



Agenda Date: 4/26/23

Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)	DECISION AND ORDER APPROVING
JERSEY GAS COMPANY TO REVISE THE LEVEL)	INITIAL DECISION AND
OF ITS BASIC GAS SUPPLY SERVICE ("BGSS"))	STIPULATION FOR FINAL BGSS,
CHARGE AND CONSERVATION INCENTIVE)	BSC, AND CIP RATES
PROGRAM ("CIP") CHARGE FOR THE YEAR)	
ENDING SEPTEMBER 30, 2023)	BPU DOCKET NO. GR22060364
)	OAL DOCKET NO. PUC 08580-2022

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Deborah M. Franco, Esq., South Jersey Gas Company

BY THE BOARD:

On June 1, 2022, South Jersey Gas Company ("South Jersey" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking approval to: 1) increase the level of its Periodic Basic Gas Supply Service ("BGSS") charge; 2) increase the level of its Balancing Service Clause ("BSC") charge associated with its Rider "J" - General Service (BSC-GS); 3) increase the level of its BSC charge associated with its Rider "I" - Large Volume (BSC-LV); and 4) modify the level of its Conservation Incentive Program ("CIP") rates for the period October 1, 2022 through September 30, 2023 ("2022 BGSS/CIP Petition"). By this Decision and Order, the Board considers an Initial Decision executed by Administrative Law Judge ("ALJ") Irene Jones, and a stipulation for final rates ("Stipulation") executed by South Jersey, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "Parties") intended to resolve the Company's requests related to the above docketed matter.

BACKGROUND

By Order dated January 6, 2003, the Board directed each of New Jersey's four (4) gas distribution companies ("GDCs") to file with the Board, by June 1, their respective annual BGSS cost filings for the BGSS year beginning October 1.¹ The January 2003 BGSS Order further authorized each GDC to self-implement, with one (1) month advance notice to the Board and Rate Counsel, up to a five percent (5%) BGSS rate increase effective December 1 of the year of filing. The January

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., BPU Docket No. GX01050304, Order dated January 6, 2003 ("January 2003 BGSS Order").

2003 BGSS Order also authorized each GDC to implement a second five percent (5%) BGSS rate increase, effective February 1 of the following year, upon one (1) month advance notice to the Board and Rate Counsel. Finally, the January 2003 BGSS Order authorized each GDC to decrease its BGSS rate at any time upon five (5) days' notice to the Board and Rate Counsel.

2022 BGSS/CIP PETITION

On June 1, 2022, pursuant to the January 2003 BGSS Order, South Jersey filed the 2022 BGSS/CIP Petition seeking Board approval to: 1) increase its periodic BGSS ("BGSS-P") charge; 2) increase its BSC-GS charge; 3) increase its BSC-LV; and 4) modify its CIP for October 1, 2022 through September 30, 2023.

According to the 2022 BGSS/CIP Petition, the Company requested to increase its BGSS-P rate of \$0.502550 per therm to \$0.786191 per therm effective October 1, 2022.² The Company explained that the increase was due primarily to the rise in the commodity gas costs, which were projected to stay at relatively high levels throughout the BGSS year. As a result, the Company would recover its projected under-recovered BGSS balance of approximately \$37.1 million projected through September 30, 2022. In determining the proposed rate, South Jersey included a credit to BGSS gas costs of \$33.8 million derived from the Board's approved margin sharing formula applicable to off-system sales, interruptible sales and transportation, and capacity releases.

On May 5, 2021, the Board authorized South Jersey to recover \$24,246,132, through its BGSS rate, related to a resolution of a contract dispute with Antero Resources Corporation ("Antero").³ On November 17, 2021, the Board extended the Antero amortization period through September 2024.⁴ South Jersey's calculation of its proposed BGSS-P rate reflects fifty (50) percent, or \$7,554,035, of the remaining \$15,108,069 of unrecovered Antero costs. The remaining fifty (50) percent would be recovered in the Company's 2023-24 BGSS proceeding.

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

³ In re the Petition of South Jersey Gas Company to Revise the Level of Its Basic Gas Supply Service ("BGSS") Charge and Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2021, BPU Docket No. GR20060383, Order dated May 5, 2021 ("May 2021 Order").

⁴ In re the Petition of South Jersey Gas Company to Revise the Level of Its Basic Gas Supply Service ("BGSS") Charge and Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2022, BPU Docket No. GR21060881, Order dated November 17, 2021 ("November 2021 Order").

In the 2022 BGSS/CIP Petition, the Company also requested the following BGSS rates:

- i. the gas cost portion of the Company's D-2 charge for Rate Schedule Large Volume Service (LVS) be set at \$16.496647 per Mcf;
- ii. the gas cost portion of the Firm D-2 charge for Rate Schedule Electric Generation Service – Large Volume (EGS-LV) Firm be set at \$16.579139 per Mcf;
- iii. the Limited Firm D-2 charge for Rate Schedule EGS-LV, and the D-2 charge for Rate Schedule Firm Electric Service (FES), be set at \$8.248323 per Mcf;
- iv. the monthly BGSS non-commodity rate applicable to Rate Schedules General Service (GSG), General Service – Large Volume (GSG-LV), Electric General Service (EGS), LVS, EGS-LV and Natural Gas Vehicle (NGV) be set at \$0.155863 per therm;
- v. the Rider "I" BSC-LV charges for Opt-Out be set at \$0.002718 per therm and Non-Opt-Out be set at \$0.086180 per therm; and
- vi. the Rider "J" BSC-GS charge be set at \$0.086180 per therm.

These proposed changes translated to an increase in annual BGSS recoveries of \$85.7 million.

