



Agenda Date: 9/30/14  
Agenda Item: 2F

**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 GAS COMPANY TO CHANGE THE LEVELS )  
OF ITS SOCIETAL BENEFITS CLAUSE (SBC) AND ITS )  
TRANSPORTATION INITIATION CLAUSE (TIC) )      DECISION AND ORDER  
ADOPTING STIPULATION  
DOCKET NO. GR13070685

**Parties of Record:**

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

**BY THE BOARD:**

On July 31, 2013, South Jersey Gas Company ("SJG" or "the Company") filed a petition in Docket No. GR13070685 with the New Jersey Board of Public Utilities ("Board") requesting Board approval to change the annual level of its combined Societal Benefits Charge ("SBC") charge and Transportation Initiation Clause ("TIC"), resulting in a net credit of \$6.057 million to ratepayers if approved ("2013 Petition"). Specifically, the Company sought to change the rates associated with certain components of its SBC: the Remediation Adjustment Clause ("RAC") and the Clean Energy Program ("CLEP") charge. According to the Company, the \$6.243 million net credit associated with the SBC charge was as a result of an \$8.342 million decrease to its RAC for the remediation year August 1, 2012 to July 31, 2013, partially offset by a \$2.099 million increase to its CLEP charges for the period November 1, 2013 through October 31, 2014. The non-SBC related TIC registered an increase of \$0.186 million.

The SBC was created as a result of the Electric Discount and Energy Competition Act, and is comprised of a number of components: the RAC, the CLEP, the Universal Service Fund ("USF") and the Lifeline Program charges. The RAC allows the Company to adjust its rates to recover reasonably incurred environmental remediation costs associated with the clean-up of its former manufactured gas plant ("MGP") sites, on a deferred basis over a rolling-seven year period with carrying charges tied to seven-year treasuries plus sixty basis points. The CLEP promotes both energy efficiency and renewable energy programs. The USF and Lifeline Programs were established to help provide affordable electric and natural gas service to eligible New Jersey residential customers. The USF and Lifeline components of the SBC are addressed in a different docket.

The Board, in its Order in Docket No. GX99030121, dated March 2000, directed that Electronic Data Interchange ("EDI") be implemented in the natural gas industry to allow information to be exchanged electronically between the gas distribution utilities and sellers of gas to customers. The TIC was designed to recover all reasonable and prudent EDI development and operating costs, including consulting and EDI transaction costs.

Public hearings on the 2013 Petition were held on January 29, 2014 in Voorhees, New Jersey after publication of the notice in newspapers in general circulation within the Company's service territory. No members of the public appeared at the hearings.

### STIPULATION

Following extensive discovery, on September 11, 2014 the Company, the Division of Rate Counsel ("Rate Counsel"), and Board Staff (collectively, "the Parties") entered into a stipulation<sup>1</sup> ("Stipulation") proposing the following changes to the RAC, CLEP and TIC after-tax rates, and to the bill for a typical residential heating customer using 100 therms of gas during a winter month:

	<u>RAC</u>	<u>CLEP</u>	<u>TIC</u>	<u>TOTAL</u>
Current Rate* per therm	\$0.0272	\$0.0435	\$0.0018	\$0.0725
Proposed Rate	\$0.0119	\$0.0474	\$0.0024	\$0.0617
Rate (Decrease)/Increase	<u>(\$0.0153)</u>	<u>\$0.0039</u>	<u>\$0.0006</u>	<u>(\$0.0108)</u>
Dollar (Decrease)/Increase	(\$1.53)	\$0.39	\$0.06	(\$1.08)
Percentage (Decrease)/Increase	(1.15)%	0.29%	0.05%	(0.81)%
Revenue Change (\$000)**	(\$8,342)	\$2,099	\$186	(\$6,057)
* includes Sales and Use Tax ("SUT")				
**excludes SUT				

The salient terms of the Stipulation further provide as follows:

SJG's MGP remediation costs will remain subject to Board audit.

The Company will continue to conduct an annual audit of the RAC to assess the validity of expenses being charged to the RAC.

SJG represents that the Stipulation does not include the recovery of any administrative, legal, consulting or other costs associated with Natural Resource Damages related MGP claims currently being investigated by the New Jersey Department of Environmental Protection, or any costs associated with incentive compensation or pension costs incurred during the remediation year, August 1, 2012 through July 31, 2013.

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

The Company further represents that no remediation properties were leased or sold during the RAC remediation periods for which the current RAC rate is being established.

Collectively, the RAC, CLEP, and TIC rate changes set forth in the Stipulation result in a monthly bill decrease of \$1.08 or \$0.81% for the average residential heating customer using 100 therms.

The Company agrees to provide a final reconciliation of its annual RAC recovery factor within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expenses or credit amount which is to be carried over to the next recovery year.

Implementation and/or adjustment of the RAC factor is subject to the Parties' review of SJG's expenditures and reconciliation thereof in SJG's future RAC and/or SBC proceedings.

The Company agrees that it will continue to include in future RAC filings its responses to the minimum filing requirements ("MFR") as set forth in Exhibit A to the Stipulation. At a minimum, the Company agrees to provide hard copies of the filings and the MFRs to the Board, Rate Counsel and the consultant to Rate Counsel.

A Board Order approving this Stipulation will be effective upon service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

Following acceptance of the Stipulation by an Order of the Board, SJG will submit a Compliance Filing incorporating the final SBC rates approved by the Board within seven (7) days of such approval.

### **DISCUSSION AND FINDINGS**

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

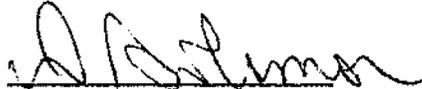
The Board **HEREBY ORDERS** that effective on the later of October 1, 2014 and the date of service of this Order, the revised after-tax per-therm rates are as follows: RAC: \$0.0119, CLEP: 0.0474, and TIC: \$0.0024.

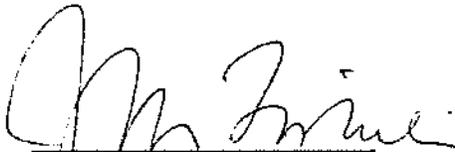
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days after the effective date of this Order.

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 such actions deemed to be appropriate as a result of any such audit.

DATED: 9/30/14

BOARD OF PUBLIC UTILITIES  
BY:

  
DIANNE SOLOMON  
PRESIDENT

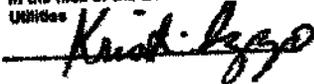
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARYANNA HOLDEN  
COMMISSIONER

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 PETITION OF SOUTH JERSEY GAS COMPANY TO CHANGE THE  
LEVELS OF ITS SOCIETAL BENEFITS CLAUSE (SBC) AND ITS TRANSPORTATION  
INITIATION CLAUSE (TIC) - BPU DOCKET GR13070685

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

IN THE MATTER OF THE PETITION OF	:	PETITION
SOUTH JERSEY GAS COMPANY TO	:	BPU DOCKET NO. GR13070685
CHANGE THE LEVEL OF ITS	:	
SOCIETAL BENEFIT CLAUSE ("SBC")	:	
AND ITS TRANSPORTATION	:	<b>STIPULATION OF SETTLEMENT</b>
INITIATION CLAUSE ("TIC")	:	

**APPEARANCES:**

**Ira G. Megdal, Esq., and Stacy A. Mitchell, Esq.** (Cozen O'Connor, attorneys)  
Counsel for South Jersey Gas Company

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

**Alex Moreau, Esq., Deputy Attorney General, on behalf of the Staff of the New Jersey  
Board of Public Utilities (John J. Hoffman, Acting Attorney General of the State of New  
Jersey).**

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

1. This Stipulation is intended to resolve the pending Societal Benefits Clause ("SBC") proceeding (hereinafter referred to as this "Proceeding"), by which South Jersey Gas Company ("South Jersey" or the "Company") seeks an overall decrease to its SBC charge. The parties participating in this Proceeding include South Jersey, the New Jersey Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Staff") (collectively, the "Parties"). Upon notice and public hearings held in South Jersey's service territory, review and analysis of the Petitions, Pre-Filed Exhibits, Discovery, and participation in several conferences, the Parties agree and stipulate to the following procedural history and terms of settlement.

## PROCEDURAL HISTORY

2. By Petition filed July 31, 2013 (the "Petition"), consistent with N.J.S.A. 48:2-21, South Jersey, a public utility corporation of the State of New Jersey, requested that the Board of Public Utilities ("Board") authorize a decrease in the annual level of its SBC Charge by \$6.243 million, of which \$8.342 million represented a decrease to South Jersey's Remediation Adjustment Clause ("RAC") for the remediation year August 1, 2012 to July 31, 2013 ("2013 Remediation Year"), a \$2.099 million increase to South Jersey's Clean Energy Program ("CLEP") charges for the period November 1, 2013 through October 31, 2014 and a \$0.186 million increase in the Company's annual level of its Transportation Initiation Clause ("TIC").

3. In support of the Petition, South Jersey submitted the following summary of the RAC rate calculation:

<u>Remediation Year</u>	Projected Aug '12 - July '13
Amortization of Recoverable Cost	\$9,336,462
Less: Deferred Tax Benefit	\$402,479
Amortization	<u>\$8,933,983</u>
	Projected
<u>Recovery Year</u>	Nov '13 - Oct '14
Amortization	\$8,933,983
Carrying Cost	\$1,135,350
Subtotal	<u>\$10,069,333</u>
Prior Year Reconciliation	(\$3,583,161)
Expenses To Be Recovered	<u>\$6,486,172</u>

4. At the time of the filing of the Petition, the Parties had previously stipulated in Docket No. GR11070438 ("2011 SBC Petition") and Docket No. GR12070717 ("2012 SBC Petition") to a RAC rate component of \$.0272 per therm, a CLEP rate component of \$.0435 per therm, and a TIC rate component of \$.0018 per therm. The Board Order approving these rates, dated July 19, 2013, was effective August 1, 2013.

5. By way of this Proceeding, South Jersey requested a RAC rate of \$.0119 per therm, a CLEP rate of \$.0474 per therm, and a TIC rate of \$.0024 per therm.

6. As proposed, the rate changes would result in a bill decrease for a typical residential heating customer using 100 therms of gas during a winter heating month of \$1.08, or 0.81%.

7. As stated in the Petition, the Universal Service Fund ("USF") and Lifeline components of the SBC (hereinafter USF/Lifeline) were addressed in a separate proceeding in Docket No. ER13060534, in which an Order was issued on September 18, 2013 approving a state-wide rate of \$.0126 per therm (after taxes), effective October 1, 2013.

8. Public hearings in this matter were held on January 29, 2014 in Voorhees, New Jersey. The public hearings in this matter were noticed in newspapers of the general circulation within South Jersey' service territory. No members of the public appeared.

9. Discovery has been propounded upon the Company, and all such discovery has been answered.

#### **STIPULATED TERMS**

10. The Parties accordingly **STIPULATE AND AGREE** that the Company's proposed RAC rate component of \$.0119 per therm should be implemented and made final.

11. The Parties further **STIPULATE AND AGREE** that the Company's proposed CLEP rate component of \$.0474 per therm should be implemented and made final.

12. The Parties further **STIPULATE AND AGREE** that the Company's proposed TIC rate component of \$.0024 per therm should be implemented and made final.

13. The Parties agree that the South Jersey's Manufactured Gas Plant ("MGP") remediation costs will remain subject to Board audit. Additionally, South Jersey will continue to conduct an annual audit of the RAC to assess the validity of the expenses being charged to the RAC. South Jersey also represents that this Stipulation does not include recovery of any administrative, legal, consulting or other costs associated with Natural Resource Damage ("NRD") related MGP claims currently being investigated by the New Jersey Department of Environmental Protection or any costs associated with incentive compensation or pension costs incurred during the time period set forth in the Petition. The Company further represents that no remediation properties were leased or sold during the RAC remediation period for which the RAC rate is to be established.

14. The SBC rates and other changes set forth in this Stipulation result in a bill decrease of \$1.08 or 0.81% per month for the average residential heating customer using 100 therms during a winter month. This new factor will result in an approximately \$6.4M reduction from the current annual recovery amount.

15. The Company agrees to provide a final reconciliation of its annual RAC factor recovery within ninety (90) days of the completion of each RAC recovery year, which reconciliation will include the calculation of actual sales volumes that recovered the RAC factor and the resultant net expenses or credit amount which is to be carried over to the next recovery year. Implementation and/or adjustments of the RAC factor is subject to the Parties'

review of South Jersey's expenditures and reconciliation thereof in South Jersey's future RAC and /or SBC proceedings.

16. The Parties agree that the terms of this Stipulation shall be deemed to resolve all factual and legal issues relating to the determination of all amounts that were or could be included in the calculation of the Company's deferred RAC balance, except as described in Paragraph 13 above with respect to NRD related costs and incentive compensation costs.

17. The Company agrees that it will include in its future RAC filings, responses to the minimum filing requirements ("MFRs") as set forth in Exhibit A to this Stipulation. At a minimum, the Company agrees to provide hard copies of the filings and the MFRs to the Board, Rate Counsel, and the consultant to Rate Counsel. The Parties further acknowledge that a Board order approving this Stipulation will become effective upon service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

18. Following acceptance of this Stipulation by the Board, South Jersey will submit a Compliance Filing incorporating the final rates approved by the Board within 7 days of such approval.

#### MISCELLANEOUS

19. 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.

20. 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, Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates are subject to Board audit.

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

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

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Attorney for the Staff of the Board of Public Utilities

By: Alex Moretti  
Alex Moretti, Deputy Attorney General

STEFANIE A. BRAND  
DIRECTOR, DIVISION OF RATE COUNSEL

By: Henry M. Ogden  
Henry M. Ogden, Esq.  
Assistant Deputy Rate Counsel

Dated: September 11, 2014

**RAC Minimum Filing Requirements**

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period.

1. The Company currently provides a vendor summary as part of its annual RAC filing. This document provides a summary of the expenditures by vendor by site by vendor for the twelve-month RAC period. Hereafter, the vendor summary will be supplemented with a general description of the services provided by each vendor. When more specific vendor invoices are requested, the Company shall provide documentation sufficiently detailed to describe tasks performed by individuals with the firm. The data noting expenditures incurred through July 31<sup>st</sup> of each year will continue to be submitted with the Company's annual RAC filing.
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding July 31<sup>st</sup> of the most recent RAC period.
4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.

6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period.
7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.
8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.
9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.
10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders. The Company shall affirmatively state the successful bidder was selected through the Company's competitive selection process.
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.
12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including workpapers and supporting documentation.
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control. Also, provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement.