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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  
5:30 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  
884 Breezy Oaks Drive  
Toms River, New Jersey 08753

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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

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Appearing on behalf of  
Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

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

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STEFANY GRAHAM  
South Jersey Industry Utilities, Inc.

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Director Rates and Regulatory Affairs

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SRI MEDICHERLA  
Board of Public Utilities' Staff  
Division of Energy

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E X H I B I T S

NUMBER	DESCRIPTION
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.

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

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

5

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, tonight 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 evening, 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 tonight, 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 evening. I'm

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

12 THE JUDGE: Thank you. For the  
13 record, there is no one here from participant  
14 PSE&G.

15 Mr. Maloney, how would you like to  
16 begin?

17 MR. MALONEY: Ms. Graham is going to  
18 read the Company's statement.

19 THE JUDGE: Yes. Okay. Thank you.

20

21

22 MS. GRAHAM: Good evening. My name  
23 is Stefany Graham. I am Director of Rates and  
24 Regulatory Affairs for SJI Utilities, speaking on  
25 behalf of South Jersey Gas Company, hereinafter

1 referred to as the "Company" or "South Jersey".

2 I welcome the opportunity tonight,  
3 along with other South Jersey Gas Company  
4 associates, to comment on South Jersey Gas  
5 Company's recent proposal to increase its base  
6 tariff rates and charges for gas service and other  
7 tariff revisions.

8 The Company is also proposing to  
9 changes its depreciation rates. We are also here  
10 to listen to the public as it expresses its views  
11 regarding this proposal.

12 On March 13, 2020, South Jersey Gas  
13 Company filed a petition with the New Jersey Board  
14 of Public Utilities requesting increased base  
15 rates and charges.

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

22 One, the roll-in of the Company's  
23 Conservation Incentive Program revenues, adjusted  
24 for sales and use tax; and two, the roll-ins to  
25 base rates for the Company's Storm Hardening and

1 Reliability Program and Accelerated Infrastructure  
2 Replacement Program to take place October 1, 2020,  
3 outside of this base rate case proceeding.

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

11 On August 13, 2020 the Company filed  
12 an additional update to reflect actual data for  
13 the entire test year ending June 30, 2020. As a  
14 result of that update, the new rates proposed  
15 would yield incremental operating revenues of  
16 approximately 73.3 million, representing an

17 increase of 13.1 percent.

18           The primary driver of this case is  
19 the need to earn a reasonable return on the  
20 significant capital investments that the Company  
21 made since its last base rate case proceeding, and  
22 to ensure the Company's continued ability to  
23 invest in infrastructure at a level necessary to  
24 provide ongoing safe and reliable service to our  
25 customers.

1           In order to accomplish this, the  
2 Company must be able to earn a fair return on and  
3 of its infrastructure investments so that it may  
4 continue to attract the necessary capital to  
5 support further investments that enable it to  
6 provide ongoing safe and reliable service to its

7 customers.

8           The Company has put forth every  
9 concerted effort to effectively manage costs,  
10 while providing safe and reliable service.  
11 However, a change in base rates is now necessary  
12 to support the required levels of service.

13           The rate change proposed in this  
14 proceeding would result in a rate increase for a  
15 typical residential sales customer using 100  
16 therms of gas per month of \$19.85 or 13.7 percent.

17           I look forward to listening to your  
18 comments related to this proceeding, and am  
19 available to answer any questions after the  
20 hearing is complete, if needed.

21

22           That concludes my statement. Thank  
23 you.

24           THE JUDGE: Thank you. Mr.  
25 Medicherla, would you like to make a statement on

1   behalf of Staff of the Board? I think you're  
2   muted, Mr. Medicherla.

3           MR. MEDICHERLA: Sorry. Yes.

4

5           Good evening. My name is Sri  
6   Medicherla. I am representing the New Jersey  
7   Board of Public Utilities' Staff. I would like to  
8   thank you all for participating and I look forward  
9   to hearing your comments.

10          The New Jersey Board of Public  
11   Utilities is mandated by law to ensure safe,  
12   adequate and proper utility service at a  
13   reasonable cost to South Jersey Gas Company's  
14   ratepayers, as well as all other New Jersey  
15   utility ratepayers.

16          The Board's Staff plays an active  
17   role in all electric and gas matters before the  
18   Board. We are carefully reviewing and analyzing  
19   the company's filing and the positions of other  
20   parties, such as Rate Counsel.

21          I can assure you that Board Staff is  
22   thoroughly scrutinizing all documents submitted in  
23   this matter, and will develop a full record to



24 ensure that service is provided at a reasonable  
25 cost. However, until the Board makes its decision

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1 in this matter, Board Staff is precluded from  
2 commenting on the merits of this case.

3 Once again, I look forward to hearing  
4 your comments. Thank you.

5

6 THE JUDGE: Thank you, Mr.  
7 Medicherla. Ms. Steindel, would you like to make  
8 a statement on behalf of Rate Counsel?

9 MS. STEINDEL: I would. Thank you,  
10 Your Honor.

11

12 REMARKS OF STEFANIE A. BRAND, DIRECTOR

13 NEW JERSEY DIVISION OF RATE COUNSEL

14

15 MS. STEINDEL: Good evening. My name  
16 is Sarah Steindel, and I'm an Assistant Deputy  
17 Rate Counsel for the New Jersey Division of Rate  
18 Counsel. Our office was created by the New Jersey  
19 Legislature to represent all New Jersey ratepayers  
20 in matters involving public utility rates and  
21 services.

22 On March 13, 2020 South Jersey Gas,  
23 the Company, filed a petition with the Board of  
24 Public Utilities seeking approval to increase its  
25 base rates for natural gas service -- and here I'm

14

1 citing the information as it was in the Company's  
2 public notice, although I understand it has been  
3 updated.

4           So they're seeking to increase their  
5   base rates for natural gas service by  
6   approximately 75.7 million dollars.

7           The increase being requested by the  
8   Company is for natural gas distribution service,  
9   that is, the rates that cover the costs of  
10   distributing natural gas through the Company's  
11   natural gas pipelines to end users, and the costs  
12   of administering customer accounts such as  
13   metering, billing and customer service.

14          Under the Company's proposal, an  
15   average monthly bill for a typical residential  
16   heating customer using an average of 100 therms  
17   per month would increase by about \$19.85, or 13.1  
18   percent, as per the Company's published notice.

19          The proposed rate increase is  
20   separate from rates for Basic Gas Supply Service,  
21   or BGSS, which covers the cost of the natural gas  
22   commodity purchased by the Company for its  
23   customers.

24          The requested rate increase is also  
25   separate from the distribution rate increases that

1 have been proposed by the Company under its  
2 Conservation Incentive Program, and to recover the  
3 costs of investments under two Board approved  
4 infrastructure investment programs, such as the  
5 Storm Hardening and Reliability, or SHARP II  
6 Program, and the Accelerated Infrastructure  
7 Replacement Program, also known AIRP II.

8 The petition seeks other relief,  
9 including an increase in the Company's  
10 depreciation rates, a mechanism to pass through  
11 the costs of federally mandated pipeline safety  
12 costs, and recovery of the legal, engineering and  
13 other costs incurred to develop a pipeline that  
14 was to have provided service to the BL England  
15 electric generation facility in Upper Township,  
16 Cape May County, which has been canceled because  
17 the customer decided not to proceed with the  
18 electric generation project. The Company is also  
19 seeking to make a number of changes to its Board  
20 approved tariff for natural gas service.

21           The Company's petition states that  
22   the requested rate increase is needed due to  
23   investments the Company has made since the Board  
24   last authorized the Company's increase to its base  
25   distribution rates in October of 2017.

1           The Company states that the proposed  
2   rate increase is to allow the Company the  
3   opportunity to earn a reasonable return on its in  
4   investments and continue to attract capital for  
5   future investments.

6           Rate Counsel has a team of attorneys  
7   and expert consultants analyzing the Company's  
8   petition. We are conducting a complete and  
9   thorough investigation of the rate increase and  
10   other changes being sought by the Company.

11           We have requested and are receiving  
12 detailed information from the Company about their  
13 purported needs. However, it is important that  
14 you be aware that the ultimate decision regarding  
15 all utility matters in New Jersey is made by the  
16 Board of Public Utilities.

17           The purpose of this open public  
18 hearing is for you, the customer, to voice your  
19 opinion, relate your experiences, and offer  
20 comments about your Company's rates and service.

21           It is important that you express your  
22 views so that they may become part of the record  
23 on which the Administrative Law Judge and the  
24 Board of Public Utilities makes their decisions.

25           Rate Counsel also needs to hear your

1 views in order to represent your interest in the  
2 legal process. We strongly encourage your  
3 participation, which will help us evaluate the  
4 Company's proposals and prepare for the  
5 evidentiary hearings.

6 This hearing is being transcribed and  
7 your comments will become part of the record. I  
8 would like to reiterate the importance of your  
9 participation so that Rate Counsel can have a  
10 clear record of your concerns and interests.

11 On behalf of Rate Counsel, thank you  
12 for attending this public hearing.

13

14 THE JUDGE: Thank you. Before I  
15 suggest that everyone mute their speakers, is  
16 there anything we need to add to the record?

17 MR. MALONEY: Before we go off the  
18 record, earlier today we sent to your office the  
19 proofs of publication distributed to various  
20 papers in the Company's service territory. I  
21 asked at the 4:30 hearing that it be marked P-1  
22 for identification. They were premarked.

23 THE JUDGE: Yes, that was marked into  
24 the record earlier as P-1. Thank you. Okay. We  
25 can go off the record.

1 (A brief recess is held.)

2 THE JUDGE: So it's 6:25. Hearing  
3 there are no members of the public who have joined  
4 our hearing, I will adjourn the 5:30 hearing. I  
5 want to thank you all for your participation in  
6 this matter.

7 (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.

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NANCY AMBROSE  
Certified Court Reporter  
of the State of New Jersey

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