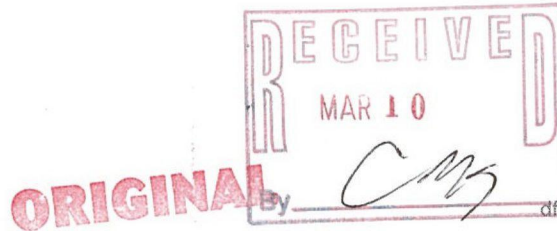


SJI
Utilities
FORWARD
CASE MANAGEMENT
Deborah M. Franco, Esq.
Director, Regulatory Affairs Counsel
2020 MAR 10 A 11:18

BOARD OF PUBLIC UTILITIES
TRENTON, NJ
Via FedEx & Electronic Mail

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



520 Green Lane
Union, NJ 07083
T: (908) 662-8448
F: (908) 662-8496
dfranco@sjindustries.com

March 9, 2020

RECEIVED
MAIL ROOM
MAR 10 2020
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

**Re: In The Matter Of The New Jersey Board Of Public Utilities'
Consideration Of The Tax Cuts And Jobs Act Of 2017
BPU Docket No. AX18010001**

**In The Matter Of The Petition Of South Jersey Gas Company For
Approval Of Change In Rates, Customer Refund And Rider Associated
With The Tax Cuts And Jobs Act of 2017
BPU Docket No. GR18080860**

**In The Matter Of The Petition Of South Jersey Gas Company For Approval To
Revise Rider "H" Rate Associated With The Tax Cuts And Jobs Acts Of 2017
BPU Docket No. GR19060701**

Dear Secretary Camacho-Welch:

Enclosed for filing in the above-referenced proceeding is a Stipulation executed by representatives of South Jersey Gas Company, the Staff of the Board of Public Utilities and the Division of Rate Counsel.

Please contact the undersigned if you have any questions or require further information.

Sincerely,

/s/ Deborah M. Franco *KB*

Deborah M. Franco

cc: Service List Electronically

Case mgmt
H. Weisband, Esq.
A. Moreau, Esq.

P. Van Brund, Esq.
S. Peterson
A. Bator

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

RECEIVED
MAIL ROOM

MAR 10 2020

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE NEW JERSEY	:	
BOARD OF PUBLIC UTILITIES'	:	BPU DOCKET NO. AX18010001
CONSIDERATION OF THE TAX CUTS	:	
AND JOBS ACT OF 2017	:	
	:	
IN THE MATTER OF THE PETITION OF	:	
SOUTH JERSEY GAS COMPANY FOR	:	BPU DOCKET NO. GR18030230
APPROVAL OF A CHANGE IN RATES,	:	
CUSTOMER REFUND AND RIDER	:	
ASSOCIATED WITH THE TAX CUTS	:	
AND JOBS ACT OF 2017	:	
	:	
IN THE MATTER OF THE PETITION OF	:	
SOUTH JERSEY GAS COMPANY FOR	:	BPU DOCKET NO. GR19060701
APPROVAL TO REVISE RIDER "H"	:	
RATE ASSOCIATED WITH THE TAX	:	
CUTS AND JOB ACTS OF 2017	:	STIPULATION

APPEARANCES:

Deborah M. Franco, Esq., Director, Regulatory Affairs Counsel, SJI Utilities, Inc., for South Jersey Gas Company ("Petitioner").

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

Renee Greenberg, 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 addresses the outstanding items related to the Company's compliance filing submitted to the New Jersey Board of Public Utilities ("Board" or "BPU") on March 29, 2019 ("Compliance Filing") pursuant to a Board Order issued on September 17, 2018 in Docket Nos. AX18010001 and GR18030230 ("September 2018 Order"), as well as the petition filed by

South Jersey Gas Company ("SJG" or the "Company") with the BPU on June 3, 2019 ("2019 True Up Petition") for an increase in the Company's Rider "H" rate associated with the Tax Cuts and Jobs Act of 2017, which was initially established on October 1, 2018 pursuant the September 2018 Order.

