



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

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)	DECISION AND ORDER
JERSEY GAS COMPANY FOR APPROVAL TO)	APPROVING STIPULATION FOR
REVISE THE RIDER "H" RATE ASSOCIATED WITH)	FINAL RATES
THE TAX CUTS AND JOBS ACT OF 2017)	
)	DOCKET NO. GR20060382

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:

On June 1, 2020, South Jersey Gas Company ("SJG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking approval to modify its Rider H rate ("June 2020 Petition"). By this Order, the Board considers a Stipulation of Settlement ("Stipulation") entered into by SJG, 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 31, 2018, the Board directed affected utilities to file petitions proposing new rates reflecting the impacts from the Federal Tax Cuts and Jobs Act ("2017 Act") signed into law on December 22, 2017.¹ The 2017 Act, which had an effective date of January 1, 2018, set forth changes to the Federal Internal Revenue Tax Code ("Tax Code"), including a reduction in the maximum corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). In the Generic TCJA Order, the Board found that the changes to the Tax Code would provide savings to the affected utilities, resulting in an over-collection of tax revenue by the affected utilities that will not be paid in federal income taxes. Additionally, the Generic TCJA Order directed the affected utilities, including SJG, to file amended tariffs reflecting a reduction in rates resulting from the reduction in the corporate tax rate effective April 1, 2018, as well as develop a plan to address other rate factors and to refund any over collection in rates. On March 2, 2018, SJG filed a petition pursuant to the Generic TCJA Order that included a proposed plan as well as tariff sheets reducing its electric and gas distribution rates to reflect the impact of the 2017 Act.

¹ In re the New Jersey Board of Public Utilities Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001, Order dated January 31, 2018, ("Generic TCJA Order"). The affected utilities are investor-owned gas, electric, water and wastewater companies under the jurisdiction of the Board. In addition, affected utilities shall be those with 2017 revenues equal to or greater than \$4.5 million.

On March 26, 2018, the Board issued an Order authorizing the implementation of the Company's proposed rate reduction on an interim basis, effective April 1, 2018.² In the March 2018 Order, the Board deferred, until a later date, a decision on the Company's proposed refund and other tariff rider. By Order dated September 17, 2018, the interim rates were made final, effective October 1, 2018, and a customer refund of approximately \$13.9 million, including interest and excluding tax, was issued on October 14, 2018.³ The September 2018 Order also authorized the Company to implement its proposed Rider H with an initial credit rate of \$0.013043 to refund the Company's unprotected (non-rate base related) Excess Deferred Income Taxes ("EDITs") balance over a five (5) year period with interest at the Company's short-term debt rate effective October 1, 2018.⁴ Pursuant to the September 2018 Order, the Company was to submit an annual Rider H true up filing on June 1 of each year to establish future Rider H rates, with a proposed effective date of October 1 of each year.

SJG June 2020 Filing

In the June 2020 Petition, SJG sought approval to implement a proposed per therm Rider H credit rate of \$0.029906 for the period October 1, 2020 through September 30, 2021. In the June 2020 Petition, the Company proposed to increase the credit rate from its current rate of \$0.020239 per therm to \$0.029906 per therm. The June 2020 Petition was based upon actual information through April 30, 2020, and projected information through September 30, 2021.

The Company calculated the proposed Rider H credit rate as set forth in the chart below:

SJG Rider H Projected Rate Calculation		
1	Adjusted Unprotected EDIT Balance	(\$44,659,231)
2	Year 1 Amortization (10/18 – 9/19)	\$5,501,377
3	Year 2 Amortization (10/19 – 3/20)	\$2,750,688
4	Total Unamortized Unprotected EDIT Balance as of March 2020	(\$36,407,166)
5	Remaining Amortization Period (Years)	3.5
6	Annual Unprotected EDIT Amortization	(\$10,402,047)
7	Projected Carrying Costs	\$(698,133)
8	Beginning Over (Under) Refunded Balance	\$(3,809,555)
9	Total Refund	<u>\$(14,909,735)</u>
10	Therm Sales Projection	532,916,436
11	Rate Per Therm, Excluding SUT & PUA	\$(0.027978)
12	Rate Per Therm, Including SUT & PUA	\$(0.029906)

² In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 and In re the Petition of South Jersey Gas Company for Approval of a Change in Rates, Customer refund and Rider Associated with the Tax Cuts and Jobs Act of 2017, BPU Docket No. GR18030230, Order dated March 26, 2018, ("March 2018 Order").

