



Agenda Date: 9/11/15  
Agenda Item: 2N

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH	)	DECISION AND ORDER
JERSEY GAS COMPANY TO REVISE THE LEVEL OF	)	APPROVING STIPULATION
ITS BASIC GAS SUPPLY SERVICE (BGSS) CHARGE	)	FOR PROVISIONAL BGSS
AND TO REVISE THE LEVEL OF ITS CONSERVATION	)	AND CIP RATES
INCENTIVE PROGRAM (CIP) CHARGES FOR THE	)	
YEAR ENDING SEPTEMBER 30, 2016	)	DOCKET NO. GR15060642

**Parties of Record:**

**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel  
**Ira G. Megdal, Esq.**, Conzen O'Connor, P.C., on behalf of South Jersey Gas Company

BY THE BOARD:<sup>1</sup>

Per the generic Order of the New Jersey Board of Public Utilities (“the Board”) dated January 6, 2003, in Docket No. GX01050304 (“January Order”), each of New Jersey’s four gas distribution companies (“GDCs”) submits to the Board its annual basic gas supply service (“BGSS”) gas cost filing by June 1 for the BGSS year beginning October 1. In addition, the January Order authorizes each GDC to self-implement up to a 5% BGSS increase effective December 1 of the current year and February 1 of the following year with one month’s advance notice to the Board and the Division of Rate Counsel (“Rate Counsel”). Each GDC may implement a decrease in its BGSS rates at any time, without prior Board approval after five (5) days’ notice to the Board and Rate Counsel.

In accordance with the above noted Order, on June 1, 2015, South Jersey Gas Company (“Company” or “SJG”) filed its annual BGSS petition with the Board requesting the authorization to decrease its per-therm periodic BGSS rate from \$0.650270 to \$0.529214 for the period October 1, 2015 through September 30, 2016.<sup>2</sup>

<sup>1</sup> Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

<sup>2</sup> All rates quoted include sales and use tax (“SUT”).

In its petition, the Company also requested the following rate revisions:

- 1) A decrease in the gas cost portion of the Company's D-2<sup>3</sup> charge for Rate Schedule Large Volume Service ("LVS") from \$19.577874 per Mcf. to \$16.545047 per Mcf;
- 2) An increase in the gas cost portion of the Firm D-2 charge for Rate Schedule Electric Generation Service – Large Volume ("EGS-LV") from \$15.513847 per Mcf to \$15.581692 per Mcf;
- 3) A decrease in the Limited Firm D-2 charge and Firm D-2 charge for Rate Schedules EGS-LV and Firm Electric Service ("FES"), respectively, from \$9.788936 per Mcf to \$8.272524 per Mcf; and
- 4) An increase in the monthly BGSS non-commodity per therm rate applicable to Rate Schedules GSG, General Service – Large Volume ("GSG-LV"), Electric Generation Service ("EGS"), LVS, and EGS-LV from \$0.106566 per therm to \$0.133252 per therm.

According to the filing, approval of the above BGSS rate changes would result in an after-tax decrease in annual BGSS revenues to the Company of \$26.516 million over the recovery period. Any under or over-collection at the conclusion of the 2016 BGSS year will be trued-up and reflected in the Company's next annual BGSS filing. The BGSS rate reduction for the average residential customer using 100 therms during a winter month translates to a bill decrease of \$12.11 (8.9%).

The petition also included a Conservation Incentive Program ("CIP")<sup>4</sup> proposal seeking approval of the following changes to the Company's after-tax per therm CIP rates to be effective as of October 1, 2015:<sup>5</sup>

- 1) Residential ("RSG") non-heating customers: increased credit from (\$0.075785) to (\$0.099971);
- 2) RSG heating customers: increased credit from (\$0.027283) to (\$0.058946);
- 3) Small commercial ("GSG") customers: increased credit from (\$0.003431) to (\$0.031700); and
- 4) Large commercial ("GSG-LV") customers: a change from a charge of \$0.001946 to a credit of (\$0.025487).

---

<sup>3</sup> Designed to recover interstate pipeline demand charges.

<sup>4</sup> The CIP was approved by the Board in Docket No. GR0512120 in Board Order dated October 12 and December 12, 2006 and extended by an Order dated January 20, 2010. The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS Rates. The CIP surcharge is also subject to a return on equity cap of 10.3%.

<sup>5</sup> By Order dated July 23, 2015, the Board approved those rates as final.

Implementation of the above proposed changes in the CIP rates is anticipated to result in a decrease in a monthly bill of \$3.16 (2.3%) for the average residential customer using 100 therms.

Implementation of the above proposed changes in the combined BGSS and CIP rates translates into a monthly bill decrease of \$15.27 (or 11.2%) for the average residential heating customer using 100 therms.

After publication of notice in newspapers of general circulation in SJG's service territory, 2 public hearings in this matter were held on August 20, 2015, in Voorhees, New Jersey. No members of the public appeared.

### **STIPULATION FOR PROVISIONAL BGSS AND CIP RATES<sup>6</sup>**

Following a review by, and subsequent discussions among, representatives of the Company, Rate Counsel and Board Staff (collectively, "the Parties"), the Parties entered into the attached Stipulation for Provisional BGSS and CIP Rates ("Stipulation") dated August 26, 2015.

The key provisions of the Stipulation are as follows:

The Parties have determined that additional time is needed to complete a comprehensive review of SJG's proposed rates. However, the Parties agree that the provisional implementation of the proposed rates, subject to refund with interest on any net over-recovered balance, is reasonable at this time, subject to the opportunity for full review at the Office of Administrative Law ("OAL"), and final approval by the Board.

Pending the conclusion of further review and discussion among the Parties, it would be both reasonable and in the public interest for the Board to authorize a provisional Order to decrease the after-tax Periodic BGSS rate to \$0.529214 per therm.

Pending the conclusion of further review and discussion among the Parties, it would be both reasonable and in the public interest for the Board to authorize the following after-tax rates on a provisional basis:

The gas cost portion of the Company's D-2 charge for Rate Schedule LVS to be set at \$16.545047 per Mcf.

The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm to be set at \$15.581692 per Mcf.

The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, to be set at \$8.272524 per Mcf.

The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV to be set at \$0.133252 per therm.

---

<sup>6</sup> Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

Pending the conclusion of further review and discussion among the Parties, it is reasonable for the Board to authorize the implementation of the following proposed after-tax per therm CIP rates:

- Group I - Residential Non-Heat customer: (\$0.099971);
- Group II - Residential Heating customer: (\$0.058946);
- Group III - General Service (GSG) customer: (\$0.031700); and
- Group IV – General Service Large Volume (GSG-LV) customer: (\$0.025487)

These rate changes will be effective as of October 1, 2015, or as of such date that the Board so decides.

The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following update information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) (attached as Exhibit A to the Stipulation); and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached as Exhibit B to the Stipulation). The chart reflected on Exhibit A is to be complete using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15<sup>th</sup> of the following month.

#### **DISCUSSION AND FINDINGS**

The Board, having carefully reviewed the BGSS and CIP rates at issue and the record to date in this proceeding, **HEREBY APPROVES** the following on a provisional basis, subject to refund:

The Company's per therm Periodic BGSS rate of \$0.529214;

The gas cost portion of the D-2 charge for Rate Schedule LVS of \$16.545047 per Mcf;

The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$15.581692 per Mcf;

The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$8.272524 per Mcf; and

The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV of \$0.133252 per therm.

The Board further **HEREBY APPROVES** the following per therm CIP rates on a provisional basis:

A credit of \$0.099971 for RSG non-heating customers;

A credit of \$0.058946 for RSG heating customers;

A credit of \$0.031700 for GSG customers; and

A credit of \$0.025487 for GSG-LV customers.

All rates changes shall be effective for service rendered on and after October 1, 2015, and all rates are subject to refund with interest on any net over-recovered balance.

The Board **HEREBY DIRECTS** that this matter be transmitted to the OAL for review and evidentiary hearings, if needed.

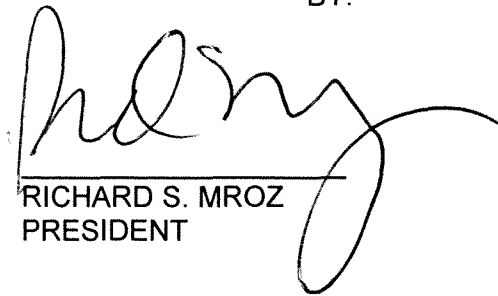
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within 5 business days of the effective date of this Order.

The Company's gas costs remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

The effective date of this Order is September 21, 2015.

DATED: 9-11-15

BOARD OF PUBLIC UTILITIES  
BY:



RICHARD S. MROZ  
PRESIDENT



JOSEPH L. FIORDALISO  
COMMISSIONER



MARY-ANNA HOLDEN  
COMMISSIONER



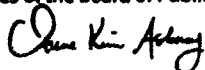
DIANNE SOLOMON  
COMMISSIONER

ATTEST:



IRENE KIM ASBURY  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In The Matter of the Petition of South Jersey Gas Company to Revise the level of its Basic Gas Supply Service (BGSS) Charge and to Revise the level of its Conservation Incentive Program (CIP) Charges for the Year Ending September 30, 2016

DOCKET NO. GR15060642

SERVICE LIST

Stefanie A. Brand, Esq. Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Felicia Thomas-Friel, Esq.  
Division of Rate Counsel  
140 East. Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

James Glassen  
Henry M. Ogden, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Babette Tenzer, DAG  
Alex Moreau, DAG  
Veronica Beke, DAG  
Department of Law & Public Safety  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029

Jerome May, Director  
Robert Schultheis, Bureau Chief  
Beverly Tyndell

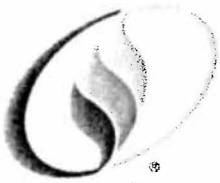
Energy Division  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Megan Lupo, Esq.  
Office of General Counsel  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Ira G. Megdal, Esq.  
Cozen O'Connor  
Liberty View, Suite 300  
457 Haddonfield Road  
Cherry Hill, New Jersey 08002

Stacy A. Mitchell, Esq.  
Cozen O'Connor  
Liberty View, Suite 300  
457 Haddonfield Road  
Cherry Hill, New Jersey 08002

Steven R. Cocchi  
South Jersey Gas  
1 South Jersey Plaza  
Route 54  
Folsom, New Jersey 08037



South Jersey Gas

**Steven R. Cocchi, Esq.**

*Vice President, Rates & Regulatory Requirements*

August 26, 2015

Irene Kim Asbury, Secretary  
NJ 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 to Revise the Level of Its Basic Gas Supply Service ("BGSS") Charge; and to Revise the Level of its Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2016  
BPU Docket No. GR15060642**

Dear Secretary Asbury:

Attached please find a Stipulation of Settlement in the above referenced matter, which has been executed on behalf of South Jersey Gas Company, Board of Public Utilities Staff and the Division of Rate Counsel.

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

Very truly yours,

Steven R. Cocchi

SRC:lvk  
Attachment

cc: Attached Service List

**IN THE MATTER OF THE PETITION OF  
SOUTH JERSEY GAS COMPANY TO  
REVISE THE LEVEL OF ITS BASIC GAS  
SUPPLY SERVICE (“BGSS”) CHARGE  
AND TO REVISE THE LEVEL OF ITS  
CONSERVATION INCENTIVE PROGRAM  
 (“CIP”) FOR THE YEAR ENDING  
SEPTEMBER 30, 2016**

**: SERVICE LIST  
:  
:  
:  
:  
:  
:  
:  
: BPU DOCKET NO. GR15060642  
:  
:**

**NJ BOARD OF PUBLIC UTILITIES**

Irene Kim Asbury, Secretary  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
irene.asbury@bpu.state.nj.us

Jerome May, Director  
Division of Energy  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
jerome.may@bpu.state.nj.us

Robert Schultheis  
Division of Energy  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
robert.schultheis@bpu.state.nj.us

Alice Bator, Bureau Chief  
Bureau of Rates & Tariffs  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
alice.bator@bpu.state.nj.us

Henry Rich, Supervisor  
Bureau of Revenue Requirements  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
henry.rich@bpu.state.nj.us

Scott Sumliner  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
scott.sumliner@bpu.state.nj.us

Stacy Peterson  
Division of Energy  
NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P. O. Box 350  
Trenton, NJ 08625-0350  
stacy.peterson@bpu.state.nj.us

**DIVISION OF LAW**

Alex Moreau, DAG  
Dept. of Public Law & Public Safety  
Division of Law  
124 Halsey Street, 5<sup>th</sup> Floor  
P. O. Box 450029  
Newark, NJ 07101  
alex.moreau@dol.lps.state.nj.us



Veronica Beke, DAG  
Dept. of Public Law & Public Safety  
Division of Law  
124 Halsey Street, 5<sup>th</sup> Floor  
P. O. Box 450029  
Newark, NJ 07101  
veronica.beke@dol.lps.state.nj.us

Caroline Vachier, Esq., Section Chief  
Dept of Law & Public Safety  
Division of Law  
124 Halsey Street, 5th Floor  
P. O. Box 450029  
Newark, NJ 07101  
Caroline.vachier@dol.lps.state.nj.us

**DIVISION OF RATE COUNSEL**

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625  
sbrand@rpa.state.nj.us

Felicia Thomas-Friel, Managing Attorney  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625  
fthomas@rpa.state.nj.us

Henry M. Ogden, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625  
mogden@rpa.state.nj.us

James W. Glassen, Esq.  
Division of Rate Counsel  
140 East Front Street, 4th Floor  
P. O. Box 003  
Trenton, NJ 08625  
jglassen@rpa.state.nj.us

Brian O. Lipman, Litigation Manager  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625  
blipman@rpa.state.nj.us

Maura Caroselli, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625  
mcaroselli@rpa.state.nj.us

Shelly Massey  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625  
smassey@rpa.state.nj.us

**RATE COUNSEL CONSULTANTS**

Robert J. Henkes  
Henkes Consulting  
7 Sunset Road  
Old Greenwich, CT 06870  
rhenkes@optonline.net

Brian Kalcic  
Excel Consulting  
225 S. Meramee Avenue, Suite 720T  
St. Louis, MO 63105  
excel.consulting@sbegobel.net

Bruce Biewald  
Synapse Energy Economics, Inc.  
485 Massachusetts Avenue, Suite 2  
Cambridge, MA 02139  
bbiewald@synapse-energy.com

**SOUTH JERSEY GAS COMPANY**

Steven R. Cocchi, Vice President  
Rates & Regulatory Affairs  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
scocchi@sjindustries.com

Kenneth J. Barcia, Manager  
Rates & Revenue Requirements  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
kbarcia@sjindustries.com

John F. Stanziola, Director  
Regulatory Affairs  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
jstanziola@sjindustries.com

Timothy W. Rundall, Director  
Gas Supply & Off-System Sales  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
trundall@sjindustries.com

Karen J. Crispin  
Rates & Revenue Requirements  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
kcrispin@sjindustries.com

Carolyn A. Jacobs  
Rates & Revenue Requirements  
South Jersey Gas Company  
One South Jersey Plaza, Route 54  
Folsom, NJ 08037  
jfredericks@sjindustries.com

Daniel P. Yardley, Principal  
Yardley & Associates  
2409 Providence Hills Drive  
Matthews, NC 28105  
dan@yardleyassociates.com

Ira G. Megdal, Esq.  
Cozen O'Connor  
LibertyView, Suite 300  
457 Haddonfield Road  
Cherry Hill, NJ 08002  
imegdal@cozen.com

Stacy A. Mitchell, Esq.  
Cozen O'Connor  
LibertyView, Suite 300  
457 Haddonfield Road  
Cherry Hill, NJ 08002  
smitchell@cozen.com

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

**IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR15060642**  
**SOUTH JERSEY GAS COMPANY TO :**  
**REVISE THE LEVEL OF ITS BASIC GAS : STIPULATION FOR PROVISIONAL**  
**SUPPLY SERVICE (“BGSS”) CHARGE : BGSS AND CIP RATES**  
**AND TO REVISE THE LEVEL OF ITS :**  
**CONSERVATION INCENTIVE :**  
**PROGRAM (“CIP”) CHARGES FOR THE :**  
**YEAR ENDING SEPTEMBER 30, 2016 :**

**APPEARANCES:**

**Ira G. Megdal, Esquire, and Stacy Mitchell, Esquire** (Cozen O’Connor, attorneys) on behalf of South Jersey Gas Company (“Petitioner”)

**Felicia Thomas-Friel, Esquire, Deputy Rate Counsel, and Henry M. Ogden, Esquire, Assistant Deputy Rate Counsel**, on behalf of the New Jersey Division of Rate Counsel (“Rate Counsel”) (Stefanie A. Brand, Director)

**Alex Moreau and Veronica Beke, Deputy Attorneys General**, on behalf of the Staff of the Board of Public Utilities (“Staff”) (John J. Hoffman, Acting Attorney General of the State of New Jersey)

**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

**I. PROCEDURAL HISTORY**

1. On June 01, 2015, South Jersey Gas Company (“South Jersey,” or “Company,” or “Petitioner”) filed a Petition (“Petition”), in Docket No. GR15060642, requesting that the Board of Public Utilities (“Board”) approve the Company’s proposal to decrease the current level of its periodic Basic Gas Supply Service Clause (“BGSS”) per-therm charge of \$0.650270<sup>1</sup> to

---

<sup>1</sup> All rates quoted herein include Sales and Use Taxes (“SUT”)

\$0.529214, a decrease of \$0.121056, for the period October 1, 2015 through September 30, 2016 (“BGSS/CIP Year”). The requested periodic BGSS rate would result in a monthly decrease of \$12.11, or 8.9%, for a residential heating customer using 100 therms of gas during a winter month.

2. The Company also proposed the following BGSS rates: 1) the gas cost portion of the Company’s D-2 charge for Rate Schedule LVS be set at \$16.545047 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$15.581692 per Mcf; 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES be set at \$8.272524 per Mcf; and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.133252 per therm. These changes translate to a decrease in annual recoveries of \$26.5 million.

3. The Petition also requested that the Board approve the implementation of per therm Conservation Incentive Program (“CIP”) rates of \$(0.099971) for Group I Residential Non-Heat customers, \$(0.058946) for Group II Residential Heat customers, \$(0.031700) for Group III General Service (GSG) customers and (\$0.025487) for Group IV General Service Large Volume (GSG-LV) customers, effective October 1, 2015. The requested CIP rates would result in a monthly decrease of \$3.16, or 2.3%, for a residential heating customer using 100 therms of gas during a winter month. The proposed impact on a residential non-heating customer using 15 therms of gas during a month is a decrease of \$0.36, or 1.3%. The proposed impact on a GSG customer using 500 therms of gas during a month is a decrease of \$14.13, or 2.3%. The impact on a GSG-LV customer using 15,646 therms of gas a month is a decrease of \$429.22, or 3.3%.

4. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges were required to be offset by reductions in BGSS costs. Subsequently, pursuant to the Board's May 21, 2014 Order in Docket No. GR13030185 approving the continuation of the CIP, CIP non-weather related margin recoveries are subject to a Modified BGSS Savings Test with three categories of BGSS Savings: (1) permanent savings achieved through permanent capacity releases; (2) gas cost savings from reductions of capacity on a long-term basis; i.e. for periods of at least one year; and (3) savings associated with avoided capacity costs to meet residential customer growth. The Company seeks to return an estimated total of \$(16.6) million of excess CIP related margins, with (\$13.0) million weather related and (\$3.6) million non-weather related, for the CIP period ending September 2016. Because this non-weather related margin component is a credit, South Jersey asserts that the Modified BGSS Savings test is not implicated.

5. Rider M of South Jersey's tariff contains a Board approved Return-On-Equity ("ROE") limitation on recoveries from customers pursuant to the CIP, consistent with South Jersey's former Temperature Adjustment Clause (the "ROE Test"). Under this provision, the CIP may not contribute towards earnings in excess of a 9.75% ROE. South Jersey asserts that, since the total CIP is a credit amount rather than a deficiency, the ROE test is not applicable. Nonetheless, South Jersey attached to the Petition a Schedule A demonstrating that its ROE for the period October 1, 2014 through September 30, 2015 is projected to be 9.11%.

6. The charts below demonstrate the impact of the proposed BGSS and CIP rate changes on a residential sales customer using 100 therms in a month and 1,000 therms annually.

100 Monthly Therms	Current Bill	Proposed Bill	Change (\$)	Change (%)
BGSS	\$136.50	\$124.39	(\$12.11)	(8.9%)
CIP	\$136.50	\$133.34	(\$3.16)	(2.3%)
Combined	\$136.50	\$121.13	(\$15.27)	(11.2%)

1,000 Annual Therms	Current Bill	Proposed Bill	Change (\$)	Change (%)
BGSS	\$1,384.35	\$1,263.29	(\$121.06)	(8.7)%
CIP	\$1,384.35	\$1,352.68	(\$31.67)	(2.3%)
Combined	\$1,384.35	\$1,231.62	(\$152.73)	(11.0%)

7. Following public notice published in newspapers of general circulation within South Jersey's service territory, two public hearings for this Petition were held on August 20, 2015 in Voorhees, New Jersey. No members of the public appeared or spoke.

## **II. STIPULATED TERMS**

8. South Jersey, Board Staff, and the New Jersey Division of Rate Counsel, the only parties to this proceeding (collectively the "Parties"), have discussed certain matters at issue in this proceeding. As a result of those discussions, the Parties have determined that additional time is needed to complete a comprehensive review of South Jersey's proposed BGSS rates. However, the Parties agree that the provisional implementation of the proposed BGSS rates, subject to refund with interest on any net over-recovered BGSS balance, is reasonable at this time. These changes are on a provisional basis subject to opportunity for full review at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board.

9. Accordingly, the Parties stipulate and agree that, pending the conclusion of further review and discussion among the Parties, it would be both reasonable and in the public interest for the Board to authorize a provisional order to decrease the current level of South Jersey's Periodic BGSS rate of \$0.650270 per therm (including taxes), to \$0.529214 per therm (including taxes), effective October 1, 2015, or on such other date as the Board deems appropriate.

10. The Parties further stipulate and agree that pending the conclusion of further review and discussion among the Parties, it would be both reasonable and in the public interest for the Board to authorize the following BGSS rates on a provisional basis: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$16.545047 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$15.581692 per Mcf (including taxes); 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES, respectively, be set at \$8.272524 per Mcf (including taxes); and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.133252 per therm (including taxes).

11. The proposed Periodic BGSS rate of \$0.529214 will decrease the bill of a residential customer using 100 therms during a winter month from \$136.50 to \$124.39, a decrease of \$12.11 or 8.9%.

12. Additionally, the Parties stipulate and agree that, pending the conclusion of further review and discussion among the Parties, it would be both reasonable and in the public interest for the Board to authorize the implementation of the following proposed per therm CIP

rates: (1) \$(0.099971) for Group I Residential Non-Heat customers, a decrease from the current rate of \$(0.075785); (2) \$(0.058946) for Group II Residential Heat customers, a decrease from the current rate of \$(0.027283); (3) \$(0.031700) for Group III General Service (GSG) customers, a decrease from the current rate of \$(0.003431); and (4) \$(0.025487) for Group IV General Service Large Volume (GSG-LV) customers, a decrease from the current rate of \$0.001946. It is agreed by the Parties that these rate changes will be effective as of October 1, 2015, or as of such date that the Board so decides. The proposed provisional CIP rate changes translate to a decrease in CIP-related recoveries of \$11.3 million and are subject to an opportunity for a full review at the OAL, if necessary, and final approval by the Board.

13. The proposed CIP rates result in a decrease of \$3.16, or 2.3%, per month to the residential heating customer using 100 therms. The impact on a residential non-heat customer using 15 therms of gas in a month is a decrease of \$0.36 or 1.3%. The impact on a GSG customer using 500 therms of gas in a month is a decrease of \$14.13 or 2.3%. The impact on a GSG-LV customer using 15,646 therms of gas in a month is a decrease of \$429.22 or 3.3%.

14. Combining the BGSS recovery reductions (\$26.5 million) with the CIP recovery reductions (\$11.3 million) results in a provisional recovery reduction of (\$37.8) million, and a net decrease of \$15.27 (11.2%) to the monthly bill of a residential heating customer using 100 therms.

15. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) attached hereto as Exhibit A; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached



hereto as Exhibit B). The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month.

16. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

17. Attached to this Stipulation are proposed tariff sheets to implement the terms of this Stipulation.

18. The Parties recommend that the Board transmit this matter to the OAL for hearing of all issues, including provisional rates, if necessary.

### **III. MISCELLANEOUS**

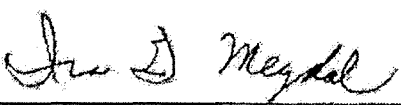
19. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to 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 interim 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

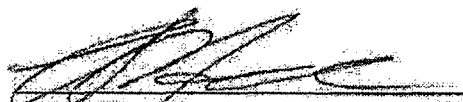
to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates are subject to Board audit.

WHEREFORE, the Parties hereto do 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.

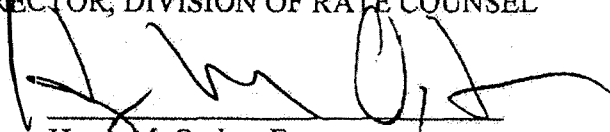
SOUTH JERSEY GAS COMPANY

By:   
Ira G. Megdal, Esq.  
Cozen O'Connor

JOHN J. HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the Board of Public Utilities

By:   
Alex Moreau  
Deputy Attorney General

STEFANIE A. BRAND  
DIRECTOR, DIVISION OF RATE COUNSEL

By:   
Henry M. Ogden, Esq.  
Assistant Deputy Rate Counsel

Dated: August 26, 2015

**S-SCHART-1  
BGSS NYMEX Update Report**

<u>Month</u>	<sup>a</sup> <b>BGSS</b>	<sup>b</sup> <b>NYMEX</b>	<sup>c = b - a</sup> <b>Incr/ (Decr)</b>	<b>% Chg</b>	<sup>d</sup> <b>Sales forecast (dths)</b>	<sup>e</sup> <b>Hedged volume (dths)</b>	<sup>f = d - e</sup> <b>Unhedged volume (dths)</b>	<sup>g = c x f</sup> <b>Change in value unhedged</b>
Oct-14			\$ -				-	\$0
Nov-14			\$ -				-	\$0
Dec-14			\$ -				-	\$0
Jan-15			\$ -				-	\$0
Feb-15			\$ -				-	\$0
Mar-15			\$ -				-	\$0
Apr-15			\$ -				-	\$0
May-15			\$ -				-	\$0
Jun-15			\$ -				-	\$0
Jul-15			\$ -				-	\$0
Aug-15			\$ -				-	\$0
Sep-15			\$ -				-	\$0
<b>Avg Total \$</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>
Oct-15			\$ -				-	\$0
Nov-15			\$ -				-	\$0
Dec-15			\$ -				-	\$0
Jan-16			\$ -				-	\$0
Feb-16			\$ -				-	\$0
Mar-16			\$ -				-	\$0
Apr-16			\$ -				-	\$0
May-16			\$ -				-	\$0
Jun-16			\$ -				-	\$0
Jul-16			\$ -				-	\$0
Aug-16			\$ -				-	\$0
Sep-16			\$ -				-	\$0
<b>Avg Total \$</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

Footnotes:

- a : Nymex rate used for annual BGSS periodic rate filing
- b : Nymex rate as of date of the report
- c : Increase/Decrease in the Nymex rate compared to rate used for annual BGSS periodic rate filing
- d : Sales forecast (includes fuel requirement)
- e : 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)
- f : 'Unhedged' volume consists of sales volume forecast less 'hedged' volume
- g : Not necessarily representative of a change in under/over-recovery value

