



Philip D. Murphy
Governor

Sheila Y. Oliver
Lt. Governor

State of New Jersey
BOARD OF PUBLIC UTILITIES
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

Aida Camacho-Welch
Secretary of the Board
Tel. # (609) 292-1599

May 30, 2019

To the Service List:

Re: In the Matter of the Petition of South Jersey Gas Company to Revise the Level of its Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") Charges for the Year ending September 30, 2019
BPU Docket No. GR18060609
OAL Docket No. PUC 14572-18

Agenda Date: May 8, 2019 – Agenda Item: 2C

Please be advised that the Board of Public Utilities is reissuing the Order for the above-referenced agenda item that was approved by the Board of Public Utilities ("Board") at the May 8, 2019 Board agenda meeting to correct two (2) typographical errors. On page seven, the text which reads, "The gas cost portion of the D-2 charge for Rate Schedule LVS of \$15.007637 per Mcf;" has been changed to "The gas cost portion of the D-2 charge for Rate Schedule LVS of \$15.734955 per Mcf." On page seven, the text which reads, "The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$7.503819 per Mcf;" has been changed to "The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$7.867477 per Mcf."

These are the only changes to the Order, which will be re-distributed to the parties of record and the attached service list.

Sincerely,

A handwritten signature in blue ink that reads "Aida Camacho-Welch".

Aida Camacho-Welch
Secretary of the Board

/ac



Agenda Date: 5/8/19
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)	DECISION AND ORDER
JERSEY GAS COMPANY TO REVISE THE LEVEL)	APPROVING INITIAL DECISION AND
OF ITS BASIC GAS SUPPLY SERVICE ("BGSS"))	STIPULATION FOR FINAL BGSS, BSC,
CHARGE AND CONSERVATION INCENTIVE)	AND CIP RATES
PROGRAM ("CIP") CHARGES FOR THE YEAR)	
ENDING SEPTEMBER 30, 2019)	DOCKET NO. GR18060609
)	OAL DOCKET NO. PUC 14572-18

Parties of Record:

Stacy A. Mitchell, Esq., on behalf of South Jersey Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers an Initial Decision executed by Administrative Law Judge ("ALJ") Jacob S. Gertsman and a Stipulation for Final Rates ("Stipulation") executed by South Jersey Gas Company ("South Jersey" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Parties") intended to resolve the Company's requests related to the above docketed matter.

BACKGROUND

By Order dated January 6, 2003,¹ the Board directed each of New Jersey's four (4) gas distribution companies ("GDCs") to submit to the Board by June 1st its annual Basic Gas Supply Service ("BGSS"), cost filing for the BGSS year beginning October 1. In addition, the January 2003 BGSS Order authorizes each GDC to self-implement up to a five (5) percent BGSS increase effective December 1 of the current year and February 1 of the following year with one (1) month's advance notice to the Board and Rate Counsel and implement a decrease in its BGSS rate at any time during the year upon five (5) days' notice to the Board and Rate Counsel.

¹ In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act, N.J.S.A. 48:3-49 et seq. – Order Approving BGSS Price Structure, BPU Docket No. GX01050304 (January 6, 2003) ("January 2003 BGSS Order").

2018 BGSS/CIP Filing

In accordance with the January 2003 BGSS Order, on June 1, 2018, the Company filed a petition (“2018 BGSS/CIP Petition”) with the Board seeking approval to modify its Periodic BGSS, Balancing Service Clause (“BSC”), and Conservation Incentive Program (“CIP”) rates. The Company proposed to change its Periodic BGSS rate from \$0.340013² per therm to \$0.564695 per therm. Approval of this rate would increase the bill of a residential heating customer using 100 therms of gas during a winter month from \$133.00 to \$155.47, an increase of \$22.47 or 16.9%.

In the 2018 BGSS/CIP Petition, the Company also requested the following rate revisions:

- i) A decrease in the gas cost portion of the Company’s D-2³ charge per Mcf for Rate Schedule Large Volume Service (“LVS”) from \$15.759966 to \$15.007637;
- ii) A decrease in the gas cost portion of the Firm D-2 charge per Mcf for Rate Schedule Electric Generation Service – Large Volume (“EGS-LV”) from \$15.455576 to \$15.437520;
- iii) A decrease in the gas cost portion of the Limited Firm D-2 and Firm D-2 charges per Mcf for Rate Schedules EGS-LV and Firm Electric Service (“FES”) from \$7.879983 to \$7.503819;
- iv) A decrease in the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, General Service – Large Volume (“GSG-LV”), Electric Generation Service (“EGS”), LVS, EGS-LV, and Natural Gas Vehicle (“NGV”) from \$0.111849 per therm to \$0.106134 per therm;
- v) An increase in the Rider “I” Balancing Service Clause – Large Volume (“BSC-LV”) charges for Opt-Out from \$0.002700 per therm to \$0.003074 per therm, and for Non Opt-Out from \$0.012600 per therm to \$0.033851 per therm; and
- vi) A decrease in the Rider “J” Balancing Service Clause – General Service (“BSC-GS”) charge from \$0.050300 to \$0.033851 per therm.

These proposed changes translated to an increase in annual BGSS recoveries of \$65.5 million.

The 2018 BGSS/CIP Petition also requested the following changes to the Company’s per therm CIP⁴ rates:

- i) A change from a credit of \$0.014313 to a credit of \$0.120976 for residential (“RSG”) non-heating customers.

² Unless otherwise noted, all rates quoted herein include Sales and Use Tax.

³ Designed to recover interstate pipeline demand charges.

⁴ The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006. By Order dated January 10, 2010 in Docket No. GR05120120, the Board extended the CIP. By Order dated May 21, 2014 in Docket No. GR13030185, the Board authorized South Jersey to continue its CIP. The CIP encourages the Company to foster customer conservation by allowing it to recover margins associated with a defined use per customer. The non-weather related CIP surcharges are subject to tests associated with variable margins and reductions in BGSS related costs. Total CIP surcharges are subject to return on equity limits.

- ii) A change from a charge of \$0.078172 to \$0.005717 for RSG heating customers.
- iii) A change from a charge of \$0.056877 to a credit of \$0.000026 for GSG customers.
- iv) A change from a credit of \$0.013783 to a charge of \$0.011583 for GSG-LV customers.

Pursuant to the 2018 BGSS/CIP Petition, the proposed changes in the Company's CIP rates would result in a monthly decrease of \$7.25 or 5.5% for a residential heating customer using 100 therms of gas during a winter month. The proposed changes translated to a decrease in annual CIP recoveries of \$26.4 million.

The combined proposed changes in the Company's BGSS and CIP rates would result in a net increase of approximately \$13.58 or 10.2% for the average residential heating customer using 100 therms of gas during a winter heating month.

After publication of notice in newspapers of general circulation in South Jersey's service territory, two (2) public hearings in this matter were held on August 20, 2018 at 4:30 PM and 5:30 PM, in Voorhees, New Jersey. No members of the public appeared or filed comments related to the Company's filing.

On September 17, 2018, the Board issued an Order ("September 2018 Provisional Order") in this docket approving a stipulation executed by the Parties. The September 2018 Provisional Order authorized SJG to implement the BGSS, BSC, and CIP rates proposed in the 2018 BGSS/CIP Petition on a provisional basis, subject to refund, effective October 1, 2018.

On September 26, 2018, the 2018 BGSS/CIP Petition was transmitted to the Office of Administrative Law ("OAL") and assigned to ALJ Gertsman for hearing as a contested case.

In accordance with the January 2003 BGSS Order, on December 27, 2018, the Company submitted a notice of intent to self-implement an increase in its Periodic BGSS rate from \$0.564695 per therm to \$0.641499 per therm effective February 1, 2019. Implementation of this rate would increase the bill of a residential heating customer using 100 therms of gas during a winter month from \$148.09 to \$155.49, an increase of \$7.40 or 5%. This self-implementing increase was included in the Company's public notice for the August 20, 2018 public hearings noted above. On February 1, 2019, the Company self-implemented this increase.

STIPULATION

Following further review and discussions, on April 15, 2019, the Parties executed the Stipulation. The Stipulation provides for the following:⁵

- 17. The Parties agree: (1) that the CIP Provisional Rates previously approved by the Board are prudent and reasonable and should be made final; (2) to modify the BGSS Provisional Rates, as further stated below, and (3) to stipulate to the following, additional terms.

⁵ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Each paragraph is numbered to coincide with the paragraphs in the Stipulation.

18. It is both reasonable and prudent for the Board to authorize a reduction to the current periodic BGSS rate of \$0.641499 per therm, to \$0.543591 per therm, upon the effective date of the Order approving final rates in the 2018 BGSS/CIP Petition, or on such other date as the Board deems appropriate.
19. The following BGSS rates shall be made final: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$15.734955 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$15.437520 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 \$7.867477 per Mcf (including taxes); 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.121864 per therm (including taxes); (5) the Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out be set at \$0.003074 per therm, and Non Opt-Out be set at \$0.033851 per therm; and (6) the Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge be set at \$0.033851 per therm.
20. The final Periodic BGSS rate of \$0.543591 will decrease the bill of a residential customer using 100 therms during a winter month from \$155.49 to \$145.70, a decrease of \$9.79 or 6.3%.
21. The Company shall issue a one-time BGSS bill credit of \$22,429,215, plus interest at the Weighted Average Cost of Capital rate totaling approximately \$429,788, to reflect the annual difference in BGSS recoveries derived from the actual provisional periodic BGSS Provisional Rates of \$0.564695 per therm for the period October 1, 2018 through January 31, 2019 and \$0.641499 per therm for the period February 1, 2019 through April 30, 2019 compared to rates designed to recover the under-recovered gas cost balance over a two year period. See Exhibit A attached to the Stipulation. The resulting BGSS under-recovery, derived from the approximate \$22.4 million credit and reduced final BGSS rate shall be recovered from BGSS customers over the 2019-2020 BGSS Year. The Company agrees not to seek recovery from customers for any carrying-costs associated with this under-recovery.
22. Included with the one-time BGSS credit referenced in Paragraph 21 of the Stipulation, the Company shall credit to the periodic BGSS customers, at its sole cost and expense, the sum of \$390,000, which represents the interruptible customer penalty assessment that was not collected by the Company from the single customer that failed to comply with the December 2017 interruption notification. Combined, the total one-time credit to BGSS customers will be approximately \$24 million (after taxes). The Company shall issue the credit effective May 15, 2019 and include it in the next monthly customer billing cycle. The one-time credit to the Company's average residential customer using 100 therms during a winter month will be approximately \$62.00. Individual customer bill credits will vary as each customer's bill credit will be calculated based on their actual usage from October 1, 2018 through February 28, 2019.
23. For all future capacity releases other than CIP-related releases, South Jersey will initially solicit bids by posting the capacity for a term of one-year or less. To the extent the bids do not attract offers of at least 100% of maximum rates, South Jersey reserves the right to release the capacity for a term greater than one-year at maximum rates.

24. The Company will make future decisions as to whether a gas supply transaction will be structured as a capacity release or an off-system sale on a case-to-case basis, and will undertake reasonable efforts to maximize the credit to the Periodic BGSS customers taking into account the following criteria: the underlying value of the transaction; the term of the transaction; and the preference of the parties as to which structure is appropriate or preferred. Other considerations may include the credit requirements associated with an off-system sale and the additional administrative burden of scheduling, tracking and billing an off-system sale.

25. The Company will file all the Minimum Filing Requirements (“MFR”s), attached as Exhibit B to the Stipulation, with all future BGSS filings. In addition, MFR No. 6 “BGSS Contribution and Credit Offsets,” shall be modified to provide as follows:

Monthly data showing the derivation of all BGSS cost offsets, including interruptible margins, capacity transactions, pipeline refunds and other credits should be provided for the reconciliation and projected periods. Any applicable FERC Orders will be included. All calculations showing how such offsets were determined should be included. A plain English explanation in narrative form should be provided regarding the BGSS contribution and Credit Offsets. In addition, the Company shall document through testimony for any non-bid releases and/or affiliate contracts, the decision-making process that the Company went through in each case to arrive at its determination to release capacity on a non-biddable basis or enter into any affiliate contract. Such testimony shall include documentation showing the impact that the non-biddable capacity release or affiliate contract was projected to have on total BGSS costs at the time the Company committed to the transaction. In addition, for each non-biddable capacity release, the Company shall determine whether the transaction could have been structured as an off-system sale, and, if so demonstrate that prior to releasing the capacity, the Company compared the benefit to Periodic BGSS customers of making the capacity release compared to the benefit that could have been achieved by structuring the transaction as an off system sale and the Company shall provide documentation supporting this comparison in its filing.

26. The Company shall modify its current effective margin sharing mechanism, 85% of margins credited to the BGSS customers and 15% of margins retained by the Company, to 93% of margins credited to the BGSS customers and 7% of margins retained by the Company, for all capacity releases, whether to an affiliate or non-affiliate, in its 2019-2020 and 2020-2021 BGSS Years. Thereafter, the Parties reserve their rights to take a position regarding an appropriate sharing mechanism.

27. The Company shall 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 as Exhibit C 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 D to the Stipulation). The chart reflected on Exhibit C of the Stipulation 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 D of the Stipulation is to be submitted to the Parties on approximately the 15th of the following month. Reports filed during the months of July through September shall be submitted for the BGSS proceeding filed in June of that year and the BGSS proceeding for the prior year.

28. South Jersey shall submit testimony with the next annual BGSS filing concerning: (a) the risks that marketers supplying firm transportation customers will fail to meet their obligations to deliver gas to the Company; (b) the conditions under which the Company would utilize gas supply resources acquired for BGSS customers to be “supplier of last resort” for firm transportation customers; and (c) the implications for BGSS customers with respect to supply reliability and gas supply cost.
29. In the Company’s next annual BGSS filing, South Jersey will address:
 - i. whether it is appropriate to make a monthly adjustment of the Daily Contract Quantity (DCQ) for firm transportation customers rather than a seasonal adjustment so as to minimize the build-up of under or over delivery balances;
 - ii. amending its Tariff to create tighter imbalance tolerances that would apply when operational flow orders (OFOs) are in effect; and
 - iii. whether its process for notifying and monitoring interruptible customers/marketers are adequate and will propose changes, as necessary.
30. The Company shall include in its next annual BGSS filing testimony that addresses whether the Company should amend its Tariff for Rider J customers to send appropriate price signals to marketers/transportation customers to incent them to bring in the amount of gas used by the customers on a monthly basis. The Company shall also include testimony in support of proposed standby charges and balancing charges that properly reflect cost of service.
31. The Company shall amend its risk management program to provide that 100% of the minimum hedging requirement will be hedged prior to the start of the BGSS year. The Company shall set goals/targets on a monthly basis, modified from time-to-time as necessary, to reflect adequate minimum hedging criteria. The Company shall include in all future annual BGSS filings testimony that reflects these goals/targets and how the Company managed such goals/targets.
32. South Jersey shall revise its Commodity Purchasing Guide to set forth that the supply/capacity “stack” will be dispatched on a least cost basis. The Company shall also include flexibility, pipeline considerations and other relevant factors that would necessitate a deviation from a least cost basis.
33. The Company shall investigate the possibility of using weather derivatives to offset the costs of price spikes in the market and address its findings in its next BGSS filing. The Company agrees to seek advance approval from the Board prior to entering into any weather derivative products and provide a narrative regarding its conclusions and results in its next BGSS filing.
34. The Stipulation provides a final resolution in this proceeding. All issues related to South Jersey’s BGSS and CIP costs for the year ending September 30, 2018 are resolved.

On April 23, 2019, ALJ Gertsman issued his Initial Decision finding that the Parties voluntarily agreed to the terms of the Stipulation, and that the Stipulation disposed of all matters in controversy and is consistent with the law.

DISCUSSION AND FINDINGS

The Board has reviewed the record in this matter, including ALJ Gertsman's Initial Decision and the Stipulation. The Stipulation includes provisions designed to improve the Company's gas purchasing procedures and help ensure that Periodic BGSS customers are not subsidizing services provided to other groups of customers. The Stipulation provides for recovery of the BGSS under-recovered balance over a two-year period without carrying cost recovery which will help stabilize Periodic BGSS rates. The Stipulation further provides for bill credits to refund to customers, with interest, the difference between the provisionally approved Periodic BGSS rate and the final rate which will be set to provide the two-year recovery. Finally, the Stipulation requires the Company to include in its next BGSS filing, due on June 1, 2019, testimony and documentation in support of certain affiliate transactions, capacity releases, and the Company's hedging goals/targets.

The Board **FINDS** the Initial Decision, which adopts the Stipulation, to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and Stipulation attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if fully set forth herein.

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

The Company's per therm Periodic BGSS rate of \$0.543591;

The gas cost portion of the D-2 charge for Rate Schedule LVS of \$15.734955 per Mcf;

The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$15.437520 per Mcf;

The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$7.867477 per Mcf;

The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV of \$0.106134 per therm;

The Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out of \$0.003074 per therm, and Non Opt-Out of \$0.033851 per therm; and

The Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge of \$0.033851 per therm.

The Board also **HEREBY APPROVES** per therm CIP rates on a final basis: a credit rate of \$0.120976 for RSG non-heating customers; a charge of \$0.005717 for RSG heating customers; a credit rate of \$0.000026 for GSG customers; and a charge of \$0.011583 for GSG - LV customers.

All rate changes shall be effective for service rendered on and after May 15, 2019. The Board **HEREBY ORDERS** South Jersey to file tariffs consistent with the Board's Order by May 15, 2019.

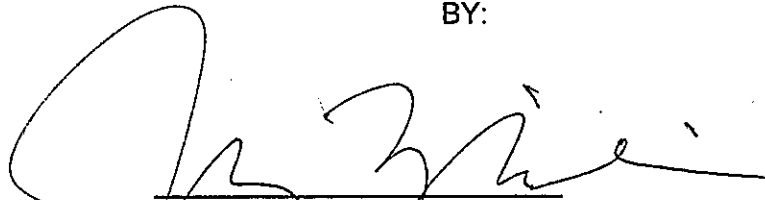
As a result of the Stipulation, the bill of a typical residential customer using 100 therms during a winter month will decrease from \$155.49 to \$145.70, a decrease of \$9.79 or 6.3%. Additionally, the same residential customer will receive a one-time bill credit of approximately \$62.00.

The Company's costs, including those related to BGSS, the BSC, and the CIP, remain subject to audit. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective May 9, 2019.

DATED: 5/8/19

BOARD OF PUBLIC UTILITIES
BY:




JOSEPH L. FIORDALISO
PRESIDENT



MARY ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
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 CONSERVATION
INCENTIVE PROGRAM ("CIP") CHARGE FOR THE YEAR ENDING SEPTEMBER 30, 2019

BPU DOCKET NO. GR18060609
OAL DOCKET NO. PUC 14572-18

SERVICE LIST

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 14572-18

AGENCY DKT. NO. GR18060609

**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, 2019.**

Stacy A. Mitchell, Vice President, Rates and Regulatory Affairs, South Jersey Gas

Geoffrey Gersten and **Renee Greenberg**, Deputy Attorneys General, for Staff of
the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New
Jersey, attorney)

Henry Ogden and **Felicia Thomas-Friel**, Assistant Deputies Rate Counsel, for
Division of Rate Counsel (Stefanie A. Brand, Director)

Record Closed: April 16, 2019

Decided: April 18, 2019

OAL DKT. NO. PUC 14572-18

BEFORE **JACOB S. GERTSMAN**, ALJ t/a:

This proceeding involves a petition filed on June 1, 2018, by South Jersey Gas Company (SJG or Company) requesting that the Board of Public Utilities (Board) approve the Company's request to revise the level of its Basic Gas Supply Service (BGSS) charge, and to revise the level of its Conservation Incentive Program (CIP) charge, for the year ending September 30, 2019.

The petition was transmitted to the Office of Administrative Law (OAL) on October 1, 2018, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on November 5, 2019. Duly-noticed public hearings were held prior to the transmittal to the OAL, on August 20, 2018, in Voorhees, New Jersey. No members of the public appeared or provided written comments.

Evidentiary hearings were scheduled for April 29 and May 2, 2019. Prior to the commencement of the hearings, the parties filed on April 16, 2019, a Stipulation of Settlement (J-1), resolving all issues in this proceeding. Said Stipulation has been signed by petitioner, Staff of the Board of Public Utilities, and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If

OAL DKT. NO. PUC 14572-18

the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

April 18, 2019 _____

DATE



JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency:

4/23/19

Date Mailed to Parties:

JSG/nd

OAL DKT. NO. PUC 14572-18

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

RECEIVED

2019 APR 16 AM 11:25

STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR18060609
SOUTH JERSEY GAS COMPANY TO : OAL DOCKET NO. PUC 14572-2018S
REVISE THE LEVEL OF ITS BASIC GAS :
SUPPLY SERVICE ("BGSS") CHARGE : STIPULATION FOR
AND CONSERVATION INCENTIVE : FINAL BGSS/CIP RATES
PROGRAM ("CIP") CHARGE FOR THE :
YEAR ENDING SEPTEMBER 30, 2019 :

APPEARANCES:

Stacy A. Mitchell, Esq., VP Rates and Regulatory Affairs, SJI Utilities, Inc. for Petitioner South Jersey Gas Company.

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

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

**TO: THE HONORABLE JACOB S. GERTSMAN, ADMINISTRATIVE LAW JUDGE
AND THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

1. This Stipulation is intended to make final, as modified herein, the provisional Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") rates previously approved by the New Jersey Board of Public Utilities (the "Board") on September 17, 2018 in Docket No. GR18060609 (this "Proceeding").

I. PROCEDURAL HISTORY

2. On June 1, 2018, South Jersey Gas Company ("South Jersey" or "Company") filed a petition in this Proceeding requesting that the Board approve the Company's proposal to

increase the level of its periodic BGSS per therm charge of \$0.340013¹ to \$0.564695, an increase of \$0.224682 per therm, for the period October 1, 2018 through September 30, 2019. Approval of this rate would increase the bill of a residential heating customer using 100 therms of gas during a winter month from \$133.00 to \$155.47 an increase of \$22.47, or 16.9%.

3. The Company also proposed the following BGSS rates: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS to be set at \$15.007637 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm to be set at \$15.437520 per Mcf; 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES to be set at \$7.503819 per Mcf; 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV to be set at \$0.106134 per therm; (5) the Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out to be set at \$0.003074 per therm and Non Opt-Out to be set at \$0.033851 per therm; and (6) the Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge to be set at \$0.033851 per therm.

4. These proposed changes translated to an increase in annual BGSS recoveries of \$65.5 million.

5. The Petition also sought Board approval to implement per therm CIP rates effective October 1, 2018 including the following:

- A credit rate of \$0.120976 for Group I Residential Non-Heat customers:
- \$0.005717 for Group II Residential Heat customers:

¹ All rates quoted herein include Sales and Use Taxes ("SUT").

- A credit rate of \$0.000026 for Group III General Service (GSG) customers; and
- \$0.011583 for Group IV General Service Large Volume (GSG-LV) customers..

6. The requested CIP rates resulted in a monthly decrease of \$7.25, or 5.5% 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 was a decrease of \$1.60, or 5.8%. The proposed bill impact on a GSG customer using 500 therms of gas during a month was a decrease of \$28.46, or 4.9%. The proposed bill impact on a GSG-LV customer using 15.646 therms of gas a month was an increase of \$396.88, or 2.7%.

7. As proposed, the rates translated to a decrease in annual CIP recoveries of \$26.4 million.

8. The combined proposed changes in the Company's BGSS and CIP rates would result in a net increase of approximately \$13.58 or 10.2% for the average residential heating customer using 100 therms of gas during a winter heating month.

9. 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. In addition, 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 also 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.

10. Also pursuant to the Board's Order in Docket No. GR13030185, recoverable non-weather CIP amounts are subject to a Variable Margin Test under which such amounts shall not exceed 6.5% of aggregate variable margin revenues.

11. Following public notice published in newspapers of general circulation within South Jersey's service territory, two public hearings for this proceeding were held on August 20, 2018 at 4:30 PM and 5:30 PM in Voorhees, New Jersey. No members of the public appeared or provided written comments

12. By Order dated September 17, 2018, the Board approved on a provisional basis the BGSS and CIP rates proposed in this Proceeding (the "Provisional Rates"). All changes to the BGSS and CIP rates became effective on a provisional basis, subject to refund, for service rendered on or after October 1, 2018

13. On September 26, 2018, the Board transmitted the matter to the Office of Administrative Law ("OAL") as a contested case. The matter was assigned to ALJ Jacob S. Gertsman. Pre-Hearing Conferences were held on November 5, 2018 and February 21, 2019. Several status and settlement conferences were held thereafter among the parties.

14. On or about December 27, 2018, the Company notified the Board of its intent to self-implement a BGSS rate adjustment based on a 5% increase in the monthly bill of a typical residential customer using 100 therms to be effective February 1, 2019 consistent with the requirements set forth in the Board Order Approving BGSS Pricing Structure, dated January 6, 2003, in Docket No. GX01050304 (the "January 6th Order").

15. The January 6th Order provides, in relevant part, that a gas distribution company may file two self-implementing BGSS rate increases upon written notice to the Board and Rate Counsel. Such increases may take effect on December 1st and February 1st.

16. Consistent therewith, the Company adjusted its then current BGSS rate from \$0.564695 per therm to \$0.641499 per therm, resulting in an increase of the bill of a typical residential heating customer using 100 therms a month from \$148.09 to \$155.49, or 5%.

II. STIPULATED TERMS

17. 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 agree: (1) that the CIP Provisional Rates previously approved by the Board are prudent and reasonable and should be made final; (2) to modify the BGSS Provisional Rates, as further stated below, and (3) to stipulate to the following, additional terms.

18. It is both reasonable and prudent for the Board to authorize a reduction to the current periodic BGSS rate of \$0.641499 per therm, to \$0.543591 per therm, upon the effective date of the Order approving final rates in this Proceeding, or on such other date as the Board deems appropriate.

19. The following BGSS rates shall be made final: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$15.734955 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$15.437520 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 \$7.867477 per Mcf (including taxes); 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.121864 per therm (including taxes); (5) the Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out be set at \$0.003074 per therm, and Non Opt-Out be set at \$0.033851 per therm; and (6) the Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge be set at \$0.033851 per therm.

20. The final Periodic BGSS rate of \$0.543591 will decrease the bill of a residential customer using 100 therms during a winter month from \$155.49 to \$145.70, a decrease of \$9.79 or 6.3%.

21. The Company shall issue a one-time BGSS bill credit of \$22,429,215, plus interest at the WACC rate totaling approximately \$429,788, to reflect the annual difference in BGSS recoveries derived from the actual provisional periodic BGSS Provisional Rates of \$0.564695 per therm for the period October 1, 2018 through January 31, 2019 and \$0.641499 per therm for the period February 1, 2019 through April 30, 2019 compared to rates designed to recover the under-recovered gas cost balance over a two year period. See Exhibit A attached hereto. The resulting BGSS under-recovery, derived from the approximate \$22.4 million credit and reduced final BGSS rate shall be recovered from BGSS customers over the 2019-2020 BGSS Year. The Company agrees not to seek recovery from customers for any carrying-costs associated with this under-recovery.

22. Included with the one-time BGSS credit referenced in Paragraph 21 above, the Company shall credit to the periodic BGSS customers, at its sole cost and expense, the sum of \$390,000, which represents the interruptible customer penalty assessment that was not collected

by the Company from the single customer that failed to comply with the December 2017 interruption notification. Combined, the total one-time credit to BGSS customers will be approximately \$24 million (after taxes). The Company shall issue the credit effective May 15, 2019 and include it in the next monthly customer billing cycle. The one-time credit to the Company's average residential customer using 100 therms during a winter month will be approximately \$62.00. Individual customer bill credits will vary as each customer's bill credit will be calculated based on their actual usage from October 1, 2018 through February 28, 2019.

23. For all future capacity releases other than CIP-related releases, South Jersey will initially solicit bids by posting the capacity for a term of one-year or less. To the extent the bids do not attract offers of at least 100% of maximum rates, South Jersey reserves the right to release the capacity for a term greater than one-year at maximum rates.

24. The Company will make future decisions as to whether a gas supply transaction will be structured as a capacity release or an off-system sale on a case-to-case basis, and will undertake reasonable efforts to maximize the credit to the Periodic BGSS customers taking into account the following criteria: the underlying value of the transaction; the term of the transaction; and the preference of the parties as to which structure is appropriate or preferred. Other considerations may include the credit requirements associated with an off-system sale and the additional administrative burden of scheduling, tracking and billing an off-system sale.

25. The Company will file all the Minimum Filing Requirements ("MFR"s), attached hereto as Exhibit B, with all future BGSS filings. In addition, MFR No. 6 "BGSS Contribution and Credit Offsets", shall be modified to provide as follows:

Monthly data showing the derivation of all BGSS cost offsets, including interruptible margins, capacity transactions, pipeline refunds and other credits should be provided for the reconciliation and projected periods. Any applicable FERC Orders will be included. All calculations showing how such offsets were determined should be included. A plain English explanation in narrative form should be provided regarding the BGSS contribution and Credit Offsets. In addition, the Company shall document through testimony for any non-bid releases and/or affiliate contracts, the decision-making process that the Company went through in each case to arrive at its determination to release capacity on a non-biddable basis or enter into any affiliate contract. Such testimony shall include documentation showing the impact that the non-biddable capacity release or affiliate contract was projected to have on total BGSS costs at the time the Company committed to the transaction. In addition, for each non-biddable capacity release, the Company shall determine whether the transaction could have been structured as an off-system sale, and, if so demonstrate that prior to releasing the capacity, the Company compared the benefit to Periodic BGSS customers of making the capacity release compared to the benefit that could have been achieved by structuring the transaction as an off system sale and the Company shall provide documentation supporting this comparison in its filing.

26. The Company shall modify its currently effective margin sharing mechanism, 85% of margins credited to the BGSS customers and 15% of margins retained by the Company, to 93% of margins credited to the BGSS customers and 7% of margins retained by the Company, for all capacity releases, whether to an affiliate or non-affiliate, in its 2019-2020 and 2020-2021 BGSS Years. Thereafter, the Parties reserve their rights to take a position regarding an appropriate sharing mechanism.

27. The Company shall 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 C; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached hereto as Exhibit D). The chart reflected on Exhibit C 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 D is to be submitted to the Parties on approximately the 15th of the following month. Reports filed during the months of July through September shall be submitted for the BGSS proceeding filed in June of that year and the BGSS proceeding for the prior year.

28. South Jersey shall submit testimony with the next annual BGSS filing concerning: (a) the risks that marketers supplying firm transportation customers will fail to meet their obligations to deliver gas to the Company; (b) the conditions under which the Company would utilize gas supply resources acquired for BGSS customers to be "supplier of last resort" for firm transportation customers; and (c) the implications for BGSS customers with respect to supply reliability and gas supply cost.