I. BACKGROUND

1. On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act of 2017 (the "Act"). In response thereto, on January 31, 2018, the Board directed affected utilities to file petitions proposing new rates reflecting the impacts from the Act. *In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, BPU Docket No. AX18010001 (Order dated January 31, 2018) ("TCJA Board Order"). The most direct and significant impact of the Tax Act "is the reduction in the maximum corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%) taking effect on January 1, 2018." (*Id.* at 1).

2. On March 2, 2018, the Company filed a petition in accordance with the TCJA Board Order proposing (1) a reduction in base rates of \$25.88 million effective April 1, 2018, (2) a corresponding estimated \$12.88 million refund to customers for the period January 1, 2018 through March 31, 2019, and (3) a remeasurement and adjustment to rates related to the Unprotected Excess Deferred Income Taxes ("EDIT") balance of approximately \$27.1 million.

3. On March 26, 2018, the Board issued an Order authorizing the implementation of the Company's proposed rate reduction on an interim basis, effective April 1, 2018. The Board deferred until a later date a decision on the Company's proposed refund and other tariff rider. By way of the September 2018 Order, interim rates were made final effective October 1, 2018 and a customer refund of approximately \$13.9 million, including interest and excluding tax, was issued

on October 14, 2018. The September 2018 Order also authorized SJG to implement its proposed Rider "H" with an initial credit rate of \$0.013043 to refund the Company's "Unprotected" EDIT balance over a five (5) year period with interest at the Company's short-term debt rate, effective October 1, 2018. The matter was to remain open until the Company submitted a filing to begin amortizing the "Protected" EDIT balance over the amortization period determined by the Average Rate Assumption Method ("ARAM"), no later than March 31, 2019.

4. On March 29, 2019, the Company submitted the Compliance Filing pursuant to the September 2018 Order, identifying the revised estimated EDIT balances and the proposed amortization and refund mechanism for the "Protected" EDIT balance. The Protected EDIT balance reflected a regulatory liability of approximately \$149.5 million (pre-gross up), consisting of a \$181.0 million regulatory liability offset by a \$31.6 million regulatory asset related to the Company's net operating loss carryforward ("NOL Carryforward"). The Company's Unprotected EDIT balance reflected a regulatory liability of approximately \$43.4 million. The Company proposed to refund all excess deferred income tax balances through Rider "H", with the "Unprotected" EDIT and "Protected- NOL" EDIT to be amortized over a five (5) period, and the "Protected" EDIT to be amortized over the remaining lives of the related assets utilizing ARAM.

5. Pursuant to the September 2018 Order, the Parties agreed that the Company would submit an annual Rider "H" true-up filing on June 1st to establish future Rider "H" rates, with a proposed effective date of October 1st of each year. The proposed Rider "H" included the refund of the Company's "Unprotected" EDIT, with interest at the Company's short-term debt rate, and the Company's "Protected" EDIT.

II. PROCEDURAL HISTORY

6. On June 3, 2019, the Company submitted the 2019 True Up Petition to comply with the requirement contained in the September 2018 Order to submit its first annual true-up of Rider H. The 2019 True Up Petition sought authorization to modify the Company's current Rider "H" credit rate of \$0.013043 per therm, including taxes, to a credit rate of \$0.012207 per therm, including taxes, reflecting an increase of \$0.000836 per therm for the period beginning October 1, 2019 and ending September 30, 2020. The proposed rate was based on actual information through April 30, 2019 and projected data through September 30, 2020.

7. As reflected in the 2019 True Up Petition, the impact of the proposed rate on the bill of a residential heating customer using 100 therms of natural gas in a winter month represented an increase of \$0.08, or 0.1%.

8. Following public notice published in newspapers of general circulation within South Jersey's service territory, two public hearings for the 2019 True Up Petition were held on August 20, 2019 at 4:30 PM and 5:30 PM in Voorhees, New Jersey. No members of the public appeared or provided written comments.

III. STIPULATED TERMS

9. Upon review of the Compliance Filing and Petition, the accompanying Testimony and Schedules, and the Company's responses to data requests, and after settlement discussions among the Parties, the Parties **STIPULATE AND AGREE** as follows:

10. The Rider H credit rate of \$0.020239 per therm, inclusive of all applicable taxes, as reflected on Attachment A, will become effective as of the effective date of a Board Order approving this Stipulation in accordance with N.J.S.A. 48:2-40 or upon such date thereafter as

the Board may specify. This Rider H credit rate shall remain in effect until changed by order of the Board.

