



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

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CASE MANAGEMENT

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

*Final  
3/2/19*

March 5, 2019

Ms. Aida Camacho-Welch, Secretary  
NJ Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor Suite 314  
P. O. Box 350  
Trenton, NJ 08625-0350

**Re: In the Matter of the Petition of South Jersey Gas Company to Change the Levels of Its Societal Benefits Clause ("SBC") and its Transportation Initiation Clause ("TIC")**  
**BPU Docket No. GR18070832**

Dear Secretary Camacho-Welch:

Enclosed please find a fully executed Stipulation of Settlement in the referenced matter.

Respectfully,

*Stacy Mitchell*  
Stacy A. Mitchell

Enclosure

cc: Service list (via email)

*CMS*

*Energy*

*Legal*

*DAG*

*J. Lampitt, Legal*

*A. Moreau, DAG*

*P. Van Sant, DAG*

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY  
TO CHANGE THE LEVELS OF ITS SOCIETAL BENEFITS CLAUSE (“SBC”)  
AND ITS TRANSPORTATION INITIATION CLAUSE (“TIC”)  
BPU DOCKET NO. GR18070832**

**SERVICE LIST**

**NJ BOARD OF PUBLIC UTILITIES**

Aida Camacho, Secretary  
NJ Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
[aida.camacho@bpu.nj.gov](mailto:aida.camacho@bpu.nj.gov)

Stacy Peterson, Director  
Division of Energy  
NJ Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
[stacy.peterson@bpu.nj.gov](mailto:stacy.peterson@bpu.nj.gov)

Oneil Hamilton  
NJ Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
[oneil.hamilton@bpu.nj.gov](mailto:oneil.hamilton@bpu.nj.gov)

Bethany Rocque-Romaine, Esq.  
Legal Specialist  
NJ Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
[Bethany.romaine@bpu.nj.gov](mailto:Bethany.romaine@bpu.nj.gov)

**DIVISION OF RATE COUNSEL**

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4th Floor  
P.O. Box 003  
Trenton, NJ 08625  
[sbrand@rpa.nj.gov](mailto:sbrand@rpa.nj.gov)

Felicia Thomas-Friel, Esq.  
Division of Rate Counsel  
140 East Front Street, 4th Floor  
P.O. Box 003  
Trenton, NJ 08625  
[fthomas@rpa.nj.gov](mailto:fthomas@rpa.nj.gov)

Henry M. Ogden, Esq.  
Division of Rate Counsel  
140 East Front Street, 4th Floor  
P.O. Box 003  
Trenton, NJ 08625  
[hogden@rpa.nj.gov](mailto:hogden@rpa.nj.gov)

Shelly Massey  
Division of Rate Counsel  
140 East Front Street, 4th Floor  
P.O. Box 003  
Trenton, NJ 08625  
[smassey@rpa.nj.gov](mailto:smassey@rpa.nj.gov)

**RATE COUNSEL CONSULTANT**

Robert Henkes  
Henkes Consulting  
7 Sunset Road  
Old Greenwich, CT 06870  
[rhenkes@optonline.net](mailto:rhenkes@optonline.net)

**DIVISION OF LAW**

Renee Greenberg, Esq., DAG  
Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101  
[renee.greenberg@law.njoag.gov](mailto:renee.greenberg@law.njoag.gov)

Caroline Vachier, Esq., DAG  
Dept. of Law & Public Safety  
Division of Law  
124 Halsey Street  
P.O. Box 45029  
Newark, NJ 07101  
[caroline.vachier@law.njoag.gov](mailto:caroline.vachier@law.njoag.gov)

**SOUTH JERSEY GAS COMPANY**

Stacy A. Mitchell, Esq., Vice President  
Rates & Regulatory Affairs  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
[smithchell@sjindustries.com](mailto:smithchell@sjindustries.com)

Kenneth Sheppard, Project Manager  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
[ksheppard@sjindustries.com](mailto:ksheppard@sjindustries.com)

Stefany M. Graham, Manager  
Rates & Regulatory Initiatives  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
[sgraham@sjindustries.com](mailto:sgraham@sjindustries.com)

Karen J. Crispin, Senior Rate Analyst  
Rates & Revenue Requirements  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
[kcrispin@sjindustries.com](mailto:kcrispin@sjindustries.com)

Carolyn A. Jacobs  
Regulatory Compliance Specialist  
Rates & Regulatory Affairs  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
[cjacobs@sjindustries.com](mailto:cjacobs@sjindustries.com)

