



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

*Filed
Sept. 13, 2018*

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CASE MANAGEMENT

September 12, 2018

SEP 13 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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SEP 13 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

UPS and ELECTRONIC MAIL

Aida Camacho, Board 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 Accelerated Infrastructure Replacement Program ("AIRP II")
BPU Docket No. GR18040476**

Dear Secretary Camacho:

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

Respectfully,

Stacy A. Mitchell

SAM:lvk
Enclosure

cc: Attached Service List ✓

Case mgmt

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY
FOR APPROVAL OF BASE RATE ADJUSTMENTS PURSUANT TO THE
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM ("AIRP II")
DOCKET NO. GR18040476**

SERVICE LIST

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RECEIVED
MAIL ROOM

SEP 13 2018

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION OF :
SOUTH JERSEY GAS COMPANY FOR : BPU DOCKET NO. GR18040476
APPROVAL OF BASE RATE ADJUSTMENTS :
PURSUANT TO THE ACCELERATED : STIPULATION OF SETTLEMENT
INFRASTRUCTURE REPLACEMENT :
PROGRAM ("AIRP II") :

APPEARANCES:

Stacy A. Mitchell, Esq., VP, Rates and Regulatory Affairs, for South Jersey Gas Company

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

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, 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 "Company") with the New Jersey Board of Public Utilities (the "Board" or "BPU") on April 30, 2018 ("Petition"), and subsequently updated on July 16, 2018, for base rate adjustments to cost recovery associated with the Company's Accelerated Infrastructure Replacement Program ("AIRP II"), which was approved by the Board on October 31, 2016 in Docket No. GR16020175.

I. BACKGROUND

1. On February 20, 2013, in BPU Docket No. GO12070670, the Board approved the Company's initial Accelerated Infrastructure Replacement Program ("AIRP") for four (4) years commencing January 1, 2013 and continuing until December 31, 2016. The Board authorized the Company to invest \$35.3 million per year, excluding Accumulated Funds Used During

Construction (“AFUDC”), over four (4) years, for a total of \$141.2 million, to replace unprotected bare steel and cast iron mains and services.

2. On February 29, 2016, the Company petitioned the Board seeking approval to continue AIRP and to utilize an associated recovery mechanism to recover costs through an annual rate adjustment filing (“AIRP II”).

3. After notice and public hearing, on August 22, 2016, the Company, Board Staff, and the New Jersey Division of Rate Counsel (collectively, “Parties”) entered into a Stipulation of Settlement (“AIRP II Stipulation”). By Order dated October 31, 2016 in BPU Docket No. GR16020175, the Board approved AIRP II, adopted the AIRP II Stipulation, and set forth the authorized investments and cost recovery mechanism to be utilized by the Company.

4. The AIRP II Stipulation approved by the Board provided that AIRP II investments would include the replacement of cast iron and unprotected bare steel mains and associated services (“AIRP II Investments”).

5. AIRP II was approved as a five (5) year program commencing October 1, 2016 and ending September 30, 2021. AIRP II authorized investment costs were set at \$302.5 million (“Program Cost Cap”), excluding AFUDC. The Program Cost Cap was derived by applying an average cost per mile cap of \$550,000 to a mileage cap of 110 miles per year (the “Annual Mileage Cap”), or 550 miles over the five-year term of AIRP II (“Program Mileage Cap”). If the Company exceeds the Annual Mileage Cap by 5% in any annual period, any excess mileage must be applied toward the Annual Mileage Cap in future years, so long as the Program Mileage Cap is not exceeded.

6. The AIRP II Stipulation further provided that non-construction expenditures, such as planning and engineering of AIRP projects incurred as of September 30, 2016, would be included in AIRP II Investments for the first year of AIRP II.

7. Pursuant to the Board's October 2016 Order, cost recovery for AIRP II projects is effectuated by an annual adjustment to base distribution rates ("AIRP II Rate Adjustment") accomplished through the Company's filing of an annual Revenue Adjustment Filing ("Annual Filing").

II. PROCEDURAL HISTORY

8. On April 28, 2017 in Docket No. GR17050441, the Company made its first Annual Filing ("First Annual Filing") seeking recovery of the revenue requirements associated with AIRP II projects placed into service from October 1, 2016 through June 30, 2017. Therein, the Company provided actual AIRP II investment data for the period October 1, 2016 through March 31, 2017 and forecasted data for the period April 1, 2017 through June 30, 2017. Through its subsequent update to the First Annual Filing, the Company sought recovery of AIRP II revenue requirements of approximately \$5.0 million, including Sales and Use Tax ("SUT"), associated with actual and projected AIRP II investments of approximately \$46.7 million, including AFUDC. The Board authorized the proposed base rate adjustments, effective October 1, 2017.

