

Agenda Date: 4/6/20 Agenda Item: 2B

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

<u>ENERGY</u>

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IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE ("BGSS") CHARGE AND CONSERVATION INCENTIVE PROGRAM ("CIP") CHARGES FOR THE YEAR ENDING SEPTEMBER 30, 2020 DECISION AND ORDER APPROVING INITIAL DECISION AND STIPULATION FOR FINAL BGSS, BSC, AND CIP RATES

DOCKET NO. GR19050679 OAL DOCKET NO. PUC 13594-19

Parties of Record:

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

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers an Initial Decision executed by Administrative Law Judge ("ALJ") Tricia M. Caliguire and a Stipulation for Final Rates ("Stipulation") executed by South Jersey Gas Company ("South Jersey" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "Parties") intended to resolve the Company's requests related to the above docketed matter.

## BACKGROUND

By Order dated January 6, 2003, in Docket No. GX01050304, the Board directed each of New Jersey's four (4) gas distribution companies ("GDCs") to submit to the Board, by June 1, their annual Basic Gas Supply Service ("BGSS") cost filing for the BGSS year beginning October 1.<sup>1</sup> In addition, the January 2003 BGSS Order authorized each GDC to self-implement up to a five (5) percent BGSS increase effective December 1 of the current year, and February 1 of the following year, with one (1) month's advance notice to the Board and Rate Counsel, and implement a decrease in its BGSS rate at any time during the year upon five (5) days' notice to the Board and Rate Counsel.

<sup>&</sup>lt;sup>1</sup><u>In re the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act, N.J.S.A.</u> <u>48:3-49 et seq. – BGSS Pricing</u>, BPU Docket No. GX01050304, Order dated January 6, 2003, ("January 2003 BGSS Order").

## 2019 BGSS/CIP Filing

In accordance with the January 2003 BGSS Order, on May 31, 2019, the Company filed its 2019 BGSS/CIP Petition with the Board seeking to decrease its Periodic BGSS rate from \$0.543591 per therm to \$0.447769 per therm, effective October 1, 2019 ("2019 BGSS/CIP Petition").<sup>2</sup>

In the 2019 BGSS/CIP Petition, the Company also requested the following rate revisions: i) An increase in the gas cost portion of the Company's D-2<sup>3</sup> charge per Mcf for Rate Schedule Large Volume Service ("LVS") from \$15.734955 to \$19.623062; ii) An increase in the gas cost portion of the Firm D-2 charge per Mcf for Rate Schedule Electric Generation Service – Large Volume ("EGS-LV") from \$15.437520 to \$21.238498; iii) An increase in the gas cost portion of the Limited Firm D-2 and Firm D-2 charges per Mcf for Rate Schedules EGS-LV and Firm Electric Service ("FES") from \$7.867477 to \$9.811531; iv) An increase in the monthly BGSS non-commodity 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 \$0.121864 per therm to \$0.140242 per therm; and v) An increase in the Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out from \$0.003074 per therm to \$0.002747, and for Non Opt-Out from \$0.033851 per therm to \$0.087115 per therm; and vi) An increase in the Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge from \$0.033851 per therm to \$0.087115 per therm; and vi) An increase in annual BGSS recoveries of \$27.6 million.

The 2019 BGSS/CIP Petition also requested the following changes to the Company's per therm CIP rates: i) A change from a credit rate of \$0.120976 to a credit rate of \$0.118718 for residential ("RSG") non-heating customers; ii) A change from a charge of \$0.005717 to a credit rate of \$0.012422 for RSG heating customers; iii) A change from a credit rate of \$0.000026 to a credit rate of 0.021023 for GSG customers; iv) A change from a charge of \$0.011583 to a charge of \$0.013689 for GSG-LV customers.<sup>4</sup> The proposed CIP rate changes translated to a decrease in annual CIP recoveries of \$7.6 million.

On June 18, 2019, Martin C. Rothfelder, Esq., filed a motion to intervene in these proceedings on behalf of the Environmental Defense Fund ("EDF"). On June 25, 2019, EDF filed a revised motion ("EDF's Motion").<sup>5</sup> On July 3, 2019, South Jersey filed a Response in Opposition to the Motion to Intervene submitted by EDF ("South Jersey's Opposition"). On July 2, 2019, Rate Counsel submitted a letter in support of granting intervenor status to EDF. On July 3, 2019, EDF submitted a revised letter in support of granting intervenor status to EDF. On July 16, 2019, EDF submitted a reply to South Jersey's Opposition. On July 17, 2019, Rate Counsel filed a reply to South Jersey's Opposition.

<sup>&</sup>lt;sup>2</sup> Unless otherwise noted, all rates quoted herein include Sales and Use Tax.

<sup>&</sup>lt;sup>3</sup> Designed to recover interstate pipeline demand charges.

<sup>&</sup>lt;sup>4</sup> The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006. By Order dated January 10, 2010 in Docket No. GR05120120, the Board extended the CIP. By Order dated May 21, 2014 in Docket No. GR13030185, the Board authorized South Jersey to continue its CIP. The CIP encourages the Company to foster customer conservation by allowing it to recover margins associated with a defined use per customer. The non-weather related CIP surcharges are subject to tests associated with variable margins and reductions in BGSS related costs. Total CIP surcharges are subject to return on equity limits.

<sup>&</sup>lt;sup>5</sup> The only revisions included corrections to the docket numbers which were inaccurate in the initial motion.

