



Agenda Date: 9/23/16  
Agenda Item: 2L

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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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	)	AND CIP RATES
CONSERVATION INCENTIVE PROGRAM (CIP)	)	
CHARGES FOR THE YEAR ENDING SEPTEMBER 30,	)	
2017	)	DOCKET NO. GR16060483

**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:**

Per the generic Order of the New Jersey Board of Public Utilities ("Board") dated January 6, 2003, in Docket No. GX01050304 ("January 2003 BGSS 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 2003 BGSS 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 New Jersey 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 January 2003 BGSS Order, on June 1, 2016, 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 \$0.529214 to \$0.354703 for the period October 1, 2016 through September 30, 2017.<sup>1</sup>

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

<sup>1</sup> All rates quoted include Sales and Use Tax ("SUT").

- 1) A decrease in the gas cost portion of the Company's D-2<sup>2</sup> charge for Rate Schedule Large Volume Service ("LVS") from \$16.545047 per Mcf to \$15.958901 per Mcf;
- 2) No change is to be made to the gas cost portion of the Firm D-2 charge for Rate Schedule Electric Generation Service – Large Volume ("EGS-LV") which is to remain unchanged at \$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 \$8.272524 to \$7.979450 per Mcf; and
- 4) An increase in the monthly BGSS non-commodity per therm rate applicable to Rate Schedules General Service ("GSG"), General Service – Large Volume ("GSG-LV"), Electric Generation Service ("EGS"), LVS, and EGS-LV from \$0.133252 to \$0.138898 per therm.

According to the filing, approval of the above BGSS rate changes would result in a decrease in annual BGSS revenues to the Company of \$43.9 million over the recovery period. Any under or over-collection at the conclusion of the 2017 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 \$17.45 or 14.5%

The petition also sought approval of the following changes to the Company's after-tax per therm Conservation Incentive Program ("CIP")<sup>3</sup> rates effective as of October 1, 2016.

- 1) Group I- Residential ("RSG") non-heating customers: from (\$0.099971) to \$0.026628;
- 2) Group II- RSG heating customers: from (\$0.058946) to \$0.073013;
- 3) Group III- GSG customers: from (\$0.031700) to \$0.058332;
- 4) Group IV- GSG-LV customers: from (\$0.025487) to \$0.017676.

According to the filing, approval of the above CIP rate changes would result in an increase in annual CIP revenues to the Company of \$43.3 million over the recovery period.

Implementation of the above proposed changes in the CIP rates is anticipated to result in an increase in a monthly bill of \$13.20 (11.0%) for the average residential customer using 100 therms.

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<sup>2</sup> Designed to recover interstate pipeline demand charges.

<sup>3</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 9.75%. The Company estimates its ROE at September at 7.72%, thus under the cap.

After publication of notice in newspapers of general circulation in SJG's service territory, two public hearings in this matter were held on August 22, 2016, in Voorhees, New Jersey. No members of the public appeared.

#### **STIPULATION FOR PROVISIONAL BGSS AND CIP RATES<sup>4</sup>**

Because additional time is needed to complete the review of the proposed rates to ensure that the costs are adequately explained, reconciled and addressed, and the resulting rates are reasonable, on September 1, 2016, SJG, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff (collectively, "the Parties") executed a stipulation of settlement ("Stipulation") for provisional rates. The Stipulation provides the following:

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 SJG'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.

The Parties 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 SJG's Periodic BGSS rate of \$0.529214 per therm (including taxes), to \$0.354703 per therm (including taxes), effective October 1, 2016, or on such other date as the Board deems appropriate.

The Parties further 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 \$15.958901 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm to remain unchanged 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 \$7.979450 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 \$0.138898 per therm (including taxes).

The proposed Periodic BGSS rate of \$0.354703 will decrease the bill of a residential customer using 100 therms during a winter month from \$120.20 to \$102.75, a decrease of \$17.45 or 14.5%.

Additionally, the Parties 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) \$0.026628 for Group I Residential Non-Heat customers, an increase from the current rate of \$(0.099971); (2) \$0.073013 for Group II Residential Heat customers, an increase from the current rate of \$(0.058946); (3) \$0.058332 for Group III General Service (GSG) customers, an increase from the current rate of \$(0.031700); and (4) \$0.017676 for Group IV General Service Large Volume

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<sup>4</sup> Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

(GSG-LV) customers, an increase from the current rate of \$(0.025487). It is agreed by the Parties that these rate changes will be effective as of October 1, 2016, or as of such date that the Board so decides. The proposed provisional CIP rate changes translate to an increase in CIP-related recoveries of \$43.3 million and are subject to an opportunity for a full review at the OAL, if necessary, and final approval by the Board.

The proposed CIP rates result in an increase of \$13.20, or 11.0%, 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 an increase of \$1.90 or 7.4%. The impact on a GSG customer using 500 therms of gas in a month is an increase of \$45.02 or 8.3%. The impact on a GSG-LV customer using 15,646 therms of gas in a month is an increase of \$675.33 or 6.0%.

Combining the BGSS recovery reductions of \$43.9 million with CIP-related recoveries of \$43.3 million, results in a provisional recovery reduction of \$0.6 million and a net decrease of \$4.25, or 3.5%, to the monthly bill of a residential heating customer using 100 therms.

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 to the Stipulation as Exhibit A; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached to the Stipulation 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 of the Stipulation is to be submitted to the Parties on approximately the 15th of the following month.

The Parties further acknowledge that a Board Order approving the 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. Attached to the Stipulation are proposed tariff sheets to implement the terms of the Stipulation.

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

### **DISCUSSION AND FINDINGS**

The Board has carefully reviewed the record to date in this proceeding and the attached Stipulation. The Board **FINDS** that the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein.

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 \$0.354703;

The gas cost portion of the D-2 charge for Rate Schedule LVS of \$15.958901 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 \$7.979450 per Mcf;

The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV of \$0.138898 per therm.

The Board further **HEREBY APPROVES** the following per therm CIP rates on a provisional basis: \$0.026628 for RSG non-heating customers; \$0.073013 for RSG heating customers; \$0.058332 for GSG customers; and \$0.017676 for GSG-LV customers.

All rates changes shall be effective for service rendered on and after October 1, 2016, 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.

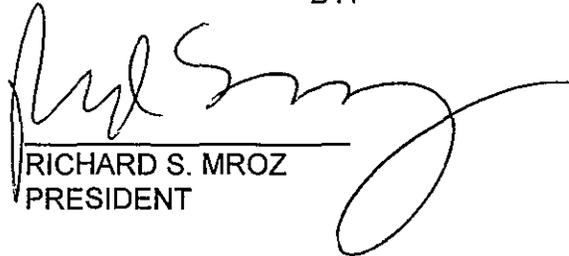
SJG is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by October 1, 2016.

The Company's costs, including those related to BGSS; 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 October 1, 2016.

DATED: 9/23/16

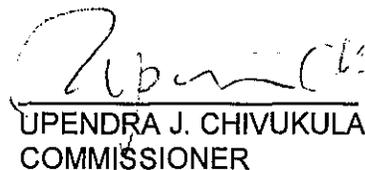
BOARD OF PUBLIC UTILITIES  
BY:

  
RICHARD S. MROZ  
PRESIDENT

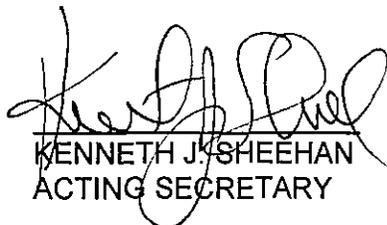
  
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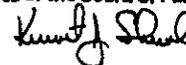
  
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ATTEST:

  
KENNETH J. SHEEHAN  
ACTING 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 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, 2017  
Docket No. GR16060483

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**South Jersey Gas**

**Stacy A. Mitchell, Esq.**  
*Regulatory Affairs Counsel*

September 1, 2016

Irene Kim Asbury, 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 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, 2017  
BPU Docket No. GR16060483**

Dear Secretary Asbury:

Enclosed please find a fully executed Stipulation in the referenced matter.

Respectfully,



Stacy A. Mitchell, Esq.

SAM:lvk  
Enclosure

cc: Service List



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

**IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR16060483**  
**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, 2017 :**

**APPEARANCES:**

**Steven R. Cocchi**, Vice President, Rates and Regulatory Affairs, for Petitioner South Jersey Gas Company.

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

**Alex Moreau**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Christopher Porrino**, Attorney General of New Jersey).

