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4 IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS
5 COMPANY FOR APPROVAL OF AN INCREASE IN BASE TARIFF
6 RATES AND CHARGES FOR GAS SERVICE, CHANGES TO
7 DEPRECIATION RATES, AND OTHER TARIFF REVISIONS
8 PURSUANT TO N.J.S.A. 48:2-18, 48:2-21 AND
9 42:2-21.1, AND N.J.A.C. 14:1-4.1, 14:1-5.1,
10 14:1-5.12

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OAL DOCKET NO. PUC 04830-20
AGENCY DOCKET NO. GR20030243

9

PUBLIC HEARING

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H E L D:

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Via ZOOM
Tuesday, August 25, 2020
4:30 p.m.

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16 B E F O R E:

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THE HONORABLE TRICIA M. CALIGUIRE
Administrative Law Judge

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TRANSCRIPTION BY:
Nancy Ambrose,
C.C.R.

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J.H. BUEHRER & ASSOCIATES
CERTIFIED SHORTHAND REPORTERS
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A P P E A R A N C E S:

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CULLEN & DYKMAN, L.L.P.
BY: KENNETH P. MALONEY, ESQ.
Appearing on behalf of
South Jersey Industries

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STATE OF NEW JERSEY
Division of Rate Counsel
BY: SARAH J. STEINDEL, ESQ.
Assistant General Counsel
Appearing on behalf of
Stefanie A. Brand, Esq.
Director, Division of Rate Counsel

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GIORDANO, HALLERAN & CIESLA, P.C.
BY: STEVEN S. GOLDENBERG, ESQ.
Appearing on behalf of the Intervenor,
Calpine Corporation

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15 A L S O A P P E A R I N G:

16 STEFANY GRAHAM
17 South Jersey Industry Utilities, Inc.
18 Director Rates and Regulatory Affairs

19 SRI MEDICHERLA
20 Board of Public Utilities' Staff
21 Division of Energy
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2 EXHIBITS
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4 NUMBER DESCRIPTION
5 P-1 Proof of Service

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1 THE FOLLOWING HEARING WAS TAKEN BY WAY OF THE
2 VIDEO CONFERENCING SOFTWARE APP, ZOOM. ALL
3 PARTICIPANTS APPEARED VIRTUALLY AND SEPARATELY,
4 NOT TOGETHER IN THE SAME ROOM.

5

6 THE JUDGE: Good afternoon, welcome
7 and thank you for participating in this
8 afternoon's public hearing. My name is Tricia
9 Caliguire, and I am the Administrative Law Judge
10 assigned to preside over this hearing.

11 The purpose of today's hearing is to
12 provide members of the public with the opportunity
13 to comment upon the petition of South Jersey Gas
14 Company which is pending before the Board of
15 Public Utilities. OAL Docket Number PUC 04830-20,
16 Agency Reference Number GR20030243.

17 The title of this docket is, In the
18 Matter of the Petition of South Jersey Gas Company
19 for Approval of an Increase in Base Tariff Rates
20 and Charges for Gas Service, Changes to
21 Depreciation Rates, and Other Tariff Revisions
22 Pursuant to N.J.S.A. 48:2-18, 48:2-21 and

23 48:2-21.1 and N.J.A.C. 14:1-4.1, 14:1-5.1 and

24 14:1-5.12.

25 This hearing is being held via Zoom,

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1 an audio-video platform licensed by the Office of
2 Administrative Law for use during the COVID-19
3 emergency. All members of the public, as well as
4 their counsel and representatives and I am in
5 remote locations, joined only by our phones and
6 laptop screens.

7 Throughout these proceedings the
8 Judge, the parties, and the Counsel will be shown
9 on screen. Each member of the public that wishes
10 to be heard will be shown on screen as a telephone
11 number, and will be able to participate when
12 called on by telephone number.

13 If at any time any participant loses
14 access, they should immediately contact OAL
15 Manager of Information Technology, Tom Harris.
16 His cell phone number is 609-256-2075.