11. The "Unprotected" EDIT balance reflects a regulatory liability of approximately \$44.7 million (pre-gross up), reflected on Attachment B. This balance reflects the proposed amount of \$43.4 million from the Compliance Filing, adjusted for the removal of the following accounts: (1) Charitable Contributions; (2) Restricted Stock; (3) Unrealized Gain/Loss; (4) FIN 48; and (5) CIAC.

12. The "Protected" EDIT balance reflects a regulatory liability of approximately \$149.5 million (pre-gross up), consisting of a \$181.0 million regulatory liability offset by a \$31.6 million regulatory asset related to the Company's net operating loss ("NOL"), which is reflected on Attachment C.

13. The "Protected" EDIT Regulatory liability of \$181 million, comprising of depreciation/normalization timing differences and cost of removal will be amortized over the remaining lives of the related assets utilizing ARAM.

14. The "Protected" EDIT Regulatory asset of \$31.6 million, associated with the NOL Carryforward will be amortized over the average life of the related assets, utilizing the Reverse South Georgia Method subject to the provisions set forth in paragraphs 16 and 17.

15. The net "Protected" EDIT will be refunded to customers through a proposed base rate adjustment in the Company's next base rate case, in accordance with the agreed upon amortization periods described above.

16. The Parties intend that the computations of "Protected" EDIT and "Protected-NOL" EDIT and the associated amortization periods and methods comply with the normalization requirements of the Act, including guidance to be issued by the Internal Revenue Service

("IRS"). As such, the computations may be revised in a future period in order to comply with any new normalization guidance that may be issued by the IRS. The Company will include such adjustments in a subsequent base rate case as may be appropriate to comply with such IRS guidance.

17. The Rider "H" credit rate of \$0.020239 per therm is limited to refunding the "Unprotected" EDIT balance. However, should IRS normalization guidance issued in the future conflict with the terms of this Stipulation of Settlement, the Parties agree that Rider "H" may be employed to adjust amortization of "Protected" EDIT and "Protected-NOL" EDIT, as necessary, for differences between amortization reflected in rates and amounts permitted to be amortized in accordance with the IRS normalization guidance, prior to the effective date of a base rate case.

18. The impact of the proposed Rider "H" credit rate of \$0.020239 per therm on the bill of a residential heating customer using 100 therms of natural gas in a winter month represents a decrease of \$0.72, or 0.5% compared to currently effective rates.

19. This Stipulation resolves all issues related to the Compliance Filing and 2019 True Up Petition subject to the terms and conditions reflected herein.

IV. FURTHER PROVISIONS

20. 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.

21. 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.

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: Deborah M. Franco / ssp
Deborah M. Franco, Esq.
Director, Regulatory Affairs Counsel

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

By: Renee Greenberg 2/19/2020
Renee Greenberg, Esq.
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: Felicia Thomas-Friel
Felicia Thomas-Friel, Esq.
Deputy Rate Counsel

Dated: March 9, 2020

Attachment A

**South Jersey Gas Company
Tax Act Rider - Unprotected EDIT
Projected Rate Calculation**

Line No.

		Year 2
		Oct 19 - Sept 20
1		
2		
3		
4	Unprotected EDIT Amortization (5 Years)	(\$8,931,846)
5		
6	Projected Carrying Costs	(\$1,025,677)
7		
8	Beginning Over/(Under) Refunded Balance	(\$1,366,171)
9		
10	Total Customer Refund	<u>(\$11,323,694)</u>
11		
12	Therm Sales Projection	598,056,032
13		
14	Rate Per Therm, Excluding SUT & PUA	\$ (0.018934)
15		
16	Rate Per Therm, Including SUT & PUA	\$ (0.020239)

