



South Jersey Gas

Final Sept. 25, 2017
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By CMS

Stacy A. Mitchell, Esq.
Regulatory Affairs Counsel

September 18, 2017

BOARD OF PUBLIC UTILITIES

SEP 22 2017

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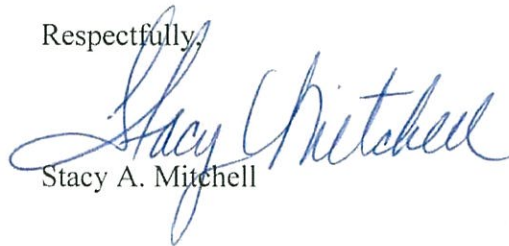
Irene Kim Asbury, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Petition of South Jersey Gas Company for Approval of Base Rate Adjustments Pursuant to the Storm Hardening and Reliability Program ("SHARP")
BPU Docket No. GR17050442

Dear Secretary Asbury:

Enclosed please find a fully executed Stipulation in the referenced matter. If you have any questions, please feel free to contact me directly.

Respectfully,


Stacy A. Mitchell

SAM:
Enclosure

cc: Service List ✓

Case mgmt

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR
APPROVAL OF BASE RATE ADJUSTMENTS PURSUANT TO THE STORM
HARDENING AND RELIABILITY PROGRAM ("SHARP")
BPU DOCKET NO. GR17050442**

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

BOARD OF PUBLIC UTILITIES

SEP 22 2017

MAIL RECEIVED

IN THE MATTER OF THE PETITION OF :
SOUTH JERSEY GAS COMPANY FOR : BPU DOCKET NO. GR17050442
APPROVAL OF BASE RATE ADJUSTMENTS :
PURSUANT TO THE STORM HARDENING : STIPULATION OF SETTLEMENT
AND RELIABILITY PROGRAM ("SHARP") :

APPEARANCES:

Stacy A. Mitchell, Esq., Regulatory Affairs Counsel, for South Jersey Gas Company ("Petitioner")

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, and **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director).

Alex Moreau and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Christopher S. Porrino**, Attorney General of New Jersey).

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement addresses the petition filed by South Jersey Gas Company ("SJG" or the "Company") with the New Jersey Board of Public Utilities (the "Board") dated April 28, 2017, and subsequently updated on July 17, 2017, for base rate adjustments to provide for cost recovery associated with the Company's Storm Hardening and Reliability Program ("SHARP"), which was approved by the Board on August 20, 2014 in Docket Nos. AX13030197 and GO13090814.

I. BACKGROUND

1. On March 20, 2013, the Board issued an Order initiating a generic proceeding (the "Storm Mitigation Proceeding") to investigate possible avenues to support and protect New

Jersey's utility infrastructure so that it may be better able to withstand the effects of major storm events.

2. The Board's Order in the Storm Mitigation Proceeding found that it was appropriate to invite all regulated utilities subject to Board jurisdiction to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future major storm events.

3. On September 3, 2013, SJG filed a petition ("2013 SHARP Petition") with the Board seeking approval of the SHARP. The Company proposed to invest approximately \$280 million in the replacement of low pressure distribution main and associated services with high pressure distribution main and associated services in certain coastal areas over a seven year period, to eliminate 52 regulator stations that would no longer be necessary, to install Excess Flow Valves ("EFVs") and to utilize an associated recovery mechanism for the costs to be collected from ratepayers through an annual SHARP Rate Adjustment.

4. After notice and public hearings, the Company, Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the New Jersey Large Energy Users Coalition entered into a stipulation ("SHARP Stipulation") regarding the 2013 SHARP Petition. Subsequently, on August 20, 2014 the Board approved the SHARP Stipulation authorizing SJG to implement the SHARP and setting forth the authorized investments and cost recovery mechanism to be utilized (the "SHARP Order").

5. The SHARP Stipulation approved by the Board provided that the SHARP would include the replacement of low pressure mains and associated services with high pressure mains and associated services, the elimination of 52 regulator stations and the installation of EFVs in the municipalities of Atlantic City, Ventnor City, Margate, Longport, Ocean City, Wildwood,

North Wildwood, Wildwood Crest and West Cape May. The SHARP Stipulation also provided that the SHARP would not include the replacement of meters.

