



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE ANNUAL FILING OF SOUTH	)	DECISION AND ORDER
JERSEY GAS COMPANY TO ADJUST RATES AS A	)	APPROVING INITIAL DECISION
RESULT OF ITS CAPITAL INVESTMENT RECOVERY	)	AND STIPULATIONS FOR CIRT
TRACKER ("CIRT") AND TO ELIMINATE THE CIRT	)	RATES
	)	
	)	BPU DOCKET NOs.
	)	GR12100890, GO11100632,
	)	GR11060334, GR09110907,
	)	GO09010051, GR10100765

**Parties of Record:**

**Ira G. Megdal, Esq.**, for the Petitioner, South Jersey Gas Company  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

**BACKGROUND**

In an effort to maintain the reliability and safety of its delivery system, while providing stimulus to New Jersey's economy, on January 20, 2009, South Jersey Gas Company ("SJG" or "Company") petitioned the New Jersey Board of Public Utilities ( "Board"). In Docket No. GO09010051, for approval to accelerate the timing of certain infrastructure projects ("2009 Filing"). SJG proposed to expedite the planning and construction work related to capital projects that had been in the development stages for future implementation through the Capital Investment Recovery Tracker ("CIRT").

More specifically, according to the Company, these CIRT projects were incremental to its planned fiscal 2009, 2010 and 2011 capital investment programs. Additionally, expediting the work on these projects would assist in mitigating the negative impact of the recession by creating additional job opportunities in the State while enhancing service and reliability for SJG's existing customers. In the 2009 Filing, SJG also requested approval of a proposed method for recovering the investment costs associated with CIRT projects.

On April 16, 2009, the BPU issued an Order (the "April 16 Order") which approved a stipulation permitting SJG to proceed with the design and construction of eleven CIRT projects ("Qualifying Projects").

Pursuant to the April 16 Order, on November 6, 2009, the Company submitted a filing in Docket No. GR09110907 and on December 17, 2009, the Board approved, effective January 1, 2010, the stipulation for provisional CIRT rates which had been entered into by SJG, the Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, the "Parties").

In accordance with the Stipulation in Docket No. GR09110907, and as approved by Board Order dated September 17, 2010, in the Company's base rate case in Docket No. GR10010035 ("Base Rate Case"), certain Qualifying Projects were rolled into the Company's rate base. Additionally, in the Base Rate Case, the Parties agreed that SJG would be permitted to continue the recovery of approximately \$24.1 million of Qualifying Projects. These Qualifying Projects remained in the CIRT, subject to a prudency review of costs associated with these projects in the forthcoming Phase II portion of the Base Rate Case.

On October 22, 2010, based on the cited success of the Company's initial CIRT program (significant improvement of the Company's distribution infrastructure and hiring of 147 full time employees), the Company filed a petition seeking to accelerate the construction of additional qualifying projects, implement a new CIRT rate commencing January 1, 2011, and to extend the CIRT program for 2011, 2012 and 2013.

On March 31, 2011, the Board approved a stipulation entered into in BPU Docket No. GR10100765, whereby the Parties agreed that the Company would make two filings in order to recover the revenue requirements associated with CIRT II investments in base rates through the CIRT rate adjustment. The first CIRT rate adjustment would be filed with the Board on or before June 30, 2011 to be effective October 1, 2011. The June 2011 filing would include the remaining CIRT I investment costs and CIRT II investment costs incurred prior to the resolution of the case.

On June 1, 2011, the Company filed its first CIRT Rate Adjustment Petition (Docket No. GR11060334) ("First CIRT Rate Adjustment Petition") as required by the Stipulation in CIRT II. Rate Counsel and Staff propounded discovery, which was answered by the Company. At that time, the First CIRT Rate Adjustment Petition was still pending, and the Company was seeking to resolve all outstanding issues regarding the First CIRT Rate Adjustment Petition through this Stipulation.

On October 4, 2011, the Company filed a Petition seeking Board approval to modify and extend the existing Board-approved CIRT II (Docket No. GO11100632) ("CIRT III Petition"). Specifically, the Company sought to spend an incremental \$40 million in 2012 and extend the CIRT program to December 31, 2012, as well as to spend an incremental \$50 million in 2013, all on the accelerated replacement of bare steel and cast iron main, and associated services.

The CIRT III Petition was resolved by Stipulation dated March 13, 2012, whereby the parties agreed that the Company would be permitted to spend an incremental \$35 million by December 31, 2012, that CIRT III would utilize the same Accounting Methodology and Revenue Requirement Recovery agreed upon for CIRT II, and that a base rate of \$0.0107 per therm, including taxes, associated with CIRT III investments would be implemented on March 1, 2013.