**South Jersey Gas Company
Unprotected Excess ADIT**

Proposed Balance - March 2019 Compliance Filing

Component	Gross Temp DTA/(DTL)	Deferred state tax	Gross Fed less State def tax	14% diff in rate change
AFUDC	0	-	-	-
Environmental	(109,206,909)	(8,703,791)	(100,503,119)	(14,070,437)
CIP	(26,651,836)	(2,124,151)	(24,527,684)	(3,433,876)
Deferred Regulatory Expense	(12,538,194)	(999,294)	(11,538,900)	(1,615,446)
Uncollectibles	13,152,807	1,048,279	12,104,529	1,694,634
Budget Billing	(13,924,820)	(1,109,808)	(12,815,012)	(1,794,102)
Deferred Fuel Costs	(35,683,620)	(2,843,984)	(32,839,635)	(4,597,549)
Deferred Revenues	20,940,339	1,668,945	19,271,394	2,697,995
Pension/Other Post Retirement Benefits	(36,284,218)	(2,891,852)	(33,392,366)	(4,674,931)
Accrued Vacation	1,168,182	93,104	1,075,078	150,511
Other Miscellaneous Deferreds	(2,589,230)	(206,362)	(2,382,869)	(333,602)
Other Miscellaneous Deferreds - Federal only	923,142		923,142	129,240
Charitable Contributions*	3,627,108	289,081	3,338,028	467,324
Restricted Stock*	1,736,277	138,381	1,597,896	223,705
Unrealized Gain/Loss*	675,816	53,863	621,953	87,073
FIN 48*	1,442,707	114,984	1,327,723	185,881
CIAC*	1,942,451	154,813	1,787,638	250,269
Customer Deposit	1,421,308	113,278	1,308,030	183,124
Excess Protected	(3,474,260)		(3,474,260)	(486,396)
Federal basis difference	(144,053,929)	(11,851,093)	(132,202,836)	(18,508,397)

Total	(337,376,878)	(27,055,608)	(310,321,269)	(43,444,978)
--------------	----------------------	---------------------	----------------------	---------------------

**Items removed in Revised Balance Below*

Revised Balance

Component	Gross Temp DTA/(DTL)	Deferred state tax	Gross Fed less State def tax	14% diff in rate change
AFUDC	0	-	-	-
Environmental	(109,206,909)	(8,703,791)	(100,503,119)	(14,070,437)
CIP	(26,651,836)	(2,124,151)	(24,527,684)	(3,433,876)
Deferred Regulatory Expense	(12,538,194)	(999,294)	(11,538,900)	(1,615,446)
Uncollectibles	13,152,807	1,048,279	12,104,529	1,694,634
Budget Billing	(13,924,820)	(1,109,808)	(12,815,012)	(1,794,102)
Deferred Fuel Costs	(35,683,620)	(2,843,984)	(32,839,635)	(4,597,549)
Deferred Revenues	20,940,339	1,668,945	19,271,394	2,697,995
Pension/Other Post Retirement Benefits	(36,284,218)	(2,891,852)	(33,392,366)	(4,674,931)
Accrued Vacation	1,168,182	93,104	1,075,078	150,511
Other Miscellaneous Deferreds	(2,589,230)	(206,362)	(2,382,869)	(333,602)
Other Miscellaneous Deferreds - Federal only	923,142		923,142	129,240
Customer Deposit	1,421,308	113,278	1,308,030	183,124
Excess Protected	(3,474,260)		(3,474,260)	(486,396)
Federal basis difference	(144,053,929)	(11,851,093)	(132,202,836)	(18,508,397)

Total	(346,801,237)	(27,806,730)	(318,994,508)	(44,659,231)
--------------	----------------------	---------------------	----------------------	---------------------

**South Jersey Gas Company
Protected Excess ADIT**

Component	Gross Temp DTA/(DTL)	Deferred state tax	Gross Fed less State def tax	14% diff in rate change
Depreciation/Normalization	(1,331,460,653)	(88,844,561)	(1,242,616,092)	(173,966,253)
Cost of Removal	(54,909,060)	(4,376,252)	(50,532,808)	(7,074,593)
Net Operating Loss Carryforward	246,147,499	19,646,474	225,501,025	31,570,143
Total	(1,141,222,214)	(73,574,339)	(1,067,647,876)	<u>(149,470,703)</u>