



Stacy A. Mitchell, Esq.
Vice President
Rates & Regulatory Affairs

RECEIVED
CASE MANAGEMENT

JUN 04 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

June 1, 2018

VIA USPS

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

RECEIVED
MAIL ROOM

JUN 04 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Re: In the Matter of the Petition of South Jersey Gas Company to Revise the Level of Its Basic Gas Supply Service ("BGSS") Charge; and to Revise the Level of its Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2019
BPU Docket No. GR18060609

Dear Secretary Camacho:

Enclosed herewith are an original and two (2) "courtesy" copies of South Jersey Gas Company's Petition to Revise the Level of its Basic Gas Supply Service ("BGSS") Charge and to Revise the Level of its Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2019, which has also been filed electronically utilizing the Board's e-Filing Program.

Please do not hesitate to contact me with any questions you may have. Thank you for your attention to this matter.

CMS
LEGAL - ATTACHMENT
DAG
RPA - LTR ONLY
ENERGY - ATTACHMENT

Respectfully submitted,

Stacy A. Mitchell

SAM:lvk
Enclosures

cc: Division of Law (2 copies)
Division of Rate Counsel (5 copies)

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

**IN THE MATTER OF THE PETITION OF : PETITION
SOUTH JERSEY GAS COMPANY TO :
REVISE THE LEVEL OF ITS BASIC GAS : BPU DOCKET NO.
SUPPLY SERVICE (“BGSS”) CHARGE :
AND CONSERVATION INCENTIVE :
PROGRAM (“CIP”) CHARGE FOR THE :
YEAR ENDING SEPTEMBER 30, 2019 :**

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, South Jersey Gas Company ("South Jersey," "Petitioner," or the "Company"), a public utility corporation of the State of New Jersey, with its principal office at One South Jersey Plaza, Folsom, New Jersey, hereby petitions this Honorable Board (“BPU” or the "Board") for authority to: 1) increase the level of its Periodic Basic Gas Supply Service (“BGSS”) charge; 2) decrease the level of its Balancing Service Clause (“BSC”) charge associated with its Rider J – General Service (BSC-GS); 3) increase the level of its BSC charges associated with its Rider I – Large Volume (BSC-LV); and 4) decrease the level of its Conservation Incentive Program (“CIP”) charge for the year ending September 30, 2019.

I. BACKGROUND

1. South Jersey is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory within the State of New Jersey. Said service territory includes all or portions of the following Counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem. Within its service territory, South Jersey serves approximately 386,000 customers.

II. BGSS BACKGROUND

2. On January 5, 1978, the Board, in combined Docket Nos. 769-988 and 7712-1161, approved the adoption of a Raw Materials Adjustment Clause for the Company, effective for the period January 1, 1978 through October 31, 1978. The clause subsequently became referred to as the "Levelized Gas Adjustment Clause" or "LGAC". It was understood that after October 31, 1978 the clause would be adjusted annually, and each such adjustment would be effective for a twelve-month period, generally commencing each November 1, from and after November 1, 1978. Each year thereafter, such an adjustment was made.

3. The LGAC mechanism was replaced by the BGSS price structure in the Board's Order Approving BGSS Price Structure, Docket No. GX01050304, dated January 6, 2003 ("2003 BGSS Order").

4. Attached to the 2003 BGSS Order was "Attachment A", which was incorporated therein.

5. Attachment A provided for the creation of a BGSS pricing mechanism, consisting of a Monthly BGSS pricing mechanism and a Periodic BGSS pricing mechanism. The applicability of Monthly and Periodic BGSS pricing was subsequently modified in South Jersey's base rate case (Docket No. GR03080683) and Global Settlement (Docket Nos. GR03080683, *et al*) approved by the Board on March 27, 2006.

6. As to South Jersey, all Residential Sales (Rate Schedule RSG) customers, and all General Service Sales (Rate Schedule GSG) customers using less than 5,000 therms annually, are served under the Periodic BGSS pricing mechanism.

7. The 2003 BGSS Order required that South Jersey file its annual BGSS filing by June 1 of each year, with a request to implement its Periodic BGSS charge on or before October 1

of that year.