On October 4, 2012, SJG filed a petition, assigned to Docket No. GR12100890 ("Second CIRT Rate Adjustment Petition"), requesting authority to "roll-in" to base rates the investments made under its CIRT I program that were not rolled in during SJG's most recent base rate case, all investments made under its CIRT II program, and a portion of the investments made under its CIRT III program. Specifically, the Company requested to:

- 1) To roll-into base rates effective January 1, 2013 the incremental \$22.5 million of CIRT I that remains pending in Phase II of the Company's most recent base rate case. This roll in will close Phase II of the Rate Case, resolving Docket No. GR10010035, and will eliminate the CIRT from the Company's Tariff;
- 2) To roll-into base rates effective January 1, 2013 the entire CIRT II investment of \$60.3 million and to resolve all outstanding issues from the pending First CIRT Rate Adjustment Petition (Docket No. GR11060334);
- 3) To modify the CIRT III Stipulation to reflect that an incremental \$27.8 million of CIRT III will be rolled into base rates effective January 1, 2013; and
- 4) To further modify the CIRT III Stipulation to reflect that the remaining portion of CIRT III, consisting of investments made from October 1, 2012 to December 31, 2012, will be rolled into base rates effective October 1, 2013.

After public notice, two public hearings were held on December 3, 2012 in Voorhees, New Jersey regarding all rate changes proposed in this matter. No one from the public attended.

On May 10, 2013, SJG filed a Supplemental Petition seeking to amend the CIRT Roll-In Petition to include in base rates all CIRT III investments. According to the filing, at the time the CIRT Roll-In Petition was filed SJG's CIRT III program was still active and approximately \$27.8 million of the total authorized \$35 million of investments had been made. Since that time, and as of December 31, 2012, all of the authorized CIRT III investments had been made and the CIRT III program is now concluded. To address all outstanding CIRT investments yet to be rolled into SJG's base rates, and in the interest of avoiding a duplicative future roll-in proceeding, SJG requested that all outstanding CIRT investments, including all CIRT III investments, be included in the pending CIRT Roll-In Petition. Furthermore, in an effort to avoid multiple rate changes, SJG requested, by way of this Supplemental Petition, that the roll-ins and associated base rate changes take place on October 1, 2013 to coincide with the Company's Basic Gas Supply Service (BGSS) and Conservation Incentive Program (CIP) rate adjustments. As proposed, the Company's base rates would increase by \$0.0312 per therm, including taxes and the Company's CIRT rate of \$0.0044 would be eliminated, for a net increase of \$0.0268 per therm, including taxes.

After public notice, two public hearings were held on August 7, 2013 in Voorhees, New Jersey regarding all rate changes proposed in this matter. No one from the public attended.

On September 6, 2013, the Parties entered into two (2) stipulations: one with BPU docket numbers GO09010051 and GR09110907 that addresses matters that had been transmitted to Office of Administrative Law ("OAL") and assigned to Administrative Law Judge ("ALJ") Walter Braswell ("Stipulation I"), and a second stipulation addressing dockets that were not sent to the OAL, namely, GR12100890, GO11100632 and GR11060334 ("Stipulation II")("collectively, "Stipulations").

## **STIPULATIONS<sup>1</sup>**

### **STIPULATION I (GO09010051, GR09110907, EO09010049, GR10100765)**

This Stipulation addresses those matters that had been sent to the OAL and assigned to ALJ Walter Braswell. The parties stipulated and agreed to the following:

- That the true-up of the monthly recoveries and monthly expenditures for the Company's CIRT I projects for the period from April 2009 to October 2011 (from program start date until rate change) was appropriately conducted and that the Company has accounted for project costs in an appropriate manner.
- That the actual projects were completed, including any modification/changes from the initial list of projects approved. That the actual cost of each of the CIRT I projects, the time frame for each project in comparison to the projected costs, time frames, and jobs created for each project and concluded that they have met the Board's requirements.
- That the incremental capital expenditures of the Company's associated with the individual and aggregated CIRT I projects, shown in comparison to historical, projected, and actual Capital Expenditure budgets for the Company over the past five years, as agreed to in the Stipulation of Settlement dated April 2009 in Docket No. GO09010051 establishing the program approved by the Board, were appropriate.

Rate Counsel and the Board's Staff are satisfied that the Company has met the requirements of the Board's 1) April, 2009 Order in Dkt. Nos. GO09010051 & EO09010049, which established the SJG CIRT Program, 2) December 22, 2009 Order in Dkt. No. GR09110907, which approved provisional CIRT rates for SJG and 3) the applicable sections of the September 17, 2010 base case Order in Dkt. No. GR10010035 which address the CIRT projects that are not yet in base rates.

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<sup>1</sup> Although described at some length in this Order, should there be any conflict between this summary and these Stipulations, the terms of the Stipulations control, subject to the findings and conclusion in this Order.

The Parties stipulate that the Board should approve the Company's request to eliminate the CIRT tracker mechanism and roll into base rates, effective with a Board Order accepting this Stipulation, an incremental \$22.5 million of CIRT I that remains pending in Phase II of the Rate Case. This roll in will eliminate the CIRT tracker mechanism and close Phase II of the Rate Case, resolving Docket No. GR10010035.

On September 11, 2013, ALJ Braswell issued an Initial Decision approving Stipulation I covering dockets GO09010051 and GR10100765. The Initial Decision found the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues in controversy and is consistent with the law.

**STIPULATION II (GR12100890, GO11100632, GR11060334)**

In this Stipulation, covering matters retained at the Board, the Parties stipulated and agreed to the following:

The Parties stipulate that the Board should approve the Company's request to roll into base rates, effective October 1, 2013, CIRT II and CIRT III investments of \$60.2 million and \$34.8 million, respectively, and to resolve all outstanding issues from the pending First CIRT Rate Adjustment Petition.

For clarification of the accounting and ratemaking treatment of AFUDC for qualifying CIRT II and CIRT III projects, the following shall apply and shall supersede all prior Stipulations regarding this topic:

- For accounting purposes, AFUDC shall cease at the time a project is placed in service (when natural gas is reintroduced into the Company's gas distribution system). Once in service, and until rolled into base rates, the Company will accrue to utility plant a carrying cost of 7.98% on qualifying CIRT II investments and 7.72% on qualifying CIRT III investments.
- The accrued carrying costs will be simultaneously rolled into rate base along with the plant and AFUDC.

The rate change associated with the roll-in of \$22.5 million of CIRT I investments is included below for illustrative purposes only. The CIRT I roll-in and resolution of Phase II of the Rate Case is not the subject of this Stipulation, but is the subject of a Stipulation before ALJ Walter Braswell in Board Dockets Nos. GO09010051 and GR10100765 dated the same date as this Stipulation.

	CIRT I	CIRT II	CIRT III	TOTAL
Amount of Capital Spend	\$22.5	\$60.2	\$34.8	\$117.5
Revenue Requirement	\$3.0	\$7.8	\$4.7	\$15.5
Rate Including Tax	\$0.0060	\$0.0157	\$0.0095	\$0.0312
Rate Excluding Tax	\$0.0056	\$0.0146	\$0.0089	\$0.0291
<u>Bill Impact (100 Therm RSG HEAT)</u>				
Dollar Increase	\$0.16	\$1.57	\$0.95	\$2.68
Percentage Increase	0.12%	1.20%	0.72%	2.04%

After giving effect to this Stipulation and the Stipulation<sup>2</sup> before ALJ Judge Braswell in Board Docket Nos. GO09010051 and GR10100765, the Parties stipulate that the Company's base rates will increase by \$0.0312 per therm, including taxes, and the Company's CIRT rate of \$0.0044 will be eliminated.

After giving effect to this Stipulation and the Stipulation before Judge Braswell in Board Dockets Nos. GO09010051 and GR10100765, the Parties stipulate that SJG shall increase base rates for all firm rate classes by \$0.0312 per therm, including taxes, effective October 1, 2013.

### **DISCUSSION AND FINDINGS**

The Board **HEREBY FINDS** that, subject to the terms and conditions set forth below, the attached Initial Decision and the Stipulations are reasonable, in the public interest, and in accordance with the law, as the infrastructure projects proposed under the CIRT I, II and III have been constructed and reviewed, and determined to be prudent and reasonable. Accordingly, the Board **HEREBY ADOPTS** the Stipulations as its own, as if fully set forth herein.

The Board **HEREBY ORDERS** that the Company's base rates will increase by \$0.0312 per therm (including taxes), the Company's CIRT rate of \$0.0044 per therm (including taxes), will be eliminated, and the CIRT tracker mechanism will be terminated.

As there are no remaining issues to be reviewed within the Phase II of the Base Rate Case, Board Staff is **HEREBY DIRECTED** to take all necessary steps to close the Base Rate Case, Docket No. GR10010035.

<sup>2</sup> This stipulation also includes docket nos. EO09010049 and GR10100765.

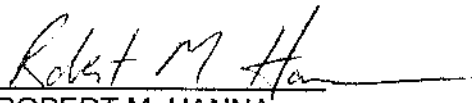
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by October 1, 2013.

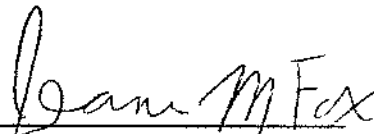
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

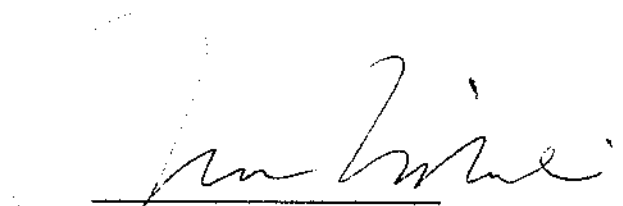
This Order is effective for service rendered on and after October 1, 2013.

DATED: 9/18/13

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

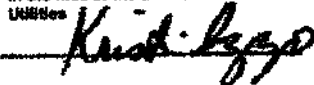
  
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COMMISSIONER

  
DIANNE SOLOMON  
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ATTEST:  
  
KRISTI IZZO  
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 ANNUAL FILING OF SOUTH JERSEY GAS COMPANY TO  
ADJUST RATES AS A RESULT OF ITS CAPITAL INVESTMENT RECOVERY TRACKER  
("CIRT") AND TO ELIMINATE THE CIRT  
BPU DOCKET NOS. GR12100890, GO11100632, GR11060334, GR09110907,  
GR09010051, GR10100765**

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