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

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MAIL ROOM

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

IN THE MATTER OF THE PETITION OF	:	<b>BPU DOCKET NO. GR18070832</b>
SOUTH JERSEY GAS COMPANY TO	:	<b>STIPULATION OF</b>
CHANGE THE LEVELS OF ITS	:	<b>SETTLEMENT FOR FINAL</b>
SOCIETAL BENEFITS CLAUSE ("SBC")	:	<b>RATES</b>
AND ITS TRANSPORTATION	:	
INITIATION CLAUSE ("TIC")	:	

**APPEARANCES:**

**Stacy A. Mitchell, Esquire**, Vice President, Rates & Regulatory Affairs, SJI Utilities, Inc., on behalf of South Jersey Gas Company ("Petitioner").

**Felicia Thomas-Friel, Esquire**, Deputy Rate Counsel, and **Henry M. Ogden, Esquire**, Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel ("Rate Counsel") (**Stefanie Brand**, Director).

**Renee Greenberg**, Deputy Attorney General, on behalf of the Staff of the Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey).

**TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:**

This Stipulation is intended to resolve the pending Societal Benefits Clause ("SBC") proceeding (hereinafter referred to as this "Proceeding"), by which South Jersey Gas Company ("South Jersey" or "Company") seeks to adjust the annual revenue level of its Societal Benefits Clause ("SBC") through an increase in its Remediation Adjustment Clause ("RAC") and a decrease of its Clean Energy Program ("CLEP") charge, both components of the SBC, and an increase of its Transportation Initiation Clause ("TIC"). The parties participating in this Proceeding are South Jersey, the New Jersey Division of Rate Counsel ("Rate Counsel"), and the Staff of the New Jersey Board of Public Utilities ("Staff") (collectively, the "Parties"). Following review and analysis of the Petition, pre-filed Exhibits, Schedules and Discovery, the

Parties to this proceeding agree and stipulate to the following Procedural History and Stipulated Terms of settlement:

**I. PROCEDURAL HISTORY**

1. By Petition filed July 31, 2018 (the "Petition"), consistent with N.J.S.A. 48:2-21, South Jersey, a public utility corporation of the State of New Jersey, requested that the New Jersey Board of Public Utilities ("Board") authorize a \$3.4 million decrease in the annual level of its SBC and TIC charges, including sales and use taxes ("SUT"). The proposed net decrease in recoveries total \$3.4 million, comprising: (i) a \$0.4 million increase to the RAC for remediation year August 1, 2017 to July 31, 2018; (ii) a \$4.0 million decrease to the CLEP for the period November 1, 2018 through October 31, 2019; and (iii) a \$0.2 million increase to the TIC.

2. In support of its Petition, South Jersey submitted the following summary of the RAC rate calculation:

<u>Remediation Year</u>	<u>Actual &amp; Projected Aug '17 - July '18</u>
Amortization of Recoverable Cost	\$21,983,824
Less: Deferred Tax Benefit	\$1,111,476
Amortization	\$20,872,348
<u>Recovery Year</u>	<u>Projected Nov '18 - Oct '19</u>
Amortization	\$20,872,348
Carrying Cost	\$5,101,782
Subtotal	\$25,974,130
Prior Year Reconciliation	\$13,087,864
Carrying Costs on PY RAC Deferred Costs	\$978,065
Expenses to be Recovered	\$40,040,059

Total Company Firm Revenues (Aug 1, 2016 – July 31, 2017)	\$373,420,663
Recoverable Expenses as a % of Preceding Year Revenues	10.72%
Cost Recovery Limit Per Company Tariff (5% CAP)	5.00%
Total Allowable Expenses (Up to 5% CAP)	<u>\$18,671,033</u>
Recoverable Expenses in Excess of 5% CAP (Deferred to Subsequent RAC Recovery Year)	<u>\$21,369,026</u>

3. In its Petition, South Jersey requested a RAC rate of \$0.035278 per therm, a CLEP rate of \$0.023106 per therm, and a TIC rate of \$0.001982 per therm, all including SUT. The rates requested in the Petition were derived utilizing actual information for the period November 2017 through May 2018, and projected information for the period June 2018 through October 2019.