8. The 2003 BGSS Order also provided that South Jersey may file two self-implementing Periodic BGSS charge increases, to be effective on December 1 of the same calendar year following implementation of a new Periodic BGSS Charge and on February 1 of the following year. Each such self-implementing increase may not exceed five percent (5%) of the average 100 therm residential bill.

9. In Docket No. GR02090645, South Jersey, the Division of the Ratepayer Advocate, and the Staff of the Board executed a "Settlement – BGSS Minimum Filing Requirements" on May 7, 2003 (the "2003 Settlement"). The Settlement was approved by way of Board Order dated June 29, 2003.

10. This Petition complies with the Minimum Filing Requirements ("MFRs") set forth in the 2003 Settlement as well as additional filing requirements agreed to by the parties since 2003.

11. On June 1, 2017, South Jersey made its annual BGSS filing in Docket No. GR17060586, proposing to decrease the periodic BGSS charge from its then current level of \$0.354288 per therm, to \$0.340013¹ per therm, both inclusive of taxes.

12. By Order dated September 22, 2017, the Board approved a Stipulation of Settlement approving a periodic BGSS rate of \$0.340013 per therm, including taxes, subject to refund with interest on any net over-recovered BGSS balance.

13. By Order dated May 22, 2018, the Board approved, on a final basis, the following rates: (1) the periodic BGSS rate of \$0.340013 per therm; (2) the gas cost portion of the

¹ On November 14, 2016, the Board issued a Secretary's Letter under Docket No. ER16111054, to all New Jersey electric and gas utilities, pursuant to P.L. 2016, c. 57, stating that the SUT to be charged to customers for utility service had been changed from 7.0% to 6.875% effective January 1, 2017, and thereafter to 6.625% effective January 1, 2018. All BGSS and CIP references within this Petition identified as "current" rates are inclusive of the 6.625% State sales tax rate.

Company's D-2 charge for Rate Schedule LVS at \$15.759966 per Mcf; (3) the gas cost portion of the firm D-2 charges at \$15.455576 per Mcf and the limited firm D-2 charges at \$7.879983 per Mcf, for Rate Schedule EGS-LV; (4) the gas cost portion of the D-2 charge at \$7.879983 per Mcf, for Rate Schedule FES; and (5) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV at \$0.111849 per therm.

III. REQUESTED PERIODIC BGSS CHARGE

14. By this Petition, South Jersey is proposing to recover a BGSS deferred gas cost under-recovered deferred balance of approximately \$53,657,957, projected through September 30, 2018. The Company is proposing to increase its current Periodic BGSS rate of \$0.340013, including taxes, to \$0.564695, including taxes for the 2018-2019 BGSS year. This projected under-recovery is the result of unprecedented weather and demand conditions that occurred in our region over the recent 2017/2018 winter season. Extreme cold weather during December 2017 and January 2018 created record demands and caused natural gas prices to spike to their highest level in years. During this period, the combination of high natural gas prices, elevated utility and gas fired generation demand, coupled with interstate pipeline capacity limits and eliminations, impacted capacity flexibility.

In January 2018, despite all reasonable mitigation measures taken by the Company, these compounded extreme weather conditions resulted in South Jersey Gas experiencing a record single day sendout on January 6, 2018 of 508,397 Dth, surpassing the previous record sent on February 15, 2015. In addition, the Company experienced a record system sendout², as well as a record 3-

² The fourteen-day period from December 26, 2017 through January 8, 2018 accounted for approximately 34% of the Company's sendout (residential and commercial) for the months of December and January, which was 63% higher than normal.

day peak sendout³, both of which individually surpassed records previously set during the most recent 2014/2015 winter season. Nevertheless, given the extreme conditions and the mitigating measures taken by the Company, the Company's proposed BGSS rate of \$0.564695 in this filing is still lower than rate set by the Board as recently as the Company's 2014/2015 BGSS filing of \$0.650270.

The effects the extreme cold weather had on the Company during the 2017/2018 winter, and the measures taken by the Company to meet demand at the lowest possible cost are explained further in the Direct Testimony of Timothy W. Rundall, Senior Director, Gas Supply and Liquid Natural Gas ("LNG") Allocations.

15. The proposed BGSS rate for the period beginning October 1, 2018 and ending September 30, 2019, is \$0.564695, including taxes. This rate is based on 7 months of actual data, and 17 months of estimated data. Petitioner shall update this information with actuals as this matter proceeds.

16. In addition, South Jersey has included a credit to BGSS gas costs of \$23.9 million, which was derived from the Board's approved margin sharing formula applicable to off-system sales, interruptible sales and transportation, and capacity releases.

17. The projected pipeline demand type costs reflected in this filing pertaining to the purchase, storage and transportation of gas on the Transcontinental Gas Pipeline Company, LLC ("Transco"), Columbia Gas Transmission, LLC ("Columbia"), and Dominion Transmission, Inc. ("Dominion") pipeline systems reflect the most recent FERC approved jurisdictional rates for each pipeline.

18. Commodity charges to be experienced by South Jersey during the BGSS year

³ This three-day peak sendout exceeded the prior three-day peak record by 9%.

ending September 30, 2019 have been projected utilizing: (1) the New York Mercantile Exchange (“NYMEX”) strip pricing, as of May 10, 2018; and (2) estimated indices at the various locations where South Jersey expects to purchase gas during the forthcoming BGSS year.

19. LNG costs are based upon the delivered cost of LNG using the NYMEX as of May 10, 2018, along with costs related to processing natural gas into liquefied natural gas. In response to the changes in the LNG marketplace in 2012, the Company decided to construct, own and operate its own liquefaction facility at South Jersey’s McKee City, LNG facility to ensure that LNG is available at a prudent cost and not subject to marketplace pressures. The LNG liquefaction facility has been in service since November of 2016. This enabled SJG to utilize the liquefaction facility for the 2016-2017 and 2017-2018 winter seasons.

20. In summary, by this Petition, South Jersey seeks authority to implement a rate increase, which, as calculated in this filing, will recover the Company’s under-recovered balance of \$53,657,957, projected through September 30, 2018, effectively resulting in an increase in the level of its Periodic BGSS charge to \$0.564695 per therm, including taxes, for the 2018-2019 BGSS year. South Jersey also seeks authority to decrease the Monthly BGSS non-commodity rate component to \$0.106134 per therm, including taxes, resulting in a decrease of \$0.005715 from the current rate.

IV. BALANCING SERVICE CHARGE

21. The Company’s Balancing Service Clause charges under its current Tariff Riders “I” and “J” have been updated as part of this filing. Rate changes, including the proposed calculations, for both rates are discussed further in the Direct Testimony and Schedules of Mr. Rundall.

V. BEST VALUE PURCHASING POLICY

22. The Company's proposal in this Petition reflects its best value purchasing policy. Pursuant to this policy, it is the Company's goal to purchase the minimum priced gas supplies feasible within the guidelines of security of supply and capacity and system integrity. South Jersey intends to continue to pursue its policy to ensure the safest, most secure service to its customers, at reasonable prices, for this BGSS year and into the future.

23. The BGSS provides no profit to the Company. It merely allows the Company to pass through to its customers increases and decreases in the costs of gas and associated taxes experienced by the Company.

24. In support of the BGSS portion of this Petition, South Jersey incorporates the following Direct Testimony, Schedules, and work papers:

- A. Direct Testimony of Kenneth J. Barcia, Manager, Rates and Revenue Requirements (Exhibit B); and
- B. Direct Testimony of Timothy W. Rundall, Senior Director, Gas Supply and Allocations (Exhibit C).

25. In support of the BGSS Petition, the Company incorporates the attached Table of Contents demonstrating its compliance with the MFRs.

VI. CIP BACKGROUND AND PROPOSAL

26. On October 12, 2006, the Board, in combined Docket Nos. GR05121019 and GR05121020, adopted a stipulation ("CIP Stipulation") implementing the Conservation Incentive Program ("CIP") for South Jersey on a three-year, Pilot Program basis. The CIP was then extended until September 30, 2013, with an additional automatic one year extension, by Board Order dated January 21, 2010 in combined Docket Nos. GR05121019 and GR05121020.

