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August 18, 2017

BOARD OF PUBLIC UTILITIES

AUG 21 2017

**Via Regular and Electronic Mail**

Honorable Irene Kim Asbury, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
P.O. Box 350  
Trenton, NJ 08625-0350

MAIL RECEIVED

**Re: In the Matter of the Petition of South Jersey Gas Company for  
Approval of a Municipal Consent in the Borough of Magnolia,  
Camden County  
BPU Docket No.: GE16121155**

Dear Secretary Asbury:

Please accept for filing an original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") concerning the above-referenced Verified Petition of South Jersey Gas Company ("SJG" or "Company") for approval of a municipal consent in the Borough of Magnolia, Camden County. We enclose one additional copy. Please date stamp the copy as "filed" and return it to us in the enclosed self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

*Case mgmt  
list copied*

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### **Background**

The Company filed the above-referenced Petition on or about December 12, 2016, seeking approval, pursuant to N.J.S.A. 48:2-14, N.J.S.A. 48:3-15 and N.J.A.C. 14:1-5.5, of Borough of Magnolia Ordinance 2015:08 granting the Company consent to provide natural gas utility service, and to construct and maintain pipes and related facilities in streets and other public areas, within the Borough. SJG currently provides natural gas service to approximately 1801 residential, 78 commercial and 2 industrial customers within the Borough. Petition, ¶ 2. The Company anticipates customer growth within its service territory of approximately 1% annually for the next 3 to 5 years. Id. SJG represents that it has the capacity necessary to ensure a continuation of its natural gas service and does not foresee any concerns regarding its ability to meet the existing and future demands of the Borough. Id., ¶ 3.

The Company services its customers within the Borough through its Waterford Division customer service center located at 305 Center Avenue, Waterford Works, New Jersey. SJG anticipates that its Waterford Division will continue to service its customers in the Borough, with no changes in its location or hours of operation. Petition, ¶ 4.

The Borough granted the Company consent and permission to provide natural gas utility service and to construct and maintain pipes and related facilities in streets and other public areas within the Borough by an Ordinance adopted on October 1, 1947. Petition, ¶ 5 and Ex. A. Pursuant to N.J.S.A. 48:3-15, the Company's right to use the streets within the Borough for the provision of service statutorily expired on October 1, 1997. Petition, ¶ 6 and Ex. A.

In Ordinance 2015:08, adopted on May 6, 2015, the Borough set forth certain limits on its renewed consent and permission to SJG, including limiting the consent to a period of fifty years from the date of its final adoption. Petition, ¶ 7 and Ex. B. On May 13, 2015, the Company

accepted and agreed to the terms and conditions of the municipal consent in Ordinance 2015:08, pursuant to N.J.S.A. 48:3-16. Petition, ¶ 8 and Ex. C.

At the hearing held by the hearing officer for the Board of Public Utilities on this Petition on July 28, 2017, Joseph R. Schneider, General Manager of Compliance, Standards and Records, testified that the Company has the capacity to meet the existing and future needs of customers located within the municipality. 8T:L12-15 & 9T:L3-8 (7/28/17). No one has contacted our office with any objection regarding this matter.

#### **Rate Counsel Position**

The Company represents that it has the capacity necessary to continue providing natural gas service to its customers located in the Borough. Petition, ¶ 3. For this reason, and the fact that the municipal consent in Ordinance 2015:08 is limited to the statutory maximum term of fifty years, Rate Counsel does not object to approval of SJG's Petition. Rate Counsel recommends that the Board's Order specifically provide that its approval does not include authorization to include in rate base any specific assets that may be constructed as a result of approval of this Petition. The determination of any assets to be included in rate base and any ratemaking impacts as a result of the municipal consent should be addressed in a future base rate case or other appropriate proceeding.

Accordingly, Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

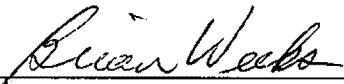
1. As required by N.J.S.A. 48:3-15, the municipal consent for the use of streets and other public places is limited to a term not exceeding fifty years.
2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.

3. This Order shall not affect, nor in any way limit, the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

These provisions will satisfy the concerns of Rate Counsel that the Company is in compliance with the proper statutory framework, that Board approval is limited to the municipal consent, and that there is no authorization to include any specific assets or amounts in rate base, nor authorization for any other ratemaking treatment. If the Board adopts these conditions, Rate Counsel is not opposed to approval of the above-referenced Petition.

Respectfully submitted,

STEFANIE A. BRAND  
Director, Division of Rate Counsel

By:   
Brian Weeks, Esq.  
Deputy Rate Counsel

BW/kf

c: Service List (by regular mail)  
Electronic service to: Stacy M. Barnes, Esq.

In the Matter of the Petition of  
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in the Magnolia, Camden County  
BPU Docket No. GE16121155

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