



December 16, 2014

VIA FEDERAL EXPRESS

Ms. Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: 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
MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1
BPU DOCKET NO. GO1412_____

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the Petition of New Jersey Natural Gas Company for the approval of the extension of energy-efficiency programs offered through The SAVEGREEN® Project and the associated cost recovery mechanism.

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

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

Very truly yours,

A handwritten signature in blue ink that reads 'Andrew K. Dembia'. The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Andrew K. Dembia
Regulatory Affairs Counsel

AKD:fk
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
BPU DOCKET NO. GO1412_____**

SERVICE LIST

NJNG

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**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
BPU DOCKET NO. GO1412_____**

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

**IN THE MATTER OF THE PETITION OF)
NEW JERSEY NATURAL GAS COMPANY) PETITION
FOR APPROVAL OF THE CONTINUATION)
OF ENERGY-EFFICIENCY PROGRAMS) BPU DOCKET NO. GO1412_____
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, Senior Vice President, Regulatory Affairs
Andrew K. Dembia, Esq., Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road, P.O. Box 1464
Wall, N.J. 07719
(732) 938-1214 (M. Sperduto)
(732) 938-1073 (A. Dembia)
(732) 938-2620 (fax)

3. Through this Petition and the accompanying schedules and testimonies, NJNG is requesting BPU approval to continue, with certain modifications, the energy-efficiency programs offered through 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 2014 & 2013
Schedule NJNG-2	Comparative Income Statement 2014 & 2013
Schedule NJNG-3	Balance Sheet September 2014
Schedule NJNG-4	Statement of Revenues September 2014
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 Documents
Schedule NJNG-13	Cost Benefit Analysis
Schedule NJNG-14	Listing of Minimum Filing Requirements
Schedule NJNG-15	Jobs Created / Sustained

Exhibit P-2	Testimony of Thomas J. Massaro
Schedule TJM-1	Residential Program Paths
Schedule TJM-2	Residential Programs Description
Schedule TJM-3	Commercial Programs Description
Schedule TJM-4	NJCEP and NJNG Program Comparison
Schedule TJM-5	SAVEGREEN Marketing Overview
Schedule TJM-6	Complaint Resolution Diagram
Exhibit P-3	Testimony of Daniel P. Yardley
Schedule DPY-1	Projected Participation Rates
Schedule DPY-2	SAVEGREEN Investments
Schedule DPY-3	Cost of Capital
Schedule DPY-4	Operations and Maintenance Costs
Schedule DPY-5	Summary of Revenue Requirements and Projected Bill Impacts

This Petition is not requesting a change in the current recovery rate included in Rider F of the Company's Tariff.

Background

5. Pursuant to N.J.S.A. 26:2C-45 (the "Legislation"), signed into law on January 13, 2008, the New Jersey Legislature found that New Jersey can help to address the global-warming concerns 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.

6. Section 13 of the Legislation, 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, and provides that the utility may file, with the BPU, for approval of 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.

7. Subsequent to the passage of the Legislation, the BPU issued an order on May 12, 2008 (the “May 2008 Order”) establishing the procedures through which electric and natural gas utilities can seek approval to offer energy-efficiency and conservation programs on a regulated basis. The May 2008 Order also set out specific information that is to be provided in such filings by delineating Minimum Filing Requirements (“MFRs”).

8. Based on the Legislation, and the May 2008 Order, NJNG has made filings in Docket Nos. EO09010056 and GO09010057, GO10030225 and GR11070425, and GO12070640 seeking approval to implement energy-efficiency programs through SAVEGREEN that complemented or supplemented existing programs offered through New Jersey’s Clean Energy Program (“NJCEP”). In Orders dated July 17, 2009 (the “July 2009 Order”), September 24, 2010 (the “September 2010 Order”) the January 18, 2012 (the “January 2012 Order”), and June 21,

2013 (the “June 2013 Order”)¹ the BPU adopted the terms of Stipulations entered into among representatives from the BPU Staff, the New Jersey Division of Rate Counsel (“Rate Counsel”) and NJNG (the “Parties”) approving the implementation of energy-efficiency programs and the associated cost recovery mechanism. Recovery of the costs necessary to deliver these programs, including grants, incentives, incremental operation and maintenance (“O&M”) expenses and carrying costs is provided through Rider F to the Company’s Tariff.

9. In the instant proceeding, NJNG is seeking Board approval to continue offering through SAVEGREEN, the energy-efficiency programs described herein, including the on-bill repayment program (“OBRP”) approved in the June 2013 Order. The NJNG SAVEGREEN programs and investments are further described in the pre-filed testimonies and exhibits of Thomas J. Massaro (“Massaro Testimony”) and Daniel P. Yardley (“Yardley Testimony”), included with this Petition. NJNG is not proposing any new programs in this filing and proposes to maintain the annual investment levels approved by the Board in the June 2013 Order. The Company is seeking approval for certain modifications to a few existing customer offers to address market barriers the Company has identified through its experience with the SAVEGREEN programs since 2009 and to continue these programs over a three year period beginning July 1, 2015 or the effective date of a Board Order approving this filing.

Procedural Matters

10. The May 2008 Order established that certain information must be included in any petition for approval to offer energy-efficiency programs in order to permit a comprehensive

¹ The June 21, 2013 Order was subsequently amended by the Board to correct the amount that the Company can provide to Direct Install customers through its On Bill Repayment Program. See, In The Matter Of The Petition Of New Jersey Natural Gas Company For Approval Of The Extension Of Energy Efficiency Program And The Associated Cost Recovery Mechanism Pursuant To N.J.S.A. 48:3-98.1, BPU Docket No. GO12070640 (August 21, 2013).

review of these filings within the statutorily designated 180-day review period. The 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 current 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 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, via teleconference, with a representative of Rate Counsel on November 12, 2014 and with BPU Staff and a representative of the Division of Law within the Department of Law and Public Safety on November 14, 2014 via teleconference, to provide an overview of the program modifications 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, 140 E. Front Street, Trenton, 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 continuation of BPU-approved energy-efficiency programs that coordinate closely with existing programs in NJCEP with the minor modifications addressed herein. The Company reserves the right to amend this filing should that be necessitated by future modifications or changes to the current NJCEP offerings, incentives, grants, program management, evaluation, 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 be addressed within the original 180-day period.

NJNG Proposed Programs

16. In this filing, NJNG proposes to continue the ongoing work of SAVEGREEN with certain modifications that are in response to market demands and customer needs experienced by NJNG over the past five years. In this way, NJNG will avoid unnecessary customer delays, start-up expenses, the loss of qualified staff, and disruptions to the trade ally businesses serving the energy efficiency and conservation marketplace. NJNG seeks approval to provide customers the proposed programs in this filing over a three-year period beginning July 1, 2015 or the effective date of a Board Order approving this filing.

17. NJNG proposes to continue the existing SAVEGREEN programs with the following modifications to the current SAVEGREEN offers. These modifications are discussed in greater detail in the Massaro Testimony and the supporting Schedules TJM-1, 2 and 3.

Residential Programs:

- Incentives for high efficiency equipment (outside of the HPwES Program). For customers installing a WARMAdvantage qualified high-efficiency water heater, a \$100 SAVEGREEN incentive will be offered to encourage customers to accept a free energy audit.
- Incentives for additional measures through HPwES - Broaden the availability for Combination OBRP customers to modify their OBRP to pursue the additional upgrades through HPwES by extending the requirement for a customer to take action within 18 months of their initial OBRP (currently 6 months).

Commercial Programs

* Direct Install Customers - Continue the same structure for the NJCEP Direct Install (DI) OBRP program. In addition, modify the repayment period from 24 months to 36 months to make repayments more affordable for participating customers. NJNG is also proposing a modification to allow commercial customers to apply for OBRP related to certain energy-efficiency measures not included within the DI Program but are eligible energy saving measures in the NJCEP SmartStart Building program to address an identified barrier in the commercial marketplace in the NJNG service territory.

18. Within this filing, NJNG is proposing to have the OPOWER pilot program, continue through 2018. This existing program is set to terminate on June 30, 2015. OPOWER provides customers with educational and informational data on how to reduce their personal energy usage. NJNG also is proposing an expansion of the OPOWER program to test the program's ability to influence customer behavior for connections to whole house improvements and to enhance service to low income customers. The Company is seeking approval to continue

the Fostering Environmental and Economic Development (“FEED”) program as currently structured, originally approved in the September 2010 Order and subsequently in the June 2013 Order. This program provides interested commercial customers with individualized opportunities to benefit from environmental and economic development projects with no direct subsidy from NJNG ratepayers.

19. 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, support state policies articulated in the Energy Master Plan, and address environmental concerns while stimulating the economy through opportunities for local businesses to create and grow jobs for the 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.

20. In this Petition, NJNG is seeking approval to continue the SAVEGREEN programs through June 30, 2018 or for a three year period beginning with the effective date of a Board Order approving this filing. Pursuant to the structure approved by the Board in the June 2013 Order, NJNG proposes that work related to a SAVEGREEN program may continue for close-out and completion for those projects approved or committed prior to June 30, 2018.

21. NJNG proposes to maintain the funding flexibility as previously approved by the Board in the June 2013 Order. Based on the terms of the January 2012 and June 2013 Orders, the Company will provide written notice to the Board Staff and Rate Counsel for any changes between residential and commercial program funding or any change in incentive levels,

including a description of the proposed budget re-allocation with supporting schedules. Additionally, if funds approved for SAVEGREEN through June 30, 2015 are not fully expended or committed by June 30, 2015, NJNG will transfer those amounts to the proposed program work in future years.

22. As set forth in the June 2013 Order, NJNG agreed to arrange for an independent evaluation of the SAVEGREEN programs to be initiated after two full years of operation of the SAVEGREEN programs. Pursuant to the Board's June 2013 Order, NJNG has engaged Apprise, an independent energy consultant, to evaluate the existing SAVEGREEN programs. As further agreed to by the Company, NJNG will meet with BPU Staff and Rate Counsel to discuss the outcomes from that evaluation.

Cost Recovery Mechanism

23. 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 grants, customer incentives, operations and maintenance ("O&M") expenses, amortization expense, return on investments and income taxes. Those costs shall continue to be recovered through the previously approved per-therm charge applicable to all jurisdictional volumes through NJNG's system. The investments associated with the SAVEGREEN Programs will be amortized over a three, five- or ten- year period. It is proposed that the recovery be through Rider F of the NJNG Tariff, the previously-approved mechanism now in place for the recovery of costs for SAVEGREEN. The cost recovery mechanism is discussed in further detail in the Yardley Testimony.

24. As with the current Board-approved SAVEGREEN cost recovery mechanism, NJNG will continue to submit, for approval by the Board, an annual June filing to establish

future rates for Rider F. In that filing, the Company will provide a reconciliation of the SAVEGREEN recoveries to the actual costs incurred. 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 or costs to be collected from ratepayers.

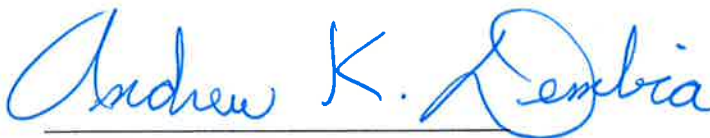
WHEREFORE, NJNG respectfully requests that the Board issue an Order finding that:

1. The Board will retain this matter for review at the Agency in the manner and timeframe incorporated in the Legislation, specifically Section 13;
2. The SAVEGREEN Programs proposed by NJNG (Residential and Commercial) and associated cost recovery mechanism are in the public interest and NJNG is fully authorized to implement and administer these Programs on a regulated basis for a three year period beginning July 1, 2005 or the effective date of a Board Order approving this filing, 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 reasonably incurred costs associated with the SAVEGREEN Programs herein through Rider F to the NJNG tariff. NJNG will make an annual June filing, related to Rider F, and the costs associated thereto to be submitted to the BPU;
4. The return 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 (Docket No. GR07110889);

5. The proposed program modifications, as set forth in this Petition and the supporting Exhibits and Schedules, are just and reasonable;
6. In the event that modifications may be made to NJCEP programs and policy directions, NJNG agrees to review the approved SAVEGREEN programs in cooperation with Board Staff and Rate Counsel to ensure alignment with NJCEP programs and administration. If necessary, modifications will be proposed. Additionally, if funds approved for SAVEGREEN, pursuant to prior Board Order, are not fully expended or committed by June 30, 2015, NJNG has the authority to transfer those amounts to the herein proposed program;
7. Projects started prior to the termination of the funding established pursuant to this instant matter may continue for close-out and completion activities; and
8. Granting such other relief as the Board deems just, reasonable and necessary.

Respectfully submitted,

NEW JERSEY NATURAL GAS COMPANY

By: 
Andrew K. Dembia, Esq.
Attorney for New Jersey Natural Gas Company

Dated: 12/16/14

STATE OF NEW JERSEY)
COUNTY OF MONMOUTH)

VERIFICATION

MARK R. SPERDUTO of full age, being duly sworn according to law, on his oath deposes and says:

1. I am Senior Vice President, Regulatory Affairs for New Jersey Natural Gas Company, Petitioner in the foregoing Petition.
2. I have read the annexed Petition, along with the Exhibits attached thereto, and the matters and things contained therein are true to the best of my knowledge, information and belief.



Mark R. Spurduto
Senior Vice-President, Regulatory Affairs

Sworn and subscribed to
before me this 16 day
of December, 2014



NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30

	(\$000)	
	2014	2013
<u>ASSETS</u>		
<u>PROPERTY, PLANT & EQUIP</u>		
UTILITY PLANT, AT COST	\$ 1,791,009	\$ 1,681,585
CONSTRUCTION WORK IN PROGRESS	124,785	108,919
	1,915,794	1,790,504
ACCUMULATED DEPRECIATION AND AMORT. PROPERTY, PLANT & EQUIPMENT, NET	(409,134)	(383,896)
	1,506,660	1,406,608
<u>CURRENT AND ACCRUED ASSETS</u>		
CASH AND TEMPORARY INVESTMENTS	53	908
ACCOUNTS RECEIVABLE	44,636	45,208
ACCRUED UTILITY REVENUE	7,231	7,429
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(5,277)	(5,287)
GAS IN STORAGE, AT AVG COST	86,265	104,979
MATERIALS AND SUPPLIES	6,839	13,007
PREPAYMENTS	5,587	3,825
DERIVATIVE ASSETS	2,525	3,502
TOTAL CURRENT ASSETS	147,860	173,571
<u>DEFERRED DEBITS</u>		
UNAMORTIZED DEBT EXPENSE	7,944	7,462
REGULATORY ASSETS	412,996	421,903
ACCUMULATED DEFERRED TAXES	11,515	12,332
UNRECOVERED PURCHASED GAS COSTS	12,577	953
MISC DEFERRED DEBITS	15,977	16,547
TOTAL NONCURRENT ASSETS	461,010	459,197
TOTAL ASSETS	\$ 2,115,530	\$ 2,039,376

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30

	(\$000)	
	2014	2013
<u>CAPITALIZATION AND LIABILITIES</u>		
<u>CAPITALIZATION</u>		
COMMON STOCK EQUITY	\$ 719,224	\$ 697,913
LONG-TERM DEBT	473,209	362,886
TOTAL CAPITALIZATION	<u>1,192,433</u>	<u>1,060,799</u>
<u>OTHER NONCURRENT LIABILITIES</u>		
CIP - REGULATORY LIABILITY	5,752	(18,933)
INCOME TAX - FAS 109	1,548	1,614
ACCUM PROV FOR INJ & DAMAGES, PENSIONS	4,443	3,598
ASSET RETIREMENT OBLIGATION	30,495	28,711
TOTAL OTHER NONCURRENT LIABILITIES	<u>42,237</u>	<u>14,990</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>		
SHORT TERM DEBT	153,000	168,600
CURRENT PORTION OF L/T DEBT	0	60,000
CAPITAL LEASE OBLIGATIONS	9,505	8,643
ACCOUNTS PAYABLE ASSOC COMPANIES	3,599	3,728
ACCOUNTS PAYABLE AND OTHER	64,086	69,116
MISC CURRENT AND ACCRUED LIAB	26,864	23,666
CUSTOMERS DEPOSITS	7,931	7,368
ACCRUED TAXES AND INTEREST	(20,585)	(37,750)
TOTAL CURRENT LIABILITIES	<u>244,400</u>	<u>303,371</u>
<u>NONCURRENT LIABILITIES</u>		
DEFERRED INCOME TAXES	343,255	344,634
DEFERRED INVESTMENT TAX CREDITS	2,421	2,572
CUSTOMER ADVANCES FOR CONSTRUCTION	2,130	2,093
OTHER DEFERRED CREDITS	25	140
OTHER REGULATORY LIABILITY	288,630	310,777
TOTAL NONCURRENT LIABILITIES	<u>636,461</u>	<u>660,215</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 2,115,530</u>	<u>\$ 2,039,376</u>

NEW JERSEY NATURAL GAS COMPANY
STATEMENT OF INCOME

	(\$000)	
	Sep-14	Sep-13
<u>OPERATING REVENUE</u>	\$ 822,709	\$ 792,160
<u>OPERATING EXPENSES</u>		
GAS PURCHASES	405,846	418,767
OPERATION AND MAINTENANCE	196,828	161,056
DEPRECIATION	40,540	37,999
TAXES - OTHER THAN INCOME	52,013	52,410
INCOME TAXES	38,254	34,470
TOTAL OPERATING EXPENSES	<u>733,482</u>	<u>704,702</u>
OPERATING INCOME	89,227	87,458
OTHER INCOME, NET	1,660	1,383
INTEREST CHARGES, NET	16,683	14,996
NET INCOME	<u>\$ 74,204</u>	<u>\$ 73,846</u>

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30, 2014

	(\$000)
	Sep-2014
<u>ASSETS</u>	
<u>PROPERTY, PLANT & EQUIPMENT</u>	
UTILITY PLANT, AT COST	\$ 1,791,009
CONSTRUCTION WORK IN PROGRESS	124,785
TOTAL UTILITY PLANT	1,915,794
ACCUMULATED DEPRECIATION AND AMORTIZATION	(409,134)
NET UTILITY PLANT	1,506,660
 <u>CURRENT AND ACCRUED ASSETS</u>	
CASH AND TEMPORARY INVESTMENTS	53
ACCOUNTS RECEIVABLE	44,636
ACCRUED UTILITY REVENUE	7,231
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(5,277)
GAS IN STORAGE, AT AVG COST	86,265
MATERIALS AND SUPPLIES	6,839
PREPAYMENTS	5,587
DERIVATIVE ASSETS	2,525
TOTAL CURRENT ASSETS	147,860
 <u>DEFERRED DEBITS</u>	
UNAMORTIZED DEBT EXPENSE	7,944
REGULATORY ASSETS	412,996
ACCUMULATED DEFERRED TAXES	11,515
UNRECOVERED PURCHASED GAS COSTS	12,577
MISC DEFERRED DEBITS	15,977
TOTAL NONCURRENT ASSETS	461,010
TOTAL ASSETS	\$ 2,115,530

Source: NJNG Monthly Financial Report - September 2014

NEW JERSEY NATURAL GAS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30, 2014

	(\$000)
	Sep-2014
<u>CAPITALIZATION AND LIABILITIES</u>	
<u>CAPITALIZATION</u>	
COMMON STOCK EQUITY	\$ 719,224
LONG-TERM DEBT	473,209
TOTAL CAPITALIZATION	1,192,433
 <u>OTHER NONCURRENT LIABILITIES</u>	
CIP - REGULATORY LIABILITY	5,752
INCOME TAX - FAS 109	1,548
ACCUM PROV FOR INJ & DAMAGES, PENSIONS	4,443
ASSET RETIREMENT OBLIGATION	30,495
TOTAL OTHER NONCURRENT LIABILITIES	42,237
 <u>CURRENT AND ACCRUED LIABILITIES</u>	
SHORT TERM DEBT	153,000
CURRENT LEASE OBLIGATIONS	9,505
ACCOUNTS PAYABLE ASSOC COMPANIES	3,599
ACCOUNTS PAYABLE AND OTHER	64,086
MISC CURRENT AND ACCRUED LIAB	26,864
CUSTOMERS DEPOSITS	7,931
ACCRUED TAXES AND INTEREST	(20,585)
TOTAL CURRENT LIABILITIES	244,400
 <u>NONCURRENT LIABILITIES</u>	
DEFERRED INCOME TAXES	343,255
DEFERRED INVESTMENT TAX CREDITS	2,421
CUSTOMER ADVANCES FOR CONSTRUCTION	2,130
OTHER DEFERRED CREDITS	25
OTHER REGULATORY LIABILITY	288,630
TOTAL NONCURRENT LIABILITIES	636,461
TOTAL CAPITALIZATION AND LIABILITIES	\$ 2,115,530

Source: NJNG Monthly Financial Report - September 2014

NEW JERSEY NATURAL GAS COMPANY
GAS REVENUE BY CLASS OF BUSINESS
AS OF SEPTEMBER 2014

	(\$000)
Residential	\$ 458,718
Commercial	106,677
Industrial	762
Firm Transportation	98,206
Other Revenue	11,724
Cogeneration	-
Off-System Sales & Storage	<u>146,623</u>
Total	<u>\$ 822,709</u>

New Jersey Natural Gas
Enhanced SAVEGREEN Programs
Income Statement and Balance Sheet

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential Grants												
I. Residential Energy Efficiency												
<u>A. Income Statement</u>												
Operating Revenue	\$ 7,660	\$ 10,688	\$ 14,190	\$ 8,565	\$ 8,071	\$ 5,216	\$ 2,525	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Operating Expense	\$ 4,887	\$ 4,896	\$ 5,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations & Maintenance	2,443	4,886	7,329	7,329	7,329	4,886	2,443	-	-	-	-	-
Depreciation & Amortization	105	290	421	395	237	105	26	(0)	(0)	(0)	(0)	(0)
Income Taxes	72	197	287	269	161	72	18	(0)	(0)	(0)	(0)	(0)
Interest Expense	7,507	10,268	13,580	7,993	7,727	5,063	2,487	(0)	(0)	(0)	(0)	(0)
Total Operating Expense	153	419	610	572	343	153	38	(0)	(0)	(0)	(0)	(0)
Net Income	\$ 7,507	\$ 10,268	\$ 13,580	\$ 7,993	\$ 7,727	\$ 5,063	\$ 2,487	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
<u>B. Balance Sheet</u>												
<u>Assets</u>												
Property, Plant & Equipment	\$ 12,215	\$ 24,430	\$ 36,645	\$ 36,645	\$ 36,645	\$ 24,430	\$ 12,215	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Accum Depreciation	(2,443)	(7,329)	(14,658)	(21,987)	(29,316)	(21,987)	(12,215)	-	-	-	-	-
Net Property, Plant & Equipment	9,772	17,101	21,987	14,658	7,329	2,443	-	-	-	-	-	-
Deferred Tax Asset	(3,992)	(6,986)	(8,982)	(5,988)	(2,994)	(998)	(0)	(0)	(0)	(0)	(0)	(0)
Total Assets	5,780	10,115	13,005	8,670	4,335	1,445	(0)	(0)	(0)	(0)	(0)	(0)
<u>Liabilities & Capitalization</u>												
<u>Liabilities:</u>												
Deferred Income Taxes	(3,992)	(6,986)	(8,982)	(5,988)	(2,994)	(998)	(0)	(0)	(0)	(0)	(0)	(0)
<u>Capitalization:</u>												
Debt	4,765	8,338	10,720	7,147	3,573	1,191	-	-	-	-	-	-
Common Equity	5,007	8,763	11,267	7,511	3,756	1,252	-	-	-	-	-	-
Total Capitalization	9,772	17,101	21,987	14,658	7,329	2,443	-	-	-	-	-	-
Total Liabilities & Capitalization	5,780	10,115	13,005	8,670	4,335	1,445	(0)	(0)	(0)	(0)	(0)	(0)

New Jersey Natural Gas
Enhanced SAVEGREEN Programs
Income Statement and Balance Sheet

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Year												
<u>I. Residential On-Bill Repayment Plan</u>												
<u>I. Residential Energy Efficiency</u>												
<i>A. Income Statement</i>												
Operating Revenue	\$ 1,339	\$ 3,836	\$ 5,969	\$ 6,400	\$ 5,309	\$ 4,278	\$ 3,365	\$ 2,571	\$ 1,837	\$ 1,102	\$ 490	\$ 122
Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-
Operations & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	428	1,226	1,908	2,046	1,697	1,367	1,076	822	587	352	157	50
Income Taxes	291	835	1,299	1,392	1,155	931	732	559	400	240	107	-
Interest Expense	719	2,061	3,207	3,438	2,852	2,298	1,808	1,381	987	592	263	50
Total Operating Expense	\$ 620	\$ 1,775	\$ 2,763	\$ 2,962	\$ 2,457	\$ 1,980	\$ 1,558	\$ 1,190	\$ 850	\$ 510	\$ 227	\$ 72
Net Income	\$ 719	\$ 2,061	\$ 3,207	\$ 3,438	\$ 2,852	\$ 2,298	\$ 1,808	\$ 1,381	\$ 987	\$ 592	\$ 263	\$ 50
<i>B. Balance Sheet</i>												
<i>Assets</i>												
Property, Plant & Equipment	\$ 26,675	\$ 53,350	\$ 80,025	\$ 80,025	\$ 80,025	\$ 74,825	\$ 69,625	\$ 64,425	\$ 64,425	\$ 64,425	\$ 42,950	\$ 21,475
Less: Accum Depreciation	(3,188)	(9,563)	(19,125)	(28,688)	(38,250)	(41,573)	(43,855)	(45,098)	(51,540)	(57,983)	(40,803)	(21,475)
Net Property, Plant & Equipment	23,488	43,788	60,900	51,338	41,775	33,253	25,770	19,328	12,885	6,443	2,148	-
Deferred Tax Asset	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 23,488	\$ 43,788	\$ 60,900	\$ 51,338	\$ 41,775	\$ 33,253	\$ 25,770	\$ 19,328	\$ 12,885	\$ 6,443	\$ 2,148	\$ -
<i>Liabilities & Capitalization</i>												
<i>Liabilities:</i>												
Deferred Income Taxes												
Capitalization:	-	-	-	-	-	-	-	-	-	-	-	-
Debt	11,452	21,350	29,694	25,031	20,369	16,213	12,565	9,424	6,282	3,141	1,047	-
Common Equity	12,035	22,438	31,206	26,306	21,406	17,039	13,205	9,904	6,603	3,301	1,100	-
Total Capitalization	23,488	43,788	60,900	51,338	41,775	33,253	25,770	19,328	12,885	6,443	2,148	-
Total Liabilities & Capitalization	\$ 23,488	\$ 43,788	\$ 60,900	\$ 51,338	\$ 41,775	\$ 33,253	\$ 25,770	\$ 19,328	\$ 12,885	\$ 6,443	\$ 2,148	\$ -

New Jersey Natural Gas
Enhanced SAVEGREEN Programs
Income Statement and Balance Sheet

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
A. Income Statement												
Operating Revenue	\$ 309	\$ 577	\$ 734	\$ 503	\$ 316	\$ 226	\$ 185	\$ 144	\$ 103	\$ 62	\$ 27	\$ -
Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-
Operations & Maintenance	150	156	161	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	51	135	183	161	101	72	59	46	33	20	9	-
Interest Expense	35	92	125	109	69	49	40	31	22	13	6	-
Total Operating Expense	236	382	469	270	169	121	99	77	55	33	15	-
Net Income	\$ 74	\$ 195	\$ 265	\$ 233	\$ 146	\$ 105	\$ 86	\$ 67	\$ 48	\$ 29	\$ 13	\$ -

Commercial On-Bill Repayment Plan

I. Commercial Energy Efficiency

B. Balance Sheet												
Assets												
Property, Plant & Equipment	\$ 3,760	\$ 7,520	\$ 11,280	\$ 8,720	\$ 6,160	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 2,400	\$ -
Less: Accum Depreciation	(973)	(2,920)	(5,840)	(5,347)	(4,000)	(1,800)	(2,160)	(2,520)	(2,880)	(3,240)	(2,280)	-
Net Property, Plant & Equipment	2,787	4,600	5,440	3,373	2,160	1,800	1,440	1,080	720	360	120	-
Deferred Tax Asset	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	2,787	4,600	5,440	3,373	2,160	1,800	1,440	1,080	720	360	120	-
Liabilities & Capitalization												
Liabilities:												
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Debt	1,359	2,243	2,652	1,645	1,053	878	702	527	351	176	59	-
Common Equity	1,428	2,357	2,788	1,729	1,107	922	738	553	369	184	61	-
Total Capitalization	2,787	4,600	5,440	3,373	2,160	1,800	1,440	1,080	720	360	120	-
Total Liabilities & Capitalization	\$ 2,787	\$ 4,600	\$ 5,440	\$ 3,373	\$ 2,160	\$ 1,800	\$ 1,440	\$ 1,080	\$ 720	\$ 360	\$ 120	\$ -

NEW JERSEY NATURAL GAS COMPANY
PAYMENTS AND ACCRUALS TO AFFILIATE COMPANIES

THE ATTACHED WORKSHEETS INCLUDES THE PAYMENTS AND ACCRUALS
TO THE FOLLOWING AFFILIATE COMPANIES OF NEW JERSEY RESOURCES (NJR):

	<u>FISCAL YEAR</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
NJR SERVICE COMPANY TO NJNG	\$ 21,895,596	\$ 19,902,181	\$ 20,166,869
NJR SERVICE COMPANY TO NJR ENERGY SERVICES, INCLUDING NJNG TO NJR ENERGY SERVICES	\$ 7,518,244	\$ 3,595,207	\$ 3,854,594
NJR SERVICE COMPANY TO NJR HOME SERVICES, INCLUDING NJNG TO NJR HOME SERVICES	\$ 6,104,571	\$ 5,314,856	\$ 4,839,331
NJR SERVICE COMPANY TO NJR CR&R INCLUDING NJNG TO COMMERCIAL REALITY & RESOURCES	\$ 94,077	\$ 66,800	\$ 98,452
NJR SERVICE COMPANY TO NJR CLEAN ENERGY VENTURES INCLUDING NJNG TO NJR CLEAN ENERGY VENTURES	\$ 1,775,058	\$ 1,607,398	\$ 1,389,845
NJR SERVICE COMPANY TO MIDSTREAM	\$ 210,450	\$ 140,497	\$ 170,680
Total	<u>\$ 37,597,996</u>	<u>\$ 30,626,939</u>	<u>\$ 30,519,771</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)	GO1412_____
COST RECOVERY MECHANISM)	
PURSUANT TO <u>N.J.S.A. 48:3-98.1</u>)	

Pursuant to law, New Jersey Natural Gas Company (the “Company”) is providing you with notice of a filing made on December 17, 2014 with the New Jersey Board of Public Utilities for approval of the extension of energy-efficiency programs and the associated cost recovery mechanisms. You can download the filing from the Company’s website at <http://www.njng.com/regulatory/filings.asp>

Hard copies of the filing are available for review at the Company’s Customer Service Offices and at the New Jersey Board of Public Utilities, 44 South Clinton Street, 9th Floor, P.O. Box 350, Trenton, New Jersey 08450-0350.

Very truly yours,

Andrew K. Dembia
Regulatory Affairs Counsel

Enclosure

NEW JERSEY NATURAL GAS COMPANY**BPU No. 8 - Gas**~~Seventh Sixth~~ Revised Sheet No. 172
Superseding ~~Sixth Fifth~~ Revised Sheet No. 172**RIDER "F"****ENERGY EFFICIENCY - EE****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 (“EE”) 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. For a new customer or a customer with less than twelve months of usage history, estimates supported by engineering and operational plans may be used to determine the percentage of natural gas used to generate electricity sold for resale.

The EE rate is for recovering authorized expenditures related to the energy efficiency programs as approved in BPU Docket Nos. GO09010057, GO10030225, GR11070425, ~~and~~ GO12070640 and GO1412.

DETERMINATION OF THE EE

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

Date of Issue: ~~June 23, 2014~~
 Issued by: Mark R. Spurduto, Senior Vice President
 Wall, NJ 07719

Effective for service rendered on
 and after July 1, 2014

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Seventh Sixth~~ Revised Sheet No. 173
Superseding ~~Sixth Fifth~~ Revised Sheet No. 173**RIDER "F"****ENERGY EFFICIENCY - EE****I. Determination of the Rate**

The EE 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 programs approved by the Board in BPU Docket Nos. GO09010057, GO10030225, GR11070425, ~~and~~ GO12070640 and GO1412 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 EE

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

\$0.0327

Date of Issue: ~~June 21, 2013~~
 Issued by: Mark R. Sperduto, Senior Vice President
 Wall, NJ 07719

Effective for service rendered on
 and after July 1, 201~~3~~5

NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS
Petition for Approval of SAVEGREEN Extension and Associated Cost Recovery
Mechanisms
Docket Nos. GO1412XXX

NOTICE OF FILING AND PUBLIC HEARING

TO OUR CUSTOMERS:

PLEASE TAKE NOTICE that on December 17, 2014, New Jersey Natural Gas (“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 (“SAVEGREEN”) and the associated cost recovery mechanisms. The proposed programs target residential and commercial customers in the NJNG service territory and complement or supplement existing offers through New Jersey’s Clean Energy Program (NJCEP). These NJNG programs will provide customers with increased incentives for participation in NJCEP programs through grants, on-bill repayment arrangements, audits and weatherization opportunities as well as expanded outreach efforts. NJNG also requested that the Board permit the Company 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 grants, 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 to continue SAVEGREEN for a period of three years. NJNG has not requested a change to the EE rate. If these programs are approved as filed, customers will see no change in their bill before October 2015.

Pursuant to Board Orders dated July 17, 2009 (Docket Nos. EO09010056 and EO09010057), September 24, 2010 (Docket No. GO10030225) January 18, 2012 (Docket No. GR11070425) and June 21, 2013 (Docket No. GO12070640) NJNG is authorized to recover all costs associated with the SAVEGREEN Programs. NJNG also made a filing on June 2, 2014 requesting that the Board maintain the Company’s current BPU approved EE rate of \$0.0327 per therm after-tax.

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. Individual customers participating in the SAVEGREEN programs are expected to achieve annual savings on their energy bills.

There is no immediate change to the EE rate or impact on customer bills from this filing. Pursuant to the EE rider, NJNG shall submit annual filings for changes to the EE rate. 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 that proposed by NJNG which would have an impact on a customer’s bill.

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:

XXXXXX, 2015 at 4:30 p.m. and 5:30 p.m.
Freehold Township Municipal Building
One Municipal Plaza-Schanck Road
Freehold, NJ 07728-2195

XXXXXXXX, 2015 at 4:30 p.m. and 5:30 p.m.
Rockaway Township Municipal Building
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, 44 South Clinton Street, 9th Floor, P.O. Box 350, Trenton, New Jersey 08625-0350. Copies of NJNG's filing can be reviewed either at the NJNG Customer Service Centers or at the New Jersey Board of Public Utilities, 44 South Clinton Street, 9th Floor, P.O. Box 350, Trenton, New Jersey 08625-0350.

Andrew K. Dembia, 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>
<u>Accounting for NJNG SAVEGREEN Programs</u>				
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

NJNG SAVEGREEN Program Budgets

2015 - 2016

	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Energy Efficiency Programs									
Residential Energy Efficiency Programs	\$43,777,004	\$522,643	\$395,829	\$0	\$38,890,000	\$597,812	\$2,585,720		\$785,000
Commercial Energy Efficiency Programs	\$3,910,359	\$58,071	\$45,753	\$0	\$3,760,000	\$30,591	\$15,944		
Total	\$47,687,363	\$580,714	\$441,582	\$0	\$42,650,000	\$628,403	\$2,601,664	\$0	\$785,000

2016 - 2017

	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Energy Efficiency Programs									
Residential Energy Efficiency Programs	\$43,785,574	\$540,936	\$409,683	\$0	\$38,890,000	\$618,735	\$2,676,220		\$650,000
Commercial Energy Efficiency Programs	\$3,915,622	\$60,103	\$47,354	\$0	\$3,760,000	\$31,662	\$16,502		
Total	\$47,701,196	\$601,039	\$457,037	\$0	\$42,650,000	\$650,397	\$2,692,722	\$0	\$650,000

2017 - 2018

	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Energy Efficiency Programs									
Residential Energy Efficiency Programs	\$44,110,169	\$559,868	\$424,022	\$0	\$38,890,000	\$640,391	\$2,769,888		\$826,000
Commercial Energy Efficiency Programs	\$3,921,068	\$62,207	\$49,012	\$0	\$3,760,000	\$32,770	\$17,080		
Total	\$48,031,238	\$622,075	\$473,034	\$0	\$42,650,000	\$673,161	\$2,786,968	\$0	\$826,000

2018 - Close-out

	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Energy Efficiency Programs									
Residential Energy Efficiency Programs	\$322,184	\$92,520	\$19,931	\$0	\$0	\$209,733	\$0	\$0	\$0
Commercial Energy Efficiency Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$322,184	\$92,520	\$19,931	\$0	\$0	\$209,733	\$0	\$0	\$0

PROMISSORY NOTE
ON-BILL REPAYMENT PROGRAM – Up To \$6,500

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

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: 60

Amount of payments: 59 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 /100 Dollars, in 60 monthly installments as follows:

59 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:

Signature of Borrower:

Printed Name of Borrower

Printed Name of Borrower

Installation Address

Date

TRUTH-IN-LENDING DISCLOSURE

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
0% APR	\$0.00	\$	\$

You have the right to receive at this time an itemization of the Amount Financed:

\$ _____ will be given to you directly.

Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due
59	\$ _____	Monthly, the same date as your NJNG account monthly billing due date.
One final payment	\$ _____	

Insurance: Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided.

Security: You are not giving a security interest in the goods or property being purchased.

Filing Fees: \$0.00 Non-filing Insurance: \$0.00

Prepayment: If you pay off the On Bill repayment amount early, you will not have to pay a penalty.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment.

I have received *and* read a copy of this disclosure:

Signature of Applicant

Date

Printed Name of Applicant

Installation Address of Applicant

Signature of Joint Applicant

Date

Printed Name of Joint Applicant

**PROMISSORY NOTE
ON-BILL REPAYMENT PROGRAM**

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

Signature of Borrower:

Printed Name of Borrower

Printed Name of Borrower

Installation Address

Date

TRUTH-IN-LENDING DISCLOSURE

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
0% APR	\$0.00	\$	\$

You have the right to receive at this time an itemization of the Amount Financed:

\$ _____ will be given to you directly.

Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due
119	\$ _____	Monthly, the same date as your NJNG account monthly billing due date.
One final payment		

Insurance: Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided.

Security: You are not giving a security interest in the goods or property being purchased.

Filing Fees: \$0.00 Non-filing Insurance: \$0.00

Prepayment: If you pay off the On Bill repayment amount early, you will not have to pay a penalty.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment.

I have received *and* read a copy of this disclosure:

Signature of Applicant

Date

Printed Name of Applicant

Installation Address of Applicant

Signature of Joint Applicant

Date

Printed Name of Joint Applicant

Summary of CBA Results

	Furnace / Boiler Grant	Water Heater Only Grant	Furnace/WH Combo OBRRP	HPES Tier II OBRRP	HPES Tier III OBRRP	OPOWER	Total Residential
Participant Test							
Benefits	\$ 52,634,965	\$ 653,653	\$ 10,052,963	\$ 3,348,727	\$ 107,407,887	\$ 5,766,361	\$ 179,864,555
Costs	17,550,756	1,890,477	5,107,281	1,557,379	49,066,441	-	75,172,334
Net Benefits	\$ 35,084,208	\$ (1,236,824)	\$ 4,945,682	\$ 1,791,347	\$ 58,341,446	\$ 5,766,361	\$ 104,692,221
Ratio	3.00	0.35	1.97	2.15	2.19	-	2.39
Program Administrator Test							
Benefits	\$ 22,238,298	\$ 254,816	\$ 4,166,120	\$ 1,039,269	\$ 37,303,638	\$ 2,878,544	\$ 67,880,685
Costs	17,999,983	1,382,450	3,472,486	1,877,804	47,916,072	1,861,796	74,510,591
Net Benefits	\$ 4,238,314	\$ (1,127,634)	\$ 693,634	\$ (838,535)	\$ (10,612,434)	\$ 1,016,748	\$ (6,629,907)
Ratio	1.24	0.18	1.20	0.55	0.78	1.55	0.91
Ratepayer Impact Test							
Benefits	\$ 22,238,298	\$ 254,816	\$ 4,166,120	\$ 1,039,269	\$ 37,303,638	\$ 2,878,544	\$ 67,880,685
Costs	60,087,619	1,864,709	11,357,177	3,503,845	108,855,659	7,628,157	193,297,166
Net Benefits	\$ (37,849,321)	\$ (1,609,893)	\$ (7,191,058)	\$ (2,464,576)	\$ (71,552,021)	\$ (4,749,613)	\$ (125,416,481)
Ratio	0.37	0.14	0.37	0.30	0.34	0.38	0.35
Total Resource Cost Test							
Benefits	\$ 32,083,247	\$ 367,624	\$ 6,010,471	\$ 1,412,614	\$ 51,359,737	\$ 4,234,580	\$ 95,468,274
Costs	25,003,410	3,101,533	6,411,495	1,712,498	50,514,213	1,861,796	88,604,945
Net Benefits	\$ 7,079,837	\$ (2,733,909)	\$ (401,024)	\$ (299,883)	\$ 845,524	\$ 2,372,784	\$ 6,863,329
Ratio	1.28	0.12	0.94	0.82	1.02	2.27	1.08
Societal Cost Test							
Benefits	\$ 40,986,382	\$ 469,640	\$ 7,678,383	\$ 1,752,785	\$ 64,143,167	\$ 4,234,580	\$ 119,264,937
Costs	25,003,410	3,101,533	6,411,495	1,712,498	50,514,213	1,861,796	88,604,945
Net Benefits	\$ 15,982,972	\$ (2,631,893)	\$ 1,266,888	\$ 40,288	\$ 13,628,954	\$ 2,372,784	\$ 30,659,992
Ratio	1.64	0.15	1.20	1.02	1.27	2.27	1.35

Summary of CBA Results

	Direct Install <u>OBRP</u>	Smart Start <u>OBRP</u>	Total <u>Commercial</u>	Total <u>SAVEGEEEN</u>
Participant Test				
Benefits	\$ 31,595,057	\$ 1,193,773	\$ 32,788,830	\$ 212,653,385
Costs	<u>17,677,324</u>	<u>514,182</u>	<u>18,191,507</u>	<u>93,363,841</u>
Net Benefits	\$ 13,917,732	\$ 679,591	\$ 14,597,323	\$ 119,289,544
Ratio	1.79	2.32	1.80	2.28
Program Administrator Test				
Benefits	\$ 27,697,963	\$ 621,168	\$ 28,319,132	\$ 96,199,816
Costs	<u>1,110,099</u>	<u>1,217,885</u>	<u>2,327,983</u>	<u>76,838,574</u>
Net Benefits	\$ 26,587,864	\$ (596,716)	\$ 25,991,148	\$ 19,361,242
Ratio	24.95	0.51	12.16	1.25
Ratepayer Impact Test				
Benefits	\$ 27,697,963	\$ 621,168	\$ 28,319,132	\$ 96,199,816
Costs	<u>31,980,843</u>	<u>1,217,885</u>	<u>33,198,727</u>	<u>226,495,893</u>
Net Benefits	\$ (4,282,880)	\$ (596,716)	\$ (4,879,596)	\$ (130,296,077)
Ratio	0.87	0.51	0.85	0.42
Total Resource Cost Test				
Benefits	\$ 35,061,567	\$ 753,966	\$ 35,815,533	\$ 131,283,806
Costs	<u>18,063,110</u>	<u>538,294</u>	<u>18,601,404</u>	<u>107,206,349</u>
Net Benefits	\$ 16,998,456	\$ 215,672	\$ 17,214,128	\$ 24,077,457
Ratio	1.94	1.40	1.93	1.22
Societal Cost Test				
Benefits	\$ 42,357,947	\$ 1,002,652	\$ 43,360,599	\$ 162,625,536
Costs	<u>18,063,110</u>	<u>538,294</u>	<u>18,601,404</u>	<u>107,206,349</u>
Net Benefits	\$ 24,294,837	\$ 464,358	\$ 24,759,195	\$ 55,419,187
Ratio	2.34	1.86	2.33	1.52

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

		I. General Filing Requirements - N.J.S.A. 48:3-98.1	Location in NJNG's EE filing
I	a	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 - 2014 & 2013 Schedule NJNG-2 Comparative Income Statement - 2014 & 2013 Schedule NJNG-3 Balance Sheet (Sept 2014) Schedule NJNG-4 Statement of Revenue (Sept 2014) 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 Certification incorporated within Petition
I	b	All filings shall contain information and financial statements for the proposed program in accordance with the applicable Uniform System of Accounts that is set forth in N.J.A.C. 14:1-5.12. The utility shall provide the Accounts and Account numbers that will be utilized in booking the revenues, costs, expenses and assets pertaining to each proposed program so that they can be properly separated and allocated from other regulated and/or other programs.	Schedule NJNG-10 Accounting Entries Schedule DPY-1 Projected Participation Rates Schedule DPY-2 SAVEGREEN Investments Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Summary of Revenue Requirements & Projected Bill Impacts
I	c	The utility shall provide supporting explanations, assumptions, calculations, and work papers for each proposed program and cost recovery mechanism petition filed under N.J.S.A. 48:3-98.1 and for all qualitative and quantitative analyses therein. The utility shall provide electronic copies of all materials and supporting schedules, with all inputs and formulae intact.	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Projected Participation Rates Schedule DPY-2 SAVEGREEN Investments Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Summary of Revenue Requirements & Projected Bill Impacts Exhibit P-2, Direct Testimony of Thomas J. Massaro
I	d	The utility shall file testimony supporting its petition.	Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3, Direct Testimony of Daniel P. Yardley
I	e	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.	Not Applicable
I	f	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.	Schedule NJNG-9 Draft 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

II. Program Description	
II	<p style="text-align: center;">a</p> <p>The utility shall provide a detailed description of each proposed program for which the utility seeks approval. 1 <input type="checkbox"/> Description of Program 2 <input type="checkbox"/> Market Segment/Efficiency Targeted 3 <input type="checkbox"/> Delivery Method 4 <input type="checkbox"/> Estimated Program Participants 5 <input type="checkbox"/> Link to Existing Programs 6 <input type="checkbox"/> Existing Incentives 7 <input type="checkbox"/> Proposed Incentives 8 <input type="checkbox"/> Anticipated Job Creation 9 <input type="checkbox"/> Budget Information 10 <input type="checkbox"/> Marketing Approach 11 <input type="checkbox"/> Contractor Role</p>
II	<p style="text-align: center;">b</p> <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 style="text-align: center;">c</p> <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 style="text-align: center;">d</p> <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 style="text-align: center;">e</p> <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 style="text-align: center;">f</p> <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 style="text-align: center;">g</p> <p>The utility shall provide the criteria upon which it chose the program.</p>
II	<p style="text-align: center;">h</p> <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 style="text-align: center;">i</p> <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 style="text-align: center;">j</p> <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 style="text-align: center;">k</p> <p>The utility shall provide a detailed description of the process for resolving any customer complaints related to these programs.</p>
II	<p style="text-align: center;">l</p> <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 style="text-align: center;">m</p> <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>

Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-1 Residential Program Paths Schedule TJM-2 Residential Program Schedule TJM-3 Commercial Energy Efficiency Program TJM-5 Marketing Schedule NJNG-11 Proposed Budget in NJCEP Format NJNG-15 Jobs
Schedule TJM-4 NJCEP and NJNG Program Comparison
Exhibit P-2, Direct Testimony of Thomas J. Massaro
Schedule TJM-4 Comparative Program Chart
Exhibit P-2, Direct Testimony of Thomas J. Massaro
Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-2 Residential Program Schedule TJM-3 Commercial Energy Efficiency Program
Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule NJNG-11 Proposed Budget in NJCEP Format
Exhibit P-2, Direct Testimony of Thomas J. Massaro
Schedule NJNG-12 Sample On-Bill Repayment Documents
Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-6 Complaint Resolution Diagram Schedule TJM-2 Residential Program Schedule TJM-3 Commercial Energy Efficiency Program Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Projected Participation Rates
Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-5 Marketing Overview

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

III. Additional Filing Information		
III	a	<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-2 Residential Program Schedule TJM-3 Commercial Energy Efficiency Program Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule NJNG-15 Jobs Created/Sustained</p>
III	b	<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>
III	c	<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-2 Residential Program Schedule TJM-3 Commercial Energy Efficiency Program Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule NJNG-15 Jobs Created/Sustained</p>
III	d	<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-4 Comparative Program Chart</p>
III	e	<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>
III	f	<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>Not Applicable</p>
III	g	<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>
III	h	<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>Not Applicable</p>

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY
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IV. Cost Recovery Mechanism			
IV	a	<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 SAVEGREEN Investments 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 <input type="checkbox"/></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 Sheets</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-5 Summary of Revenue Requirements & Projected Bill Impacts</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 Summary of Revenue Requirements & Projected Bill Impacts</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 Summary of Revenue Requirements & Projected Bill Impacts</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
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PURSUANT TO N.J.S.A. 48:3-98.1

V. Cost Benefit Analysis			
V	a	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis
V	b	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis
V	c	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis
V	d	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis
V	e	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis Exhibit P-2, Direct Testimony of Thomas J. Massaro
V	f	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis
V	g	<p>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.</p>	Schedule NJNG-13 Cost Benefit Analysis

**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 commercial customers 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
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Current NJNG EE positions 29^a

Residential

Gas Furnace/Boiler grants	4,000	4	128,000	70
Combination Gas Furnace/Boiler & Water Heater OBRP	800	5	32,000	18
Hot Water Heater grants	650	1	5,200	3
HPwES upgrades associated with NJNG audits	300	2	4,800	3
HPwES Projects served entirely by HPwES contractor in NJNG territory (Tier II)	125	2	2,000	1
HPwES Projects served entirely by HPwES contractor in NJNG territory (Tier III)	1,900	7	106,400	58

Estimate of Jobs Created/Sustained from residential projects 153^b

Commercial

Direct Install	160	7	8,960	5
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Range of Estimated of Jobs Created/Sustained from Commercial 5^c

Total Range of Jobs/Created Sustained **187** ^{a+b+c}

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NEW JERSEY NATURAL GAS COMPANY
DIRECT TESTIMONY OF THOMAS J. MASSARO
VICE PRESIDENT – MARKETING AND BUSINESS INTELLIGENCE

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.

A. My name is Thomas J. Massaro. I am Vice President-Marketing and Business Intelligence for New Jersey Natural Gas Company (“NJNG” or the “Company”). My business address is 1415 Wyckoff Road, Wall, NJ 07719.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I attended Drexel University, receiving a Bachelor of Science degree in mechanical engineering in June 1989 at which time I joined NJNG as a Management Engineer. Since that time, I have held several positions in marketing, operations and customer service, including serving as Vice President of Corporate Strategy from June 2005 to September 2007 and Treasurer of NJNG. In my current position of Vice President of Marketing and Business Intelligence, which I have held since July 2007, I am responsible for all aspects of the marketing function at NJNG. That includes supervision of and direct involvement with the operations of The SAVEGREEN Project® (“SAVEGREEN”) through which NJNG’s Energy-Efficiency (“EE”) programs operate.

Presently, I serve on the Board of Directors of PlanSmartNJ and I am a member of the American Gas Association (“AGA”) Communications and Marketing and Strategic Growth Committees. I have also participated in AGA Strategic and Visionary sessions and am a past chair of the AGA Growth Task Force. I am also participating at both the Executive and Working Group levels for the State and Local Energy Efficiency Action Network (“SEE Action”), whose goal is to help the nation achieve all cost-effective energy efficiency by 2020 through assisting state and local

1 governments in their implementation of energy efficiency policies and programs. I
2 am also a member of both the Executive Committee and Board of Directors for the
3 Energy Solutions Center, a national non-profit organization that works to bring new,
4 energy efficient natural gas solutions to residential and commercial energy users
5

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

8 A. I have overall responsibility for the Company's current energy-efficiency programs.
9 Presently, these programs fall under SAVEGREEN, the initiative through which
10 NJNG manages the EE programs approved by the New Jersey Board of Public
11 Utilities (the "Board" or "BPU") in Docket Nos. EO09010056, GO09010057 ("July
12 2009 Order"), GO10030225 ("September 2010 Order"), GR11070425 ("January 2012
13 Order") and GR12070640 ("June 2013 Order"). SAVEGREEN currently provides on-
14 bill repayment opportunities, along with grants and incentives for customer
15 participation in a variety of energy-efficiency programs designed to complement
16 those administered by the BPU through New Jersey's Clean Energy Program
17 ("NJCEP"). I am responsible for the overall management of these programs and I also
18 oversee the 29 NJNG employees currently supporting the SAVEGREEN programs.
19 In addition, I am directly involved with the Company's ongoing strategic assessment
20 of opportunities that will enhance our customers' energy efficiency and conservation
21 efforts, including the use of natural gas as a source for heating, electric generation and
22 as a transportation fuel.

23 **Q. PLEASE SUMMARIZE THE BOARD APPROVALS THAT NJNG IS**
24 **SEEKING THROUGH THIS FILING?**

25 A. NJNG is seeking Board authority to continue to offer its energy-efficiency programs
26 to customers over a three-year period as of July 1, 2015 or the effective date of the
27 Board Order approving this filing. The programs will continue to be delivered
28 through SAVEGREEN and include essential program modifications that reflect what
29 the Company has learned about customer needs, activity in the current marketplace,

1 and State policy directions, including those set forth in the 2011 New Jersey Energy
2 Master Plan (“EMP”). Approval of the Company’s request will ensure that
3 participating NJNG customers continue to have access to cost-effective energy-
4 efficiency programs that provide economic and environmental benefits to New Jersey
5 and allow our customers to make environmentally-sound consumption decisions to
6 meet their respective energy needs. A multi-year approach, as reflected in the
7 Company’s proposal, is an important means of enhancing the effectiveness of the
8 types of programs NJNG is offering to customers. The proposed term ensures that the
9 subsequent SAVEGREEN filing will be able to align with the implementation of an
10 anticipated new Strategic Plan for NJCEP after NJCEP is successfully transitioned to
11 its new administrative structure.

12
13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY AND THAT OF OTHER**
14 **WITNESSES WHO SUPPORT THE COMPANY’S PETITION?**

15 **A.** In this testimony, I describe how the continuation of the SAVEGREEN programs
16 reinforces the direct link between addressing customer interests and supporting
17 current State policy initiatives promoting economic development, job creation, energy
18 efficiency and lower energy costs. I also explain specific program changes that
19 improve upon the success of SAVEGREEN and position the Company to more
20 effectively meet the energy-efficiency needs of our customers and help the state gain
21 significant insights into market conditions and customer behaviors. Approval of
22 NJNG’s request ensures important program continuity for our customers and the
23 many trade allies who support these activities in the marketplace in a cost-efficient
24 manner.

25 NJNG is also submitting the pre-filed direct testimony of Daniel P. Yardley,
26 Principal, Yardley Associates (Exhibit P-3) (the “Yardley Testimony”). Mr. Yardley
27 explains the ratemaking aspects of the Company’s petition, including projected
28 revenue requirements and customer bill impacts based on the proposed recovery of
29 the program investments and related costs. NJNG’s filing also includes the
30 information sought by the BPU for filings pursuant to the Board Order dated May 12,

1 2008 (“May 2008 Order”) in Docket No. EO08030164 establishing Minimum Filing
2 Requirements (“MFRs”) for certain energy-efficiency proposals. Attached to and
3 made a part of this filing is Schedule NJNG-14 that lists the MFRs and the location of
4 the requested information within this filing.