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

**I. PROCEDURAL HISTORY**

1. On June 01, 2016, South Jersey Gas Company (“South Jersey,” or “Company,” or “Petitioner”) filed a Petition (“Petition”), in Docket No. GR16060483, 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 \$0.529214<sup>1</sup> to \$0.354703, a decrease of \$0.174511 per therm, for the period October 1, 2016 through

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

September 30, 2017 (“BGSS/CIP Year”). The requested periodic BGSS rate would result in a monthly decrease of \$17.45, or 14.5%, 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 \$15.958901 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm will remain unchanged 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 \$7.979450 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 \$0.138898 per therm.

3. These proposed changes translate to a decrease in annual BGSS recoveries of \$43.9 million.

4. The Petition also requested that the Board approve the implementation of per therm Conservation Incentive Program (“CIP”) rates of \$0.026628 for Group I Residential Non-Heat customers, \$0.073013 for Group II Residential Heat customers, \$0.058332 for Group III General Service (GSG) customers and 0.017676 for Group IV General Service Large Volume (GSG-LV) customers, effective October 1, 2016. The requested CIP rates would result in a monthly increase of \$13.20, or 11.0%, for a residential heating customer using 100 therms of gas during a winter month. The proposed bill impact on a residential non-heating customer using 15 therms of gas during a month is an increase of \$1.90, or 7.4%. The proposed bill impact on a GSG customer using 500 therms of gas during a month is an increase of \$45.02, or 8.3%. The

proposed bill impact on a GSG-LV customer using 15,646 therms of gas a month is an increase of \$675.33, or 6.0%.

5. These proposed changes translate to an increase in annual CIP recoveries of \$43.3 million.

6. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges are 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.

7. Also pursuant to the Board's Order in Docket No. GR13030185, a Variable Margin Revenue Test was established, under which recoverable non-weather CIP amounts shall not exceed 6.5 percent of aggregate variable margin revenues.

8. The Company seeks to recover an estimated total of \$27.7 million of CIP related margin, of which \$21.9 million is weather-related margin revenues. The weather-related component of the CIP is recovered through the CIP. However, this portion is not subject to the Modified BGSS Savings Test.

9. In computing the non-weather CIP value, the margin impact of weather is first to be deducted from the total CIP charge or credit. The non-weather related CIP component shall be subject to a dual eligibility test comprised of the Modified BGSS Savings Test and a Margin

Revenue Test established in the CIP Continuation Stipulation. In order to be eligible for recovery, non-weather related CIP impacts must pass both cost recovery tests. Amounts that do not pass one or both tests may still be recoverable in future years.

10. South Jersey's non-weather related margin is \$5.8 million. This was established by subtracting the weather related component of \$21.9 million, from the total CIP amount of \$27.7 million. Thus, South Jersey seeks to recover total non-weather related margin revenue through the CIP totaling \$5.8 million.

11. South Jersey's permanent BGSS savings realized from the permanent capacity releases or contract terminations (Category One of the Modified BGSS Savings Test) total \$2.2 million per year. BGSS savings realized from gas cost savings from reductions of capacity on a long-term basis (Category Two of the Modified BGSS Savings Test) total \$6.1 million. BGSS savings realized from avoided capacity costs to meet residential customer growth (Category Three of the Modified BGSS Savings Test) total \$260,288. Therefore, the total BGSS savings for the 2016-2017 CIP year is \$8.6 million. This amount exceeds the \$5.8 million of non-weather related margin revenue that will be recovered through the CIP, thus the Modified BGSS Savings Test has been met.

12. South Jersey's non-weather related margin of \$5.8 million does not exceed 6.5% of aggregate variable revenues of \$181,697,880, or \$11,810,362, thus the Variable Margin Revenue test has been met.

13. 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 ("TAC") (the "ROE Test"). Under this

provision, the CIP may not contribute towards earnings in excess of a 9.75% ROE. After recovery of the CIP margin revenues, South Jersey's ROE for the period October 1, 2015 through September 30, 2016 is projected to be 7.72%. As a result, the ROE test will not act as a limitation on South Jersey's recovery through the CIP for the forthcoming 2016-2017 CIP year. This projected ROE is calculated on Schedule A to the Petition.