In the 2022 BGSS/CIP Petition, South Jersey also requested to implement the following per therm CIP rates:⁵

- i. \$0.051829 for Group I Residential Non-Heat customers;
- ii. \$0.029575 for Group II Residential Heat customers;
- iii. \$0.028140 for Group III GSG customers; and
- iv. \$0.012805 for Group IV GSG-LV customers.

The proposed changes translated to an increase in annual CIP recoveries of \$5.6 million.

Following publication of notices in newspapers of general circulation in the Company's service territory, public hearings were conducted on August 24, 2022 at 4:30 p.m. and 5:30 p.m. No members of the public appeared at the public hearings or filed written comments with the Board.⁶

On September 7, 2022, the Board approved a stipulation for provisional rates executed by the Parties.⁷ The September 2022 Provisional Order authorized South Jersey to implement the BGSS, BSC, and CIP rates proposed in the 2022 BGSS/CIP Petition on a provisional basis effective October 1, 2022. As a result, a typical residential heating customer using 100 therms per month would experience an increase of \$31.49, or 18.6% per month.

⁵ The CIP was approved by the Board in Docket No. GR05120119 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 ("May 2014 CIP Order"). 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.

⁶ The hearings were held virtually due to the COVID-19 pandemic.

⁷ In re the Petition of South Jersey Gas Company to Revise the Level of its Basic Gas Supply Service ("BGSS") Charge and Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2023, BPU Docket No. GR22060364, Order dated September 7, 2022 ("September 2022 Provisional Order").

On September 28, 2022, the Board transmitted this matter to the Office of Administrative Law (“OAL”) as a contested case where it was subsequently assigned to ALJ Jones.

On February 14, 2023, SJG filed a notice of intent to self-implement a BGSS-P rate reduction from the current provisional rate of \$0.786191 per therm to \$0.627739 per therm effective March 1, 2023 (“Notice”). This rate reduction decreased the monthly bill of a typical residential heating customer by \$15.85, or 7.7%.

STIPULATION

Following review and discussion, the Parties executed the Stipulation, which provides for the following:⁸

24. Based upon the terms and conditions set forth in the Stipulation, the Parties stipulate and agree that the Company’s self-implemented BGSS-P rate of \$0.627739 per therm effective March 1, 2023 and the provisional BGSS, BSC, and CIP rates previously approved by the September 2022 Provisional Order are prudent and reasonable and should be made final as of the effective date of a Board order approving the Stipulation in accordance with N.J.S.A. 48:2-40, or upon such date thereafter as the Board may specify (“Effective Date”). Specifically, the following provisional BGSS and BSC rates approved by the September 2022 Provisional Order shall be made final:

- a) The per therm BGSS-P rate of \$0.786191, which was in effect from October 1, 2022 through February 28, 2023;
- b) The gas cost portion of the D-2 charge for Rate Schedule LVS of \$16.496647 per Mcf;
- c) The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$16.579139 per Mcf;
- d) The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$8.248323 per Mcf;
- e) The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV, and NGV of \$0.155863 per therm;
- f) The Rider “I” BSC-LV charges for Opt-Out of \$0.002718 per therm, and Non-Opt-Out of \$0.086180 per therm; and
- g) The Rider “J” BSC-GS charge of \$0.086180 per therm.

25. In addition, the following provisional CIP rates approved by the September 2022 Provisional Order shall be made final:

- a) a charge of \$0.051829 for RSG non-heating customers;
- b) a charge of \$0.029575 for RSG heating customers;
- c) a charge of \$0.028140 for GSG customers; and
- d) a charge of \$0.012805 for GSG - LV customers.

26. The Company agrees to continue to meet all Minimum Filing Requirements (“MFRs”), attached to the Stipulation as Exhibit C, with all future BGSS filings. In addition, any

⁸ 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.

information provided by the Company in response to MFR-13 will include delivery points for all purchase and sale transactions and comparable daily or monthly price index information for purchase and sale transactions done at a fixed price. This change is reflected in Exhibit C of the Stipulation. The Company will also continue to provide electronically to the Parties, 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 in Exhibit A of the Stipulation shall be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected in Exhibit B of the Stipulation shall be submitted to the Parties on or before the 15th of the following month. After the annual BGSS proceeding is filed each year, the monthly reports filed with the Board thereafter shall be updated to reflect the current BGSS year and upcoming BGSS year. Monthly reports will continue to be filed with the Parties using the current BGSS year and upcoming BGSS year until the next annual BGSS filing occurs. This change has been reflected in Exhibit C of the Stipulation as MFR-19.

27. Consistent with the November 2021 Order, the Company will continue to recover the costs incurred as a result of the resolution of the Antero Dispute through the BGSS-P rate over the period ending September 30, 2024.
28. To the extent the Company enters into baseload Asset Management Agreements (“AMAs”) (defined as a transaction with a fixed gas purchase obligation for any day of the term of the AMA), the Company will prepare an analysis produced at the time the AMA is executed that will set forth how much, if any, of the AMA management fee will be excluded from the formula used to determine AMA management fee sharing between the Company and its Periodic BGSS customers because the excluded portion of the fee is the product of an agreement by the Company to provide the Asset Manager with a benefit under the AMA that is forecasted to increase the commodity costs to Periodic BGSS customers. The analysis will calculate a) the lowest estimated delivered price on the contract capacity path up to and including the Company city gate compared to b) the estimated commodity cost per month under the contract price of the AMA. The result of this comparison or c) delta, represents an excess in commodity cost that will be subtracted from d) the AMA management fee arriving at e) the net amount that will be subject to the sharing formula over the term of the AMA. The following illustrative table sets forth a sample calculation for a baseload AMA that releases 10,000 Dth/d of Transco Zone 3 to Zone 6 capacity to an Asset Manager.

