



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

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH JERSEY ) ORDER  
GAS COMPANY FOR APPROVAL OF A STANDARD GAS )  
SERVICE AGREEMENT ("EGS-LV") AND A STANDARD GAS )  
SERVICE AGREEMENT ("EGS-LV") ADDENDUM; AND TO )  
MODIFY RATE SCHEDULE EGS-LV-VINELAND )  
MUNICIPAL ELECTRIC UTILITY ("VMEU") CONTRACT ) DOCKET NO. GO11020063

APPEARANCES:

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

(NOTIFICATION LIST ATTACHED)

BY THE BOARD:

On February 9, 2011, South Jersey Gas Company ("SJG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting that the Board issue an Order approving a Standard Gas Service Agreement- Electric Generation Service- Large Volume ("EGS-LV") and a Standard Gas Service Agreement ("EGS-LV") Addendum entered into between SJG and Vineland Municipal Electric Utility ("VMEU") (collectively, the "VMEU Agreement"). The Company further requested that the Board issue an Order providing that the service volumes set forth in the VMEU Agreement may be modified by the mutual consent of SJG and VMEU without further approval of the Board, and that the petition and VMEU Agreement be treated as "Confidential".

By this Decision and Order, the Board considers a Stipulation of Settlement ("Settlement") entered into by SJG, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Parties") requesting that the Board approve the VMEU Agreement.

## **BACKGROUND**

Pursuant to its Rate Schedule EGS-LV, SJG provides firm and limited firm sales and/or transportation service to commercial and industrial electric generation facilities, prime movers, and all engine-driven equipment (whether or not used for electric generation) with a firm daily contract demand of 200 Mcf per day or more. Special Provision (e) of Rate Schedule EGS-LV provides that SJG may offer a D-1 Demand Charge and a C-3 Commodity Charge on a negotiated basis. According to the special provision, the D-1 charge, taken in combination with the Limited Firm C-3 charge, if applicable, may not be lower than an amount sufficient to generate a reasonable return on capital investments made by the Company and recover all of the marginal and embedded costs, including depreciation, to provide service under Rate Schedule EGS-LV. Any such offer made by the Company must be based upon cost of service and value of service considerations including such factors as: (1) proximity of customer to the Company's transmission lines; (2) whether the customer will utilize the Company's interstate pipeline capacity; (3) whether the customer will provide its own gas supply; and (4) other pertinent factors. In addition, Special Provision (e) requires that the negotiated percentages and resultant rates shall be set forth in the Standard Gas Service Agreement (EGS-LV) and filed with the Board within thirty (30) days of execution, for approval.

VMEU is a municipal utility and a department of the City of Vineland government located at 640 East Wood Street, in Vineland, New Jersey. As part of its proposed project development, VMEU will construct a dual fuel simple cycle generating facility with a nominal 60 MW capacity. The facility will replace an existing coal burning unit at the Howard M. Down Station in the City of Vineland. SJG will contract, own, and operate a pipeline improvement of approximately 1.9 miles of 12" in diameter that will interconnect with its existing transmission system at Oak Road, Vineland, New Jersey and a point of interconnection at the facility. VMEU intends to generate all electricity for use within its service territory. This unit will be dispatched by PJM Interconnection on a daily basis.

VMEU and SJG entered in an agreement whereby SJG agreed to sell and deliver and VMEU agreed to purchase and pay for gas service under Rate Schedule EGS-LV. The VMEU project will utilize its own interstate pipeline capacity and gas supply.

SJG has requested that the petition and the VMEU Agreement be treated as "Confidential". Specifically, the Company maintains that the D-1 charge applicable to VMEU is confidential information because it is competitively sensitive information. SJG maintains that if its negotiated, reduced rates are disclosed to the public, SJG's competitors would be able to offer similar or lower rates to the Company's customers, and thereby unfairly compete with SJG. In addition, SJG claims that if future customers of SJG are made aware of the reduced or negotiated rates made available by SJG to VMEU, those rates will become a "floor" to future customers.