17 No participant may livestream, video
18 or audio record any portion of this remote
19 hearing. This hearing will be transcribed, and
20 the parties may request the official transcript in
21 the same manner as if the hearing were taking
22 place in person.

23 The issues raised in the petition are
24 whether the petitioners can establish by a
25 preponderance of credible evidence that the

1 proposed increase in rates, new depreciation rates
2 and other tariff changes are reasonable and

3 justified.

4 Although the representatives of South
5 Jersey Gas Company, the BPU Staff, and the
6 Division of Rate Counsel will not be answering any
7 questions as part of this hearing, any member of
8 the public with questions can request a call after
9 the hearing has concluded. You may make this
10 request when you put your comments on the record.

11 Before that I'd like to explain how I
12 will conduct the hearing. First, the
13 representatives of the Company, the BPU Staff, and
14 Rate Counsel will introduce themselves and give a
15 short statement of their position.

16 Then I will call on members of the
17 public by telephone number in the order the calls
18 came in. You will need to unmute your line and
19 state your name, spelling your last name, and give
20 your address and phone number for the record.

21 Please note I will not set time
22 limits for any speaker during the public hearing.
23 We will be here until all of you who wish to speak
24 have had the opportunity to do so. I would
25 suggest, however, that if someone else has spoken

1 and you agree with his or her remarks, it is not
2 necessary for you to repeat them.

3 From time to time members of the
4 public bring documents with them to these
5 hearings. Since obviously we can't view those
6 documents, today I will give instructions on
7 mailing or emailing the documents to ensure they
8 become part of the record in this matter.

9 I will now ask the representatives to
10 place their appearances on the record and provide
11 their opening statements. Thank you for your
12 participation and courtesy.

13 (An off-the-record discussion takes
14 place.)

15 THE JUDGE: First, I would like the
16 representative of the petitioner.

17 MR. MALONEY: Good afternoon, Your
18 Honor. On behalf of South Jersey Gas Company, my
19 name is Kenneth P. Maloney with the law firm of

20 Cullen & Dykman, LLP.

21 THE JUDGE: And who is with you from

22 the Company today, Mr. Maloney?

23 MR. MALONEY: Deborah Franco,

24 Dominick DiRocco and Stefany Graham.

25 THE JUDGE: Thank you. From the

1 Staff of the Board?

2 MR. MEDICHERLA: My name is Sri

3 Medicherla, M-E-D-I-C-H-E-R-L-A.

4 THE JUDGE: Anyone else from Staff

5 with you, Mr. Medicherla?

6 MR. MEDICHERLA: No, ma'am.

7 THE JUDGE: Thank you. From the

8 Division of Rate Counsel?

9 MS. STEINDEL: Good afternoon. I'm

10 Sarah Steindel, Assistant Deputy Rate Counsel, on
11 behalf of the Division of Rate Counsel.

12 THE JUDGE: And from the Intervenor?

13 MR. GOLDENBERG: Steven Goldenberg,
14 Giordano, Halleran & Ciesla, representing the
15 Calpine Corporation.

16 THE JUDGE: Thank you. For the
17 record there is no one here from participant
18 PSE&G.

19 Mr. Maloney, how would you like to
20 begin?

21 MR. MALONEY: Ms. Graham is going to
22 read the Company's statement.

23 THE JUDGE: Yes. Okay. Thank you.

24

25

1 MS. GRAHAM: Good evening. My name
2 is Stefany Graham. I am Director of Rates and
3 Regulatory Affairs for SJI Utilities, speaking on
4 behalf of South Jersey Gas Company, hereinafter
5 referred to as the "Company" or "South Jersey".

6 I welcome the opportunity today,
7 along with other South Jersey Gas Company
8 associates, to comment on South Jersey Gas
9 Company's recent proposal to increase its base
10 tariff rates and charges for gas service and other
11 tariff revisions.

12 The Company is also proposing to
13 changes its depreciation rates. We are also here
14 to listen to the public as it expresses its views
15 regarding this proposal.

16 On March 13, 2020, South Jersey Gas
17 Company filed a petition with the New Jersey Board
18 of Public Utilities requesting increased base
19 rates and charges.

20 Based on the Company's total
21 projected operating revenues for the twelve months
22 ended June 30, 2020, the new rates proposed would
23 yield incremental operating revenues of
24 approximately 75.3 million, representing an
25 increase of 12.2 percent, after giving effect to:

1 One, the roll-in of the Company's
2 Conservation Incentive Program revenues, adjusted
3 for sales and use tax; and two, the roll-ins to
4 base rates for the Company's Storm Hardening and
5 Reliability Program and Accelerated Infrastructure
6 Replacement Program to take place October 1, 2020,
7 outside of this base rate case proceeding.

8 On May 15, 2020 the Company filed an
9 update to the March 13, 2020 petition to reflect
10 actual data through March 31, 2020. As a result
11 of that update, the new rates proposed would yield
12 incremental operating revenues of approximately
13 \$75.7 million, representing an increase of 13.1
14 percent.

15 On August 13, 2020 the Company filed
16 an additional update to reflect actual data for

17 the entire test year ending June 30, 2020. As a
18 result of that update, the new rates proposed
19 would yield incremental operating revenues of
20 approximately 73.3 million, representing an
21 increase of 13.1 percent.

22 The primary driver of this case is
23 the need to earn a reasonable return on the
24 significant capital investments that the Company
25 made since its last base rate case proceeding, and

1 to ensure the Company's continued ability to
2 invest in infrastructure at a level necessary to
3 provide ongoing safe and reliable service to our
4 customers.

5 In order to accomplish this, the
6 Company must be able to earn a fair return on and

7 of its infrastructure investments so that it may
8 continue to attract the necessary capital to
9 support further investments that enable it to
10 provide ongoing safe and reliable service to its
11 customers.

12 The Company has put forth every
13 concerted effort to effectively manage costs,
14 while providing customers with safe and reliable
15 service.

16 THE JUDGE: Ms. Graham, can I ask you
17 just to hold for one minute? Because it looks
18 like a member of the public has entered the
19 waiting room.

20 And so rather than, I'm not going to
21 ask you to repeat everything, but you just might
22 want to reprise the high points. Let me see.

23 MS. GRAHAM: Sure.

24 THE JUDGE: Actually, Mr. Goldenberg,
25 is your phone number 856-701-3807?

1 MR. GOLDENBERG: It is not.

2 THE JUDGE: Huh, it's the same

3 initials as you. Hello, this is Judge Caliguire.

4 The person at 856-701-3807 -- Tom, can you check?

5 MR. HARRIS: Yes. Caller at

6 856-701-3807, can I get your name, please?

7 MS. HAGMAIER: Hi, this is Jessica

8 Hagmaier. I just want to mention, this is

9 actually on behalf of the Company. Jessica

10 Hagmaier I'm part of the rates and regulatory

11 team, not a member of the public.

12 (An off-the-record discussion takes

13 place.)

14 THE JUDGE: Then Ms. Graham, you can

15 just pick up where you left off.

16 MS. GRAHAM: Very good. I'll begin

17 with the second to last paragraph.

18

19 The Company has put forth every

20 concerted effort to effectively manage costs,

21 while providing safe and reliable service.

22 However, a change in base rates is now necessary

23 to support the required levels of service.

24 The rate change proposed in this
25 proceeding would result in a rate increase for a

13

1 typical residential sales customer using 100
2 therms of gas per month of \$19.85 or 13.7 percent.

3 I look forward to listening to your
4 comments related to this proceeding, and am
5 available to answer any questions after the
6 hearing is complete, if needed.

7

8 That concludes my statement. Thank
9 you.

10 THE JUDGE: Thank you. Mr.
11 Medicherla, would you like to make a statement on
12 behalf of Staff of the Board? I think you're
13 muted, Mr. Medicherla.

14 MR. MEDICHERLA: Sorry. Yes.

15

16 Good afternoon. My name is Sri

17 Medicherla. I am representing the New Jersey

18 Board of Public Utilities' Staff. I would like to

19 thank you all for participating and I look forward

20 to hearing your comments.

21 The New Jersey Board of Public

22 Utilities is mandated by law to ensure safe,

23 adequate and proper utility service at a

24 reasonable cost to South Jersey Gas Company's

25 ratepayers, as well as all other New Jersey

14

1 utility ratepayers.

2 The Board's Staff plays an active

3 role in all electric and gas matters before the

4 Board. We are carefully reviewing and analyzing
5 the company's filing and the positions of other
6 parties, such as Rate Counsel.

7 I can assure you that Board Staff is
8 thoroughly scrutinizing all documents submitted in
9 this matter, and will develop a full record to
10 ensure that service is provided at a reasonable
11 cost. However, until the Board makes its decision
12 in this matter, Board Staff is precluded from
13 commenting on the merits of this case.

14 Once again, I look forward to hearing
15 your comments. Thank you.

16

17 THE JUDGE: Thank you, Mr.
18 Medicherla. Ms. Steindel, would you like to make
19 a statement on behalf of Rate Counsel?

20 MS. STEINDEL: I would. Thank you,
21 Your Honor.

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1 REMARKS OF STEFANIE A. BRAND, DIRECTOR

2 NEW JERSEY DIVISION OF RATE COUNSEL

3
4 MS. STEINDEL: Good afternoon. My

5 name is Sarah Steindel, and I'm an Assistant

6 Deputy Rate Counsel for the New Jersey Division of

7 Rate Counsel. Our office was created by the New

8 Jersey Legislature to represent all New Jersey

9 ratepayers in matters involving public utility

10 rates and services.

11 On March 13, 2020 South Jersey Gas,

12 the Company, filed a petition with the Board of

13 Public Utilities seeking approval to increase its

14 base rates for natural gas service -- and here I'm

15 citing the information as it was in the Company's

16 public notice, although I understand it has been

17 updated.

18 So they're seeking to increase their

19 base rates for natural gas service by

20 approximately 75.7 million dollars.

21 The increase being requested by the
22 Company is for natural gas distribution service,
23 that is, the rates that cover the costs of
24 distributing natural gas through the Company's
25 natural gas pipelines to end users, and the costs

1 of administering customer accounts such as
2 metering, billing and customer service.
3 Under the Company's proposal, an
4 average monthly bill for a typical residential
5 heating customer using an average of 100 therms
6 per month would increase by about \$19.85, or 13.1
7 percent, as per the Company's published notice.

8 The proposed rate increase is
9 separate from rates for Basic Gas Supply Service,
10 or BGSS, which covers the cost of the natural gas

11 commodity purchased by the Company for its

12 customers.

13 The requested rate increase is also

14 separate from the distribution rate increases that

15 have been proposed by the Company under its

16 Conservation Incentive Program, and to recover the

17 costs of investments under two Board approved

18 infrastructure investment programs, such as the

19 Storm Hardening and Reliability, or SHARP II

20 Program, and the Accelerated Infrastructure

21 Replacement Program, also known AIRP II.

22 The petition seeks other relief,

23 including an increase in the Company's

24 depreciation rates, a mechanism to pass through

25 the costs of federally mandated pipeline safety

1 costs, and recovery of the legal, engineering and
2 other costs incurred to develop a pipeline that
3 was to have provided service to the BL England
4 electric generation facility in Upper Township,
5 Cape May County, which has been canceled because
6 the customer decided not to proceed with the
7 electric generation project. The Company is also
8 seeking to make a number of changes to its Board
9 approved tariff for natural gas service.