<u>AMA Example Analysis</u>	Volume (Dth/d)	Total Cost
a) Estimated Baseload at the least Commodity Cost*	10,000	\$11,238,365.01
b) Estimated Baseload Commodity Costs with AMA**	10,000	\$12,931,371.96
c) Delta or Additional Commodity Costs		\$1,693,006.95
d) AMA Fee (100 %)		\$4,000,000.00
Less Delta or additional Commodity Costs		(\$1,693,006.95)
e) Remaining Asset Management Fee subject to sharing formula		\$2,306,993.05
<u>Estimated Annual Cost to BGSS:</u>		
Commodity Costs		\$12,931,371.96
AMA Fee Not subject to Sharing		(\$1,693,006.95)
85% Sharing from AMA Fee		(\$1,960,944.09)
Total Estimated Cost of Supply		\$9,277,420.92
* Assumes the least possible cost of either Z-3 plus variable transportation costs or Z-6 delivered price		
** Assumes Transco Z-3 price plus variable transportation costs		

The analyses will be provided by the Company in future BGSS proceedings upon the execution of a non-disclosure agreement. This change has been reflected in Exhibit C of the Stipulation as MFR-20. The Parties reserve their right to challenge the reasonableness of any AMA entered by the Company, and the reasonableness of the methodology used to calculate the portion of the AMA fee not subject to sharing, in future BGSS proceedings.

29. The Company previously released 16,468 Dekatherms (“Dt”) of firm transportation capacity purchased from Columbia Gas Transmission, LLC (“Columbia”) and 20,000 Dt of firm transportation capacity purchased from Transcontinental Gas Pipe Line Company to its affiliate South Jersey Resources Group, LLC through April 1, 2025. In future BGSS proceedings, the Parties reserve their rights to take any position as to how this capacity should be used by South Jersey to benefit its BGSS customers.
30. Pursuant to the May 2014 CIP Order, the Company must provide five hundred thousand dollars (\$500,000) annually, of shareholder money, to fund CIP programs that: 1) aid customers in reducing their natural gas costs, 2) reduce the Company's peak winter and design day system demand, and 3) do not replicate existing programs offered through the BPU Office of Clean Energy (“Three Objectives”). The Company agrees to annually review the CIP programs it funds, compare them to other available programs, and make changes to the programs it chooses to fund if it determines other programs are more effective in achieving the Three Objectives. The Company agrees to include testimony in all future CIP petitions that identifies any changes the Company made to the list of programs it funds and supports how the CIP programs it funds help to achieve the Three Objectives. The testimony will also address why the Company believes that the programs it funds are more effective in achieving the Three Objectives than other available programs

that the Company considered. In addition, the Company agrees to review and update its SJG Conserve website at least every two months, to help ensure that the content and links to other websites are current, and annually to help ensure that the content is effective in helping to meet the Three Objectives. The Company will further include testimony in all future CIP petitions that addresses the content of the website and changes made to the website to make it more effective in helping to achieve the Three Objectives.

31. During the period September 1, 2022 to September 30, 2023, the Company agrees to credit BGSS customers with all capacity release credits or off-system sales margins (including the Company's usual 15% share) derived from the use of pipeline capacity under the contract between the Company and Adelphia Gateway, LLC for 75,000 Dt of firm transportation capacity that became effective September 1, 2022, and under a contract between the Company and Columbia for 75,000 Dt of firm transportation capacity projected to be placed in service during calendar year 2023. The Parties reserve their rights to challenge the prudence of costs incurred by the Company under these contracts from and after September 1, 2022 in future BGSS proceedings.

32. This Stipulation provides a full resolution of the issues in this matter.

INITIAL DECISION

On April 10, 2023, ALJ Jones issued an Initial Decision. ALJ Jones found: 1) that the parties have voluntarily agreed to the settlement, and 2) that the Stipulation fully disposes of all issues in controversy and is consistent with law.

DISCUSSION AND FINDINGS

The Board carefully reviewed the record in this proceeding, including the 2022 BGSS/CIP Petition, the Notice, ALJ Jones' Initial Decision, and the attached Stipulation. As such, the Board **HEREBY FINDS** that the Parties voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board **FURTHER FINDS** that the Initial Decision, which adopts the Stipulation, is 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 though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY APPROVES** the following rates on a final basis:

- i. The per therm BGSS-P rate of \$0.786191, which was in effect from October 1, 2022 through February 28, 2023;
- ii. The per therm Periodic BGSS rate of \$0.627739, which has been in effect since March 1, 2023;
- iii. The gas cost portion of the D-2 charge for Rate Schedule LVS of \$16.496647 per Mcf;
- iv. The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$16.579139 per Mcf;
- v. The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$8.248323 per Mcf;
- vi. The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV, and NGV of \$0.155863 per therm;
- vii. The Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out of \$0.002718 per therm, and Non-Opt-Out of \$0.086180 per therm; and

viii. The Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge of \$0.086180 per therm.

ix. The implementation of the following per therm CIP rates:

- a. a rate of \$0.051829 for RSG non-heating customers;
- b. a rate of \$0.029575 for RSG heating customers;
- c. a rate of \$0.028140 for GSG customers; and
- d. a rate of \$0.012805 for GSG - LV customers.

Any net over-recovered BGSS, BSC, and CIP balance at the end of the BGSS period shall be subject to refund with interest.

The Board **HEREBY DIRECTS** South Jersey to file tariffs consistent with the Board's Order by May 10, 2023.

The Company's costs, including those related to BGSS, BSC and 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 3, 2023.