6. The SHARP Stipulation further provided that the SHARP would encompass a 3 year period ending June 30, 2017, with project costs not to exceed \$34.5 million per year, plus or minus 15%, with a total cap of \$103.5 million, excluding Allowance for Funds Used During Construction (“AFUDC”).

7. Pursuant to the SHARP Stipulation, cost recovery for SHARP projects is effectuated by an annual adjustment to base distribution rates to take place on October 1 (“SHARP Rate Adjustment”) accomplished through the Company’s filing of annual Revenue Adjustment Filings (“Annual Filing”).

II. PROCEDURAL HISTORY

8. On April 30, 2015, the Company made its first Annual Filing (“First Annual Filing”) with the Board in Docket No. GR15040496, seeking recovery of the revenue requirements associated with SHARP projects placed into service from July 1, 2014 through June 30, 2015.

9. Following duly noticed public hearings, the Board authorized the first SHARP Rate Adjustment in Docket No. GR15040496 by Board Order dated September 11, 2015, with rates effective October 1, 2015. The revenue requirement authorized by that Order was \$4.0566 million (including Sales and Use Tax (“SUT”).

10. On April 29, 2016, the Company made its second Annual Filing (“Second Annual Filing”) with the Board in Docket No. GR16040387 seeking recovery of the revenue

requirements associated with SHARP projects placed into service from July 1, 2015 through June 30, 2016.

11. Following duly noticed public hearings, the Board authorized the second SHARP Rate Adjustment in Docket No. GR16040387 by Board Order dated September 23, 2016, with rates effective October 1, 2016. The revenue requirement authorized by that Order was \$3.931 million (including SUT).

12. By way of its petition in this matter, the Company made its third Annual Filing ("Third Annual Filing") on April 28, 2017 seeking recovery of the revenue requirements associated with SHARP projects placed into service from July 1, 2016 through June 30, 2017. In its Third Annual Filing, the Company provided actual SHARP investment data for the period July 1, 2016 through March 31, 2017 and forecasted data for the period April 1, 2017 through June 30, 2017.

13. As part of its Third Annual Filing, the Company sought authority to recover SHARP revenue requirements of approximately \$4.0 million (including SUT) associated with actual and projected SHARP investments of approximately \$36.1 million, including AFUDC. The impact of the rates proposed in the Third Annual Filing, as they would apply to the typical residential heating customer using 100 therms of natural gas during a winter month, would be an increase of \$1.09, or 0.9%. The SHARP investments, revenue requirement and base rate adjustment were supported by the Direct Testimony of Paul Zuccarino, Senior Vice President & Chief Operations Officer, and Kenneth Barcia, Manager of Rates and Revenue Requirements.

14. On July 17, 2017, the Company filed an update to its Third Annual Filing, providing a full year of actual SHARP investment data through June 30, 2017. The update to the filing provided schedules supporting a revenue requirement of approximately \$4.1 million

(including SUT) associated with approximately \$37.7 million of SHARP investments, including AFUDC, and also provided an updated proposed base rate adjustment. The impact of the rates proposed in the update to the typical residential heating customer using 100 therms of natural gas during a winter month would be an increase of \$1.14, or 0.9%.

15. Following proper public notice, public hearings were held in this matter on August 29, 2017 in Voorhees, New Jersey. No members of the public appeared or provided written comments.

16. SJG has received and responded to all discovery requests that have been propounded in this proceeding by Staff and Rate Counsel.

III. STIPULATED TERMS

17. Upon review of the Third Annual Filing, the July 17, 2017 update, the accompanying Testimony and Schedules, and the Company's responses to written data requests, and after settlement discussions among the Company, Board Staff and Rate Counsel (collectively, the "Parties"), the Parties STIPULATE AND AGREE as follows.

18. The revenue requirement associated with the approximately \$33.7 million of SHARP investments, including AFUDC, being rolled into base rates shall be \$3,647,976, including SUT. The calculation of this revenue requirement is set forth on Schedule A, attached hereto.

19. The Company may implement the base rates, combined with the base rates applicable to the simultaneously implemented AIRP II proceeding (Docket No. GR17050441), as set forth on Schedule B, attached hereto, effective October 1, 2017.