³ In re the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 and In re the Petition of South Jersey Gas Company for Approval of a Change in Rates, Customer refund and Rider Associated with the Tax Cuts and Jobs Act of 2017, BPU Docket No. GR18030230, Order dated September 17, 2018, ("September 2018 Order").

⁴ All rates quoted herein include Sales and Use Tax ("SUT") and Public Utility Assessment ("PUA").

By Order dated September 23, 2020, the Board authorized SJG to implement a per therm Rider H credit rate of \$0.029906, on a provisional basis, subject to refund.⁵ As a result of the September 2020 Provisional Order, a typical residential heating customer utilizing 100 therms of gas in a winter months would see a decrease of \$0.97, or approximately 0.7%. However, based upon the Board's Order in the Company's base rate case, Docket No. GR20030243, the Company set forth in its compliance filing a per therm Rider H credit rate to \$0.031192.⁶ As a result of the September 2020 Provisional Order and the 2020 Base Rate Case Order, the anticipated bill impact on a typical residential customer was a decrease of \$1.09 or 0.8%.

STIPULATION

Following a review of the June 2020 Petition and discovery, the Parties executed the Stipulation, which provides for the following:⁷

9. The Parties stipulate and agree that the provisional Rider "H" 2017 TCJA credit rate of \$0.031192 contained in the stipulations approved by the Board in the September 2020 Provisional Order and the 2020 Base Rate Case Order should be made final. As such, there will be no change in SJG's rates as a result of the Stipulation.
10. The Company will submit tariff sheets within five (5) days of the effective date of the Board's Order approving the Stipulation.
11. The Stipulation provides a final resolution in this proceeding.

DISCUSSION AND FINDINGS:

The Board reviewed the record in this proceeding, including the June 2020 Petition and the Stipulation, and **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY APPROVES** as final the Company's previously approved Rider H credit rate of \$0.029906 per therm. When adjusted for the 2020 Base Rate Case Order, the final Rider H credit rate is \$0.031192. As a result of the Stipulation, customers will see no further bill impact.

The Board **HEREBY DIRECTS** SJG to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to April 1, 2021.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude or prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

⁵ In re the Petition of South Jersey Gas Company for Approval to Revise the Rider "H" Rate Associated with the Tax Cuts and Jobs Act of 2017 – BPU Docket No. GR20060382, Order dated September 23, 2020, ("September 2020 Provisional Order").

⁶ In re the Petition of South Jersey Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions, BPU Docket No. GR20030243, Order dated September 23, 2020, ("2020 Base Rate Case Order").

⁷ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

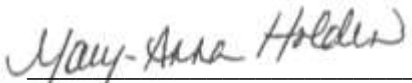
This Order shall be effective March 30, 2021.

DATED: March 24, 2021

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

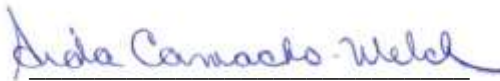


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR
APPROVAL TO REVISE THE RIDER "H" RATE ASSOCIATED WITH THE TAX CUTS
AND JOBS ACT OF 2017

DOCKET NO. GR20060382

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March 1, 2021

Aida Camacho-Welch
Office of the Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
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Re: **In the Matter of the Petition of South Jersey Gas Company for Approval to Revise the Rider
“H” Rate Associated with the Tax Cuts and Jobs Act of 2017
BPU Docket No. GR20060382**

Dear Secretary Camacho-Welch:

Enclosed for filing in the above-referenced proceeding is a Stipulation executed by representatives of South Jersey Gas Company, the Staff of the Board of Public Utilities and the Division of Rate Counsel. It is respectfully requested that the Board consider the Stipulation at its next agenda meeting.

Should you have any questions, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink that reads "Deborah M. Franco".

Deborah M. Franco

DMF:caj
Enclosures

cc: See attached Service List (with enclosures)

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY
FOR APPROVAL TO REVISE THE RIDER “H” RATE ASSOCIATED WITH THE
TAX CUTS AND JOBS ACT OF 2017
BPU DOCKET NO. GR20060382**

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

IN THE MATTER OF THE PETITION OF :
SOUTH JERSEY GAS COMPANY FOR : **BPU DOCKET NO. GR20060382**
APPROVAL TO REVISE THE RIDER :
“H” RATE ASSOCIATED WITH THE : **STIPULATION FOR FINAL**
TAX CUTS AND JOB ACTS OF 2017 : **RIDER “H” CREDIT RATE**

APPEARANCES:

Deborah M. Franco, Esq., Vice President, Rates, Regulatory and Sustainability, SJI Utilities, Inc. for South Jersey Gas Company (“Petitioner”).

Brian Lipman, Esq., Litigation Manager, **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, Esq., 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 COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

1. This Stipulation is intended to make final the provisional Rider “H” 2017 Tax Act credit rate previously approved by the New Jersey Board of Public Utilities (“Board” or “BPU”) on September 23, 2020 in Docket Nos. GR20060382 and GR20030243.

2. On June 1, 2020, South Jersey Gas Company (“SJG” or “Company”) submitted its annual true-up filing with the Board in Docket No. GR20060382 to revise its Rider “H” credit rate associated with the Tax Cuts and Jobs Act of 2017 (“2020 True Up Petition”). Rider “H” was initially established on October 1, 2018 pursuant to a Board Order issued on September 17, 2018 in Docket Nos. AX18010001 and GR18030230 (“September 2018 Order”).

3. In the 2020 True Up Petition, the Company proposed to increase its current per therm Rider “H” credit rate of \$0.020239 to a credit of \$0.029906, reflecting an increase in the

credit of \$0.009667 per therm for the period beginning October 1, 2020 and ending September 30, 2021.¹ The proposed rate was based upon actual information through April 30, 2020, and projected data through September 30, 2021.

4. As set forth in the 2020 True Up Petition and accompanying testimony, the Rider “H” credit rate was designed to refund customers approximately \$14.9 million, which reflects the sum of the projected total under refunded balance for the period October 1, 2019 through September 30, 2020, and the projected annual amortization and carrying costs for the period October 1, 2020 through September 30, 2021.

5. Being that the rate proposed in the 2020 True Up Petition reflected a decrease in charges to customers, public hearings were not required or held.

6. In accordance with the Stipulation approved in the Company’s base rate case proceeding in Docket No. GR20030243 (“2020 Base Rate Case”) for the period January 1, 2018 to June 30, 2019, SJG recorded a regulatory liability of \$1,923,552 composed of both the amortizations of (a) the Excess Accumulated Deferred Income Tax (“ADIT”) Liability Depreciation-Related under the Average Rate Assumption Method (“ARAM”) and (b) the Excess ADIT Asset Net Operating Loss (“NOL”) under the Reverse South Georgia Method (“RSGM”). This net regulatory liability balance represents the accumulated balance of the amortization of the Protected Excess ADIT calculated using the ARAM and the NOL ADIT balance amortized using the RSGM during the period January 1, 2018 through June 30, 2019 which has not yet been refunded to the customers. The stipulation in the 2020 Base Rate Case further required the \$1,923,552 to be returned to customers through Rider H over its remaining term.

¹ All rates quoted herein include Sales and Use Tax.

7. Accordingly, as required by the 2020 Base Rate Case stipulation, to effectuate the return of the \$1,923,552 balance through Rider “H” of the Company’s tariff, the Company implemented a credit rate of \$0.001286 on a provisional basis, subject to refund and a full review.² The approved credit became effective October 1, 2020 simultaneously with the provisional rate approved in the Company’s Rider “H” True Up proceeding in BPU Docket No. GR20060382.

8. The resulting combined Tax Act Rider “H” provisional rate per therm effective October 1, 2020 was a credit of \$0.031192. That credit rate represented the sum of \$0.029906 from the Company’s 2020 True Up Petition and \$0.001286 from the Company’s 2020 Base Rate Case proceeding. The resulting impact on the bill of a residential customer using 100 therms during a winter month was a decrease of \$1.09 or 0.8%.

9. SJG, Board Staff, and the New Jersey Division of Rate Counsel, the only parties to this proceeding (collectively, “Parties”) discussed certain matters at issue in these proceedings. Accordingly, the Parties hereby **STIPULATE AND AGREE** that the provisional Rider “H” 2017 Tax Act credit rate of \$0.031192 contained in the stipulations approved by the Board in the 2020 True Up Petition proceeding and the 2020 Base Rate Case should be made final. As such, there will be no change in SJG’s rates as a result of this Stipulation.

10. The Company will submit tariff sheets within five (5) days of the effective date of the Board’s Order approving this Stipulation.

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

12. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

13. 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.

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

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

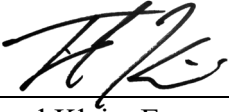
SOUTH JERSEY GAS COMPANY



By: _____

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Attorney for the Staff of the Board of Public Utilities

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

Dated: March 1, 2021