



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)	DECISION AND ORDER
JERSEY GAS COMPANY TO REVISE THE LEVEL)	APPROVING INITIAL DECISION
OF ITS BASIC GAS SUPPLY SERVICE ("BGSS"))	AND STIPULATION FOR FINAL
CHARGE AND TO REVISE THE LEVEL OF ITS)	BGSS AND CIP RATES
CONSERVATION INCENTIVE PROGRAM ("CIP"))	
CHARGES FOR THE YEAR ENDING)	BPU DOCKET NO. GR14050510
SEPTEMBER 30, 2015)	OAL DOCKET NO. PUC 16084-14

Parties of Record:

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

BY THE BOARD: ¹

BACKGROUND

Per the generic Order of the New Jersey Board of Public Utilities ("Board") dated January 6, 2003, in Docket No.GX01050304, each of New Jersey's four gas distribution companies submits to the Board its annual Basic Gas Supply Service ("BGSS") gas cost filing by June 1 for the BGSS year beginning October 1.

In accordance with the above noted Order, on May 30, 2014, South Jersey Gas Company ("the Company") filed with the Board its annual petition ("Petition") to establish new periodic BGSS rates for the period October 1, 2014 through September 30, 2015. The Petition sought an increase to its periodic per therm BGSS charge from \$0.532500 to \$0.650270, an increase of \$0.117770.²

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

² All rates quoted herein include sales and use taxes.

Per the Petition, the Company also requested the following rate revisions:

- i) an increase in the gas cost portion of the Company's D-2 charge for Rate Schedule Large Volume Service ("LVS") from \$15.518300 per Mcf to \$19.577874 per Mcf.³
- ii) a decrease in the gas cost portion of the Firm D-2 charge for Rate Schedule Electric Generation Service – Large Volume ("EGS-LV") from \$18.154100 per Mcf to \$15.513847 per Mcf.
- iii) an increase in the gas cost portion of the Limited Firm D-2 and Firm D-2 charges for Rate Schedules EGS-LV and Firm Electric Service ("FES") from \$7.759100 per Mcf to \$9.788936 per Mcf.
- iv) a decrease in the monthly BGSS non-commodity per therm rate applicable to Rate Schedules GSG, General Service – Large Volume ("GSG-LV"), Electric Generation Service ("EGS"), LVS, EGS-LV, and Natural Gas Vehicle ("NGV") from \$0.148600 per therm to \$0.106566 per therm.

The Company projected a deferred gas cost under-recovery of \$49.9 million at the conclusion of the 2013-2014 BGSS year, and proposed to recover these costs over a two-year period to mitigate the impact that the traditional one-year recovery period would have on customers' bills. Accordingly, the Company's proposed 2014-2015 Periodic BGSS charge sought recovery of \$25.4 million of this deferred gas cost under-recovery, including carrying costs. The Company proposed to recover the remaining portion of these deferred gas costs during the 2015-2016 BGSS year. According to the Petition, any under or over-collection at the conclusion of the 2016 BGSS year would be trued up and reflected in a future annual BGSS filing.

The Petition also called for the following changes to the Company's per therm Conservation Incentive Program ("CIP") rates to be effective as of October 1, 2014:⁴

- i) a decrease from a credit of \$0.032500 to a credit of \$0.075785 for residential ("RSG") non-heating customers.
- ii) a decrease from a charge of \$0.039200 to a credit of \$0.027283 for RSG heating customers.
- iii) a decrease from a charge of \$0.039100 to a credit of \$0.003431 for GSG customers.

³ The D-2 charge was/is to recover interstate pipeline demand charges.

⁴ The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 and extended by an Order dated January 20, 2010. The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS Rates. The CIP surcharge is also subject to a return on equity cap of 10.3%.

- iv) a decrease from a charge of \$0.037200 to a charge of \$0.001946 for GSG-LV customers.

As proposed, the net annual revenue increase to the Company from the BGSS, D-2 and CIP revisions was estimated at \$4.92 million. The combined proposed changes in the Company's BGSS and CIP rates were to result in a net increase of approximately 4.0% or \$5.13 per month, after taxes, for the residential heating customer using 100 therms.

After publication of notice in newspapers of general circulation in SJG's service territory, two public hearings in this matter were held on August 19, 2014, in Voorhees, New Jersey. No members of the public appeared or filed comments related to the Company's filing.

On September 8, 2014, the Company, the New Jersey Division of Rate Counsel, and Board Staff, (collectively, "the Parties"), executed a stipulation in which the Parties agreed that the requested rates should be approved on a provisional basis ("Stipulation for Provisional BGSS and CIP Rates") with the rates subject to refund with interest on any net over recovered BGSS balance.