4. When the Petition was filed, the RAC, CLEP and TIC effective rates, as approved by Board Order dated January 31, 2018 in Docket No. GR17070801, were as follows: (i) a RAC rate component of \$0.034639 per therm; (ii) a CLEP rate component of \$0.030150 per therm; and (iii) a TIC rate component of \$0.001574 per therm, all including taxes and effective as of February 5, 2018.

5. During the pendency of this Proceeding, South Jersey received and responded to multiple Discovery Requests, including Discovery Request RCR-A-007, which sought updated Schedules and rates utilizing actual information through September 2018, and projected information for the period October 2018 through October 2019.

6. In response to Discovery Request RCR-A-007, South Jersey submitted the following updated summary of the RAC rate calculation:

<u>Remediation Year</u>	Actual Aug '17 - July '18
Amortization of Recoverable Cost	\$21,988,303
Less: Deferred Tax Benefit	\$1,111,776
Amortization	<u>\$20,876,527</u>

<u>Recovery Year</u>	Actual and Projected Nov '18 - Oct '19
Amortization	\$20,876,527
Carrying Cost	\$4,992,846
Subtotal	<u>\$25,869,373</u>
Prior Year Reconciliation	\$13,444,229
Carrying Costs on PY RAC Deferred Costs	\$926,409
Expenses to be Recovered	<u>\$40,240,011</u>

Total Company Firm Revenues (Aug 1, 2016 – July 31, 2017)	\$373,420,663
Recoverable Expenses as a % of Preceding Year Revenues	10.72%
Cost Recovery Limit Per Company Tariff (5% CAP)	5.00%
Total Allowable Expenses (Up to 5% CAP)	<u>\$18,671,033</u>
Recoverable Expenses in Excess of 5% CAP (Deferred to Subsequent RAC Recovery Year)	<u>\$21,568,978</u>

7. Utilizing the updated information provided to the Parties in response to Discovery Request RCR-A-007, the net change in recoveries translated to a \$2.2 million decrease versus the \$3.4 million net decrease per the Petition, comprised of: (i) a \$0.4 million

increase to the RAC; (ii) a \$2.8 million decrease to the CLEP; and (iii) a \$0.2 million increase to the TIC.

8. Utilizing this updated information, the proposed RAC rate was modified to \$0.035278 per therm, the CLEP rate to \$0.025203 per therm and the TIC rate to \$0.002066 per therm (including SUT). See: Summary and Rate Calculation, attached hereto as Exhibit A.

9. As stated in the Petition, the Universal Service Fund ("USF") and Lifeline components of the SBC (hereinafter "USF/Lifeline") were addressed in a separate proceeding approving an interim State-wide natural gas rate of \$0.0103 per therm (after tax), effective October 1, 2018. See: I/M/O the 2018/2019 Annual Compliance Filings for the Universal Service Fund ("USF") Program Factor Within the Societal Benefits Charge Rate, Order Approving Interim USF Rates and Lifeline Rates, BPU Docket No. ER18060661 (September 17, 2018).

10. Following proper notice, public hearings were held in this matter on January 16, 2019, in Voorhees, New Jersey. No members of the public were in attendance.

11. Specifically, based on the terms and conditions set forth herein, the Parties **STIPULATE AND AGREE** as follows:

## **II. STIPULATED TERMS**

12. The Parties **STIPULATE AND AGREE** that the Company's proposed RAC rate component of \$0.035278 per therm (including SUT) should be implemented and made final.



13. The Parties further **STIPULATE AND AGREE** that the Company's proposed CLEP rate component of \$0.025203 per therm (including SUT) should be implemented and made final.

14. The Parties further **STIPULATE AND AGREE** that the Company's proposed TIC rate component of \$0.002066 per therm (including SUT) should be implemented and made final.

15. The Parties agree that the South Jersey's Manufactured Gas Plant ("MGP") remediation costs will remain subject to Board audit. Additionally, South Jersey will continue to conduct an annual audit of the RAC to assess the validity of the expenses being charged to the RAC. South Jersey also represents that this Stipulation does not include recovery of any administrative, legal, consulting or other costs associated with Natural Resource Damage ("NRD") related to MGP claims or any costs associated with incentive compensation or pension costs incurred during the time period set forth in the Petition. The Company further represents that no MGP related properties were leased or sold during the RAC remediation period for which the RAC rate is established.

16. The RAC, CLEP and TIC rate changes translate to a bill decrease of \$0.38, or 0.25% for the average residential heating customer using 100 therms during a winter month.