DATED: April 26, 2023

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



DR. ZENON CHRISTODOULOU
COMMISSIONER

ATTEST:



SHERRI L. GOLDEN
SECRETARY

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, 2023

DOCKET NO. GR22060364
OAL DOCKET NO. PUC 08580-2022

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State of New Jersey

OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION
SETTLEMENT

OAL DKT. NO. PUC 08580-22

AGENCY DKT. NO. GR22060364

**I/M/O 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, 2023.**

Deborah M. Franco, Esq., Vice President, Clean Energy and Sustainability, SJJ
Utilities Inc., for petitioner South Jersey Gas Company

Maura Caroselli, Esq., Managing Attorney, Gas and Clean Energy, **Sarah H.
Steindel**, Assistant Deputy Rate Counsel and **Megan Lupo**, Esq., for
respondent, The New Jersey Division of Rate Counsel (Brian O. Lipman,
Esq., Director)

Terel Klein, Deputy Attorney General, for the respondent, Staff of the Board of

Public Utilities (Matthew J. Platkin, Acting Attorney General of the State of New Jersey, attorney)

Record Closed: April 5, 2023

Decided: April 10, 2023

BEFORE IRENE JONES, ALJ (ret. on recall):

On June 1, 2022, South Jersey Gas Company (“Company” or “Petitioner”) filed a petition, with the Board of Public Utilities, seeking to increase the level of the Company’s periodic BGSS charge. Specifically, petitioner proposed to increase the level of its BSC charge associated with its Rider “J” – General Service (“BSC-GS”); increase the level of its BSC charge associated with its Rider “I” -Large Volume (BSC-LV); and increase the level of its CIP charge for the period October 1, 2022, through September 30, 2023 (“2022-23 BGSS/CIP Year”). If approved, the requested Periodic BGSS rate would result in a monthly increase of \$28.36, or 16.7%, for a residential heating customer using 100 therms of natural gas during a winter month.

The Company also proposed the following BGSS rates: 1) the gas cost portion of the Company’s D-2 charge for Rate Schedule Large Volume Service (LVS) be set at \$16.496647 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule Electric Generation Service – Large Volume (EGS-LV) Firm be set at \$16.579139 per Mcf; 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV, and the D-2 charge for Rate Schedule Firm Electric Service (FES), be set at \$8.248323 per Mcf; 4) the monthly BGSS non-commodity rate applicable to Rate Schedules General Service (GSG), General Service – Large Volume (GSG-LV), Electric Generation Service (EGS), LVS, EGS-LV and Natural Gas Vehicle (NGV) would be set at \$0.155863 per therm; 5) the Rider “I” BSC-LV charges for Opt-Out be set at \$0.002718 per therm and Non Opt-Out be set at \$0.086180 per therm; and 6) the Rider “J” BSC-GS charge be set at \$0.086180 per therm. The proposed rate changes, if approved, would increase annual BGSS recoveries of \$85.7 million.

Petitioner also sought Board approval to implement per therm CIP rates effective October 1, 2022. In sum, the proposed changes would result in annual CIP recoveries of \$5.6 million. Pursuant to the Board's May 21, 2014, Order a Variable Margin Revenue Test was established under which recoverable non-weather CIP amounts must not exceed 6.5% of aggregate variable margin revenues for the twelve-month period which ended on June 30, 2021. Pursuant to the Board's April 7, 2021, Order in BPU Docket Nos. QO19010040 and GO20090618, the recoverable non-weather CIP amounts shall not exceed 4.0% of the aggregate variable margin revenues under the Variable Margin Revenue Test for the period July 1, 2021, through June 30, 2022. The petition sets forth the CIP performance consistent with the prior Board Orders. The stipulation of settlement which is attached hereto sets forth a customer's newly proposed CIP rates compared to present rates.

By Order dated September 7, 2022, the Board approved changes in the Company's Periodic BGSS, Monthly BGSS, BSC, and CIP rates on a provisional basis ("Provisional Order"). These changes, reflected in the attached Stipulation of Settlement, became effective on a provisional basis, subject to refund, for service rendered on or after October 1, 2022. The Periodic BGSS, Monthly BGSS, and BSC rates approved by the Provisional Order are set forth in the Stipulation of Settlement which is attached hereto and incorporated herein.

Following public notice of the proposed rate changes, published in newspapers of general circulation within South Jersey's service territory, two (2) virtual public hearings were held on August 24, 2021, at 4:30 p.m. and 5:30 p.m. No members of the public attended via telephone to express their views on this filing. On September 28, 2022, this matter was transmitted to the Office of Administrative Law for determination as a contested case pursuant to N.J.S.A. 52:14F-1 to 13. A telephone prehearing conference was held on November 30, 2022, and a procedural schedule was established.

On February 14, 2023, South Jersey submitted a notice of intent to self-implement a Periodic BGSS rate reduction from the current provisional rate of \$0.786191 per therm effective March 1, 2023. This rate reduction decreased the monthly bill of a residential customer using 100 therms in a month by \$15.85, or 7.7%, as compared to the Company's current rates. This reduction decreased annual BGSS recoveries of \$18.9 million.

Subsequent to the March rate change, the petitioner advised the undersigned that the parties were discussing settlement and requested that the procedural schedule be suspended. A Stipulation of Settlement was filed on April 5, 2023.

I have reviewed the record and terms of the Stipulation of Settlement and **FIND:**

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

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and is hereby concluded.

