ 991,363</b>	<b>\$ 2,774,610</b>	<b>\$ 4,958,356</b>	<b>\$ 1,820,983</b>	<b>\$ 365,495</b>	<b>\$ 23,409,457</b>	<b>\$ 14,634,819</b>	<b>\$ 3,779,247</b>
<b>Ratio</b>	<b>2.52</b>	<b>2.51</b>	<b>2.00</b>	<b>2.45</b>	<b>2.52</b>	<b>1.83</b>	<b>2.40</b>	<b>3.09</b>	<b>5.03</b>
<b>Program Administrator Test</b>									
Benefits	\$ 10,647,165	\$ 959,652	\$ 3,146,405	\$ 4,108,411	\$ 1,548,679	\$ 387,170	\$ 20,797,481	\$ 24,177,590	\$ 5,753,866
Costs	8,736,166	546,663	1,951,947	3,797,980	888,022	272,853	16,193,631	3,018,744	1,028,832
<b>Net Benefits</b>	<b>\$ 1,910,999</b>	<b>\$ 412,989</b>	<b>\$ 1,194,459</b>	<b>\$ 310,431</b>	<b>\$ 660,656</b>	<b>\$ 114,317</b>	<b>\$ 4,603,850</b>	<b>\$ 21,158,846</b>	<b>\$ 4,725,034</b>
<b>Ratio</b>	<b>1.22</b>	<b>1.76</b>	<b>1.61</b>	<b>1.08</b>	<b>1.74</b>	<b>1.42</b>	<b>1.28</b>	<b>8.01</b>	<b>5.59</b>
<b>Ratepayer Impact Test</b>									
Benefits	\$ 10,647,165	\$ 959,652	\$ 3,146,405	\$ 4,108,411	\$ 1,548,679	\$ 387,170	\$ 20,797,481	\$ 24,177,590	\$ 3,430,227
Costs	24,068,806	1,608,290	5,510,705	8,418,365	3,118,502	830,351	43,555,018	37,516,280	6,320,515
<b>Net Benefits</b>	<b>\$ (13,421,641)</b>	<b>\$ (648,638)</b>	<b>\$ (2,364,300)</b>	<b>\$ (4,309,954)</b>	<b>\$ (1,569,823)</b>	<b>\$ (443,181)</b>	<b>\$ (22,757,537)</b>	<b>\$ (13,338,690)</b>	<b>\$ (2,890,288)</b>
<b>Ratio</b>	<b>0.44</b>	<b>0.60</b>	<b>0.57</b>	<b>0.49</b>	<b>0.50</b>	<b>0.47</b>	<b>0.48</b>	<b>0.64</b>	<b>0.54</b>
<b>Total Resource Cost Test</b>									
Benefits	\$ 18,039,808	\$ 1,220,922	\$ 3,749,222	\$ 4,972,619	\$ 1,977,747	\$ 494,437	\$ 30,454,756	\$ 9,029,317	\$ 1,917,791
Costs	10,797,249	734,034	2,853,202	3,694,223	1,409,941	493,014	19,981,664	7,207,780	1,028,832
<b>Net Benefits</b>	<b>\$ 7,242,559</b>	<b>\$ 486,888</b>	<b>\$ 896,020</b>	<b>\$ 1,278,396</b>	<b>\$ 567,806</b>	<b>\$ 1,423</b>	<b>\$ 10,473,092</b>	<b>\$ 1,821,537</b>	<b>\$ 888,959</b>
<b>Ratio</b>	<b>1.67</b>	<b>1.66</b>	<b>1.31</b>	<b>1.35</b>	<b>1.40</b>	<b>1.00</b>	<b>1.52</b>	<b>1.25</b>	<b>1.86</b>
<b>Societal Cost Test</b>									
Benefits	\$ 18,210,406	\$ 1,282,543	\$ 3,939,999	\$ 5,225,017	\$ 2,002,561	\$ 500,640	\$ 31,161,168	\$ 14,864,956	\$ 2,577,723
Costs	10,797,249	734,034	2,853,202	3,694,223	1,409,941	493,014	19,981,664	7,207,780	1,028,832
<b>Net Benefits</b>	<b>\$ 7,413,157</b>	<b>\$ 548,509</b>	<b>\$ 1,086,797</b>	<b>\$ 1,530,794</b>	<b>\$ 592,621</b>	<b>\$ 7,627</b>	<b>\$ 11,179,504</b>	<b>\$ 7,657,176</b>	<b>\$ 1,548,892</b>
<b>Ratio</b>	<b>1.69</b>	<b>1.75</b>	<b>1.38</b>	<b>1.41</b>	<b>1.42</b>	<b>1.02</b>	<b>1.56</b>	<b>2.06</b>	<b>2.51</b>

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1

	<b>I. General Filing Requirements- RGGI</b>	<b>Location in NJNG's EE filing</b>
	The utility shall provide with all filings, information and data pertaining to the specific program proposed, as set forth in applicable sections of N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12.	Exhibit P-1, Petition Schedule NJNG-1 Comparative Balance Sheet Schedule NJNG-2 Comparative Income Statement Schedule NJNG-3 Balance Sheet (May 2011) Schedule NJNG-4 Statement of Revenue Schedule NJNG-5 Pro-Forma Income Statement Schedule NJNG-6 Payments to Affiliates Schedule NJNG-7 Notice of Filing to Municipalities Schedule NJNG-8 Proposed Tariff Modifications Schedule NJNG-9 Draft Public Notice Certification incorporated within Petition
I	a	Schedule NJNG-10 Accounting Entries Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Net EE Investments by Year Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary
I	b	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Net EE Investments by Year Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary Exhibit P-2, Direct Testimony of Thomas J. Massaro
I	c	Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3, direct Testimony of Daniel P. Yardley Not Applicable
I	d	For any small scale or pilot program, the utility shall only be subject to the requirements in this Section and Sections II, III, and IV. The utility shall, however, provide its estimate of costs and a list of data it intends to collect in a subsequent review of the benefits of the program. Information in Section V may be required for pilot and small programs if such programs are particularly large or complex. A "small scale" project is defined as one that would result in either a rate increase of less than a half of one percent of the average residential customer's bill or an additional annual total revenue requirement of less than \$5 million. A pilot program shall be no longer than three years, but can be extended under appropriate circumstances.
I	e	If the utility is filing for an increase in rates, charges etc., or for approval of a program which may increase rates/charges to ratepayers in the future, the utility shall include a draft public notice with the petition and proposed publication dates.
I	f	Schedule NJNG-9 Draft Form of Public Notice

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1

	<b>II. Program Description</b>	
II	<p>The utility shall provide a detailed description of each proposed program for which the utility seeks approval: Description of Program 2, Market Segment/Efficiency Targeted 3, Delivery Method 4, Estimated Program Participants 5, Link to Existing Programs 6, Existing Incentives 7, Proposed Incentives 8, Anticipated Job Creation 9, Budget Information 10, Marketing Approach 11, Contractor Role</p>	<p>Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-4 Residential Schedule TJM-5 Access Schedule TJM-6 Commercial Schedule NJNG-11 Office of Clean Energy Budget Information Schedule TJM-1 NJCEP and NJNG Program Comparison Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-1 NJCEP and NJNG Program Comparison Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-1 NJCEP and NJNG Program Comparison Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-4 Residential Schedule TJM-5 Access Schedule TJM-6 Commercial Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-3 Complaint Resolution Flow Chart Schedule TJM-4 Residential Schedule TJM-5 Access Schedule TJM-6 Commercial Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-2 Marketing Plan</p>
II	<p>The utility shall provide a detailed explanation of the differences and similarities between each proposed program and existing and/or prior programs offered by the New Jersey Clean Energy Program, or the utility.</p>	
II	<p>The utility shall provide a description of how the proposed program will complement, and impact existing programs being offered by the utility and the New Jersey Clean Energy Program with all supporting documentation.</p>	
II	<p>The utility shall provide a detailed description of how the proposed program is consistent with and/or different from other utility programs or pilots in place or proposed with all supporting documentation.</p>	
II	<p>The utility shall provide a detailed description of how the proposed program comports with New Jersey State policy as reflected in reports, including the New Jersey Energy Master Plan, or, pending issuance of the final Energy Master Plan, the draft Energy Master Plan, and the greenhouse gas emissions reports to be issued by the New Jersey Department of Environmental Protection pursuant to N.J.S.A. 26:2C-42(b) and (c) and N.J.S.A. 26:2C-43 of the Global Warming Response Act, N.J.S.A. 26:2C-37 et seq.</p>	
II	<p>The utility shall provide the features and benefits for each proposed program including the following: i. the target market and customer eligibility if incentives are to be offered; ii. the program offering and customer incentives; iii. the quality control method including inspection; iv. program administration; and v. program delivery mechanisms.</p>	
II	<p>The utility shall provide the criteria upon which it chose the program.</p>	
II	<p>The utility shall provide the estimated program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives including inspections and quality control, program implementation (all contract costs) and evaluation and other.</p>	
II	<p>The utility shall provide the extent to which the utility intends to utilize employees, contractors or both to deliver the program and, to the extent applicable, the criteria the utility will use for contractor selection.</p>	
II	<p>In the event the program contemplates an agreement between the utility and its contractors and/or the utility and its ratepayers, copies of the proposed standard contract or agreement between the ratepayer and the utility, the contractor and the utility, and/or the contractor and the ratepayer shall be provided.</p>	
II	<p>The utility shall provide a detailed description of the process for resolving any customer complaints related to these programs.</p>	
II	<p>The utility shall describe the program goals including number of participants on an annual basis and the energy savings, renewable energy generation and resource savings, both projected annually and over the life of the measures.</p>	
II	<p>Marketing – The utility shall provide the following: a description of where and how the proposed program/project will be marketed or promoted throughout the demographic segments of the utility’s customer base including an explanation of how prices and the service for each proposed program/project will be conveyed to customers.</p>	

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
 FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
 ASSOCIATED COST RECOVERY MECHANISMS  
 PURSUANT TO N.J.S.A. 48:3-98.1

	<p><b>III. Additional Filing Information</b></p> <p>The utility shall describe whether the proposed programs will generate incremental activity in the energy efficiency/conservation/renewable energy marketplace and what, if any, impact on competition may be created, including any impact on employment, economic development and the development of new business with all supporting documentation. This shall include a breakdown of the impact on the employment within this marketplace as follows: marketing/sales, training, program implementation, installation, equipment, manufacturing and evaluation and other applicable markets. With respect to the impact on competition the analysis should include the competition between utilities and other entities already currently delivering the service in the market or new markets that may be created.</p>	<p>Schedule TJM-4 Residential                  Schedule TJM-5 Access                  Schedule TJM-6 Commercial                  Exhibit P-2, Direct Testimony of Thomas J. Massaro                  Schedule NJNG-15 Job Creation</p>
<p>III</p> <p>a</p>	<p>The utility shall provide a description of any known market barriers that may impact the program and address the potential impact on such known market barriers for each proposed program with all supporting documentation. This analysis shall include barriers across the various markets including residential (both single and multi-family), commercial and industrial (both privately owned and leased buildings), as well as between small, medium and large commercial and industrial markets. This should include both new development and retrofit or replacement upgrades across the market sectors.</p>	<p>Exhibit P-2, Direct Testimony of Thomas J. Massaro</p>
<p>III</p> <p>b</p>	<p>The utility shall provide a qualitative/quantitative description of any anticipated environmental benefits associated with the proposed program and a quantitative estimate of such benefits for the program overall and for each participant in the program with all supporting documentation. This shall include an estimate of the energy saved in kWh and/or therms and the avoided air emissions, wastewater discharges, waste generation and water use or other saved or avoided resources.</p>	<p>Schedule TJM-4 Residential                  Schedule TJM-5 Access                  Schedule TJM-6 Commercial</p>
<p>III</p> <p>c</p>	<p>To the extent known, the utility shall identify whether there are similar programs available in the existing marketplace and provide supporting documentation if applicable. This shall include those programs that provide other societal benefits to other under-served markets. This should include an analysis of the services already provided in the market place, and the level of competition.</p>	<p>Schedule TJM-1 NJCEP and NJNG Program Comparison</p>
<p>III</p> <p>d</p>	<p>The utility shall provide an analysis of the benefits or impacts in regard to Smart Growth.</p>	<p>Exhibit P-2, Direct Testimony of Thomas J. Massaro</p>
<p>III</p> <p>e</p>	<p>The utility shall propose the method for treatment of Renewable Energy Certificates ("REC") including solar RECs or any other certificate developed by the Board of Public Utilities, including Greenhouse Gas Emissions Portfolio and Energy Efficiency Portfolio Standards including ownership, and use of the certificate revenue stream(s).</p>	<p>Exhibit P-2, Direct Testimony of Thomas J. Massaro                  Exhibit P-3 Direct Testimony of Daniel P. Yardley</p>
<p>III</p> <p>f</p>	<p>The utility shall propose the method for treatment of any air emission credits and offsets, including Regional Greenhouse Gas Initiative carbon dioxide allowances and offsets including ownership, and use of the certificate revenue stream(s).</p>	<p>Not Applicable</p>
<p>III</p> <p>g</p>	<p>The utility shall analyze the proposed quantity and expected prices for any REC, solar REC, air emission credits, offsets or allowances or other certificates to the extent possible.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-5 Revenue Requirements Summary</p>
<p>III</p> <p>h</p>		

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
 FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
 ASSOCIATED COST RECOVERY MECHANISMS  
 PURSUANT TO N.J.S.A. 48:3-98.1

IV	a	<p><b>IV. Cost Recovery Mechanism</b></p> <p>The utility shall provide appropriate financial data for the proposed program, including estimated revenues, expenses and capitalized investments, for each of the first three years of operations and at the beginning and end of each year of said three-year period. The utility shall include pro forma income statements for the proposed program, for each of the first three years of operations and actual or estimated balance sheets as at the beginning and end of each year of said three year period.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-1 Program Unit Costs and Projected Take Rates                  Schedule DPY-2 Net EE Investments by Year                  Schedule DPY-3 Cost of Capital                  Schedule DPY-4 Operations and Maintenance Costs                  Schedule DPY-5 Revenue Requirements Summary                  Schedule NJNG-5 Pro-Forma Income Statement</p>
IV	b	<p>The utility shall provide detailed spreadsheets of the accounting treatment of the cost recovery including describing how costs will be amortized, which accounts will be debited or credited each month, and how the costs will flow through the proposed method of recovery of program costs.</p>	<p>Schedule NJNG-10 Accounting Entries</p>
IV	c	<p>The utility shall provide a detailed explanation, with all supporting documentation, of the recovery mechanism it proposes to utilize for cost recovery of the proposed program, including proposed recovery through the Societal Benefits Charge, a separate clause established for these programs, base rate revenue requirements, government funding reimbursement, retail margin, and/or other.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-6 Energy Efficiency Rate</p>
IV	d	<p>The utility's petition for approval, including proposed tariff sheets and other required information, shall be verified as to its accuracy and shall be accompanied by a certification of service demonstrating that the petition was served on the Department of the Public Advocate, Division of Rate Counsel simultaneous to its submission to the Board.</p>	<p>Exhibit P-1, Petition                  Schedule NJNG-8 Proposed Tariff Modifications</p>
IV	e	<p>The utility shall provide an annual rate impact summary by year for the proposed program, and an annual cumulative rate impact summary for all approved and proposed programs showing the impact of individual programs as well as the cumulative impact of all programs upon each customer class of implementing each program and all approved and proposed programs based upon a revenue requirement analysis that identifies all estimated program costs and revenues for each proposed program on an annual basis. The utility shall also provide an annual bill impact summary by year for each program, and an annual cumulative bill impact summary by year for all approved and proposed programs showing bill impacts on a typical customer for each class.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-7 Projected Bill Impacts by Class</p>
IV	f	<p>The utility shall provide, with supporting documentation, a detailed breakdown of the total costs for the proposed program, identified by cost segment (capitalized costs, operating expense, administrative expense, etc.). This shall also include a detailed analysis and breakdown and separation of the embedded and incremental costs that will be incurred to provide the services under the proposed program with all supporting documentation.</p>	<p>Exhibit P-3 Direct Testimony of Daniel P. Yardley                  Schedule DPY-5 Revenue Requirements Summary</p>
IV	g	<p>The utility shall provide a detailed revenue requirement analysis that clearly identifies all estimated program costs and revenues for the proposed program on an annual basis, including effects upon rate base and pro forma income calculations.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-5 Revenue Requirements Summary</p>
IV	h	<p>The utility shall provide, with supporting documentation: (i) a calculation of its current capital structure as well as its calculation of the capital structure approved by the Board in its most recent electric and/or gas base rate cases, and (ii) a statement as to its allowed overall rate of return approved by the Board in its most recent electric and/or gas base rate cases.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-3 Cost of Capital</p>
IV	i	<p>If the utility is seeking carrying costs for a proposed program, the filing shall include a description of the methodology, capital structure, and capital cost rates used by the utility.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley                  Schedule DPY-3 Cost of Capital</p>
IV	j	<p>A utility seeking incentives or rate mechanism that decouples utility revenues from sales, shall provide all supporting justification, and rationale for incentives, along with supporting documentation, assumptions and calculations.</p>	<p>Not Applicable</p>

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF THE EXTENSION OF ENERGY-EFFICIENCY PROGRAMS AND  
ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1

<b>V. Cost Benefit Analysis</b>		
V	a	The utility shall provide a detailed analysis with supporting documentation of the net benefits associated with the proposed program, including, if appropriate, a comprehensive and detailed avoided cost savings study with supporting documentation. The value of the avoided environmental impacts and the environmental benefits and the value of any avoided or deferred energy infrastructure should be stated separately.
V	b	The utility shall calculate a cost/benefit analysis utilizing the Total Resource Cost ("TRC") test that assesses all program costs and benefits from a societal perspective. The utility may also provide any cost benefit analysis that it believes appropriate with supporting rationales and documentation.
V	c	The utility shall quantify all direct and indirect benefits as well as provide projected costs resulting from a proposed program that is subject to a cost/benefit test.
V	d	Renewable energy programs shall not be subject to a cost/benefit test but the utility must quantify all direct and indirect benefits resulting from such a proposed program as well as provide the projected costs. The utility must also demonstrate how such a proposed program will support energy and environmental statewide planning objectives, such as attainment of the Renewable Portfolio Standard and any emission requirements.
V	e	The utility must demonstrate for the proposed program that it results in a positive benefit/cost ratio, or, if the utility cannot make such a demonstration, it must provide the rationale for why the proposed program should be approved.
V	f	The level of energy and capacity savings utilized in these calculations shall be based upon the most recent protocols approved by the Board of Public Utilities to measure energy savings for the New Jersey Clean Energy Program. In the event no such protocols exist, or to the extent that a protocol does not exist for a filed program, the utility must submit a measurement protocol for the program or contemplated measure for approval by the Board.
V	g	The utility shall also quantify and deduct from the energy and capacity savings any free rider effects and the business as usual benefits from homeowners and businesses installing Energy Efficiency or Renewable Energy without the N.J.S.A. 48:3-98.1 benefits or incentives.

**New Jersey Natural Gas  
Estimate of Jobs Created/Sustained**

**Note: These estimates do not include any multiplier effects or any impact on job retention at companies that participate in the program.**

Estimated # of Projects per year	Assumed avg # work days per project	Estimated Total Work Hours	FTEs based upon 1820 work hours
--	---	----------------------------------	---------------------------------------

**Current NJNG EE positions**

27

**Residential**

Gas Furnace/Boiler	6,500	4	208,000	114
Hot Water Heater when combined with WARM Advantage path*	200	1	1,600	1
HPwES upgrades associated with NJNG audits	500	2	8,000	4
HPwES Projects served entirely by HPwES contractor in NJNG territory	500	7	28,000	15
Access	200	4	3,200	2

**Estimate of Jobs Created/Sustained from residential projects**

163

<b>Commercial</b>	<b>Estimated number of jobs per assumed project capital cost</b>		
Combined Heat & Power <500KW	2	2 to 3	4 to 6
Combined Heat & Power > 500 KW	2	6 to 10	12 to 20

**Range of Estimated of Jobs Created/Sustained from CHP**

16 to 26

**Total Range of Jobs/Created Sustained 179 to 189**

\* Represents a relatively small portion of overall installations since customer must choose NJNG financing option for furnace upgrade rather than enhanced rebate to access financing for this equipment.



1 assisting state and local governments in their implementation of energy efficiency  
2 policies and programs.

3 **Q. WHAT IS YOUR INVOLVEMENT WITH NJNG'S EXISTING ENERGY-**  
4 **EFFICIENCY PROGRAMS?**

5 A. I am directly responsible for the Company's current energy-efficiency and  
6 conservation programs. Presently, these programs fall under SAVEGREEN, the  
7 initiative through which NJNG manages the EE programs approved by the New  
8 Jersey Board of Public Utilities (the "Board" or "BPU") in Docket Nos.  
9 EO09010056, GO09010057 and GO10030225 ("SAVEGREEN programs").  
10 SAVEGREEN currently provides on-bill repayment opportunities, along with rebates  
11 and incentives for customer participation in a variety of energy-efficiency programs  
12 designed to complement those administered by the BPU through New Jersey's Clean  
13 Energy Program ("NJCEP"). The Energy-Efficiency Marketing Manager and the  
14 Manager, Performance Measurement and Support who report to me are responsible  
15 for running these programs and supervising the 27 employees currently supporting  
16 the SAVEGREEN programs. In addition, I am directly involved with the Company's  
17 ongoing strategic assessment of opportunities to enhance energy efficiency and  
18 conservation for our customers and to promote the benefits of natural gas overall,  
19 including as a source for heating, generation and transportation purposes.

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

22 A. NJNG is proposing to continue the SAVEGREEN suite of energy-efficiency and  
23 conservation programs for a one year period with only limited modifications to the  
24 current programs. The changes proposed by the Company reflect what we have  
25 learned about customer needs, activity in the current marketplace and State policy  
26 directions, including some incorporated in the Draft Energy Master Plan ("EMP")  
27 released on June 7, 2011. In this testimony, I describe how the continuation of the  
28 SAVEGREEN programs reinforces the direct link between addressing customer

1 interests and supporting current State and national policy initiatives promoting  
2 economic development, job creation, energy efficiency and lowering costs to  
3 ratepayers. I then provide testimony on the programs that NJNG is proposing to  
4 extend for one additional year including program descriptions and the method of  
5 delivery. Continuation under this framework is cost effective and maintains  
6 continuity for our customers and the many trade allies that support these activities in  
7 the marketplace.

8 **Q. IS NJNG SUBMITTING ADDITIONAL TESTIMONY IN SUPPORT OF ITS**  
9 **PETITION?**

10 **A.** Yes. The pre-filed testimony of Daniel P. Yardley, Principal, Yardley Associates  
11 (Exhibit P-3) is being submitted in support of this filing and explains the ratemaking  
12 aspects, including projected revenue requirements and customer bill impacts based on  
13 the proposed recovery of the program investments and related costs. NJNG's filing  
14 also includes the information sought by the BPU for filings pursuant to the Board  
15 Order dated May 12, 2008 ("May 2008 Order") in Docket No. EO08030164  
16 establishing Minimum Filing Requirements ("MFRs") for certain energy-efficiency  
17 proposals. Attached to and made a part of this filing is Schedule NJNG-14 that lists  
18 the MFRs and the location of the requested information within this filing.

19 **Q. PLEASE DISCUSS NJNG'S HISTORY IN OFFERING ENERGY-**  
20 **EFFICIENCY PROGRAMS THROUGH SAVEGREEN.**

21 **A.** After submitting a filing on January 19, 2009 in Docket Nos. EO09010056 and  
22 GO09010057, NJNG entered into a Stipulation with representatives from the BPU  
23 Staff and the New Jersey Division of Rate Counsel<sup>1</sup> (the "Parties") that was approved  
24 in its entirety by the BPU in an Order dated July 17, 2009 ("July 2009 Order"). NJNG  
25 was authorized to implement three energy-efficiency programs through  
26 SAVEGREEN that complemented or supplemented existing programs from NJCEP:

---

<sup>1</sup> The New Jersey Division of Rate Counsel was formerly designated as the Department of the Public Advocate, Division of Rate Counsel.

1 Home Performance with Energy Star (“HPwES”) Enhancements; Enhancement to the  
2 WARMAdvantage Rebate Program; and, the Commercial Customer Direct Install  
3 Program. A major focus of these programs was the stimulation of New Jersey’s  
4 economy and creation of jobs, along with the promotion of energy efficiency to  
5 NJNG customers. Additionally, financing opportunities were made available through  
6 Energy Finance Solutions (“EFS”), an out-of-state firm working in conjunction with  
7 NJCEP. NJNG bought down the associated loan costs for qualified customers in the  
8 HPwES program. As a result of that initial EE program approval, more than twenty  
9 direct jobs were established at NJNG alone to provide the services and support  
10 necessary to manage and promote these programs. Additionally, during the initial 16-  
11 month period of activity for SAVEGREEN, more than 5,200 audits were completed,  
12 almost 5,400 rebates were submitted for processing and 379 customers participated in  
13 the financing opportunity with EFS. Recovery of the costs necessary to deliver these  
14 programs to customers, including rebates, incentives, incremental operation and  
15 maintenance (“O&M”) expenses and the associated carrying costs is provided  
16 through the Energy-Efficiency Rider to the Company’s Tariff, designated as Rider F.

17 Based on the success of these programs, the associated jobs created and in  
18 continued support of the State’s focus on stimulating the economy, NJNG submitted a  
19 filing on March 29, 2010 seeking BPU approval to expand the then-current  
20 SAVEGREEN energy-efficiency programs and to implement certain renewable  
21 energy programs with the associated cost recovery to continue as approved in the  
22 March 2009 Order. Following a full discovery process and settlement negotiations,  
23 the Parties to this proceeding (BPU Staff, Rate Counsel, Jersey Central Power &  
24 Light and Atlantic City Electric Company) executed a Stipulation or submitted letters  
25 with the BPU stating no objection to the settlement terms. On September 24, 2010  
26 (“September 2010 Order”), the BPU issued an Order in Docket No. GO10030225,  
27 approving the terms of the Stipulation. Based on the Parties’ negotiations and in light  
28 of the discussions at that time about potential transitioning of the NJCEP to a new  
29 model and the anticipated release of a revised Energy Master Plan (“EMP”) for New

1 Jersey, NJNG agreed to certain modifications to its original March 2010 filing. As a  
2 result, the following programs and offers were approved to be effective through  
3 December 31, 2011: enhanced rebates for the purchase and installation of various  
4 heating, ventilation and air-conditioning (“HVAC”) equipment; on-bill repayment  
5 program (“OBRP”) at zero-percent interest implemented and managed by NJNG  
6 instead of EFS, the previously-used out-of-state firm; free air sealing for customers  
7 who took advantage of the NJNG Enhanced rebate; payment of rebates for a  
8 designated number of customers participating in the HPwES programs and  
9 implementing additional energy saving projects; the OPOWER Pilot through which  
10 customers receive information about their specific energy use in comparison to  
11 comparable households; an incremental incentive for Combined Heat and Power  
12 (“CHP”) projects undertaken in conjunction with NJCEP; and a program with no  
13 ratepayer impact that offers eligible customers an opportunity for customized savings,  
14 Fostering Environmental and Economic Development (“FEED”). These programs  
15 began in January 2011 and, through June 2011, almost 4,000 audits have been  
16 conducted, 3,782 rebates were submitted for processing and 54 customers have  
17 completed the necessary paperwork and received approval to participate in the OBRP  
18 which opened to receive applications mid-January 2011. Additionally, there are over  
19 one hundred customers who are currently being processed for participation in OBRP.  
20 Based on the above statistics, monthly rebate activity in SAVEGREEN has increased  
21 over 300 percent since 2009 while audit participation has increased by over 270  
22 percent during that same time period. Importantly, the number of contractors  
23 participating in promoting energy efficiency through SAVEGREEN has increased  
24 from 105 in September 2009 to 920 as of June 2011, an increase of 776 percent.  
25

1 **II. POLICY OVERVIEW**

2 **Q. ARE YOU FAMILIAR WITH THE BASIS UNDER WHICH NJNG HAS**  
3 **PREVIOUSLY RECEIVED BPU APPROVAL TO OFFER ENERGY-**  
4 **EFFICIENCY PROGRAMS AND RECOVER THE ASSOCIATED COSTS?**

5 **A.** Yes. In January 2008, the Global Warming Response Act, N.J.S.A. 26:2C-45 (the  
6 “Legislation”) was enacted in which, among other things, it was found that New  
7 Jersey can assist in addressing concerns related to global-warming through the  
8 establishment of energy-efficiency and conservation programs. That law also  
9 highlights that public utilities in New Jersey provide an integral element in  
10 developing and implementing programs designed to reduce energy usage.  
11 Specifically, in Section 13 of the Legislation, codified at N.J.S.A. 48:3-98.1, the  
12 Legislature established that electric and natural gas utilities can offer and invest in  
13 regulated energy-efficiency and conservation programs. Furthermore, utilities are  
14 authorized to seek approval from the BPU for the recovery of costs related to such  
15 programs. That recovery may include a return on equity, the establishment of  
16 incentives and the development of a rate mechanism that breaks the link between  
17 utility revenues and customer usage. The eligible ratemaking treatment can also  
18 provide for the inclusion of certain investments in a utility’s rate base or the recovery  
19 of such costs through another BPU-approved method. As noted earlier in this  
20 testimony, the BPU issued the May 12 Order designating the type of initial  
21 information that should be provided in such a filing through the MFRs.