5 **II. CURRENT SAVEGREEN PROGRAMS**

6 **Q. WHEN DID NJNG BEGIN OFFERING ENERGY-EFFICIENCY PROGRAMS**
7 **TO CUSTOMERS?**

8 A. NJNG initially offered energy-efficiency programs to its customers in September
9 2009 pursuant to a BPU Order dated July 17, 2009 (the “July 2009 Order”) approving
10 a Stipulation between the Company, the New Jersey Division of Rate Counsel (“Rate
11 Counsel”) and BPU Staff. The initial programs, promoted through SAVEGREEN to
12 customers, complemented or supplemented programs offered through NJCEP and
13 incorporated both grant and financing-based options. A major focus of these
14 programs was the stimulation of New Jersey’s economy and creation of jobs, along
15 with the promotion of energy efficiency and conservation. The specific programs
16 incorporated additional incentives and opportunities for customers to participate in
17 NJCEP’s residential programs Home Performance with ENERGY STAR (“HPwES”) and
18 WARMAdvantage, as well as the Direct Install (“DI”) program for commercial
19 customers. The July 2009 Order also addressed the recovery of the costs necessary to
20 deliver SAVEGREEN programs to customers, including grants, incentives,
21 incremental operation and maintenance (“O&M”) expenses and investment-related
22 carrying costs and income taxes. Specifically, the Company was authorized to
23 implement the Energy-Efficiency (“EE”) Rider to its Tariff, designated as Rider F,
24 which enables the SAVEGREEN program offerings.

25 The initial experience under SAVEGREEN demonstrated important benefits
26 for NJNG’s customers and provided significant opportunities for acquiring direct
27 knowledge related to customer choices regarding the utilization of energy efficiency
28 to reduce their consumption. The Company worked alongside Rate Counsel and BPU

1 Staff to improve and enhance the programs offered through SAVEGREEN. Program
2 changes were approved by the BPU in the September 2010 Order (effective in
3 January 2011), the January 2012 Order (effective January 2012), and the June 2013
4 Order (effective July 2013).

5 **Q. WHAT ARE THE GOALS THAT GUIDE THE DEVELOPMENT OF NJNG'S**
6 **ENERGY EFFICIENCY PROGRAM?**

7 A. The energy-efficiency programs offered by NJNG are structured with three primary
8 goals in mind. The first goal is to offer cost-effective programs that are consistent
9 with New Jersey energy policy and NJCEP offerings. The second goal is to encourage
10 customers to take into consideration energy efficiency whenever equipment is
11 purchased, both when customers proactively plan on improving the energy efficiency
12 of their home or building and when unplanned equipment replacements are needed.
13 The third goal is to provide customers with options that address various impediments
14 to the adoption of energy-efficient equipment and encourage customers to take the
15 next step(s) towards achieving higher efficiency overall.

16 **Q. PLEASE DESCRIBE THE SUITE OF PROGRAMS CURRENTLY**
17 **AVAILABLE TO NJNG CUSTOMERS.**

18 A. NJNG's current SAVEGREEN programs incorporate the program goals by
19 addressing various circumstances when customers consider equipment purchases,
20 layering in NJCEP energy-efficiency programs and promoting the customers
21 understanding of ways to improve whole-house and whole-building energy
22 efficiency. The Company classifies the existing residential energy-efficiency program
23 into two general categories and also offers a complementary commercial program.

24 The first residential category provides grants for customers who replace their
25 heating, ventilation and air conditioning ("HVAC") equipment on a planned or
26 unplanned basis. For this category, the grants encourage customers who replace
27 heating equipment to invest in high-efficiency options and provide an incremental
28 grant to customers eligible for the NJCEP WARMAdvantage Program. Customers

1 within the category who are installing a qualified furnace/boiler and water heater at
2 the same time have an option to apply for the On-Bill Repayment Program (“OBRP”)
3 in lieu of the grant. All customers receiving a NJNG grant must accept a no-cost
4 home energy audit following installation of high-efficiency equipment. Participants
5 are then educated about and encouraged to pursue the remaining recommended
6 energy-efficiency measures through HPwES.

7 The second category encompasses grants and OBRP options at zero percent
8 interest for customers implementing a package of measures in order to achieve energy
9 savings of 10 percent or greater for whole house energy savings by participating in
10 HPwES. Within this category, customers are encouraged to invest in measures that
11 reduce whole house energy consumption and SAVEGREEN provides OBRP
12 opportunities to NJNG customers eligible for the NJCEP HPwES program. The
13 OBRP can be combined with the prevailing HPwES grants. Audits are offered by
14 NJNG or other Building Performance Institute certified (“BPI-certified”) HPwES
15 contractors to identify energy savings opportunities, including equipment replacement
16 and seal-up measures.

17 The commercial category currently involves an OBRP option for customers
18 participating in NJCEP’s DI Program. These customers have the opportunity to apply
19 for OBRP financing at zero percent interest for the cost of the project not covered by
20 the NJCEP grant. Based upon the current DI incentive levels and caps, the OBRP is
21 capped at \$53,570 and repaid by the participating customers over a 24 month term.

22

23 **Q. WHAT INCENTIVE OPTIONS DOES NJNG CURRENTLY OFFER TO THE**
24 **FIRST CATEGORY OF CUSTOMERS REPLACING HVAC EQUIPMENT?**

25 A. NJNG offers customers participating in the first category a \$500 grant for replacing
26 HVAC equipment with a high-efficiency WARMAdvantage qualified furnace or
27 boiler. Customers within the category who are installing a qualified furnace/boiler
28 and water heater at the same time have an option to apply for a \$6,500 OBRP in lieu
29 of the NJNG grant. To ensure that the whole-house approach continues as a focus,
30 NJNG requires participation in an HPwES audit to qualify for either of these financial

1 incentives, to identify additional energy-efficiency opportunities in the home. The
2 audit is conducted by BPI-certified SAVEGREEN employees at no cost to the
3 customer after the installation of WARMAdvantage qualified heating equipment.

4 **Q. WHAT INCENTIVE OPTIONS DOES NJNG CURRENTLY OFFER TO THE**
5 **SECOND CATEGORY OF CUSTOMERS PARTICIPATING IN HPWES?**

6 A. NJNG's HPwES customers can apply to participate in NJNG's OBRP to cover the
7 costs of approved energy-efficiency measures. Consistent with NJCEP's incentive
8 structure, these customers can take advantage of both the HPwES grant (currently up
9 to \$5,000) and the NJNG OBRP (currently up to \$10,000 that can be repaid at no
10 interest over 10 years). The grant cannot exceed 50 percent of the project costs. The
11 grant will be approved by NJNG to customers participating in the OBRP. NJCEP will
12 fund grants to those eligible customers not using OBRP.

13
14 **Q. HOW DO THE CURRENT SAVEGREEN PROGRAM OFFERS**
15 **SUCCESSFULLY MEET CUSTOMER NEEDS?**

16 A. SAVEGREEN provides customers with critical information to enable informed
17 equipment purchase decisions as well as grants and OBRP benefits to promote cost-
18 effective purchase decisions that offer long-term benefits to our customers, the
19 environment and the New Jersey economy.

20 NJNG believes it is especially important to influence the customers' decision-
21 making processes before or, at the latest, at the time they evaluate equipment options
22 to reinforce the importance of investing in energy-efficient units. Since those
23 decisions are only made on average every 15 to 20 years, it is crucial to influence
24 purchase decisions for as many customers as possible. If a customer is not able to
25 afford the necessary incremental investment in high-efficiency equipment at or before
26 the time of purchase, that opportunity is lost for a significant time period.

27 Through SAVEGREEN, residential customers can participate in energy-
28 efficiency programs that provide the means of reducing their individual energy costs
29 through the installation of high-efficiency natural gas appliances, including furnaces,

1 boilers and water heaters. By focusing on the whole-house, participants receive the
2 greatest benefit from higher-efficiency equipment. Additionally, some measures
3 installed to reduce natural gas usage also reduce electricity usage at peak periods. For
4 example, seal-up and insulation work results in energy savings for air conditioning
5 load since the system does not have to compensate for cool air that previously would
6 have escaped. Finally, the NJNG OBRP provides funds to homeowners who might
7 otherwise not be able to make the necessary energy-efficiency investments. As those
8 funds are repaid by the participating customer over the agreed upon number of years,
9 the repayments lead to a revolving fund creating future opportunities for NJNG to
10 offer OBRP incentives to additional customers.

11 **Q. WHAT BENEFITS HAVE BEEN REALIZED THROUGH SAVEGREEN?**

12 A. With over five years of experience offering SAVEGREEN programs, NJNG has
13 provided substantial benefits to participating customers, the environment and the
14 state's economy. Between September 2009 and November 30, 2014, NJNG
15 completed more than 29,000 audits and nearly 31,000 grants were submitted for
16 processing. In that same time period, nearly 5,000 customers have been approved for
17 financing associated with HPwES projects. These customers are realizing substantial
18 ongoing annual energy cost savings and contributing to lower emissions while
19 meeting their energy needs.

20 SAVEGREEN provides substantial economic benefits to New Jersey as well.
21 NJNG has created 29 incremental direct jobs including 12 employees trained and
22 BPI-Certified to conduct energy audits. Additionally, the program provides important
23 benefits to contractors serving the residential high-efficiency market which leads to
24 indirect economic benefits. An increased focus on installing high-efficiency
25 equipment encourages increased activity in the contractor market and ancillary
26 services, benefiting local contractors, manufacturers and distributors. New Jersey has
27 benefited from nearly \$248 million in economic activity generated by the contractors
28 participating in SAVEGREEN.

1 In addition, based on an informal survey and conversations with local
2 contractors participating in the NJCEP programs, the SAVEGREEN programs have
3 helped increase their activity levels. NJNG's programs also resulted in dramatic
4 increases in contractor participation in the high efficiency marketplace. The number
5 of contractors participating in high efficiency installations through SAVEGREEN has
6 grown from just over 100 at the end of 2009 to more than 2,100 today. These
7 contractors provide a great insight into marketplace conditions. In a recent survey,
8 contractors who average one project per month affirmed how SAVEGREEN is
9 helping advance energy efficiency:

- 10 • Nearly 91 percent of these contractors indicate that NJNG's involvement
11 in energy efficiency has increased customer awareness of the energy-
12 efficiency programs;
- 13 • More than 95 percent believe that NJNG has increased customer
14 awareness of the need to address inefficient HVAC and water heating
15 equipment; and
- 16 • Approximately 66 percent indicated that SAVGREEN incentives have
17 helped them grow their business (e.g. hired employees, increased
18 earnings).

19 Lastly, the OBRP provides important benefits to customers by aligning the
20 incremental costs associated with purchasing high-efficiency equipment with the bill
21 savings that are achieved. NJNG's involvement in energy efficiency increases
22 customer awareness of the various programs available and the importance of moving
23 to energy-efficient equipment. Additionally, the opportunity to participate in the
24 OBRP encourages customers to participate in additional energy-saving measures,
25 increasing the economic activity of local contractors that perform the work.

26

1 **III. SAVEGREEN APPROVALS**

2 **Q. PLEASE SUMMARIZE THE APPROVALS SOUGHT BY NJNG THROUGH**
3 **THIS FILING.**

4 A. The Company is requesting that the BPU approve a continuation of the
5 SAVEGREEN programs and related terms for a three year period. In conjunction
6 with the proposal, NJNG is recommending minor modifications to the existing
7 programs. The specific program modifications are described later in my testimony.

8 **Q. PLEASE DESCRIBE STATE INITIATIVES AND ACTIONS THAT SHAPE**
9 **PUBLIC POLICY RELATED TO NJNG'S ENERGY EFFICIENCY**
10 **PROGRAMS.**

11 A. In December 2011, the State released the EMP reflecting the State's overall energy-
12 related policy goals formulated through extensive analysis and involvement of
13 various stakeholder groups. The goals of the EMP are:

- 14 1. Drive down the cost of energy for all customers.
- 15 2. Promote a diverse portfolio of new, clean, in-State generation.
- 16 3. Reward energy efficiency and energy conservation and reduce peak
17 demand.
- 18 4. Capitalize on emerging technologies for transportation and power
19 production.
- 20 5. Maintain support for the renewable energy portfolio standard of 22.5
21 percent of energy from renewable sources by 2021.

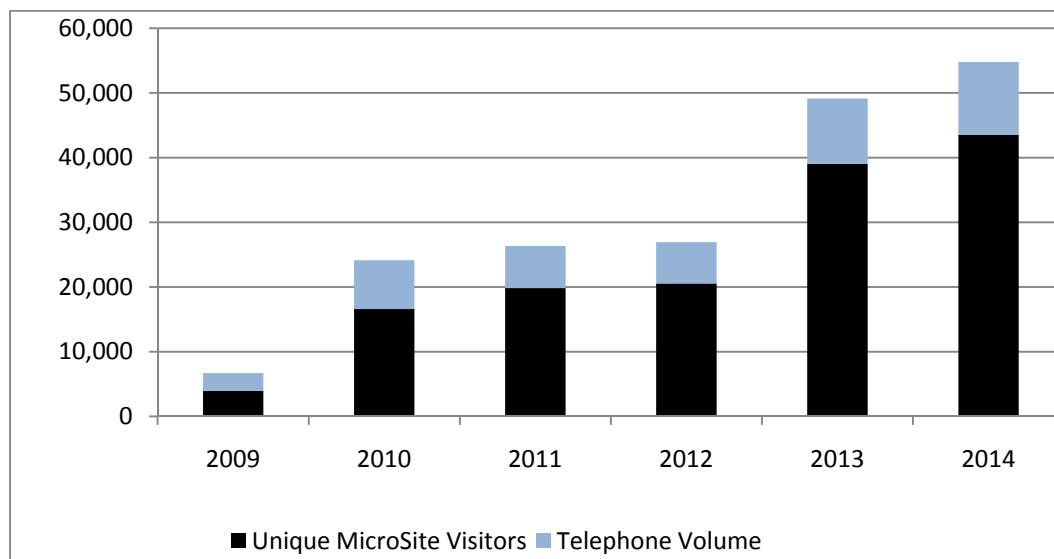
22 With respect to energy efficiency, the EMP maintains the commitment to
23 achieving cost-effective energy efficiency in order to reduce energy costs and
24 emissions. The EMP recognizes the important role that energy efficiency and
25 conservation play in fostering economic development and promoting the State's
26 environmental goals. Both energy-efficiency and conservation programs are touted as
27 one aspect of reducing energy costs for current residents and, importantly, to
28 encourage business retention and growth in New Jersey. "Reducing energy costs

1 through conservation, energy-efficiency and demand response programs lowers the
2 cost of doing business in the State, enhances economic development, and advances
3 the State’s environmental goals.” (EMP, Page 1).

4 SAVEGREEN supports the advancement of these objectives and has provided
5 a significant opportunity to learn about the market. NJNG continually shares insights
6 and outreach opportunities with the NJCEP Market Managers and Program
7 Coordinators to ensure that the State benefits from our experience and that more
8 customers implement energy efficiency improvements.

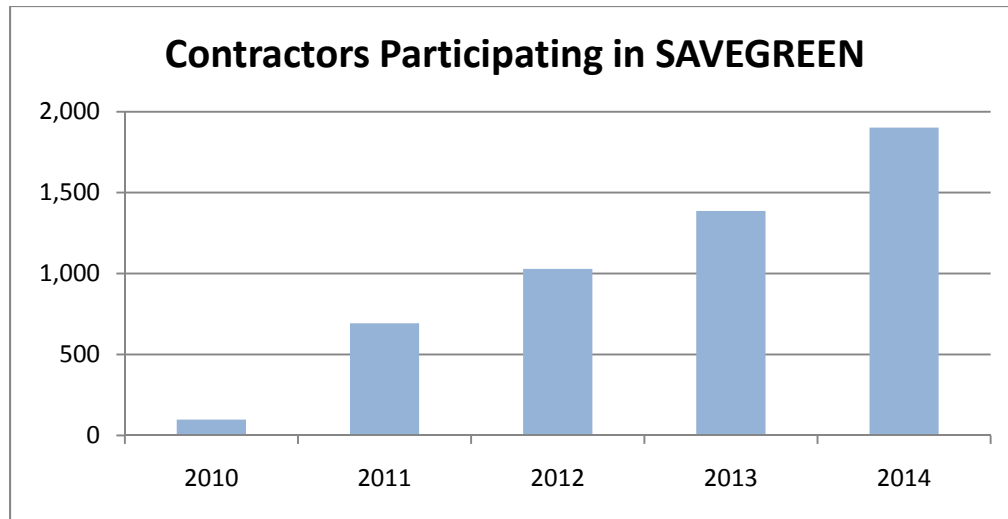
9 **Q. WHY IS A THREE-YEAR CONTINUATION THE APPROPRIATE COURSE**
10 **OF ACTION FOR NJNG?**

11 A. In general, multi-year planning enabled by a three-year program term offers
12 advantages across a number of important factors that contribute to the success of the
13 program when compared with a program of lesser duration. From the perspective of
14 NJNG’s customers, a multi-year program provides consistent messaging, supports the
15 most cost-effective choices regarding the timing of equipment replacement, and
16 reduces potential sources of confusion and inaction associated with programs that
17 may appear to be ending, but are merely awaiting annual reauthorization. The
18 following chart clearly illustrates that the extended approval period facilitated efforts
19 that led to sustained growth in customer interest in the programs.



20

1 A multi-year commitment provides important benefits to contractors and trade allies
2 as it supports effective business planning including employee hiring and
3 development, and equipment purchases through program stability. The following
4 chart clearly shows how the multi-year term supported growth in contractor
5 participation.



6 The multi-year term will also allow NJNG to retain qualified and trained personnel
7 supporting the programs, eliminating the ongoing employment uncertainty created by
8 annual program approvals.

9 Lastly, a multi-year term provides sufficient time for NJCEP to conclude its
10 transition to a new Program Administrator, establish programs that align with a new
11 NJCEP Strategic Plan, and allow NJNG to consider the most appropriate way to
12 support and enhance the vision established by that Strategic Plan.

14 **Q. IS THE COMPANY SEEKING ANY CHANGE TO THE ABILITY TO SHIFT
15 AVAILABLE FUNDING AMONG YEARS OR BETWEEN PROGRAMS?**

16 **A.** No. The Company is requesting to keep the same terms established in the BPU's
17 June 2013 Order that provide for limited flexibility to shift program funding.

18

1 **Q. WILL AN EVALUATION OF THE SAVEGREEN PROGRAM BE**
2 **PERFORMED?**

3 A. Yes. NJNG is undergoing an independent evaluation of the various elements of the
4 SAVEGREEN program. Consistent with the terms of the Board's June 2013 Order,
5 the evaluation must begin by January 1, 2015 and be completed by January 1, 2016.
6 The contractor to perform the independent evaluation has been selected. When the
7 evaluation is completed, the Company will meet with representatives of BPU Staff
8 and Rate Counsel to discuss the results of the evaluation.

9 **IV. PROGRAMS**

10 **Q. HOW IS THIS SECTION OF YOUR TESTIMONY ADDRESSING**
11 **SAVEGREEN PROGRAMS ORGANIZED?**

12 A. The focus of this section of my testimony is on NJNG's proposed modifications to the
13 existing residential programs as well as modified commercial program offerings to be
14 effective upon approval. I will first describe proposed modifications to the
15 SAVEGREEN programs for residential customers. Then, I will address proposed
16 modifications to the SAVEGREEN programs for commercial customers.

17 **Modifications to Existing Residential Programs**

18 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE GRANTS**
19 **AVAILABLE THROUGH SAVEGREEN.**

20 A. NJNG is not proposing any change to the grants for furnaces and boilers. The grant
21 would remain at \$500 and the eligibility would continue to be tied to prevailing
22 NJCEP equipment minimums and a required no cost home energy audit performed by
23 NJNG. However, NJNG is proposing to implement a \$100 incentive for
24 WARMAdvantage eligible water heating equipment. The Company is currently
25 authorized to perform free home energy audits for these customers to educate them on
26 additional opportunities to save energy through HPwES, but due to constraints related
27 to NJCEP's ability to share customer information it is difficult to reach eligible

1 customers. Accordingly, NJNG is proposing to offer this nominal incentive following
2 a required no cost home energy audit since the shorter measure life for water heaters
3 increases the potential market size for “whole-house improvements”.

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

5 A. NJNG is not proposing modification to the OBRP that serves customers starting with
6 the HPwES program. NJNG is proposing one minor modification to the OBRP
7 program for customers that start with the \$6,500 OBRP program for combination
8 furnace/boiler and water heater installations. Currently, for customers who continue
9 with additional whole-house measures and install the available seal-up and insulation
10 measures within the first six months of their audit, they can expand their OBRP
11 financing, up to a combined maximum of \$10,000 (including the value of their
12 original OBRP) and modify the term of the initial OBRP financing from 5 years to 10
13 years. NJNG is proposing to extend the window for customer action to 18 months.
14 Our experience to date indicates that many customers need additional time to consider
15 another significant investment and also want to evaluate billing data from a full
16 heating season. The additional time will facilitate the consideration of additional
17 measures.

18 **Q. IS NJNG RECOMMENDING ANY CHANGES TO THE AUDIT**
19 **COMPONENT OF ITS SAVEGREEN PROGRAM?**

20 A. No.

21 **Q. WHAT ARE THE ESTIMATED PARTICIPANT RATES FOR THE NJNG**
22 **GRANTS AND INCENTIVES?**

23 A. I have prepared a summary of the residential programs that incorporates the changes I
24 outlined and shows NJNG’s estimated participant rates. This summary, presented in
25 Schedule TJM-1, provides information related to each potential path for initial
26 participation in the Company’s SAVEGREEN program. A more detailed schedule of
27 customer participation is shown on DPY-1. Additionally, all of the paths provide
28 opportunities for customers to benefit from achieving energy savings at levels that

1 qualify for HPwES either through direct participation in the HPwES program or by
2 implementing measures identified in the no cost audits provided after installing high-
3 efficiency heating and/or water heating equipment.

4 Estimated participant rates are based upon past experience as well as
5 expectations related to the changes the Company is proposing in this filing. The
6 actual participant rates will depend on many factors including general economic
7 conditions and marketplace activity. Activity in one year may be higher than other
8 years and some years may indicate a greater proportion of grants or OBRP than that
9 estimated by the Company. The potential differences between actual and estimated
10 participant levels are addressed through the funding flexibility incorporated into the
11 overall program. The funding flexibility does not affect the investment cap that
12 results from the Company's request, as described more fully in the Yardley
13 Testimony.

14 **OPOWER Pilot Program**

15 **Q. PLEASE DESCRIBE THE STATUS OF OPOWER PILOT PROGRAM.**

16 A. The September 2010 Order authorized NJNG to implement a three-year pilot program
17 from 2011 through 2013 providing customers with customized reports regarding their
18 energy usage, including comparisons to similar homes in their area. For this pilot,
19 NJNG contracted with OPOWER, a leading provider of this type of service for utility
20 customers. The June 2013 Order approved the extension of the pilot program through
21 June 2015. Currently more than 40,000 customers receive 4 Home Energy Reports
22 per year. The OPOWER team has presented results at previous NJCEP Energy
23 Efficiency Committee meetings. The most recent information indicates energy
24 savings of nearly 3 million therms and NJNG has been able to maintain an opt-out
25 rate of less than 0.5 percent of participating households.

26 **Q. IS NJNG REQUESTING TO CONTINUE AN OPOWER PROGRAM?**

27 A. Yes. NJNG is proposing to continue the existing program through June 30, 2018 and
28 expand the program to implement additional pilots to consider ability to further

1 influence customer behavior. Specifically, the expansion would establish test and
2 control groups to assess whether working with OPOWER can enhance customers
3 interest in energy conservation and energy efficiency investments by answering the
4 following questions:

- 5 ○ Can we identify and encourage more low income customers to reduce their
6 energy bills and take advantage of existing no and low-cost resources
7 available to help?
- 8 ○ Could Home Energy Reports influence a customer's decision to pursue
9 additional whole house upgrades?
- 10 ○ Can smart thermostats make customers more conscious of their energy usage
11 and more likely to pursue whole house upgrades?

12 **Q. HAVE YOU PREPARED A RESIDENTIAL PROGRAM DESCRIPTION**
13 **REFLECTING THESE PROPOSALS?**

14 A. Yes. Schedule TJM-2 sets forth a description of the residential program incorporating
15 the few proposed modification to the existing SAVEGREEN offers, including the
16 OPOWER modification.

17 **Commercial Programs**

18 **Q. IS NJNG PROPOSING ANY CHANGE TO THE DI OBRP PROGRAM FOR**
19 **COMMERCIAL CUSTOMERS?**

20 A. Yes. NJNG is proposing one minor change regarding the term. The current OBRP
21 term for commercial customers is two years. NJNG proposes extending the
22 repayment term to three years to reduce the monthly repayment burden for
23 participating customers. The Company believes this improvement to the participants
24 cash flow should expand the participation and the number of measures installed
25 which should make NJCEP's DI Program more effective at reducing energy costs for
26 small commercial customers.

1 **Q. IS NJNG PROPOSING ANY OTHER MODIFICATIONS RELATED TO THE**
2 **DI PROGRAM?**

3 A. Yes. Through our efforts to support NJCEP’s DI program with our OBRP offer, we
4 have developed a strong understanding of some of the barriers that prevent customers
5 from implementing all energy-efficiency upgrades recommended by their approved
6 DI contractor. Specifically, there are instances when particular pieces of equipment
7 fall outside of the qualified measure list for the DI program (e.g. larger size boilers).
8 To encourage a higher installation rate for these additional measures, NJNG is
9 proposing to offer an OBRP for measures that qualify under the SmartStart program
10 when they are connected to a DI project. The repayment term would not exceed 10
11 years and the maximum OBRP amount would be \$130,000. Recognizing that some
12 Local Government Energy Audit (“LGEA”) customers may have facilities that fall
13 outside the scope of the DI program, NJNG also proposes to allow LGEA customers
14 to apply for this SmartStart OBRP and NJNG would work closely with the Office of
15 Clean Energy’s Energy Savings Improvement Program (“ESIP”) Coordinator to
16 ensure the customer understands ESIP opportunities. A program summary describing
17 all aspects of the commercial program is provided as Schedule TJM-3.

18

19 **Q. PLEASE DESCRIBE WHY THE COMPANY BELIEVES IT IS IMPORTANT**
20 **TO PROVIDE OBRP OPTIONS FOR SMARTSTART EQUIPMENT ON DI**
21 **PROJECTS**

22 A. While there are usually grants available under NJCEP’s SmartStart program for
23 energy-efficient equipment that falls outside of the DI program, these incentives are
24 usually not compelling enough to support customers to install these additional
25 measures. As a result, a customer who is ready to take action on the
26 recommendations made by their DI auditor is likely to ignore any measures that fall
27 outside of the DI eligible measure list. NJNG believes that the availability of an
28 OBRP for these other pieces of equipment should increase the likelihood that the

1 customer will pursue a more comprehensive project providing a greater level of
2 energy savings for the customer.

3 **Other Programs**

4 **Q. IS THE COMPANY SEEKING TO CONTINUE ANY OTHER PROGRAMS?**

5 A. Yes. NJNG is requesting to continue the Fostering Environmental and Economic
6 Development (“FEED”) Program. FEED provides financial assistance for energy-
7 efficiency and economic development opportunities for commercial and industrial
8 customers with no direct rate impact on NJNG’s non-participating customers. The
9 Company believes this mechanism is helpful in addressing unmet customer needs that
10 also advance state policy objectives. Since each case is reviewed by the Parties and
11 subject to BPU approval, NJNG is requesting the structure for the FEED program be
12 continued.

13 **Consistency of SAVEGREEN Programs with NJCEP**

14 **Q. HOW ARE THE SAVEGREEN PROGRAMS CONSISTENT WITH**
15 **PROGRAMS OFFERED BY NJCEP?**

16 A. NJNG’s programs complement and enhance the NJCEP programs through integrated
17 grants and financing opportunities. The programs seek to promote the NJCEP
18 HPwES, WARMAdvantage, and DI programs through complementary messaging to
19 customers and enhanced participation rates. In addition to providing customers with
20 opportunities to take advantage of both NJCEP and NJNG offers, the NJNG programs
21 provide important benefits to contractors and trade allies by maintaining consistency
22 in the marketplace. The proposed programs maintain a supportive integration with
23 ongoing NJCEP programs. Schedule TJM-4 demonstrates the alignment between
24 NJNG programs and NJCEP programs.

25

1 **V. MARKETING**

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

4 A. NJNG employs a variety of channels to educate customers on the benefits of energy
5 efficiency, including work through the Conservation Incentive Program (“CIP”)
6 communication channels, community outreach and the promotion of the
7 SAVEGREEN programs. To continue the education of customers on energy-
8 efficiency benefits and foster participation in SAVEGREEN, NJNG will utilize an
9 approach similar to our current efforts. The Company will continue the multi-channel
10 focus for informing customers and will also target certain programs to specific
11 sectors. Additional information is provided in Schedule TJM-5.

12 **VI. USE OF EMPLOYEES AND CONTRACTORS**

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

15 A. Yes. Over the past several years, the energy-efficiency programs offered by NJNG
16 have created the opportunity for the Company to create 29 incremental positions for
17 outreach, scheduling, promotion, audits, on-bill repayment work and oversight of
18 energy-efficiency programs. The proposed continuation of SAVEGREEN will allow
19 NJNG to retain these trained and effective employees.

20 NJNG employees do not and will not provide installation or weatherization
21 work. Instead, for work that is already on a whole-house track, NJNG will promote its
22 offers to BPI-certified and authorized contractors participating in NJCEP’s HPwES
23 program who will provide the necessary work in our service territory. NJNG will also
24 continue to provide information and no-cost training on the elements of
25 SAVEGREEN to all HVAC contractors in our service territory to ensure that the
26 whole-house approach is emphasized to support the installation of higher efficiency
27 equipment and the need to properly address equipment sizing and venting, as well as
28 to support workforce retention. As mentioned in the Marketing Overview, provided

1 as Schedule TJM-5, there will be various approaches to promote SAVEGREEN that
2 target customers and contractors alike to ensure the greatest exposure possible.

3 **VII. MARKET BARRIERS**

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

6 A. Despite the increasing focus on energy efficiency at both the national and state levels,
7 market barriers continue to impede progress. Through the SAVEGREEN programs,
8 NJNG is able to address the primary market barriers of program awareness and
9 financing options. It continues to be crucial that New Jersey residents are made aware
10 of opportunities for saving energy and that we continue to get more HVAC
11 contractors engaged in promoting and properly installing high-efficiency equipment
12 and other whole house measures. Through the marketing efforts incorporated within
13 this filing and ongoing in the SAVEGREEN programs, the Company provides an
14 active channel for promoting not only the benefits of energy efficiency but also the
15 sources through which various programs can be obtained. This work, in conjunction
16 with the promotional efforts of NJCEP, serves to broaden customers' awareness of
17 viable approaches toward saving energy and, as a result, potentially saving on energy
18 costs. And, by working closely with certified and authorized contractors, NJNG
19 further encourages those entities to also promote and make available energy-efficient
20 solutions to all customers.

21 It is also important to overcome the financial barriers that customers face
22 when making decisions about the installation of high-efficiency HVAC equipment.
23 Previous NJNG survey data indicates that nearly 70 percent of customers consider the
24 upfront costs to be the biggest barrier to energy efficiency. Through the OBRP,
25 NJNG promotes the statewide grant programs and our OBRP broadens the pool of
26 qualifying customers. In fact, based on marketing data NJNG has obtained, the
27 average median income for OBRP customers is approximately \$61,000 as compared
28 to approximately \$96,000 for NJNG customers when we used the services of the out-

1 of-state financing company, EFS. The availability of additional incentives and the
2 OBRP help overcome the financial barriers that deter many customers, especially
3 moderate-income families, from taking that extra step of purchasing and installing
4 high-efficiency equipment. At the same time, encouraging customers to also install
5 weatherization and insulation measures increases the impact of high-efficiency
6 equipment, furthering the whole-house approach and saving energy overall.

7 **VIII. RESOLUTION OF CUSTOMER COMPLAINTS**

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

10 **A.** NJNG will continue to utilize the dispute resolution process agreed to by Board Staff
11 and Rate Counsel in the prior SAVEGREEN Stipulation of Settlement that was
12 approved by the BPU in the June 2013 Order. NJNG will promptly address any
13 customer complaints related to the programs through existing customer relations
14 procedures within the Company. Most customer calls will come directly into the
15 SAVEGREEN Department since that phone number is on all correspondence and
16 promotional materials. Additionally, any calls about the programs that come into the
17 NJNG Call Center will be transferred to SAVEGREEN employees for initial
18 resolution. In all instances, NJNG will make every effort to resolve a complaint
19 informally at the outset. For concerns that cannot be resolved within the Department,
20 the matter will be moved to the NJNG Consumer Advocate for further investigation
21 and resolution. Only if those measures fail would a complaint be resolved through the
22 BPU Division of Customer Assistance. Attached as Schedule TJM-6 is a flow-chart
23 depicting the process that was approved by the BPU in its prior SAVEGREEN
24 settlement with Staff and Rate Counsel.

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

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IX. IMPACT ON SMART GROWTH

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

A. NJNG has not identified any impacts on or benefits to Smart Growth from the implementation of the proposed programs.

X. PROPOSAL FOR ADDRESSING PROGRAM MODIFICATIONS

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

A. In the previous SAVEGREEN approvals, the Board agreed upon the approach to be used for a shift in funding between specific approved programs and in instances where modifications or changes were necessary to any program elements. NJNG is proposing to retain those approved methods. NJNG is currently permitted to shift participant levels between the grant and OBRP incentives. Additionally, in light of the three year term, the Company can carry forward up to 15 percent of the approved revenue requirement for the residential and commercial programs to the subsequent year. Consistent with the terms of the June 2013 Order, the Company agrees to provide written notice to the BPU Staff and Rate Counsel for any proposed changes between residential and commercial program funding levels or any change in incentive amounts, including a description of the proposed budget re-allocation with supporting schedules.

1 **XI. COORDINATION WITH OTHER FUNDING SOURCES**

2 **Q. HOW WILL THE FUNDING FOR SAVEGREEN INTERFACE WITH ANY**
3 **POTENTIAL FEDERAL FUNDS MADE AVAILABLE FOR ENERGY-**
4 **EFFICIENCY PROGRAMS?**

5 **A.** Subject to restrictions set forth in any applicable law, NJNG will utilize any funds or
6 credits received from governmental sources that are directly related to SAVEGREEN
7 to offset the respective program costs, thus reducing the impact on customers. If
8 funding or credits from any state or federal action becomes available to NJNG
9 through the State of New Jersey, a County or Municipality for project reimbursement,
10 those funds or credits directly applicable to work related to a SAVEGREEN project
11 will be used to benefit customers by offsetting the costs for which recovery is sought,
12 to the extent permitted by law.

13 **XII. REPORTING PROCEDURES**

14 **Q. HOW DOES NJNG PROPOSE TO PROVIDE INFORMATION ON THE**
15 **SAVEGREEN PROGRAMS?**

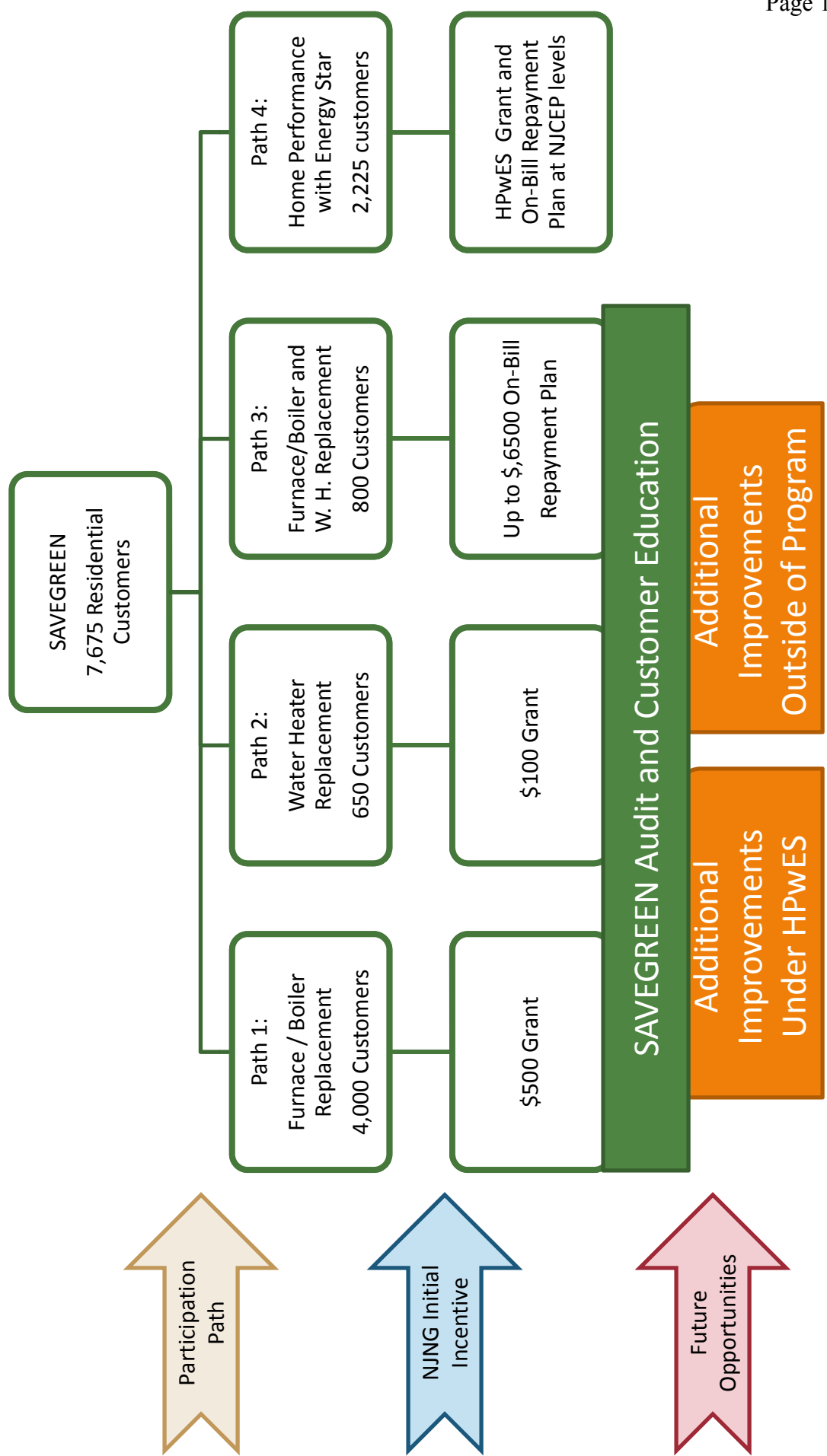
16 **A.** NJNG proposes to continue the reporting and provision of program data that was
17 agreed to in the Stipulations approved by the BPU in the July 2009, September 2010,
18 January 2012, and June 2013 Orders. As such, the Company will submit the detailed
19 data regarding the SAVEGREEN program activity and expenses through NJCEP
20 provided formats, currently the Program Manager Data Tracking Sheet. Those reports
21 are consistent with the data and format used in reporting on the NJCEP Comfort
22 Partners and SAVEGREEN programs. NJNG has been meeting the reporting
23 obligations for submission to the NJCEP Integrated Management System on an
24 automated basis since March of 2010. Each Monthly Activity Report will be
25 submitted within 30 days of the request for the calendar month covered by the report.