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 the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) 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 10, 2023 _____

DATE

IRENE JONES, ALJ (ret. on recall):

Date Received at Agency:

4/10/23 _____

Date Mailed to Parties:

4/10/23 _____

id



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Sheree L. Kelly, Esq.
Regulatory Affairs Counsel

March 28, 2023

Via Electronic Mail

The Honorable Irene Jones, ALJ
Office of Administrative Law
33 Washington Street
Newark, NJ 07102-3011

**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 Conservation Incentive Program ("CIP") Charge for the Year Ending September 30, 2023
BPU DOCKET NO. GR22060364
OAL DOCKET NO. PUC 08580-2022**

Dear Judge Jones:

Enclosed please find a fully executed Stipulation of Settlement for Your Honor's consideration, with reference to the above captioned matter. If same meets with Your Honor's approval, we respectfully request that an Initial Decision be issued and that this matter be returned to the Board of Public Utilities for disposition.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheree L. Kelly".

Sheree L. Kelly, Esq.

Enclosure

cc: See attached Service List

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY
TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE (“BGSS”) CHARGE AND
CONSERVATION INCENTIVE PROGRAM (“CIP”) CHARGE FOR THE YEAR
ENDING SEPTEMBER 30, 2023
BPU DOCKET NO. GR22060364**

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

IN THE MATTER OF THE PETITION	:	BPU DOCKET NO. GR22060364
OF SOUTH JERSEY GAS COMPANY	:	OAL DOCKET NO. PUC 08580-2022
TO REVISE THE LEVEL OF ITS BASIC	:	
GAS SUPPLY SERVICE (“BGSS”)	:	STIPULATION FOR FINAL
CHARGE AND CONSERVATION	:	BGSS/CIP RATES
INCENTIVE PROGRAM (“CIP”)	:	
CHARGE FOR THE YEAR ENDING	:	
SEPTEMBER 30, 2023	:	

APPEARANCES:

Deborah M. Franco, Esq., Vice President, Rates, Regulatory and Sustainability, SJI Utilities Inc., for Petitioner South Jersey Gas Company.

Maura Caroselli, Esq., Managing Attorney, Gas and Clean Energy, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel and **Megan Lupo, Esq.**, Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Brian O. Lipman, Esq.**, Director).

Terel Klein, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Matthew J. Platkin, Acting Attorney General of the State of New Jersey).

TO THE HONORABLE IRENE JONES:

This Stipulation is intended to make final, as modified herein, the provisional Basic Gas Supply Service (“BGSS”), Balancing Service Clause (“BSC”), and Conservation Incentive Program (“CIP”) rates previously approved by the New Jersey Board of Public Utilities (“BPU” or “Board”) by Order dated September 7, 2022.¹ The parties to this proceeding are South Jersey Gas Company (“South Jersey” or “Company”), the New Jersey Division of Rate Counsel (“Rate

¹ In re 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, 2023, BPU Docket No. GR22060364, Order dated September 7, 2022 (“Provisional Order”).

Counsel”), and the Staff of the New Jersey Board of Public Utilities (“Board Staff”) (collectively, “Parties”).

I. PROCEDURAL HISTORY

1. By Order dated May 5, 2021, the Board authorized South Jersey to recover over a two-year period, through its Periodic BGSS rate, \$24,246,132 of gas supply and related costs incurred as a result of the resolution of a contract dispute with its gas supplier: Antero Resources Corporation (“Antero”) (“Antero Dispute”).² By the May 2021 Order, the Board approved, on a final basis, a Periodic BGSS rate of \$0.275910 per therm, consisting of a 50%, or \$12,123,066, recovery of Antero Dispute costs within the 2020-21 BGSS/CIP Year.³ The Board also ordered recovery of the remaining 50%, or \$12,123,066, of Antero Dispute costs in the 2021-22 BGSS/CIP Year. Thus, the May 2021 Order approved an amortization of the Antero Dispute costs, resulting in full recovery by September 30, 2022. By Board Order dated November 17, 2021, the Board extended the Antero Dispute amortization period through September 2024.⁴

2. On June 1, 2022, South Jersey filed a petition (“Petition”) with the Board seeking authority to: 1) increase the level of its Periodic BGSS charge; 2) increase the level of its BSC charge associated with its Rider “J” - General Service (“BSC-GS”); 3) increase the level of its BSC charge associated with its Rider “I” – Large Volume (“BSC-LV”); and 4) increase the level

² In the Petition of South Jersey Gas Company to Revise the Level of Its Basic Gas Supply Service (“BGSS”) Charge and Conservation Incentive Program (“CIP”) Charges for the Year Ending September 30, 2021, BPU Docket No. GR20060383, Order dated May 5, 2021 (“May 2021 Order”).

³ All rates quoted herein include Sales and Use Tax (“SUT”).

⁴ In the Petition of South Jersey Gas Company to Revise the Level of Its Basic Gas Supply Service (“BGSS”) Charge and Conservation Incentive Program (“CIP”) Charges for the Year Ending September 30, 2022, BPU Docket No. GR21060881, Order dated November 17, 2021 (“November 2021 Order”).

of its CIP charge for the period October 1, 2022 through September 30, 2023 (“2022-23 BGSS/CIP Year”).

3. By the Petition, the Company proposed to increase its Periodic BGSS charge from \$0.502550 per therm to \$0.786191 per therm, an increase of \$0.283641 per therm, for the 2022-23 BGSS/CIP Year. The requested Periodic BGSS rate would result in a monthly increase of \$28.36, or 16.7%, for a residential heating customer using 100 therms of natural gas during a winter month.