17. The Company agrees to provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expenses or credit amount which is to be carried over to the next recovery year. Implementation and/or adjustments of the RAC factor is subject to the Parties'

review of South Jersey's expenditures and reconciliation thereof in South Jersey's future RAC and/or SBC proceedings.

18. The Parties agree that the terms of this Stipulation shall be deemed to resolve all factual and legal issues relating to the determination of all amounts that were or could be included in the calculation of the Company's deferred RAC balance, except as described in Paragraph 16 above with respect to NRD related costs and incentive compensation costs or pension costs.

19. The Company agrees that it will include in its future RAC filings, responses to the minimum filing requirements ("MFRs") as set forth in Exhibit B to this Stipulation. At a minimum, the Company agrees to provide hard copies of the filings and the MFRs to the Board, Rate Counsel, and the consultants to Rate Counsel. The Parties further acknowledge that a Board order approving this Stipulation will become effective upon service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

20. Following acceptance of this Stipulation by the Board, South Jersey will submit a Compliance Filing incorporating the final rates approved by the Board within five (5) days of such approval.

### **III. 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.

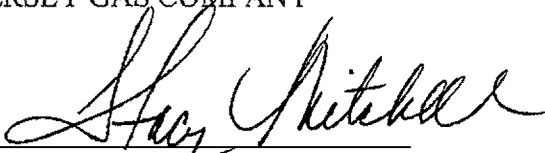
22. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology 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.

SOUTH JERSEY GAS COMPANY

By:

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

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

By:

\_\_\_\_\_  
Renee Greenberg, Esq.  
Deputy Attorney General

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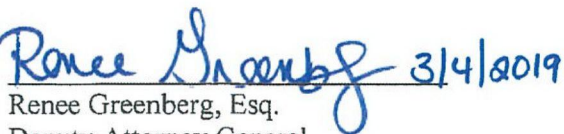
SOUTH JERSEY GAS COMPANY

By:

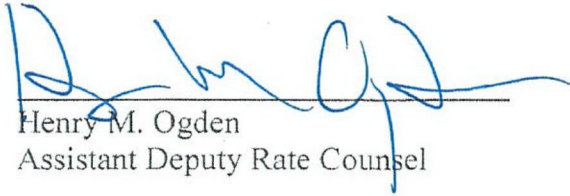
  
Stacy A. Mitchell, Esq.  
Vice President, Rates & Regulatory Affairs, SJIU

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

By:

 3/4/2019  
Renee Greenberg, Esq.  
Deputy Attorney General

STEFANIE A. BRAND  
DIRECTOR, DIVISION OF RATE COUNSEL

By:   
Henry M. Ogden  
Assistant Deputy Rate Counsel

Dated: March 5, 2019

Updated RAC KJB-1

**SOUTH JERSEY GAS COMPANY  
REMEDATION ADJUSTMENT CLAUSE  
SUMMARY AND RATE CALCULATION**

<u>REMEDATION YEAR</u>	Actual Aug '17 - July '18
1 AMORTIZATION OF RECOVERABLE COST (RAC KJB-2)	\$21,988,303
2	
3 LESS: DEFERRED TAX BENEFIT (RAC KJB-2)	\$1,111,776
4	
5 AMORTIZATION (RAC KJB-2)	\$20,876,527
6	
7	
8	
<u>RECOVERY YEAR</u>	Projected Nov '18 - Oct '19
10	
11 AMORTIZATION (RAC KJB-2)	\$20,876,527
12	
13 CARRYING COST (RAC KJB-3)	\$4,992,846
14	
15 SUBTOTAL	\$25,869,373
16	
17 PRIOR YEAR RECONCILIATION - UNDER RECOVERY (RAC KJB-4)	\$13,444,229
18	
19 RECOVERABLE EXPENSES IN EXCESS OF 5% CAP (DEFERRED FROM PRIOR RAC RECOVERY YEAR)	\$10,563,392
20	
21 BEFORE TAX COST RATE ON DEFERRED COSTS	8.77%
22	
23 CARRYING COSTS ON DEFERRED COSTS FROM PRIOR RAC RECOVERY YEAR	\$926,409
24	
25 TOTAL RECOVERABLE EXPENSES	\$40,240,011
26	
27 TOTAL COMPANY FIRM REVENUES - (AUGUST 1, 2016 - JULY 31, 2017)	\$373,420,663
28	
29 RECOVERABLE EXPENSES AS A % OF PRECEDING YEAR REVENUES	10.78%
30	
31 COST RECOVERY LIMIT PER COMPANY TARIFF (5% CAP)	5.00%
32	
33 TOTAL ALLOWABLE EXPENSES (UP TO 5% CAP)	\$18,671,033
34	
35 RECOVERABLE EXPENSES IN EXCESS OF 5% CAP	\$21,568,978
36 (DEFERRED TO SUBSEQUENT RAC RECOVERY YEAR)	
37	
38	
39	
<u>THERM SALES PROJECTION - RECOVERY YEAR (SBC/TIC-1)</u>	Projected Nov '18 - Oct '19
41	
42 RSG	241,325,158
43 GSG & GSG-LV	98,993,354
44 EGS	842,977
45 RSG-FT	25,434,799
46 GSG-FT & GSG-LV-FT	71,642,040
47 LVS-FT	74,937,884
48 CTS	25,877,577
50 FES & EGS-LV	16,086,487
51 ITS & IGS	8,252,195
52 NGV	2,345,700
53	
54 TOTAL THERM SALES	565,738,171
55	
56 RATE PER THERM (Excluding SUT & PUA)	\$ 0.033003
57	
58 RATE PER THERM (Including SUT & PUA)	\$ 0.035278

Updated CLEP KJB-1

South Jersey Gas Company  
NJ Clean Energy Program  
Calculation of 2018-2019 Rate

1	<b>Rate Calculation:</b>		
2			
3	Forecasted Under-Recovered Balance as of October 31, 2018	\$ 3,027,348	(CLEP KJB-2, Line 10)
4			
5	Plus: November 2018 - October 2019 Expenses	\$ 10,260,888	(CLEP KJB-2, Line 22)
6			
7	Carrying Costs	\$ 50,221	(CLEP KJB-2, Line 28)
8			
9	Total CLEP Cost	<u>\$ 13,338,458</u>	
10			
11			
12			
13			
14			
15	Therm Sales Projection (SBC/TIC-1):		Projected
16			Nov '18 - Oct '19
17	RSG	241,325,158	
18	RSG FT	25,434,799	
19	GSG & GSG-LV	98,993,354	
20	GSG FT & GSG-LV FT	71,642,040	
21	EGS	842,977	
22	LVS FT	74,937,884	
23	CTS	25,877,577	
24	FES/EGS-LV	16,086,487	
25	ITS	8,224,453	
26	NGV	2,345,700	
27			
28	Total	<u>565,710,429</u>	
29			
30	CLEP Rate Per Therm (Excluding SUT & PUA)	<u>\$ 0.023578</u>	
31			
32	CLEP Rate Per Therm (Including SUT & PUA)	<u>\$ 0.025203</u>	

Updated TIC KJB-1

**South Jersey Gas Company  
Transportation Initiation Clause  
Calculation of 2018 - 2019 Rate**

1	Projected Under-Recovered Balance at October 31, 2018	\$918,442 (TIC KJB-2, Line 11)
2		
3	Less: August 2018 through October 2018 Expenses	(\$92,348) (TIC KJB-2, Line 7)
4		
5	Carrying Cost	<u>\$19,599</u> (TIC KJB-2, Line 29)
6		
7	Total Cost	<u>\$845,693</u>
8		
9		
10	<b>Therm Sales Projection:</b>	
11		
12	Rate Schedule RSG	241,325,158
13	Rate Schedule RSG-FT	25,434,799
14	Rate Schedule GSG & GSG-LV	98,993,354
15	Rate Schedule GSG-FT & GSG-LV-FT	71,642,040
16		
17	Total	<u>437,395,351</u>
18		
19		
20	TIC Rate Per Therm (Excluding SUT & PUA)	<u>\$0.001933</u>
21		
22	TIC Rate Per Therm (Including SUT & PUA)	<u>\$0.002066</u>



## **Proposed RAC Minimum Filing Requirements**

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period.

1. The Company currently provides a vendor summary as part of its annual RAC filing. This document provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through July 31st of each year will continue to be submitted with the Company's annual RAC filing.

2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting work papers, charts and tables.

3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding July 31st of the most recent RAC period.

4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.

5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.

6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period.

7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the

previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.

8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.

9. Provide schedules and supporting work papers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.

10. Provide the Company's bid evaluation studies, reports, work papers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.

11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.

12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including work papers and supporting documentation.

14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.

15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control. Also, provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement.