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August 25, 2020

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. GR20050326**

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. It is respectfully requested that the Board consider the Stipulation at its next agenda meeting.

Should you have any questions, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink, appearing to read "Deborah M. Franco".

Deborah M. Franco

DMF:caj
Enclosures

cc: See attached Service List (with enclosures)

**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. GR20050326**

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SOUTH JERSEY GAS COMPANY

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

IN THE MATTER OF THE PETITION OF	:	
SOUTH JERSEY GAS COMPANY FOR	:	BPU DOCKET NO. GR20050326
APPROVAL OF BASE RATE ADJUSTMENTS	:	
PURSUANT TO THE ACCELERATED	:	STIPULATION OF SETTLEMENT
INFRASTRUCTURE REPLACEMENT	:	
PROGRAM (“AIRP II”)	:	

APPEARANCES:

Deborah M. Franco, Esq., Esq., Vice President, Clean Energy and Sustainability, SJI for Petitioner, South Jersey Gas Company

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, and **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director).

Terel Klein, 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 of Settlement addresses the petition filed by South Jersey Gas Company (“SJG” or “Company”) with the New Jersey Board of Public Utilities (“Board” or “BPU”) on April 30, 2020, and subsequently updated on July 15, 2020, for base rate adjustments to cost recovery associated with the Company’s Accelerated Infrastructure Replacement Program (“AIRP II”) (“Petition”). AIRP II was approved by the Board on October 31, 2016 in Docket No. GR16020175.

I. BACKGROUND

1. On February 20, 2013 in BPU Docket No. GO12070670, the Board approved the Company’s initial Accelerated Infrastructure Replacement Program (“AIRP”) for four (4) years commencing January 1, 2013 and ending December 31, 2016. The Board authorized the Company to invest \$35.3 million per year, excluding Accumulated Funds Used During

Construction (“AFUDC”) over four (4) years, for a total of \$141.2 million to replace unprotected bare steel and cast iron mains and services.

2. On February 29, 2016, the Company petitioned the Board seeking approval to continue AIRP through AIRP II, and to utilize an associated recovery mechanism to recover costs through an annual rate adjustment filing.

3. The Company, Board Staff, and the New Jersey Division of Rate Counsel (collectively, “Parties”) entered into a stipulation of settlement (“AIRP II Stipulation”). By Order dated October 31, 2016 in BPU Docket No. GR16020175, the Board approved AIRP II, adopted the AIRP II Stipulation, and set forth the authorized investments and cost recovery mechanism to be utilized by the Company.

4. The AIRP II Stipulation approved by the Board provided that AIRP II investments would include the replacement of cast iron and unprotected bare steel mains and associated services (“AIRP II Investments”).

5. As approved, AIRP II is a five (5) year program commencing October 1, 2016 and scheduled to end on September 30, 2021. AIRP II authorized investment costs were set at \$302.5 million (“Program Cost Cap”), excluding AFUDC. The Program Cost Cap was 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 (“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.

6. 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, would be included in AIRP II Investments for the first year of AIRP II.

7. Pursuant to the Board's October 2016 Order, 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").

II. PROCEDURAL HISTORY

8. On April 28, 2017 in Docket No. GR17050441, the Company made its first Annual Filing seeking recovery of the revenue requirements associated with AIRP II projects placed into service from October 1, 2016 through June 30, 2017 ("First Annual Filing"). In the First Annual Filing, the Company provided actual AIRP II investment data for the period October 1, 2016 through March 31, 2017, and forecasted data for the period April 1, 2017 through June 30, 2017. Through its subsequent update to the First Annual Filing, the Company sought recovery of AIRP II revenue requirements of approximately \$5.0 million, including Sales and Use Tax ("SUT"), associated with actual AIRP II investments of approximately \$46.7 million, including AFUDC. The Board authorized this base rate adjustment, effective October 1, 2017.

9. On April 30, 2018 in Docket No. GR18040476, the Company made its second Annual Filing seeking recovery of the revenue requirements associated with AIRP II projects placed into service from July 1, 2017 through June 30, 2018 ("Second Annual Filing"). In the Second Annual Filing, the Company provided actual AIRP II investment data for the period July 1, 2017 through March 31, 2018, and forecasted data for the period April 1, 2018 through June

30, 2018. Through its subsequent update to the Second Annual Filing, the Company sought recovery of AIRP II revenue requirements of approximately \$6.6 million, including SUT, associated with actual AIRP II investments of approximately \$61.3 million, including AFUDC. The Board authorized this base rate adjustment, effective October 1, 2018.

10. On April 30, 2019 in Docket No. GR19040528, the Company made its third Annual Filing seeking recovery of the revenue requirements associated with AIRP II projects placed into service from July 1, 2018 through June 30, 2019 (“Third Annual Filing”). In the Third Annual Filing, the Company provided actual AIRP II investment data for the period July 1, 2018 through March 31, 2019, and forecasted data for the period April 1, 2019 through June 30, 2019. Through its subsequent update to the Third Annual Filing, the Company sought recovery of AIRP II revenue requirements of approximately \$7.1 million (including SUT) associated with actual AIRP II investments of approximately \$65.3 million, including AFUDC. The Board authorized this base rate adjustment effective October 1, 2019.

11. On April 30, 2020, the Company filed the current Petition, constituting its fourth Annual Filing, seeking recovery of the revenue requirements associated with AIRP II projects placed into service from July 1, 2019 through June 30, 2020. The Company provided actual AIRP II investment data for the period July 1, 2019 through March 31, 2020, and forecasted data for the period April 1, 2020 through June 30, 2020.

12. As part of the Petition, the Company sought authority to recover AIRP II revenue requirements of approximately \$6.5 million, including SUT, associated with actual and projected AIRP II investments of approximately \$59.9 million, including AFUDC. The impact of the rates proposed, as applicable to a typical residential heating customer using 100 therms of natural gas during a winter month, amounts to an increase of \$1.81, or 1.3% per month. The AIRP II

investments, revenue requirement, and base rate adjustment were supported by the Direct Testimony of Brent Schomber, Vice President of Operations, and Stefany Graham, Director of Rates and Regulatory Affairs.

13. On July 15, 2020, the Company filed an Update providing a full year of actual AIRP II investment data through June 30, 2020. Updated schedules supporting a revenue requirement of approximately \$6.4 million (including SUT) associated with approximately \$59.1 million of AIRP II investments, including AFUDC, were provided as well as an updated proposed base rate adjustment. As a result of the Update, the impact of the rates proposed, applicable to a typical residential heating customer using 100 therms of natural gas during a winter month, amounts to \$1.78, or 1.2% per month.

14. Due to the COVID-19 pandemic, following proper notice, public hearings were held in this matter telephonically on August 19, 2020. No members of the public appeared or provided written comments.

III. STIPULATED TERMS

15. Upon review of the Petition, the July 15, 2020 Update, the accompanying Testimony and Schedules, the Company's responses to written data requests, and after all settlement discussions among the Parties, the Parties STIPULATE AND AGREE as follows.

16. The revenue requirement associated with the approximately \$59.1 million of AIRP II investments, including AFUDC, to be rolled into base rates shall be \$6,402,074, including SUT. The calculation of this revenue requirement is set forth on Schedule A, attached hereto.

17. The Company may implement the base rates, as set forth on Schedule B, attached hereto, effective upon Board approval.

18. Pursuant to paragraph 23 of BPU Order Docket No. GR16020175, which approved AIRP II, this stipulation does not include a prudency review of the replacements of the mains and services in connection with AIRP II.¹ A prudency review of all infrastructure replacements associated with AIRP II expenditures through June 30, 2020 is being addressed in the Company's Base Rate Case, which is currently pending with the BPU in Docket No. GR20030243. Investments made beyond June 30, 2020 will be reviewed for prudency in the Company's next filed base rate case.

IV. MISCELLANEOUS

19. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. If 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.


20. 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.

21. This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

¹ In the Matter of the Petition of South Jersey Gas Company to Continue its Accelerated Infrastructure Replacement Program ("AIRP") Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:21.1 and For Approval of a Base Rate Adjustment to Reflect AIRP Investments in Base Rates, BPU Docket No. GR16020175 (Oct. 31, 2016).


WHEREFORE, the Parties hereto 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, Esq.
VP, Clean Energy and Sustainability

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

By: 

Terel Klein
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 

Maura Caroselli, Esq.
Assistant Deputy Rate Counsel

Dated: August 20, 2020

SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM (AIRP II)
REVENUE REQUIREMENT CALCULATION
Year 4 - Roll-In 10/1/2020

Line No.		
1	Actual Plant in Service as of June 30, 2020	\$58,789,453
2	AFUDC	360,254
3	Gross Plant in Service as of June 30, 2020	<u>59,149,707</u>
4		
5	Accumulated Depreciation	<u>(816,270)</u>
6		
7	Rate Base	58,333,437
8		
9	Accumulated Deferred Tax	<u>(658,137)</u>
10		
11	Net Rate Base	57,675,300
12		
13	Rate of Return - Net	<u>6.30%</u>
14		
15	Return Requirement, Net of Tax	3,635,274
16		
17	Depreciation Expense, Net of Tax	645,845
18		
19	O&M Credit - Leak Repair	<u>(60,000)</u>
20		
21	Revenue Recovery	4,221,120
22		
23	Revenue Factor	<u>1.51668</u>
24		
25	Total Revenue Requirement, including SUT	<u><u>\$6,402,074</u></u>
26		
27	Total Revenue Requirement, excluding SUT	<u><u>\$6,004,290</u></u>

Schedule B

**SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM (AIRP II)
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES**

Component	Amount	Units	Present Rates (Effective Oct 1, 2019)		Proposed Rates (Effective Oct 1, 2020)		
			Rate	Revenue	Rate	Revenue	Increase
			RSG		RSG		
<u>Residential Service</u>							
Customer Charge	4,280,934	Bills	\$ 9.50	\$ 40,668,873	\$ 9.50	\$ 40,668,873	
Distribution Charge	253,181,413	Therms	0.678051	171,669,910	0.694759	175,900,065	
Total Base Revenues				\$ 212,338,783		\$ 216,568,938	2.0%
			GSG		GSG		
<u>General Service (0-100,000 Annual Therms)</u>							
Customer Charge	299,071	Bills	\$ 29.97	\$ 8,963,158	\$ 29.97	\$ 8,963,158	
Distribution Charge	89,582,097	Therms	0.566312	50,731,417	0.579587	51,920,619	
Total Base Revenues				\$ 59,694,574		\$ 60,883,777	2.0%
			GSG-LV		GSG-LV		
<u>General Service Large Volume (100,000 + Annual Therms)</u>							
Customer Charge	2,170	Bills	\$ 150.00	\$ 325,500	\$ 150.00	\$ 325,500	
Demand Charge	212,776	Mcf	9.6086	2,044,479	9.6086	2,044,479	
Distribution Charge	32,241,055	Therms	0.283532	9,141,371	0.290645	9,370,701	
Total Base Revenues				\$ 11,511,350		\$ 11,740,681	2.0%
			CTS		CTS		
<u>Comprehensive Firm Transportation Service</u>							
Customer Charge	555	Bills	\$ 600.00	\$ 333,000	\$ 600.00	\$ 333,000	
Demand Charge	133,720	Mcf	28.6555	3,831,813	28.6555	3,831,813	
Distribution Charge	27,898,657	Therms	0.068773	1,918,674	0.073117	2,039,866	
Total Base Revenues				\$ 6,083,488		\$ 6,204,680	2.0%
			LVS		LVS		
<u>Large Volume Service</u>							
Customer Charge	313	Bills	\$ 900.00	\$ 281,700	\$ 900.00	\$ 281,700	
Demand Charge	349,950	Mcf	15.9588	5,584,782	15.9588	5,584,782	
Distribution Charge	79,591,210	Therms	0.051052	4,063,290	0.053537	4,261,075	
Total Base Revenues				\$ 9,929,773		\$ 10,127,557	2.0%
			EGS		EGS		
<u>Electric Generation Service</u>							
Customer Charge	108	Bills	\$ 63.38	\$ 6,845	\$ 63.38	\$ 6,845	
Demand Charge	8,392	Mcf	7.8432	65,820	7.843	65,820	
Distribution Charge (Nov - Mar.)	559,943	Therms	0.135163	75,684	0.138578	77,596	
Distribution Charge (Apr - Oct.)	789,736	Therms	0.105163	83,051	0.108578	85,748	
Total Base Revenues				\$ 231,400		\$ 236,009	2.0%

**SOUTH JERSEY GAS COMPANY
ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM (AIRP II)
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES**

Component	Amount	Units	Present Rates (Effective Oct 1, 2019)		Proposed Rates (Effective Oct 1, 2020)		
			Rate	Revenue	Rate	Revenue	Increase
			EGS-LV		EGS-LV		
<u>Electric Generation Service - Large Volume</u>							
Customer Charge	84	Bills	\$ 428.32	35,979	\$ 428.32	35,979	
Demand Charge	45,200	Mcf	23.233717	1,050,164	23.712424	1,071,802	
Total Base Revenues				\$ 1,086,143		\$ 1,107,780	2.0%
			NGV		NGV		
<u>Natural Gas Vehicle Service</u>							
Cust. Charge 0-999 CFH	12	Bills	\$ 37.50	\$ 450	\$ 37.50	\$ 450	
Cust. Charge 1,000-4,999 CFH	0	Bills	75.00	-	75.00	-	
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	2,400	200.00	2,400	
Cust. Charge 25,000+ CFH	96	Bills	703.47	67,533	703.47	67,533	
Distribution Charge	2,255,851	Therms	0.196474	443,216	0.201010	453,449	
Subtotal Distribution				\$ 513,599		\$ 523,832	2.0%
Compression Charge	983,046	Therms	0.548712	539,409	0.5487	539,409	
Total Base Revenues				\$ 1,053,008		\$ 1,063,241	
			GLS		GLS		
<u>Gas Lights Service</u>							
Yard Lights	48	Mantles	8.818524	\$ 5,079	\$ 8.994202	\$ 5,181	
Street Lights	36	Mantles	9.506499	4,107	\$ 9.695882	4,189	
Total Base Revenues				\$ 9,186		\$ 9,369	2.0%
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				\$ 301,937,706		\$ 307,942,032	2.0%
TOTAL SYSTEM INCLUDING OTHER REVENUES				\$ 301,937,706		\$ 307,942,032	2.0%

INCREASE
TARGET INCREASE
Difference

INCREASE
TARGET INCREASE
Difference

6,004,326
6,004,290
\$37