



STATE OF NEW JERSEY
Board of Public Utilities
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RELIABILITY & SECURITY

IN THE MATTER OF THE PETITION OF SOUTH)
JERSEY GAS COMPANY FOR AUTHORIZATION) ORDER
TO CONSTRUCT AND OPERATE A 16-INCH)
DISTRIBUTION PIPELINE PURSUANT TO N.J.A.C.)
14:7-1.4) DOCKET NO. GO17030188

Parties of Record:

Stacy A. Mitchell, Esq., on behalf of South Jersey Gas Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

On February 28, 2017, South Jersey Gas Company ("Petitioner" or "SJG"), a New Jersey public utility engaged in the business of purchasing, distributing, transporting; and selling natural gas to approximately 377,600 customers within its service areas in Cape May, Cumberland, Atlantic, and Salem Counties, and parts of Gloucester, Camden and Burlington Counties, filed a petition, along with exhibits, with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:7-1.4. Petitioner seeks authorization and approval from the Board to construct and operate approximately 5 miles of 16-inch natural gas distribution pipeline (the "Pipeline" or "Project") with an alignment that runs through the Borough of Lawnsdale, Borough of Magnolia, Borough of Somerdale, Borough of Hi-Nella, Borough of Stratford, Borough of Laurel Springs, Borough of Lindenwold, Borough of Pine Hill, and Township of Gloucester in Camden County. SJG anticipates initiating construction of the Pipeline in Summer 2017 and completing construction in December 2017. SJG represents that the Pipeline will be constructed with remote control valves to enable emergency shutdown if necessary. SJG further represents that the Pipeline will allow for the use of in-line inspection equipment to assess its integrity and will be designed, constructed, tested and certified to a maximum allowable operating pressure ("MAOP") of 600 pounds per square inch gage ("psig").

On May 3, 2017, SJG filed an amended Exhibit A, Specifications and Code Requirements, to reflect the .375-inch wall thickness of the Pipeline.

Pursuant to N.J.A.C. 14:7-1.4, Board approval is required prior to the construction or operation of a natural gas Pipeline that is intended to be operated in excess of 250 psig and is located

within 100 feet of any building intended for human occupancy, and further requires that the Pipeline satisfy the requirements of 49 C.F.R. § 192 and N.J.A.C. 14:7 *et seq.* The proposed Pipeline alignment includes 230 structures intended for human occupancy within 100 feet of the Pipeline, of which 203 are residential, 20 are commercial, 3 are municipal buildings and 4 are public assembly. The 3 municipal buildings include 2 sewer station pumps and an unoccupied service station. The 4 public assembly buildings include 3 churches and 1 school that is currently unoccupied. The closest inhabited building is a residential structure, which will be 26 feet from the Pipeline.

A public hearing was held on April 19, 2017 at 6:30 p.m. at the Stratford Justice Facility located in Stratford, New Jersey, affording members of the public an opportunity to express comments regarding this petition. William Agee Esq., a legal specialist on Board Staff, served as the duly-designated hearing officer. Michael Stonack, Bureau Chief, Bureau of Pipeline Safety, appeared and commented on behalf of Board Staff. Maura A Caroselli, Esq. appeared on behalf of Rate Counsel, and Stacy A. Mitchell, Esq. appeared on behalf of Petitioner. Ms. Mitchell introduced 2 certificates of service certifying that notice of the public hearing was made by certified mail to the municipal clerks of Camden County, which were marked as Exhibits P-1 and P-2. The notice was published in the Courier-Post newspaper, and served by certified mail to the owners of occupied buildings within 100 feet of the Pipeline. The affidavit of notices of the public hearing to the affected property owners and government officials were accepted and made part of the record.

At the public hearing, Richard Bethke, a Senior Engineer of South Jersey Gas Company, described the need for the project, its design and proposed alignment, alternative Pipeline routes considered, proposed inline integrity inspections planned for the Pipeline, and proposed construction safety measures to be used during the Pipeline installation. One member of the public, Ron Morello, Chief of Police for Stratford, spoke at the hearing and indicated that the construction of the Project will have an impact on the traffic routes, including safe passage to schools, hospitals, emergency services, and the college (Rowan University), no matter the timing. Mr. Morello reiterated that the police and public safety agencies will be in control when it comes to public health and safety, and that SJG and its proposed contractor, Kiely Construction, have assured the police that the safety and traffic control measures requested will not be an issue.

Board Staff reviewed Petitioner's proposal including the project design, construction plans and specifications, the listing of structures within 100 feet of the Pipeline and their distances from the proposed Pipeline alignment, and also conducted a full field inspection of the entire proposed Pipeline route and the alternative routes considered. The proposed route for the Pipeline construction begins at the SJG Lawnside Gate Station and ends at the SJG Lindenwold Regulator Station.

SJG presently owns and operates an existing natural gas pipeline that commences at the Petitioner's interconnection point with the Transcontinental Gas Pipeline Company ("Transco") in Lawnside, New Jersey, and extends easterly to Pleasantville, New Jersey. SJG has determined through gas flow modeling that the existing Lawnside pipeline, which is limited by its size and operating pressure (12-inch, 250 psig MAOP), is not alone able to efficiently provide adequate gas delivery to satisfy Camden and Burlington Counties' peak day demands. Additionally, modeling has revealed that absent system reinforcement, the potential operational constraints within the SJG distribution system serving Camden and Burlington Counties will increase as customer growth continues through the 2023-2024 timeframe.

Board staff worked with the Petitioner on the Pipeline alignment to mitigate the number of human-occupied structures within 100 feet of the Pipeline. Agreed upon changes do not change the overall route of the Pipeline, but have resulted in moving the Pipeline further away from certain buildings intended for human occupancy, where appropriate. For this distribution Pipeline, SJG will be required to follow the transmission pipeline requirements contained in the Federal pipeline safety regulations and the New Jersey Administrative Code. SJG will comply with a minimum 4-foot depth of cover over the Pipeline and the installation of 12-inch wide warning tape as damage prevention measures for the Pipeline.¹ In addition, the Pipeline will be constructed using higher strength steel pipe with yield strength equal to 65,000 psig.

The Board's Bureau of Pipeline Safety participates in the Federal Pipeline Safety Program pursuant to Section 60105(a) of the Natural Gas Pipeline Safety Act of 1968, as amended, (49 U.S.C. 1671 et seq.) and the Board has regulatory jurisdiction and enforcement authority of the safety standards through the imposition of injunctions and/or monetary sanctions for any suspected violation of the Federal safety standards promulgated and contained in Parts 192, 193, 199 and 40 of the Code of Federal Regulations.

Petitioner will have full-time inspectors, qualified by training and experience, overseeing the Pipeline construction to ensure that the Pipeline is constructed and installed in accordance with State and Federal requirements. All Pipeline welders will be qualified by testing in accordance with the weld procedure qualified for 65,000 psig yield strength pipe and all welds completed during the Pipeline construction will be x-rayed to ensure the integrity of the welds. In addition, Board Staff will conduct Pipeline safety compliance inspections during the construction of the Pipeline, as well as perform future operating and maintenance inspections on it as part of the Board's ongoing Pipeline Safety Program. SJG will perform 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.² SJG shall maintain with the Board a valve assessment and emergency closure plan for the Pipeline and shall assess each Pipeline valve on an annual basis in accordance with N.J.A.C. 14:7-1.10.³ In addition, as required by N.J.A.C. 14:7-1.22, 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 in the vicinity of the Pipeline.⁴ SJG states that it will provide the pressure testing certification and documentation required by N.J.A.C. 14:7-1.14 prior to placing the Pipeline in operation.

On April 10, 2017, the New Jersey Division of Rate Counsel ("Rate Counsel") propounded informational requests upon SJG, which were answered on April 13, 2017.

On May 4, 2017, Rate Counsel filed comments in this matter asserting that action on the petition should be deferred until the Board has afforded it an opportunity for full discovery and an

¹ The 4-foot depth of cover is a more stringent requirement than is required by the Federal Code, which only requires a minimum of 3-foot depth of cover. See 49 C.F.R. § 192.327. N.J.A.C. 14:7-1.11 also requires the installation of 12-inch wide warning tape. The Code of Federal Regulations does not contain a requirement for the installation of warning tape.

² N.J.A.C. 14:7-1.20 requires inspection patrols at least once per month, which is more stringent than the Code of Federal Regulations, which only requires a minimum of 4 inspection patrols per year. See 49 C.F.R. § 192.705.

³ N.J.A.C. 14:7-1.10 requires a valve assessment and emergency closure plan for the Pipeline. The Code of Federal Regulations does not contain this requirement.

⁴ N.J.A.C. 14:7-1.22 requires onsite inspection oversight for work performed by excavators in the vicinity of the Pipeline. The Code of Federal Regulations does not contain this requirement.

opportunity for an evidentiary hearing on the necessity for and safety of the Project. Rate Counsel argues that SJG's discovery responses raise substantial issues of fact which require further consideration by the Board based upon a full evidentiary record.

Rate Counsel argues that it is a statutory intervener and, as such, has the right to be heard in this matter, which is an essential component of fundamental due process, citing to Mettinger v. Globe Slicing Mach. Co., 153 N.J. 371, 389 (1998) and Matthews v. Eldridge, 424 U.S. 319, 334-335 (1976). According to Rate Counsel, to satisfy the requirements of procedural due process a party must, at a minimum, be provided with adequate notice, a chance to know the opposing evidence, and to present evidence and argument in response, citing to High Horizons Dev. Co. v. Dep't of Transp., 120 N.J. 40, 53 (1990) and In re Amico Tunnel Carwash, 371 N.J. Super. 199, 215 (App. Div. 2004).

Rate Counsel claims that, based upon the present record, the Board cannot rule on the petition in accordance with these standards. Rate Counsel states that it is not clear whether the Project is necessary, and SJG has not provided any support for the actual growth estimates it used in its gas flow modeling. Even assuming the installation of 5 miles of new high-pressure pipe is the preferred alternative, Rate Counsel argues that the design of the Pipeline raises serious feasibility and safety issues. Rate Counsel points out that SJG is proposing to install approximately 72% of the Pipeline using horizontal directional drilling, which could compromise its ability to safely maintain and operate it over the longer term. The depth of the Pipeline could compromise SJG's ability to maintain it, leaks could be difficult or impossible to locate with precision, and it could be difficult or impossible to reach the Pipeline without undermining support for neighboring structures, according to Rate Counsel.

Alternatively, Rate Counsel asserts that if the Project is approved, the Board should limit its decision to safety and related issues, and should reserve the parties right to address the prudence and ratemaking issues in SJG's pending base rate case.

DISCUSSION AND FINDINGS

Although Rate Counsel did not file a formal application with the Board pursuant to N.J.A.C. 1:1-12, et seq., the Board will nonetheless address its claim that additional discovery and an evidentiary hearing are warranted in this matter.

There is no statutory or constitutional requirement that the Board provide an adjudicatory hearing prior to making a final administrative agency determination concerning the Project. N.J.A.C. 14:7-1.4 only requires Board *approval* (emphasis added) prior to the installation and/or operation of a pipeline in excess of 250 psig if the proposed pipeline alignment is planned to pass within 100 feet of any building intended for human occupancy, and does not require the Board to conduct an evidentiary hearing. Therefore, the Board's review of this petition is narrow in scope, and it is only tasked with determining whether the Project is in conformity with state and federal natural gas pipeline regulations and ensuring that the number of habitable dwellings within 100 feet of the Project is minimized. The Board is not tasked with making any findings of fact or a determination as to whether the Project is necessary. Moreover, the use of horizontal directional drilling and the depth of the Pipeline do not violate state or federal natural gas pipeline safety regulations. Additionally, as part of the Pipeline construction, SJG will be installing a launcher and receiver to accommodate the use of inline inspection tools to monitor the integrity of the Pipeline consistent with other pipelines subject to the requirements of N.J.A.C. 14:7-1.4.

Board Staff's review of the Company's proposal included the Project design, construction plans and specifications, the listing of structures within 100 feet of the Pipeline and their distances from the proposed Pipeline alignment. Board Staff also conducted a full field inspection of the entire Pipeline route, and as described above, undertook review of the alternate routes that were considered. In addition, Rate Counsel participated in the Board's public hearing and submitted comments. Rate Counsel, therefore, was afforded the opportunity to present relevant information and make arguments which are a part of the record the Board considered in this proceeding.

Accordingly, after consideration of all pertinent materials submitted in this matter, and review by Board Staff, the Board **HEREBY FINDS** that Petitioner's request to construct and operate a 16-inch distribution Pipeline running through the Boroughs of Lawnside, Magnolia, Somerdale, Hi-Nella, Stratford, Laurel Springs, Lindenwold, Pine Hill, and Township of Gloucester in Camden County is reasonable and is in compliance with all relevant Federal and State requirements.

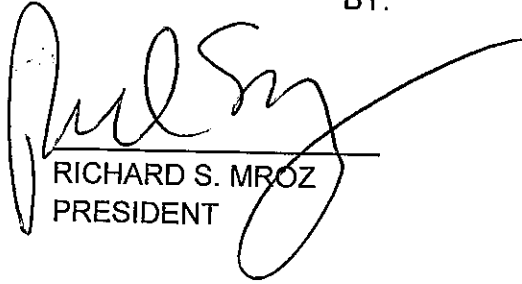
Therefore, pursuant to the provisions of N.J.A.C. 14:7-1.4, the Board **HEREBY APPROVES** the request of SJG to construct the Pipeline, subject to the approval of all environmental permits required by the New Jersey Department of Environmental Protection, approval of road opening permits from the affected counties and municipalities, all other permits and approvals, if any, the approval of traffic control and detour plans with the affected jurisdictions, and subject to the requirement to follow all transmission pipeline regulations contained in the Federal Code of Regulations and New Jersey Administrative Code including, the pressure testing requirements of N.J.A.C. 14:7-1.14 prior to placing the Pipeline into operation, and assurance that integrity assessments of the Pipeline will be performed using inline inspection devices in accordance with Federal pipeline safety requirements, as well as the following:

1. 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;
2. 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;
3. 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;
4. Approval of this petition does not constitute Board approval of any costs or expenses associated with this petition. 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.

This Order shall be effective on July 10, 2017

DATED: 6/30/17

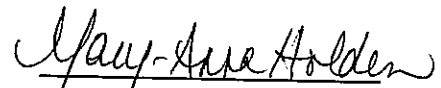
BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



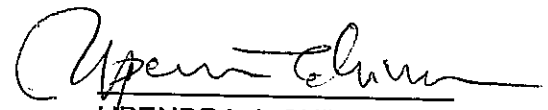
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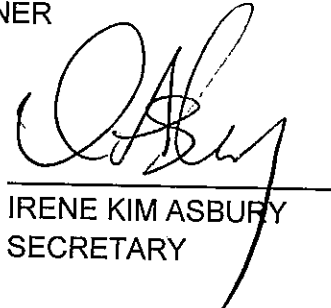


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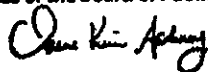
UPENDRA J. CHIVUKULA
COMMISSIONER

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 FOR
AUTHORIZATION TO CONSTRUCT AND OPERATE A 16-INCH DISTRIBUTION PIPELINE
PURSUANT TO N.J.A.C. 14:7-1.4

DOCKET NO. GO17030188

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