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September 3, 2020

Via Electronic Mail

Honorable Tricia M. Caliguire, ALJ
State of New Jersey
Office of Administrative Law
P.O. Box 49
3444 Quakerbridge Road
Building 9
Hamilton, NJ 08619

**Re: In the Matter of the Petition of South Jersey Gas Company for
Approval of Increased Base Tariff Rates and Charges for Gas Service,
Changes to Depreciation Rates and Other Tariff Revisions
BPU Docket No. GR20030243
OAL Docket No. PUC 04830-20**

Dear Judge Caliguire:

Attached please find enclosed on behalf of South Jersey Gas Company (“South Jersey” or “Company”) a Stipulation which has been executed by representatives of South Jersey Gas Company, the Staff of the Board of Public Utilities, the Division of Rate Counsel and Calpine Corporation. It is respectfully requested that Your Honor approve the Stipulation in its entirety as soon as possible to enable consideration by the New Jersey Board of Public Utilities at its September 23, 2020 agenda meeting.

Due to remote working conditions required as a result of the current pandemic, hard copies of these documents are not available at this time, but can be provided as needed on our return to the office. Please contact me if you require further information.

Please contact the undersigned if you require further information.

Yours truly,

/s/ Kenneth T. Maloney

Of Counsel
South Jersey Gas Company

cc: Attached Service List

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

In the Matter of the Petition of South Jersey Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions)
) **STIPULATION**
)
) **BPU Docket No. GR20030243**
) **OAL Docket No. PUC 04830-20**

APPEARANCES:

Deborah M. Franco, Esq., Vice President, Clean Energy & Sustainability, South Jersey Gas Company

Kenneth T. Maloney, (Cullen and Dykman LLP), Attorneys for Petitioner, South Jersey Gas Company

Felicia Thomas-Friel, Esq., Managing Attorney – Gas, New Jersey Division of Rate Counsel, **Sarah H. Steindel, Esq.**, **Henry M. Ogden, Esq.**, **Kurt S. Lewandowski, Esq.**, and **T. David Wand, Esq.**, Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director, New Jersey Division of Rate Counsel)

Terel M. Klein, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

Steven Goldenberg, Esq., (Giordano, Halleran & Ciesla), Attorneys for Intervenor Calpine Corporation

TO THE HONORABLE TRICIA M. CALIGUIRE, ADMINISTRATIVE LAW JUDGE:

BACKGROUND

On March 13, 2020, South Jersey Gas Company (“South Jersey” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“BPU” or “Board”) requesting authority to: (i) increase base tariff rates and charges for gas service in a manner designed to produce an increase in annual operating revenues of approximately \$75.3 million or 12.2%, over present rate revenues pursuant to N.J.S.A. 48:2-21 and 48:2-21.1 and N.J.A.C. 14:5-12; (ii) modify the

Company's depreciation rates pursuant to N.J.S.A. 48:2-18; and (iii) implement certain other tariff revisions ("March 13 Filing").

The March 13 Filing was based upon a 12-month test year ending June 30, 2020. The filing contained six (6) months of actual data, six (6) months of projected data, and included proposed post-test year adjustments that reflected changes in capital expenditures through December 31, 2020. The filing also included changes in certain revenues and expenses through March 31, 2021.

The March 13 Filing was accompanied by the testimony of the following witnesses: David Robbins, Jr. (Case Overview); Stefany M. Graham (Revenue Requirements); Brent W. Schomber (Capital Expenditures); Leonard Brinson, Jr. (Information Technology); Brenda J. O'Brien (Accounting); Robert B. Hevert (Cost of Capital and Capital Structure); Timothy S. Lyons (Lead-Lag Study); Alan D. Felsenthal (Tax); Dane A. Watson (Depreciation); and Daniel P. Yardley (Cost of Service/Rate Design).

On May 15, 2020, the Company submitted a "9+3" filing containing actual results for the nine (9) months ending March 31, 2020, and reflecting requested additional operating revenues of approximately \$75.7 million. On August 13, 2020, the Company submitted a "12+0" filing containing actual results for the 12 months ending June 30, 2020, and reflecting requested additional operating revenues of approximately \$73.3 million.