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

27 **A.** Yes, it does.

**New Jersey Natural Gas
Comparative Residential Program Paths**

TJM-1



Participation Path

NJNG Initial Incentive

Future Opportunities

Residential Program

Description of the Program

Segment I - Customers starting with NJCEP's WARMAdvantage Program

To encourage investment in high-efficiency equipment as well as participation in New Jersey's Clean Energy Program (NJCEP) Home Performance with Energy Star (HPwES) program (whole-house approach), NJNG will offer incentives through grants and/or on-bill-repayment plans (OBRP) that can be used toward the purchase and installation of high-efficiency gas furnaces/boilers and water heaters. Customers must participate in a no-cost HPwES audit conducted by NJNG following the installation of qualifying equipment and are expected to apply for the companion NJCEP WARMAdvantage grants. The audit identifies additional energy-saving opportunities, encouraging customers to move forward with further improvements through the HPwES program. If they move ahead with additional improvements, they can qualify for HPwES incentives available under that program for the new measures

NJNG incentives for installation of qualifying equipment:

- NJNG will continue to offer a \$500 grant for the installation of a high-efficiency gas furnace. Efficiency guidelines will follow NJCEP minimum criteria, currently established as 95 percent annual fuel utilization efficiency (AFUE).
- NJNG will continue to offer a \$500 grant for the installation of a high-efficiency gas boiler. Minimum efficiency guidelines will follow NJCEP minimum criteria, currently established at 85% AFUE for a hydronic gas boiler and 82% AFUE for a steam boiler.
- NJNG will offer a \$100 grant for the installation of a high-efficiency gas water heater. High-efficiency criteria is an Energy Factor (EF) of .67 or higher. To encourage customers to replace a furnace/boiler and water heater at the same time, and to enhance contractor awareness of the need to address the integrated nature of equipment, NJNG will continue to offer customers installing qualifying high-efficiency models of both at the same time a choice of the following incentives:
 - \$600 grant to offset the incremental costs of both units; or
 - OBRP of up to \$6,500 for a five-year term. To receive the OBRP, the contractor must perform and submit proof of an ACCA Manual J and Manual S calculations for the premise. This is currently not an NJCEP requirement for heating equipment.
- After the audit customers may qualify for additional incentives for other measures through HPwES. These customers would be eligible for any HPwES incentives offered for the other measures.

Note:

If NJCEP minimum efficiency levels change during the term of this program, NJNG's program guidelines will change to match NJCEP's new standard

Eligibility

Grants

Residential customers and small commercial customers (such as a medical or dental office) are eligible for a grant following the installation of a boiler less than 300,000 BTU or a furnace less than 225,000 BTU and for a grant for residential-sized, energy-efficient, sealed-combustion or tankless water heaters. Residential customers are required to have an HPwES audit conducted by

an NJNG auditor. There is no audit requirement for small commercial customers; however, an equipment check is performed to ensure that the installed equipment meets NJCEP and NJNG program requirements and those customers are targeted to participate in other NJCEP programs to implement additional energy saving measures.

OBRP

Customers who meet NJNG's credit review criteria are eligible to participate in the OBRP. If denied participation in the OBRP option, a customer may still be eligible for NJNG grants for WARMAdvantage-qualified equipment.

Qualifying Equipment	NJCEP Grant¹	NJNG Grant	Total Award
Tier 1 Furnace: $\geq 95\%$ AFUE	\$250	\$500	\$750
Tier 2 Furnace: 95% AFUE + 2% e motor , ENERGYSTAR qualified	\$500	\$500	\$1,000
Boiler Steam: $\geq 85\%$ AFUE Boiler Hydronic: $\geq 82\%$ AFUE	\$300	\$500	\$800
High-efficiency gas water heater options <ul style="list-style-type: none"> • Power Vent Storage: EF of $\geq .67$ and ENERGY STAR qualified • Thermal Efficiency (TE): $\geq 90\%$ with sealed combustion • EF of $\geq .82$ or greater and ENERGY STAR qualified 	\$500	\$100	\$600
Qualifying combination of heating equipment and WH (see minimum efficiency noted above)			
Boiler and WH Combination: <ul style="list-style-type: none"> • Integrated WH and boiler unit (Combi Boilers) • OR qualifying stand alone WH (see minimum EF above) • OR an indirect WH attached to qualifying boiler Tier 1 Furnace and WH combination <ul style="list-style-type: none"> • Furnace and WH Combination: Qualifying standalone water heater (see minimum EF for WH above) • OR an indirect-fired WH attached to qualifying furnace 	\$900	\$600 or OBRP	\$1,500 Or \$900 NJCEP and NJNG OBRP
Tier 2 Furnace and WH combination <ul style="list-style-type: none"> • Furnace and WH Combination: Qualifying standalone water heater (see minimum EF for WH above) 	\$1000	\$600 or OBRP	\$1,600 Or \$1000 NJCEP and NJNG

¹ NJNG recognizes that Fiscal 2015 incentive levels for NJCEP programs have not been determined. NJNG proposal assumes NJCEP continues its current grant levels as noted.

• OR an indirect-fired WH attached to qualifying furnace			OBRP
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Estimated Program Participants and Annual Savings

Qualifying Equipment	Estimated Annual Participants	Estimated Annual Savings
Gas Furnace/Boiler	4,000	761,840 therms
High-Efficiency WH	650	8,730 therms
Combination furnace/Boiler and WH	800	142,723 therms

Segment II - Supporting NJCEP HPwES

Customers starting with HPwES

Residential customers implementing upgrades through HPwES are eligible to participate in NJNG's OBRP with up to \$10,000 available for qualifying residential customers to be repaid over 10 years. Customers can take advantage of both the HPwES grants and the OBRP if they meet NJNG's credit review criteria. NJNG reserves the right to limit participation in OBRP to customers who utilize natural gas for heating. Customers not eligible for the NJNG OBRP may seek financing through NJCEP.

Customers starting with WARMAdvantage

To further promote whole-house upgrades through NJCEP's HPwES and encourage timely follow-up, NJNG will allow customers to expand their initial OBRP up to a total combined OBRP of \$10,000 to pursue further HPwES measures, provided such action is initiated within 18 months of the audit. The repayment term will be extended to 10 years and total repayment amount available cannot exceed \$10,000 (e.g. customers who used the full \$6,500 for the initial OBRP would be limited to an additional \$3,500). Consistent with NJCEP HPwES treatment, customers can take advantage of both the HPwES grants and the OBRP.

NJNG provides grants for Tier III HPwES work at the levels being offered by NJCEP, currently up to \$10,000, when the OBRP is used. When customers do not utilize the OBRP, the HPwES grant is paid by NJCEP.

Anticipated Number of Participants	Max. Amount available per customer/Assumed average loan amount	Estimated Annual Energy Savings	Investment Amount to be repaid by participants
2,100	\$10,000 max	410,050 therms 1,708,110 kWh	\$21,000,000

NJNG provides grants for Tier II HPwES work at the levels being offered by NJCEP, currently

up to \$5,000, when the OBRP is used. When customers do not utilize the OBRP, the HPwES grant is paid by NJCEP.

Maximum Number of Participants	Max. Amount available per customer	Estimated Annual Energy Savings	Investment Amount to be Repaid by Participants
225	Up to \$5,000	18,990 therms 89,550 kWh	\$1,125,000

Independent Audits

NJNG will continue to offer an HPwES audit upon customer request at the current HPwES audit price of \$250. Funds generated from these audits are used to offset the overall NJNG energy-efficiency program costs. As noted in the Marketing Plan (Schedule TJM-5), NJNG promotes this option through multiple communication channels but also emphasizes that eligible contractors can perform the HPwES audit.

For those households with income levels that exceed eligibility for the NJCEP Comfort Partners Program but fall at or below 400 percent of federal poverty level NJNG will continue to offer a free home-energy audit provided the customer meets the eligibility for NJNG's OBRP. The customers who pursue energy-efficiency upgrades through HPwES as a result of this audit may then be eligible to take advantage of both NJNG's OBRP and the HPwES grants. The energy savings from the upgrades should be targeted to approach or exceed the value of repayments.

Independent NJNG Audits

Number of participants	Revenue generated from audit fees (to be credited against program costs)
250 audits	\$62,500
250 free audits to qualified customers	\$0

OPOWER

OPOWER is a behavioral program intended to influence customer behavior by providing timely feedback regarding energy consumption through personalized Home Energy Reports. Approximately 25,000 residential customers and a companion control group were involved in the pilot launch in 2011. By redesigning the program in 2013 to send 4 personalized HER reports per year instead of 6, NJNG and OPOWER were able to increase the pilot size to approximately 40,000 customers and increase the aggregate energy savings.

Through this filing, NJNG proposes the following:

- Continue the program for the existing pool of customers
- Expand the program to assess whether the on-going feedback from HER reports to SAVEGREEN participants can influence customer likelihood to pursue further energy-efficiency upgrades. This would include a portion of SAVEGREEN customers to date and new participants on a rolling basis. The remaining portion of SAVEGREEN customer would not participate in the expansion to allow for the

establishment of a control group

- Expand the program to assess whether OPOWER's knowledge of customer income levels can help us target low income customers and use HER reports to reduce their energy burdens and get these customers connected with resources available to help this market
- Expand the program to assess the ability to connect structural and behavioral improvements through a connected thermostat program. To leverage the ability to get a contractor to perform the installation, NJNG would connect this pilot to the 0% APR On-Bill Repayment Program (OBRP) for the combination furnace/boiler and water heater installation. This segment of customers must reach out to NJNG for preapproval to participate in our OBRP so we could work with their implementing contractor to provide a free thermostat if they install it for the customer

Estimated OPOWER Program Participants and Annual Savings

Group	Est. # of Participants over 3 years	Initial Year Savings (therms)
Continuation of existing HER report program	40,000	658,718
Expand HER report program for connections with SAVEGREEN programs	26,600	77,201
Pilot low income approach	10,000	35,839
Pilot thermostat program	2,500	48,114

Note: The OPOWER programs also create kWh savings but there is no practical way to measure such savings due to a lack of access to the electric billing data.

Market Segment/Efficiency Targeted

Segment I Targeted to residential (and certain smaller commercial customers) with HVAC equipment needing immediate or imminent replacement. The program promotes the installation of high-efficiency equipment and other whole-house energy conservation measures through opportunities identified in the HPwES audit.

Segment II Residential homeowners not immediately needing to replace HVAC equipment are targeted since participation in the HPwES audit is mandatory at the outset. The program targets the installation of high-efficiency HVAC equipment and the installation of whole-house energy conservation measures such as weatherization improvements.

Delivery Method and Contractor Role

Segment I Roles and Responsibilities

- Any HVAC contractor can install NJCEP WARMAdvantage-qualified equipment. Effective Fiscal 2015, NJCEP is leveraging SAVEGREEN auditors inspection of equipment to reduce NJCEP inspections in our territory. NJNG performs the HPwES audits at no cost to the customer following installation of qualifying equipment and processes the NJNG grants or OBRP.
- NJNG grants can be assigned to a contractor at customer's request; however, OBRP funds must be paid directly to the customer.

- Any customers seeking to implement further energy-efficiency improvements from the HPwES audit recommendations and access HPwES incentives must use an NJCEP-approved HPwES contractor. Such contractors are subject to NJCEP HPwES quality control processes.

Segment II Roles and Responsibilities

- HPwES audits must be performed by an NJCEP-approved HPwES contractor or by NJNG staff (for the specified fee or free to qualified customers).
- Installation work must be performed by NJCEP-approved HPwES contractors. Currently, contractors must be Building Performance Institute (BPI) certified and accredited.
- NJNG grants and OBRP available if appropriate.
- Roles and responsibilities consistent with NJCEP treatment of HPwES grants.
- Work may be subject to HPwES quality control processes.

Link to existing NJCEP and federal programs

- NJCEP WARMAdvantage
- NJCEP HPwES
- ENERGY STAR
- NJCEP Comfort Partners (Opower expansion proposal may help identify eligible participants)

Estimated avoided air emissions

11,636 tons of CO₂ and 9 tons of NO_x annually (based upon estimated annual savings as noted above) for WARMAdvantage and HPwES connected programs.
Additional 4,796 tons of CO₂ and 4 tons of NO_x annually (based upon estimated initial year savings as noted above) for OPOWER programs.

Anticipated Jobs Created/Sustained

Refer to Schedule NJNG-15.

Budget information

Refer to Schedule NJNG-11 for categorization of costs.

Marketing Approach

Refer to Schedule TJM-5

Cost Recovery/ Rate design

Refer to Schedule DPY-5 and Schedule NJNG-8.

NJNG Commercial Energy Efficiency Programs

Delivery Method and Contractor Role		
<p>DI improvements are restricted to NJCEP appointed contractors. However, there is the potential for any contractor eligible to perform installations under the current NJCEP SmartStart criteria to install measures not covered under the DI program but the intention is for the projects to be implemented on a coordinated basis. There is no change to the relationship between the contractor and customer, except that the customer can assign of the NJNG rebate to the contractor.</p> <p>To streamline administration, NJNG will coordinate with the NJCEP Commercial Market Manager and only an OBRP after notification that NJCEP incentives are approved. NJNG will promote the program to commercial customers, including municipalities and schools.</p>		
Estimated Program Participants and Annual Savings		
Program/Qualifying Equipment	Estimated Participants	Estimated Annual Savings
OBRP for Direct Install Customers	100	82,843 therms 2,536,800 kWh
OBRP for SmartStart measures	10	21,280 therms
Link to existing programs		
<ul style="list-style-type: none"> • NJCEP Direct Install program • NJCEP Smart Start • NJCEP Local Government Energy Audit 		
Estimated avoided air emissions		
3,273 tons of CO ₂ and 3 tons of NO _x annually (based upon estimated annual savings as noted above)		
Anticipated Jobs Created/Sustained		
Refer to Schedule NJNG-16.		
Budget information		
Refer to Schedule NJNG-11 for categorization of costs.		
Marketing Approach		
Refer to Schedule TJM-2		
Cost Recovery/ Rate design		
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 throughputs. (See Schedule NJNG-8)		

NJNG Commercial Energy Efficiency Programs

Description of the Program

Direct Install Customers

Consistent with the current program, commercial customers initially implementing upgrades through NJCEP's Direct Install (DI) program are eligible to participate in a NJNG no-interest On-Bill Repayment Plan (OBRP). Repayment of the principal will be made by participating customers. A maximum of \$53,570 will be available for each qualified project, to commercial customers. NJNG proposes to extend the repayment term to 3 years.

Additionally, to ensure that customers have adequate resources to pursue recommended energy- efficient equipment upgrades, NJNG proposes to also allow customers to apply for an OBRP to cover measures that are not included in the DI program but are incented under the NJCEP SmartStart Building program. The OBRP amount would be net of NJCEP incentives. The term for this OBRP would not exceed a 10 year payback period and the maximum amount for the OBRP would be \$130,000.

Consistent with current NJNG program terms, customers can take advantage of both the NJCEP DI and SmartStart Buildings incentives 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.

All projects and/or measures must conform to NJCEP requirements in order to receive take advantage of NJNG On-Bill Repayment Program.

For customers that had a Local Government Energy Audit performed, NJNG will coordinate outreach with the BPU's Energy Savings Improvement Program (ESIP) Coordinator to ensure customer understands the opportunities available under ESIP, including how this SAVEGREEN incentive may be embedded within such a program. In an effort to ensure LGEA eligible entities are investing in energy-efficient equipment, the Company is willing to allow ESIP candidates coming through the Local Government Energy Audit (LGEA) path to apply for an OBRP for SmartStart measures if the customer is not eligible for the DI program for a particular facility.

Market Segment/Efficiency Targeted

Direct Install Customers

This program targets commercial gas customers in NJNG's service territory who meet all program eligibility requirements necessary to participate in NJCEP's DI program. The DI program currently targets small to mid-sized commercial and industrial facilities with a peak electric demand that did not exceed 200kW in any of the preceding 12 months. NJNG would follow NJCEP DI eligibility criteria if it should change during the term of this program.

Only those customers (or their assignees) who are in good standing and subject to the Energy Efficiency surcharge are eligible to participate in this program.