29. In the Company's next annual BGSS filing, South Jersey will address:

- (i) whether it is appropriate to make a monthly adjustment of the Daily Contract Quantity (DCQ) for firm transportation customers rather than a seasonal adjustment so as to minimize the build-up of under or over delivery balances;
- (ii) amending its Tariff to create tighter imbalance tolerances that would apply when operational flow orders (OFOs) are in effect; and
- (iii) whether its process for notifying and monitoring interruptible customers/marketers are adequate and will propose changes, as necessary.

30. The Company shall include in its next annual BGSS filing testimony that addresses whether the Company should amend its Tariff for Rider J customers to send appropriate price signals to marketers/transportation customers to incent them to bring in the amount of gas used by the customers on a monthly basis. The Company shall also include testimony in support of proposed standby charges and balancing charges that properly reflect cost of service.

31. The Company shall amend its risk management program to provide that 100% of the minimum hedging requirement will be hedged prior to the start of the BGSS year. The Company shall set goals/targets on a monthly basis, modified from time-to-time as necessary, to reflect adequate minimum hedging criteria. The Company shall include in all future annual BGSS filings testimony that reflects these goals/targets and how the Company managed such goals/targets.

32. South Jersey shall revise its Commodity Purchasing Guide to set forth that the supply/capacity "stack" will be dispatched on a least cost basis. The Company shall also include flexibility, pipeline considerations and other relevant factors that would necessitate a deviation from a least cost basis.

33. The Company shall investigate the possibility of using weather derivatives to offset the costs of price spikes in the market and address its findings in its next BGSS filing. The Company agrees to seek advance approval from the Board prior to entering into any weather derivative products and provide a narrative regarding its conclusions and results in its next BGSS filing.

34. This Stipulation provides a final resolution in this proceeding. All issues related to South Jersey's BGSS and CIP costs for the year ending September 30, 2018 are resolved.

III. MISCELLANEOUS

35. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. If this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

36. It is specifically understood and agreed that this Stipulation represents a negotiated final 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. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms. Also, all rates are subject to Board audit.

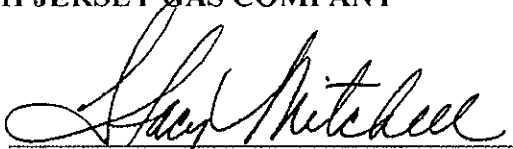
37. The Parties further acknowledge that a Board Order approving this Stipulation will become effective with service of said Board Order, or such date after the service thereof as the Board may specify, in accordance with *N.J.S.A.* 48:2-10.

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

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Presiding Administrative Law Judge and requests that (1) the Administrative Law Judge issue an initial decision approving this Stipulation in its entirety; and (2) 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: _____


Stacy A. Mitchell, Esq.
VP, Rates & Regulatory Affairs, SJIU
on behalf of South Jersey Gas Company

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

By: _____

Renee Greenberg
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

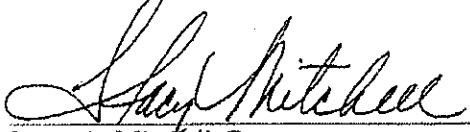
By: _____

Felicia Thomas-Friel
Deputy Rate Counsel

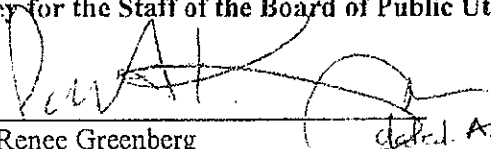
Dated: April 11, 2019

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SOUTH JERSEY GAS COMPANY

By: 
Stacy A. Mitchell, Esq.
VP, Rates & Regulatory Affairs, SJU
on behalf of South Jersey Gas Company

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

By:  dated April 15, 2019
Renee Greenberg
Deputy Attorney General
Patricia Kragman, DGC on behalf of

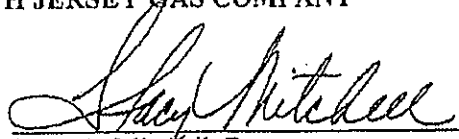
**STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL**

By: _____
Felicia Thomas-Friel
Deputy Rate Counsel

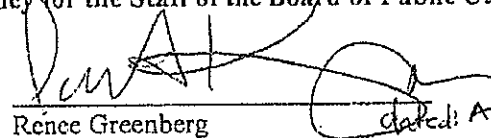
Dated: April //, 2019

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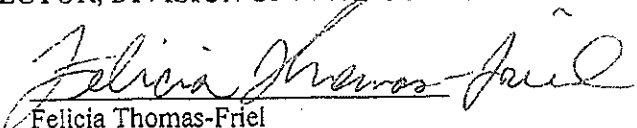
SOUTH JERSEY GAS COMPANY

By: 
Stacy A. Mitchell, Esq.
VP, Rates & Regulatory Affairs, SJTU
on behalf of South Jersey Gas Company

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

By:  dated: April 15, 2019
Renee Greenberg
Deputy Attorney General
Patricia Kragman, D&G on behalf of

**STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL**

By:  4/15/19
Felicia Thomas-Friel
Deputy Rate Counsel

Dated: April 11, 2019

South Jersey Gas
Bill Credit & Interest Summary

EXHIBIT A

Schedule A
 Actual Oct 1, 2018 Beg Balance \$55,138.978
 Projected April 30, 2019 Ending Balance \$5,021,907
 Recovered between October 1, 2018 - April 30, 2019 (with current rates) \$50,117,071

Schedule B
 Actual Oct 1, 2018 Beg Balance \$55,138.978
 Projected April 30, 2019 Ending Balance \$27,951,122
 Recovered between October 1, 2018 - April 30, 2019 (with proposed rates) \$27,687,856
 BGSS Bill Credit (Pre-Tax) **\$22,429,215**

Interest on \$22,464 BGSS Bill Credit

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	
A	Applicable BGSS Sales Volumes (Actual Oct 18 thru Feb 19/Projected March & April)	5,416,121	19,146,595	39,245,718	49,816,503	49,856,278	48,443,370	31,898,146
B	Approved BGSS Recovery Rates (Pre-Tax)	\$0.528285	\$0.528285	\$0.528285	\$0.528285	\$0.600137	\$0.600137	\$0.600137
C	Total BGSS Recovery	\$2,888,198	\$10,114,859	\$20,732,256	\$26,317,311	\$29,920,597	\$29,072,659	\$19,743,395
D	Proposed BGSS Recovery Rates (Pre-Tax)	\$0.436690	\$0.436690	\$0.436690	\$0.436690	\$0.508542	\$0.508542	\$0.508542
E	Total BGSS Recovery	\$2,387,437	\$8,361,126	\$17,138,239	\$21,754,369	\$25,354,011	\$24,535,488	\$16,730,089
F	Difference	\$500,761	\$1,753,732	\$3,594,017	\$4,562,943	\$4,566,586	\$4,437,170	\$3,013,306
G	Cumulative Difference	\$2,294,493	\$5,849,210	\$10,412,153	\$14,978,735	\$19,415,909	\$22,429,215	
H	Monthly Interest Rate (based on WACC)	0.5667%	0.5667%	0.5667%	0.5667%	0.5667%	0.5667%	0.5667%
	Monthly Interest Exp	\$2,838	\$12,776	\$33,147	\$59,006	\$64,885	\$110,030	\$127,108
								\$429,788

\$429,788

SCHEDULE A - ACTUAL RATES

SOUTH JERSEY GAS COMPANY

2018-2019 BGSSC

Proof of BGSSC Recovery (with Current Rates)