20. The impact of the rates in this proceeding to the typical residential heating customer using 100 therms of natural gas during a winter month would be an increase of \$1.00 or 0.8%.

IV. MISCELLANEOUS

21. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

22. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, SJG, Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates are subject to Board audit.


23. This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

*****SIGNATURES FOLLOW ON NEXT PAGE*****

SOUTH JERSEY GAS COMPANY

By:



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Attorney for Staff of the Board of Public Utilities

By:

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Stefanie Brand, Esq.
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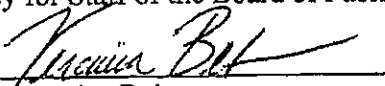
Maura Caroselli
Assistant Deputy Rate Counsel

Dated: September 18, 2017

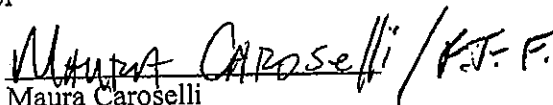
SOUTH JERSEY GAS COMPANY

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Stacy A. Mitchell
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By: 
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DIVISION OF RATE COUNSEL
Stefanie Brand, Esq.
Director

By: 
Maura Caroselli
Assistant Deputy Rate Counsel

Dated: September 18, 2017

**SOUTH JERSEY GAS COMPANY
STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")
REVENUE REQUIREMENT**

Line No		
1	Actual Plant in Service as of June 30, 2017	\$33,263,320
2	AFUDC	426,533
3	Gross Plant in Service as of June 30, 2017	<u>33,689,853</u>
4		
5	Accumulated Depreciation	(502,543)
6		
7	Accumulated Deferred Tax	<u>(6,015,724)</u>
8		
9	SHARP Program Rate Base	27,171,586
10		
11	After-Tax WACC	<u>6.13%</u>
12		
13	Return Requirement	1,665,618
14		
15	Depreciation Expense, Net of Tax	<u>335,476</u>
16		
17	Revenue Recovery	2,001,094
18		
19	Revenue Factor	<u>1.82299</u>
20		
21	Total Revenue Requirement	<u><u>\$3,647,976</u></u>
22		
23	Total Revenue Requirement, excluding SUT	<u><u>\$3,421,314</u></u>

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates</u>		<u>Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In</u>	
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
			<u>RSG</u>		<u>RSG</u>	
<u>Residential Service</u>						
Customer Charge	4,280,934	Bills	\$ 9.00	\$ 38,528,406	\$ 9.00	\$ 38,528,406
Distribution Charge	253,181,413	Therms	0.547317	138,570,491	0.569789	144,259,984
CIP Revenues				8,869,851		8,869,851
Total Base Revenues				\$ 185,968,748		\$ 191,658,241
				Rider Revenues		\$ 81,748,826
				Total Class Revenues		\$ 273,407,067
<hr/>						
			<u>GSG</u>		<u>GSG</u>	
<u>General Service (0-100,000 Annual Therms)</u>						
Customer Charge	299,071	Bills	\$ 27.25	\$ 8,149,685	\$ 27.25	\$ 8,149,685
Distribution Charge	89,582,097	Therms	0.435411	39,005,030	0.453266	40,604,519
CIP Revenues				5,126,476		5,126,476
Total Base Revenues				\$ 52,281,191		\$ 53,880,679
				Rider Revenues		\$ 24,060,787
				Total Class Revenues		\$ 77,941,466
<hr/>						
			<u>GSG-LV</u>		<u>GSG-LV</u>	
<u>General Service Large Volume (100,000 + Annual Therms)</u>						
Customer Charge	2,170	Bills	\$ 150.00	\$ 325,500	\$ 150.00	\$ 325,500
Demand Charge	212,776	Mcf	9.0000	1,914,984	9.0000	1,914,984
Distribution Charge	32,241,055	Therms	0.238429	7,687,202.60	0.247996	7,995,653
CIP Revenues				154,082		154,082
Total Base Revenues				\$ 10,081,769		\$ 10,390,219
				Rider Revenues		\$ 6,263,690
				Total Class Revenues		\$ 16,653,909

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In	
			Rate	Revenue	Rate	Revenue
			<u>CTS</u>		<u>CTS</u>	
<u>Comprehensive Firm Transportation Service</u>						
Customer Charge	555	Bills	\$ 600.00	\$ 333,000	\$ 600.00	\$ 333,000
Demand Charge	133,720	Mcf	27.4213	3,666,776	27.4213	3,666,776
Distribution Charge	27,898,657	Therms	0.047608	1,328,199	0.053451	1,491,211
Total Base Revenues				\$ 5,327,975		\$ 5,490,987
			Rider Revenues	\$ 972,455		\$ 972,455
			Total Class Revenues	\$ 6,300,430		\$ 6,463,442
			<u>LVS</u>		<u>LVS</u>	
<u>Large Volume Service</u>						
Customer Charge	313	Bills	\$ 900.00	\$ 281,700	\$ 900.00	\$ 281,700
Demand Charge	349,950	Mcf	14.8842	5,208,726	14.8842	5,208,726
Distribution Charge	79,591,210	Therms	0.040282	3,206,093	0.043625	3,472,167
Total Base Revenues				\$ 8,696,519		\$ 8,962,592
			Rider Revenues	\$ 3,409,541		\$ 3,409,541
			Total Class Revenues	\$ 12,106,060		\$ 12,372,134
			<u>EGS</u>		<u>EGS</u>	
<u>Electric Generation Service</u>						
Customer Charge	108	Bills	\$ 25.00	\$ 2,700	\$ 25.00	\$ 2,700
Demand Charge	8,392	Mcf	6.500	54,548	6.5000	54,548
Distribution Charge (Nov - Mar.)	559,943	Therms	0.125294	70,157	0.129888	72,730
Distribution Charge (Apr - Oct.)	789,736	Therms	0.095294	75,257	0.099888	78,885
Total Base Revenues				\$ 202,663		\$ 208,863
			Rider Revenues	\$ 505,537		\$ 505,537
			Total Class Revenues	\$ 708,200		\$ 714,400

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In	
			Rate	Revenue	Rate	Revenue
<u>EGS-LV</u>						
<u>Electric Generation Service - Large Volume</u>						
Customer Charge	84	Bills	\$ 180.00	15,120	\$ 180.00	\$ 15,120
Demand Charge	45,200	Mcf	20.710978	936,136	21.354841	965,239
Total Base Revenues				\$ 951,256		\$ 980,359
			Rider Revenues	\$ 1,862,044	\$ 1,862,044	
			Total Class Revenues	\$ 2,813,300	\$ 2,842,403	

Component	Amount	Units	NGV		NGV	
			Rate	Revenue	Rate	Revenue
<u>NGV</u>						
<u>Natural Gas Vehicle Service</u>						
Cust. Charge 0-999 CFH	12	Bills	\$ 37.50	\$ 450	\$ 37.50	\$ 450
Cust. Charge 1,000-4,999 CFH	-	Bills	75.00	-	75.00	-
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	2,400	200.00	2,400
Cust. Charge 25,000+ CFH	96	Bills	600.00	57,600	600.00	57,600
Distribution Charge	2,255,851	Therms	0.164072	370,122	0.169911	383,294
Subtotal Distribution				\$ 430,572		\$ 443,744
Compression Charge	983,046	Therms	0.542769	533,567	0.542769	533,567
Total Base Revenues				\$ 964,139		\$ 977,311
			Rider Revenues	\$ 571,761	\$ 571,761	
			Total Class Revenues	\$ 1,535,900	\$ 1,549,072	

Component	Amount	Units	GLS		GLS	
			Rate	Revenue	Rate	Revenue
<u>GLS</u>						
<u>Gas Lights Service</u>						
Yard Lights	48	Mantles	\$ 7.723363	\$ 4,449	\$ 7.959650	\$ 4,585
Street Lights	36	Mantles	\$ 8.325900	3,597	\$ 8.580621	3,707
Total Base Revenues				\$ 8,045		\$ 8,292
			Rider Revenues	\$ 72,255	\$ 72,255	
			Total Class Revenues	\$ 80,300	\$ 80,546	

TOTAL SYSTEM BASE DISTRIBUTION REVENUES	\$ 264,482,306	\$ 272,557,543
Increase		\$ 8,075,238
Target		
SHARP		3,421,314
AIRP II		4,653,896
Total		8,075,210
Difference		\$28