



Deborah M. Franco, Esq.  
Regulatory Affairs Counsel

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CASE MANAGEMENT

MAY 02 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

April 30, 2019

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MAY 02 2019  
BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

**Electronic Filing & Overnight Mail**

Aida Camacho-Welch  
Office of the 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. G19040528**

Dear Ms. Camacho-Welch:

Enclosed, please find an original and two (2) copies of South Jersey Gas Company's Petition, Case Summary, Testimony and Schedules in the referenced matter, which have been filed electronically today through the Board's e-filing program.

If you have any questions, please feel free to contact me directly.

**CMS**

LEGAL  
DAG  
RPA  
ENERGY-TOC

Respectfully,

Deborah M. Franco

DMF:caj  
Enclosure

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

MAY 02 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

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

South Jersey Gas Company ("South Jersey," "Petitioner," or the "Company") files this Petition for approval of base rate adjustments 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. With the AIRP II, South Jersey is authorized to invest \$302.5 million over five (5) years to enhance the reliability and safety of its gas distribution system by replacing all remaining unprotected bare steel and cast iron mains and associated services within its system.

Cost recovery for AIRP II projects is effectuated by an annual adjustment to base distribution rates, effective on October 1. The present Petition seeks Board approval to recover the revenue requirements associated with AIRP II projects placed in service during the period July 1, 2018 through June 30, 2019, through a base rate adjustment to take effect on October 1, 2019.

If approved by the Board, the impact of the proposed base rate adjustment on the bill of an average residential heating customer using 100 therms in a winter month would be an increase of \$1.93 or 1.2%.

MAY 02 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

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

**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 Place, Atlantic City, New Jersey, hereby petitions this Honorable Board (the "Board") for base rate adjustments to provide for 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. In support thereof, the Company states as follows:

**I. INTRODUCTION**

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 390,000 customers.

2. South Jersey is subject to regulation by the Board ensuring that safe, adequate and proper natural gas service is provided to its customers pursuant to N.J.S.A. 48:2-23.

3. In furtherance of this responsibility, South Jersey is required to maintain its public utility infrastructure, including the property, plant, facilities, and equipment that comprise South Jersey's natural gas distribution and transmission systems, in such condition as to enable the provision of such service.

## **II. BACKGROUND**

4. On February 20, 2013, in Docket No. GO12070670, the Board approved the Company's original Accelerated Infrastructure Replacement Program ("AIRP I") as a four (4) year program commencing on January 1, 2013 and continuing until December 31, 2016 (the "AIRP I Order"). Pursuant to the AIRP I Order, the Company was authorized to invest \$35.3 million per year, excluding Accumulated Funds Used During Construction ("AFUDC"), for four (4) years, for a total of \$141.2 million, to replace unprotected bare steel and cast iron mains and services.

5. On February 29, 2016, the Company petitioned the Board seeking approval to continue AIRP I (hereinafter referred to as "AIRP II" or the "Program"), and to utilize an associated recovery mechanism to recover costs from ratepayers through an annual AIRP II rate adjustment filing.

6. After notice and public hearings, on August 22, 2016, the Company, Board Staff and the Division of Rate Counsel (collectively, the "Parties") entered into a Stipulation of Settlement ("AIRP II Stipulation") regarding the Program. By Order dated October 31, 2016 in Docket No. GR16020175, the Board approved AIRP II, including the authorized investments and cost recovery mechanism to be utilized.

7. The AIRP II Stipulation provided that AIRP II would include the replacement of cast iron and unprotected bare steel mains and associated services ("AIRP Investments"). The

Company further stipulated to continue its practice of replacing coated steel mains, however such replacements shall not be included in AIRP II Investments.

8. The AIRP II Stipulation further provided that the Program would encompass a five (5) year period beginning on October 1, 2016 and ending September 30, 2021. The costs of the Program were limited to \$302.5 million (the "Program Cost Cap"), excluding AFUDC. This amount is 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 (the "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.

