



Agenda Date: 4/27/16  
Agenda Item: 2D

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314**  
**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	)	DECISION AND ORDER
JERSEY GAS COMPANY TO CHANGE THE LEVEL OF	)	APPROVING STIPULATION
ITS SOCIETAL BENEFITS CLAUSE ("SBC") AND ITS	)	OF SETTLEMENT
TRANSPORTATION INITIATION CLAUSE ("TIC")	)	
	)	DOCKET NO. GR15070858

**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, 2015, South Jersey Gas Company ("SJG" or "Company") filed a petition ("Petition") in Docket No. GR15070858 with the New Jersey Board of Public Utilities ("Board") requesting Board approval to change the rates associated with its Remediation Adjustment Clause ("RAC"), Clean Energy Program ("CLEP") and Transportation Initiation Clause ("TIC"), which together translated to a net over-recovery of \$4.639 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 (7) year period with carrying charges tied to seven (7) year treasuries plus sixty (60) 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 TIC was designed to recover all reasonable and prudent electronic data interchange ("EDI") (development and operating costs). 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 gas distribution utilities and sellers of gas to customers.

After publication of notice in newspapers in general circulation in the Company's service territory, two (2) public hearings in this matter were conducted on February 29, 2016 in Voorhees, New Jersey. No members of the public appeared at the public hearings or filed comments related to the Company's filing.

During the pendency of this matter, the Board approved a stipulation in Docket No. GR14070831 that implemented per therm rates for the RAC, CLEP and TIC of \$0.000491, \$0.026441 and \$0.001025, respectively.<sup>1</sup> In addition, in response to discovery request RCR-A-013, the Company updated its petitioned recovery amounts and rates based upon actual data for November 2014 through October 2015, and projected data for November 2015 through 2016.<sup>2</sup>

**STIPULATION**<sup>3</sup>

Upon completion of the discovery period, on April 6, 2016 the Company, the Division of Rate Counsel ("Rate Counsel"), and Board Staff (collectively, the "Parties") entered into a stipulation of settlement ("Stipulation") affirming the following changes to the existing Board-approved RAC, CLEP and TIC after tax rates and recovery amounts, as updated per the Company's response to discovery request RCR-A-013:

	\$ Per Therm Rates Including SUT		
	RAC	CLEP	TIC
Current Rates	\$0.000491	\$0.026441	\$0.001025
Updated Rates	\$0.010489	\$0.012738	(\$0.001010)
Rate Increase or (Decrease)	\$0.009998	(\$0.013703)	(\$0.002035)

	Pre-Tax Dollars [millions]			
	RAC	CLEP	TIC	Total
Recoverable \$ in Current Rates	\$0.256	\$13.767	\$0.353	\$14.376
Recoverable \$ in Updated Rates	\$5.461	\$6.632	(\$0.348)	\$11.745
Difference: Increase or (Decrease) in \$ Recoveries	\$5.205	(\$7.135)	(\$0.701)	(\$2.631)

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

<sup>1</sup> All rates include sales and use tax ("SUT").

<sup>2</sup> The Petition reflected actual data for November 2014 through May 2015, and projected data for June 2015 through October 2016.

<sup>3</sup> Although described in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

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, 2014 through July 31, 2015.

- The Company further represents that no remediation properties were leased or sold during the RAC remediation period for which the current RAC rate is being established.
- The proposed rates translate into a bill decrease of \$0.58 (0.47%) for a residential heating customer using 100 therms during a winter month.
- 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 proceedings.
- The Company agrees that it will continue to include in future RAC filings its responses to the minimum filing requirements ("MFRs") 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.
- Following acceptance of the Stipulation by an Order of the Board, SJG will submit a compliance filing incorporating the changed RAC, CLEP and TIC rates approved by the Board in this Matter within five (5) 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, the revised after-tax per therm rates are set as follows: the RAC at \$0.010489, the CLEP at \$0.012738 and the TIC at a credit of \$0.001010.

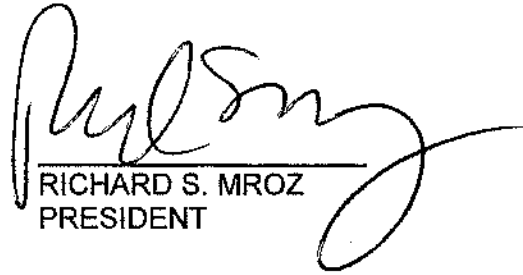
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days after the effective date of this Order.

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.

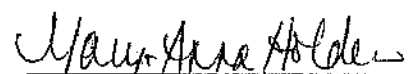
The effective date of this Order is May 7, 2016.

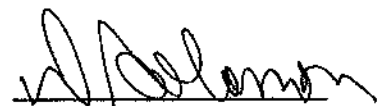
DATED: 4/22/16

BOARD OF PUBLIC UTILITIES  
BY:

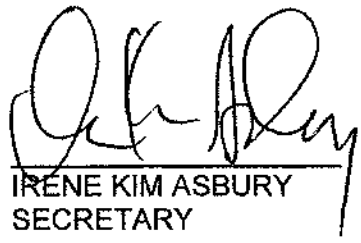
  
RICHARD S. MROZ  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

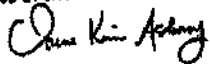
  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
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 CHANGE  
THE LEVEL OF ITS SOCIETAL BENEFITS CLAUSE ("SBC") AND ITS TRANSPORTATION  
INITIATION CLAUSE ("TIC") - DOCKET GR15070858**

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

IN THE MATTER OF THE PETITION OF	:	BPU DOCKET NO. GR15070858
SOUTH JERSEY GAS COMPANY TO	:	
CHANGE THE LEVEL OF ITS	:	<b>STIPULATION OF</b>
SOCIETAL BENEFIT CLAUSE ("SBC")	:	<b>SETTLEMENT</b>
AND ITS TRANSPORTATION	:	
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, **Henry M. Ogden, Esq.**, Assistant Deputy Rate Counsel, and **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel (**Stefanie Brand, Esq.** Director)

**Alex Moreau, Esq. and Veronica Beke, Esq.**, Deputy Attorneys General, on behalf of the Staff of the New Jersey Board of Public Utilities (Robert Lougy, 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 to decrease the annual revenue level of its Societal Benefits Clause ("SBC"), through an increase in its Remediation Adjustment Clause ("RAC") and a decrease of its Clean Energy Program ("CLEP") charge, both components of the SBC, and a decrease of its Transportation Initiation Clause ("TIC"). 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 review and analysis of the Petition, Pre-Filed Exhibits, and

Discovery, the Parties agree and stipulate to the following procedural history and terms of settlement.

**PROCEDURAL HISTORY**

2. By Petition filed July 31, 2015 (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 net decrease in recoveries totaling \$4.6 million comprised of (i) a \$5.9 million increase to the RAC tied to the remediation year August 1, 2014 to July 31, 2015; (ii) a \$9.9 million decrease to the CLEP tied to the period November 1, 2015 through October 31, 2016; and (iii) a \$0.6 million decrease to the TIC.

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

<u>Remediation Year</u>	Projected Aug '14 - July '15												
Amortization of Recoverable Cost	\$10,191,784												
Less: Deferred Tax Benefit	\$486,077												
Amortization	\$9,705,707												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Recovery Year</u></th> <th style="text-align: right;">Projected Nov '15 - Oct '16</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Amortization</td> <td style="text-align: right;">\$9,705,707</td> </tr> <tr> <td style="padding-left: 20px;">Carrying Cost</td> <td style="text-align: right;">\$1,578,368</td> </tr> <tr> <td style="padding-left: 20px;">Subtotal</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">\$11,284,075</td> </tr> <tr> <td style="padding-left: 20px;">Prior Year Reconciliation</td> <td style="text-align: right;">(\$5,125,910)</td> </tr> <tr> <td style="padding-left: 20px;">Expenses To Be Recovered</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$6,158,164</td> </tr> </tbody> </table>		<u>Recovery Year</u>	Projected Nov '15 - Oct '16	Amortization	\$9,705,707	Carrying Cost	\$1,578,368	Subtotal	\$11,284,075	Prior Year Reconciliation	(\$5,125,910)	Expenses To Be Recovered	\$6,158,164
<u>Recovery Year</u>	Projected Nov '15 - Oct '16												
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Subtotal	\$11,284,075												
Prior Year Reconciliation	(\$5,125,910)												
Expenses To Be Recovered	\$6,158,164												



4. In its Petition, South Jersey requested a RAC rate of \$0.011827 per therm, a CLEP rate of \$0.007468 per therm, and a TIC rate of \$(0.000896) per therm, all including taxes. The rates requested in the Petition were derived utilizing actual information for the period November 2014 through May 2015 and projected information for the period June 2015 through October 2016.

5. At the time of the filing of the Petition the then effective RAC, CLEP and TIC rates, as approved by Board Order dated May 19, 2015 in Docket No. GR14070831, were as follows: (i) a RAC rate component of \$0.000491 per therm; (ii) a CLEP rate component of \$0.026441 per therm; and (iii) a TIC rate component of \$0.001025 per therm, all including taxes.

6. During the pendency of this Proceeding, South Jersey received and responded to multiple Discovery Requests, including Discovery Request RCR-A-013, which sought updated schedules and rates utilizing actual information for the period November 2014 through October 2015 and projected information for the period November 2015 through October 2016.

7. In response to Discovery Request RCR-A-013, South Jersey submitted the following updated summary of the RAC rate calculation:

<u>Remediation Year</u>	Actual Aug '14 - July '15
Amortization of Recoverable Cost	\$9,634,013
Less: Deferred Tax Benefit	\$421,899
Amortization	<u>\$9,212,114</u>

<u>Recovery Year</u>	Projected Nov '15 - Oct '16
Amortization	\$9,212,114
Carrying Cost	\$1,553,962
Subtotal	<u>\$10,766,076</u>
Prior Year Reconciliation	(\$5,304,877)
Expenses To Be Recovered	<u><u>\$5,461,199</u></u>

8. Utilizing the updated information provided to the Parties in response to Discovery Request RCR-A-013, the net change in recoveries translated to a \$2.6 million reduction vs. the \$4.6 million net reduction per the Petition, comprised of (i) a \$5.2 million increase to the RAC; (ii) a \$7.1 million decrease to the CLEP; and (iii) a \$0.7 million decrease to the TIC.

9. Utilizing this updated information, the proposed RAC rate would be modified to \$0.010489 per therm, the CLEP rate would be modified to \$0.012738 per therm and the TIC rate would be modified to \$(0.001010) per therm, all including taxes.

10. 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. ER15060732, in which an Order was issued by the Board on September 21, 2015 approving a state-wide rate of \$0.010800 per therm (after taxes), effective October 1, 2015.

11. Public hearings in this matter, having been duly noticed in newspapers of general circulation within South Jersey's service territory, were held on February 29, 2016, in Voorhees, New Jersey. No members of the public appeared and no written comments were received.

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

### **STIPULATED TERMS**

13. The Parties accordingly **STIPULATE AND AGREE** that the Company's proposed RAC rate component of \$0.010489 per therm (including taxes) should be implemented and made final.

14. The Parties further **STIPULATE AND AGREE** that the Company's proposed CLEP rate component of \$0.012738 per therm (including taxes) should be implemented and made final.

15. The Parties further **STIPULATE AND AGREE** that the Company's proposed TIC rate component of \$(0.001010) per therm (including taxes) should be implemented and made final.

16. 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 established.

17. The RAC, CLEP and TIC rate changes translate to a bill decrease of \$0.58, or 0.47% for the average residential heating customer using 100 therms during a winter month. These new rates will result in an approximately \$2.6 million reduction from the current annual SBC recovery amount, excluding SUT.

18. 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.

19. 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 16 above with respect to NRD related costs and incentive compensation costs.

20. 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.

21. Following acceptance of this Stipulation by the Board, South Jersey will submit a Compliance Filing incorporating the final rates approved by the Board within five (5) days of such approval.

#### MISCELLANEOUS

22. 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.

23. 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, the Parties 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.

24. 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

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Ira G. Megdal, Esq.  
Cozen O'Connor

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DIRECTOR, DIVISION OF RATE COUNSEL

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

Dated: April 6, 2016

### **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.