22 **Q. PLEASE PROVIDE AN OVERALL DESCRIPTION OF THE DRAFT 2011**  
23 **ENERGY MASTER PLAN FOR NEW JERSEY THAT WAS RELEASED ON**  
24 **JUNE 7, 2011.**

25 **A.** The Draft 2011 EMP presents the Christie Administration’s strategic vision for the  
26 energy sector in New Jersey over the next ten years. This document presents both  
27 long- and short-term approaches to promoting economic growth and saving customers  
28 money while protecting the environment and providing for the development of

1 sufficient electric and natural gas infrastructure to ensure the continuation of safe and  
2 reliable lifeline services in the State. Both energy-efficiency and conservation  
3 programs are touted as one aspect of reducing energy costs for current residents and,  
4 importantly, to encourage business retention and growth in New Jersey. “Reducing  
5 energy costs through conservation, energy-efficiency and demand response programs  
6 lowers the cost of doing business in the State, enhances economic development, and  
7 advances the State’s environmental goals.” (EMP, Page 1). In addition, in an effort to  
8 reduce the State’s reliance on foreign fuels while increasing the use of domestic,  
9 competitively priced fuels, the EMP advocates movement away from petroleum-  
10 based products as sole sources for heating and transportation. “We encourage  
11 increased natural gas use for power generation as well as for residential and  
12 commercial applications, in lieu of oil. The use of high-efficiency natural gas  
13 appliances is encouraged, including the substitution of natural gas furnaces and hot  
14 water heaters for distillate oil use.” (EMP, Page 9). The EMP strongly supports  
15 energy-efficiency measures, with the concomitant energy cost savings for customers,  
16 and supports an increased reliance on funding sources that do not increase overall  
17 costs to ratepayers.

18 **Q. PLEASE PROVIDE AN OVERVIEW OF THE STATE’S CURRENT**  
19 **ENERGY-EFFICIENCY PROGRAMS?**

20 A. NJCEP provides incentive and rebate opportunities for both residential and  
21 commercial customers to encourage cost-effective energy savings through various  
22 methods, including the installation of energy-efficient appliances, insulation and seal-  
23 up work, lighting upgrades, and even the development of combined heat and power  
24 systems for on-site generation. Additionally, the New Jersey Economic Development  
25 Authority (“EDA”) provides grants and loans to commercial, industrial and  
26 institutional locations involved with projects that provide economic development and  
27 environmental benefits. Such projects include the installation of combined heat and  
28 power (“CHP”) facilities, the purchase of fixed assets including real estate and

1 equipment for an energy-efficiency project, support for clean energy manufacturing  
2 in New Jersey and renewable energy projects.

3 NJNG acknowledges that the state is considering alternate models for the  
4 delivery of energy-efficiency programs over the longer term. Considering that any  
5 potential transition will likely take more than a year from any BPU decision regarding  
6 a new program structure, it is appropriate to extend the utility companion programs in  
7 the interim to provide market stability for customers and trade allies. This pending  
8 transition is the primary reason that NJNG's current filing proposes a one year  
9 program extension.

10 **Q. HOW DOES EXTENDING THE SAVEGREEN PROGRAMS ALIGN WITH**  
11 **CURRENT STATE ENERGY-EFFICIENCY PROGRAMS AND THE**  
12 **OVERARCHING POLICY POSITIONS IN THE EMP?**

13 A. Through SAVEGREEN, residential and commercial customers can participate in  
14 energy-efficiency and conservation programs that provide the means of reducing their  
15 individual energy costs and may support decreased reliance on imported petroleum-  
16 based fuels through the installation of high-efficiency natural gas appliances  
17 including furnaces and water heaters. Additionally, through insulation and seal-up  
18 activities, the benefits of the high-efficiency appliances are enhanced by consuming  
19 energy in a more efficient manner. By focusing on the whole house (or the whole  
20 business), participants receive the most benefit from higher-efficiency equipment.  
21 Additionally, some measures installed to reduce natural gas usage also reduce  
22 electricity usage at peak periods. For example, seal-up work results in energy savings  
23 for air conditioning load since the system does not have to compensate for cool air  
24 that previously would have escaped. Finally, the NJNG OBRP provides funds to  
25 homeowners who might otherwise not be able to make the necessary energy-  
26 efficiency investments to obtain energy and cost savings. As those funds are repaid by  
27 the participating customer over the agreed upon number of years, a revolving fund is  
28 established and NJNG has that money available to offer to other customers. While the  
29 State continues to address the positions and goals set out in the Draft EMP, including

1 such things as longer term approaches for the delivery of energy-efficiency programs  
2 and the format of such programs, it will be beneficial to maintain consistency in the  
3 interim marketplace. That will assist the many contractors and trade allies in  
4 executing their current business plans and afford them time to consider any longer  
5 term changes that may be necessary to align themselves with shifts in state policy and  
6 programs in the future. It also provides customers with ongoing opportunities to take  
7 advantage of both NJCEP and NJNG offers.

8 **Q. WHY IS IT IMPORTANT THAT CUSTOMERS RECEIVE INFORMATION**  
9 **ABOUT ENERGY-EFFICIENCY OPPORTUNITIES WHEN THEY ARE**  
10 **CONSIDERING NEW EQUIPMENT?**

11 NJNG believes it is especially important to influence the customers' decision-making  
12 processes before or, at the latest, at the time they choose heating, cooling and water  
13 heating equipment to reinforce the importance of investing in energy-efficient units.  
14 Since those decisions are only made on average every 15 to 20 years, based on the  
15 age of existing heating and cooling equipment, it is crucial to impact purchase  
16 decisions for as many customers as possible. If a customer is not inclined to make the  
17 necessary investment in high-efficiency equipment at or before the time of purchase,  
18 that opportunity is lost for a significant time period, frustrating New Jersey's efforts  
19 at reducing energy costs. Public awareness of energy-efficiency equipment has been  
20 expanding, which makes it even more important to capture those customers who are  
21 in the market for energy equipment but are deterred by the high upfront investment  
22 required.

23 **Q. IN ADDITION TO MAINTAINING THE DIRECT JOBS FOR THE 27 NJNG**  
24 **EMPLOYEES, DOES THE EXTENSION OF THE SAVEGREEN**  
25 **PROGRAMS CONTINUE ECONOMIC AND ENERGY-EFFICIENCY**  
26 **BENEFITS IN NJNG'S SERVICE TERRITORY?**

27 A. Yes. An increased focus on installing high-efficiency equipment encourages  
28 increased activity in the contractor market and ancillary services, benefiting local

1 contractors, manufacturers and distributors. Based on an informal survey and  
2 conversations with local contractors, including BPI-certified firms providing HPwES  
3 services, the SAVEGREEN programs have helped increase their activity levels. The  
4 Company has also learned that, not only has utility involvement in energy efficiency  
5 increased customer awareness of the various programs available and the importance  
6 of moving to energy-efficient equipment, but the opportunity to participate in the  
7 OBRP encourages customers to participate in additional energy-saving measures.  
8 That in turn increases work for the local contractors. The pending changes on a  
9 regional basis in the Federal minimum furnace efficiency standards scheduled to take  
10 effect in May of 2013 necessitate greater communication within the HVAC contractor  
11 community. It is more important than ever before to encourage contractors to educate  
12 customers about the merits and benefits associated with high-efficiency installations.  
13 The NJNG programs help reach that broader contractor base. Finally, the programs  
14 proposed maintain a supportive integration with ongoing NJCEP programs. Attached  
15 hereto as TJM-1 is a comparative chart showing how the NJNG programs are aligned  
16 with and complementary to those from NJCEP and EDA.

17 **III. PROGRAMS**

18 **Residential Programs**

19 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE RESIDENTIAL**  
20 **ENERGY-EFFICIENCY PROGRAM.**

21 A. To align with ongoing policy changes, NJNG proposes to slightly modify the  
22 residential offers currently available. Maintaining the focus on encouraging customers  
23 to install high-efficiency appliances while also taking advantage of the whole-house  
24 method of energy solutions through the HPwES program, the Company will offer,  
25 subject to approval, two methods through which customers who are changing out  
26 heating equipment can obtain rebates or participate in the OBRP. In Segment I, a  
27 customer replacing HVAC equipment through the NJCEP WARMAdvantage

1 program can receive the \$300 NJCEP rebate and also have the option of a \$900 rebate  
2 from NJNG or participation in the OBRP, receiving up to \$5,000 for the purchase of a  
3 high-efficiency furnace to be repaid over 5 years with no interest or up to \$6,500 (also  
4 repaid over 5 years at no interest) if a high-efficiency water heater is also purchased  
5 or related necessary safety modifications are installed to allow for proper venting of  
6 equipment. To ensure that the whole-house approach continues as a focus, NJNG  
7 requires participation in a HPwES Audit (the “Audit”) to qualify for receiving these  
8 financial incentives. The Audit is conducted by SAVEGREEN employees at no cost  
9 to the customer. The required Audits will be conducted after installation of  
10 WARMAdvantage qualified heating equipment. Following the Audit, NJNG will also  
11 offer eligible customers installing energy-efficiency measures identified in the Audit  
12 the opportunity for up to \$5,000 to be repaid through the OBRP. NJNG currently has  
13 12 employees trained and BPI-Certified to conduct Audits, along with one supervisor.

14 In Segment II, customers who initiate HVAC equipment upgrades through  
15 HPwES are considered eligible for participation in the OBRP through which a  
16 maximum of \$10,000, to be repaid over 10 years, can be available for the costs of  
17 further energy-efficiency measures. As currently offered, these customers can take  
18 advantage of both HPwES rebates and the NJNG OBRP. NJNG reserves the right to  
19 limit participation in OBRP to customers who utilize natural gas as their heat source.  
20 Additionally, customers in Segment II can receive rebates from NJNG at the NJCEP  
21 levels, currently estimated to be an amount up to \$4,000 based on the energy-  
22 efficiency measures installed. Receipt of these rebates from the Company is limited to  
23 NJNG customers participating in the OBRP. NJCEP will fund rebates to those  
24 eligible customers not using OBRP.

25 Through this filing, NJNG also includes a proposal to provide an HPwES  
26 Audit to those customers seeking an independent Audit. The fee for that audit will be  
27 \$250 and all revenue from this independent audit option will be credited against the  
28 program’s revenue requirement through the cost recovery mechanism. (See Schedule  
29 TJM-4).

1 **Q. PLEASE DESCRIBE THE CURRENT FINANCING OFFERS THAT NJNG**  
2 **HAS AVAILABLE FOR RESIDENTIAL CUSTOMERS.**

3 A. NJNG currently provides a zero-percent interest OBRP through which eligible  
4 customers can repay up to \$10,000 over a ten-year period for energy-efficiency  
5 investments. Payments made by these customers serve to offset NJNG's total  
6 investment in the OBRP. At this time, only improvements implemented through the  
7 HPwES program are eligible for such financing so customers receiving an NJNG  
8 enhanced rebate for the purchase of equipment through the WARMAdvantage  
9 program are not be eligible. However, customers who originated their energy-  
10 efficiency work through the WARMAdvantage equipment installation path can  
11 access the OBRP for additional energy-efficiency upgrades pursued through HPwES.

12 **Q. HOW HAS THE OBRP PROVIDED BENEFITS TO NJNG CUSTOMERS?**

13 A. In addition to assisting participating customers overcome the upfront financial  
14 barriers to installing energy-efficient appliances, this plan actually returns funds to  
15 NJNG that can then be used to benefit other customers in future years. The money  
16 that NJNG provides to customers participating in the current OBRP is repaid by them  
17 over a 10-year period, establishing a revolving fund that can be used to assist  
18 additional customers install energy-efficiency appliances and reap the energy saving  
19 benefits. Having the repayment included on the monthly NJNG bill simplifies the  
20 process for participating customers and, importantly, provides a way for them to  
21 associate the payment with the energy savings achieved. In addition, by managing the  
22 OBRP in-house, instead of through a financing company in another state, NJNG has  
23 created several full-time positions in New Jersey that would not otherwise have been  
24 available. Further, it has also avoided administrative burdens for both customers and  
25 contractors who were frequently forced to resubmit paperwork and supporting  
26 documentation when any project passed the initial 60-day approval period.

27

1

2 **Q. WHAT CHANGES IS NJNG PROPOSING TO THE OBRP IN THIS FILING?**

3 A. NJNG proposes to maintain the OBRP in its current format for customers who start  
4 with a proactive HPwES audit from either NJNG or an HPwES contractor (designated  
5 as Segment II now). As noted above, since the State is seeking to transition toward  
6 more financing options, NJNG proposes to offer a zero-percent OBRP for  
7 WARMAdvantage installation customers in lieu of the \$900 rebate (Segment I).  
8 Customers installing a WARMAdvantage qualified furnace or boiler will be eligible  
9 to access up to \$5,000 for a 5 year period and up to \$6,500 when they combine the  
10 furnace purchase with the installation of a high-efficiency water heater installation or  
11 related measures that ensure the high efficiency furnace or boiler installation does not  
12 result in a potential health and safety situation, commonly referred to as an “orphaned  
13 water heater”. In combination with making subsequent HPwES upgrades, customers  
14 who participate through the initial WARMAdvantage equipment path will be limited  
15 to receiving up to \$10,000 through the OBRP. This proposed alternative makes high-  
16 efficiency installations accessible to more customers and encourages contractors to  
17 promote longer-term perspectives on energy savings. By removing the upfront cost  
18 hurdle, this program should also expedite change-outs of older, less-efficient heating  
19 systems before the equipment fails. Importantly, this approach also will raise  
20 contractor awareness of the need to ensure proper venting during high-efficiency  
21 HVAC installations. Additionally, the benefits of participating in HPwES remain an  
22 attractive energy-saving option for customers, allowing contractors to encourage  
23 proactive, comprehensive upgrades.

24 **Q. HOW DOES SAVEGREEN COMPLEMENT EXISTING NJCEP OFFERS?**

25 A. Consistent with current NJCEP and BPU-approved Programs, customers will be  
26 able to receive the enhanced rebates and the repayment opportunities as long as they  
27 participate in HPwES and take the steps that will continue the whole-house focus to  
28 move beyond merely installing high-efficiency equipment. This approach encourages

1 actions that will make the entire house energy-efficient. Without that, the benefits of  
2 high-efficiency HVAC equipment may be significantly diminished. Additionally, as  
3 with the current SAVEGREEN offer, commercial customers installing residential size  
4 HVAC equipment will be eligible for the enhanced WARMAdvantage rebate. NJNG  
5 will also target such customers for participation in the available NJCEP commercial  
6 programs to expand the opportunities for energy-efficiency benefits.

7 **Access to Affordable Energy Pilot Program (“Access”)**

8 **Q. WHAT IS THE NJNG ACCESS TO AFFORDABLE ENERGY PILOT**  
9 **PROGRAM?**

10 A. The Access to Affordable Energy Pilot Program (“Access”) is proposed to offer  
11 residential home owners who receive at least \$50 per month for electricity benefits  
12 from the state’s Universal Service Fund Program (“USF”) an opportunity at no cost to  
13 convert their existing electric heating system to a high-efficiency natural gas system.  
14 The USF is a statewide program that offers eligible customers financial assistance  
15 toward paying electric and natural gas bills. The funding for USF is collected from  
16 utility customers as an element of the Societal Benefits Charge (“SBC”). Very often  
17 these customers are unable to make the financial investment to upgrade their heating  
18 source to one that is more economical and that provides increased energy efficiency.  
19 Without those opportunities, such customers can’t reduce their energy consumption  
20 or receive the overall benefits provided through energy efficiency. By providing an  
21 opportunity for these customers to convert to a lower cost, efficient and more  
22 environmentally friendly source of energy, the Access Program provides a two-fold  
23 benefit. Initially, eligible customers will receive high-efficiency natural gas heating  
24 equipment that helps decrease their overall energy burden. Secondly, with an overall  
25 decrease in energy costs, the amount required for subsidization through the USF  
26 should decrease. (See Schedule TJM-5).