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

10. Pursuant to the AIRP II Stipulation, 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").

11. On April 28, 2017, the Company made its first Annual Filing with the Board in Docket No. GR17050441, seeking recovery of the revenue requirements associated with AIRP II projects totaling \$46.1 million, excluding AFUDC, that were placed in service from October 1, 2016 through June 30, 2017.

12. Following duly noticed public hearings, on September 22, 2017, the Board approved the first AIRP II Rate Adjustment, with an effective date of October 1, 2017. The

revenue requirement authorized by that Order was \$4.962 million, including Sales and Use Tax ("SUT").

13. On April 30, 2018, the Company made its second Annual Filing with the Board in Docket No. GR18040476, seeking recovery of the revenue requirements associated with AIRP II projects totaling \$60.4 million, excluding AFUDC, that were placed in service from July 1, 2017 through June 30, 2018.

14. Following duly noticed public hearings, on September 17, 2018, the Board approved the second AIRP II Rate Adjustment, with an effective date of October 1, 2018. The revenue requirement authorized by that Order was \$6.562 million, including SUT.

### **III. REQUEST FOR COST RECOVERY OF AIRP II INVESTMENTS**

15. Through this Petition the Company seeks Board approval to recover the revenue requirements associated with AIRP II Investments placed in service from July 1, 2018 through June 30, 2019. The AIRP II investments projected to be in service during the program year total approximately \$63 million, excluding AFUDC. The Company further proposes an AIRP II Rate Adjustment to take place on October 1, 2019. The Schedules attached to the Direct Testimony of Stefany M. Graham, Manager, Rates and Regulatory Initiatives, set forth the calculation of the revenue requirement, which is calculated in accordance with the AIRP II Stipulation.

16. With this filing, the Company includes actual data through March 31, 2019 and projected data through June 30, 2019. The projected data for the period April 1, 2019 through June 30, 2019 will be replaced with actual data in an update filing to be made with the Board no later than July 15, 2019.



17. Pursuant to the Order approving the AIRP II Stipulation, the base rate adjustments proposed herein are based on the rate design utilized to set base rates in the Company's most recent base rate case, Docket No. GR17010071.

18. The impact of the proposed AIRP II Rate Adjustment on a residential heating customer using 100 therms in a winter month would be an increase of \$1.93, or 1.2%.

#### **IV. SUPPORTING TESTIMONY**

19. Attached hereto and incorporated herein is the testimony of:

1. Brent W. Schomber, Vice President Construction and Shared Services, SJJ Utilities, Inc.; and
2. Stefany M. Graham, Manager, Rates and Regulatory Initiatives, SJJ Utilities, Inc.

#### **V. MINIMUM FILING REQUIREMENTS**

20. The parties to the AIRP II Stipulation agreed that the Company will provide, as part of its Annual Filings, certain Minimum Filing Requirements.

21. A summary of the Minimum Filing Requirements and their location in this filing is attached hereto as Exhibit A.

#### **VI. PUBLIC NOTICE**

22. South Jersey will provide notice of the filing of this Petition for the AIRP II Rate Adjustment and modification of its Tariff to all of its customers through the publication of a Public Notice in newspapers of general circulation within the Company's service territory. A copy of the proposed Public Notice is attached as hereto as Exhibit B.

23. The municipalities and counties served by South Jersey's operations will be further notified of the filing of this Petition by letter to be mailed upon publication of the Public Notice.

**VII. MISCELLANEOUS**

24. South Jersey has served notice and five (5) copies of the filing on the Director, Division of Rate Counsel, 140 East Front Street - 4<sup>th</sup> Floor, PO Box 003, Trenton, New Jersey 08625.

25. South Jersey has also served notice and two (2) copies of the filing on the Department of Law and Public Safety, Division of Law, 124 Halsey Street, PO Box 45029, Newark, New Jersey 07102.

Respectfully submitted,

SOUTH JERSEY GAS COMPANY



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By: Deborah M. Franco  
Regulatory Affairs Counsel  
SJL Utilities, Inc.