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

100 Monthly Therms	Current Bill	Proposed Bill	Change (\$)	Change (%)
BGSS	\$120.20	\$102.75	(\$17.45)	(14.5%)
CIP	\$120.20	\$133.40	\$13.20	11.0%
Combined	\$120.20	\$115.95	(\$4.25)	(3.5%)

1,000 Annual Therms	Current Bill	Proposed Bill	Change (\$)	Change (%)
BGSS	\$1,221.29	\$1,046.78	(\$174.51)	(14.3)%
CIP	\$1,221.29	\$1,353.25	\$131.96	10.8%
Combined	\$1,221.29	\$1,178.74	(\$42.55)	(3.5%)

15. 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 22, 2016 in Voorhees, New Jersey. No members of the public appeared or spoke.

## **II. STIPULATED TERMS**

16. 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.

17. 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 \$0.529214 per therm (including taxes), to \$0.354703 per therm (including taxes), effective October 1, 2016, or on such other date as the Board deems appropriate.

18. 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 \$15.958901 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm to remain unchanged 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 \$7.979450 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 \$0.138898 per therm (including taxes).

19. The proposed Periodic BGSS rate of \$0.354703 will decrease the bill of a residential customer using 100 therms during a winter month from \$120.20 to \$102.75, a decrease of \$17.45 or 14.5%.

20. 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) \$0.026628 for Group I Residential Non-Heat customers, an increase from the current rate of \$(0.099971); (2) \$0.073013 for Group II Residential Heat customers, an increase from the current rate of \$(0.058946); (3) \$0.058332 for Group III General Service (GSG) customers, an increase from the current rate of \$(0.031700); and (4) \$0.017676 for Group IV General Service Large Volume (GSG-LV) customers, an increase from the current rate of \$(0.025487). It is agreed by the Parties that these rate changes will be effective as of October 1, 2016, or as of such date that the Board so decides. The proposed provisional CIP rate changes translate to an increase in CIP-related recoveries of \$43.3 million and are subject to an opportunity for a full review at the OAL, if necessary, and final approval by the Board.

21. The proposed CIP rates result in an increase of \$13.20, or 11.0%, 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 an increase of \$1.90 or 7.4%. The impact on a GSG customer using 500 therms of gas in a month is an increase of \$45.02 or 8.3%. The impact on a GSG-LV customer using 15,646 therms of gas in a month is an increase of \$675.33 or 6.0%.

22. Combining the BGSS recovery reductions of \$43.9 million with CIP-related recoveries of \$43.3 million, results in a provisional recovery reduction of (\$0.6) million and a net decrease of \$4.25, or 3.5%, to the monthly bill of a residential heating customer using 100 therms.

23. 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.

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

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

### **III. MISCELLANEOUS**

24. 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.

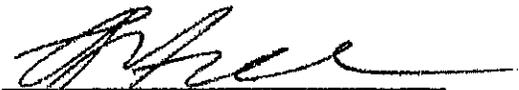
25. It is specifically understood and agreed that this Stipulation represents a negotiated interim agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, South Jersey, Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or 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.

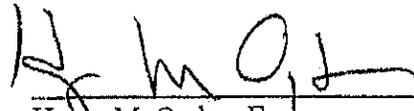
**SOUTH JERSEY GAS COMPANY**

By:   
\_\_\_\_\_  
Steven R. Cocchi  
Vice President, Rates and Regulatory Affairs

**CHRISTOPHER PORRINO**  
**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: September 1, 2016

# Exhibit A

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

<u>Month</u>	<u>a</u> BGSS	<u>b</u> NYMEX	<u>c = b - a</u> Incr/ (Decr)    % Chg		<u>d</u> Sales forecast (dths)	<u>e</u> Hedged volume (dths)	<u>f = d - e</u> Unhedged volume (dths)	<u>g = c x f</u> Change in value unhedged
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
<u>Avg Total \$</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>
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
<u>Avg Total \$</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>

**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

# Exhibit B

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

	Estimate Oct-16	Estimate Nov-16	Estimate Dec-16	Estimate Jan-17	Estimate Feb-17	Estimate Mar-17	Estimate Apr-17	Estimate May-17	Estimate Jun-17	Estimate Jul-17	Estimate Aug-17	Estimate Sep-17	Total
1 NYMEX - 5/10/16 - Included in BGSS Filing													
2 NYMEX - Actual Settlement													
3 <u>Breakdown of Gross Cost of Gas Per Therm:</u>													
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	Actual	Estimate	Weighted										
16	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Average
17													
18 NYMEX - Actual Settlement													
19 <u>Breakdown of Gross Cost of Gas Per Therm:</u>													
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