	Actual Oct-18	Actual Nov-18	Actual Dec-18	Actual Jan-19	Actual Feb-19	Projected Mar-19	Projected Apr-19
1							
2							
3							
4							
5							
6							
7							
8							
9	Total Firm, Interruptible, and Off-System Sales COG	\$13,661,681	\$24,709,711	\$26,926,270	\$30,021,742	\$18,870,256	\$24,011,017
10	Marketier Imbalance	\$115,350	(\$58,531)	(\$283,084)	\$569,417	(\$148,350)	\$0
11	Total Storage Withdrawals Costs	\$298,961	\$2,988,460	\$3,518,831	\$4,692,712	\$5,073,956	\$2,147,684
12	Total Storage Injections Costs	\$1,955,854	\$766,443	\$722,563	\$578,359	\$391,965	\$437,741
13							
14	Section B (Supplemental Gas)						
15							
16	LNG Costs (Withdrawals)	\$40,306	\$210,567	\$72,012	\$924,147	\$134,879	\$432,617
17							
18							
19	Section C (Cost Reductions)						
20							
21	Cost of Gas Interruptible and Off-System Sales	\$1,407,624	\$5,707,835	\$7,586,382	\$4,914,047	\$3,781,705	\$7,335,493
22	Pipeline Refunds & Demand Charge Reduction	\$2,444	\$65	\$58,669	\$0	\$0	\$0
23	Company Use Admin Cost	\$11,504	\$17,290	\$17,066	\$20,473	\$22,482	\$20,286
24	Interruptible Off-System/Capacity Release Credit	\$995,437	\$3,335,526	\$3,413,549	\$3,449,309	\$2,911,258	\$2,474,878
25	Storage Incentive Mechanism	(\$45,741)	\$140,245	\$0	(\$19,750)	\$0	\$0
26							
27							
28	Section D (Cost Recovery)						
29							
30	Total Gas Cost To BGSSC	\$9,789,176	\$17,862,793	\$18,435,799	\$27,225,560	\$16,825,331	\$16,322,921
31	Total Allocated Cost Recovery	\$2,134,476	\$3,726,563	\$4,182,169	\$5,316,757	\$5,027,728	\$4,665,898
32	Total BGSSC Recovery	\$2,688,198	\$10,114,859	\$20,732,956	\$26,317,311	\$29,920,597	\$29,072,659
33	Bill Credit	\$0	\$0	\$0	\$0	\$0	\$0
34	Monthly (Over) / Under Recovery	\$4,766,502	\$4,039,372	(\$6,479,325)	(\$4,408,488)	(\$18,122,994)	(\$17,415,636)
35							
36	Cumulative (Over) / Under Recovery Beginning Balance	\$55,138,978	\$59,905,480	\$63,944,851	\$57,465,526	\$53,057,037	\$34,934,043
37	Interest Accrued - Owed to Customers on 2017-2018 BGSSC	\$0	\$0	\$0	\$0	\$0	\$0
38	Cumulative (Over) / Under Recovery Ending Balance	\$59,905,480	\$63,944,851	\$57,465,526	\$53,057,037	\$34,934,043	\$17,518,408
	Periodic BGSSC Recovery Rates (Pre-Tax)	\$0.528285	\$0.528285	\$0.528285	\$0.528285	\$0.600137	\$0.600137
	Actual Oct 1, 2018 Beg Balance	\$55,138,978					
	Projected April 30, 2019 Ending Balance	\$5,021,907					
	Recovered between October 1, 2018 - April 30, 2019 (with current rates)	\$50,117,071					

SCHEDULE B - PROPOSED RATES BASED UPON DEFERRED BALANCE SPLIT 50%

SOUTH JERSEY GAS COMPANY
2018-2019 BGSSC
Proof of BGSSC Recovery (with Proposed Rates)

	Projected Oct-18	Projected Nov-18	Projected Dec-18	Projected Jan-19	Projected Feb-19	Projected Mar-19	Projected Apr-19
1							
2							
3							
4							
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34							
35							
36							
37							
38							
Section A (Natural Gas)							
8							
9							
10							
11							
12							
13							
14							
Section B (Supplemental Gas)							
15							
16							
17							
18							
19							
20							
Section C (Cost Reductions)							
21							
22							
23							
24							
25							
26							
27							
28							
29							
Section D (Cost Recovery)							
30							
31							
32							
33							
34							
35							
36							
37							
38							
Periodic BGSS Recovery Rates (Pre-Tax)							
	\$0.436690	\$0.436690	\$0.436690	\$0.436690	\$0.508542	\$0.508542	\$0.508542
Actual Oct 1, 2019 Beg Balance							
	\$55,138,578						
Projected April 30, 2019 Ending Balance							
	\$27,451,122						
Recovered between October 1, 2018 - April 30, 2019 (with proposed rates)							
	\$27,687,856						

EXHIBIT B

SJG Annual BGSS Minimum Filing Requirements

1. Motion, Supporting Testimony & Tariff Modifications
 - In support of its filing, a GDC should provide supporting testimony which addresses any material events or major factors affecting either the prior period's deferred gas balance or its forecasted BGSS rate. In addition to the associated motion, redlined tariff sheets should be provided for all proposed tariff changes.
2. Computation of Proposed BGSS Rates
 - A summary schedule should show all of the forecasted BGSS cost components and applicable credits which comprise the basis for the proposed BGSS rates that are to become effective October 1. The cost components and applicable credits should be provided with all material amounts broken out separately. A plain English explanation in narrative form regarding this summary schedule should be provided.
3. Public Notice with Proposed Impact on Bills
 - A copy of the Company's Public Notice should be provided with details concerning the impact of the proposed BGSS rates on typical gas bills at various winter therm utilization levels.
4. Actual and Forecasted Refund Amounts
 - Schedules should be provided which show actual and estimated supplier refund amounts for the reconciliation period as well as the estimated supplier refunds for the projected period beginning October 1. The schedule should identify the supplier refunds by month and should provide associated information on the applicable FERC docket involved. A plain English explanation in narrative form should be provided.
5. Cost of Gas Sendout by Component
 - Monthly data showing the derivation of all cost components shown on the BGSS Computation Schedule should be provided for the reconciliation and projected periods. The monthly data should also provide detail on applicable volumes by customer classification.
6. BGSS Contribution and Credit Offsets
 - Monthly data showing the derivation of all BGSS cost offsets, including interruptible margins, capacity transactions, pipeline refunds and other credits should be provided for the reconciliation and projected periods. Any applicable FERC Orders will be included. All calculations showing how such offsets were determined should be included. A plain

English explanation in narrative form should be provided regarding the BGSS contribution and Credit Offsets. In addition, the Company shall document through testimony for any non-bid releases and/or affiliate contracts, the decision-making process that the Company went through in each case to arrive at its determination to release capacity on a non-biddable basis or enter into any affiliate contract. Such testimony shall include documentation showing the impact that the non-biddable capacity release or affiliate contract was projected to have on total BGSS costs at the time the Company committed to the transaction. In addition, for each non-biddable capacity release, the Company shall determine whether the transaction could have been structured as an off-system sale, and, if so demonstrate that prior to releasing the capacity, the Company compared the benefit to Periodic BGSS customers of making the capacity release compared to the benefit that could have been achieved by structuring the transaction as an off-system sale and the Company shall provide documentation supporting this comparison in its filing.

7. Over/Under Recovery Comparisons

- Schedules should be provided which show the derivation of the monthly over or under recoveries plus cumulative balances for the reconciliation and projected period. For the reconciliation period, a schedule should also show the calculation of the monthly actual or estimated accrued interest. These schedules should include prospective data shown for the projected period based on the prevailing BGSS rate and, alternatively, based on the requested BGSS rate.

8. Wholesales Gas Pricing Assumptions

- The GDC should provide schedules which detail the monthly gas prices for the reconciliation and projected periods. The schedules should show the prices utilized in developing the existing BGSS rate and those utilized for projecting the proposed BGSS rate. To the degree third party price indexes or forecasts are the basis for such gas prices, associated documentation should also be provided. A plain English explanation in narrative form regarding these schedules should be provided.

9. Gas Cost Underrecovery Adjustment ("GCUA") Recoveries and Balances

- Schedules should be provided that show monthly data for the GCUA since its inception. The data should provide the unamortized balances, recoveries, and accrued interest by month with any associated workpapers.

10. Historical Service Interruptions

- A schedule should be provided which details any service interruptions during the past 12 months. The schedule should show the dates of the interruptions, the service categories

affected, the number of customers affected and whether each interruption was operational or economic in nature.

11. Gas Price Hedging Activities

- The GDC should provide copies of its last four quarterly hedging reports as filed with the Board. It should also provide a schedule covering both the reconciliation and projected period which shows monthly gas purchases volume requirements and price hedged volumes broken down into discretionary and non-discretionary components which allow evaluation of compliance with the GDC's established hedging objectives. A plain English explanation in narrative form regarding these hedging activities should be provided. The Company shall include in all future its next annual BGSS filings testimony that reflects these goals/targets and how the Company managed to such goals/targets.

12. Storage Gas Volumes, Prices and Utilization

- Schedules should be provided which show the GDC's monthly data for LNG, LPG, and pipeline storage volumes. The schedules should show volumes and dollars for balances, injections, and withdrawals with all data shown on a Decatherm basis.

13. Affiliate Gas Supply Transactions

- The GDC's filing should have disclosure of all gas supply and capacity transactions with any affiliates during the reconciliation or forecasted periods. The disclosure should provide the nature, terms, and conditions of any such transactions, the dates of the transactions, and evidence that the gas supply or capacity resources transactions were at market rates.

14. Supply and Demand Data

- Schedules should be provided that show the GDC's firm requirements and gas supplies by component on an annual, heating season and non-heating season basis. The data should be provided for the reconciliation period and the two prior and two prospective annual periods.

15. Actual Peak Day Supply and Demand

- The GDC should provide data for the five highest demand days for each of the last three years, showing date, temperature or heating degree day, firm and interruptible volumes and the sources of supply used to meet the associated volume requirement.

16. Capacity Contract Changes

- The GDC filing should provide details concerning any changes to its interstate pipeline contracts (entitlements, storage capacities, daily deliverability, transportation, or

associated costs) which have been made or occurred during the past 24 months or are planned for the next 12 months. To the degree any significant changes have been made or are planned, a narrative should discuss operational and cost consequences as well as the rationale for the changes.

17. FERC Pipeline Activities

- The GDC's filing should provide details on any pending FERC dockets which should affect the cost of services received from the GDC's supplying pipelines. The GDC should also provide details concerning its participation in such dockets and a listing of any filings or testimony made by the GDC or on its behalf.

S-SCHART-1
BGSS NYMEX Update Report
As of March 1, 2019

EXHIBIT C

Month	BGSS 5/10/2018	NYMEX 3/1/2019	Incr/ (Decr)	% Chg	Sales forecast (dths)	Hedged volume (dths)	Unhedged volume (dths)	Change in value unhedged
Oct-17	\$ 2,974	\$ 2,974	\$ -	-	1,362,877	750,000	612,877	\$0
Nov-17	\$ 2,752	\$ 2,752	\$ -	-	2,940,137	1,409,802	1,530,335	\$0
Dec-17	\$ 3,074	\$ 3,074	\$ -	-	4,778,751	2,447,508	2,331,243	\$0
Jan-18	\$ 2,738	\$ 2,738	\$ -	-	5,554,012	3,290,020	2,263,992	\$0
Feb-18	\$ 3,631	\$ 3,631	\$ -	-	4,796,586	2,982,721	1,813,865	\$0
Mar-18	\$ 2,639	\$ 2,639	\$ -	-	3,826,523	1,887,637	1,938,886	\$0
Apr-18	\$ 2,691	\$ 2,691	\$ -	-	1,870,307	600,000	1,270,307	\$0
May-18	\$ 2,821	\$ 2,821	\$ -	-	1,051,259	600,000	451,259	\$0
Jun-18	\$ 2,814	\$ 2,875	\$ 0,061	0.061	642,265	600,000	42,265	\$2,578
Jul-18	\$ 2,828	\$ 2,956	\$ 0,168	0.168	636,095	600,000	36,095	\$6,064
Aug-18	\$ 2,836	\$ 2,822	\$ (0,014)	(0.014)	669,080	600,000	69,080	(\$967)
Sep-18	\$ 2,822	\$ 2,895	\$ 0,073	0.073	678,198	600,000	78,198	\$5,708
Avg Total \$	\$ 2,885	\$ 2,909	\$ 0,024	0.8%	28,806,090	16,367,688	12,438,402	\$13,383

Oct-18	\$ 2,829	\$ 3,021	\$ 0,192		1,253,010	600,000	653,010	\$125,378
Nov-18	\$ 2,865	\$ 3,185	\$ 0,320		2,783,822	1,319,670	1,464,152	\$468,529
Dec-18	\$ 2,965	\$ 4,715	\$ 1,750		4,843,710	2,417,374	2,426,336	\$4,246,088
Jan-19	\$ 3,047	\$ 3,642	\$ 0,595		6,065,646	3,317,386	2,748,260	\$1,635,215
Feb-19	\$ 3,009	\$ 2,950	\$ (0,059)		5,162,219	2,990,030	2,172,189	(\$128,159)
Mar-19	\$ 2,898	\$ 2,855	\$ (0,043)		3,905,732	2,134,217	1,771,515	(\$76,175)
Apr-19	\$ 2,568	\$ 2,859	\$ 0,291		1,994,444	600,000	1,394,444	\$405,783
May-19	\$ 2,536	\$ 2,863	\$ 0,327		1,005,348	510,000	495,348	\$161,979
Jun-19	\$ 2,567	\$ 2,901	\$ 0,334		664,305	530,000	134,305	\$44,858
Jul-19	\$ 2,600	\$ 2,943	\$ 0,343		700,054	500,000	200,054	\$68,619
Aug-19	\$ 2,604	\$ 2,955	\$ 0,351		696,731	490,000	206,731	\$72,563
Sep-19	\$ 2,588	\$ 2,941	\$ 0,353		698,614	500,000	198,614	\$70,111
Avg Total \$	\$ 2,756	\$ 3,153	\$ 0,396	14.4%	29,773,635	15,908,677	13,864,958	\$7,094,787

Footnotes:
a. Nymex rate used for annual BGSS periodic rate filing - June 1, 2018 Petition GR18060609
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

EXHIBIT D

	Actual Oct-17	Actual Nov-17	Actual Dec-17	Actual Jan-18	Actual Feb-18	Projected Mar-18	Projected Apr-18	Projected May-18	Projected Jun-18	Projected Jul-18	Projected Aug-18	Projected Sep-18	Weighted Average
1 NYMEX - Actual Settlement	\$2,826	\$2,868	\$2,965	\$3,047	\$3,099	\$2,808	\$2,808	\$2,808	\$2,808	\$2,808	\$2,808	\$2,808	0.121
2 NYMEX - Actual Settlement	\$1,021	\$1,188	\$1,715	\$1,512	\$2,980	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	0.073
3 Breakdown of Cross-Cost of Gas Per Therm													0.194
4 Heating Gas Cost	0.0084	0.0056	0.1706	0.0916	0.1882	0.2081	0.1712	0.2210	0.1205	0.2155	0.4221	0.2528	0.121
5 Gas Withdrawn From Storage Cost	0.0518	0.1563	0.0387	0.0934	0.1017	0.0661	0.0151	0.0215	0.0312	0.0101	0.0173	0.0264	0.073
6 Hedged Volatiles - Natural Gas Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000
7 Hedged Volatiles - Natural Gas Cost	0.2790	0.2866	0.1316	0.0989	0.1089	0.0938	0.1255	0.1864	0.0832	0.1112	0.0683	0.0847	0.2145
8 Storage Demand Cost	0.0055	0.0030	0.0020	0.0013	0.0020	0.0008	0.0019	0.0031	0.0083	0.0065	0.0081	0.0079	0.0126
9 Peaking Cost	0.0024	0.0110	0.0018	0.0036	0.0022	0.0002	0.0019	0.0031	0.0076	0.0057	0.0073	0.0070	0.0175
10 Weighted Average Fuel Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000
11 Variable Pipeline Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000
12 Other Costs	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.000
13 Total Cross-Cost of Gas Per Therm	\$2.084	\$1.131	\$0.964	\$0.672	\$0.986	\$0.173	\$0.126	\$0.615	\$1.048	\$0.791	\$1.014	\$1.018	\$0.994
14													
15													
16													
17													
18 NYMEX - Actual Settlement	\$2,974	\$2,782	\$3,074	\$3,202	\$1,631	\$2,619	\$2,601	\$2,821	\$2,835	\$2,996	\$2,322	\$2,385	0.1152
19 Breakdown of Cross-Cost of Gas Per Therm													0.1578
20 Heating Gas Cost	0.6414	0.5000	0.5704	0.9613	0.2265	0.3189	0.1582	0.1624	0.1505	0.3388	0.5604	0.4314	0.6038
21 Gas Withdrawn From Storage Cost	0.0519	0.1129	0.1119	0.0777	0.0894	0.0886	0.0180	0.0099	0.0311	0.0099	0.0275	0.0214	0.0730
22 Hedged Volatiles - Natural Gas Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000
23 Hedged Volatiles - Natural Gas Cost	0.2764	0.1357	0.1375	0.0799	0.0964	0.1314	0.1409	0.2306	0.1287	0.0770	0.0577	0.0938	0.1578
24 Storage Demand Cost	0.0080	0.0031	0.0041	0.0017	0.0018	0.0017	0.0023	0.0031	0.0070	0.0081	0.0071	0.0071	0.0136
25 Peaking Cost	0.0073	0.0062	0.0048	0.0149	0.0017	0.0014	0.0014	0.0017	0.0069	0.0085	0.0095	0.0092	0.0206
26 Weighted Average Fuel Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000
27 Variable Pipeline Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000
28 Other Costs	0.0172	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.0084	0.000
29 Total Cross-Cost of Gas Per Therm	\$1,536	\$0,929	\$0,865	\$1,174	\$0,148	\$0,820	\$0,868	\$0,955	\$1,176	\$1,233	\$1,565	\$1,488	\$0,963