South Jersey's March 13 Filing was transmitted to the Office of Administrative Law ("OAL") as a contested case and assigned to Administrative Law Judge ("ALJ") Tricia M. Caliguire. Telephonic pre-hearing conferences were held on June 10, 2020 and July 9, 2020, and ALJ Caliguire issued a prehearing order dated August 3, 2020 establishing a procedural schedule for this proceeding ("August 3 Order"). After appropriate motions, Calpine

Corporation (“Calpine”) was granted intervenor status, and Public Service Electric & Gas Company was granted participant status. After appropriate notice in newspapers of general circulation in South Jersey’s service territory and the service of notice upon affected municipalities and counties in the Company’s service area, virtual public hearings concerning the March 13 Filing were held via teleconference on August 25, 2020 at 4:30 p.m. and 5:30 p.m. No members of the public attended the public hearings.

Extensive discovery was conducted and a number of settlement discussions were held after notice to all parties. As a result of these discussions, South Jersey, Board Staff, the New Jersey Division of Rate Counsel (“Rate Counsel”), and Calpine (collectively, “Stipulating Parties”) reached this Stipulation resolving all issues in this proceeding subject to the terms and conditions stated herein.

STIPULATED MATTERS

The Stipulating Parties hereby **STIPULATE AND AGREE** as follows:

A. Rate Increase. As of the Effective Date as defined below, South Jersey will be permitted to increase its base rates in a manner designed to produce a total annual operating revenue increase of \$39.5 million, or 7.2%.

The annual revenue requirement increase is based upon a rate base of \$2,133,630,681 and the following capital structure and cost rates:

<u>Type of Capital</u>	<u>% of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-term Debt	46.0	3.731%	1.716%
Common Equity	54.0	9.60%	5.184%
Total Capital	100.0		6.900%

Applying the above stated capital structure, cost rates and current income tax rates results in a rate of return of 6.900%, a weighted average after-tax cost of capital of 6.900%, and a pre-tax weighted average cost of capital of 8.991%.

The Stipulating Parties calculated South Jersey's rate base using an appropriate consolidated tax adjustment agreed to by the Parties.

The revenue expansion factor used to gross-up costs for income taxes, uncollectible expense, and BPU and Rate Counsel assessments, is 1.418291, which consists of factors for state income taxes of 9% and federal income taxes of 21%, for uncollectibles of 1.6497%, and for the BPU and Rate Counsel assessments of 0.220453% and 0.053099%, respectively.

South Jersey's total annual revenue requirement is \$590,273,873, excluding New Jersey Sales and Use Tax. This revenue requirement was determined in comparison to a forecast of weather normalized revenues reflecting a 20-year normal weather pattern.

A proof of revenues supporting the total annual revenue requirement and the proposed rates is attached as Appendix A to this Stipulation. The proof of revenues sets forth the allocation of the \$39.5 million annual revenue increase among the Company's customer classes. The rates resulting from the Stipulation will be set forth in the Company's tariff to be submitted in a compliance filing with the Board following the issuance of a Board order in this matter. The tariff sheets included in that compliance filing will be in a clean and marked form and include the changes listed in Appendix B.

B. Depreciation. The annual revenue requirement has been determined by applying the depreciation rates set forth on Appendix C to this Stipulation. These depreciation rates result in a composite depreciation rate of 2.29%, which when adjusted for a net salvage amount of \$6,725,785, results in a stipulated composite rate of 2.53%. As of the Effective Date, South

Jersey will implement the depreciation rates set forth on Appendix C to this Stipulation. Those rates reflect a five (5)-year average net negative salvage allowance.

C. Amortization of Deferred Debits and Credits. The stipulated revenue increase reflects consideration of the Company's proposed regulatory assets, with a five (5) year amortization period. This amortization resolves all issues associated with the recovery of deferred costs requested in the Company's filing. In the event the Company files another base rate case with base rates effective within five (5) years of the rate effective date of the current proceeding, the Company will not seek recovery of, or on, any unamortized balance related to these regulatory assets in that case or any subsequent base rate case.