9. On April 30, 2018 in this proceeding, the Company made its second Annual Filing ("Second Annual Filing") seeking recovery of the revenue requirements associated with AIRP II projects placed into service from July 1, 2017 through June 30, 2018. The Company provided actual AIRP II investment data for the period July 1, 2017 through March 31, 2018 and forecasted data for the period April 1, 2018 through June 30, 2018.

10. As part of the Second Annual Filing, the Company sought authority to recover AIRP II revenue requirements of approximately \$6.6 million, including SUT, associated with actual and projected AIRP II investments of approximately \$61.6 million, including AFUDC. The impact of the rates proposed, as applicable to a typical residential heating customer using 100 therms of natural gas during a winter month, amounts to an increase of \$1.84, or 1.4%. The AIRP II 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.

11. On July 16, 2018, the Company filed an Update providing a full year of actual AIRP II investment data through June 30, 2018. Updated schedules supporting a revenue requirement of approximately \$6.6 million (including SUT) associated with approximately \$61.3 million of AIRP II investments, including AFUDC, were provided as well as an updated proposed base rate adjustment. As a result of the Update, the impact of the rates proposed, applicable to a typical residential heating customer using 100 therms of natural gas during a winter month, amounts to \$1.83, or 1.4%.

12. Following proper notice, public hearings were held in this matter on August 20, 2018 in Voorhees, New Jersey. No members of the public appeared or provided written comments.

13. The Company has responded to all discovery propounded to date by the Parties.

III. STIPULATED TERMS

14. Upon review of the Second Annual Filing, the July 16, 2018 Update, the accompanying Testimony and Schedules, and the Company's responses to written data requests, and after all settlement discussions among the Parties, the Parties STIPULATE AND AGREE as follows.

15. The revenue requirement associated with the approximately \$61.3 million of AIRP II investments, including AFUDC, to be rolled into base rates shall be \$6,562,752, including SUT. The calculation of this revenue requirement is set forth on Schedule A, attached hereto.

16. The Company may implement the base rates, as set forth on Schedule B, attached hereto, effective October 1, 2018.

17. Pursuant to paragraph 23 of BPU Order Docket No. GR16020175, which approved AIRP II, this stipulation does not include a prudence review of the replacements of the mains and services in connection with AIRP II. A prudence review of all infrastructure replacements associated with AIRP II will be conducted as part of the Company's next Base Rate Case which will be filed on or before November 2020.¹

IV. MISCELLANEOUS

18. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. If 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.

19. 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, South Jersey, 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.

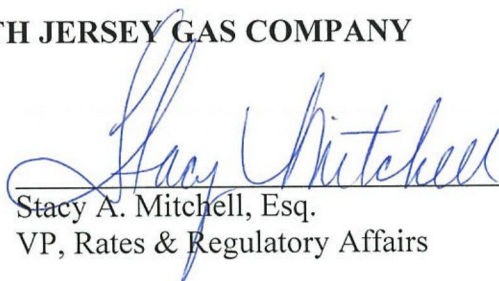
¹ In the Matter of the Petition of South Jersey Gas Company to Continue its Accelerated Infrastructure Replacement Program ("AIRP") Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:21.1 and For Approval of a Base Rate Adjustment to Reflect AIRP Investments in Base Rates, BPU Docket No. GR16020175 (Oct. 31, 2016).

20. 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 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.

SOUTH JERSEY GAS COMPANY

By:



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

**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities**


By:

Alex Moreau
Deputy Attorney General

**STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL**

By:

Maura Caroselli, Esq.
Assistant Deputy Rate Counsel

Dated: September , 2018

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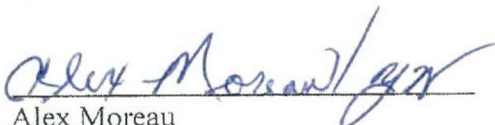
SOUTH JERSEY GAS COMPANY

By:


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**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities**

By:


Alex Moreau
Deputy Attorney General

**STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL**

By:

Maura Caroselli, Esq.
Assistant Deputy Rate Counsel

Dated: September 12, 2018


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SOUTH JERSEY GAS COMPANY

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

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ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: 
Alex Moreau
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By:  9/11/18
Maurea Caroselli, Esq.
Assistant Deputy Rate Counsel

Dated: September 12, 2018

G R 18040476

**SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM EXTENSION (AIRP II)
REVENUE REQUIREMENT AND RATE CALCULATION**

Line No.		
1	Actual Plant in Service as of June 30, 2018	\$60,369,142
2	AFUDC	949,685
3	Gross Plant in Service as of June 30, 2018	<u>61,318,828</u>
4		
5	Accumulated Depreciation	<u>(762,741)</u>
6		
7	Rate Base	60,556,087
8		
9	Accumulated Deferred Tax	<u>(1,852,807)</u>
10		
11	Net Rate Base	58,703,280
12		
13	Rate of Return - Net	<u>6.30%</u>
14		
15	Return Requirement (Net of Tax)	3,700,068
16		
17	Depreciation Expense, Net of Tax	686,993
18		
19	O&M Credit - Leak Repair	<u>(60,000)</u>
20		
21	Revenue Recovery	4,327,061
22		
23	Revenue Factor	<u>1.51668</u>
24		
25	Total Revenue Requirement, including SUT	<u><u>\$6,562,752</u></u>
26		
27	Total Revenue Requirement, excluding SUT	<u><u>\$6,154,985</u></u>

SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM EXTENSION (AIRP II)
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Effective Rates (April 1, 2018)</u>		<u>Proposed Rates (Effective Oct 1, 2018)</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>RSG</u>		<u>RSG</u>		
<u>Residential Service</u>							
Customer Charge	4,280,934	Bills	\$ 10.00	\$ 42,809,340	\$ 10.00	\$ 42,809,340	
Distribution Charge	253,181,413	Therms	0.629030	159,258,704	0.646161	163,595,955	
Total Base Revenues				\$ 202,068,044		\$ 206,405,295	2.1%
			<u>GSG</u>		<u>GSG</u>		
<u>General Service (0-100,000 Annual Therms)</u>							
Customer Charge	299,071	Bills	\$ 31.75	\$ 9,495,504	\$ 31.75	\$ 9,495,504	
Distribution Charge	89,582,097	Therms	0.528127	47,310,724	0.541738	48,530,026	
Total Base Revenues				\$ 56,806,228		\$ 58,025,530	2.1%
			<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	10.5000	2,234,148	10.5000	2,234,148	
Distribution Charge	32,241,055	Therms	0.260035	8,383,803	0.267321	8,618,711	
Total Base Revenues				\$ 10,943,451		\$ 11,178,359	2.1%
			<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	31.0000	4,145,320	31.0000	4,145,320	
Distribution Charge	27,898,657	Therms	0.046559	1,298,934	0.051004	1,422,943	
Total Base Revenues				\$ 5,777,254		\$ 5,901,263	2.1%

SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM EXTENSION (AIRP II)
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES

Component	Amount	Units	Effective Rates (April 1, 2018)		Proposed Rates (Effective Oct 1, 2018)		
			Rate	Revenue	Rate	Revenue	Increase
			<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	18.0000	6,299,100	18.0000	6,299,100	
Distribution Charge	79,591,210	Therms	0.035577	2,831,616	0.038115	3,033,619	
Total Base Revenues				\$ 9,412,416		\$ 9,614,419	2.1%

			<u>EGS</u>		<u>EGS</u>		
<u>Electric Generation Service</u>							
Customer Charge	108	Bills	\$ 75.00	\$ 8,100	\$ 75.00	\$ 8,100	
Demand Charge	8,392	Mcf	8.250	69,234	8.250	69,234	
Distribution Charge (Nov - Mar.)	559,943	Therms	0.122836	68,781	0.126326	70,735	
Distribution Charge (Apr - Oct.)	789,736	Therms	0.092836	73,316	0.096326	76,072	
Total Base Revenues				\$ 219,431		\$ 224,141	2.1%

			<u>EGS-LV</u>		<u>EGS-LV</u>		
<u>Electric Generation Service - Large Volume</u>							
Customer Charge	84	Bills	\$ 900.00	75,600	\$ 900.00	75,600	
Demand Charge	45,200	Mcf	21.201798	958,321	21.692790	980,514	
Total Base Revenues				\$ 1,033,921		\$ 1,056,114	2.1%

**SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM EXTENSION (AIRP II)
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES**

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Effective Rates (April 1, 2018)</u>		<u>Proposed Rates (Effective Oct 1, 2018)</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>NGV</u>		<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	900.00	86,400	900.00	86,400	
Distribution Charge	2,255,851	Therms	0.172933	390,111	0.177494	400,400	
Subtotal Distribution				<u>\$ 479,361</u>		<u>\$ 489,650</u>	<u>2.1%</u>
Compression Charge	983,046	Therms	0.560000	550,506	0.5600	550,506	
Total Base Revenues				<u>\$ 1,029,867</u>		<u>\$ 1,040,156</u>	

			<u>GLS</u>		<u>GLS</u>		
<u>Gas Lights Service</u>							
Yard Lights	48	Mantles	\$ 8.367177	\$ 4,831	\$ 8.567205	\$ 4,935	
Street Lights	36	Mantles	\$ 9.041501	3,906	\$ 9.235574	3,990	
Total Base Revenues				<u>\$ 8,737</u>		<u>\$ 8,924</u>	<u>2.1%</u>

TOTAL SYSTEM BASE DISTRIBUTION REVENUES	<u>\$ 287,299,350</u>	<u>\$ 293,454,202</u>	<u>2.1%</u>
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TOTAL SYSTEM INCLUDING OTHER REVENUES	<u>\$ 287,299,350</u>	<u>\$ 293,454,202</u>	<u>2.1%</u>
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INCREASE
TARGET INCREASE
Difference

INCREASE
TARGET INCREASE
Difference

6,154,853
6,154,985
(\$132)