1 **Q. HOW DOES ACCESS ALIGN WITH AND SUPPORT CURRENT NJCEP**  
2 **PROGRAMS AND EMP GOALS?**

3 A. To ensure coordination with NJCEP, all participants in Access will be directed to  
4 participate in the Comfort Partners program. That program provides weatherization  
5 upgrades to eligible homeowners and will provide heating and cooling equipment  
6 upgrades only for health and safety related situations or in those instances when it is  
7 deemed cost effective. However, the program currently does not allow for fuel  
8 switching or conversions so an electric customer may end up receiving heating and/or  
9 cooling upgrades with equipment that is still less efficient, less environmentally  
10 friendly and more costly. In line with the parameters of Comfort Partners, Access will  
11 only be available to homeowners and not to tenants. Participants will be able to  
12 maximize their energy savings from Comfort Partners through the long-term energy  
13 savings provided through energy-efficient equipment. While NJNG will concentrate  
14 outreach efforts to the all-electric communities in our service territory containing  
15 heating systems that have been in place for 10 or more years, Access benefits will be  
16 available to eligible customers in all areas served by NJNG. This pilot also presents  
17 an effective way to quickly test the concepts underlying this program on a small  
18 scale, enabling a future determination about statewide effectiveness. If actual data  
19 indicates that potential longer-term savings to the USF program exceed the cost of  
20 Access, the EMP's focus on reducing energy bills for all customers without  
21 compromising the societal safety net that the USF program provides can be met.

22 **Pilot Programs Approved in the September 2010 Order**

23 **Q. IS NJNG PROPOSING ANY CHANGES TO THE PREVIOUSLY APPROVED**  
24 **OPOWER AND FEED PROGRAMS?**

25 A. No. Pursuant to the September 2010 Order, NJNG is authorized to support two  
26 programs for a three-year pilot period and no changes are being sought to either of  
27 those in this filing. Through a contract NJNG has executed with OPOWER, the  
28 Company is participating in a three-year pilot program that assesses residential

1 customer responses to information on energy efficiency. Since this is approved as a  
2 pilot, the information gleaned can be used to determine the efficacy of offering such a  
3 program on a larger scale in New Jersey. The second program, Fostering  
4 Environmental and Economic Development (“FEED”), provides financial assistance  
5 for energy-efficiency and economic development opportunities for commercial and  
6 industrial customers with no rate impact on NJNG’s non-participating customers.

7 **Commercial Combined Heat and Power**

8 **Q. IS NJNG PROPOSING A PROGRAM FOR COMMERCIAL CUSTOMERS?**

9 **A.** Yes. CHP systems, located at or near the facility using the power generated, capture  
10 and use heat energy that is normally wasted through venting into the air or  
11 discharging into water streams. Studies have shown that almost two-thirds of the  
12 energy used to generate electricity in the United States is wasted. By developing a  
13 system that uses excess or wasted energy from power generation, integrated heating,  
14 cooling and power system efficiencies can be as high as 85 percent. As noted in the  
15 EMP, an expanded focus on CHP and distributed generation (“DG”) equipment can  
16 improve overall system reliability by using generating fuel more efficiently. (EMP,  
17 page 18). However, there is a high cost of developing CHP and DG facilities,  
18 necessitating financial incentives, grants and permitting assistance. (EMP, pgs. 68 and  
19 80). In an effort to influence and increase the number of commercial customers  
20 choosing to install CHP equipment before or at the time existing systems are being  
21 replaced, NJNG will continue to encourage such investments. NJNG is addressing  
22 that gap by offering an incentive payment that is directly aligned with the State’s  
23 efforts to encourage energy efficiency.

24 In 2010, New Jersey industrial electric prices were 71 percent higher than the  
25 national average while prices for natural gas used to generate electricity were 7.7  
26 percent higher than the national average. Given the likelihood that many commercial  
27 customer locations require electricity on a 24/7 basis, there are numerous benefits  
28 available from the installation of an on-site CHP system: carbon dioxide emissions

1 are reduced, increasing energy efficiency; line losses can also be lessened, especially  
2 during times of peak demand; the increased efficiency provides competitive business  
3 solutions that reduce costs and increase job creation; energy security is enhanced  
4 while power quality and reliability is increased; and, local grid congestion can be  
5 ameliorated through increased capacity being available. Despite those conclusive  
6 benefits, the amount of power generated in New Jersey from CHP installations has  
7 been declining drastically since 2007.

8 NJNG has attempted to address the low level of interest in CHP investments  
9 through a current SAVEGREEN program that enhances the NJCEP incentive  
10 supporting the installation of CHP projects. As of now, eligibility is limited to  
11 customers meeting the current NJCEP guidelines requiring structures with a peak  
12 demand over 100 kilowatts (“kW”) for any of the previous 12 months. Additionally,  
13 buildings identified within the NJCEP guidelines as exceptions to the 100 kW  
14 threshold for participation will be treated similarly for participation in the NJNG CHP  
15 program. Therefore, hospitals, public colleges and universities, non-profits,  
16 affordable multi-family housing and local government entities not receiving funding  
17 through Energy-Efficiency and Conservation Block grants do not have to meet the  
18 100 kW level of usage to be considered for NJNG CHP funding.

19 Currently, NJCEP is providing funding up to \$1 million in support of CHP  
20 projects and NJNG will continue to provide matching funding up to the same level.<sup>2</sup>  
21 Now, receipt of the NJCEP incentive is tied directly to participation in the Pay for  
22 Performance Program. However, in light of the ongoing efforts to restructure NJCEP  
23 programs, especially to coordinate with the mandates and focus of the EMP, future  
24 changes in management, incentives levels and participation requirement may occur.  
25 Accordingly, NJNG is proposing to continue to offer an incentive of up to \$1 million  
26 per customer to encourage CHP development and to assist in overcoming the  
27 significant financial barriers these projects face. Additionally, NJNG will mirror any  
28 energy reduction programs or requirements that may be established by NJCEP, EDA

---

<sup>2</sup> To the extent that the NJCEP incentive for CHP installations is decreased or eliminated, through any changes to the current or future budgets, NJNG will increase its incentive payment a comparable amount.

1 or any other State agency offering CHP incentives, including rebates or financing  
2 programs (See Schedule TJM-6).

3 **IV. MARKETING PROPOSAL**

4 **Q. PLEASE DESCRIBE THE MARKETING EFFORTS THAT NJNG WILL**  
5 **EMPLOY FOR THE CONTINUATION OF SAVEGREEN.**

6 A. As discussed earlier, NJNG employs a variety of channels to educate customers on  
7 the benefits of energy efficiency, including work through the Conservation Incentive  
8 Program communication channels, community outreach and the promotion of the  
9 SAVEGREEN programs. To continue the education of customers on energy-  
10 efficiency benefits and foster participation in SAVEGREEN, NJNG will utilize an  
11 approach similar to our current efforts. The actual marketing materials cannot be  
12 completed until closer to actual launch dates when the elements of each program have  
13 been confirmed, but the Company will continue the multi-channel focus for informing  
14 customers and will also target certain programs to specific sectors. For example,  
15 Access is most appropriately addressed to all-electric communities within the service  
16 territory in which income eligible families reside but we will also work with  
17 Community Action Program agencies within our service territory to identify potential  
18 participants. More information is provided in Schedule TJM-2, attached to and made  
19 a part of this testimony.

20 **V. USE OF EMPLOYEES AND CONTRACTORS**

21 **Q. WILL THE PROGRAM BENEFITS CONTINUE TO BE DELIVERED**  
22 **THROUGH NJNG EMPLOYEES AND OUTSIDE CONTRACTORS?**

23 A. Yes. Over the past several years, the energy-efficiency programs offered by NJNG  
24 have created the opportunity for the Company to create 27 positions for outreach,  
25 scheduling, promotion, audits, on-bill repayment work and oversight of energy-  
26 efficiency programs. One of the goals in the proposed extension of SAVEGREEN is  
27 that NJNG will be able to retain those employees for another year.

1 NJNG employees will not be doing installation or weatherization work.  
2 Instead, for work that is already on a whole-house track, NJNG will promote its offers  
3 to BPI Certified and authorized contractors who will provide the necessary work in  
4 our service territory. NJNG will also provide information on the elements of  
5 SAVEGREEN to all HVAC contractors in our service territory to ensure that the  
6 whole-house approach will be emphasized to support the installation of higher  
7 efficiency equipment, to educate them about the pending change in furnace standards  
8 in 2013 and the need to properly address venting, as well as workforce retention. As  
9 mentioned in the Marketing Overview (Schedule TJM-2), there will be various  
10 approaches to promote SAVEGREEN that target customers and contractors alike to  
11 ensure the greatest exposure possible.

12 **VI. MARKET BARRIERS**

13 **Q. HOW DO THE SAVEGREEN PROGRAMS ADDRESS MARKET BARRIERS**  
14 **TO PROMOTING ENERGY EFFICIENCY?**

15 A. Despite the increasing focus from both the national and state level on energy  
16 efficiency, market barriers continue to impede progress. Through the SAVEGREEN  
17 programs, NJNG is able to address the primary market barriers of program awareness  
18 and financing options. Initially, it is still crucial that New Jersey residents be made  
19 aware of opportunities for saving energy and that we continue to get more HVAC  
20 contractors engaged in promoting and properly installing high-efficiency equipment  
21 and other whole house measures. Through the marketing efforts incorporated within  
22 this filing and ongoing in the SAVEGREEN programs, the Company provides an  
23 active channel for promoting not only the benefits of energy efficiency but also the  
24 sources through which various programs can be accessed. This work, in conjunction  
25 with the promotional efforts of NJCEP, serves to broaden customers' awareness of  
26 viable approaches toward saving energy and, as a result, potentially saving on energy  
27 costs. And, by working closely with certified and authorized contractors, NJNG

1 further encourages those entities to also promote and make available energy-efficient  
2 solutions.

3 It is also important to overcome the financial barriers that some customers  
4 face when making decisions about the installation of high-efficiency HVAC  
5 equipment. Through the OBRP, NJNG promotes the statewide rebate and incentive  
6 programs and simultaneously expands the base of customers able to make the  
7 necessary efficiency changes. OBRP also broadens the pool of qualifying customers.  
8 In fact, the average median income for OBRP customers is approximately \$8,000  
9 lower than for those previously using the services of the traditional NJCEP financing  
10 company, EFS. The availability of additional incentives and the OBRP helps  
11 overcome the financial barriers that deter many customers, especially moderate-  
12 income families, from taking that extra step of purchasing and installing high-  
13 efficiency equipment. At the same time, encouraging customers to also install  
14 weatherization and insulation measures increases the impact of high-efficiency  
15 equipment, furthering the whole-house approach and saving energy overall.

16 **VII. RESOLUTION OF CUSTOMER COMPLAINTS**

17 **Q. PLEASE DESCRIBE THE PROCESS NJNG INTENDS TO EMPLOY TO**  
18 **RESOLVE ANY POTENTIAL CUSTOMER COMPLAINTS.**

19 **A.** NJNG will promptly address any customer complaints related to the programs  
20 through existing customer relations procedures within the Company. Most customer  
21 calls will come directly into the SAVEGREEN Department since that phone number  
22 will be on all correspondence and promotional materials. Additionally, any calls  
23 about the programs that come into the NJNG Call Center will be transferred to  
24 SAVEGREEN employees for initial resolution. In all instances, NJNG will make  
25 every effort to resolve a complaint informally at the outset. For concerns that cannot  
26 be resolved within the Department, the matter will be moved to the NJNG Consumer  
27 Advocate for further investigation and resolution. Only if those measures fail would a  
28 complaint be resolved through the BPU's Division of Customer Assistance. Attached

1 as Schedule TJM-3 is a flow-chart depicting the process that will be employed by  
2 NJNG.

3 For disputes between NJNG and a contractor or supplier, resolution will be in  
4 accordance with the relevant contract provisions in place at that time.

5 **VIII. IMPACT ON SMART GROWTH**

6 **Q. HAS NJNG IDENTIFIED ANY IMPACTS ON OR BENEFITS TO SMART**  
7 **GROWTH?**

8 A. NJNG has not identified any impacts on or benefits to Smart Growth from the  
9 implementation of the proposed programs but will address this in a manner consistent  
10 with NJCEP.

11 **IX. PROPOSAL FOR ADDRESSING PROGRAM MODIFICATIONS**

12 **Q. PLEASE EXPLAIN THE APPROACH NJNG IS PROPOSING FOR MAKING**  
13 **MODIFICATIONS TO EITHER THE OVERALL SAVEGREEN PROGRAM**  
14 **OR TO ANY SPECIFIC CUSTOMER OFFER.**

15 A. In the earlier cases, the Parties agreed upon the approach to be used for a shift in  
16 funding between specific approved programs and in instances where modifications or  
17 changes were necessary to any program elements. NJNG is proposing to retain those  
18 agreed-upon methods. As such, funding may be transferred between individual  
19 programs within SAVEGREEN in order to address customer and market demand.  
20 The Company will submit to the Parties a written description of the proposed  
21 transfers, the rationale behind the proposal and schedules demonstrating the impact  
22 any transfers may have on aggregate costs and benefit analysis relevant to the  
23 changes. If there is any objection within 45 days from a Party, Board approval will be  
24 required. Additionally, Board approval will be required if the proposed transfers: 1)  
25 increase or decrease any individual program's budget by more than 20 percent: or 2)  
26 involve more than 10 percent of the total SAVEGREEN budget.

1           Based on market response, NJNG may also propose to modify programs but  
2 no such modification shall take place without Board approval being received. A  
3 proposal for changes to programs is to be provided to the Parties with a description,  
4 rationale and impact on costs and benefits. The Parties have 45 days in which to  
5 review that proposal and, if no objection is received, the matter shall be presented to  
6 the Board for its review and approval.

7 **Q. HOW DOES NJNG PROPOSE ADDRESSING POTENTIAL CHANGES TO**  
8 **THE 2012 NJCEP BUDGET?**

9 **A.** NJNG proposes that flexibility be maintained to address changes in the current and  
10 future NJCEP budgets. Inasmuch as incentive and rebate levels from NJCEP may be  
11 decreased or no longer available at all, NJNG will automatically be able to increase  
12 its level of rebate and incentive payments by a corresponding amount. This may also  
13 include alignment of maximum financing levels allowed under HPwES as that issue  
14 has been raised by contractors over the course of the past year. This level of  
15 flexibility will ensure the greatest level of customer participation and alignment with  
16 NJCEP. In the event that NJNG determines the need to modify funding levels within  
17 the SAVEGREEN programs in order to meet customer demand, the Company will  
18 follow the modification procedures proposed above.