D. Amortization of Protected Excess ADIT Reversal. For the period, January 1, 2018 to June 30, 2019, South Jersey recorded a net regulatory liability of \$1,923,552 (based on Schedule ADF-3) composed of both the amortization of (a) the Excess Accumulated Deferred Income Tax ("ADIT") Liability Depreciation-Related under the Average Rate Assumption Method ("ARAM") and (b) the Excess ADIT Asset Net Operating Loss ("NOL") under the Reverse South Georgia Method ("RSGM"). This net regulatory liability balance represents the accumulated balance of the amortization of the Protected Excess ADIT calculated using the ARAM and the NOL ADIT balance amortized using the RSGM during the period January 1, 2018 through June 30, 2019 which has not yet been refunded to the customers. This \$1,923,552 balance will be returned to customers through Rider H over its remaining term.. Rider "H" of the Company's Tariff for Gas Service will be revised to reflect the inclusion of this additional Excess ADIT credit to be amortized to customers. The additional credit will be placed in effect on a provisional basis, subject to refund and subject to a full review, simultaneously with the provisional rate proposed for implementation in the Company's Rider "H" true-up proceeding in

BPU Docket No. GR20060382. This additional Excess ADIT credit will not be subject to carrying charges, because this Excess protected ADIT credit amount has been included as a reduction in rate base, which provides the Company's customers with a return.

E. Amortization of Protected Excess ADIT July 1, 2019 through Next Base Rate Case filing. The above stipulated base rate increase of \$39.5 million includes an annual amortization of the Protected Excess ADIT in the net amount of \$2,829,729 (based on Schedule ADF-3) composed of both the amortization of (a) the Excess ADIT Liability Depreciation-Related under ARAM and (b) the Excess ADIT Asset NOL under RSGM for the period July 1, 2019 through December 31, 2020. This level of amortization does not reflect the actual ARAM amortization which will be experienced by SJG during the period January 1, 2021 through the next base rate case filing for the Protected Excess ADIT. In order to ensure that customers receive 100% of the Protected Excess ADIT, the variance amount, between the annual \$2,829,729 amortization level included in the stipulated base rates and the actual ARAM amortization amounts which occur for the period between January 1, 2021 and the next base rate case will be recorded in a regulatory liability account. That regulatory liability account balance of the Protected Excess ADIT variance will be addressed in the next base rate proceeding.

F. New Regulatory Asset. South Jersey is authorized to create a regulatory asset for incremental transmission integrity management program ("TIMP") costs, limited to costs for activities that are required by federal regulations, should the Company incur such costs prior to the effective date of rates in its next base rate proceeding. The rates established in this proceeding do not provide for recovery of any TIMP costs. To the extent that the Company seeks to recover such regulatory asset in a future base rate case, nothing herein will prejudice the rights of the Stipulating Parties to challenge the prudence of such costs.

G. Continuing Deferral Rights. In its previous base rate case in BPU Docket No. GR17010071, South Jersey was authorized to defer Pension and Other Post-Employment Benefits (“P&OPEB”) and Pipeline Integrity Management (“PIM”) costs. The proposed rates do not provide for any recovery of ongoing P&OPEB operation and maintenance expenses or ongoing PIM costs. The Company will be permitted to continue to defer any such costs incurred prior to the effective date of rates in its next base rate proceeding. To the extent that the Company seeks to recover such deferred amounts in a future base rate case, nothing herein will prejudice the rights of the Stipulating Parties to challenge the prudence of such costs.

H. Reporting and Recordkeeping. South Jersey will continue to submit, to Rate Counsel and the Board’s Director of the Division of Customer Assistance, quarterly reports concerning the Company’s performance in relation to certain customer service measures established in South Jersey’s last rate case approved in BPU Docket No. GR17010071 and some additional metrics established as part of this matter as set forth in Appendix D to this Stipulation. The Company will also continue to conduct ongoing surveys of customer satisfaction using its telephone and field personnel, and provide the results to Rate Counsel and Board Staff. Additional information concerning these service standards is provided in Appendix D to this Stipulation. In addition, South Jersey will conduct an analysis of (i) the ability to meet its agreed upon service appointment times and (ii) the reasons for the level of customer complaints to the Board per year. Within six (6) months of the effective date of this Stipulation, South Jersey will submit a plan to Board Staff and Rate Counsel to improve its customer service processes concerning service appointment times and customer complaints, where appropriate. South Jersey will meet at least annually, or as agreed between Board Staff, Rate Counsel and the Company, to discuss its service performance.

I. Tariff Sheets. As set forth above, tariff sheets reflecting the rates resulting from the Stipulation inclusive of applicable sales taxes and the terms and conditions of service will be included in a compliance filing to be submitted to the Board following the issuance of a Board order in this matter. In addition to the changes reflected in Appendix B, the tariff sheets shall reflect, among other items, the additional amortization included in Rider “H” in accordance with paragraph D above, a monthly customer charge of \$10.50 applicable to the Residential Delivery Service (“RDS”) classification, inclusive of applicable sales taxes, the use of a 20-year weather pattern to establish rates and certain housekeeping changes. The tariff changes shall also include the addition of a provision that permits South Jersey to provide up to 200 feet of normal residential facilities at no cost to the customer, as well as the inclusion of a waiver of the deposit requirement for residential, non-residential and new developments where the excess cost is \$3,000 or less.

J. Cost of Service Study. In SJG’s next distribution base rate case petition, the Company agrees to file a cost of service study (“COSS”) using the peak and average methodology for gas distribution. The Company and any signatory to this agreement will have the right to file and support any COSS method it considers appropriate. Each Stipulating Party reserves its right to request that adjustments be made to the COSS’s submitted in that proceeding. This agreement on rate design is for settlement purposes only, and does not indicate any Stipulating Party’s agreement to the functionalization, classification, and allocation of costs or to the Company’s gas cost of service methodology presented in its Petition and testimonies filed in this matter.

K. Rate Impact. The bill impact of the stipulated rates on a typical residential customer using 100 therms is an increase of \$11.80 from \$142.48 to \$154.28, or 8.3%, as

compared to the Company's currently effective rates. The annual bill impact of the stipulated rates on a typical residential heating customer using 1,000 therms is an annual increase of \$118.73 from \$1,445.07 to \$1,563.80, or 8.2%, as compared to the Company's currently effective rates. In addition, the additional rate credit to be provided through Rider H in accordance with Paragraph D of this Stipulation will reduce the rates of a typical residential customer using 100 therms from \$154.28 to \$153.18 and reduce the annual bill of a customers using 1,000 therms from \$1,563.80 to \$1,552.84. Thus, in total the rate changes agreed to in this Stipulation will increase the rates on a typical residential customer using 100 therms by \$10.70 from \$142.48 to \$153.18, and increase the annual bill of a typical residential customers using 1,000 therms from \$1,445.07 to \$1,552.84, an increase of 7.5%.

L. Shared Services Agreement. Within 30 days of the effective date of this Stipulation, South Jersey will provide its current shared service agreement to the Board. Rate Counsel will be served the Company's filing. Following approval of this Stipulation, the proceeding in Docket No. GO08030187 will be closed. Any issues associated with the filed service agreement will be resolved in the Company's current management audit.

M. Effective Date. Each Stipulating Party will use its best efforts to ensure that this Stipulation be presented to the Board for approval at its September 23, 2020 public agenda meeting. A Board Order approving this Stipulation shall become effective upon such date that the Board may specify and in accordance with N.J.S.A. 48:2-40.

N. Excess Flow Valves. Within three (3) months of the effective date of this Stipulation, the Company will submit a report providing information concerning the per unit costs of its purchases and installations of Excess Flow Valves ("EFVs") over the most recent

annual period for which data is available. The Company's report will explain the reasons for any per unit changes in the cost of purchases or installations of EFVs.


O. Further Provisions. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Stipulating Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Stipulating 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.