4. The Company also proposed the following BGSS rates: 1) the gas cost portion of the Company’s D-2 charge for Rate Schedule Large Volume Service (“LVS”) be set at \$16.496647 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule Electric Generation Service – Large Volume (“EGS-LV”) Firm be set at \$16.579139 per Mcf; 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV, and the D-2 charge for Rate Schedule Firm Electric Service (“FES”), be set at \$8.248323 per Mcf; 4) the monthly BGSS non-commodity rate applicable to Rate Schedules General Service (“GSG”), General Service – Large Volume (“GSG-LV”), Electric General Service (“EGS”), LVS, EGS-LV and Natural Gas Vehicle (“NGV”) be set at \$0.155863 per therm; 5) the Rider “I” BSC-LV charges for Opt-Out be set at \$0.002718 per therm and Non-Opt-Out be set at \$0.086180 per therm; and 6) the Rider “J” BSC-GS charge be set at \$0.086180 per therm.⁵

5. The proposed rate changes described in paragraphs 2 – 4 translate to an increase in annual BGSS recoveries of \$85.7 million.

⁵ One Mcf is the measurement of natural gas equivalent to 1000 cubic feet.

6. The Petition also sought Board approval to implement per therm CIP rates, effective October 1, 2022, as follows:

- A charge of \$0.051829 for Group I Residential Non-Heat customers;
- A charge of \$0.029575 for Group II Residential Heat customers;
- A charge of \$0.028140 for Group III GSG customers; and
- A charge of \$0.012805 for Group IV GSG-LV customers.

7. Compared to a current bill calculated based upon rates in effect as of June 1, 2022, the requested CIP rates would result in a monthly increase of \$1.99, or 1.2%, for a residential heating customer using 100 therms of natural gas during a winter month. The proposed bill impact on a residential non-heating customer using 15 therms of natural gas per month is an increase of \$0.88, or 2.6%. The proposed bill impact on a GSG customer using 500 therms of natural gas per month is an increase of \$1.41, or 0.2%. The proposed bill impact on a GSG-LV customer using 15,646 therms of natural gas per month is a decrease of \$49.25, or 0.2%.

8. These proposed rate changes translate to an increase in annual CIP recoveries of \$5.6 million.

9. Pursuant to Board Orders dated October 12, 2006 and January 21, 2010, any non-weather-related CIP surcharges must be offset by reductions in BGSS costs.⁶ In addition, pursuant to Board Order dated May 21, 2014, CIP non-weather-related margin recoveries are subject to a Modified BGSS Savings Test in which only 75% of non-weather-related CIP surcharges must be offset by BGSS Savings, and for which three categories of BGSS Savings are allowed: 1)

⁶ In re the Petition of South Jersey Gas Company for Authority to Implement a Conservation and Usage Adjustment, BPU Docket No. GR05121019, Orders dated October 12, 2006 and January 21, 2010.

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

10. Pursuant to the May 2014 CIP Order, South Jersey adopted a Variable Margin Revenue Test under which recoverable non-weather-related CIP amounts shall not exceed 6.5 percent (6.5%) of aggregate variable margin revenues for the 12-month period ending on June 30, 2021. Pursuant to the Board Order dated April 7, 2021, the recoverable non-weather-related CIP amounts shall not exceed 4.0 percent (4.0%) of the aggregate variable margin revenues under the Variable Margin Revenue Test for the period July 1, 2021 through June 30, 2022.⁸

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

12. South Jersey indicated that its non-weather-related excess margin is \$9.6 million. The Company determined this amount by subtracting the weather-related deficiency component of \$20.9 million from the total CIP deficiency of \$11.3 million. By the Petition, South Jersey seeks

⁷ In re the Petition of New Jersey Natural Gas Company and South Jersey Gas Company for Authority to continue the Conservation Incentive Program, BPU Docket No. GR13030185, Order dated May 21, 2014 (“May 2014 CIP Order”).

⁸ In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs and In re the Petition of South Jersey Gas Company for Approval of New Energy Efficiency Programs and Associated Cost Recovery Pursuant to the Clean Energy Act, BPU Docket Nos. QO19010040 and QO020090618, Order dated April 7, 2021.

to credit \$9.6 million of non-weather-related margin through the CIP in the 2022-23 BGSS/CIP Year and recover a weather-related CIP deficiency of \$20.9 million.

13. South Jersey indicated that its permanent BGSS savings realized from its permanent capacity releases or contract terminations (Category One of the Modified BGSS Savings Test) total \$4.3 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 \$2.8 million. BGSS savings realized from avoided capacity costs to meet residential customer growth (Category Three of the Modified BGSS Savings Test) total \$0.3 million. Using these values, the total BGSS savings for the 2022-23 BGSS/CIP Year is \$7.4 million. Because the non-weather-related CIP amount is a credit to customers, the Modified BGSS Savings Test and the Variable Margin Revenue Test do not apply.

14. Pursuant to the May 2014 CIP Order, South Jersey also agreed that it would provide quarterly reports to Board Staff and Rate Counsel documenting expenditures for these programs, as it has for the past 15 years.

15. South Jersey's tariff, Rider "M," contained 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 ("ROE Test"). Under this provision, the CIP may not contribute toward earnings in excess of a 9.60% ROE. The Company projected that, after recovery of the CIP margin revenues, its ROE for the period October 1, 2021 through September 30, 2022 would not exceed 9.60%. As a result, the Company noted that the ROE Test will not limit South Jersey's recovery through the CIP for the forthcoming 2022-23 BGSS/CIP Year. This projected ROE calculation is included in Exhibit A to the Petition.

16. The charts below demonstrate the impact of the proposed BGSS and CIP rate changes on the bill of a residential heating customer using 100 therms of natural gas per month and 1,000 therms annually, compared to a bill calculated based on rates in effect on June 1, 2022:

100 Monthly Therms	Current Bill	Proposed Bill	Change (\$)	Change (%)
BGSS	\$169.39	\$197.76	\$28.36	16.7%
Rider "J" BSC	\$169.39	\$170.53	\$1.14	0.7%
CIP	\$169.39	\$171.38	\$1.99	1.2%
Combined	\$169.39	\$200.88	\$31.49	18.6%

1,000 Annual Therms	Current Bill	Proposed Bill	Change (\$)	Change (%)
BGSS	\$1,714.95	\$1,998.59	\$283.64	16.5%
Rider "J" BSC	\$1,714.95	\$1,726.32	\$11.37	0.7%
CIP	\$1,714.95	\$1,734.81	\$19.86	1.2%
Combined	\$1,714.95	\$2,029.82	\$314.87	18.4%

17. Following public notice published in newspapers of general circulation within South Jersey's service territory, two (2) virtual public hearings were held regarding the Petition on August 24, 2022 at 4:30 p.m. and 5:30 p.m.. No members of the public attended to express their views on this filing. The Board received no written comments on the Petition.

18. On September 28, 2022, this matter was transmitted to the Office of Administrative Law as a contested case and assigned to Administrative Law Judge Irene Jones. On November 30, 2022, a pre-hearing conference was held telephonically.

19. By the Provisional Order, the Board approved changes in the Company's BGSS, BSC and CIP rates on a provisional basis. These changes, reflected in a stipulation executed by

the Parties, became provisionally effective, subject to refund, for service rendered on or after October 1, 2022.

20. The BGSS and BSC rates approved by the Provisional Order are as follows:

- i. A per therm Periodic BGSS rate of \$0.786191;
- ii. The gas cost portion of the D-2 charge for Rate Schedule LVS of \$16.496647 per Mcf;
- iii. The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$16.579139 per Mcf;
- iv. The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$8.248323 per Mcf;
- v. The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV, and NGV of \$0.155863 per therm;
- vi. The Rider "I" BSC-LV charges for Opt-Out of \$0.002718 per therm, and Non-Opt-Out of \$0.086180 per therm; and
- vii. The Rider "J" BSC-GS charge of \$0.086180 per therm.

The CIP rates approved by the Provisional Order are as follows:

- i. a charge of \$0.051829 for RSG non-heating customers;
- ii. a charge of \$0.029575 for RSG heating customers;
- iii. a charge of \$0.028140 for GSG customers; and
- iv. a charge of \$0.012805 for GSG-LV customers.

21. On February 14, 2023, in accordance with the authority provided in the 2003 BGSS Order, the Company provided notice of its intent to self-implement a Periodic BGSS rate reduction from the current provisional rate of \$0.786191 per therm to \$0.627739 per therm effective March

1, 2023.⁹ This reduction occurred due to a significant reduction in New York Mercantile Exchange (“NYMEX”) natural gas futures settlement prices compared to the forecasted NYMEX prices utilized in the Company’s June 1, 2022 filing. This rate reduction decreased the monthly bill of a typical residential heating customer using 100 therms in a month by \$15.85, or 7.7%, as compared to the Company’s current rates.

22. This reduction in the Periodic BGSS rate translates to a decrease in annual BGSS recoveries of \$18.9 million.

23. As of the date of this Stipulation, the Company answered all discovery propounded upon it. The Parties have discussed the matters at issue in this proceeding resulting in the agreement reflected in this Stipulation.

II. STIPULATED TERMS

24. Based upon the terms and conditions set forth herein, the Parties stipulate and agree that the Company’s self-implemented Periodic BGSS rate of \$0.627739 per therm effective March 1, 2023 and the provisional BGSS, BSC, and CIP rates previously approved by the Provisional Order are prudent and reasonable and should be made final as of the effective date of a Board order approving this Stipulation in accordance with N.J.S.A. 48:2-40, or upon such date thereafter as the Board may specify (“Effective Date”). Specifically, the following provisional BGSS and BSC rates approved by the Provisional Order shall be made final:

- a) The per therm Periodic BGSS rate of \$0.786191, which was in effect from October 1, 2022 through February 28, 2023;

⁹ In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq., BPU Docket No. GX01050304, Order dated January 6, 2003 (“2003 BGSS Order”).

- b) The gas cost portion of the D-2 charge for Rate Schedule LVS of \$16.496647 per Mcf;
- c) The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$16.579139 per Mcf;
- d) The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$8.248323 per Mcf;
- e) The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV, and NGV of \$0.155863 per therm;
- f) The Rider “I” BSC-LV charges for Opt-Out of \$0.002718 per therm, and Non-Opt-Out of \$0.086180 per therm; and
- g) The Rider “J” BSC-GS charge of \$0.086180 per therm.

25. In addition, the following provisional CIP rates approved by the Provisional Order shall be made final:

- a) a charge of \$0.051829 for RSG non-heating customers;
- b) a charge of \$0.029575 for RSG heating customers;
- c) a charge of \$0.028140 for GSG customers; and
- d) a charge of \$0.012805 for GSG - LV customers.

26. The Company agrees to continue to meet all Minimum Filing Requirements (“MFRs”), attached hereto as Exhibit C, with all future BGSS filings. In addition, any information provided by the Company in response to MFR-13 will include delivery points for all purchase and sale transactions and comparable daily or monthly price index information for purchase and sale transactions done at a fixed price. This change is reflected in Exhibit C. The Company will also continue to provide electronically to the Parties, 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 in Exhibit A shall be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected in Exhibit B shall be submitted to the Parties on or before the 15th of the following month. After the annual BGSS proceeding is filed each year, the monthly reports filed with the Board thereafter shall be updated to reflect the current BGSS year and upcoming BGSS year. Monthly reports will continue to be filed with the Parties using the current BGSS year and upcoming BGSS year until the next annual BGSS filing occurs. This change has been reflected in Exhibit C as MFR-19.