By Order dated September 30, 2014, the Board approved the Stipulation for Provisional BGSS and CIP rates.

On November 26, 2014, the Petition was transmitted to the Office of Administrative Law and assigned to Administrative Law Judge ("ALJ") Kelly J. Kirk for hearing as a contested case.

Stipulation of Settlement

Following review of discovery and subsequent discussions, on June 10, 2015, the Parties executed a Stipulation for Final BGSS and CIP Rates ("Stipulation") agreeing that it would be reasonable and in the public interest for the Board to make "final" the provisional BGSS and CIP rates previously approved in the September 30, 2014 Order, and that there will be no change in the Company's rates as a result of the Stipulation.⁵

The Parties further stipulated that the Company may continue to defer for recovery during the 2015-2016 BGSS year the remaining portion of the deferred gas cost under-recovery.

The Parties also agreed that the Company shall not receive carrying costs on the deferred gas cost under-recovery, as proposed in the Petition.

Additionally, the Company has committed to continuing to provide the Parties with monthly reports in the form of Exhibits A and B attached to the Stipulation, containing updated information on the BGSS NYMEX and on the per therm net cost of gas.

⁵ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order.

ALJ Kirk issued an Initial Decision dated June 15, 2015, adopting the Stipulation, finding that the Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDINGS

Having reviewed the Stipulation and the Initial Decision, and being persuaded that the Parties have thoroughly reviewed the costs for the period at issue, the Board **HEREBY FINDS** that, subject to the terms and conditions set forth below, the attached Initial Decision and Stipulation are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation in their entirety and **HEREBY INCORPORATES** their terms and conditions as if fully set forth herein.

Therefore, the Board **HEREBY DIRECTS** that the Company's per therm BGSS rate of \$0.650270 be made final. Furthermore, the Board **HEREBY APPROVES** the following rates as final:

- i) \$19.577874 per Mcf for the gas cost portion of the D-2 charge for Rate Schedule LVS;
- ii) \$15.513847 per Mcf for the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV;
- iii) \$9.788936 per Mcf for the Limited Firm D-2 charge for Rate Schedule EGS-LV, and the D-2 charge for Rate Schedule FES; and
- iv) \$0.106566 per therm for the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV.

The Board also **HEREBY APPROVES** as final the following per therm CIP rates: a credit of \$0.075785 for RSG non-heating customers, a credit of \$0.027283 for RSG heating customers, a credit of \$0.003431 for GSG customers and a charge of \$0.001946 for GSG - LV customers.

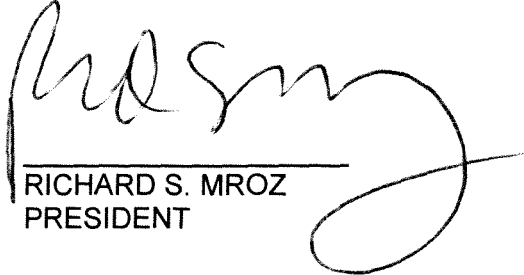
The Company's BGSS and CIP rates remain subject to audit. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective on August 1, 2015.

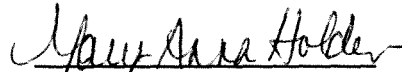
DATED:

July 23, 2015

BOARD OF PUBLIC UTILITIES
BY:

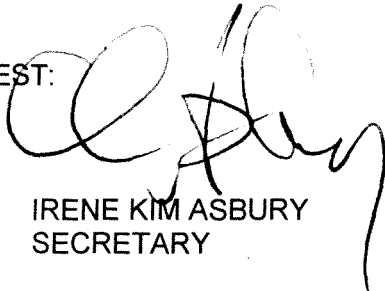

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

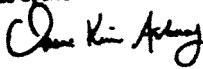

MARY ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST:


IRENE KIM ASBURY
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities



In the Matter of the Petition of South Jersey Gas Company to Revise the Level of its Basic Gas Supply Service ("BGSS") Charge and to Revise the Level of its Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2015 - BPU Docket GR14050510

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

**IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR14050510
SOUTH JERSEY GAS COMPANY TO : OAL DOCKET NO. PUC 16084-14
REVISE THE LEVEL OF ITS BASIC GAS :
SUPPLY SERVICE (“BGSS”) CHARGE : STIPULATION FOR FINAL BGSS
AND TO REVISE THE LEVEL OF ITS : AND CIP RATES
CONSERVATION INCENTIVE :
PROGRAM (“CIP”) CHARGES FOR THE :
YEAR ENDING SEPTEMBER 30, 2015 :**

APPEARANCES:

Ira G. Megdal, Esquire, (Cozen O’Connor, attorneys) on behalf of South Jersey Gas Company (“Petitioner”)

Felicia Thomas-Friel, Deputy Rate Counsel, Henry M. Ogden, Assistant Deputy Rate Counsel and James W. Glassen, Assistant Deputy Rate Counsel on behalf of the New Jersey Division of Rate Counsel (“Rate Counsel”) (Stefanie A. Brand, Director)

Alex Moreau and Veronica Beke, Deputy Attorneys General, on behalf of the Staff of the Board of Public Utilities (“Staff”) (John J. Hoffman, Acting Attorney General of the State of New Jersey)

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. This Stipulation is intended to make final the provisional Basic Gas Supply Service (“BGSS”) and Conservation Incentive Program (“CIP”) rates previously approved by the Board on September 30, 2014 in Docket No. GR14050510 (this “Proceeding”).

II. PROCEDURAL HISTORY

2. On May 30, 2014, South Jersey Gas Company (“South Jersey,” or “Company,” or “Petitioner”) filed a Petition (“Petition”) in this Proceeding seeking to revise the level of its BGSS charges and to revise the level of its CIP charges for the period October 1, 2014 through

September 30, 2015 in Docket No. GR14050510. The Company requested that the Board of Public Utilities (“Board”) approve the Company’s proposal to increase the current level of its Periodic BGSS per therm charge of \$0.532500¹ to \$0.650270, an increase of \$0.117770.

3. At the time the Petition was filed, the Company was projecting a September 30, 2014 deferred gas cost under-recovery of \$49.9 million, due to the unusual and extreme impacts that weather and market conditions had on gas costs during the 2013-2014 BGSS year.

4. To mitigate the impact that a traditional one-year recovery of this deferred under-recovery would have on customer bills, South Jersey’s proposed Periodic BGSS charge sought to recover \$25.4 million, or one-half of the projected 2013-2014 BGSS year-end deferred gas cost under-recovery, including carrying costs. South Jersey proposed to recover the remaining portion of this deferred gas cost under-recovery during the 2015-2016 BGSS year. Any under or over-collection at the conclusion of the 2016 BGSS year will be trued-up and reflected in a future annual BGSS filing, as is usually done.

5. With respect to the BGSS aspect of the Petition, South Jersey also requested that the Board authorize that: 1) the gas cost portion of the Company’s D-2 charge for Rate Schedule LVS be set at \$19.577874 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$15.513847 per Mcf; 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES be set at \$9.788936 per Mcf; and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.106566 per therm. These changes would result in an

¹ All rates quoted herein include Sales and Use Taxes (“SUT”)

increase in annual BGSS revenues of \$25.2 million, excluding taxes, and \$27.1 million including taxes.

6. With respect to the CIP aspect of the Petition, South Jersey requested that the Board approve the implementation, effective October 1, 2014, of per therm CIP factors of:

- \$(0.075785) for Group I Residential Non-Heat customers;
- \$(0.027283) for Group II Residential Heat customers;
- \$(0.003431) for Group III General Service (GSG) customers; and
- \$0.001946 for Group IV General Service Large Volume (GSG-LV) customers.

7. The requested CIP rates would result in a monthly decrease of \$6.65, or 5.2% per month, for a residential heating customer using 100 therms of gas during a winter month. The impact on a residential non-heating customer using 15 therms of gas during a month is a decrease of \$0.65, or 2.5%. The impact on a GSG customer using 500 therms of gas during a month is a decrease of \$21.27, or 3.7%. The impact on a GSG-LV customer using 15,646 therms of gas a month is a decrease of \$551.58, or 3.1%.

8. As proposed, the net annual revenue increase to the Company from the BGSS and CIP revisions would be approximately \$5.3 million (including taxes). The combined proposed changes in the Company's BGSS and CIP rates would result in a net increase of approximately 4.0% or \$5.13 per month for the residential heat customer using 100 therms during the month.

9. Two duly noticed public hearings for the Petition were held on August 19, 2014 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public attended.

10. By Order and Decision dated September 30, 2014, the Board approved, on a provisional basis, the BGSS and CIP rates proposed in Docket No. GR14050510. The Board

approved a revision to the Company's after-tax per therm Periodic BGSS rate of \$0.650270 per therm; a revision of the gas portion of the after-tax per Mcf D-2 charge to \$19.577874 for Rate Schedule LVS; a revision of the gas portion of the after-tax per Mcf D-2 charge of \$15.513847 and a revision of the gas portion of the Limited Firm D-2 rate to \$9.788936 for Rate Schedule EGS-LV; a revision of the gas portion of the after-tax per Mcf D-2 rate of \$9.788936 for Rate Schedule FES and a decrease of the after-tax per therm Monthly BGSS non-commodity rate to \$0.106566 for Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV.

11. In the September 30, 2014 Order, the Board also approved, on a provisional basis, the Company's implementation of the following per therm CIP rates: (1) an after-tax per-therm credit of \$0.075785 for Group I RSG Non-Heating Customers; (2) a credit of \$0.027283 for Group II RSG Heating Customers; (3) a credit of \$0.003431 for Group III GSG Customers; and (4) a charge of \$0.001946 for Group IV GSG-LV Customers.

12. All changes to the Company's BGSS and CIP rates became effective, on a provisional basis, for service rendered on or after October 1, 2014.

13. Discovery has been propounded upon Petitioner and Petitioner has responded to all discovery in this Proceeding.

II. STIPULATED TERMS

14. South Jersey, Board Staff, and Rate Counsel, the only parties to this Proceeding (collectively the "Parties"), have discussed certain matters at issue in this proceeding. The Parties have determined that it would be reasonable and in the public interest to make final the provisional BGSS and CIP rates previously approved in the September 30, 2014 Order.

15. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges must be offset by reductions in BGSS costs. Accordingly, in its Petition, the Company sought to return an estimated total of \$5.1 million of excess CIP related margins, with (\$10.3) million weather related and \$5.2 million non-weather related, for the CIP period ending September 2015. The Company asserts that BGSS savings for the period October 2014 through September 2015 is \$10.4 million, which includes \$0.9 million of commodity-related savings in connection with the Company's agreement with Antero Resources. The Parties are not in agreement as to whether the Company's Antero-related savings are properly included in BGSS savings. Nevertheless, the BGSS savings test is met. The Company further asserts that recovery of the \$5.2 million margin deficiency results in a return on equity of 8.78 percent, which is less than the Company's approved return on equity of 9.75 percent, and thus the ROE test has been met.

16. The Parties accordingly **STIPULATE AND AGREE** that the provisional BGSS and CIP rates contained in the stipulation approved by the Board's Decision and Order dated September 30, 2014 in BPU Docket No. GR14050510 should be made final. There will be no change in South Jersey's rates as a result of this Stipulation.

17. The Parties further **STIPULATE AND AGREE** that the Company may continue to defer for recovery during the 2015-2016 BGSS year the remaining portion of the deferred gas cost under-recovery.

18. The Parties also agree that the Company shall not receive carrying costs on the deferred gas cost under-recovery, as proposed in the Company's Petition.

19. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) attached hereto as Exhibit 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 on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month.

III. MISCELLANEOUS

20. 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.

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

22. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the 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.


23. 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.

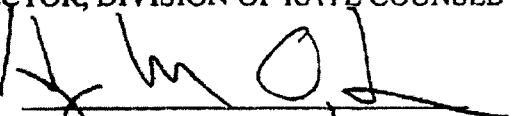
SOUTH JERSEY GAS COMPANY

By: Ira G. Megdal
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Cozen O'Connor

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: 
Alex Morcau
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Henry M. Ogden
Assistant Deputy Rate Counsel

Dated: June 10, 2015

**S-SCHART-1
BGSS NYMEX Update Report**

<u>Month</u>	<u>a</u> <u>BGSS</u>	<u>b</u> <u>NYMEX</u>	<u>c = b - a</u> <u>Incr/</u> <u>(Decr)</u>	<u>% Cha</u>	<u>d</u> <u>Sales</u> <u>forecast (dths)</u>	<u>e</u> <u>Hedged</u> <u>volume (dths)</u>	<u>f = d - e</u> <u>Unhedged</u> <u>volume (dths)</u>	<u>g = c x f</u> <u>Change in</u> <u>value unhedged</u>
Oct-13								
Nov-13								
Dec-13								
Jan-14								
Feb-14								
Mar-14								
Apr-14								
May-14								
Jun-14								
Jul-14								
Aug-14								
Sep-14								
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<u>Avg Total \$</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>
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Jan-15								
Feb-15								
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<u>Avg Total \$</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>
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Footnotes:

- a : Nymex rate used for annual BGSS periodic rate filing
- b: Nymex rate as of date of the report
- c: Increase/Decrease in the Nymex rate compared to rate used for annual BGSS periodic rate filing
- d: Sales forecast (includes fuel requirement)
- e: 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)
- f: 'Unhedged' volume consists of sales volume forecast less 'hedged' volume
- g: Not necessarily representative of a change in under/over-recovery value

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

	Actual Oct-14	Actual Nov-14	Actual Dec-14	Estimate Jan-15	Estimate Feb-15	Estimate Mar-15	Estimate Apr-15	Estimate May-15	Estimate Jun-15	Estimate Jul-15	Estimate Aug-15	Estimate Sep-15	Total
1 NYMEX - 5/12/14 - Included in BGSS Filing													
2 NYMEX - Actual Settlement													
3 Breakdown of Gross Cost of Gas Per Therm:													
4 Flowing Gas Cost													
5 Gas Withdrawn From Storage Cost													
6 Hedged Volumes Delivered Cost													
7 Pipeline Demand Cost													
8 Storage Demand Cost													
9 Peaking Cost													
10 Weighted Average Fuel Cost													
11 Variable Pipeline Cost													
12 Other Costs													
13 Total Gross Cost of Gas Per Therm													
14													
15	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Weighted
16	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Average
17													
18 NYMEX - Actual Settlement													
19 Breakdown of Gross Cost of Gas Per Therm:													
20 Flowing Gas Cost													
21 Gas Withdrawn From Storage Cost													
22 Hedged Volumes Delivered Cost													
23 Pipeline Demand Cost													
24 Storage Demand Cost													
25 Peaking Cost													
26 Weighted Average Fuel Cost													
27 Variable Pipeline Cost													
28 Other Costs													
29 Total Gross Cost of Gas Per Therm													

Footnotes:

- Flowing Gas Cost = Gas purchased for delivery to city gate during month - not injected into storage
- Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawal, fees, line loss
- Hedged Volumes Delivered Cost = Hedged Volumes delivered to city gate - not injected into storage
- Pipeline Demand Cost = Fixed Pipeline costs
- Storage Demand Cost = Fixed Storage related costs
- Peaking Cost = Peaking Cost includes peaking services, LNG, Propane, etc...
- Weighted Average Fuel Cost = Commodity x fuel % for each pipeline - represents portion of gas shipped that is retained by pipeline
- Variable Pipeline Cost = Pipeline Charge per therm shipped

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

	Actual Oct-14	Actual Nov-14	Actual Dec-14	Estimate Jan-15	Estimate Feb-15	Estimate Mar-15	Estimate Apr-15	Estimate May-15	Estimate Jun-15	Estimate Jul-15	Estimate Aug-15	Estimate Sep-15	Total
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Credits, Refunds, & Recoveries Per Therm:

- 1 Asset Management Credits
- 2 Off-system sales
- 3 Capacity release
- 4 On System Credits to BGSS-P Customers
- 5 Supplier Refunds
- 6 Gas for Company Use
- 7 Line Loss
- 8 Transfer to Non BGSS-P Customers
- 9 Other
- 10 **Total Credits, Refunds, & Recoveries Per Therm**
- 11 **Total Net Cost Per Therm (Page 1 Line 13 less Page 2 Line 10)**

	Actual Oct-13	Actual Nov-13	Actual Dec-13	Actual Jan-14	Actual Feb-14	Actual Mar-14	Actual Apr-14	Actual May-14	Actual Jun-14	Actual Jul-14	Actual Aug-14	Actual Sep-14	Weighted Average
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Credits, Refunds, & Recoveries:

- 1 Asset Management Credits
- 2 Off-system sales
- 3 Capacity release
- 4 On System Credits to BGSS-P Customers
- 5 Supplier Refunds
- 6 Gas for Company Use
- 7 Line Loss
- 8 Transfer to Non BGSS-P Customers
- 9 Other
- 10 **Total Credits, Refunds, & Recoveries**
- 11 **Total Net Cost Per Therm (Page 1 Line 22 less Page 2 Line 11)**



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, NJ 07102
(973) 648-6008

**A copy of the administrative law
judge's decision is enclosed.**

**This decision was mailed to the parties
on JUN 16 2015**



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 16084-14

AGENCY DKT. NO. GR 14050510

**IN THE MATTER OF THE PETITION OF SOUTH
JERSEY GAS COMPANY TO REVISE THE
LEVEL OF ITS BASIC GAS SUPPLY SERVICE
("BGSS") CHARGE AND TO REVISE THE
LEVEL OF ITS CONSERVATION INCENTIVE
PROGRAM ("CIP") CHARGES FOR THE YEAR
ENDING SEPTEMBER 30, 2015**

Ira G. Megdal, Esq., for South Jersey Gas Company (Cozen O'Connor, attorneys)

Felicia Thomas-Friel, Deputy Rate Counsel, **Henry M. Ogden**, Assistant Deputy Rate Counsel, and **James W. Glassen**, Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (Stephanie A. Brand, Director, attorney)

Alex Moreau, Deputy Attorney General, and **Veronica Beke**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey, attorney)

Record Closed: June 12, 2015

Decided: June 15, 2015

BEFORE **KELLY J. KIRK**, ALJ:

On or about May 30, 2014 petitioner, South Jersey Gas Company filed a petition with the Board of Public Utilities (BPU) asking for the authority to 1) increase the level of its periodic Basic Gas Supply Service (BGSS) charge and 2) revise the level of its Conservation Incentive Program (CIP) charge for the year ending September 30, 2015. On December 3, 2014, the 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. An in-person prehearing conference was held on March 6, 2015, and a hearing was scheduled for May 8, 2015. At the request of the parties, the hearing date was adjourned to June 22, 2015. On June 12, 2015, the parties submitted a Stipulation for Final BGSS and CIP Rates.

I have reviewed the 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, I **CONCLUDE** that the Stipulation of Settlement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. Accordingly, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are 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 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.

June 15, 2015

DATE

Kelly Kirk

KELLY J. KIRK, ALJ

Date Received at Agency:

Date Mailed to Parties:
db

JUN 16 2015

6-16-15
Suzanne Sanders

DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR14050510
SOUTH JERSEY GAS COMPANY TO : OAL DOCKET NO. PUC 16084-14
REVISE THE LEVEL OF ITS BASIC GAS :
SUPPLY SERVICE ("BGSS") CHARGE : STIPULATION FOR FINAL BGSS
AND TO REVISE THE LEVEL OF ITS : AND CIP RATES
CONSERVATION INCENTIVE :
PROGRAM ("CIP") CHARGES FOR THE :
YEAR ENDING SEPTEMBER 30, 2015 :

APPEARANCES:

Ira G. Megdal, Esquire, (Cozen O'Connor, attorneys) on behalf of South Jersey Gas Company ("Petitioner")

Felicia Thomas-Friel, Deputy Rate Counsel, Henry M. Ogden, Assistant Deputy Rate Counsel and James W. Glassen, Assistant Deputy Rate Counsel on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") (Stefanie A. Brand, Director)

Alex Moreau and Veronica Beke, Deputy Attorneys General, on behalf of the Staff of the Board of Public Utilities ("Staff") (John J. Hoffman, Acting Attorney General of the State of New Jersey)

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. This Stipulation is intended to make final the provisional Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") rates previously approved by the Board on September 30, 2014 in Docket No. GR14050510 (this "Proceeding").

II. PROCEDURAL HISTORY

2. On May 30, 2014, South Jersey Gas Company ("South Jersey," or "Company," or "Petitioner") filed a Petition ("Petition") in this Proceeding seeking to revise the level of its BGSS charges and to revise the level of its CIP charges for the period October 1, 2014 through

September 30, 2015 in Docket No. GR14050510. The Company requested that the Board of Public Utilities ("Board") approve the Company's proposal to increase the current level of its Periodic BGSS per therm charge of \$0.532500¹ to \$0.650270, an increase of \$0.117770.

3. At the time the Petition was filed, the Company was projecting a September 30, 2014 deferred gas cost under-recovery of \$49.9 million, due to the unusual and extreme impacts that weather and market conditions had on gas costs during the 2013-2014 BGSS year.

4. To mitigate the impact that a traditional one-year recovery of this deferred under-recovery would have on customer bills, South Jersey's proposed Periodic BGSS charge sought to recover \$25.4 million, or one-half of the projected 2013-2014 BGSS year-end deferred gas cost under-recovery, including carrying costs. South Jersey proposed to recover the remaining portion of this deferred gas cost under-recovery during the 2015-2016 BGSS year. Any under or over-collection at the conclusion of the 2016 BGSS year will be trued-up and reflected in a future annual BGSS filing, as is usually done.

5. With respect to the BGSS aspect of the Petition, South Jersey also requested that the Board authorize that: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$19.577874 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$15.513847 per Mcf; 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES be set at \$9.788936 per Mcf; and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.106566 per therm. These changes would result in an

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

increase in annual BGSS revenues of \$25.2 million, excluding taxes, and \$27.1 million including taxes.

6. With respect to the CIP aspect of the Petition, South Jersey requested that the Board approve the implementation, effective October 1, 2014, of per therm CIP factors of:

- \$(0.075785) for Group I Residential Non-Heat customers;
- \$(0.027283) for Group II Residential Heat customers;
- \$(0.003431) for Group III General Service (GSG) customers; and
- \$0.001946 for Group IV General Service Large Volume (GSG-LV) customers.

7. The requested CIP rates would result in a monthly decrease of \$6.65, or 5.2% per month, for a residential heating customer using 100 therms of gas during a winter month. The impact on a residential non-heating customer using 15 therms of gas during a month is a decrease of \$0.65, or 2.5%. The impact on a GSG customer using 500 therms of gas during a month is a decrease of \$21.27, or 3.7%. The impact on a GSG-LV customer using 15,646 therms of gas a month is a decrease of \$551.58, or 3.1%.

8. As proposed, the net annual revenue increase to the Company from the BGSS and CIP revisions would be approximately \$5.3 million (including taxes). The combined proposed changes in the Company's BGSS and CIP rates would result in a net increase of approximately 4.0% or \$5.13 per month for the residential heat customer using 100 therms during the month.

9. Two duly noticed public hearings for the Petition were held on August 19, 2014 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public attended.

10. By Order and Decision dated September 30, 2014, the Board approved, on a provisional basis, the BGSS and CIP rates proposed in Docket No. GR14050510. The Board

approved a revision to the Company's after-tax per therm Periodic BGSS rate of \$0.650270 per therm; a revision of the gas portion of the after-tax per Mcf D-2 charge to \$19.577874 for Rate Schedule LVS; a revision of the gas portion of the after-tax per Mcf D-2 charge of \$15.513847 and a revision of the gas portion of the Limited Firm D-2 rate to \$9.788936 for Rate Schedule EGS-LV; a revision of the gas portion of the after-tax per Mcf D-2 rate of \$9.788936 for Rate Schedule FES and a decrease of the after-tax per therm Monthly BGSS non-commodity rate to \$0.106566 for Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV.

11. In the September 30, 2014 Order, the Board also approved, on a provisional basis, the Company's implementation of the following per therm CIP rates: (1) an after-tax per-therm credit of \$0.075785 for Group I RSG Non-Heating Customers; (2) a credit of \$0.027283 for Group II RSG Heating Customers; (3) a credit of \$0.003431 for Group III GSG Customers; and (4) a charge of \$0.001946 for Group IV GSG-LV Customers.

12. All changes to the Company's BGSS and CIP rates became effective, on a provisional basis, for service rendered on or after October 1, 2014.

13. Discovery has been propounded upon Petitioner and Petitioner has responded to all discovery in this Proceeding.

II. STIPULATED TERMS

14. South Jersey, Board Staff, and Rate Counsel, the only parties to this Proceeding (collectively the "Parties"), have discussed certain matters at issue in this proceeding. The Parties have determined that it would be reasonable and in the public interest to make final the provisional BGSS and CIP rates previously approved in the September 30, 2014 Order.

15. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges must be offset by reductions in BGSS costs. Accordingly, in its Petition, the Company sought to return an estimated total of \$5.1 million of excess CIP related margins, with (\$10.3) million weather related and \$5.2 million non-weather related, for the CIP period ending September 2015. The Company asserts that BGSS savings for the period October 2014 through September 2015 is \$10.4 million, which includes \$0.9 million of commodity-related savings in connection with the Company's agreement with Antero Resources. The Parties are not in agreement as to whether the Company's Antero-related savings are properly included in BGSS savings. Nevertheless, the BGSS savings test is met. The Company further asserts that recovery of the \$5.2 million margin deficiency results in a return on equity of 8.78 percent, which is less than the Company's approved return on equity of 9.75 percent, and thus the ROE test has been met.

16. The Parties accordingly **STIPULATE AND AGREE** that the provisional BGSS and CIP rates contained in the stipulation approved by the Board's Decision and Order dated September 30, 2014 in BPU Docket No. GR14050510 should be made final. There will be no change in South Jersey's rates as a result of this Stipulation.

17. The Parties further **STIPULATE AND AGREE** that the Company may continue to defer for recovery during the 2015-2016 BGSS year the remaining portion of the deferred gas cost under-recovery.

18. The Parties also agree that the Company shall not receive carrying costs on the deferred gas cost under-recovery, as proposed in the Company's Petition.

19. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) attached hereto as Exhibit 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 on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month.

III. MISCELLANEOUS

20. 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.

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

22. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the 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.


23. 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.

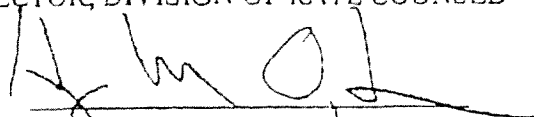
SOUTH JERSEY GAS COMPANY

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

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: 
Alex Moréau
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Henry M. Ogden
Assistant Deputy Rate Counsel

Dated: June 10, 2015

S-SCHART-1
BGSS NYMEX Update Report

<u>Month</u>	<u>a</u> BGSS	<u>b</u> NYMEX	<u>c = b - a</u> Incr/ (Decr) % Chg		<u>d</u> Sales forecast (dths)	<u>e</u> Hedged volume (dths)	<u>f = d - e</u> Unhedged volume (dths)	<u>g = c x f</u> Change in value unhedged
Oct-13								
Nov-13								
Dec-13								
Jan-14								
Feb-14								
Mar-14								
Apr-14								
May-14								
Jun-14								
Jul-14								
Aug-14								
Sep-14								
<hr/>								
<u>Avg Total \$</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>
<hr/>								
Oct-14								
Nov-14								
Dec-14								
Jan-15								
Feb-15								
Mar-15								
Apr-15								
May-15								
Jun-15								
Jul-15								
Aug-15								
Sep-15								
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<u>Avg Total \$</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>#DIV/0!</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>

Footnotes:

- a : Nymex rate used for annual BGSS periodic rate filing
- b: Nymex rate as of date of the report
- c: Increase/Decrease in the Nymex rate compared to rate used for annual BGSS periodic rate filing
- d: Sales forecast (includes fuel requirement)
- e: 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)
- f: 'Unhedged' volume consists of sales volume forecast less 'hedged' volume
- g: Not necessarily representative of a change in under/over-recovery value

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

	Actual Oct-14	Actual Nov-14	Actual Dec-14	Estimate Jan-15	Estimate Feb-15	Estimate Mar-15	Estimate Apr-15	Estimate May-15	Estimate Jun-15	Estimate Jul-15	Estimate Aug-15	Estimate Sep-15	Total
1 NYMEX - 5/12/14 - Included in BGSS Filing													
2 NYMEX - Actual Settlement													
3 <u>Breakdown of Gross Cost of Gas Per Therm:</u>													
4 Flowing Gas Cost													
5 Gas Withdrawn From Storage Cost													
6 Hedged Volumes Delivered Cost													
7 Pipeline Demand Cost													
8 Storage Demand Cost													
9 Peaking Cost													
10 Weighted Average Fuel Cost													
11 Variable Pipeline Cost													
12 Other Costs													
13 <u>Total Gross Cost of Gas Per Therm</u>													
14													
15	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Weighted
16	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Average
17													
18 NYMEX - Actual Settlement													
19 <u>Breakdown of Gross Cost of Gas Per Therm:</u>													
20 Flowing Gas Cost													
21 Gas Withdrawn From Storage Cost													
22 Hedged Volumes Delivered Cost													
23 Pipeline Demand Cost													
24 Storage Demand Cost													
25 Peaking Cost													
26 Weighted Average Fuel Cost													
27 Variable Pipeline Cost													
28 Other Costs													
29 <u>Total Gross Cost of Gas Per Therm</u>													

Equations:

- Flowing Gas Cost = Gas purchased for delivery to city gate during month - not injected into storage
- Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawal, fees, line loss
- Hedged Volumes Delivered Cost = Hedged Volumes delivered to city gate - not injected into storage
- Pipeline Demand Cost = Fixed Pipeline costs
- Storage Demand Cost = Fixed Storage related costs
- Peaking Cost = Peaking Cost includes peaking services, LNG, Propane, etc
- Weighted Average Fuel Cost = Commodity x fuel % for each pipeline - represents portion of gas shipped that is retained by pipeline
- Variable Pipeline Cost = Pipeline Charge per therm shipped

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

	Actual Oct-14	Actual Nov-14	Actual Dec-14	Estimate Jan-15	Estimate Feb-15	Estimate Mar-15	Estimate Apr-15	Estimate May-15	Estimate Jun-15	Estimate Jul-15	Estimate Aug-15	Estimate Sep-15	Total
Credits, Refunds, & Recoveries Per Therm													
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													

	Actual Oct-13	Actual Nov-13	Actual Dec-13	Actual Jan-14	Actual Feb-14	Actual Mar-14	Actual Apr-14	Actual May-14	Actual Jun-14	Actual Jul-14	Actual Aug-14	Actual Sep-14	Weighted Average
Credits, Refunds, & Recoveries													
1													
2													
3													
4													
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7													
8													
9													
10													
11													