It is the intent of the Stipulating Parties that the provisions hereof be approved by the Board as being in the public interest. The Stipulating Parties further agree that they consider the Stipulation to be binding on them for all purposes herein. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, South Jersey, Board 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 and, in total or by specific item. The Stipulating Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Stipulating Parties hereto respectfully submit this Stipulation to the Presiding Administrative Law Judge and Board of Public Utilities and request (i) the Presiding Administrative Law Judge to issue an initial decision approving this stipulation, and (ii) the Board to issue a Decision and Order approving this stipulation in its entirety in accordance with the terms hereof.

SOUTH JERSEY GAS COMPANY

**STEFANIE BRAND, DIRECTOR
NEW JERSEY DIVISION OF
RATE COUNSEL**


By: 

Deborah M. Franco
**Vice President, Clean Energy &
Sustainability**

By: _____
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

**GURBIR S. GREWAL
ATTORNEY GENERAL OF
NEW JERSEY**

CALPINE CORPORATION

By: 

Terel M. Klein
Deputy Attorney General


By: _____
Steven Goldenberg, Esq.
Of Counsel to Calpine Corporation

Dated: September 3, 2020


WHEREFORE, the Stipulating Parties hereto respectfully submit this Stipulation to the Presiding Administrative Law Judge and Board of Public Utilities and request (i) the Presiding Administrative Law Judge to issue an initial decision approving this stipulation, and (ii) the Board to issue a Decision and Order approving this stipulation in its entirety in accordance with the terms hereof.

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ATTORNEY GENERAL OF
NEW JERSEY**

CALPINE CORPORATION

By: _____
Terel M. Klein
Deputy Attorney General

By: 

Steven Goldenberg, Esq.
Of Counsel to Calpine Corporation

Dated: September 3, 2020

**South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates**

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>RSG</u>		<u>RSG</u>		
<u>Residential Service</u>							
Customer Charge	4,557,601	Bills	\$ 9.50	\$ 43,297,210	\$ 9.85	\$ 44,892,370	
Distribution Charge	265,712,873	Therms	0.678051	180,166,879	0.785203	208,638,545	
CIP Revenues				2,672,828		-	
Total Base Revenues				\$ 226,136,917		\$ 253,530,915	12.1%
				\$ 133,242,668		\$ 133,242,668	
				\$ 359,379,585		\$ 386,773,583	7.6%
			<u>GSG</u>		<u>GSG</u>		
<u>General Service (0-100,000 Annual Therms)</u>							
Customer Charge	318,717	Bills	\$ 29.97	\$ 9,551,948	\$ 34.75	\$ 11,075,416	
Distribution Charge	98,604,223	Therms	0.566312	55,840,755	0.644616	63,561,860	
CIP Revenues				1,179,972		-	
Total Base Revenues				\$ 66,572,676		\$ 74,637,276	12.1%
				\$ 29,381,645		\$ 29,381,645	
				\$ 95,954,320		\$ 104,018,920	8.4%

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>GSG-LV</u>		<u>GSG-LV</u>		
<hr/>							
<u>General Service Large Volume (100,000 + Annual Therms)</u>							
Customer Charge	2,043	Bills	\$ 150.00	\$ 306,450	\$ 225.00	\$ 459,675	
Demand Charge	231,528	Mcf	9.6086	2,224,660	12.2500	2,836,218	
Distribution Charge	29,002,749	Therms	0.283532	8,223,207.54	0.318299	9,231,546	
CIRT Revenues				419,522		-	
Total Base Revenues				\$ 11,173,839		\$ 12,527,439	12.1%
Rider Revenues				\$ 5,645,073		\$ 5,645,073	
Total Class Revenues				\$ 16,818,912		\$ 18,172,512	8.0%
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			<u>CTS</u>		<u>CTS</u>		
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<u>Comprehensive Firm Transportation Service</u>							
Customer Charge	564	Bills	\$ 600.00	\$ 338,400	\$ 750.00	\$ 423,000	
Demand Charge	165,024	Mcf	28.6555	4,728,845	31.7500	5,239,512	
Distribution Charge	31,227,584	Therms	0.068773	2,147,615	0.077699	2,426,352	
Total Base Revenues				\$ 7,214,860		\$ 8,088,864	12.1%
Rider Revenues				\$ 2,604,675		\$ 2,604,675	
Total Class Revenues				\$ 9,819,535		\$ 10,693,539	8.9%
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**South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates**

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>LVS</u>		<u>LVS</u>		
<u>Large Volume Service</u>							
Customer Charge	300	Bills	\$ 900.00	\$ 270,000	\$ 1,050.00	\$ 315,000	
Demand Charge	299,496	Mcf	15.9588	4,779,597	18.7500	5,615,550	
Distribution Charge	64,590,601	Therms	0.051052	3,297,479	0.053068	3,427,694	
Total Base Revenues				\$ 8,347,076		\$ 9,358,244	12.1%
				\$ 4,984,455		\$ 4,984,455	
				\$ 13,331,531		\$ 14,342,699	7.6%
			<u>EGS</u>		<u>EGS</u>		
<u>Electric Generation Service</u>							
Customer Charge	157	Bills	\$ 63.38	\$ 9,951	\$ 79.00	\$ 12,403	
Demand Charge	9,396	Mcf	7.8432	73,695	8.2500	77,517	
Distribution Charge (Nov - Mar.)	763,767	Therms	0.135163	103,233	0.151658	115,831	
Distribution Charge (Apr - Oct.)	1,002,386	Therms	0.105163	105,414	0.121658	121,948	
Total Base Revenues				\$ 292,292		\$ 327,700	12.1%
				\$ 448,708		\$ 448,708	
				\$ 741,000		\$ 776,407	4.8%

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>EGS-LV</u>		<u>EGS-LV</u>		
<u>Electric Generation Service - Large Volume</u>							
Customer Charge	108	Bills	\$ 428.32	46,259	\$ 750.00	\$ 81,000	
Demand Charge	20,400	Mcf	23.233717	473,968	24.619910	502,246	
Total Base Revenues				\$ 520,226		\$ 583,246	12.1%
				\$ 2,456,574		\$ 2,456,574	
				\$ 2,976,800		\$ 3,039,820	2.1%
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			<u>NGV</u>		<u>NGV</u>		
<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	-	Bills	75.00	-	75.00	-	
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	2,400	220.00	2,640	
Cust. Charge 25,000+ CFH	84	Bills	703.47	59,091	925.00	77,700	
Distribution Charge	1,719,145	Therms	0.196474	337,767	0.213676	367,340	
Subtotal Distribution				\$ 399,709		\$ 448,130	
Compression Charge	426,388	Therms	0.548712	233,964	0.613280	261,495	
Total Base Revenues				\$ 633,673		\$ 709,625	12.0%
				\$ 440,127		\$ 440,127	
				\$ 1,073,800		\$ 1,149,752	7.1%

**South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates**

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>GLS</u>		<u>GLS</u>		
<u>Gas Lights Service</u>							
Yard Lights	48 Mantles		\$ 8.818524	\$ 5,079	\$ 9.886792	\$ 5,695	
Street Lights	36 Mantles		\$ 9.506499	4,107	\$ 10.658108	4,604	
Total Base Revenues				<u>\$ 9,186</u>		<u>\$ 10,299</u>	<u>12.1%</u>
	Rider Revenues			<u>\$ 77,614</u>		<u>\$ 77,614</u>	
	Total Class Revenues			<u>\$ 86,800</u>		<u>\$ 87,913</u>	<u>1.3%</u>
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				<u>\$ 320,900,746</u>		<u>\$ 359,773,608</u>	<u>12.1%</u>
Other Revenues							
	Rider Revenues			\$ 179,281,537		\$ 179,281,537	
	Special Contracts			4,430,607		4,430,607	
	Service Charges			2,136,448		2,763,631	
	Off-System and Deferred Revenues			<u>44,024,535</u>		<u>44,024,535</u>	
Total Other Revenues				<u>\$ 229,873,127</u>		<u>\$ 230,500,310</u>	
TOTAL SYSTEM INCLUDING OTHER REVENUES				<u>\$ 550,773,873</u>		<u>\$ 590,273,918</u>	<u>7.2%</u>
						Increase \$	39,500,045
						Target	<u>39,500,000</u>
						Difference	\$45