27. On May 21, 2014, the Board approved the continuation of the CIP, with certain modifications, as set forth in more detail in the Stipulation executed by the parties in Docket No. GR13030185 (the "CIP Continuation Stipulation"). The changes approved by the Board became effective with the CIP year beginning October 1, 2014 and are reflected in this proceeding.

28. To promote conservation, the CIP was devised as an incentive-based program in which South Jersey is required to limit the recovery of non-weather related margin revenue loss to the level of BGSS cost reductions South Jersey is able to achieve. Because of these BGSS savings, customer bills will not increase as a result of the Company's recovery of such non-weather margin revenue losses through the CIP mechanism.

29. The CIP Continuation Stipulation established a Modified BGSS Savings Test with three categories of BGSS savings: (1) permanent savings achieved through permanent capacity releases or contract terminations; (2) gas cost savings from reductions of capacity on a long-term basis, *i.e.* for periods of at least one year; and (3) savings associated with avoided capacity costs to meet residential customer growth.

30. The attached Direct Testimony of Daniel P. Yardley demonstrates that sufficient BGSS savings exist to support South Jersey's proposed CIP charge.

31. The CIP Stipulation also provided that South Jersey would implement a package of incremental conservation programs designed to aid customers in reducing their costs of natural gas. Furthermore, South Jersey committed to assessing the need to develop and implement future programs, if appropriate.

32. In the CIP Continuation Stipulation, South Jersey agreed to provide five hundred thousand dollars (\$500,000) annually of shareholder money to fund CIP programs. The CIP Continuation Stipulation further provided that in any year in which the \$500,000 was not

expended, the difference between \$500,000 and the actual amount spent will be carried over and added to the amount to be spent in the following year.

33. The attached Direct Testimony of Bruce S. Grossman, Program Manager, Residential Energy Efficiency Education and Consulting for South Jersey, explains the Company's incurred and projected CIP expenditures for the 2018-2019 CIP Year. South Jersey projects that it will invest \$500,000 in conservation programs by September 30, 2018.

34. It was agreed in the CIP Stipulation that South Jersey would make an annual CIP filing based upon seven (7) months of actual data and five (5) months of projected data, to be filed on or before June 1 of each year. The filing is to document actual results, perform the required CIP collection tests, and propose the new CIP rate. This Petition is in conformity with these provisions of the CIP Stipulation.

35. Rider M of the Company's tariff contains a Board approved Return-on-Equity ("ROE") limitation on recoveries from customers pursuant to the CIP, consistent with South Jersey's former Temperature Adjustment Clause ("TAC") (the "ROE Test"). Under this provision, the CIP may not contribute toward earnings in excess of a 9.60% ROE. After recovery of the CIP margin revenues, South Jersey's ROE for the period October 1, 2017 through September 30, 2018 is projected to be 8.22%. As a result, the ROE test will not act as a limitation on South Jersey's recovery through the CIP for the forthcoming 2018-2019 CIP year. This projected ROE is calculated as provided on Exhibit A, attached to this Petition and is verified by the Direct Testimony of Mr. Barcia.

36. The Company's CIP tariff also contains benchmarks for customer usage by customer class. The CIP is calculated on a class-by-class basis by comparing actual usage for the CIP year to the benchmark usage. The difference, either positive or negative, is then multiplied

by revenue margins per customer class, and the result is divided by forecasted sales units. The result, either positive or negative, is then either a charge or credit to the CIP on a class-by-class basis.

37. The CIP charge was initially set at \$0.000 for the period October 1, 2006 through September 30, 2007 and, thereafter, annual petitions were filed to adjust the CIP charge.

38. On June 1, 2017, South Jersey filed a petition in Docket No. GR17060586 seeking to establish provisional CIP rates for the October 1, 2017 to September 30, 2018 CIP year. On September 22, 2017, the Board issued its Order in Docket No. GR17060586, provisionally accepting CIP rates, subject to review. Pursuant to this September 22, 2017 Order, the provisional CIP rates implemented were:

- RSG Non Heating (\$0.014347)
- RSG Heating \$0.078355
- GSG \$0.057010
- GSG-LV (\$0.013816)

39. By Order dated May 22, 2018, the Board approved a Stipulation of Settlement to finalize the CIP rates in Docket No. GR17060586, including taxes, adjusted for the SUT rate of 6.625%.