19 **X. COORDINATION WITH OTHER FUNDING SOURCES**

20 **Q. HOW WILL THE FUNDING FOR SAVEGREEN INTERFACE WITH ANY**  
21 **POTENTIAL FEDERAL FUNDS MADE AVAILABLE FOR ENERGY-**  
22 **EFFICIENCY PROGRAMS?**

23 **A.** As agreed to in the earlier energy-efficiency cases and subject to restrictions set forth  
24 in any applicable law, NJNG will utilize any funds or credits received from  
25 governmental sources that are directly related to SAVEGREEN to offset the  
26 respective program costs, thus reducing the impact on other customers. If funding or  
27 credits from any state or federal action becomes available to NJNG through the State

1 of New Jersey, a County or Municipality for project reimbursement, those funds or  
2 credits directly applicable to work related to a SAVEGREEN project will be used to  
3 benefit customers by offsetting the costs for which recovery is sought, to the extent  
4 permitted by law.

5 **XI. REPORTING PROCEDURES**

6 **Q. HOW DOES NJNG PROPOSE TO PROVIDE INFORMATION ON THE**  
7 **SAVEGREEN PROGRAMS?**

8 **A.** NJNG proposes to continue the reporting and provision of program data that was  
9 agreed to in the Stipulations approved by the BPU in the July 2009 and September  
10 2010 Orders. As such, the Company will submit detailed data regarding the  
11 SAVEGREEN program activity and expenses through the Program Manager Data  
12 Tracking Sheets since those reports are consistent with the data and format used in  
13 reporting on the NJCEP Comfort Partners and SAVEGREEN programs. Each  
14 Monthly Activity Report will be submitted within 30 days of the end of the calendar  
15 month covered by the report.

16 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

17 **A.** Yes, it does.

New Jersey Natural Gas  
Comparative Program Chart

Residential Energy Efficiency Program (REEP) (full description available as TJM-4)		
Feature	NJCEP Treatment-2011	NJNG Programs
<b>Incentives for high-efficiency equipment (outside of the HPwES Program)</b>	Existing New Jersey Clean Energy Program (“NJCEP”) WARMAdvantage rebates. Qualified furnaces and boilers are eligible for a \$300-\$400 rebate.	<b>Existing SAVEGREEN™ Project</b> Incremental \$900 rebate for Furnaces and boilers that meet the 2011 NJCEP WARMAdvantage minimum efficiency levels.  <b>Proposed Incremental Incentives within this filing</b> Incremental \$ 900 rebate for Furnaces and boilers that meet the 2011 NJCEP WARMAdvantage minimum efficiency levels. As an alternative to this \$900 rebate, qualified customers will be able to access NJNG’s 0% APR on-bill repayment program for WARMAdvantage installations. (See this described further below).
<b>Requirements to receive incentives for high-efficiency equipment (outside of the HPwES Program)</b>	Application submitted to NJCEP includes documentation regarding the equipment purchased including manufacturer, model number, and serial number for equipment.	Application submitted to NJNG. Form modeled after WARMAdvantage requirements. Customers are encouraged to apply for WARMAdvantage as well. Customer must accept an HPwES Audit performed at no cost by NJNG to receive the incremental rebate or on-bill repayment program. <b>No change from current NJNG program.</b>
<b>Role of HVAC Contractors- Enhanced Incentives (not qualified for HPwES work).</b>	Any HVAC contractor can participate in WARMAdvantage. No additional program certifications required.	Any HVAC contractor can participate in the NJNG Enhanced Rebate program. No additional program certifications required; however, Conservation Incentive Program efforts are focused on improving contractor training for this segment of contractors. <b>No change from current NJNG program.</b>
<b>Role of HVAC Contractors- HPwES</b>	Opportunity to perform Tier I audits and implement HPwES measures.	Opportunity to perform HPwES audits and implement HPwES measures with access to NJNG’s on-bill repayment program plus NJNG supporting incremental activity in our service territory by funding some rebates. <b>No change from current NJNG program.</b>

New Jersey Natural Gas  
Comparative Program Chart

Residential Energy Efficiency Program (REEP) (full description available as TJM-4)		
Feature	NJCEP Treatment-2011	NJNG Programs
<b>Performance of Tier I HPwES Audit</b>	Performed only by HPwES contractors- must have BPI certification.	<p><b>Existing SAVEGREEN™ Project</b> Can be performed by either an HPwES contractor or NJNG audit staff who are BPI-trained and certified. NJNG staff audit option is only available to customers who start through the WARMAdvantage track.</p> <p><b>Proposed within this filing</b> The Audit can be performed by either an HPwES contractor or NJNG BPI-trained audit staff. However, the NJNG audit staff option will also be available to customers interested in starting with a proactive audit for a fee. All revenues from such Audits fee will be credited against overall program costs. The Audit is intended to inform customers of additional energy saving opportunities.</p>
<b>Payment of HPwES contractor incentives</b>	Paid by NJCEP.	<p>No incremental contractor incentives are proposed. Assumed that under any structure for contractor incentives on HPwES work, NJCEP would continue to pay and process such incentives.</p> <p><b>No change from current NJNG program.</b></p>
<b>Payment of HPwES customer incentives</b>	Most are currently paid by NJCEP. However, based upon the calculation of estimated market activity in NJNG's service territory for the 2011 NJCEP compliance plan, NJNG was allowed to provide the customer payments for up to 455 projects.	<p><b>Existing SAVEGREEN™ Project</b> NJNG is allowed to pay the value of HPwES customer incentives for up to 455 projects. To provide clarity to the process and provide timely payment, NJNG currently pays the incentive for customers participating in our on-bill repayment program. The incentive for customers not participating in our on-bill repayment program and for any projects beyond our defined funding limit of 455 projects will be paid by NJCEP.</p>

New Jersey Natural Gas  
Comparative Program Chart

Residential Energy Efficiency Program (REEP) (full description available as TJM-4)		
Feature	NJCEP Treatment-2011	NJNG Programs
		<p><b>Proposed within this filing</b> Consistent with current practice, NJNG proposes to pay the value of HPwES customer incentives only for customers participating in the NJNG on-bill repayment program. The incentive for customers not participating in the NJNG on-bill repayment program will be paid by NJCEP.</p> <p><b>Existing SAVEGREEN™ Project</b> Customers who enter through the NJNG enhanced rebate path and accept the NJNG HPwES audit are able to access the free \$1,000 of seal-up. NJNG pays the contractor directly for such seal-up work.</p> <p><b>Proposed within this filing</b> NJNG will drop the free \$1,000 of seal-up offer and instead focus on promoting the incentives available under HPwES for additional improvements. NJNG believes that with stronger emphasis from our audit team and the recent program change under consideration allowing direct hot water heating improvements to count toward Tier II TES, more customers will pursue subsequent comprehensive improvements available under HPwES.</p> <p><b>Existing SAVEGREEN™ Project</b> For HPwES and WARMAdvantage, there is no need for additional field quality control work since all NJNG programs are integrated with NJCEP. Incremental quality control work is provided through the review of NJNG Enhanced Rebate applications and NJNG's field visits performed by the NJNG audit. However, NJNG assumes quality control responsibility for the free seal-up work under the current program.</p>
<b>Incentives for seal-up work</b>	Currently provided as HPwES Tier II. A cash incentive for achieving at least 10% Total Energy Savings (TES) will be \$1,000, not to exceed 50% of the costs of the measures used to calculate TES. Customers may see a higher value during the summer promotion period.	
<b>Quality Control</b>	For WARMAdvantage, NJCEP reviews documentation for all applications and performs quality control for a random sample of submission. For HPwES, NJCEP reviews documentation for all applications and performs quality control on the first 10 projects for each contractor and for a random sample thereafter. In late 2010, a new contractor remediation procedure was adopted as well to address recurring quality control issues.	

New Jersey Natural Gas  
Comparative Program Chart

Residential Energy Efficiency Program (REEP) (full description available as TJM-4)		
Feature	NJCEP Treatment-2011	NJNG Programs
		<p><b><u>Proposed within this filing</u></b> For HPwES and WARMAdvantage, there is no need for additional field quality control work since all NJNG programs are integrated with NJCEP. Incremental quality control work is provided through the review of NJNG Enhanced Rebate application and NJNG's audit process.</p> <p><b><u>Existing SAVEGREEN Project</u></b> All NJNG customers who meet the credit criteria regardless of the expected energy savings can access the 0% APR on-bill repayment program. It is currently only available for HPwES work.</p> <p><b><u>Proposed within this filing</u></b> All NJNG customers who meet the credit criteria regardless of the expected energy savings can access the 0% APR on-bill repayment program. It will be available for HPwES work as well as for the value of WARMAdvantage installations as an alternative to the NJNG \$900 rebate.</p> <p><b><u>Existing SAVEGREEN Project</u></b> NJNG auditors advised customers of the possibility of this situation but until June 2011, there were no customer incentives to address the underlying problem. NJNG will communicate change in HPwES incentive structure to affected customers.</p> <p><b><u>Proposed within this filing</u></b> The existing SAVEGREEN auditor outreach to affected customers will continue. Further, NJNG will encourage the non-HPwES contractors to proactively address the situation instead of creating a potential unsafe condition and will offer a higher limit for the on bill repayment program when they are properly addressing the situation (total amount up to \$6,500).</p>
<b>Availability of financing</b>	Through the companion programs of the gas utilities or NJCEP where gas utility programs are not available, customers can access 0% for loans up to \$10,000 for HPwES projects that meet Tier 3, Level 1 or Level 2, energy savings thresholds. This financing incentive is available in combination with the HPwES rebates. Currently, NJCEP does not offer any financing options for the WARMAdvantage program.	
<b>Enhancements to address orphaned water heaters (potential venting and safety concerns)</b>	Prior to the June 2011 HPwES change most customers could not access additional NJCEP benefits to address a water heater that was orphaned as a result of a high efficiency furnace/boiler installation. This is a practical result of the fact that most homes could not achieve a 20% energy savings if the furnace had already been changed.  The June 2011 change to HPwES allowing the energy savings for water heater upgrades to be eligible for Tier II incentives should encourage more customers to pursue additional upgrades.	

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Access to Affordable Energy Pilot Program (full description available as TJM-5)</b>	
<b>Feature</b>	<b>NJCEP Treatment-2011</b>
<b>Free energy efficiency upgrades</b>	<p>Through the NJCEP Comfort Partners Program, qualified customers can receive direct installation of cost-effective energy efficiency measures in the home including: efficient lighting products; hot water conservation measures; replacement of inefficient refrigerators; thermostats; insulation upgrades (attic, wall, etc.); blower-door guided air sealing; duct sealing and repair; heating/cooling equipment maintenance and other measures.</p>
<b>Ability to convert to a lower cost heating fuel source</b>	Not permitted under Comfort Partners.
<b>Income levels for participation</b>	Currently, customers must have an income at or below 225% of the Federal Poverty Level guidelines to participate in Comfort Partners.
<b>Role of Contractors</b>	<p>A pool of 6 pre-selected Heating, Ventilation and Air-conditioning (“HVAC”) contractors performs the Comfort Partners audits and installation work according to specified contract terms.</p>
<b>Quality Control Provisions</b>	A minimum random sample of 15% of Comfort Partners projects are subject to a quality control review.
<b>Customer education element</b>	Comprehensive, personalized energy education and counseling.
	<b>Proposed NJNG Programs</b>
	<p>Eligible customers will receive a free conversion to a high-efficiency natural gas heating system under this pilot program and are referred to Comfort Partners for free installation of other energy-efficiency measures after the equipment change.</p>
	<p>Main focus of the program; however, for the pilot it is proposed to be available only to customers who are converting from electricity as their primary heating source and receiving at least \$50 per month in electric Universal Service Fund Benefits.</p>
	<p>Will be consistent with Comfort Partners since all participants in the NJNG program will be referred to Comfort Partners for additional energy-efficiency measures.</p>
	<p>Any HVAC contractor who performs natural gas conversions will be eligible to participate.</p>
	<p>NJNG will provide the quality control for at least 15% of the Access projects.</p>
	<p>All participants in the NJNG program will be referred to Comfort Partners for additional measures and the education and counseling offered.</p>

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Combined Heat and Power (full description available as TJM-6)</b>		
<b>Feature</b>	<b>NJCEP Treatment-2011</b>	<b>NJNG Programs</b>
<b>Combined Heat &amp; Power (CHP) Incentives</b>	CHP projects are eligible for incentives up to \$1,000,000 as part of the NJCEP Pay for Performance (P4P) program. Structure for such incentives may be revised as a result of the March 18 OCE straw Proposal on the 2010 budget	NJNG will offer an incremental incentive for CHP to match the current NJCEP incentive up to \$1 million. Those customers with a peak demand over 100 kW for any of the preceding 12 months (or those denoted as exceptions in the NJCEP program) can take advantage of this incentive. Participation in an NJCEP/EDA related program, if any, will be required. As noted in the testimony of Thomas Massaro (Exhibit P-2) and Schedule TJM-6, NJNG will be responsive to any State policy, management, incentive level or participation requirement changes.
<b>Role of Contractors</b>	Any HVAC contractor qualified to perform commercial installations can participate.	Any HVAC contractor qualified to perform commercial installations can participate. <b>No change from current NJNG program.</b>
<b>Payment of customer incentives</b>	NJCEP incentives paid by NJCEP.	NJCEP incentives paid by NJCEP and the enhanced rebates would be paid by NJNG. <b>No change from current NJNG program.</b>
<b>Quality Control</b>		Since the program is integrated with NJCEP/EDA and quality control is performed for those programs, no incremental quality control is necessary. <b>No change from current NJNG program.</b>

## MARKETING OVERVIEW

**This document provides the approach that New Jersey Natural Gas Company (NJNG) intends to use in marketing the various SAVEGREEN programs. Please note that any final marketing plans and associated materials to be used to promote these offers are contingent on the agreements reached in resolving this proceeding and cannot be developed prior to that time.**

### Residential Energy Efficiency Programs

NJNG will promote the upgrade to high-efficiency equipment to all residential and eligible small commercial customers (installing boilers or furnaces equal to or less than 300 MBH or 400 MBH respectively) through a variety of communication channels. While NJNG will continue to target homeowners at or close to the decision point about new heating and cooling equipment, NJNG will also enhance existing efforts to engage additional HVAC contractors in promoting the program. Overall, the program will continue to be marketed in a manner that encourages a change to high-efficiency equipment linked with the implementation of whole-house improvements.

The NJNG programs offered through The SAVEGREEN™ Project are designed to encourage customers to take a more comprehensive look at energy efficiency throughout their residence, utilizing the “whole-house” method promoted in New Jersey’s Clean Energy Program (NJCEP). NJNG will conduct various outbound campaigns targeted to homes that have been connected to NJNG’s distribution system for at least 18 years and will work cooperatively with various entities, including community groups, our trade allies (local contractors, supply houses) and big box stores, to coordinate with other grass roots efforts. Using information gathered over the past 20 months of SAVEGREEN operation, NJNG will promote the enhanced NJNG rebates to stimulate the purchase and installation of high-efficiency equipment when emergency change-outs are necessary and will also promote the available NJCEP and NJNG financial incentives available for qualified customers performing whole house energy-efficiency and conversion measures recommended through the Audit. In this regard, two significant differences from previous campaigns and outreach efforts are:

- Education about the new NJNG independent Home Performance with Energy Star (HPwES) audit option, proposed to be available for \$250 (funds received for conducting this audit will be used to offset overall program costs)
- Emphasis on the importance of addressing potential venting problems with existing equipment (e.g. water heaters) when installing high-efficiency equipment. Customers receiving NJNG’s post-installation audit are currently notified of potential health and safety conditions but NJNG will continue and enhance recent outreach to non-BPI HVAC contractors to ensure awareness is increased.