LIST OF SUBSTANTIVE TARIFF CHANGES

In addition to rate changes, the proposed Tariff changes are as follows:

1. Update the Company's address to One South Jersey Place, Atlantic City, New Jersey 08401.
2. Revise Section 4.3.1, Extensions Requested by Individual Customers: Residential, to permit the Company to provide up to 200 feet of normal residential facilities at no cost to the Customer and remove similar language from Section 5.1, Service Connections: General.
3. Revise Section 4.3.1 to provide that the Company shall extend its gas mains and services to serve an individual residential customer at no charge where the Extension Cost does not exceed ten (10) times the annual Distribution Revenue at the BUC for the customer's respective Conservation Incentive Program (CIP) Customer Class Group as set forth in Rider "M" to this tariff.
4. Revise Section 4.3, Extensions Requested by Individual Customers, and Section 4.4, Extensions of Service to a Multi-Unit Residential and Non-Residential Development, to state that the Company shall require a deposit from customers for main extension costs.
5. Revise Section 4.4.1 state that the deposit for multi-unit customers shall be in the amount of the Extension Cost required to serve the development.
6. Revise Section 4.3 and Section 4.4 to include a waiver of the deposit requirement where the excess cost is \$3,000 or less.
7. Revise Section 10.1, Turn On Charge, to reflect a change in the amount for a turn on charge from \$20.00 to \$45.00.
8. Add a provision to Section 12, Definitions, to define "Customer Charge" as the minimum monthly fixed charge and delete provision defining Normal Residential Service Connection.
9. Revise Rider H to reflect the additional amortization in accordance with Paragraph D of the Stipulation.

SOUTH JERSEY GAS COMPANY
COMPUTATION OF DEPRECIATION ACCRUAL RATE
AT DECEMBER 31, 2018

Account Description	Life Rate
(1)	
Liquefied Natural Gas Plant	
361 Structures and Improvements	2.00%
362 Gas Holders	1.13%
363 Purification Equipment	2.74%
Total Liquefied Natural Gas Plant	
Transmission Plant	
366 Structures and Improvements	1.62%
367 Mains	1.27%
369 Measuring and Regulating Equipment	1.95%
370 Communication Equipment	0.00%
371 Other Equipment	1.67%
Total Transmission Plant	1.42%
Distribution Plant	
375 Structures and Improvements	3.15%
376 Mains	1.48%
378 M&R Station Equip. - General	2.45%
379 M&R Station Equip. - City Gate	2.09%
380 Services	2.23%
381 Meters	3.00%
382 Meter Installations	2.87%
383 House Regulators	2.19%
384 House Regulator Installations	2.23%
385 Industrial Measuring and Regulating Equip.	2.35%
387 Other Equipment	2.12%
Total Distribution Plant	1.88%
General Plant Depreciated	
390 Structures and Improvements	2.09%
392 Transportation Equipment	17.29%
396 Power Operated Equipment	12.33%
Total General Depreciated	5.73%
GENERAL PLANT CONSOLIDATED - AMORTIZED	
After Retirements of Assets With Age > Average Service Life	
391.000 Office Furniture and Equipment	5.00%
391.359 PC, Laptop, Toughbook Equipment	25.00%
391.360 Network/Server Hardware	16.67%
391.361 PC, Laptop, Non Enterprise Software	20.00%
391.362 Network/Server Software	33.33%
391.36 Major Software Systems Implementation	6.67%
391.58 Computer Equipment	20.00%
393.00 Stores Equipment	4.00%
394.00 Tools, Shop and Garage Equipment	6.67%
395.00 Laboratory Equipment	5.00%
397.00 Communication Equipment	6.67%
398.00 Miscellaneous Equipment	5.00%

CUSTOMER SERVICE STANDARDS

The Company will submit to Rate Counsel and BPU Staff a quarterly report providing the results of the Company's monthly performance, in relation to the following metrics. These Customer Service Standards for quarterly and/or annual reporting will continue to be provided to Rate Counsel and Board Staff as agreed in the Company's prior rate case approved in BPU Docket No. GR17010071.