40. In this Petition, South Jersey proposes to establish the CIP rates for the period October 1, 2018 through September 30, 2019. The proposed CIP rates are as follows:

- RSG Non Heating (\$0.120976)
- RSG Heating \$0.005717
- GSG (\$0.000026)
- GSG-LV \$0.011583

41. In computing the non-weather CIP value, the margin impact of weather is first to be deducted from the total CIP charge or credit. The weather-related component of the CIP is

recovered through the CIP. However, this portion is not subject to the Modified BGSS Savings Test. By this Petition, South Jersey seeks to credit \$2.1 million of weather-related margin revenues. The non-weather related CIP component shall be subject to a dual eligibility test comprised of the Modified BGSS Savings Test and a Margin Revenue Test established in the CIP Continuation Stipulation. In order to be eligible for recovery, non-weather related CIP impacts must pass both cost recovery tests. Amounts that do not pass one or both tests may still be recoverable in future years.

42. South Jersey's non-weather related margin excess, related to the 2017/2018 CIP year, is \$4.3 million. This was established by subtracting the weather related excess component of \$2.1 million, from the total CIP excess of \$6.4 million. As explained further in the Direct Testimony of Daniel P. Yardley, last year a portion of the non-weather CIP amount failed the eligibility tests. Specifically, \$1.2 million failed the modified BGSS eligibility test. As a result, \$1.2 million of non-weather CIP impacts for 2016-2017 were not recovered through the CIP mechanism last year. Under the CIP, any non-weather amounts that are not recoverable in one year may be recoverable in a future period, subject to the application of the eligibility tests. By applying the prior year non-recovered, non-weather carry-forward deficiency of \$1.2 million, South Jersey's adjusted non-weather margin excess is \$3.1 million. Thus, by this Petition, South Jersey seeks to credit total non-weather related margin revenue through the CIP totaling \$3.1 million.

43. South Jersey has provided BGSS savings information in the Direct Testimonies of Messrs. Rundall Yardley. South Jersey's permanent BGSS savings realized from the permanent capacity releases or contract terminations (Category One of the Modified BGSS Savings Test) total \$2.2 million per year. BGSS savings realized from gas cost savings from reductions of

capacity on a long-term basis (Category Two of the Modified BGSS Savings Test) total \$6.1 million. BGSS savings realized from avoided capacity costs to meet residential customer growth (Category Three of the Modified BGSS Savings Test) total \$0.1 million. Therefore, the total BGSS savings for the 2018-2019 CIP year is \$8.4 million. This amount exceeds the \$3.1 million of non-weather related margin revenue that will be recovered through the CIP, thus, the Modified BGSS Savings Test has been met.

44. As explained in Mr. Yardley's Direct Testimony, variable margin revenues also exceed the \$3.1 million of non-weather related margin revenue that will be recovered through the CIP, thus, the Margin Revenue Test has also been met.

45. In this proceeding, South Jersey is comparing customer usage for the period October 1, 2017 through September 30, 2018 against the benchmark. The difference is to be recovered for the BGSS year October 1, 2018 through September 30, 2019.

46. In support of the Company's CIP proposal in this Petition, Petitioner incorporates the following Direct Testimony, Schedules, and work papers:

- A. Direct Testimony of Bruce S. Grossman, Program Manager, Residential Energy Efficiency Education and Consulting, South Jersey (Exhibit D);
- B. Direct Testimony of Daniel P. Yardley, Principal, Yardley & Associates (Exhibit E).

VII. MISCELLANEOUS

47. The effect of the proposed CIP change, if approved, for an average residential heating customer utilizing 100 therms of gas in a winter month would be a decrease of \$7.25, or 5.5%.

48. The combined effect of the proposed BGSS and CIP changes, if approved, for a

average residential heating customer utilizing 100 therms of gas in a winter month would be an increase of \$13.58 or 10.2%.

