



State of New Jersey

DIVISION OF RATE COUNSEL

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September 17, 2021

Via Electronic Mail

Hon. Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

**Re: In the Matter of the Petition of South Jersey Gas Company for
Approval of a Municipal Franchise in the Township of
Southampton, Burlington County
BPU Docket No.: GE21020390**

Dear Secretary Camacho-Welch:

Please accept for filing the comments of the New Jersey Division of Rate Counsel ("Rate Counsel") concerning the above-referenced Verified Petition of South Jersey Gas Company ("SJG" or "Company") for approval of a municipal franchise and consent in the Township of Southampton, Burlington County. Consistent with the March 19, 2020 Order of the New Jersey Board of Public Utilities (the "Board") in I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, this communication is being filed electronically with the Secretary of the Board and is being provided to each person on the service list by electronic mail only. No paper copies will follow. **Please acknowledge receipt of this comment letter.** Thank you.

Background

The Company filed the above-referenced Verified Petition on or about February 11, 2021, seeking approval, pursuant to N.J.S.A. 48:2-14, N.J.S.A. 48:3-15 and N.J.A.C. 14:1-5.5, of Township of Southampten Ordinance No. 2020-10, granting the Company a franchise to provide natural gas utility service, and consent to construct and maintain pipes and related facilities in streets and other public areas, within the Township. Rate Counsel propounded discovery requests on SJG, RCR-1 through RCR-16 on February 17 and RCR-17 on March 3, which the Company answered respectively on February 25 and March 10. At the hearing on this matter on July 29, Rate Counsel asked three Informal discovery requests, which the Company answered on August 31.

Under authority of an 1873 Special Act of the Legislature, natural gas service has been provided to most areas of Southampten Township by Public Service Electric and Gas Company (“PSE&G”). RCR-6.1. PSE&G determined that it would be “economically and/or technically unfeasible” to extend natural gas service to a portion of the Township, and consented to allow SJG to provide natural gas service to that area. SJG and PSE&G memorialized the terms and conditions of that consent in an Agreement Granting Consent to South Jersey Gas Company to Provide Natural Gas Service in the Township of Southampten, dated June 4, 2014, and provided that agreement with an attached map in its responses to Rate Counsel’s discovery questions. RCR-6 and Attachment 6.1; Informal Request #2.

SJG currently provides natural gas service to only five residential customers within the Township, RCR-3, in the Eagles Mere neighborhood, 11T:L17 - 12T:L2 (7/29/21). SJG serves that neighborhood under the terms of an Agreement Granting Consent to South Jersey Gas Company to Provide Natural Gas Service in the Township of Southampten, between PSE&G and

SJG, dated June 4, 2014. RCR-6; Attachment RCR-6.1; RCR-7; 20T:L15 - 21T:L3 (7/29/21); Informal Request #2.

Over the next five years, the Company estimates customer growth within its service territory of approximately 1.5% annually. RCR-8. The area of the Township that the Company currently requests Board approval to serve includes approximately 177 homes and businesses. 18T:L19 - 19T:L2 and 27T:L20 – 28T:L12 (7/29/21). That area is located in the southern portion of the Township, south of Route 70, adjacent to the area that SJG serves in Tabernacle Township. RCR-5 and Attachment 5.1; 20T:L4 – 14 and 21T:L8 – 13 (7/29/21); Informal Request #1. Most of the new SJG customers would convert from using fuel oil or propane to natural gas for heating and cooking. 25T:L6 – 12 (7/29/21).

The Company anticipates that extending the area it serves within the Township will bring approximately 110 new residential customers and five new commercial customers over the next five years. RCR-9; RCR-10; 23T:L14 - 24T:L7 (7/29/21). SJG represents that it has the capacity necessary to ensure a continuation of its natural gas service and does not foresee any concerns regarding its ability to provide a safe and reliable supply of the full natural gas supply requirements of anticipated new customers located within the Township. RCR-11, RCR-12, RCR-15 and RCR-17.

The Company plans to service its customers within the Township through its customer service centers located in Glassboro and Millville, and in the SJG corporate headquarters in Atlantic City. 24T:L8 – 16 (7/29/21); Informal Request #3; see RCR-13.¹ Each of these customer service centers is open from 8:30 a.m. to 4 p.m. and closed from 12:45 to 1:30, Monday through Friday. Informal Request #3. Each of these three has re-opened after having

¹ <https://southjerseygas.com/for-my-home/customer-service/contact-customer-service.aspx>

closed due to the COVID-19 pandemic. Id.; 33T:L17 – 25 (7/29/21)²; see RCR-13. SJG has three other customer service centers, located in Pleasantville and North Swainton, and in the headquarters building of its parent company, South Jersey Industries (“SJI”), at 1 South Jersey Plaza, in Folsom, New Jersey; however, those three remain closed due to the COVID-19 pandemic. Informal Request #3. SJG and SJI have not changed the current location, services or hours of operation of these customer service centers. RCR-13.³

The Company has provided schematic plans for the natural gas distribution system that it proposes to install in the Township. RCR-14; Attachments RCR-5.1 and RCR-14.1; Informal Request #1. The Company stated that its gas transmission system has sufficient capacity to meet the full supply requirements of customers in Southampton Township, RCR-15, RCR-17; 30T:L8 - 21 (7/29/21); see 28T:L13 – 29T:L17 (7/29/21). SJG also noted that its Camden County Reliability Project Phase II filing⁴ would “strengthen” that ability if approved; however, that project is not necessary to meet the full supply requirements of customers in the Township. RCR-17.

The Township granted the Company a non-exclusive franchise and consent to provide natural gas utility service and to construct and maintain pipes and related facilities in streets and other public areas within the Township, for a period of fifty (50) years, by Ordinance No. 2020-10, adopted on September 15, 2020. See Petition, ¶ 3 and Ex. A. In Ordinance No. 2020-10, the Township set forth certain limits on its franchise and consent to SJG, including limiting both to a period of fifty (50) years from the date of the final adoption of the Ordinance. Petition, Ex. A. On September 30, 2020, the Company accepted and agreed to the terms and conditions of the

² Id.

³ Id.

⁴ Board Docket No. GE20090600.

municipal franchise and consent in Ordinance No. 2020-10, pursuant to N.J.S.A. 48:3-16.

Petition, ¶ 3 and Ex. B.

At the hearing held by the hearing officer for the Board of Public Utilities on this Petition on July 29, 2021, SJG presented three witnesses: Lauren Cerrone, Government Affairs Specialist Lead for SJI; Todd Gordon, Director of Business Development for SJG; and Raymond Wenzel III, Director of Engineering Services for SJI. Mr. Wenzel testified that the Company has the capacity to meet the anticipated future needs of customers located within the municipality; has no plans to change the locations, services or hours of operation of its customer service centers; has no plans to change its gas transmission system in order to serve the Township; and described the Company's planned gas distribution system within the Township. 27T:L20 – 29T:L8 (7/29/21). Ms. Cerrone described the interactions between the Company and the Township that led to the current petition. 9T:L13 – 11T:L16 (7/29/21). Mr. Gordon provided an estimate of the number of new customers and the area that SJG anticipates serving within the Township. 18T:L19 – 19T:L2 and 20T:L1 – 21T:L13 (7/29/21). No one has contacted Rate Counsel with any objection regarding this matter.

Rate Counsel Position

The Company represents that it has the capacity necessary to meet the full natural gas supply requirements, and to provide safe and reliable natural gas service to its anticipated customers located in the Township. For this reason, and the fact that the non-exclusive municipal franchise and consent granted in Ordinance No. 2020-10 does not exceed the statutory maximum term of fifty years, as per N.J.S.A. 48:3-15, Rate Counsel does not object to approval of SJG's Petition. Rate Counsel recommends that the Board's Order specifically provide that its approval does not include authorization to include in rate base any specific assets that may be

constructed as a result of approval of this Petition. The determination of any assets to be included in rate base, and any ratemaking impacts as a result of the municipal franchise and consent, should be addressed in a future base rate case or other appropriate proceeding.

Accordingly, Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

1. Since Township of Southampton Ordinance No. 2020-10 complies with N.J.S.A. 48:3-15, the municipal franchise and consent for the use of streets and other public places is limited to a term not exceeding fifty years.
2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. This Order shall not affect, nor in any way limit, the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.
4. Any map submitted by SJG showing its proposed service territory within Southampton Township must be consistent with any map submitted by PSE&G showing its service territory within Southampton Township.
5. SJG will submit to the Board and Rate Counsel for review and approval any proposed modification to its June 4, 2014 agreement with PSE&G, the "Agreement Granting Consent to South Jersey Gas Company to Provide Natural Gas Service in the Township of Southampton," as to the scope of their respective service territories within Southampton Township.
6. SJG will notify the Board and Rate Counsel in the event it is unable to resolve any dispute with PSE&G over the allocation of their respective territories within Southampton Township, including without limitation which company will serve a customer, and will submit that dispute to the Board for resolution.
7. The Board reserves to itself the right to modify the respective territories of SJG and PSE&G within Southampton Township, if necessary to resolve a dispute or other problem arising from the scope of their territories or other difficulty providing safe, reliable and proper service to customers.

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These provisions will satisfy the concerns of Rate Counsel that the Company is in compliance with the proper statutory framework, that Board approval is limited to the municipal franchise and consent, and that there is no authorization to include any specific assets or amounts in rate base, nor authorization for any other ratemaking treatment. If the Board adopts these conditions, Rate Counsel is not opposed to approval of the above-referenced Petition.

Respectfully submitted,

Brian O. Lipman, Esq.

Acting Director, Division of Rate Counsel

By: /s/ Brian Weeks

Brian Weeks, Esq.

Deputy Rate Counsel

c: Service List (by electronic mail)

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