



STATE OF NEW JERSEY
Board of Public Utilities
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www.nj.gov/bpu/

RELIABILITY AND SECURITY

IN THE MATTER OF THE PETITION OF SOUTH)
JERSEY GAS COMPANY FOR AUTHORIZATION)
TO CONSTRUCT AND OPERATE A)
TRANSMISSION PIPELINE PURSUANT TO)
N.J.A.C.14:7-1) DOCKET NO. GE19121539

Parties of Record:

Deborah Franco, Esq., on behalf of South Jersey Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On December 19, 2019, and amended on October 9, 2020, South Jersey Gas Company ("SJG" or "Company"), a regulated public utility serving approximately 393,000 customers in all or parts of Cumberland, Atlantic, Burlington, Camden, Salem, Gloucester, and Cape May Counties, filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:7-1.4, seeking authorization and approval to construct an approximate 9-mile natural gas pipeline project in the City of Vineland, Cumberland County. As provided in the petition, the purpose of the pipeline project ("Pipeline" or "Project") is to connect a SJG owned liquefied natural gas ("LNG") facility to the Company's existing pipeline infrastructure to provide redundancy and resiliency to the SJG distribution system. Both the Pipeline and Vineland LNG facility will be constructed entirely within the City of Vineland. SJG anticipates construction of the Pipeline to be completed in the third quarter of 2025, and the Vineland LNG facility in the second quarter of 2026¹.

N.J.A.C. 14:7-1.4 requires the owner or operator of a pipeline to seek Board approval prior to operating or increasing the pressure of a pipeline in excess of 250 pounds per square inch gauge ("psig") that is within 100 feet of any building intended for human occupancy. As proposed, the Project will be classified as a transmission pipeline subject to Federal pipeline safety standards and the New Jersey Administrative Code. The Project includes a 1.6-mile 8-inch pipeline constructed to operate at a maximum allowable operation pressure (MAOP) of 350 psig, and a

¹ This Order does not address the regulatory approval requirements for the proposed LNG facility. The design and construction of the LNG facility, while subject to numerous permitting and regulatory approvals from local, State and Federal agencies, does not require prior approval from the Board.

7.1-mile 16-inch pipeline constructed to operate at a MAOP of 700 psig. Both pipelines will originate at the proposed site of the LNG facility near the intersection of Elm Road and S. Mill Road in the City of Vineland. The 8-inch pipeline will run north to south for 1.6 miles terminating at a connection point with the existing SJG system near the intersection of S. Orchard Road and W. Sherman Avenue. The 16-inch pipeline will run west to east for 7.1 miles terminating at a connection point with the existing SJG system at the intersection of Dante Avenue and Cornucopia Avenue. Combined, the two pipelines will pass two hundred thirty-one (231) buildings intended for human occupancy that are within one hundred (100) feet of the Pipeline alignment along existing county and municipal rights-of-way.

Public Hearing and Comments

As part of the petition review, on February 18, 2021 SJG held two telephonic public hearings to inform the public about the proposed Project, and allow the public and interested parties to comment on the SJG proposal². Notice of the public hearings was published in a newspaper having broad circulation in the SJG service territory. All properties within one hundred (100) feet of the Pipeline were notified of the time of the public hearings via certified mail. The first telephonic public hearing began at 4:30 p.m., and the second telephonic public hearing began at 5:30 p.m. Suzanne Patnaude, Senior Counsel for the Board, presided over the hearings. The public hearings were attended by SJG, the Division of Rate Counsel (“Rate Counsel”), Staff of the Board of Public Utilities (“Board Staff”), and members of the public. Debora Franco, Vice President of Rates Regulatory and Sustainability for SJI Utilities, representing SJG, gave a brief opening statement describing the Project and welcoming comments from the public. Opening statements were also given by Henry Ogden, Assistant Deputy Rate Counsel, representing Rate Counsel and Juan Urena, Acting Bureau Chief for the Bureau of Pipeline Safety, representing Board Staff. Several members of the public also attended the public hearings and three (3) individuals gave public statements in opposition to the proposed Project.

Sharon Lilly, a resident within one hundred (100) feet of the proposed route, raised several concerns about the negative impact the pipeline will have on property values and the potential danger to nearby residents should a pipeline accident or failure occur. Ms. Lilly also complained about the certified mailing process, indicating that she did not receive the certified letter in a timely manner, and that many of her neighbors were not properly notified about the public hearings.

Holly Longstreet, a resident along the pipeline route, also expressed opposition to the Project, echoing the same concerns raised by Ms. Lilly. Ms. Longstreet also complained about not receiving proper notice about the public hearings.

Walter Murphy was the final resident to speak, and he expressed concerns about the safety aspects of natural gas pipelines and the timing of the Project given the ongoing issues with the COVID-19 Pandemic. Mr. Murphy also indicated that some of his neighbors did not receive certified letters informing them of the public hearings.

In addition to the public hearing comments, Sharon Lilly also submitted written comments to the Board opposing the Project. Ms. Lilly submitted written email comments on February 10, 2021 citing several reports and studies about property values being negatively impacted by pipelines and other concerns similar to those raised in her public hearing statement as discussed above. No other comments from the public were received concerning this proceeding.

² Due to COVID-19 restrictions, SJG held telephonic public hearings. Members of the public were invited to listen to the hearings and express their views on the petition by dialing 1-866-984-3164.

After hearing several members of the public complain about the certified mailing process, Board Staff requested copies of the signature cards for the certified letters sent to Sharon Lilly and her neighbors. The documentation provided by SJG confirmed that, although not all signatures were obtained after several attempts, in part due to COVID-19 Pandemic restrictions, certified letters were sent to all residents within one hundred (100) feet of the Project alignment.

Division of Rate Counsel Comments

Representatives from Rate Counsel attended the February 18, 2021 public hearings but made no specific comments at that time. Rate Counsel's comments were submitted in writing on July 3, 2021 to the Board's Secretary. In the written comments, Rate Counsel opposes the Pipeline and LNG facility on the grounds that the LNG facility and associated Pipeline are difficult to justify. Rate Counsel argues that the Company's justification for the project is based on what appears to be extremely unlikely events involving the possible loss of significant upstream gas supply that would necessitate the need for local on-system LNG supply to avoid significant outages to SJG customers. Rate Counsel further comments that it cannot support the use of ratepayer funds for construction of the project at this time.

Review and Analysis

The regulatory requirements that govern the construction, operation and maintenance of transmission and distribution pipelines for the transportation of natural gas by intrastate natural gas pipeline operators are set forth in N.J.A.C. 14:7. In addition to the requirements set forth in the New Jersey Administrative Code, pipeline operators are also responsible for complying with all applicable requirements of other State or local agencies having jurisdiction. A gas pipeline operator is also required to ensure that each pipeline is constructed, operated and maintained in compliance with Title 49 Code of Federal Regulations (CFR) Part 192, and any other standard as the Board may prescribe.

SJG is seeking Board approval pursuant to N.J.A.C. 14:7-1.4, which requires prior authorization from the Board for a pipeline operating in excess of 250 psig and located within one hundred (100) feet of any building intended for human occupancy. According to the Company's filing, the Project will operate in excess of 250 psig, and will pass two hundred thirty-one (231) structures intended for human occupancy within one hundred (100) feet of both the 8-inch and 16-inch pipelines, of which two hundred and six (206) are residential and twenty-five (25) are commercial.

Board Staff reviewed the petition and its supporting documents including the primary and alternate Pipeline routes. The Board's Pipeline Safety Staff ("BPS") also performed a visual inspection of the approximate 9-mile Pipeline route. Three (3) Pipeline routes were considered during the selection process as described in the Company's filing, with all three routes entirely within the City of Vineland. According to SJG, the City of Vineland is the hydraulic (pressure flow) center of the Company's distribution pipeline system, and as such, the siting of the LNG facility within Vineland provides the greatest reliability and redundancy benefits to its 393,000 customers.

As described in the petition, SJG selected route A for the Project. Route A is the shortest of the three routes, passing the fewest number of occupied structures between the LNG facility and the tie-ins to the pipeline system. Route A begins at the proposed site of the LNG facility near the intersection of Elm Road and S. Mill Road. From this location, the 8-inch pipeline will extend for approximately 1.6 miles in a north to south direction along S. Orchard Road to a connection tie-in point near the intersection of S. Orchard Road and Sherman Avenue. The 16-inch pipeline will extend from the same starting point for approximately 7.1 miles in a west to east direction along

E. Elm Road and Dante Road to a connection tie-in point near the intersection of Dante Road and Cornucopia Avenue.

In the amended October 9, 2020 petition, SJG agreed to classify the Project as a “transmission pipeline”. Under the transmission designation, the Pipeline will be constructed and maintained with enhanced safety measures, including but not limited to: 1) a design criteria to accommodate in-line inspection tools (known as “smart pigs”) capable of detecting corrosion and deformation anomalies; 2) a minimum depth of forty-eight (48) inches as required by N.J.A.C. 14:7-1.12; 3) the installation of sectionalized shut-off valves that meet the requirements of 49 CFR 192.179; 4) a valve assessment and emergency closure plan as required by N.J.A.C. 14:7-1.10 and; 5) post construction inspection patrols at least once per month to observe surface conditions on and adjacent to the pipeline right of way for indications of leaks, construction activity and other factors affecting safety and operation in accordance with N.J.A.C. 14:7-1.20.

In addition, as required by N.J.A.C. 14:7-1.22, during the construction of the Project SJG will provide on-site inspection oversight immediately prior to and during any excavation and backfilling, and for bored or horizontally directional drilled installations performed by other excavators near the Pipeline³. SJG will also provide the pressure testing certification and documentation required by N.J.A.C. 14:7-1.14 prior to placing the Pipeline in operation. Taken together, these safety and preventative measures ensure the integrity of the Pipeline and enhance public safety.

DISCUSSION AND FINDINGS

After consideration of all the materials submitted in this matter, and review by Board Staff, the Board **HEREBY FINDS** that the Company's request to construct and operate a 1.6-mile 8-inch and 7.1-mile 16-inch transmission pipeline in the City of Vineland is in compliance with all relevant Federal and State pipeline safety requirements.

Therefore, pursuant to the provisions of N.J.A.C. 14:7-1.4, the Board **HEREBY APPROVES** the Company's request to construct the Pipeline, subject to the approval of all environmental permits required by the New Jersey Department of Environmental Protection (NJDEP), approval of road opening permits from Cumberland County and the City of Vineland, all other permits and approvals, if any, the approval of traffic control with the affected jurisdictions, and subject to the transmission pipeline requirements in the Federal Code of Regulations and New Jersey Administrative Code including the pressure test requirements in N.J.A.C. 14:7-1.14, as well as the following:

1. Approval of the petition does not constitute Board approval of any costs or expenses associated with the Project. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the proposed Pipeline, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding;

³ The requirement to perform inspection patrols at least once per month pursuant to N.J.A.C. 14:7-1.20 is more stringent than the Federal Code, which only requires a minimum of four (4) inspection patrols per year. See 49 C.F.R. 192.705

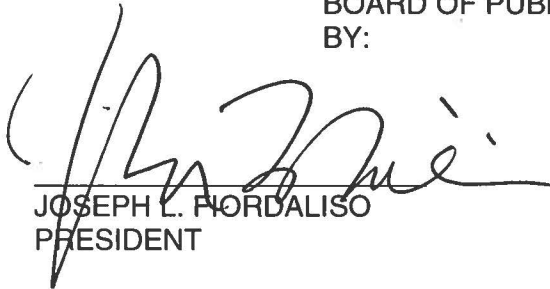
2. In an appropriate subsequent proceeding, SJG shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this petition does not include authorization to include in rate base the specific assets that are or will be completed as a result of the construction of the proposed Pipeline;
3. That the Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by SJG; and
4. That the Order shall not affect nor in any way limit the exercise of the authority of the Board or this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting SJG.

Additionally, although this Order does not apply to the proposed LNG facility described in the Company's petition, the Board is not precluded from enforcing the provisions of 49 CFR Part 193 which prescribes safety standards for LNG facilities. Therefore, the Board **HEREBY DIRECTS** the Company to provide the Board's BPS with copies of all documents submitted for regulatory approval to construct the LNG facility including all siting, design and construction documents as required by 49 CFR Part 193 Subpart B through Subpart D.

This Order shall be effective on August 18, 2021.

DATED: 8/18/21

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR
AUTHORIZATION TO CONSTRUCT AND OPERATE A TRANSMISSION PIPELINE
PURSUANT TO N.J.A.C. 14:7-1**

DOCKET NO. GE19121539

SERVICE LIST

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