South Jersey Gas Company  
Calculation of Net Cost of Gas Per Therm

	Actual Oct-15	Actual Nov-15	Actual Dec-15	Actual Jan-16	Actual Feb-16	Actual Mar-16	Actual Apr-16	Actual May-16	Estimate Jun-16	Estimate Jul-16	Estimate Aug-16	Estimate Sep-16	Total
1 NYMEX - 5/11/15 - Included in BGSS Filing													
2 NYMEX - Actual Settlement													
3 <b>Breakdown of Gross Cost of Gas Per Therm:</b>													
4 Flowing Gas Cost													
5 Gas Withdrawn From Storage Cost													
6 Hedged Volumes Delivered Cost													
7 Pipeline Demand Cost													
8 Storage Demand Cost													
9 Peaking Cost													
10 Weighted Average Fuel Cost													
11 Variable Pipeline Cost													
12 Other Costs													
13 <b>Total Gross Cost of Gas Per Therm</b>													
14													
15													
16	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Weighted
17	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Average
18 NYMEX - Actual Settlement													
19 <b>Breakdown of Gross Cost of Gas Per Therm:</b>													
20 Flowing Gas Cost													
21 Gas Withdrawn From Storage Cost													
22 Hedged Volumes Delivered Cost													
23 Pipeline Demand Cost													
24 Storage Demand Cost													
25 Peaking Cost													
26 Weighted Average Fuel Cost													
27 Variable Pipeline Cost													
28 Other Costs													
29 <b>Total Gross Cost of Gas Per Therm</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000

**Footnotes:**

- Flowing Gas Cost = Gas purchased for delivery to city gate during month - not injected into storage
- Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawal, fees, line loss
- Hedged Volumes Delivered Cost = Hedged Volumes delivered to city gate - not injected into storage
- Pipeline Demand Cost = Fixed Pipeline costs
- Storage Demand Cost = Fixed Storage related costs
- Peaking Cost = Peaking Cost includes peaking services, LNG, Propane, etc...
- Weighted Average Fuel Cost = Commodity x fuel % for each pipeline - represents portion of gas shipped that is retained by pipeline
- Variable Pipeline Cost = Pipeline Charge per therm shipped

South Jersey Gas Company  
Calculation of Net Cost of Gas Per Therm

	Actual Oct-15	Actual Nov-15	Actual Dec-15	Actual Jan-16	Actual Feb-16	Actual Mar-16	Actual Apr-16	Actual May-16	Estimate Jun-16	Estimate Jul-16	Estimate Aug-16	Estimate Sep-16	Total
<b>Credits, Refunds, &amp; Recoveries Per Therm:</b>													
1 Asset Management Credits													
2 Off-system sales													
3 Capacity release													
4 On System Credits to BGSS-P Customers													
5 Supplier Refunds													
6 Gas for Company Use													
7 Line Loss													
8 Transfer to Non BGSS-P Customers													
9 Other													
10 <b>Total Credits, Refunds, &amp; Recoveries Per Therm</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
11 <b>Total Net Cost Per Therm (Page 1 Line 13 less Page 2 Line 10)</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000

	Actual Oct-14	Actual Nov-14	Actual Dec-14	Actual Jan-15	Actual Feb-15	Actual Mar-15	Actual Apr-15	Actual May-15	Actual Jun-15	Actual Jul-15	Actual Aug-15	Actual Sep-15	Weighted Average
<b>Credits, Refunds, &amp; Recoveries:</b>													
1 Asset Management Credits													
2 Off-system sales													
3 Capacity release													
4 On System Credits to BGSS-P Customers													
5 Supplier Refunds													
6 Gas for Company Use													
7 Line Loss													
8 Transfer to Non BGSS-P Customers													
9 Other													
10 <b>Total Credits, Refunds, &amp; Recoveries</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
11 <b>Total Net Cost Per Therm (Page 1 Line 29 less Page 2 Line 11)</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000