10 The Company's petition states that
11 the requested rate increase is needed due to
12 investments the Company has made since the Board
13 last authorized the Company's increase to its base
14 distribution rates in October of 2017.

15 The Company states that the proposed
16 rate increase is to allow the Company the
17 opportunity to earn a reasonable return on its in
18 investments and continue to attract capital for
19 future investments.

20 Rate Counsel has a team of attorneys
21 and expert consultants analyzing the Company's
22 petition. We are conducting a complete and
23 thorough investigation of the rate increase and
24 other changes being sought by the Company.

25 We have requested and are receiving

1 detailed information from the Company about their
2 purported needs. However, it is important that
3 you be aware that the ultimate decision regarding
4 all utility matters in New Jersey is made by the
5 Board of Public Utilities.

6 The purpose of this open public
7 hearing is for you, the customer, to voice your
8 opinion, relate your experiences, and offer
9 comments about your Company's rates and service.

10 It is important that you express your
11 views so that they may become part of the record
12 on which the Administrative Law Judge and the
13 Board of Public Utilities makes their decisions.

14 Rate Counsel also needs to hear your
15 views in order to represent your interest in the
16 legal process. We strongly encourage your
17 participation, which will help us evaluate the

18 Company's proposals and prepare for the

19 evidentiary hearings.

20 This hearing is being transcribed and

21 your comments will become part of the record. I

22 would like to reiterate the importance of your

23 participation so that Rate Counsel can have a

24 clear record of your concerns and interests.

25 On behalf of Rate Counsel, thank you

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1 for attending this public hearing.

2

3 THE JUDGE: Thank you. Mr.

4 Goldenberg, do you care to make a statement on

5 behalf of Calpine?

6 MR. GOLDENBERG: I have no statement,

7 Your Honor, other than I was happy to be able to

8 take advantage of the fact that you are doing this
9 virtually, to enable me to participate with you.

10 THE JUDGE: Thank you. And actually
11 you should be thanking the parties, because they
12 were ones who agreed to the virtual format. So
13 there was no need for any motion practice on this
14 one.

15 Before I suggest that everyone mute
16 their speakers, I guess, Ms. Ambrose, did you miss
17 anything? Were there any glitches?

18 (An off-the-record discussion takes
19 place.)

20 MR. MALONEY: Before we go off the
21 record, earlier today we sent to your office the
22 proofs of publication distributed to various
23 papers in the Company's service territory. I ask
24 that that be marked P-1 for identification.

25 THE JUDGE: I'm sorry, you broke up.

1 Are you saying you ask that they --

2 MR. MALONEY: They be marked as
3 Exhibit P-1. They were premarked.

4 THE JUDGE: Yes, I'd be happy to do
5 that. I did see that those came in today. Thank
6 you.

7 (Exhibit P-1, Proof of Publication,
8 is marked for identification by the Court.)

9 THE JUDGE: Okay. If we can go off
10 record for just a minute.

11 (An off-the-record discussion takes
12 place.)

13 (A brief recess is held.)

14 THE JUDGE: So it's 5:25. Hearing
15 there are no members of the public who have joined
16 our hearing, I will adjourn the 4:30 hearing. I
17 want to thank you all for your participation in
18 this matter.

19 (The hearing is adjourned.)

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1 C E R T I F I C A T E

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4 I, NANCY AMBROSE, LICENSE NO. 30XI00199300, a

5 Certified Court Reporter of the State of New

6 Jersey, do hereby certify that the foregoing is a

7 true and accurate transcript of the testimony as

8 taken stenographically by and before me at the

9 time, place and on the date hereinbefore set

10 forth, to the best of my ability.

11

12 I DO FURTHER CERTIFY that I am neither a relative

13 nor employee nor attorney nor counsel of any of

14 the parties to this action, and that I am neither

15 a relative nor employee of such attorney or
16 counsel, and that I am not financially interested
17 in the action.

18

19

NANCY AMBROSE
Certified Court Reporter
of the State of New Jersey

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