## **STIPULATION**

Discovery was propounded upon SJG, and responses were received by the Parties. On September 28, 2011, the Parties entered into the Settlement. Below are the salient terms of the Stipulation.<sup>1</sup>

10. The Parties agree that this project is consistent with the current draft of the New Jersey Energy Master Plan ("EMP") and qualifies for Special Provision (e) of the EGS- LV rate schedule.
11. The Parties agree that with respect to SJG's request for the Board to allow SJG and VMEU through mutual consent to increase the service volumes under the VMEU Agreement, that notification will be given to all parties of such modifications. The Parties agree that downward revisions to the service volumes under the VMEU Agreement will not be permitted without prior Board approval.
12. The Parties agree that the VMEU Agreement should be approved effective November 1 2011.
13. The Parties agree that the pricing and quantity terms of the VMEU Agreement will remain confidential for a period of two years following the date of a Board Order approving the Settlement.

## **DISCUSSION AND FINDINGS**

After reviewing the petition, the VMEU Agreement and the Stipulation, the Board is satisfied that the VMEU Agreement will not have a financial impact on other ratepayers. The Board is also satisfied that the VMEU Agreement meets the requirements of the Board approved tariff for EGS-LV. Therefore, the Board **HEREBY FINDS** that coupled with the other benefits that the Parties have agreed will result from this transaction including production of cleaner energy in a more efficient manner for the residents of the City of Vineland, and given the expected sufficient and reasonable return on capital investments made by SJG along with recovery of marginal and embedded costs, this project qualifies for Special Provision (e) of SJG's EGS-LV tariff.

With respect to the request for confidential treatment of certain information that is claimed to be commercially sensitive or proprietary, the Board **FINDS** that this issue should be decided by the Board's Custodian of Records pursuant to the Board's regulation, if and when a request for release of such data is made under the Open Public Records Act pursuant to N.J.A.C. 14:1-12 but until such time as the Board's Custodian of Records renders a decision, such information shall continue to be treated as confidential information pursuant to the agreement of the Parties.

Accordingly, the Board **HEREBY APPROVES** the Settlement and the VMEU Agreement with the modification described above.

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<sup>1</sup> Although described in this Order, should there be any conflict between this summary and the Settlement, the terms of the Settlement control, subject to the findings and conclusions contained in this Order.

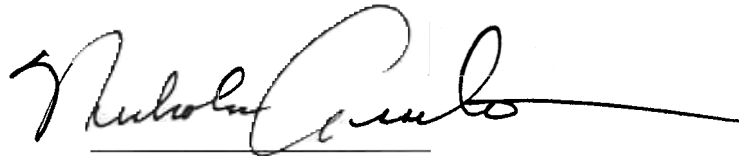
The Company's rates will remain subject to audit by the Board. This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

DATED: 10/13/11

BOARD OF PUBLIC UTILITIES  
BY:

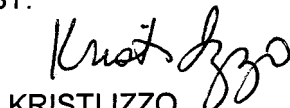


LEE A. SOLOMON  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER  
JOSEPH L. FIORDALISO  
COMMISSIONER

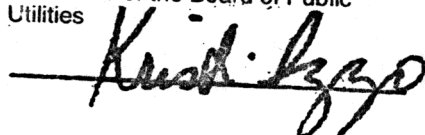
NICHOLAS ASSELTA  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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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 FOR APPROVAL  
OF A STANDARD GAS SERVICE AGREEMENT (EGS-LV) AND STANDARD GAS SERVICE  
AGREEMENT (EGS-LV) ADDENDUM; AND TO MODIFY THE RATE SCHEDULE EGS-LV**

**Docket No. GO11020063**

**Notification List**

<b>BOARD OF PUBLIC UTILITIES</b>		
Jerome May Board of Public Utilities 44 S. Clinton Avenue, 9 <sup>th</sup> Fl. P.O. Box 350 Trenton, NJ 08625-0350	Alice Bator Board of Public Utilities 44 S. Clinton Avenue, 9 <sup>th</sup> Fl. P.O. Box 350 Trenton, NJ 08625-0350	Stacy Peterson Board of Public Utilities 44 S. Clinton Avenue, 9 <sup>th</sup> Fl. P.O. Box 350 Trenton, NJ 08625-0350
Ken Sheehan, Chief Counsel Board of Public Utilities 44 S. Clinton Avenue, 9 <sup>th</sup> Fl. P.O. Box 350 Trenton, NJ 08625-0350	Kristi Izzo, Secretary Board of Public Utilities 44 S. Clinton Avenue, 9 <sup>th</sup> Fl. P.O. Box 350 Trenton, NJ 08625-0350	
<b>DIVISION OF RATE COUNSEL</b>		
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Kurt Lewandowski, Esq. Division of Rate Counsel 31 Clinton Street, 11 <sup>th</sup> Floor P.O. Box 46005 Newark, NJ 07101	Brian Kalcic Excel Consulting Suite 720F 25 S. Meramec Avenue St. Louis, Missouri 63105	
<b>DEPARTMENT OF LAW &amp; PUBLIC SAFETY</b>		
Caroline Vachier, DAG Division of Law 124 Halsey Street, 5 <sup>th</sup> Floor P.O. Box 45029 Newark, NJ 07101	Babette Tenzer, DAG Division of Law 124 Halsey Street, 5 <sup>th</sup> Floor P.O. Box 45029 Newark, NJ 07101	Alex Moreau, DAG Division of Law 124 Halsey Street, 5 <sup>th</sup> Floor P.O. Box 45029 Newark, NJ 07101

**SJG**

<p>Ira G. Megdal, Esq. Cozen O'Connor 457 Haddonfield Road Suite 300 Cherry Hill, NJ 08002</p>	<p>Stacy Mitchell, Esq. Cozen O'Connor 257 Haddonfield Road Suite 300 Cherry Hill, NJ 08002</p>	<p>Samuel A. Pignatelli, VP Revenue Requirements South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037</p>
<p>Renee Farmer, Mgr. Rates &amp; Revenue Rqmts. South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037</p>	<p>Larry H. Lhulier, Director New Business &amp; Compliance Design South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037</p>	<p>John F. Stanziola, Director Regulatory Affairs South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037</p>
<p>Samuel J. Valora, Program Manager C&amp;I Energy Efficiency South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037</p>		

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

**IN THE MATTER OF THE PETITION OF  
SOUTH JERSEY GAS COMPANY FOR  
APPROVAL OF A STANDARD GAS SERVICE  
AGREEMENT (EGS-LV) AND STANDARD GAS  
SERVICE AGREEMENT (EGS-LV)  
ADDENDUM; AND TO MODIFY RATE  
SCHEDULE EGS-LV**

**BPU DOCKET NO: GO11020063**

**STIPULATION**

**APPEARANCES:**

Ira G. Megdal, Esquire and Daniel J. Bitonti, Esquire (Cozen O'Connor, attorneys) for South Jersey Gas Company ("Petitioner")

Felicia Thomas-Friel, Deputy Rate Counsel and Kurt S. Lewandowski, Assistant Deputy Rate Counsel, (Stefanie Brand, Director, Division of Rate Counsel)

Alex Moreau, Deputy Attorney General, on behalf of the Staff of the Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

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

1       On February 9, 2011, South Jersey Gas Company ("South Jersey", "Company" or "Petitioner") filed a "Preliminary Public Copy" of a Petition with the New Jersey Board of Public Utilities ("Board") seeking approval of a Standard Gas Service Agreement ("Agreement") under Petitioner's Electrical Generation Service – Large Volume ("EGS-LV") Rate Schedule and a Standard Gas Service Agreement EGS-LV Addendum ("Addendum"), with its customer, Vineland Municipal Electric Utility ("VMEU"). Together the Standard Agreement and the Addendum will be referred to as the "Agreement". In addition, South Jersey filed an unredacted "Confidential Copy" with the Custodian of the Board. The Company further requested that the Board issue an Order providing that the service volumes set forth in the Agreement may be modified by the mutual consent of SJG and VMEU without further approval of the Board.

2. VMEU is a municipal utility and a department of the City of Vineland.
3. VMEU will construct a dual fuel simple cycle generating facility (the "Facility" with a nominal 60 MW capacity. That Facility will replace an existing coal burning unit at the Howard M. Down Station in the City of Vineland. This project will utilize its own interstate pipeline capacity and gas supply.
4. SJG will construct, own and operate a pipeline improvement of approximately 1.9 miles of 12" diameter that will interconnect with its existing transmission system at Oak Road, Vineland New Jersey and a point of interconnection at the Facility. SJG plans to use public and private rights-of-way for the new pipeline and related facilities.
5. Moreover, as a result of the proposed project, electricity will be produced more efficiently and cleanly to the benefit of the residents of Vineland and New Jersey.
6. Pursuant to the Agreement, South Jersey agreed to sell and deliver and VMEU agreed to purchase and pay for gas transportation service under South Jersey's Rate Schedule EGS-LV.
7. Discovery was propounded upon the Petitioner, and responses were served by the Petitioner.
8. In addition to the many written discovery responses, the parties also held discovery/settlement conferences.
9. Pursuant to Special Provision (e) of South Jersey's EGS-LV Rate Schedule, South Jersey may offer a D-1 demand charge and C-3 commodity charge on a negotiated basis so long as the D-1 charge taken in combination with the limited firm C-3 charge if applicable is not lower than an amount sufficient to generate a reasonable return on capital investments made by



South Jersey and recovery of marginal and embedded costs, including depreciation, to provide service under Rate Schedule EGS-LV.

10. The parties agree that this project is consistent with the current draft of the New Jersey Energy Master Plan, specifically Sections 4.7, 4.7.1, 7.1 and 7.1.1., and qualifies for Special Provision (e) of the EGS-LV rate schedule.

11. The parties agree that with respect to South Jersey's request for the Board to allow South Jersey and VMEU through mutual consent to increase the service volumes under the Agreement that notification will be given to all parties of such modifications. The parties also agree that downward revisions to the service volumes under the Agreement will not be permitted without prior Board approval.

12. The parties agree that the Agreement should be approved effective November 1, 2011

13. The parties agree that the pricing and quantity terms of the Agreement will remain confidential for a period of two years following the date of a Board Order approving this Stipulation.

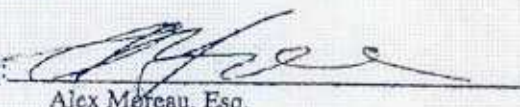
14. This Stipulation is being made in order to resolve the issues in the pending docket and to expedite the issuance of the order herein. The stipulated positions represent compromises by the parties to disputed issues in this case. This Stipulation is executed without prejudice to the positions of said parties and is not intended in any way to restrict them or have any effect in pending or future proceedings, in this or any other forum, except as expressly provided in this Stipulation.

15. This Stipulation contains terms, each of which are interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the undersigned parties expressly and jointly state that they would not have signed the Stipulation had any term been modified in any respect. If any modification is made to the terms of this Stipulation, the signatory parties each must be given the right to be placed in the position it was in before the Stipulation was entered into. It is essential that each undersigned party be given the option, before the implementation of any modifications to this Stipulation, either to modify its own position to accept the proposed changes, or to resume the proceeding as if no agreement had been reached. This proceeding would resume at the point where it was terminated which was before the commencement of hearings.


SOUTH JERSEY GAS COMPANY

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

PAULA T. DOW, ATTORNEY GENERAL OF  
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Attorney for the Staff of the Board of Public  
Utilities

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Alex Moreau, Esq.  
Deputy Attorney General  
09/28/2011

STEFANIE BRAND, DIRECTOR,  
DIVISION OF RATE COUNSEL

By:   
Kurt S. Lewandowski, Esq.  
Assistant Deputy Rate Counsel

DATED: September 27, 2011