



Agenda Date: 5/5/20
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

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

Parties of Record:

Deborah M. Franco, Esq., SJI Utilities, Inc., on behalf of South Jersey Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a stipulation of settlement ("Stipulation") executed by South Jersey Gas Company ("SJG" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Parties") which seeks to resolve all issues related to these matters.

BACKGROUND

By Order, dated January 31, 2018, the Board directed affected utilities to file petitions proposing new rates reflecting the impacts from the Federal Tax Cuts and Jobs Act ("2017 Act") signed into law on December 22, 2017.¹ The effective date of the 2017 Act was January 1, 2018. The 2017

¹ See In re the New Jersey Board of Public Utilities Consideration of the Tax Cuts and Jobs Acts of 2017, BPU Docket No. AX18010001, Order dated January 31, 2018 ("Generic TCJA Order"). The affected utilities are investor owned as, electric, water and wastewater companies under the jurisdiction of the Board. In addition, affected utilities shall be those with 2017 revenue equal to or greater than \$4.5 million.

Act set forth changes to the Federal Internal Revenue Tax Code ("Tax Code"), including a reduction in the maximum corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). The Board is charged with the authority to ensure that the regulated utilities' rates charged to ratepayers are just and reasonable. When the Board sets rates in base rate cases and in certain annual/periodic clauses, utilities are permitted to gross up their revenue requirement as well as set other rate factors, including the accumulated deferred income tax, based on the then existing 35% corporate tax rate.

The Board issued the Generic TCJA Order which set all affected utility rates as interim, and established a proceeding to consider the implications of the 2017 Act. Based upon the Board's review of the 2017 Act, the Board found in its Generic TCJA Order that the changes to the Tax Code will provide savings to the affected utilities and will result in an over-collection of tax revenue that will not be paid in federal income taxes. The affected utilities were required to file amended tariffs reflecting a reduction in rates resulting from the reduction in the corporate tax rate effective April 1, 2018, as well as a plan to address other rate factors and to refund any over collection in rates. The Generic TCJA Order also set February 20, 2018 as the deadline for filing of motions to intervene or participate.

On March 2, 2018, the Company filed a petition in accordance with the TCJA Board Order proposing the following: 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 re-measurement and adjustment to rates related to the Unprotected Excess Deferred Income Taxes ("EDIT") balance of approximately \$27.1 million.

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, 2018.² In the March 2018 Order, the Board deferred, until a later date, a decision on the Company's proposed refund and other tariff rider. By Order dated September 17, 2018, the 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, 2018.³ 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, 2018.⁴ Pursuant to the September 2018 Order, 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 ("Compliance Filing"). Additionally, the Company was to 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.

² In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 and In re the Petition of South Jersey Gas Company for Approval of a Change in Rates, Customer refund and Rider Associated with the Tax Cuts and Jobs Act of 2017, BPU Docket No. GR18030230, Order dated March 26, 2018 ("March 2018 Order").

³ In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 and In re the Petition of South Jersey Gas Company for Approval of a Change in Rates, Customer refund and Rider Associated with the Tax Cuts and Jobs Act of 2017, BPU Docket No. GR18030230, Order dated September 17, 2018 ("September 2018 Order").

⁴ All rates quoted herein include Sales and Use Tax.

On March 29, 2019, the Company submitted the Compliance Filing, identifying the revised estimated EDIT balances and the proposed amortization and refund mechanism for the “Protected” EDIT balance. In the Compliance Filing, the Company indicated that 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 (“NOL”) carryforward (“NOL Carryforward”). The Company’s Unprotected EDIT balance reflected a regulatory liability of approximately \$43.4 million. The Company proposed to refund all EDIT balances through Rider “H” and proposed that the “Unprotected” EDIT and “Protected- NOL” EDIT be amortized over a five (5) period, and the “Protected” EDIT be amortized over the remaining lives of the related assets utilizing ARAM.

JUNE 2019 ANNUAL FILING

On June 3, 2019, in compliance with the September 2018 Order, the Company submitted the its annual Rider H True Up Filing (“2019 True Up Petition”). The 2019 True Up Petition sought authorization to modify the Company’s current Rider “H” credit rate of \$0.013043 per therm to a credit rate of \$0.012207 per therm, reflecting an increase of \$0.000836 per therm for the period October 1, 2019 through September 30, 2020. The proposed rate in the 2019 True Up Petition was based on actual information through April 30, 2019 and projected data through September 30, 2020.

Following public notice published in newspapers of general circulation within the Company’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.

STIPULATION

Following a review of discovery and subsequent discussions, on March 9, 2020, the Parties executed the Stipulation which provides for the following⁵:

10. The Rider H credit rate of \$0.020239 per therm, inclusive of all applicable taxes, as reflected on Attachment A of the Stipulation, will become effective as of the effective date of a Board Order approving the 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 of the Stipulation. 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 NOL, which is reflected on Attachment C of the Stipulation.

⁵ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions in this Order. Each paragraph is numbered to coincide with the paragraphs in the Stipulation

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 of the Stipulation.
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 in the Stipulation.
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 the Stipulation, 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. The Stipulation resolves all issues related to the Compliance Filing and 2019 True Up Petition subject to the terms and conditions reflected in the Stipulation.

DISCUSSION AND FINDING

Staff and Rate Counsel reviewed the Company’s filings, exchanged discovery and reached a resolution on all issues in this matter. The Board reviewed the record in this proceeding, including the Compliance Filing, the 2019 True Up Petition, and the Stipulation and **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY APPROVES** a revised Rider H credit rate of \$0.020239 per therm, effective June 1, 2020. As a result of the Stipulation, a typical residential heating customer using 100 therms in a winter month will see a decrease in their monthly bill of \$0.72.

The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by June 1, 2020.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

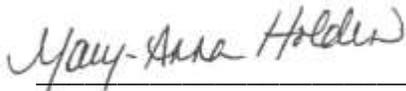
The effective date of this Order is May 15, 2020.

DATED: May 5, 2020

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

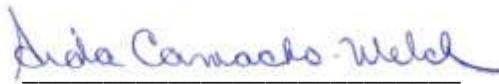


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

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 A CHANGE IN RATES, CUSTOMER REFUND AND RIDER ASSOCIATED WITH THE TAX
CUTS AND JOBS ACT OF 2017- BPU Docket No. GR18030230

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL
TO REVISE RIDER "H" RATE ASSOCIATED WITH THE TAX CUTS AND JOB ACTS OF 2017
BPU Docket No. GR19060701

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Deborah M. Franco, Esq.
Director, Regulatory Affairs Counsel

March 9, 2020

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

**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

Deborah M. Franco

cc: Service List Electronically

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

**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 / sp
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 3/9/2020
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 Deferrals	(2,589,230)	(206,362)	(2,382,869)	(333,602)
Other Miscellaneous Deferrals - 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	<u>(337,376,878)</u>	<u>(27,055,608)</u>	<u>(310,321,269)</u>	<u>(43,444,978)</u>

**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 Deferrals	(2,589,230)	(206,362)	(2,382,869)	(333,602)
Other Miscellaneous Deferrals - 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	<u>(346,801,237)</u>	<u>(27,806,730)</u>	<u>(318,994,508)</u>	<u>(44,659,231)</u>

**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	245,147,499	19,646,474	225,501,025	31,570,143
Total	<u>(1,141,222,214)</u>	<u>(73,574,339)</u>	<u>(1,067,647,876)</u>	<u><u>(149,470,703)</u></u>