After publication of notice in newspapers of general circulation in South Jersey's service territory, two (2) public hearings in this matter were held on August 20, 2019, in Voorhees, New Jersey. No members of the public appeared or filed comments related to the Company's filing.

By Order dated September 11, 2019, the Board approved a stipulation for provisional rates executed by the Parties.<sup>6</sup> The September 2019 Provisional Order authorized SJG to implement the BGSS, BSC, and CIP rates proposed in the 2019 BGSS/CIP Petition on a provisional basis, subject to refund, effective October 1, 2019. As a result of the September 2019 Provisional Order, a typical residential heating customer using 100 therms per month would experience a net decrease of approximately \$6.07 or 4.2% per month. In addition, the September 2019 Provisional Order denied EDF's motion to intervene based upon the Board's findings that: 1) the inclusion of EDF in this proceeding would not aid constructively to the case and could confuse or delay the matter, and 2) EDF's interest with respect to the BGSS costs that are under review in this proceeding is not sufficiently different from that of other parties.

On September 26, 2019, the 2019 BGSS/CIP Petition was transmitted to the Office of Administrative Law ("OAL") and assigned to ALJ Caliguire for hearing as a contested case. ALJ Caliguire conducted a prehearing conference on October 24, 2019, and on October 28, 2019 issued a prehearing order.

## **STIPULATION**

Following further review and discussions, on March 16, 2020, the Parties executed the Stipulation, which provides for the following:<sup>7</sup>

- 20. The Parties have discussed certain matters at issue in this Proceeding. As a result of those discussions, the Parties agree that the provisional BGSS and CIP rates contained in the Stipulation approved by the Board's September 2019 Provisional Order should be made final. There will be no change in South Jersey's rates as a result of the Stipulation.
- 21. Additionally, the Company shall issue a one-time BGSS bill credit of approximately \$820,822, plus interest, sales tax and public utility assessments, which will be returned to customers in the second quarter of 2020. The bill credit is a result of the outcome of the 2018-2019 BGSS Stipulation of Settlement Docket No. GR18060609. The \$820,822 bill credit is based on the sum of \$391,034, which represents the interruptible customer penalty assessment and \$429,788 interest, which reflects the annual difference in BGSS recoveries derived from the actual provisional periodic BGSS Provisional Rates of \$0.564695 per therm for the period October 1, 2018 through January 31, 2019 and \$0.641499 per therm for the period February 1, 2019 through April 30, 2019 compared to rates designed to recover the under-recovered gas cost balance over a two (2) year period. Interest will be captured on this balance at the Company's overall rate of return from the most

<sup>&</sup>lt;sup>6</sup> In re the Petition of South Jersey Gas Company to Revise the Level of its Basic Gas Supply Service (<u>"BGSS") Charge and Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2020</u>, BPU Docket No. GR19050679, Order dated September 11, 2019, ("September 2019 Provisional Order").

<sup>&</sup>lt;sup>7</sup> Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Each paragraph is numbered to coincide with the paragraphs in the Stipulation.

recent base rate case for the period beginning May 13, 2019 through the effective date of the bill credit. To the extent the bill credit issued to customers in the second quarter of 2020 does not fully refund the amount due to customers, South Jersey will apply such excess to reduce the Company's BGSS balance which will be addressed in its next annual BGSS reconciliation proceeding to be filed by June 1, 2020.

22. The Company shall 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 to the Stipulation as Exhibit A; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached to the Stipulation as Exhibit B). The chart reflected on Exhibit A of the Stipulation 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 of the Stipulation is to be submitted to the Parties on approximately the 15th of the following month. Reports filed during the months of July through September shall be submitted for the BGSS proceeding filed in June of that year and the BGSS proceeding for the prior year.

On March 17, 2020, ALJ Caliguire issued her Initial Decision in this matter finding that the Parties voluntarily agreed to the terms of the Stipulation and that the Stipulation disposed of all matters and is consistent with the law.

## **DISCUSSION AND FINDINGS**

Having reviewed the record in this matter, including ALJ Caliguire's Initial Decision and the Stipulation, the Board **FINDS** that the Parties voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board **FINDS** the Initial Decision, which adopts the Stipulation, to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Initial Decision and Stipulation attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if fully set forth herein.

The Board <u>HEREBY</u> <u>APPROVES</u> as final the Company's per therm Periodic BGSS rate of \$0.447769. Additionally, the Board <u>HEREBY</u> <u>APPROVES</u>, as final, the following: 1) The gas cost portion of the D-2 charge for Rate Schedule LVS of \$19.623062 per Mcf; 2) The gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm of \$21.238498 per Mcf; 3) The Limited Firm D-2 for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES, respectively, of \$9.811531 per Mcf; 4) The monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV of \$0.140242 per therm; 5) The Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out of \$0.002747 per therm, and Non Opt-Out of \$0.087115 per therm; and 6) The Rider "J" Balancing Service ("BSC-GS") charge of \$0.087115 per therm.

The Board also <u>HEREBY</u> <u>APPROVES</u> as final, the following per therm CIP rates: a credit rate of \$0.118718 for RSG non-heating customers; a credit of \$0.012422 for RSG heating customers, a credit rate of 0.021023 for GSG customers; and a charge of \$0.013689 for GSG - LV customers.

The Board <u>HEREBY</u> <u>DIRECTS</u> South Jersey to file tariffs consistent with the Board's Order by May 1, 2020.

The Company's costs, including those related to BGSS, the BSC, and CIP 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 April 16, 2020.

DATED: April 6, 2020

BOARD OF PUBLIC UTILITIES BY:

JOSEPH L. FIORDALISO PRESIDENT

ay-Anna Holden

MARY-ANNA HOLDEN COMMISSIONER

UPENDRA J. CHIVUKULA COMMISSIONER

DIANNE SOLOMON COMMISSIONER

ROBERT M. GORDON COMMISSIONER

ATTEST:

AIDA CAMACHO-WELCH SECRETARY

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE ("BGSS") CHARGE AND CONSERVATION INCENTIVE PROGRAM ("CIP") CHARGES FOR THE YEAR ENDING SEPTEMBER 30, 2020 BPU DOCKET NO. GR19050679 OAL DOCKET NO. PUC 13594-19

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Carolyn A. Jacobs cjacobs@sjindustries.com

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State of New Jersey OFFICE OF ADMINISTRATIVE LAW

## **INITIAL DECISION SETTLEMENT**

OAL DKT. NO. PUC 13594-19 AGENCY DKT. NO. GR19050679

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE (BGSS) CHARGE; AND CONSERVATION INCENTIVE PROGRAM (CIP) CHARGES FOR THE YEAR ENDING SEPTEMBER 30, 2020.

**Deborah M. Franco**, Esq., Director, Regulatory Affairs Counsel, South Jersey Industry Utilities, Inc., for petitioner South Jersey Gas Company

**Terel Klein** and **Pamela L. Owen,** Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

Felicia Thomas-Friel and Henry M. Ogden, Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Record Closed: March 16, 2020

Decided: March 17, 2020

BEFORE TRICIA M. CALIGUIRE, ALJ:

This proceeding involves the May 31, 2019, petition of South Jersey Gas Company (SJG, Company) filed with the New Jersey Board of Public Utilities (Board) seeking approval for the year ending September 30, 2020, to: (1.) decrease the level of its periodic BGSS

#### OAL DKT. NO. PUC 13594-19

charge; (2.) increase the level of its Balancing Service Clause (BSC) charge associated with its Rider J - General Service; (3.) decrease the level of its BSC charge associated with its Rider I - Large Volume; and (4.) decrease the level of its CIP charge.

The petition was transmitted to the Office of Administrative Law (OAL) on September 27, 2019, for determination as a contested case. A telephone prehearing conference was held on October 24, 2019, and a prehearing order issued on October 28, 2019.

During the October 24, 2019, telephone prehearing conference, the parties stated that on August 20, 2019, two duly-noticed public hearings were held in the Company's service territory, at 4:30 p.m. and 5:30 p.m., in Vorhees, New Jersey.<sup>1</sup> The parties stated that no members of the public appeared at either hearing and that the comments made by petitioner, staff of the Board, and the representative of the Division of Rate Counsel at the public hearings were transcribed and made a part of the record.<sup>2</sup> No members of the public submitted written comments regarding the Company's petition.

On March 16, 2020, the parties filed a Stipulation for Final BGSS/CIP Rates which resolves all issues in this proceeding. (J-1.) Said Stipulation has been signed by petitioner, staff of the Board, and the New Jersey Division of Rate Counsel.

The Stipulation for Final BGSS/CIP Rates indicates the terms by which the parties agreed to resolve all issues raised in this proceeding, and is attached and fully incorporated herein.

I have reviewed the Stipulation for Final BGSS/CIP Rates and I FIND:

1. The parties have voluntarily agreed to the terms therein as evidenced by their signatures or their representatives' signatures on the attached document.

<sup>&</sup>lt;sup>1</sup> The parties did not yet provide the undersigned with proof of service and publication of the public notice of the hearings.

<sup>&</sup>lt;sup>2</sup> Transcripts of the public hearings were not provided to the undersigned.

2. The Stipulation for Final BGSS/CIP Rates fully disposes of all issues in controversy between the parties and is consistent with the law.

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.

March 17, 2020 DATE

Date Received at Agency:

Date Mailed to Parties: nd

TRICIA M. CALIGUIRE,

OAL DKT. NO. PUC 13594-19

## **APPENDIX**

## **EXHIBITS**

# Jointly Submitted:

J-1 Stipulation of Final BGSS/CIP Rates

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## STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES

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2020 MAR 16 P 3: 15

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE ("BGSS") CHARGE AND CONSERVATION INCENTIVE PROGRAM ("CIP") CHARGE FOR THE YEAR ENDING SEPTEMBER 30, 2020 STATE OF REW JERSEY BPU DOCKET NO. GR19050679 OF ADURLAW OAL DKT NO. PUC 13594-19

STIPULATION FOR FINAL BGSS/CIP RATES

## **APPEARANCES:**

**Deborah M. Franco, Esq.**, Director, Regulatory Affairs Counsel, SJI Utilities, Inc., for Petitioner South Jersey Gas Company.

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

**Terel Klein**, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey).

## TO THE HONORABLE TRICIA M. CALIGUIRE, ADMINSTRATIVE LAW JUDGE AND THE NEW JERSEY BOARD OF PUBLIC UTILITIES:

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

New Jersey Board of Public Utilities ("Board") on September 11, 2019 in Docket No.

GR19050679 ("Proceeding").

## I. PROCEDURAL HISTORY

2. On May 31, 2019, South Jersey Gas Company ("South Jersey" or "Company")

filed a Petition, in Docket No. GR19050679, requesting that the Board approve the Company's

proposal to decrease the current level of its periodic Basic Gas Supply Service Clause ("BGSS")

per therm charge of \$0.543591 to \$0.447769, a decrease of \$0.095822 per therm, for the period

October 1, 2019 through September 30, 2020 ("BGSS/CIP Year") ("Petition").<sup>1</sup> The requested periodic BGSS rate would result in a monthly decrease of \$9.59, or 6.6%, for a residential heating customer using 100 therms of gas during a winter month.

3. The Company also proposed the following BGSS rates: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$19.623062 per Mcf; 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$21.238498 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 \$9.811531 per Mcf; 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.140242 per therm; 5) the Rider "I" Balancing Service Clause – Large Volume ("BSC-LV") charges for Opt-Out be set at \$0.002747 per therm and Non Opt-Out be set at \$0.087115 per therm; and 6) the Rider "J" Balancing Service Clause – General Service ("BSC-GS") charge be set at \$0.087115 per therm.

4. These proposed changes translate to a decrease in annual BGSS recoveries of \$27.6 million.

5. The Petition also sought Board approval to implement per therm Conservation Incentive Program ("CIP") rates effective October 1, 2019 including the following:

- A credit rate of \$0.118718 for Group I Residential Non-Heat customers;
- A credit rate of \$0.012422 for Group II Residential Heat customers;
- A credit rate of \$0.021023 for Group III General Service (GSG) customers; and

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<sup>&</sup>lt;sup>1</sup> All rates quoted herein include Sales and Use Taxes ("SUT").

• \$0.013689 for Group IV General Service Large Volume (GSG-LV) customers.

6. The requested CIP rates would result in a monthly decrease of \$1.82 or 1.3% for a residential heating customer using 100 therms of gas during a winter month. The proposed bill impact on a residential non-heating customer using 15 therms of gas during a month is an increase of \$0.03, or 0.1%. The proposed bill impact on a GSG customer using 500 therms of gas during a month is a decrease of \$10.50, or 1.7%. The proposed bill impact on a GSG-LV customer using 15,646 therms of gas a month is an increase of \$32.95, or 0.2%.

7. As proposed, these changes translate to a decrease in annual CIP recoveries of\$7.6 million.

8. The combined proposed changes in the Company's BGSS, BSC and CIP rates would result in a net decrease of approximately \$6.07 or 4.2% for the average residential heating customer using 100 therms of gas during a winter heating month.

9. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges are required to be offset by reductions in BGSS costs. In addition, pursuant to the Board's May 21, 2014 Order in Docket No. GR13030185 approving the continuation of the CIP, CIP non-weather related margin recoveries are also subject to a Modified BGSS Savings Test with three categories of BGSS Savings: 1) permanent savings achieved through permanent capacity releases; 2) gas cost savings from reductions of capacity on a long-term basis; i.e. for periods of at least one year; and 3) savings associated with avoided capacity costs to meet residential customer growth.

10. Also pursuant to the Board's Order in Docket No. GR13030185, recoverable nonweather CIP amounts are subject to a Variable Margin Test under which such amounts shall not exceed 6.5% of aggregate variable margin revenues.

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11. In computing the non-weather CIP value, the margin impact of weather is first to be deducted from the total CIP charge or credit. The non-weather-related CIP component shall be subject to a dual eligibility test comprised of the Modified BGSS Savings Test and a Margin Revenue Test. In order to be eligible for recovery, non-weather related CIP impacts must pass both cost recovery tests. Amounts that do not pass one or both tests may still be recoverable in future years.

12. South Jersey's non-weather-related margin was \$8.3 million. This was established by subtracting the weather-related component of (\$3.3) million, from the total CIP excess of \$5.0 million. Thus, South Jersey sought to recover total non-weather-related margin revenue through the CIP totaling \$8.3 million.

13. South Jersey's permanent BGSS savings realized from the permanent capacity releases or contract terminations (Category One of the Modified BGSS Savings Test) total \$2.2 million per year. BGSS savings realized from gas cost savings from reductions of capacity on a long-term basis (Category Two of the Modified BGSS Savings Test) total \$5.8 million. BGSS savings realized from avoided capacity costs to meet residential customer growth (Category Three of the Modified BGSS Savings Test) total \$0.3 million. Therefore, the total BGSS savings for the 2019-2020 CIP year is \$8.4 million. This amount exceeds the \$8.3 million of non-weather-related margin revenue that will be recovered through the CIP, thus the Modified BGSS Savings Test has been met.

14. South Jersey's non-weather related margin of \$8.3 million does not exceed 6.5% of aggregate variable revenues of \$229,298,647, or \$14,904,412, thus the Variable Margin Revenue test has been met.

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15. Rider M of South Jersey's tariff contains a Board approved Return-On-Equity ("ROE") limitation on recoveries from customers pursuant to the CIP, consistent with South Jersey's former Temperature Adjustment Clause ("ROE Test"). Under this provision, the CIP may not contribute towards earnings in excess of a 9.60% ROE. After recovery of the CIP margin revenues, South Jersey's ROE for the period October 1, 2018 through September 30, 2019 was projected to be 6.98%. As a result, the ROE Test will not act as a limitation on South Jersey's recovery through the CIP for the forthcoming 2019-2020 CIP year.

16. Following public notice published in newspapers of general circulation within
South Jersey's service territory, two (2) public hearings for this proceeding were held on August
20, 2019 at 4:30 PM and 5:30 PM in Voorhees, New Jersey. No members of the public appeared
or provided written comments.

17. By Order dated September 11, 2019, the Board approved, on a provisional basis the BGSS and CIP rates proposed in this Proceeding ("Provisional Rates"). All changes to the BGSS and CIP rates became effective on a provisional basis, subject to refund, for service rendered on or after October 1, 2019.

18. On October 28, 2019, the Board transmitted jurisdiction of the contested case for hearing and initial disposition to the Office of Administrative Law ("OAL"). The matter was assigned to Administrative Law Judge ("ALJ") Tricia M. Caliguire. A pre-hearing conference was held on October 24, 2019 and a Prehearing Order was issued on October 28, 2019. Status and settlement conferences were held thereafter.

19. As of the date of this Stipulation for Final BGSS and CIP Rates, all discovery that has been propounded upon the Company related to this Proceeding has been answered.

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## II. STIPULATED TERMS

20. South Jersey, Board Staff, and the New Jersey Division of Rate Counsel, the only parties to this proceeding (collectively, "Parties") discussed certain matters at issue in this Proceeding. As a result, the Parties agree that the provisional BGSS rate, which has been in place since the Company's self-implementing increase made effective February 1, 2019 pursuant to a December 27, 2018 Notice and as reflected in the Stipulation approved by the Board in its March 29, 2019 Order in BPU Docket No. GR18060609, along with the provisional CIP rate contained in the Stipulation approved by the Board's Provisional Rates Order should be made final. There will be no change in South Jersey's rates as a result of this Stipulation.

21. Additionally, the Company shall issue a one-time BGSS bill credit of approximately \$820,822, plus interest, sales tax, and public utility assessments, which will be returned to customers in the second quarter of 2020. The bill credit is a result of the outcome of the 2018-2019 BGSS Stipulation of Settlement Docket No. GR18060609. The \$820,822 bill credit is based upon the sum of \$391,034, which represents the interruptible customer penalty assessment and \$429,788 interest. The amount reflects the annual difference in BGSS recoveries derived from the actual provisional periodic BGSS Provisional Rates of \$0.564695 per therm for the period October 1, 2018 through January 31, 2019, and \$0.641499 per therm for the period February 1, 2019 through April 30, 2019, compared to rates designed to recover the underrecovered gas cost balance over a two year period. Interest will be captured on this balance at the Company's overall rate of return from the most recent base rate case for the period beginning May 13, 2019 through the effective date of the bill credit. To the extent the bill credit issued to customers in the second quarter of 2020 does not fully refund the amount due to customers, SJG

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will apply such excess to reduce the Company's BGSS balance, which will be addressed in its next annual BGSS reconciliation proceeding to be filed by June 1, 2020.

22. The Company shall 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. Reports filed during the months of July through September shall be submitted for the BGSS proceeding filed in June of that year and the BGSS proceeding for the prior year.

23. This Stipulation provides a final resolution in this proceeding.

## III. MISCELLANEOUS

24. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. If 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.

25. 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

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supposed to underlie any agreement provided herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms. Also, all rates are subject to Board audit.

26. The Parties further acknowledge that a Board Order approving this Stipulation will become effective with service of said Board Order, or such date after the service thereof as the Board may specify, in accordance with *N.J.S.A.* 48:2-10.

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

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Presiding Administrative Law Judge and requests that (1) the Administrative Law Judge issue an initial decision approving this Stipulation in its entirety; and (2) 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:

Deborah M. Franco, Esq.

Director, Regulatory Affairs Counsel

GURBIR S. GREWAL ATTORNEY GENERAL OF NEW JERSEY Attorney for the Staff of the Board of Public Utilities

By:

Terel Klein, Esq. Deputy Attorney General

STEFANIE A. BRAND DIRECTOR, DIVISION OF RATE COUNSEL

By Felicia Thomas-Friel, Esq.

Deputy Rate Counsel

Dated: March 16, 2020

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**BGSS NYMEX Update Report** As of February 7, 2020 SOUTH JERSEY GAS S-SCHART-1

$g = c \times f$	Change in	value unhedged	\$0		\$0						<u> </u>		θ	\$565	\$1,322		(\$168,803)			(\$1,825,635)		(\$2,159,029)			(\$135,718)	(\$141,657)	(\$139,153)	(\$148,989)	s (\$8,612,233)
f = d - e	Unhedged	volume (dths)	653,010	1,464,152	2,426,336	2,748,260	2,172,189	1,771,515	1,294,444	305,348	(35,695)	54	(3,269)	(1,386)	12.794.958		651,748	1,421,498	2,215,845	2,150,336	1,912,537	2,203,091	1,019,007	575,345	237,684	265,276	272,849	300,382	13,225,598
Û	Hedged	<u>volume (dths)</u>	600,000	1,319,670	2,417,374	3,317,386	2,990,030	2,134,217	700,000	700,000	700,000	700,000	700,000	700,000	16.978.677		640,000	1,435,343	2,753,681	4,057,616	3,374,463	1,799,848	1,030,000	460,000	450,000	460,000	450,000	425,000	17,335,951
Q	Sales	forecast (dths)	1,253,010	2,783,822	4,843,710	6,065,646	5,162,219	3,905,732	1,994,444	1,005,348	664,305	700,054	696,731	698,614	29 773 635	201011010	1,291,748	2,856,841	4,969,526	6.207.952	5,287,000	4,002,939	2,049,007	1,035,345	687,684	725,276	722,849	725,382	30,561,549
		% Chg													-3.5%	80.0													-21.2%
c = b - a	Incr/	(Decr)	•	۱ د	، د	۰ د	، ب	، ب	، د	۰ د	\$ 0.026	\$ (0.352)	\$ (0.521)	\$ (0.408)	¢ (0.105)	- 11	\$ (0.259)	\$ (0.163)	\$ (0.454)	\$ (0.849)	\$ (0.833)	\$ (0.980)	\$ (0.701)	\$ (0.605)	\$ (0.571)	\$ (0.534)	\$ (0.510)	\$ (0.496)	2 151 \$ (0.580) -21.2%
q	NYMEX	2/7/2020	3.021	3.185	4.715	3.642	2.950	2.855	2.713	2.566	2.633	2.291	2.141	2.251			2.428	2 597	2.470	2 158	2.130	1.858	1.892	1.951	2.015	2.085	2.117	2.115	
	Z	2	ŝ	Ś	6	6	6	\$	6	6	<del>.</del> С	6	6	) <del>(</del>	•		€A ►	• <del>•</del>	ж ж	• <del>(</del>	• •	) <del>с</del> я	• • •	6	• •	• • •	• •A		55
q	BGSS	5/9/2019	3.021	3.185	4715	3.642	2.950	2.855	2.713	2.566	2.607	2.643	2.662	2,659	2 0 1 B	3.0.0	2,687	2.260	2.924	3 007	2 963	2 838	2 593	2.556	2.586	2 619	2 627	2.611	2 731
		2 2	ۍ ا	69	• •	69	•	6	6	Ч	6	6	<del>,</del>	• •	1	~	<del>6</del>	<del>,</del>	<del>,</del>	• <del>(</del>	<del>,</del>	÷ €.	÷ 4	• •	÷ 43	• •	•	• •	64
		Month	Oct-18	Nov-18	Dec-18	Jan-19	Eeh-19	Mar-19	Apr-19	Mav-19	Jun-19	-11-11-	Aug-19	Sen-19	A. Totol C	AVG LOTAL &	Oct-19	Nov-10	Dec-19	1an-20	Eah-20	Mar-20	Anr-20	Mav-20	-1110-20	111-20	Aun-20	Sep-20	Aur Total S

# Footnotes:

a. Since the filing of the June 1, 2019 Petition ("June 1 Petition") submitted in BPU No. GR19050679, it was determined that the June 1 Petition reflected the NYMEX high rates and not the May 9, 2019 NYMEX close rates. This issue will be addressed in the pending June 1 Petition proceeding.

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

Page 1

	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	i
	04-19	Nov-19	Dece 19	Jan-20	Feb-20	Mar-20	Apr-20	Mav-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
	(1-10)	07 La	C1 014	\$2.007	130 (3	\$2.838	\$2 593	\$2.556	\$2.586	\$2.619	\$2.627	\$2.611	
1 NYMEX - 5/09/19 - Included in BGSS Filing NYMEX - Actual Settlement	\$2.42K	\$2 597	\$2 470	\$2.158	\$0.000	\$0 000	<b>S</b> 0 000	\$0 000	<b>\$</b> 0 000	<b>S</b> 0 000	<b>\$</b> 0 000	\$0 000	
3 Breakdown of Gross Cost of GasPer Therm:				6161.0	3505 0	01152	0 1535	0 2078	() 2978	0.2300	0.2866	0.3144	0.2032
Flowing Gas Cost	0.3128	6295.0	() 10001	C1C1/0	000000	10100	0610.0	00200	0.0306	0.0101	0 0166	0.0254	0 (1649
Gos Withdrawn From Storator Cost	0.0344	0 1669	1 101 0	1060.0	67/0/0	C040 15	0715/1	007010	00000	00000	0,000	0,000	0,0000
	0.000	0 0000	0 0000	0.0000	0 0000	0'0000	0 0000	0 0000	0.000	0.0000		00000	00000
Heales volumes relivered List	0.9610	0 3845	0 1837	0.1423	0.1082	0.1405	25210	0 4662	0 8452	0 6330	0108.0	0 8162	1607 0
Pipeline Demand Cost	1000	1100 0	21000	0.0013	0.0012	D 000K	0 0014	0 0043	0 0072	0 0052	0 0069	0 0069	0 0021
Storage Demand Cost	0.0034	1000.0			0.0122	0.0064	0.0018	0.0045	0.00%0	0.0059	0.0073	0.0075	0.0063
9 Peakine Cost	0.0059	0.0032	0.0077	0,0010	1010.0	-0000'D	010000	00000	00000	00000	0,000	0.0000	0,000
10 Warahlad Average Filed Cost	0,000	0.0000	0.0000	0,0000	0,0000	0.0000	(MANU)	100000	00000	00000		V MWW	COMMO
	0,000	0.0000	0.0000	0,000	0.0000	0,000	00000	0,0000	CUCKNOC D	10,000			00000
	0.000	0.0001	0.0000	0.0000	0.0000	0.0000	0.000	0.000	0:0000	0.0000	0.0000	00000	U.GURU
12 Uther Costs 13 Total Gross Cost of Gas Per Therm	\$1.2175	\$0.9207	S0 4621	\$0,3665	\$0 3995	\$0 4093	\$0 3432	\$0 7028	\$1.1888	\$0 8843	<b>\$</b> 1.1215	S1 1704	<b>S</b> O 5358
				1	1	A constant	Activel	Actual	Actual	Actual	Actual	Actual	Weizhted
15	Actual	Actual	Actual	VURAL V	E.h. 10	Man-19	Ann-19	Mav-19	Jun-19	Jul-19	Aug-19	Sep-19	Average
16	Oct-18	21-10N	DCC-10	41-11-11-P	11-11-1							:	
17 18 NYMEX - Actual Settlement	<b>\$</b> 3 021	\$3.185	\$4.715	\$3,543	\$2,950	\$2,855	\$2 713	\$2.566	\$2 633	\$2 291	\$2,141	<b>5</b> 2 251	
19 Breakdown of Gross Cost of GasPer Therm:				1000 0	0 1963	0110	D 1654	0 1033	0 3943	0.4282	0.6219	0.4229	2112.0
20 Flowing Gas Cost	0.9884	0.00.0	06750	00000	20010	279au 0	0.0778	0.0147	0.0205	0.0198	0.0032	0.0358	0.0799
21 Gas Withdrawn From Storage Cost	0.0548	0.1563	168010	+660 m	101.0		0,000	0,000	0.0000	0.0000	0.0000	0,000	0,0000
22 Hedged Volumes Delivered Cost	0 0000	0,000	00000	0,0000	10000	00000.0	2166.0	0.4476	2723 ()	0101 1	1.2085	1.1187	0.2569
23 Pineline Demand Cost	0,9709	0.2866	0,1416	6601 0	0.1049	2/61.0	0177 0	01440	0.0075	0100	0.0000	0.6071	0.0028
7.1 Stornee Demand Cost	0.0055	0.0030	0 0020	0 0013	0.0020	0.0019	1500.0	740000	20000	0.0101	00112	01100	0.0074
	0.0074	0.0110	0 0018	0.0186	0 0027	0.0074	0 0012	0 0058	C/00 0	1010.0	2110.0	000000	
		0.0000	0 0000	0 0000	0 0000	0.000	0 0000	0.000	00000	0.0000	0.0000	00000	00000
26 Weighted Average Fuel Cost		00000	0.000	0 0000	0.0000	0.0000	0.0000	0.000	0.0000	0.0000	0,0000	0,0000	00000
27 Variable Pipeline Cost		0,00721	O RMOD	0.0014	0.0000	0,000	0.0000	0.0000	0.0308	0,0000	0.000	0.0306	0.0012
gg	17.00184	(0100)	00 27 10	11110	¢1 2006	CI 4779	\$0.4190	\$0.5736	\$1 2949	\$1.5713	\$1.8546	<b>S</b> 1.6261	\$0.6599
29 Total Gross Cost of Gas Per Therm	\$2 0354	51133	1400 130	7/10/140	Deconverter.								

Esetthetic: Esetthetic: Since the films of the June 1, 2019 Petition 7-June 1 Petition <sup>1</sup> submitted in BPU No. GR19050679, it was determined that the June 1 Petition reflected the May 9, 2019 VMMSX tright meat and not the May 9, 2019 NMMSX close rates. This issue will be addressed in the pending June 1 Petition proceeding Flowing Ges Caset "Ges parabased for delivery to city gate during month - not injoidal most argrege Gas Withdrawn Fram Storage Cost = Hodged Volumes delivered to city gate or injoidant storage Gas Withdrawn Fram Storage Cost = Hodged Volumes delivered to city gate - not injoidant withdrawd, fees. Itine loss Projectine Demand Cost = Frad Parlette costs Storage Demand Cost = Frad Storage related costs Storage Demand Cost = Frad Storage related costs Weighted Average Frad Cost = Commonly X feel <sup>8</sup>, for each projectine - represents portion of gas shipped that is retained by pipeline Variable Pipeline Cost = Pippline Charge part them alter Variable Pipeline Cost = Pipeline Charge part than during the Cost = Commonly X feel <sup>8</sup>, for each projectine - represents portion of gas shipped that is retained by pipeline Variable Pipeline Cost = Projectine Charge part than during the Cost = Commonly and the Cost = Parket Cost = Cost and the Cost and the Cost = Cost and the Cost and the Cost = Cost and the Cost a

EXHIBIT B Page 1 of 2

			Sor Calculatio	South Jersey Gas Company Calculation of Net Cost of Gas Per Therm	ompany Cas Per Therm								Page 2
	Actual Actual	Actual Nex-19	Actual Dec.19	Actual Jan-20	Projected Feb-20	Projected Mar-20	Projected Apr-20	Projected May-20	Projected Jun-20	Projected Jul-20	Projected Aug-20	Projected Sep-20	Total
	061-12	21-40N	(1-wa										
Credits. Refunds. & Recoveries Per Therm:													
1 Asset Management Credits	(\$61.0670)	(\$0.1760)	(\$0.0843)	(\$0.0581)	(\$0.0522)	(\$0.0678)	(\$0.0332)	(\$0.0867)	(\$0.1587)	(\$0.1175)	(\$0.1491)	(\$0.1556)	(\$0.0767)
2 Oll-system sales	(\$0 0660)	(\$0.0408)	(\$0.0178)	(\$0.0120)	(S0.0141)	(\$0 0194)	(\$0 0132)	(\$0 0357)	(\$0.0631)	(\$0.0485)	(\$0.0616)	(\$100.05)	(0670 DC)
4 Che Svetem Credits to BGSS-P Customers	(\$0.0050)	(\$0.0005)	(\$0 0007)	20 0000	(\$0 0003)	(\$0 0006)	(20 0000)	(\$0:0027)	(2200 UQ22)	(0100.0K)	(01000) \$0,00000	\$0 0000	(200000)
5 Sumher Refunds	(1000 0\$)	<b>\$0 0000</b>	(200 002)	\$0,0000	S0 0000	SU 0000	20,000		CO 00111	(20 0010)	(\$0.0013)	(\$0.0011)	(\$0,0005)
6 Gas for Company Use	(\$0.0013)	(20 0000)	(S0:0004)	(\$0,0003)	(SUM) (M)	(CIMITINE)		CO 0000	\$0 0000	20.000	\$0,0000	\$0.0000	\$0.0000
7 Line Loss	SO.0000	S0.0000	20.0000	0000.05	CCC 1 CCC	100001100	12021	(\$0 2038)	(\$0.2780)	(\$0.2209)	(\$0 2491)	(\$0.2900)	(\$0.1757)
8 Transfer to Non BGSS-P Customers	(20, 1994)	(\$0,1817)	(S0) [480) #0.0000	(\$0,1475) e0.0000	(7001 nC)	(2201 000 US	\$0 0000	S0 0000	\$0 0000	\$0 0000	\$0,0000	\$0.0000	\$0.0000
9 Other	20 0000	20000	201000	11201	100000	r\$0.25801	(\$0.2270)	(\$0 3294)	(\$0 \$030)	(\$0.3889)	(\$0.4630)	(\$0 5098)	(\$0.2772)
10 Total Credits, Refunds, & Recoveries Per Therm	(\$0.3389)	(1645 DS)	(\$1 C7 DC)	(2117) (301747)	\$0 1693	\$0.1513	\$0.1161	\$0.3734	SO 6858	\$0 4954	S0 6585	S0.6606	\$0.2586
11 Total Net Cost Per Therm (Pape 1 Line 13 less Pape 2 Line 10)	30 6/50	017C NC	101-00										
	Ē		la contra de	lante d	A etter 1	Actual	Actual	Actual	Actual	Actual	Actual	Actual	W eighted
	Actual Def.18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Average
	01-100	HT-1011											
Credits, Refunds, & Recoveries:													
<ol> <li>Asset Management Credits</li> </ol>	100001 03/	1001 5801	r\$0.0754)	150 05981	(\$0.0499)	(\$0.0616)	(\$0:0202)	(120)0321)	(\$0.0781)	(\$0.0762)	(\$0,1054)	(\$0.0864)	(\$0.0650)
2 Off-system sales	(\$0.0776)	(2110)	(\$0,0104)	(\$0.0087)	(\$0,0072)	(\$0:0082)	(\$0:0156)	(\$0.0347)	(\$0.0577)	(\$0.0782)	(\$0,0866)	(\$0.0795)	(\$/.10/05)
3 Capacity release	(201020)	(\$0.0048)	(\$0.0012)	(\$0 0007)	(\$0.0012)	(\$0:0007)	(\$0.0008)	(\$0.0014)	(\$0.0020)	(\$0.0025)	(\$0.0035) \$0.0000	(2010030) e0.0000	(\$0.0014) CED 00031
	(\$0.0004)	(\$0 0000)	(\$0 0015)	S0.0000	SO:0000	\$0 0000	\$0.0000	(20,0000)	(1000) 05)	(20000000000000000000000000000000000000		200 0001	(4000 DE)
	(\$0.0021)	(6000 0\$)	(\$0 0004)	(\$0 0004)	(\$0 0005)	(\$0 0005)	(\$000.0\$)	(\$0000)	(\$0 (015)	(\$0 0023)	(20 0023)	(1200.06)	(2010000) #0 0000
	20 0000	\$0 0000	\$0 0000	\$0,0000	<b>\$</b> 0 0000	\$0 0000	\$0.000	20 0000	20 0000	20 0000	0000.05		20 0000
/ Line Loss 9 Transfer in Non RGSS_P Customers	(\$0.3913)	(\$0,1950)	(20 1066)	(\$0.1067)	(\$001.0\$)	(\$0.1000)	(\$0.0988)	(\$0,1065)	(\$0.1388)	(\$0,2684) en mon	(30.2233) en mmn	(crit- nc)	(1+71-00) (S)
9 Other	\$0.000	\$0.000	S0 0000	\$0,0000	\$0 0000	\$0,0000	20,0000	MUUUM	ALAAN GO TOTAL	1010110	1000000	(\$0.3923)	11000 000
10 Total Credite Roftmate & Recoveries	(\$0.5763)	(\$0.3704)	(\$0.1955)	(\$0.1764)	(\$0.1596)	(\$() [7()9)	(S0 1359)	(30.1756)	(78/7 ()()	16176 001	(1176-00)	(coocine)	1.000
TOTAL TOTAL OF THE PARTY OF THE		001200	¢0 3603	\$0.440%	CO 2400	\$0 2521	\$0.2831	<b>20 3980</b>	21 0167	<b>S</b> ] 1433	\$1 4335	\$1,2378	\$0.4506
11 Total Net Cost Per Therm (Page 1 Line 29 less Page 2 Line 11)	51 4590	2761 05	240 C 116	2014200	20174.05								

\$1 4590

11 Total Net Cost Per Therm (Page 1 Line 29 less Page 2 Line 11)

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