New Jersey Natural Gas
Comparative Program Chart

Residential Programs (REEP). Refer to TJJM-2 for full descriptions NOTE: Shaded categories indicate no change from current program.		
Feature	NJCEP Treatment -2014	NJNG Programs
Incentives for high efficiency equipment (outside of the HPwES Program)	Qualified furnaces and boilers are eligible for NJCEP WARMAdvantage rebates of \$250-\$500. When combined with a qualified water heater, the rebate is \$900. Qualified gas water heaters are eligible for a \$500 rebate. No financing options available.	Existing SAVEGREEN Project Incremental \$500 grant for furnaces and boilers that meet FY 2015 NJCEP WARMAdvantage minimum efficiency levels. For customers installing a qualifying high-efficiency furnace/boiler AND a qualifying high efficiency water heater, SAVEGREEN offers either a \$500 grant OR an opportunity for up to \$6,500 in the OBRP at 0% interest for 5 years. Proposed No change from current NJNG program for boiler and furnaces or qualifying combination installations. For customers installing a WARMAdvantage qualified high-efficiency water heater, a \$100 grant will be offered to encourage customers to accept a free audit.
Requirements to receive incentives for high efficiency equipment (outside of the HPwES Program)	Application submitted to NJCEP includes documentation regarding the equipment purchased including manufacturer, model number, and serial number for equipment. NJCEP does not require Manual J/S calculations for heating systems.	Existing SAVEGREEN Project Application submitted to NJNG and modeled on WARMAdvantage program terms and customers are encouraged to apply for that incentive. Customer must accept an HPwES Audit performed at no cost by NJNG to receive the NJNG grant. To participate in the \$6,500 OBRP program, contractors must provide Manual S and J calculations. Proposed No change from current NJNG program.
Role of HVAC Contractors- not qualified for HPwES work.	Any HVAC contractor can participate in WARMAdvantage. No additional program certifications required. NJCEP does not require Manual J/S calculations for heating systems	Existing SAVEGREEN Project Any HVAC contractor can participate in the NJNG Enhanced Incentive program. No additional program certifications required. To participate in the \$6,500 OBRP program, contractor must provide Manual S and J calculations. Proposed No change from current NJNG program.
Role of HVAC	Opportunity to perform Tier I audits	Opportunity to perform HPwES audits and implement HPwES measures

**New Jersey Natural Gas
Comparative Program Chart**

<p>Contractors-HPwES qualified</p>	<p>and implement HPwES measures.</p>	<p>with access to NJNG OBRP plus NJNG supporting incremental activity in our service territory by funding some rebates. <u>Proposed</u> No change from current NJNG program.</p>
<p>Performance of HPwES Audit</p>	<p>Performed only by HPwES contractors-must have BPI certification. No separate audit path for middle-income customers.</p>	<p><u>Existing SAVEGREEN Project</u> Tier I audit performed by NJNG BPI-certified audit staff, only available to customers starting through WARMAdvantage. Comprehensive Tier III audit can be performed by either an HPwES contractor or NJNG BPI-certified audit staff for customers interested in starting with a proactive audit for a fee or at no cost to middle-income customers. All NJNG audit revenues are credited against overall SAVEGREEN program costs. <u>Proposed</u> No change from current NJNG program.</p>
<p>Payment of HPwES contractor incentives</p>	<p>Paid by NJCEP.</p>	<p><u>Existing SAVEGREEN Program</u> No contractors payments by NJNG. NJCEP pays and processes those. <u>Proposed</u> No change from current NJNG program.</p>
<p>Payment of HPwES customer incentives</p>	<p>NJCEP pays incentives for HPwES projects not associated with an OBRP. NJNG pays incentives when project includes an OBRP.</p>	<p><u>Existing SAVEGREEN Program</u> NJNG pays HPwES customer grants for those participating in OBRP. Others covered by NJCEP. <u>Proposed</u> No change from current NJNG program.</p>
<p>Availability of financing</p>	<p>Where a utility financing option is not available, NJCEP provides access to 0% for loans up to \$10,000 for HPwES projects that meet Tier 3, Level 1 or Level 2, TES thresholds and up to \$5,000. For Tier 2 HPwES projects that must meet a 10% TES. This financing incentive is combined with the HPwES rebates and is made available by a buydown of a loan from</p>	<p><u>Existing SAVEGREEN Project</u> All NJNG customers who meet the credit criteria can access the 0% OBRP; either through the HPwES program or for combination furnace/boiler and water heater installations. <u>Proposed</u> No change proposed</p>

New Jersey Natural Gas
Comparative Program Chart

	an out of state entity. NJCEP does not offer any financing options for the WARM Advantage program.	
<u>Commercial Energy Efficiency Program (CEEP)</u> <u>(full description available as TJM- 3)</u>		
Feature	NJCEP Treatment -2014	NJNG Programs
Incentives	<p>Direct Install (DI) NJCEP pays up to 70% of retrofit costs with a \$125,000 incentive cap on each project</p> <p>Smart Start Incentives vary by type and size of equipment</p>	<p>Existing SAVEGREEN Project Residential sized furnaces (Furnace max is 225,000 btu, boiler max is 300,000 btu) Offer same value as SAVEGREEN Project grants. NJNG to perform equipment checks but not perform full HPwES audit since they are not eligible to participate in that program</p> <p>Direct Install Customers Offer an On-Bill Repayment Plan (OBRP) for customers participating in NJCEP's DI Program (see below).</p> <p>Proposed</p> <ul style="list-style-type: none"> • Continue existing program elements noted above. • Modify program to also support NJCEP Smart Start Building program. Identified barrier in the marketplace that is preventing some DI customers from implementing “whole building” efficiency improvements Specifically, NJNG is proposing to allow customers participating the Direct Install program to apply for an OBRP for efficiency measures that have been identified by that audit but are outside the scope of the current Direct Install program but are qualified NJCEP SmartStart measures (e.g. larger boilers).
Role of Contractors	Currently, the Direct Install program uses a defined pool of contractors under contract to the NJCEP Market Manager.	Any HVAC contractor qualified to perform commercial installations for a specific NJCEP program can participate. No change proposed
Payment of customer	NJCEP pays all grants.	Smart Start grants paid by NJCEP and the SAVEGREEN Project grants paid by NJNG.

**New Jersey Natural Gas
Comparative Program Chart**

incentives		No change proposed
Availability of financing	NJCEP does not offer any financing options for the Direct Install program	<p>Existing SAVEGREEN Project All NJNG customers participating in the NJCEP Direct Install (DI) Program who meet the credit criteria can access the 0% OBRP up to the value of DI project not covered by the NJCEP grant. Based on current DI Program grant levels and caps, NJNG could provide up to \$53,570 for OBRP. Repayment over a 24 month term.</p> <p>Proposed</p> <ul style="list-style-type: none"> Continue the same structure for the Direct Install OBRP program but extend the repayment period from 24 months to 36 months to make repayments more affordable for participating customers. Allow OBRP for DI projects that have companion equipment upgrades that qualify under the NJCEP SmartStart participation. OBRP would remain consistent at 0%. Term would not exceed 10 years and the Maximum OBRP for these measures could be \$130,000.
Quality Control	A minimum of 10% of all applications are selected for pre-installation and/or post-installation inspection by a Market Manager inspector (or one of its subcontractors).	No incremental NJNG quality control proposed for most commercial programs performed since completed by NJCEP. Incremental quality control work for residential sized furnace track as NJNG audit team would perform a visual inspection of the unit. No change proposed.
Other		
FEED	No NJCEP Comparison	No change to structure or filing requirements. Propose to continue the program. Each filing still subject to BPU approval.
OPOWER	No NJCEP Comparison	<p>Existing SAVEGREEN Project Current BPU approval for program to run through June 30, 2015. Program reaches approximately 40,000 households.</p> <p>Proposed (more information in TJM-2)</p> <ul style="list-style-type: none"> Continue existing program through June 30, 2018 Implement additional pilots to consider ability to influence

New Jersey Natural Gas
Comparative Program Chart

<p>SAVEGREEN Project Evaluation</p>	<p>NJCEP starting to resume evaluation work</p>	<p>customer behavior</p> <ul style="list-style-type: none"> ○ Can we identify and encourage more low income customers to reduce their energy bills and take advantage of existing resources available to help? ○ Could Home Energy Reports influence a customer's decision to pursue additional whole house upgrades? ○ Can smart thermostats make customers more conscious of their energy usage and more likely to pursue whole house upgrades?
<p><u>Existing SAVEGREEN Project</u> An independent evaluation to be started by January 1, 2015. NJNG has completed RFP process and is in final contracting stages. NJNG commitment to participate in an integrated evaluations initiated by NJCEP.</p> <p><u>Proposed</u> No change proposed. Previous settlement requires evaluation to be completed by January 1, 2016.</p>		

MARKETING OVERVIEW

This document provides the approach that New Jersey Natural Gas Company (NJNG) intends to use in marketing various programs through The SAVEGREEN® Project. Please note that any final marketing plans and associated materials to be used to promote new offers are contingent on the agreements reached in resolving this proceeding and cannot be developed prior to that time. However, samples of materials in use for the current program are provided as part of this attachment as a reference point.

Residential Energy-Efficiency Programs

NJNG will promote the upgrade to high-efficiency equipment to all residential and eligible small commercial customers (installing boilers less than 300,000 BTU or furnaces less than 225,000 BTU) through a variety of communication channels. NJNG will continue to target homeowners at or close to the time they are making decisions about new heating and cooling equipment, and will continue to engage HVAC contractors in promoting the program. SAVEGREEN 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 SAVEGREEN 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 connected to NJNG’s distribution system for at least 12 years versus the previous target group of 18 years. SAVEGREEN has found that with the new efficiency requirements, even a customer with a 12 year old system may realize savings when installing a new high-efficiency system. We will work cooperatively with various entities, including community groups, our trade allies (local contractors, supply houses, and the realtor community) to coordinate with other grass roots efforts. Using information gathered over the more than five years of the SAVEGREEN operation, NJNG will promote the NJNG Grants to stimulate the purchase and installation of high-efficiency equipment when change-outs are necessary. We will also promote the available NJCEP and NJNG financial incentives available for qualified customers performing whole house energy-efficiency measures recommended through the comprehensive home energy audit. In this regard, below are three key areas for our outreach and campaign efforts:

- We will continue to emphasize the importance of addressing potential venting problems with existing equipment (e.g. water heaters) when installing high-efficiency equipment. Customers who install both a high-efficiency furnace or boiler and water heater or the recently included qualifying combination units will be provided with two options: an NJNG grant or the opportunity to use the on-bill repayment plan (OBRP) for five years to minimize out-of-pocket expenses. Replacing both at the same time not only addresses potential health and safety issues but also moves the home one step closer to whole-house measures. NJNG will continue to promote these incentives to its community of non-BPI HVAC contractors to ensure that awareness is increased.
- As in previous years, NJNG will promote the additional incentives available to customers who have replaced their furnace or boiler and more recently those who replaced their furnace or boiler and water heater with high-efficiency equipment, but did not take further action. NJNG will continue to focus its marketing efforts to move these customers into additional whole-house energy upgrades through NJCEP’s HPwES program.

- The SAVEGREEN on-line contractor portal, a web-site available only to contractors, that was expanded to include audit information on customers who want to take advantage of the HPwES program. This includes customers who are beginning a whole-house upgrade (taking advantage of NJNG independent HPwES audit option) or customers receiving NJNG's post-installation audit. Each of these customers are contacted by one of SAVEGREEN's energy efficiency program consultants to see if they have any questions following their audit, discuss the benefits and incentives offered through the HPwES program and reinforce the importance of taking the next step with whole-house measures. BPI-certified contractors can view these audits and provide a bid to customers for their HPwES upgrades.

Since its inception in 2009, SAVEGREEN has realized the importance of utilizing the HVAC contractors (BPI and non-BPI) as a sales channel to reach existing and potential customers. By way of training, education and outreach, SAVEGREEN has been able to grow the number of contractors participating in the SAVEGREEN program from just over 100 at the end of 2009 to nearly 2,100 today. SAVEGREEN will continue these efforts. Programs include:

- Monthly E-Newsletters
- Program update meetings
- On-site training workshops
- Contractor on-line portal

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. Therefore, additional outreach will be directed toward the following groups:

- E-tip subscribers
- CTP Dashboard participants (online energy audit)
- Heating, Ventilation and Air Conditioning (HVAC) contractors
- Equipment suppliers
- Realtors
- Municipalities, including partnering with Sustainable Jersey communities pursuing certification point for promoting the NJCEP Home Performance with ENERGYSTAR program
- 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), the SAVEGREEN Web site, NJNG's Web site, *njng.com*, on-hold messages in the Call Center, bill inserts, community outreach events, targeted direct mail campaigns and advertisements (print and banner ads). Since the launch of the SAVEGREEN Web site in 2009, more than 147,000 unique visitors have viewed the site with nearly 7,100 registering for more information. SAVEGREEN continues to re-market to these leads/customers through email and direct mail. Additionally, utilizing information obtained through the operation of SAVEGREEN, NJNG has been able to categorize almost 27,000 customers who have taken advantage of 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.

NJNG will also 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 continue to promote the benefits of converting to natural gas heat (including cost savings, comfort, convenience and the positive environmental impacts) and incentives available through NJNG's SAVEGREEN program. 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.

No-Cost Comprehensive Home Energy Audits

SAVEGREEN will continue offering comprehensive home energy audits for those customers who are interested in having an HPwES audit from an entity other than an HPwES contractor. However, NJNG recognizes that the cost associated with this audit may limit the ability of middle-income customers to take a pro-active approach to energy efficiency, therefore, NJNG will provide at no cost, a comprehensive audit to customers who meet the financial guidelines and would qualify for NJNG OBRP. Materials for this customer segment would emphasize the availability of the OBRP to ensure that customers understand that the program could help address the upfront cost barrier and seek to develop solutions where repayment obligations may match energy savings.

Information on the availability of this program will be included in all of SAVEGREEN's marketing collateral including:

- Direct mail and email campaign
- E-tip subscribers
- Community Groups
- Speakers Bureaus

In addition to the above approaches, promotion will also occur through traditional utility communication channels, including the residential issue of *njliving times*, SAVEGREEN's Web site, NJNG's Web site, bill inserts and on-hold messages in the Call Center. NJNG also has an Energy Assistance Outreach specialist who often fields inquiries from customers not eligible for the NJCEP Comfort Partners program. For such instances, these customers will be referred to SAVEGREEN team members for follow-up.

Commercial Energy Efficiency Programs

NJNG OBRP will be made available to those NJNG commercial customers taking advantage of NJCEP's Direct Install Program, small to mid-sized commercial and industrial facilities with a peak electric demand that did not exceed 200 kW in any of the preceding 12 months. NJNG will work with NJCEP program administrators, as well as approved Direct Install contractors, to promote this offering in our service territory. Because NJNG does not have access to the customers' electric usage information, the Company will also promote this program through local business groups and organizations, commercial editions of *njliving times*, and bill inserts directed to commercial customers, as well as through other direct outreach efforts to this customer group. NJNG will

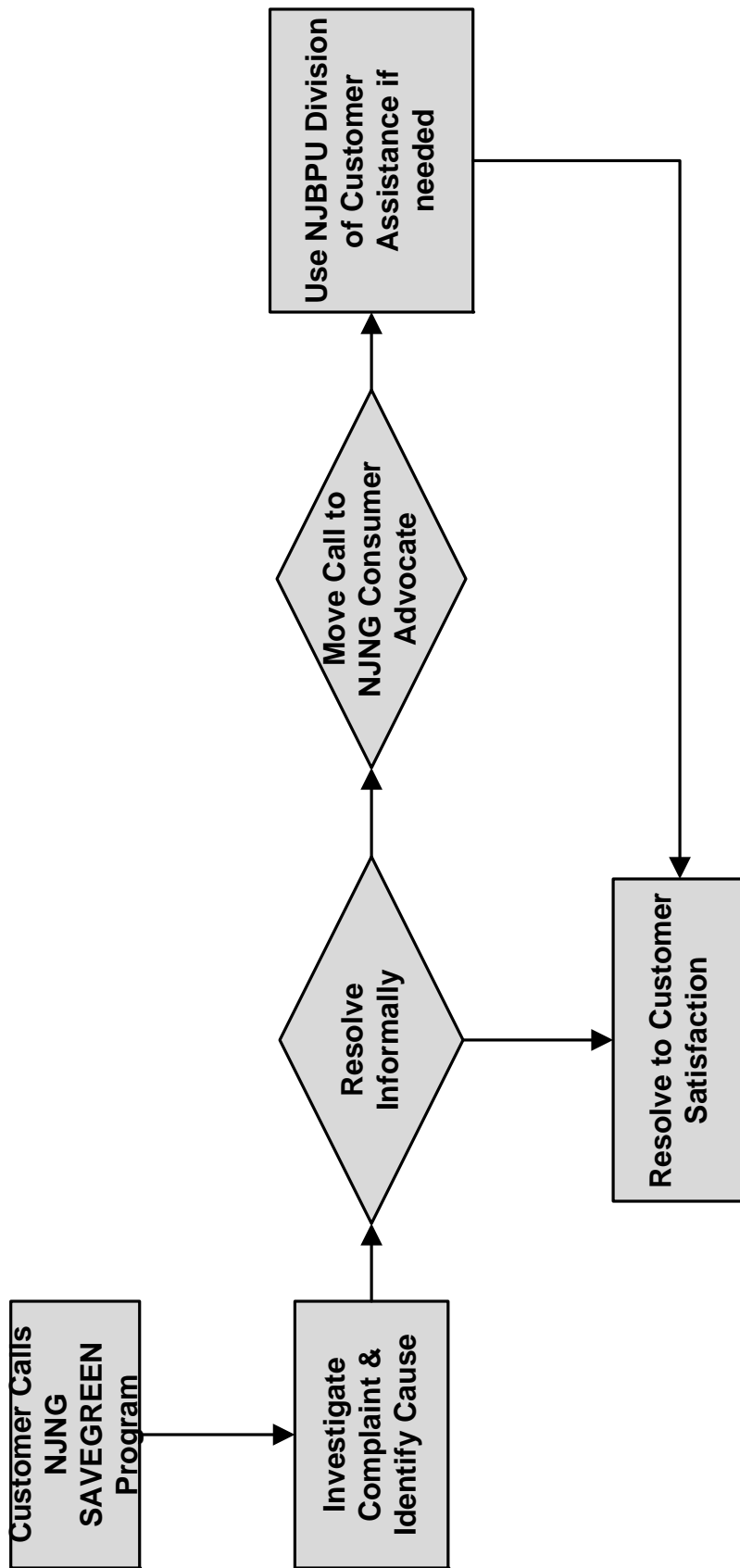
continue to utilize our Conserve to Preserve Business Online service to reach current commercial customers and continue to increase enrollment.

Additionally, NJNG will work with NJCEP's administration to promote the program through various channels including:

- Local business organizations
- Chambers of Commerce
- UEZ Managers
- Municipal outreach including partnering with Sustainable Jersey communities pursuing certification point for promoting NJCEP's Direct Install program
- Town meetings

For all commercial programs, informational seminars, direct mail and commercial outreach programs will also be utilized to reach commercial customers.

Complaint Resolution Diagram



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 business
4 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 25 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 a
16 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 15 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 various
5 proceedings has been presented on behalf of NJNG as well as Elizabethtown Gas
6 Company and South Jersey Gas Company. I have also testified in proceedings before
7 the Florida Public Service Commission, the Massachusetts Department of Public
8 Utilities, the New Hampshire Public Utilities Commission, the North Carolina
9 Utilities Commission, the Rhode Island Public Utilities Commission, the Tennessee
10 Regulatory Authority, the Wisconsin Public Service Commission, the Federal Energy
11 Regulatory Commission and the National Energy Board of Canada on matters
12 pertaining to cost of service, cost allocation, rate design and capacity planning. A
13 summary of my previous expert testimony is provided as Attachment A to my direct
14 testimony.

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

16 A. My testimony describes the rate and revenue requirement aspects of NJNG's request
17 to continue the energy-efficiency programs previously approved by the BPU and
18 provided through NJNG's The SAVEGREEN[®]™ Project ("SAVEGREEN").¹
19 NJNG's proposal to continue for three-years the existing programs and recommended
20 program updates and enhancements are described in the pre-filed testimony of
21 Thomas J. Massaro, Exhibit P-2, submitted in support of NJNG's proposal. In

¹ The BPU approved NJNG's energy-efficiency programs in Docket Nos. EO09010056, GO09010057 (July 2009), GO10030225 (September 2010), GR11070425 (January 2012) and GR12070640 (June 2013).

1 particular, I provide estimates of the annual revenue requirements associated with the
2 energy-efficiency grant and on-bill repayment plan (“OBRP”) incentives described by
3 Mr. Massaro. Lastly, I provide an assessment of the estimated bill impacts associated
4 with NJNG’s proposals.

5 My testimony supports a number of the current Minimum Filing Requirements
6 (“MFRs”) established by the BPU in an Order dated May 12, 2008 in Docket No.
7 EO08030164 and required for energy-efficiency program proposals.

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

9 A. Yes. I am sponsoring the following seven schedules, which will be explained later in
10 my testimony:

11	Schedule DPY-1:	Projected Participation Rates
12	Schedule DPY-2:	SAVEGREEN Investments
13	Schedule DPY-3:	Cost of Capital
14	Schedule DPY-4:	Operations and Maintenance Costs
15	Schedule DPY-5:	Summary of Revenue Requirements & Projected Bill
16		Impacts

17 **II. PROGRAM REVENUE REQUIREMENTS**

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

20 A. The proposed energy-efficiency programs as described in Mr. Massaro’s testimony
21 incorporate grant and OBRP incentives. The SAVEGREEN revenue requirement
22 components vary with the type of incentive provided to customers. The provision of

1 energy-efficiency grants results in rate base related revenue requirements including
2 return on net investment, income taxes and amortization expense. The applicable rate
3 base incorporates reductions for accumulated deferred income taxes attributable to
4 timing differences between the tax and book amortization expense. The provision of
5 energy-efficiency OBRPs results in revenue requirements including return on net
6 investment and income tax expense, but not amortization expense given that over
7 time customers repay 100 percent of all capital received from the Company.
8 Additionally, the Company includes operations and maintenance (“O&M”) expense
9 associated with the energy-efficiency programs in SAVEGREEN revenue
10 requirements. The determination of revenue requirements is consistent with previous
11 BPU approvals of NJNG SAVEGREEN programs.

12 **Q. Please describe the factors that most strongly influence the level of revenue**
13 **requirements associated with the SAVEGREEN programs.**

14 A. The unit investment costs of the individual program measures and the number of
15 participants are the two factors that most significantly affect the level of
16 SAVEGREEN revenue requirements associated with these programs. In addition, the
17 length of time over which the investments are amortized and the incremental O&M
18 costs necessary to implement the energy-efficiency programs influence total revenue
19 requirements.

1 **Q. Have you prepared a summary of the number of participants you are relying**
2 **upon in your calculations?**

3 A. Yes. Schedule DPY-1 provides a list of energy-efficiency measures included within
4 the SAVEGREEN residential and commercial programs and the corresponding
5 expected participation rates by year. The information presented in Schedule DPY-1 is
6 segregated among residential grant, residential OBRP and commercial programs.

7 **Q. Please describe the time period for amortization of the investments in energy-**
8 **efficiency rate base.**

9 A. Consistent with currently-approved programs, the Company amortizes all grants
10 provided to customers over a five-year period beginning with the month that the grant
11 is provided. For tax purposes, the energy-efficiency grants will be recognized as an
12 expense. The timing difference between book and tax amortization periods is properly
13 recognized in the calculated revenue requirements through deferred tax reductions to
14 the rate base associated with the energy-efficiency grants.

15 **Q. What is the projected rate base associated with the proposed SAVEGREEN**
16 **extension?**

17 A. The rate base relied upon for revenue requirement purposes reflects the net
18 investment in energy-efficiency grants and the revolving fund balance associated with
19 OBRPs. The rate base by program by year is provided in Schedule DPY-2 through
20 2027, which is when the OBRP revolving fund balance is zero and which is beyond
21 the 2021 time period over which the last of the grants would be fully amortized.

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

2 A. Consistent with cost recovery for current BPU-approved SAVEGREEN programs,
3 the Company is proposing to include a regulated rate of return on energy-efficiency
4 rate base as part of the proposed revenue requirements. The rate of return and
5 associated income tax rates are provided in Schedule DPY-3 and reflect the rates
6 authorized by the BPU in the Company's most recent base rate case, Docket No.
7 GR07110889.

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

9 A. NJNG prepared estimates of the anticipated labor and non-labor costs associated with
10 administering the SAVEGREEN programs, consistent with prior BPU-approved cost
11 recovery. The projections reflect the Company's experience administering the
12 existing programs in previous years, including the incremental employees performing
13 the required work. O&M costs associated with the proposed programs are only
14 incurred during years that incentives are provided to customers. A summary of
15 projected O&M and administrative costs is provided in Schedule DPY-4. The costs
16 included on this schedule represent the direct labor, benefits and associated overhead
17 costs.

18 **Q. Have you prepared a summary of net revenue requirements associated with the**
19 **SAVEGREEN Investments?**

20 A. Yes. Schedule DPY-5 presents a summary of the projected revenue requirements for
21 the SAVEGREEN residential and commercial programs by year. The actual revenue
22 requirements will depend on the level of participation by customers in each year.

1 However, Schedule DPY-5 is presented on the basis of the maximum revenue
2 requirement impact to customers for the three-year term of the program, including the
3 close-out period. Schedule DPY-5 also presents annual bill impacts, assuming full
4 participation at the proposed levels, for each year based on the projected net revenue
5 requirements presented in Schedule DPY-5. The bill impacts are provided separately
6 for various NJNG customer classes. For residential heating customers, the bill
7 impacts average \$12.54 annually over the recovery period.

8 **Q. Is NJNG proposing a change to the energy efficiency recovery rate at the present**
9 **time?**

10 A. No. NJNG is not proposing any change to the energy efficiency recovery rate at this
11 time. Any change to the energy efficiency cost recovery rate will be proposed in
12 conjunction with the June 2015 EE Rate Filing.

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

14 A. Yes, it does.

**Prior Testimony of
Daniel P. Yardley**

Jurisdiction	Sponsor	Year	Topics	Docket
Florida	Peoples Gas System	2008	Cost Allocation and Rate Design	Docket No. 080318-GU
	Northern Distributor Group	1992	Cost of Service and Cost Allocation	RP92-1
Federal Energy Regulatory Commission	Northern Distributor Group	1995	Cost of Service and Rate Design	RP95-185
	Atlanta Gas Light, et al.	2001	Storage Cost Allocation	RP01-245
New Hampshire	Bay State Gas and Northern Utilities	2002	Rate Design	RP02-13
	Northern Utilities	2005	Jurisdictional Gas Cost Allocation	DG05-080
Massachusetts	Bay State Gas	1998	Capacity Assignment	D.T.E. 98-32
	Bay State Gas	2001	Contract Approval	D.T.E. 00-99
Massachusetts	Bay State Gas	2006	Declining Use Rate Adjustment	D.T.E. 06-77
	Bay State Gas	2007	Declining Use Rate Adjustment	D.P.U. 07-89
Massachusetts	Bay State Gas	2009	Revenue Decoupling	D.P.U. 09-30
	Alberta Northeast Gas, Ltd.	2012	TransCanada Pipeline Service Restructuring and Tolls	RH-3-2011
National Energy Board of Canada	Alberta Northeast Gas, Ltd.	2013	TransCanada Pipeline Shipper Renewal Rights	RH-1-2013
	Alberta Northeast Gas, Ltd.	2012	TransCanada Pipeline Service and Toll Design	RH-1-2014
New Jersey	New Jersey Natural Gas	1999	Rate Unbundling	Docket No. GO99030123
	Elizabethtown Gas, et al.	1999	Customer Account Services	Docket No. EX99090676
New Jersey	Elizabethtown Gas	2002	Cost Allocation and Rate Design	Docket No. GR02040245
	South Jersey Gas Company	2003	Cost Allocation and Rate Design	Docket No. GR03080683
New Jersey	South Jersey Gas Company	2004	Capacity Charge	Docket No. GR04060400
	New Jersey Natural Gas	2005	Revenue Decoupling	Docket No. GR0512020
New Jersey	South Jersey Gas Company	2005	Revenue Decoupling	Docket No. GR0512019

**Prior Testimony of
Daniel P. Yardley**

Jurisdiction	Sponsor	Year	Topics	Docket
	South Jersey Gas Company	2007	Annual Decoupling Adjustment	Docket No. GR07060354
	New Jersey Natural Gas	2007	Cost Allocation and Rate Design	Docket No. GR07110889
	South Jersey Gas Company	2008	Annual Decoupling Adjustment	Docket No. GR08050367
	Elizabethtown Gas	2009	Revenue Decoupling, Cost Allocation and Rate Design	Docket No. GR09030195
	South Jersey Gas Company	2009	Annual Decoupling Adjustment	Docket No. GR09060340
	South Jersey Gas Company	2009	Cost Allocation and Rate Design	Docket No. GR10010035
	New Jersey Natural Gas	2010	Energy Efficiency Cost Recovery	Docket No. GR10030225
	South Jersey Gas Company	2011	Annual Decoupling Adjustment	Docket No. GR11060337
	New Jersey Natural Gas	2011	Energy Efficiency Cost Recovery	Docket No. GR11070425
	South Jersey Gas Company	2012	Annual Decoupling Adjustment	Docket No. GR12060475
	New Jersey Natural Gas	2012	Energy Efficiency Cost Recovery	Docket No. GR12070640
	New Jersey Natural Gas and South Jersey Gas Company	2013	Revenue Decoupling	Docket No. GR13030185
	South Jersey Gas Company	2013	Revenue Decoupling	Docket No. GR13050434
	South Jersey Gas Company	2013	Cost Allocation and Rate Design	Docket No. GR13111137
	South Jersey Gas Company	2014	Revenue Decoupling	Docket No. GR14050510
North Carolina	Piedmont Natural Gas Company	2011	Cost Allocation and Rate Design	Cocket No. G-9, Sub. 631
Rhode Island	Providence Gas Company	1996	Cost Allocation and Rate Design	Docket No. 2076
Tennessee	Chattanooga Gas Company	2009	Revenue Decoupling, Cost Allocation and Rate Design	Docket No. 09-00183
	Piedmont Natural Gas Company	2011	Cost Allocation and Rate Design	Docket No. 11-00144
Wisconsin	Wisconsin Power and Light	2001	Cost Allocation and Rate Design	Docket No. 6680-UR-111

**New Jersey
cont.**

**New Jersey Natural Gas
SAVEGREEN Program**

Projected Participation Rates

	OBRP Term	Participation Rates			Total	NJNG Cost	Annual Investment
		Year 1	Year 2	Year 3			
Residential Grants							
Furnace / Boiler	5 Years	4,000	4,000	4,000	12,000	\$ 500	\$ 2,000
Water Heater	5 Years	650	650	650	1,950	100	65
HP w ES Tier II	5 Years	225	225	225	675	2,000	450
Level II	5 Years	1,500	1,500	1,500	4,500	5,000	7,500
Level I	5 Years	500	500	500	1,500	4,000	2,000
Convert WA to HPWES	5 Years	100	100	100	300	2,000	200
		-	-	-	-	-	-
		-	-	-	-	-	-
		6,975	6,975	6,975	20,925		\$ 12,215
Residential On-Bill Repayment Plans							
<u>WARM Advantage OBRP</u>							
Furnace / Boiler and Water Heater	5 Years	800	800	800	2,400	\$ 6,500	\$ 5,200
HPWES							
Tier III Level II	10 Years	1,500	1,500	1,500	4,500	10,000	15,000
Tier III Level I	10 Years	500	500	500	1,500	10,000	5,000
Tier II	10 Years	225	225	225	675	5,000	1,125
Converted to HPWES	10 Years	100	100	100	300	3,500	350
		-	-	-	-	-	-
		-	-	-	-	-	-
		3,125	3,125	3,125	9,375		\$ 26,675
Commercial On-Bill Repayment Plans							
Smart Start OBRP	10 Years	12	12	12	36	\$ 100,000	\$ 1,200
Direct Install OBRP	3 Years	160	160	160	480	16,000	2,560
		172	172	172	516		3,760
TOTAL ALL PROGRAMS		10,272	10,272	10,272	30,816		\$ 42,650

New Jersey Natural Gas
SAVEGREEN Program
SAVEGREEN Investments
(\$000)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Residential Grant Investments													
Gross Investment	\$ 12,215	\$ 24,430	\$ 36,645	\$ 36,645	\$ 36,645	\$ 24,430	\$ 12,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated Amortization	(2,443)	(7,329)	(14,658)	(21,987)	(29,316)	(21,987)	(12,215)	-	-	-	-	-	-
Deferred Taxes	(3,992)	(6,986)	(8,982)	(5,988)	(2,994)	(998)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total	\$ 5,780	\$ 10,115	\$ 13,005	\$ 8,670	\$ 4,335	\$ 1,445	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Residential OBRP Fund													
OBRP Loans	\$ 26,675	\$ 53,350	\$ 80,025	\$ 80,025	\$ 80,025	\$ 74,825	\$ 69,625	\$ 64,425	\$ 64,425	\$ 64,425	\$ 42,950	\$ 21,475	\$ -
Customer Repayments	(3,188)	(9,563)	(19,125)	(28,688)	(38,250)	(41,573)	(43,855)	(45,098)	(51,540)	(57,983)	(40,803)	(21,475)	-
Total	\$ 23,488	\$ 43,788	\$ 60,900	\$ 51,338	\$ 41,775	\$ 33,253	\$ 25,770	\$ 19,328	\$ 12,885	\$ 6,443	\$ 2,148	\$ -	\$ -
Commercial OBRP Fund													
OBRP Loans	\$ 3,760	\$ 7,520	\$ 11,280	\$ 8,720	\$ 6,160	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 2,400	\$ 1,200	\$ -
Customer Repayments	(973)	(2,920)	(5,840)	(5,347)	(4,000)	(1,800)	(2,160)	(2,520)	(2,880)	(3,240)	(2,280)	(1,200)	-
Total	\$ 2,787	\$ 4,600	\$ 5,440	\$ 3,373	\$ 2,160	\$ 1,800	\$ 1,440	\$ 1,080	\$ 720	\$ 360	\$ 120	\$ -	\$ -
TOTAL NET INVESTMENT	\$ 32,054	\$ 58,503	\$ 79,345	\$ 63,381	\$ 48,270	\$ 36,498	\$ 27,210	\$ 20,408	\$ 13,605	\$ 6,803	\$ 2,268	\$ (0)	\$ (0)

New Jersey Natural Gas
SAVEGREEN 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%	2.27%		2.27%
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>
Total	\$ 988,123	100.0%		7.76%		11.40%

New Jersey Natural Gas
SAVEGREEN Program

Summary of Revenue Requirements and Projected Bill Impacts
(\$000)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential SAVEGREEN Revenue Requirements												
O&M Expense	\$ 4,887	\$ 4,896	\$ 5,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	2,443	4,886	7,329	7,329	7,329	4,886	2,443	-	-	-	-	-
Income Taxes	533	1,516	2,329	2,441	1,934	1,473	1,102	822	587	352	157	39
Return	1,135	3,227	4,958	5,195	4,117	3,135	2,346	1,750	1,250	750	333	83
Total	\$ 8,999	\$ 14,524	\$ 20,159	\$ 14,965	\$ 13,380	\$ 9,494	\$ 5,891	\$ 2,571	\$ 1,837	\$ 1,102	\$ 490	\$ 122
Commercial SAVEGREEN Revenue Requirements												
O&M Expense	\$ 150	\$ 156	\$ 161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	51	135	183	161	101	72	59	46	33	20	9	2
Return	108	287	390	342	215	154	126	98	70	42	19	5
Total	\$ 309	\$ 577	\$ 734	\$ 503	\$ 316	\$ 226	\$ 185	\$ 144	\$ 103	\$ 62	\$ 27	\$ 7
TOTAL REVENUE REQUIREMENTS	\$ 9,308	\$ 15,101	\$ 20,893	\$ 15,467	\$ 13,695	\$ 9,719	\$ 6,076	\$ 2,715	\$ 1,939	\$ 1,164	\$ 517	\$ 129
Throughput	687,522	M Therms										
Rate per Therm	\$ 0.0135	\$ 0.0220	\$ 0.0304	\$ 0.0225	\$ 0.0199	\$ 0.0141	\$ 0.0088	\$ 0.0039	\$ 0.0028	\$ 0.0017	\$ 0.0008	\$ 0.0002
SUT	0.0009	0.0015	0.0021	0.0016	0.0014	0.0010	0.0006	0.0003	0.0002	0.0001	0.0001	-
	\$ 0.0144	\$ 0.0235	\$ 0.0325	\$ 0.0241	\$ 0.0213	\$ 0.0151	\$ 0.0094	\$ 0.0042	\$ 0.0030	\$ 0.0018	\$ 0.0009	\$ 0.0002
Typical Annual Bill Impacts												
<i>Residential/Non-Heat</i>	<i>200 Annual Therms</i>											
Typical Annual Bill Impact	\$ 2.89	\$ 4.69	\$ 6.50	\$ 4.82	\$ 4.26	\$ 3.03	\$ 1.89	\$ 0.85	\$ 0.60	\$ 0.36	\$ 0.17	\$ 0.04
	Average \$ 2.51											
	Average % 0.9%											
<i>Residential/Heat</i>	<i>1,000 Annual Therms</i>											
Typical Annual Bill Impact	\$ 14.44	\$ 23.46	\$ 32.49	\$ 24.10	\$ 21.32	\$ 15.14	\$ 9.44	\$ 4.25	\$ 3.02	\$ 1.79	\$ 0.85	\$ 0.19
	Average \$ 12.54											
	Average % 1.2%											
<i>General Service Small</i>	<i>1,200 Annual Therms</i>											
Typical Annual Bill Impact	\$ 17.33	\$ 28.16	\$ 38.99	\$ 28.92	\$ 25.58	\$ 18.16	\$ 11.32	\$ 5.10	\$ 3.63	\$ 2.15	\$ 1.02	\$ 0.23
	Average \$ 15.05											
	Average % 1.1%											
<i>General Service Large</i>	<i>15,000 Annual Therms</i>											
Typical Annual Bill Impact	\$ 216.58	\$ 351.96	\$ 487.32	\$ 361.46	\$ 319.80	\$ 227.05	\$ 141.55	\$ 63.74	\$ 45.31	\$ 26.89	\$ 12.78	\$ 2.82
	Average \$ 188.11											
	Average % 1.1%											