DATED: April 30, 2019



Communications addressed to the Petitioner  
in this case are to be sent to:

Deborah M. Franco  
Regulatory Affairs Counsel  
SJI Utilities, Inc.  
520 Green Lane  
Union, New Jersey 07083  
[dfranco@sjindustries.com](mailto:dfranco@sjindustries.com)

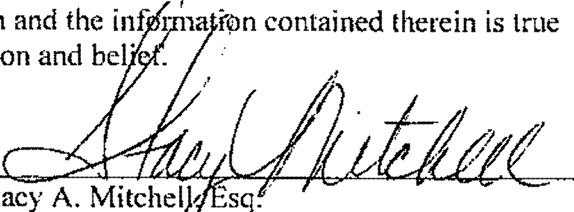
Stacy A. Mitchell, Esq.  
Vice President, Rates and Regulatory Affairs  
SJI Utilities, Inc.  
1 South Jersey Place  
Atlantic City, NJ 08401  
[smitchell@sjindustries.com](mailto:smitchell@sjindustries.com)

### VERIFICATION

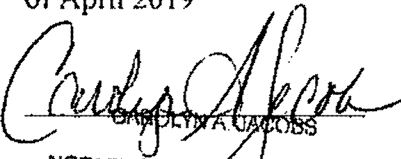
I, Stacy A. Mitchell, of full age, being duly sworn according to law, upon my oath, depose and say:

1. I am Vice President, Rates and Regulatory Affairs of SJH Utilities Inc., the parent company to South Jersey Gas Company ("Company") and I am authorized to make this verification on behalf of the Company.

2. I have reviewed the within petition and the information contained therein is true according to the best of my knowledge, information and belief.

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

Sworn to and subscribed  
before me this 30th day  
of April 2019

  
CAROLYN A. JACOBS  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires October 28, 2023

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")

MINIMUM FILING REQUIREMENTS	LOCATION IN FILING
1. SJG's Income Statement for the most recent 12 month period, as filed with the BPU.	Schedule SMG-9: Income Statement
2. SJG's Balance Sheet for the most recent 12 month period, as filed with the BPU.	Schedule SMG-10: Balance Sheet
3. A calculation of the proposed rate adjustment based on details related to Program Projects included in Plant in Service.  a. A calculation of the associated depreciation expense, based on projects closed to Plant in Service during the period.	Schedule SMG-1: Revenue Requirement Schedule SMG-2: Accumulated Depreciation Schedule SMG-5: Depreciation Expense Schedule SMG-7: Rate Design Schedule SMG-8: Tariff Sheets
4. A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.	Schedule SMG-1: Revenue Requirement Schedule SMG-2: Accumulated Depreciation Schedule SMG-3: Accumulated Deferred Taxes Schedule SMG-4: Weighted Average Cost of Capital Schedule SMG-5: Depreciation Expense Schedule SMG-6: Revenue Factor
5. Copies of the current and all previously filed Quarterly Reports.	Schedule BS-1: Quarterly Reports

**NOTICE OF FILING OF PETITION  
AND OF PUBLIC HEARING**

**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. \_\_\_\_\_**

**NOTICE IS HEREBY GIVEN** that, on April 30, 2019, South Jersey Gas Company ("South Jersey" or "Company") filed a petition (Petition) with the New Jersey Board of Public Utilities ("Board") seeking Board approval to increase base rates associated with the Company's Accelerated Infrastructure Replacement Program ("AIRP II"). The Board approved the AIRP II and the associated cost recovery mechanism on October 31, 2016 in Docket No. GR16020175 ("Order"). The Order authorized the Company to invest \$302.5 million, over a five-year period commencing October 1, 2016 and ending September 30, 2021, to replace cast iron and unprotected bare steel mains and associated services. The Order also authorized the Company to make annual filings with the Board to recover the costs associated with AIRP II project investments and to earn a return on and a return of those investments through annual adjustments to base rates. This Petition seeks Board approval to recover the revenue requirements associated with approximately \$63 million AIRP II projects placed in-service from July 1, 2018 through June 30, 2019 with an October 1, 2019 rate effective date. The purpose of the AIRP II program is to continue to eliminate aging and leak prone materials and enhance the reliability and safety of the Company's gas distribution system.

If the proposed increase is approved by the Board, the bill impacts on typical Residential and General Service customers using less than 5,000 therms per year is estimated to be as follows:

**Residential Service (RSG)**

Monthly Therm Level	Monthly Bill as of April 30, 2019 <sup>(1)</sup>	Monthly Bill as of October 1, 2019 <sup>(2)</sup>	Dollar Increase	Percent Increase
25	\$46.47	\$46.95	\$0.48	1.0%
100	\$155.49	\$157.42	\$1.93	1.2%
200	\$300.84	\$304.71	\$3.87	1.3%

**General Service (GSG) (Using less than 5,000 therms per year)**

Monthly Therm Level	Monthly Bill as of April 30, 2019 <sup>(1)</sup>	Monthly Bill as of October 1, 2019 <sup>(2)</sup>	Dollar Increase	Percent Increase
500	\$699.23	\$706.90	\$7.67	1.1%
1,000	\$1,366.50	\$1,381.84	\$15.34	1.1%
2,000	\$2,701.05	\$2,731.73	\$30.68	1.1%

(1) Based upon current Delivery Rates and Basic Gas Supply Service ("BGSS") charges in effect October 1, 2018 and assumes that the customer receives BGSS service from South Jersey.

(2) Same as (1) except includes base rate changes associated with AIRP II.

The following Rate Schedules will also be affected by the Company's proposed base rate increase: General Service – Large Volume (GSG-LV), Comprehensive Firm Transportation Service (CTS), Large Volume

Service (LVS), Electric Generation Service (EGS), Electric Generation Service – Large Volume (EGS-LV), Natural Gas Vehicle Service (NGV), Yard Lights Service (YLS) and Street Lights Service (SLS).

The effect of the proposed increase would be an increase of \$1.93 or 1.2% for a residential customer using one-hundred (100) therms of gas during the winter months.

Pursuant to N.J.S.A. 48:3-1, any relief determined by the Board to be just and reasonable may be allocated to customers in such manner, and in such amounts or percentages, as the Board may deem appropriate. The Board may authorize an increase on any customer class or group or may exclude from increase any customer class or group, varying the percentage increase applicable. Therefore, the Board may approve an AIRP II base rate adjustment that is different than the rate proposed by South Jersey.

Copies of the Company's filing are available for inspection at the Company's offices located at One South Jersey Place, Atlantic City, New Jersey 08401, or at the Board of Public Utilities, 44 South Clinton Avenue, 7<sup>th</sup> Floor, Trenton, New Jersey 08625-0350. The Company's filing may also be found on the South Jersey website at <https://www.southjerseygas.com/About-South-Jersey-Gas/Regulatory-Compliance-Tariff-Information.aspx>.

**NOTICE** is further given that public hearings are scheduled at the following date, times, and place on the Company's petition:

\_\_\_\_\_, 2019 at \_\_\_\_ p.m. and \_\_\_\_ p.m.  
Voorhees Township, Municipal Court  
Voorhees Town Center  
Voorhees, New Jersey 08043  
(located directly across from Township Library at 203 Laurel Road)

**The public is invited to attend and make a statement of their views on the proposed rate increases. Such comments will be made a part of the final record. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, forty-eight (48) hours prior to this hearing. Written requests and public comments may be submitted to the Board to: Aida Camacho-Welch, Secretary, Board of Public Utilities, 44 S. Clinton Avenue, 3<sup>rd</sup> Floor Suite 314, P.O. Box 350, Trenton, NJ 08625-0350.**

**SOUTH JERSEY GAS COMPANY**  
**By: David Robbins, Jr.**  
**President**