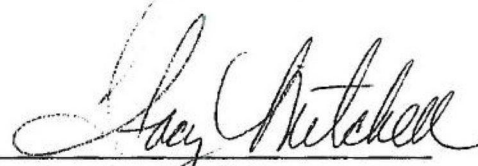
49. A draft Notice of Filing and Public Hearing is attached hereto.

50. South Jersey has served notice and five (5) copies of this Petition upon the Director, Division of Rate Counsel, 140 East Front Street – 4th Floor, Trenton, New Jersey 08625.

51. South Jersey has also served notice and two (2) copies of this Petition upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07102.

Respectfully submitted,

SOUTH JERSEY GAS COMPANY



By: Stacy A. Mitchell, Esq.
VP, Rates & Regulatory Affairs

Dated: June 1, 2018

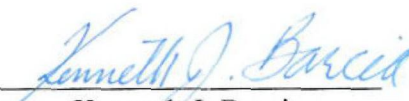
Communications and correspondence
Related to this filing should be sent to:

South Jersey Gas Company
Attention: Stacy A. Mitchell, Esq.
VP, Rates & Regulatory Affairs
1 South Jersey Plaza, Route 54
Folsom, NJ 08037
(609) 561-9000

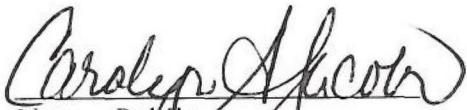
VERIFICATION

I, KENNETH J. BARCIA, of full age, being duly sworn according to law upon my oath, depose and say:

1. I am Manager, Rates & Revenue Requirements, of South Jersey Gas Company and am authorized to make this verification on behalf of the Company.
2. I have reviewed the foregoing petition and the information contained therein is true according to the best of my knowledge, information and belief.


Kenneth J. Barcia

Sworn to and subscribed
before me this 1st day of
June 2018.


Notary Public
CAROLYN A. JACOBS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires October 28, 2018

ROE CALCULATION
(S in Thousands)

	Sep 2017 Actual	Oct 2017 Actual	Nov 2017 Actual	Dec 2017 Actual	Jan 2018 Actual	Feb 2018 Actual	Mar 2018 Actual	Apr 2018 3&9	May 2018 3&9	Jun 2018 3&9	Jul 2018 3&9	Aug 2018 3&9	Sep 2018 3&9	12 Mos 9/30/2018 Total
Net Income	\$ (1,822)	\$ 1,861	\$ 9,592	\$ 18,131	\$ 26,478	\$ 21,351	\$ 18,917	\$ 5,867	\$ (957)	\$ (3,244)	\$ (3,011)	\$ (3,852)	\$ (3,899)	\$ 87,234.0
Incentive Items:														
OSS Margin	\$ 164.9	\$ 170.8	\$ 363.2	\$ 447.5	\$ 480.8	\$ 455.6	\$ 470.2	\$ 127.1	\$ 130.3	\$ 127.1	\$ 130.3	\$ 130.3	\$ 126.6	\$ 3,159.7
Interruptible Margin	\$ 1.9	\$ 2.1	\$ 4.4	\$ 2.6	\$ 73.1	\$ 4.9	\$ 15.7	\$ 2.5	\$ 3.6	\$ 2.2	\$ 1.7	\$ 2.4	\$ 1.8	\$ 117.1
Storage Incentive	\$ 243.8	\$ 125.8	\$ -	\$ (11.0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218.1	\$ -	\$ -	\$ 218.1	\$ 551.0
AIRP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EET	\$ 189.7	\$ 187.3	\$ 180.7	\$ 182.4	\$ 188.3	\$ 186.1	\$ 192.9	\$ 190.7	\$ 187.5	\$ 185.0	\$ 184.9	\$ 181.8	\$ 181.5	\$ 2,229.2
Total Incentives	\$ 600.3	\$ 486.0	\$ 548.3	\$ 621.5	\$ 742.2	\$ 646.6	\$ 678.8	\$ 320.4	\$ 321.3	\$ 532.5	\$ 316.9	\$ 314.5	\$ 528.0	\$ 6,056.9
Net Income Less Incentives	\$ (2,422.3)	\$ 1,375.0	\$ 9,043.7	\$ 17,509.5	\$ 25,735.8	\$ 20,704.4	\$ 18,238.2	\$ 5,546.6	\$ (1,278.3)	\$ (3,776.5)	\$ (3,327.9)	\$ (4,166.5)	\$ (4,427.0)	\$ 81,177.1

	Sep 2016	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	13 Mo Avg Total
Beg Bal	\$939,667	\$937,845	\$939,706	\$949,298	\$947,429	\$973,907	\$995,258	\$1,014,175	\$1,020,042	\$1,019,085	\$1,015,841	\$1,012,830	\$1,008,978	
Net Income	(\$1,822)	\$1,861	\$9,592	\$18,131	\$26,478	\$21,351	\$18,917	\$5,867	(\$957)	(\$3,244)	(\$3,011)	(\$3,852)	(\$3,899)	
Dividends				(\$20,000)										
Equity														
Other Adj														
Common Equity	\$937,845	\$939,706	\$949,298	\$947,429	\$973,907	\$995,258	\$1,014,175	\$1,020,042	\$1,019,085	\$1,015,841	\$1,012,830	\$1,008,978	\$1,005,079	\$987,652

CIP ROE Test	8.22%
CIP ROE APPROVED as of 11/1/2017	9.60%

NOTICE OF FILING OF PETITION AND OF PUBLIC HEARING

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE (“BGSS”) CHARGE AND CONSERVATION INCENTIVE PROGRAM (“CIP”) CHARGE FOR THE YEAR ENDING SEPTEMBER 30, 2019

B.P.U. Docket No. _____

NOTICE IS HEREBY GIVEN that, on June 1, 2018, South Jersey Gas Company “South Jersey” or the “Company”) filed its combined 2018-2019 Basic Gas Supply Service (“BGSS”) and Conservation Incentive Program (“CIP”) petition with the New Jersey Board of Public Utilities (“Board”). The BGSS component of the petition was filed pursuant to the “Order Approving BGSS Price Structure” issued by the Board on January 6, 2003, in Docket No. GX01050304 (“Generic BGSS Order”). BGSS rates are designed to recover South Jersey’s cost of gas applicable to customers who purchase gas from South Jersey. The Company earns no profit from the BGSS. The CIP component of the petition sought a price adjustment for all applicable service customers. The CIP is an incentive-based program that requires South Jersey to reduce gas supply related costs and limits recovery of non-weather related revenue loss to the level of gas supply costs savings achieved. Pursuant to its filings, South Jersey requested that the Board allow it to change its BGSS and CIP Charges.

The impact of the Company's combined proposals on the overall bills for gas service for a residential heating customer using 100 therms in a month would be an increase of \$13.58, or 10.2 percent, resulting from South Jersey’s proposed: 1) BGSS increase of \$22.47 per month, or 16.9 percent; 2) Rider “J” Balancing Service Clause - General Service (“BSC-GS”) decrease of \$1.65, or 1.2%; and 3) CIP decrease of \$7.25, or 5.5 percent.

Related to the Company’s Rider “I” Balancing Service Clause - Large Volume (“BSC-LV”) customers, there is no impact from the proposed BGSS rate because they are subject to monthly market pricing for their natural gas supply, and therefore, no BGSS impact to the total bill of the customers served under the Company’s Rider “I”.

The chart below demonstrates the impact of the BGSS and CIP rate changes:

Customer Type	Therm Level	Rates		Change	
		Bill as of June 1, 2018	Proposed Bill as of October 1, 2018	Amount	Percent
Residential Heat Sales	100	\$133.00	\$146.58	\$13.58	10.2%
Residential Non-Heat Sales	15	\$27.62	\$29.15	\$1.53	5.5%
General Service	500	\$581.11	\$656.77	\$75.66	13.0%
General Service - LV	15,646	\$14,622.67	\$14,762.19	\$139.52	1.0%

TAKE FURTHER NOTICE that other changes in South Jersey’s price for BGSS service may also occur if SJG elects to adjust its BGSS rates upward upon thirty days notice to Board Staff and Rate Counsel, pursuant to the Generic BGSS Order in Docket No. GX01050304. Any such self-implementing increases will be limited to a maximum of 5 percent of the total residential bill, effective December 1, 2018, and to