1. Call Center

(A) Average Speed of Answer (ASA)

Measure: ASA

Benchmark: Track and monitor only.

Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Measured monthly, reported quarterly.

(B) Percentage of Calls Answered within 30 seconds

Measure: Service Level

Benchmark: 80% of calls answered within 30 seconds

Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Includes abandoned calls and any calls handled through an Interactive Voice Response ("IVR") system. Measured monthly, reported quarterly.

(C) Abandoned Call Percentage (ACP)

Measure: ACP

Benchmark: 5% or less of calls abandoned

Definition: The number of calls to the IVR system that are terminated by the caller before reaching the selected destination, whether a department or a representative. Measured monthly, reported quarterly.

2. Meter Reading and Billing

(A) Meter Reading

Measure: Percentage of meters read

Benchmark: 95% of meters read

Definition: The percentage of meters actually read on cycle. Measured monthly, reported quarterly.

(B) Meter Reading by Town

Measure: Percentage of all meters read listed by each town within the Company's territory.

Benchmark: Track and monitor only

Definition: The percentage of meters read on cycle within each town of the Company's territory. Measured and reported annually.

(C) Billing

Measure: Billing Accuracy

Benchmark: 20 or fewer rebills per 1,000 customers

Definition: The number of rebills per 1,000 customers measured as all bills mailed to customers that are later adjusted, cancelled or re-issued for any amount or reason. Measured monthly, reported quarterly.

3. Safety and Reliability

(A) Safety

Measure: Leak Response Time

Benchmark: 95% of calls responded to within 60 minutes

Definition: Leak, odor and emergency call response measured from the initial customer call to the time qualified personnel arrive at the location to either assess or implement a "make safe" condition. Measured monthly, reported quarterly. **Exception reporting:**

*Provide a quarterly report to the BPU and Rate Counsel for all calls that are not responded to within 60 minutes, giving the reasons for the delay.

(B) Reliability

Measure: Percentage of service appointments met

Benchmark: 95% + of service appointments met

Definition: The percentage of appointments completed within the scheduled four-hour window, as required by Board rules. Includes appointments for meter installations, disconnects and reconnects, billing investigations, initial and final meter reads. Excludes regularly scheduled meter reads, gas leaks/emergencies/outages, and appointments missed by the customer. Measured monthly, reported quarterly.

4. Overall Customer Service and Satisfaction

(A) BPU Complaints

Measure: Customer complaints/contacts to the BPU

Benchmark: Less than 1 complaint/contact per 1,000 customers annually

Definition: The number of verbal or written complaints/contacts made to the BPU, not including complaints to SJG, which are measured as an annual average number of complaints per 1,000 customers. The Company also shall report BPU complaints by root cause category, such as billing, collection, etc. Measured monthly, reported quarterly.

The Company will also report how many:

- Complaints are resolved by deferred payment arrangements;
- Complaints that originate with customers who are already on deferred payment arrangements; and
- Complaints from customers who participate in assistance programs such as LIHEAP (the Low Income Home energy Assistance Program) or otherwise.

(B) Customer Satisfaction with Telephone and Field Personnel

Measure: Customer satisfaction with telephone and field personnel

Benchmark: N/A

Definition: Quarterly Qualtrics survey of customers that have contacted the Company and spoken with a representative. Measured monthly, reported quarterly.

After receipt of the quarterly report and/or annual report where specified herein, Board Staff or Rate Counsel may request a meeting and the Company agrees to accommodate this request to discuss the contents of the report(s). The schedule for submitting the quarterly and annual reports will remain the same. The quarterly report will be filed within thirty days after the end of each quarter. The annual report will be filed within thirty days after the end of each fiscal year.