Through information gained from the BPU-approved Conservation Incentive Program and NJNG’s energy-efficiency programs marketed through SAVEGREEN, NJNG has been successful in developing a large database of customers interested in improving the energy efficiency of their homes and who may have the means to pay for improvements. Therefore, additional outreach will be directed toward the following groups:

- Customers who have tried NJNG’s Conserve to Preserve® Dashboard
- E-tip subscribers

- Heating, Ventilation and Air Conditioning (HVAC) contractors
- Equipment suppliers
- Realtors
- Municipalities
- Community Groups
- NJNG Facebook and Twitter followers

In addition to the above approaches, promotion will also occur through traditional utility communication channels, including the *njliving times* (NJNG's monthly newsletter that is provided to both residential and commercial customers), NJNG's website, *njng.com*, on-hold messages in the Call Center, bill inserts, community outreach events, targeted direct mail campaigns and advertisements. Additionally, using information obtained through the operation of SAVEGREEN, NJNG has been able to categorize the more than 8,000 customers who have taken advantage its rebates and promotions into 14 distinct demographic and behavioral groups. By using this segmentation information, NJNG will be able to tailor promotions geared toward those customers most likely to participate.

Finally, NJNG will market the program through direct mail to NJNG non-heat customers and residents whose homes are located on or near existing natural gas mains. NJNG will also promote this offer to all employees and other stakeholders, including coordination with NJCEP to ensure that NJNG customers who have received NJCEP equipment rebates are taking advantage of the HPwES audit, associated energy-efficiency opportunities and enhanced equipment rebates available through NJNG.

#### **Access to Affordable Energy Pilot Program ("Access")**

Through the Access program, NJNG will offer, at no cost to participants, assistance to customers who would benefit by converting from electric heat to natural gas. Although the Company will target low-income customers with homes in senior communities having equipment that has been in place for 10 or more years, eligible customers from any area served by NJNG will be allowed to participate. Participants must be recipients of electric benefits of at least \$50/month through the Universal Service Fund (USF)

Working with our Marketing Department, NJNG will provide details on Access when promoting the benefits of converting to natural gas to the targeted senior communities. Information and program guidelines about Access will be made available for qualifying households. The Company will also develop and present educational materials about energy efficiency and the benefits and savings associated with the use of natural gas.

The Access program will also be marketed to those organizations serving the needs of low-income households through ongoing programs in the NJNG Customer & Community Relations Department including:

- Energy Forums
- Gift of Warmth Fund information
- Speaker's Bureaus

- Customer Forums
- Special Senior Services
- AARP Volunteer Income Tax Assistance efforts.

Additionally, through our numerous community outreach initiatives, NJNG will provide information to those charitable and social service agencies within our service territory that work with and provide assistance and information to households receiving USF benefits.

### **Combined Heat and Power (CHP)**

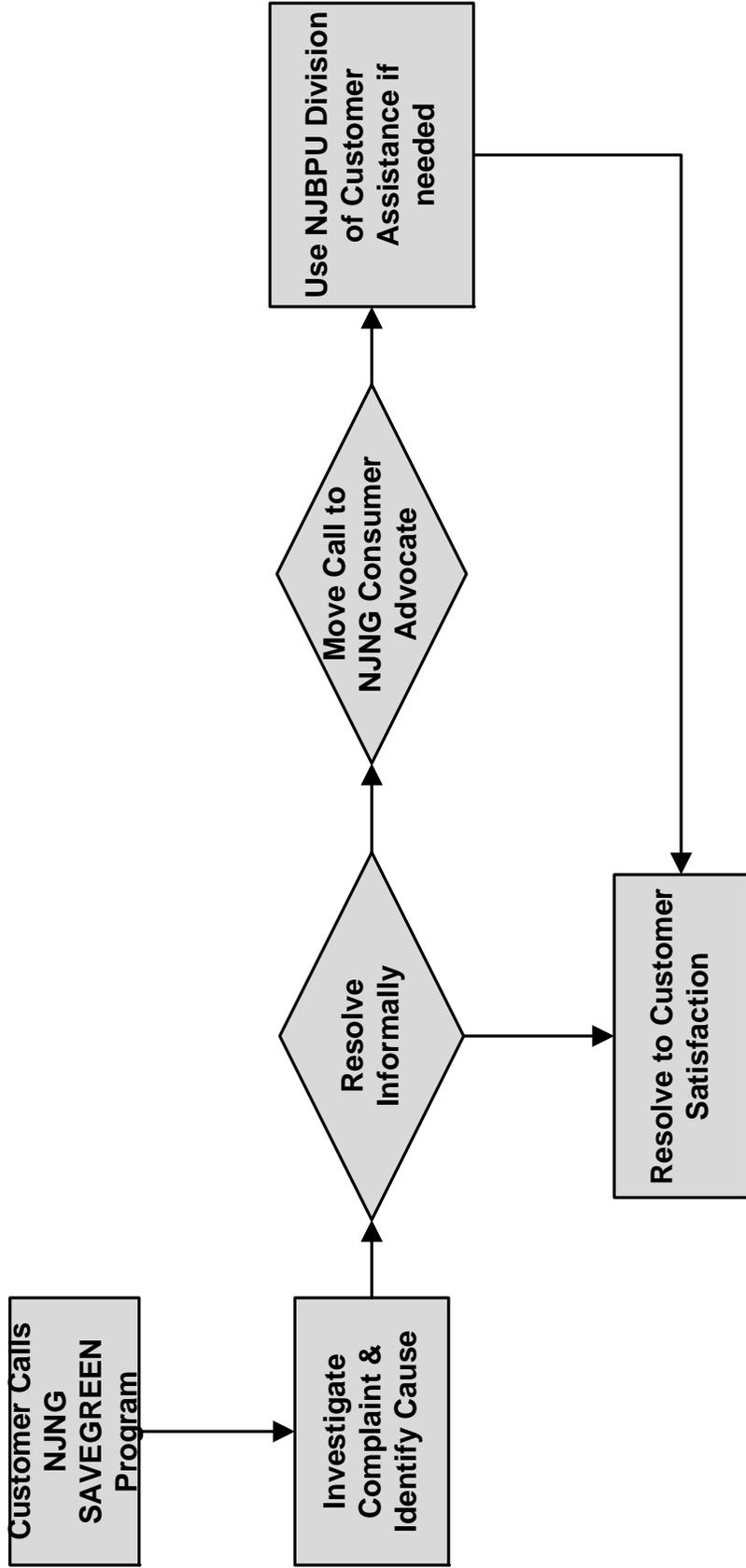
As a proven and effective energy resource that can help address current and future energy needs, CHP offers an effective and environmentally friendly solution to large industrial, commercial, and institutional facilities such as factories, businesses located on a campus setting, universities and hospitals, and other commercial buildings. CHP systems are designed and sized to meet the individual users' thermal baseload demand. Additionally, CHP it is not a single technology but rather a suite of technologies that allows for improvement in overall fuel efficiency, resulting in lower costs and emissions. As such, NJNG will market to those customers most likely to benefit from this technology. NJNG will identify potential customers based on historical energy usage and purchased marketing information. Site evaluations will be conducted for interested customers.

Initial introductions will be made and meetings with appropriate company representatives will be scheduled to discuss their business's current and future energy needs. NJNG will provide information and statistics on how a CHP solution can increase their energy efficiency while reducing business costs.

NJNG will position itself as the one-stop shop to provide energy solutions through:

- CTP Business Online
- User Groups
- Collaboration with available NJCEP and EDA programs
- Alliances with equipment manufacturers
- Collaboration with engineering firms
- Posting information to relevant social media (e.g. NJ On-Site Power & Distributed Generation group on LinkedIn).

### Complaint Resolution Diagram



## NJNG Energy Efficiency Programs

### Residential Programs

**Customers starting with WARMAdvantage (Segment I)**

To encourage residential customers to move to high-efficiency units when they are making repair/replacement decisions and to persuade them to also take advantage of the “whole house” approach embodied in New Jersey’s Clean Energy Program (NJCEP) Home Performance with Energy Star (HPwES) program, NJNG will offer a choice of incentives toward the purchase and installation of high-efficiency furnaces and boilers. Customers must agree to participate in an HPwES audit conducted by NJNG, (following the installation of qualifying equipment) at no cost to the customer and through which information about additional energy saving opportunities in their home are provided. This program is intended to capture multiple points of potential energy-efficiency opportunities in the house. Currently, the SAVEGREEN incentive for this replacement category has been the opportunity to obtain a \$900 enhanced rebate from NJNG in addition to the \$300 NJCEP rebate. NJNG is proposing to offer participating customers the option of either the \$900 rebate or the opportunity to use a no-interest on-bill repayment option for up to \$5,000 toward the installed cost of the energy-efficiency measures stemming from the HPwES audit. That amount is to be repaid over 5 years by participating customers. Regardless of the NJNG incentive chosen, customers will still be required to accept the NJNG HPwES audit to access either incentive track and will be expected to apply for the companion WARMAdvantage rebate<sup>1</sup>.

To encourage non-HPwES contractors to package the purchase of a high-efficiency furnace or boiler with either the purchase of a high-efficiency water heater upgrade or safety related modifications to allow for the proper drafting of the existing water heater, the financing level for these projects can be up to \$6,500 for a 5 year period in lieu of the \$900 rebate.

**Note:**

Should NJCEP minimum efficiency levels change during the term of this program, NJNG will not provide rebates for any equipment that does not meet minimum NJCEP efficiency standards and shall notify parties of any required changes.

**Eligibility**

These HPwES programs are available for residential customers, but NJNG will also offer the enhanced rebate to any commercial customer installing a boiler equal to or less than 300 MBH or a furnace equal to or less than 400 MBH. There will not be an audit requirement for commercial customers; however an equipment check will be performed to ensure that the installed equipment meets program requirements and these customers will be targeted to participate in other NJCEP programs for other measures. These commercial customers will not be able to use the on-bill repayment option.

---

<sup>1</sup> Since there may be period of limited funding for NJCEP programs and/or modifications to the existing slate of NJCEP programs, participation will be referenced in all customer materials and strongly encouraged by NJNG staff but will not be an absolute requirement.

**NJNG Energy Efficiency Programs**

Only customers who meet NJNG’s credit review criteria will be eligible to participate in the on-bill repayment option. If denied participation in the on-bill repayment option, a customer will be eligible for the NJNG Enhanced Rebate.

<b>Qualifying Equipment</b>	<b>Current NJCEP Equipment Rebate</b>	<b>NJNG Enhanced Rebate*</b>	<b>Total Rebate if NJNG audit performed</b>	<b>Gross NJNG Investment</b>
Gas Furnace or Boiler	\$300	\$900	\$1,200	\$4,950,000
Gas Furnace with ECM	\$400	\$900	\$1,300	Included in above amount

\*In lieu of the NJNG Enhanced Rebates, customers can utilize the on-bill repayment option described above. These customers will still be eligible and directed to apply for the WARMAdvantage rebates as they are available.

<b>Estimated Program Participants and Annual Savings</b>		
<b>Rebate</b>	<b>Estimated Annual Participants</b>	<b>Estimated Annual Savings</b>
Gas Furnace/Boiler	6,500	1.1 million Therms

**Customers starting with HPwES (Segment II)**

Residential customers initially implementing upgrades through HPwES will be eligible to participate in a NJNG no-interest on-bill repayment plan. Repayment of the principal will be made by participating customers. A maximum of \$10,000 will be available to individual eligible customers to be repaid over 10 years. Consistent with current NJNG program terms, customers can take advantage of both the HPwES rebates and the repayment plan. Only customers who meet NJNG’s credit review criteria will be eligible to participate in the on-bill repayment option. NJNG reserves the right to limit participation in OBRP to customers who utilize natural gas as their heating source. Any customers found to not be eligible for NJNG on-bill-repayment program may seek financing through NJCEP.

**NJNG Energy Efficiency Programs**

<b>Anticipated Number of Participants</b>	<b>Max. Amount available per customer/Assumed average loan amount</b>	<b>Repayment period</b>	<b>Investment Amount to be repaid by participants</b>
1000	\$10,000 max (\$9,000 average assumed)	10 years	\$9,000,000

Further, consistent with the terms of the current NJNG Program, NJNG will provide HPwES customer rebates at the levels being offered by NJCEP and currently estimated at up to \$4,000 when a customer utilizes the NJNG on-bill repayment option. Customers not utilizing the repayment program will have their rebate paid by NJCEP.

<b>Maximum Number of Participants</b>	<b>Max. Amount available per customer</b>	<b>Estimated Annual Energy Savings</b>	<b>Investment Amount</b>
1000	\$4,000 max	302,000 therms	\$2,500,000

**Independent Audits**

Based on experience promoting HPwES, NJNG has found that certain customers prefer scheduling an HPwES Audit from an entity other than an HPwES contractor. Since the NJCEP program no longer offers an independent audit option, NJNG is proposing to offer the performance of an HPwES Audit upon customer request. In those instances, NJNG will charge a fixed HPwES Audit price of \$250 which fully covers the cost of the audit. Any funds generated from these audits will be used to offset the overall energy efficiency program costs. As noted in the Marketing Plan, NJNG will reference this option through multiple communication channels (e.g., customer newsletter, E-tips, website, outreach materials) but also strongly emphasize the traditional option to take the HPwES audit directly from the eligible contractors.

**Independent Audits**

<b>Number of participants</b>	<b>Revenue generated from audit fees (to be credited against program costs)</b>
500 audits	\$125,000

## NJNG Energy Efficiency Programs

<b>Market Segment/Efficiency Targeted</b>
<p><b><u>Segment I</u></b> Residential and certain commercial customers with HVAC equipment needing immediate or imminent replacement. The program will promote the installation of high efficiency equipment and the installation of other energy-efficiency measures by creating awareness of opportunities identified through the HPwES Audit.</p>
<p><b><u>Segment II</u></b> Residential homeowners who do not need to immediately replace their HVAC equipment will be targeted since it is mandatory to participate in the HPwES Audit at the outset. The program will target the installation of high-efficiency HVAC equipment and the installation of whole house energy conservation measures (weatherization improvements to the building).</p>
<b>Delivery Method and Contractor Role</b>
<p><b><u>Segment I Roles and Responsibilities</u></b> (Customers needing immediate or imminent equipment replacement before participating in an audit).</p> <ul style="list-style-type: none"><li>• Any HVAC contractor can install the WARMAdvantage qualified equipment. The work may be subject to WARMAdvantage quality control processes.</li><li>• NJNG will perform the HPwES Audits at no cost to the customer following installation of qualifying equipment and process NJNG enhanced rebates or on-bill repayment participation.</li><li>• \$900 Enhanced rebates can be assigned to a contractor at customer's request; however, on-bill repayment funds will be paid directly to the customer.</li><li>• HPwES contractors must be used to implement any further energy-efficiency improvements stemming from HPwES Audit recommendations. Since this work is integrated into the HPwES program, it may be subject to HPwES quality control processes.</li></ul>
<p><b><u>Segment II Roles and Responsibilities</u></b> (Customers starting with an HPwES audit).</p> <ul style="list-style-type: none"><li>• HPwES audits must be performed by approved HPwES contractors or by NJNG staff (for the specified fee).</li><li>• Installation work must be performed by HPwES contractors that meet NJCEP criteria. Currently, Building Performance Institute (BPI) certification is required.</li><li>• NJNG to offer the on-bill repayment program as noted above.</li><li>• Consistent with NJCEP treatment of HPwES rebates</li><li>• Since this work is integrated into the HPwES program, the work may be subject to HPwES quality control processes.</li></ul>

## NJNG Energy Efficiency Programs

<b>Link to existing NJCEP and federal programs</b>
<ul style="list-style-type: none"><li>• NJCEP WARMAdvantage</li><li>• NJCEP HPwES</li><li>• Federal Tax Credits</li></ul>
<b>Estimated avoided air emissions</b>
8,383 tons of CO <sub>2</sub> and 6.6 tons of NO <sub>x</sub> annually (based upon estimated annual savings as noted above).
<b>Anticipated Jobs Created/Sustained</b>
Refer to Schedule NJNG-15.
<b>Budget information</b>
Refer to Schedule NJNG-11 for categorization of costs.
<b>Marketing Approach</b>
Refer to Schedule TJM-2.
<b>Cost Recovery/ Rate design</b>
Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider "F" applicable to all jurisdictional throughput. (See Schedule NJNG-8).

## NJNG Access to Affordable Energy Pilot Program (Access)

<b>Description of the Program</b>
<p><b><u>Conversions</u></b>          NJNG is proposing Access<sup>1</sup> as a pilot program through which NJNG provides funding for a conversion to natural gas heating equipment for any customer who currently receives more than \$50 in monthly electric Universal Service Fund (USF) benefits and has electricity as their primary heating source. This program addresses the significant barrier low-income customers face in reducing their heating costs and the on-going burden that all ratepayers share in providing USF benefits.</p> <p><b><u>Link to NJCEP Comfort Partners</u></b>          The NJCEP Comfort Partners program provides low income/income eligible customers a resource for reducing their overall energy burden but currently does not allow those customers to switch heating sources when weatherization upgrades are performed. To promote long-term energy savings for Comfort Partners’ customers and to reduce future demands within the USF program, NJNG will provide funding for the conversion to a more affordable high-efficiency natural gas heating system. This conversion work will be performed prior to a customer’s participation in the NJCEP Comfort Partners program, which will be a requirement to maximize energy savings. Consistent with current Comfort Partners’ policy, a customer must own the home in which the equipment will be replaced.</p>
<b>Market Segment/Efficiency Targeted</b>
<p><b><u>Segment</u></b>          Customers who heat with electricity and receive more than \$50 a month in electric USF benefits will be the target group. Outreach will be focused on all-electric senior communities with heating systems that were installed more than 10 years ago. However, electric heat customers from any area served by NJNG can participate.</p>
<b>Delivery Method and Contractor Role</b>
<p><b><u>Roles and Responsibilities</u></b>          NJNG will conduct outreach to the target communities noted above and to charitable and social service organizations active in our service territory. Interested customers will be advised to contact NJNG for more information. NJNG will assign a marketing consultant to assist with the conversion process. Customers will be advised to obtain and provide to NJNG an estimate from a contractor currently serving the HVAC conversion market. If the estimate for the conversion totals \$4,000 or less, the customer will be allowed to use that contractor without securing further estimates. If the estimate is greater than \$4,000, the customer will be required to get at least one additional estimate. The maximum amount NJNG will provide for a conversion under this program is \$7,000. NJNG will conduct quality control assessments on random Access projects to ensure compliance with NJCEP standards.</p>

<sup>1</sup> During the course of this proceeding, NJNG reserves the right to modify this proposal upon changes to the NJCEP offers with no impact on the 180-day review period.

**NJNG Access to Affordable Energy Pilot Program (Access)**

<b>Payment to Contractor</b>	
Contractors will be paid directly by NJNG after submission of proof of required documentation, including successful quality control assessment. Customers will be advised of the obligation to participate in NJCEP Comfort Partners and placed in the scheduling queue after the equipment installation.	
<b>Estimated Program Participants and Annual Savings</b>	
<b>Participants</b>	<b>Estimated Annual Savings</b>
200 customers	2.7 million kWh
<b>Link to existing programs</b>	
NJCEP Comfort Partners Universal Service Fund Program	
<b>Estimated avoided air emissions</b>	
1,781 tons of CO <sub>2</sub> and 3.86 tons of NO <sub>x</sub> annually (based upon estimated annual savings as noted above).	
<b>Anticipated Jobs Created/Sustained</b>	
Refer to Schedule NJNG-15.	
<b>Budget information</b>	
Refer to Schedule NJNG-11 for categorization of costs.	
<b>Marketing Approach</b>	
Refer to Schedule TJM-2.	
<b>Cost Recovery/ Rate design</b>	
Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider "F" applicable to all jurisdictional throughput. (See Schedule NJNG-8).	

## NJNG Commercial Energy Efficiency Programs

<b>Description of the Program</b>		
<p>Despite the fact that natural gas costs have declined dramatically in recent years, there has not been significant development activity in the Combined Heat and Power (CHP) market in New Jersey. While familiarity and comfort with that technology is an issue that can be overcome, prevailing financial issues, such as high upfront installation costs and competing uses for available capital at host sites, are hindering the development of the market. In an effort to reduce some of these financial barriers to assist the state advance toward its desired CHP goals stated in the Energy Master Plan (EMP), NJNG will also offer an incremental incentive for CHP projects within our service territory. This incentive will be designed to match the value of the current NJCEP incentive up to \$1 million. While the current path to earn a CHP incentive through NJCEP requires participation in NJCEP's Pay for Performance Program, the path to access state incentives for CHP during 2012 is undefined at this time as significant efforts are underway to refine NJCEP programs and launch new programs through the Economic Development Authority (EDA). Accordingly, NJNG proposes that participation in either an NJCEP or EDA program that supports CHP be the requirement.</p>		
<b>Market Segment/Efficiency Targeted</b>		
<p>Through a review of energy usage history and purchased data, NJNG will target customers that require coincidental 24-hour thermal energy and electric load. Typical types of facilities include hospitals, universities, industrial facilities, military bases and Department of Defense facilities, health clubs, laundries, nursing homes and extended care facilities. These efforts would also include outreach to industry associations and customers that have expressed interest in CHP over the years but have not been able to overcome the financial barriers to installation.</p>		
<b>Delivery Method and Contractor Role</b>		
<p>Existing NJNG Marketing staff will perform the outreach functions referenced above, address preliminary customer inquiries, identify strong candidates for potential projects, perform preliminary feasibility reviews, support and address any inquiries from engineering or construction firms engaged in the development of the project, and ensure coordination with relevant state programs.</p> <p>External engineering and construction firms will perform the detailed design and coordinate permitting and installation.</p>		
<b>Estimated Program Participants and Annual Savings</b>		
<b>Rebate</b>	<b>Estimated Participants</b>	<b>Estimated Total Annual Savings</b>
Combined Heat & Power	4	24,966,000 kWhr

## NJNG Commercial Energy Efficiency Programs

<b>Link to existing programs</b>
The intention is to integrate with relevant NJCEP and EDA programs that support CHP. (Note: per recent discussions at the monthly NJCEP Energy Efficiency committee meetings, the program path for such CHP incentives may shift in 2012, accordingly NJNG is not citing specific programs).
<b>Estimated avoided air emissions</b>
16,145 tons of CO <sub>2</sub> and 32 tons of NO <sub>x</sub> annually (based upon estimated annual savings as noted above)
<b>Anticipated Jobs Created/Sustained</b>
Refer to Schedule NJNG-15.
<b>Budget information</b>
Refer to Schedule NJNG-11 for categorization of costs.
<b>Marketing Approach</b>
Refer to Schedule TJM-2
<b>Cost Recovery/ Rate design</b>
Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider "F" applicable to all jurisdictional throughput. (See Schedule NJNG-8)

**NEW JERSEY NATURAL GAS COMPANY**

**PREPARED DIRECT TESTIMONY OF  
DANIEL P. YARDLEY**

1 **I. INTRODUCTION**

2 **Q. Please state your name, affiliation and business address.**

3 A. My name is Daniel P. Yardley. I am Principal, Yardley & Associates and my  
4 business address is 2409 Providence Hills Drive, Matthews, North Carolina 28105.

5 **Q. On whose behalf are you testifying?**

6 A. I am testifying on behalf New Jersey Natural Gas Company (“NJNG” or the  
7 “Company”).

8 **Q. Please summarize your professional and educational background.**

9 A. I have been employed as a consultant to the natural gas industry for the past 20 years.  
10 During this period, I have directed or participated in numerous consulting  
11 assignments on behalf of local distribution companies ("LDCs"). A number of these  
12 assignments involved the development of gas distribution company cost allocation,  
13 pricing, service unbundling, revenue decoupling and other tariff analyses. In addition  
14 to this work, I have performed interstate pipeline cost of service and rate design  
15 analyses, gas supply planning analyses, and financial evaluation analyses. I received  
16 a Bachelor of Science Degree in Electrical Engineering from the Massachusetts  
17 Institute of Technology in 1988.

1 **Q. Have you previously testified before the New Jersey Board of Public Utilities?**

2 A. Yes. Over the last ten years, I have testified before the New Jersey Board of Public  
3 Utilities (the "BPU") on rate and regulatory matters including rate unbundling, cost  
4 allocation, rate design, revenue decoupling and tariff design. My testimony in  
5 various proceedings has been presented on behalf of NJNG as well as Elizabethtown  
6 Gas and South Jersey Gas Company. I have also testified in proceedings before the  
7 Florida Public Service Commission, the Massachusetts Department of Public  
8 Utilities, the New Hampshire Public Utilities Commission, the Rhode Island Public  
9 Utilities Commission, the Tennessee Regulatory Authority, the Wisconsin Public  
10 Service Commission and the Federal Energy Regulatory Commission on matters  
11 pertaining to cost of service, cost allocation, rate design and capacity planning. A  
12 summary of my previous expert testimony is provided as Attachment A to my direct  
13 testimony.

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

15 A. My testimony supports NJNG's request to continue certain energy efficiency ("EE")  
16 programs. In particular, I provide estimates of the annual revenue requirements  
17 associated with the program investments described in the pre-filed testimony of  
18 Thomas J. Massaro, Exhibit P-2, submitted in support of NJNG's proposals. In  
19 addition, I will support the proposed cost recovery rate associated with the  
20 Company's Energy Efficiency Rider and present estimated bill impacts.

1 The Company's filing is made pursuant to legislation enacted in January 2008,<sup>1</sup> (" the  
2 Legislation"). Through the Legislation, as well as previous legislation<sup>2</sup>, enacted in  
3 July 2007, New Jersey further recognized the need to address greenhouse gas  
4 ("GHG") emissions and global warming concerns. These laws provide for  
5 investment in energy efficiency on a regulated basis by New Jersey energy utilities as  
6 a means of increasing the efficient use of available resources and reducing GHG  
7 emissions. Subsequently, the BPU established Minimum Filing Requirements  
8 ("MFRs"), information that must be provided within a utility filing seeking approval  
9 for such investments and the associated cost recovery mechanism<sup>3</sup>.

10 The Company's request represents an extension of programs previously approved by  
11 the BPU that are currently referred to internally at NJNG and promoted to customers  
12 as The SAVEGREEN™ Project. Additionally, the Company is recommending the  
13 creation of new programs that are consistent with New Jersey's recently issued Draft  
14 Energy Master Plan ("EMP"). My testimony supports a number of the MFRs  
15 established by the BPU.

16 **Q. Are you supporting any schedules that accompany your testimony?**

17 A. Yes. I am sponsoring the following seven schedules which will be discussed later in  
18 my testimony:

19 Schedule DPY-1: Program Unit Costs and Projected Take Rates

20 Schedule DPY-2: Net EE Investments

---

<sup>1</sup> N.J.S.A. 49:3-98.1

<sup>2</sup> N.J.S.A. 26:2C-45

<sup>3</sup> B.P.U. Docket No. EO08030164, Order issued May 12, 2008.

1	Schedule DPY-3:	Cost of Capital
2	Schedule DPY-4:	Operations and Maintenance Costs
3	Schedule DPY-5:	Revenue Requirements Summary
4	Schedule DPY-6:	Energy Efficiency Cost Recovery Rate
5	Schedule DPY-7:	Projected Bill Impacts by Class.

6 **II. PROGRAM REVENUE REQUIREMENTS**

7 **Q. What are the components included in the revenue requirements that are**  
8 **associated with the SAVEGREEN programs proposed by the Company?**

9 A. Mr. Massaro describes three programs that comprise the Company's proposal: the  
10 Residential Program, the Commercial Combined Heat and Power Program ("CHP")  
11 and the Access to Affordable Energy Pilot Program ("Access"). The energy-  
12 efficiency investments associated with these programs ("EE Investments") result in  
13 rate base and expense-related revenue requirements. These include Operations and  
14 Maintenance ("O&M") expense, amortization expense, return on investments and  
15 income taxes.

16 The Company is also offering an on-bill repayment plan for customers that provides  
17 customers with a five or ten-year, zero-interest repayment opportunity for qualified  
18 energy efficiency installations. The carrying costs associated with this program are  
19 also included in the SAVEGREEN program revenue requirements.

1 **Q. Please describe the factors that most strongly influence the level of revenue**  
2 **requirements associated with the proposed programs.**

3 A. The per unit costs of the individual program measures, and the number of  
4 participants, have the most significance in determining the revenue requirements  
5 associated with the EE Investments. In addition, the length of time over which the  
6 investments are amortized, and the incremental O&M costs necessary to implement  
7 the energy-efficiency programs, influence total revenue requirements to a lesser  
8 degree.

9 **Q. Have you prepared a summary of unit investment costs and the associated**  
10 **number of participants you are relying upon in your calculations?**

11 A. Yes. Schedule DPY-1 provides a list of measures included within each of the three  
12 programs and the corresponding expected participation rates for 2012 encompassed in  
13 the Company's proposal. The Access program includes investments and take rates  
14 for the three years of the pilot program. The gross investments are also provided in  
15 this schedule.

16 **Q. Please describe the Company's proposal to amortize the EE Investments.**

17 A. NJNG is proposing to amortize the majority of investments over a five-year period.  
18 Specifically, the investments will be amortized monthly for a period of 60 months  
19 beginning when the facilities are installed or rebates are paid. The investments will  
20 be grouped for amortization purposes for the Company's traditional utility plant  
21 investments.

1 The five-year amortization period is consistent with the currently-approved  
2 SAVEGREEN programs. For tax purposes, the EE Investments will be recognized as  
3 an expense as allowed for all rebate payments to customers. The timing difference  
4 between book and tax amortization periods for all EE Investments is properly  
5 recognized in the calculated revenue requirements through deferred tax reductions to  
6 the rate base associated with the proposed EE Investments.

7 **Q. What is NJNG's projected net investment in the SAVEGREEN programs over**  
8 **the proposed amortization period?**

9 A. Net investments take into consideration the gross investment, as well as accumulated  
10 amortization and the deferred tax benefits associated with applicable accelerated  
11 depreciation. The net investment by program by year is provided in Schedule DPY-2  
12 through 2016, when the last of the investments would be fully amortized. This  
13 schedule indicates a total first year EE Investment rate base of \$5.4 million. Due to  
14 the deferred tax benefits associated with the rebates, the peak investment is less than  
15 50 percent of the total gross investments indicated in Schedule DPY-1.

16 **Q. How are return on investment and income taxes calculated?**

17 A. Consistent with the provisions of the Legislation, the Company is proposing to  
18 include a regulated rate of return on its net investment as part of the proposed revenue  
19 requirements. The rate of return and associated income tax rates are provided in  
20 Schedule DPY-3 and reflect the rates authorized by the BPU in the Company's most  
21 recent base rate case, Docket No. GR07110889. The Company is not seeking a return  
22 on its investments in the Commercial CHP and Access programs.

1 **Q. What are the estimated O&M and Administrative costs?**

2 A. NJNG prepared estimates of the anticipated labor and non-labor costs associated with  
3 administering the programs. These projections reflect the Company's experience  
4 administering the existing programs approved by the BPU in previous years. A  
5 summary of projected O&M and administrative costs is provided in Schedule DPY-4.  
6 The costs included on this schedule represent the direct labor and associated  
7 personnel overhead costs, such as benefits and office space. None of the Company's  
8 general administrative overhead costs are included in revenue requirements for these  
9 programs.

10 **Q. Have you prepared a summary of net revenue requirements associated with the**  
11 **EE Investments?**

12 A. Yes. Schedule DPY-5 presents a summary of the projected revenue requirements for  
13 each program by year. The actual revenue requirements will depend on the total level  
14 of participation by customers. However, Schedule DPY-5 is presented on the basis of  
15 the maximum investment levels at the outset of the SAVEGREEN program for which  
16 the Company is requesting approval. The revenue requirements for the rebate  
17 programs are projected for five years consistent with the amortization period. The  
18 revenue requirements for the residential on-bill repayment programs continue for up  
19 to ten years consistent with the customer's repayment terms.

1 **III. COST RECOVERY MECHANISM**

2 **Q. Please describe the requirements established through the Legislation regarding**  
3 **recovery of utility investments in energy efficiency and renewable resources.**

4 A. The Legislation allows natural gas and electric utilities to recover the costs of energy-  
5 efficiency and renewable-energy programs through rates on a regulated basis. In  
6 order to be eligible for such rate treatment, the investments may be on the utility side  
7 or customer side of the meter so long as the investments are in the utility's service  
8 area. Energy-efficiency and renewable-energy investments may be placed in utility  
9 rate base or recovered through a separate ratemaking mechanism. The costs eligible  
10 for recovery include the costs of developing and implementing the programs as well  
11 as a return on invested capital.

12 **Q. Is there an existing NJNG tariff related to recovery of energy efficiency**  
13 **investments?**

14 A. Rider F to the Company's existing tariff provides for the recovery of energy-  
15 efficiency investments as established in Docket No. GO09010057. The E3  
16 investments are presently recovered through Rider F. In addition, costs associated  
17 with EE Investments approved by the BPU in Docket No. GR10030225 are also  
18 eligible for recovery through Rider F. The same recovery rate of \$0.0127 has been in  
19 effect since Rider F was implemented. NJNG recently proposed to reduce the rate  
20 effective October 1, 2011 in Docket No. GR11060333. However, the Company  
21 intends to amend this request to reflect the impact of the EE Investments proposed in  
22 the current filing. Specifically, the Company is proposing to retain the existing rate  
23 of \$0.0127 for an additional year through September 30, 2012.

1

2 **Q. Have you calculated the impact of continuing the existing recovery rate**  
3 **applicable upon approval of the EE Investments reflected in Schedule DPY-1?**

4 A. Yes. Schedule DPY-6 reflects the revenues and the revenue requirements associated  
5 with three distinct groups of programs. The first group is E3 investments approved in  
6 Docket No. GR09010057. The second is for the Preliminary RGGI Investments  
7 approved in Docket No. GR10030225. The third group is the EE Investments  
8 associated with the Company's current proposal to extend the existing programs for  
9 another year. This schedule demonstrates that maintaining the existing recovery rate  
10 is likely to produce a minimal over or under-recovery of the associated revenue  
11 requirements through September 30, 2012.

12 **Q. Is recovery of the Company's proposed investments consistent with the**  
13 **requirements of the Legislation?**

14 A. Yes. The Company's cost recovery proposal complies with the requirements of the  
15 Legislation. The program costs satisfy the eligibility requirements and the proposed  
16 ratemaking mechanism, including a return on net invested capital, and is consistent  
17 with the ratemaking options provided for in Section 13 of the Legislation.

18 **Q. Please describe the periodic filing and review process related to ongoing EE**  
19 **Investments recovered through Rider F.**

20 A. On or before June 1st of each year, the Company will file a request to modify the rate  
21 applicable under Rider F including all supporting information and workpapers. The  
22 proposed effective date of the annual change would be the following October 1st.

1 This affords the BPU and the New Jersey Division of Rate Counsel reasonable time  
2 to review the Company's application and conduct discovery as needed. This schedule  
3 will coordinate with the Company's current filings made on or around June 1st of  
4 each year to be effective as of October 1st. This approach lessens the number of rate  
5 changes during any 12-month period.

6 **VI. CUSTOMER IMPACTS**

7 **Q. Have you prepared a forecast of future bill impacts associated with the**  
8 **Company's proposal?**

9 A. Yes. Schedule DPY-7 presents annual bill impacts, assuming full participation at the  
10 proposed investment caps, for each year based on the projected net revenue  
11 requirements presented in Schedule DPY-5. The bill impacts are provided separately  
12 for various NJNG customer classes. For residential heating customers, the bill  
13 impacts average \$6.80 per year over the first five years, and \$3.60 per year for ten  
14 years.

15 **Q. Does this conclude your testimony?**

16 A. Yes, it does.

New Jersey Natural Gas  
RGGI Program

Program Unit Costs and Projected Participation Rates

	<u>Participation Rates</u>		<u>Unit Cost</u>	<u>Gross Investments (\$000)</u>	
	<u>Year 1</u>	<u>Total</u>		<u>Year 1</u>	<u>Total</u>
<b>Residential</b>					
Gas Furnace	5,500	5,500	\$ 900	\$ 4,950	\$ 4,950
Tier II Seal-Up	500	500	1,000	500	500
Tier III HPES	500	500	4,000	2,000	2,000
					<b>\$ 7,450</b>
<b>Commercial</b>					
Combined Heat and Power	4	4	750,000	3,000	3,000
					<b>\$ 3,000</b>
<b>Access to Affordable Energy</b>					
Low Income Conversion	200	200	\$ 5,000	\$ 1,000	\$ 1,000
<b>TOTAL ALL PROGRAMS</b>				<b>\$ 11,450</b>	<b>\$ 11,450</b>



New Jersey Natural Gas  
RGGI Program

Cost of Capital

<u>Component</u>	<u>Amount</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Combined Tax Rate</u>	<u>Pre-Tax Cost of Capital</u>
Long-Term Debt	\$ 411,344	41.6%	5.44%	2.26%		2.26%
Short-Term Debt	66,000	6.7%	2.90%	0.19%		0.19%
Customer Deposits	4,447	0.5%	4.79%	0.02%		0.02%
Common Equity	<u>506,332</u>	<u>51.2%</u>	10.30%	<u>5.28%</u>	40.85%	<u>8.92%</u>
<b>Total</b>	<b>\$ 988,123</b>	<b>100.0%</b>		<b>7.76%</b>		<b>11.40%</b>



New Jersey Natural Gas  
RGGI Program

Summary of Revenue Requirements  
(\$000)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b><u>Residential Efficiency Revenue Requirements</u></b>										
O&M Expense	\$ 3,647	\$ 183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	1,490	1,490	1,490	1,490	1,490	-	-	-	-	-
Income Taxes	289	527	423	319	216	148	115	82	49	16
Return	615	1,121	900	680	459	314	244	175	105	35
<b>Total</b>	<b>\$ 6,041</b>	<b>\$ 3,320</b>	<b>\$ 2,813</b>	<b>\$ 2,489</b>	<b>\$ 2,165</b>	<b>\$ 462</b>	<b>\$ 359</b>	<b>\$ 257</b>	<b>\$ 154</b>	<b>\$ 51</b>
<b><u>Commercial Efficiency Revenue Requirements</u></b>										
O&M Expense	\$ 222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	600	600	600	600	600	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-	-
Return	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 822</b>	<b>\$ 600</b>	<b>\$ 600</b>	<b>\$ 600</b>	<b>\$ 600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Access to Affordable Energy Revenue Requirements</u></b>										
O&M Expense	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	200	200	200	200	200	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-	-
Return	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 298</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 7,162</b>	<b>\$ 4,120</b>	<b>\$ 3,613</b>	<b>\$ 3,289</b>	<b>\$ 2,965</b>	<b>\$ 462</b>	<b>\$ 359</b>	<b>\$ 257</b>	<b>\$ 154</b>	<b>\$ 51</b>

**New Jersey Natural Gas  
E3 And RGGI Recovery Rates  
Through September 2012  
(\$000)**

	<b>June 1, 2011 Rate Filing</b>	<b>July 15, 2011 Amended Filing Rate Filing</b>	<b>15-Jul-2011 Extension Filing</b>
Actual Under/(Over) recovery at 4/30/11	\$ (7,304)	\$ (7,304)	\$ (7,304)
Estimated E3 Revenue Requirements (May 2011 through Sep 2011)	1,794	1,794	1,794
Estimated RGGI Revenue Requirements (May 2011 through Sep 2011)	1,920	1,920	1,920
Estimated Recovery May 2011 through Sep 2011	(1,226)	(1,226)	(1,226)
Estimated Interest May 2011 through Sep 2011	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>
Estimated Under/(Over) recovery at 9/30/11	(4,823)	(4,823)	(4,823)
Estimated E3 Revenue Requirements (Oct 2011 through Sep 2012)	3,999	3,999	3,999
Estimated Revenue Requirements Docket No. GO10030225 (Oct 2011 through Sep 2012)	4,122	4,122	4,122
Estimated Revenue Requirements July 15, 2011 Filing (Jan 2012 through Sep 2012)	<u>-</u>	<u>4,105</u>	<u>4,105</u>
<b>Total Amount to be Recovered</b>	<b><u>\$ 3,299</u></b>	<b><u>\$ 7,403</u></b>	<b><u>\$ 7,403</u></b>
<b><u>Per Therm Recovery</u></b>			
Firm Throughput (000 therms)	666,760	666,760	666,760
Proposed Pre-tax EE Recovery Rate \$ per Therm	\$ 0.0049	\$ 0.0111	\$ 0.0111
<b>Proposed After-tax EE Recovery Rate \$ per Therm</b>	<b>\$ 0.0052</b>	<b>\$ 0.0119</b>	<b>\$ 0.0119</b>
Current Pre-tax EE Recovery Rate \$ per Therm	\$ 0.0119	\$ 0.0119	\$ 0.0119
Current After-tax EE Recovery Rate \$ per Therm	\$ 0.0127	\$ 0.0127	\$ 0.0127
Pre-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$ (0.0070)	\$ (0.0008)	\$ (0.0008)
After-tax EE Recovery Rate \$ per Therm Increase/ (Decrease)	\$ (0.0075)	\$ (0.0008)	\$ (0.0008)

5 YEAR PROGRAM AMORTIZATION  
5 & 10 YEAR FINANCING AMORTIZATION

RGGI Program

Projected Bill Impacts

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue Requirement Summary</b>										
Residential Energy Efficiency	\$ 6,041	\$ 3,320	\$ 2,813	\$ 2,489	\$ 2,165	\$ 462	\$ 359	\$ 257	\$ 154	\$ 51
Commercial Energy Efficiency	822	600	600	600	600	-	-	-	-	-
Access to Affordable Energy	298	200	200	200	200	-	-	-	-	-
<b>Total</b>	<b>\$ 7,162</b>	<b>\$ 4,120</b>	<b>\$ 3,613</b>	<b>\$ 3,289</b>	<b>\$ 2,965</b>	<b>\$ 462</b>	<b>\$ 359</b>	<b>\$ 257</b>	<b>\$ 154</b>	<b>\$ 51</b>

666,760 M Therms

Per Therm Rate Impact

Residential Energy Efficiency	\$ 0.0091	\$ 0.0050	\$ 0.0042	\$ 0.0037	\$ 0.0032	\$ 0.0007	\$ 0.0005	\$ 0.0004	\$ 0.0002	\$ 0.0001
Commercial Energy Efficiency	0.0012	0.0009	0.0009	0.0009	0.0009	-	-	-	-	-
Access to Affordable Energy	0.0004	0.0003	0.0003	0.0003	0.0003	-	-	-	-	-
<b>Total</b>	<b>\$ 0.0107</b>	<b>\$ 0.0062</b>	<b>\$ 0.0054</b>	<b>\$ 0.0049</b>	<b>\$ 0.0044</b>	<b>\$ 0.0007</b>	<b>\$ 0.0005</b>	<b>\$ 0.0004</b>	<b>\$ 0.0002</b>	<b>\$ 0.0001</b>
<b>Total including SUT</b>	<b>\$ 0.0115</b>	<b>\$ 0.0066</b>	<b>\$ 0.0058</b>	<b>\$ 0.0053</b>	<b>\$ 0.0048</b>	<b>\$ 0.0007</b>	<b>\$ 0.0006</b>	<b>\$ 0.0004</b>	<b>\$ 0.0002</b>	<b>\$ 0.0001</b>

Typical Annual Bill Impacts

<u>Residential Non-Heat</u>										
Annual Therms	200	200	200	200	200	200	200	200	200	200
Typical Annual Bill Impact	\$ 2.30	\$ 1.32	\$ 1.16	\$ 1.06	\$ 0.96	\$ 0.14	\$ 0.12	\$ 0.08	\$ 0.04	\$ 0.02
<u>Residential Heat</u>										
Annual Therms	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Typical Annual Bill Impact	\$ 11.50	\$ 6.60	\$ 5.80	\$ 5.30	\$ 4.80	\$ 0.70	\$ 0.60	\$ 0.40	\$ 0.20	\$ 0.10
Average Annual Bill Impact	\$ 3.60									
<u>General Service Small</u>										
Annual Therms	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Typical Annual Bill Impact	\$ 13.80	\$ 7.92	\$ 6.96	\$ 6.36	\$ 5.76	\$ 0.84	\$ 0.72	\$ 0.48	\$ 0.24	\$ 0.12
<u>General Service Large</u>										
Annual Therms	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Typical Annual Bill Impact	\$ 172.50	\$ 99.00	\$ 87.00	\$ 79.50	\$ 72.00	\$ 10.50	\$ 9.00	\$ 6.00	\$ 3.00	\$ 1.50