27. Consistent with the November 2021 Order, the Company will continue to recover the costs incurred as a result of the resolution of the Antero Dispute through the Periodic BGSS rate over the period ending September 30, 2024.

28. To the extent the Company enters into baseload Asset Management Agreements (“AMAs”) (defined as a transaction with a fixed gas purchase obligation for any day of the term of the AMA), the Company will prepare an analysis produced at the time the AMA is executed that will set forth how much, if any, of the AMA management fee will be excluded from the formula used to determine AMA management fee sharing between the Company and its Periodic BGSS customers because the excluded portion of the fee is the product of an agreement by the Company to provide the Asset Manager with a benefit under the AMA that is forecasted to increase the commodity costs to Periodic BGSS customers. The analysis will calculate a) the lowest estimated delivered price on the contract capacity path up to and including the Company city gate compared to b) the estimated commodity cost per month under the contract price of the

AMA. The result of this comparison or c) delta, represents an excess in commodity cost that will be subtracted from d) the AMA management fee arriving at e) the net amount that will be subject to the sharing formula over the term of the AMA. The following illustrative table sets forth a sample calculation for a baseload AMA that releases 10,000 Dth/d of Transco Zone 3 to Zone 6 capacity to an Asset Manager.

<u>AMA Example Analysis</u>	Volume (Dth/d)	Total Cost
a) Estimated Baseload at the least Commodity Cost*	10,000	\$11,238,365.01
b) Estimated Baseload Commodity Costs with AMA**	10,000	\$12,931,371.96
c) Delta or Additional Commodity Costs		\$1,693,006.95
d) AMA Fee (100 %)		\$4,000,000.00
Less Delta or additional Commodity Costs		(\$1,693,006.95)
e) Remaining Asset Mangement Fee subject to sharing formula		\$2,306,993.05
<u>Estimated Annual Cost to BGSS:</u>		
Commodity Costs		\$12,931,371.96
AMA Fee Not subject to Sharing		(\$1,693,006.95)
85% Sharing from AMA Fee		(\$1,960,944.09)
Total Estimated Cost of Supply		\$9,277,420.92
* Assumes the least possible cost of either Z-3 plus variable transportation costs or Z-6 delivered price		
** Assumes Transco Z-3 price plus variable transportation costs		

The analyses will be provided by the Company in future BGSS proceedings upon the execution of a non-disclosure agreement. This change has been reflected in Exhibit C as MFR-20. The Parties reserve their right to challenge the reasonableness of any AMA entered by the Company, and the reasonableness of the methodology used to calculate the portion of the AMA fee not subject to sharing, in future BGSS proceedings.

29. The Company previously released 16,468 Dekatherms (“Dt”) of firm transportation capacity purchased from Columbia Gas Transmission, LLC (“Columbia”) and 20,000 Dt of firm transportation capacity purchased from Transcontinental Gas Pipe Line Company to its affiliate South Jersey Resources Group, LLC through April 1, 2025. In future BGSS proceedings, the Parties reserve their rights to take any position as to how this capacity should be used by South Jersey to benefit its BGSS customers.

30. Pursuant to the May 2014 CIP Order, the Company must provide five hundred thousand dollars (\$500,000) annually, of shareholder money, to fund CIP programs that: 1) aid customers in reducing their natural gas costs, 2) reduce the Company's peak winter and design day system demand, and 3) do not replicate existing programs offered through the BPU Office of Clean Energy (“Three Objectives”). The Company agrees to annually review the CIP programs it funds, compare them to other available programs, and make changes to the programs it chooses to fund if it determines other programs are more effective in achieving the Three Objectives. The Company agrees to include testimony in all future CIP petitions that identifies any changes the Company made to the list of programs it funds and supports how the CIP programs it funds help to achieve the Three Objectives. The testimony will also address why the Company believes that the programs it funds are more effective in achieving the Three Objectives than other available programs that the Company considered. In addition, the Company agrees to review and update its SJG Conserve website at least every two months, to help ensure that the content and links to other websites are current, and annually to help ensure that the content is effective in helping to meet the Three Objectives. The Company will further include testimony in all future CIP petitions that addresses the content of the website and changes made to the website to make it more effective in helping to achieve the Three Objectives.

31. During the period September 1, 2022 to September 30, 2023, the Company agrees to credit BGSS customers with all capacity release credits or off-system sales margins (including the Company's usual 15% share) derived from the use of pipeline capacity under the contract between the Company and Adelpia Gateway, LLC for 75,000 Dt of firm transportation capacity that became effective September 1, 2022, and under a contract between the Company and Columbia for 75,000 Dt of firm transportation capacity projected to be placed in service during calendar year 2023. The Parties reserve their rights to challenge the prudence of costs incurred by the Company under these contracts from and after September 1, 2022 in future BGSS proceedings.

32. This Stipulation provides a full resolution of the issues in this matter.

III. MISCELLANEOUS

33. 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.

34. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, South Jersey, Board Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates remain subject to Board audit.

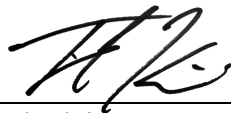
WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

SOUTH JERSEY GAS COMPANY



By: _____
Deborah M. Franco, Esq.
Vice President, Rates, Regulatory and Sustainability

MATTHEW J. PLATKIN, ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities

By:  _____ 3/27/23
Terel Klein, Esq.
Deputy Attorney General

BRIAN O. LIPMAN
DIRECTOR, DIVISION OF RATE COUNSEL

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

Dated: March 27, 2023