Footnotes:
 Hedging Gas Cost - Gas purchased for delivery in city gate during month - not injected into storage.
 Gas Withdrawn From Storage Cost - Gas withdrawn from storage - includes cost of injection, withdrawal, loss, line loss.
 Hedged Volatiles - Natural Gas Cost - Hedged Volatiles delivered in city gate - not injected into storage.
 Peaking Demand Cost - Fixed Pipeline costs.
 Storage Demand Cost - Fixed Storage related costs.
 Peaking Cost - Peaking Cost includes peaking services, L&E, Pipeline, etc.
 Weighted Average Fuel Cost - Commodity a heat % for each pipeline - represents portion of gas shipped that is returned by pipeline.
 Variable Pipeline Cost - Pipeline Charge per therm shipped.

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

Credits, Refunds, & Recoveries Per Therm

	Actual Dec-18	Actual Nov-18	Actual Dec-18	Actual Jan-19	Actual Feb-19	Projected Mar-19	Projected Apr-19	Projected May-19	Projected Jun-19	Projected Jul-19	Projected Aug-19	Projected Sep-19	Total	Weighted Average
1 Asset Management Credits														
2 Utility System Sales	(\$0.0000)	(\$0.1500)	(\$0.0750)	(\$0.0580)	(\$0.0435)	(\$0.0310)	(\$0.0100)	(\$0.0060)	(\$0.1727)	(\$0.1385)	(\$0.1675)	(\$0.7710)	(\$0.0730)	
3 Capacity Release	(\$0.0749)	(\$0.0173)	(\$0.0106)	(\$0.0087)	(\$0.0072)	(\$0.0171)	(\$0.0130)	(\$0.0155)	(\$0.1065)	(\$0.1385)	(\$0.1675)	(\$0.6572)	(\$0.0182)	
4 Gas System Credits to BRSSE Customers	(\$0.0050)	(\$0.0048)	(\$0.0012)	(\$0.0072)	(\$0.0012)	(\$0.0055)	(\$0.0000)	(\$0.0025)	(\$0.0025)	(\$0.0014)	(\$0.0025)	(\$0.0019)	(\$0.0015)	
5 Supplier Refunds	(\$0.0042)	(\$0.0000)	(\$0.0013)	(\$0.0000)	\$1.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	(\$0.0000)	
6 Gas for Company Use	(\$0.0021)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	
7 Line Loss	\$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	
8 Transfer to Non BRSSE Customers	(\$0.1911)	(\$0.1650)	(\$0.1000)	(\$0.1027)	(\$0.1038)	(\$0.1130)	(\$0.2350)	(\$0.1500)	(\$0.2301)	(\$0.1623)	(\$0.2011)	(\$0.1972)	(\$0.1319)	
9 Other	(\$0.0000)	\$0.0000	\$0.0000	\$0.0000	\$1.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
10 Total Credits, Refunds, & Recoveries Per Therm	(\$1.5763)	(\$0.7343)	(\$0.1953)	(\$0.1764)	(\$0.1540)	(\$0.1430)	(\$0.7734)	(\$0.2852)	(\$0.3630)	(\$0.1371)	(\$0.1329)	(\$0.1372)	(\$0.2255)	
11 Total Net Cost Per Therm (Page 1 Line 29 less Page 2 Line 10)	\$1.4393	\$0.728	\$0.1692	\$0.1408	\$0.2401	\$0.2104	\$0.652	\$0.562	\$0.5837	\$0.1420	\$0.1904	\$0.8812	\$0.1716	

Credits, Refunds, & Recoveries:

	Actual Dec-12	Actual Nov-12	Actual Dec-12	Actual Jan-13	Actual Feb-13	Actual Mar-13	Actual Apr-13	Actual May-13	Actual Jun-13	Actual Jul-13	Actual Aug-13	Actual Sep-13	Weighted Average
1 Asset Management Credits													
2 Utility System Sales	(\$0.1939)	(\$0.1907)	(\$0.1054)	(\$0.0780)	(\$0.0524)	(\$0.0275)	(\$0.0124)	(\$0.0092)	(\$0.0623)	(\$0.0810)	(\$0.0806)	(\$0.0804)	(\$0.0368)
3 Capacity Release	(\$0.0931)	(\$0.0594)	(\$0.2381)	(\$0.0118)	(\$0.0132)	(\$0.0205)	(\$0.0121)	(\$0.0113)	(\$0.0669)	(\$0.0922)	(\$0.1431)	(\$0.1602)	(\$0.0172)
4 Gas System Credits to BRSSE Customers	(\$0.0035)	(\$0.0038)	(\$0.0001)	(\$0.0003)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0027)	(\$0.0025)	(\$0.0013)	(\$0.0012)	(\$0.0014)
5 Supplier Refunds	\$0.0000	\$0.0000	(\$0.0006)	\$0.0000	\$0.0000	(\$0.0015)	\$0.0000	(\$0.0000)	(\$0.0030)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)
6 Gas for Company Use	(\$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)
7 Line Loss	\$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)
8 Transfer to Non BRSSE Customers	(\$0.2233)	(\$0.1718)	(\$0.1211)	(\$0.1137)	(\$0.1287)	(\$0.1115)	(\$0.1256)	(\$0.1584)	(\$0.2130)	(\$0.2178)	(\$0.2121)	(\$0.1112)	(\$0.1808)
9 Other	\$0.0000	Variable	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	(\$0.0000)
10 Total Credits, Refunds, & Recoveries	(\$0.1619)	(\$0.4242)	(\$0.2365)	(\$0.1741)	(\$0.2031)	(\$0.2119)	(\$0.1591)	(\$0.2415)	(\$0.3923)	(\$0.2373)	(\$0.2110)	(\$0.2063)	(\$0.2589)
11 Total Net Cost Per Therm (Page 1 Line 29 less Page 2 Line 10)	\$0.9080	\$0.8177	\$0.6100	\$0.9631	\$0.2114	\$0.1101	\$0.2017	\$0.2942	\$0.7872	\$0.8126	\$0.9125	\$0.9718	\$0.6555