

Agenda Date: 06/17/15

Agenda Item: 2F

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/

<u>DIVISION OF ENERGY AND</u> <u>OFFICE OF CLEAN ENERGY</u>

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL TO CONTINUE ITS ENERGY EFFICIENCY PROGRAMS AND ENERGY EFFICIENCY TRACKER PURSUANT TO N.J.S.A. 48:3-98.1	ORDER APPROVING STIPULATION DOCKET NO. GR15010090
AND)
IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF AN ENERGY EFFICIENCY PROGRAM ("EEP") WITH AN ASSOCIATED ENERGY EFFICIENCY TRACKER ("EET") PURSUANT TO N.J.S.A. 48:3-98.1))))) DOCKET NO. GO12050363

Parties of Record:

Ira G. Megdal, Esq., South Jersey Gas Company **Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD¹:

Background and Procedural History

On January 13, 2008, the Global Warming Response, <u>L.</u> 2007, <u>c.</u> 340 ("Act") was signed into law based on the New Jersey Legislature's findings that energy efficiency and conservation measures must be essential elements of the State's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the conservation and energy efficiency industries are essential to maximize efficiencies. <u>N.J.S.A.</u> 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1(a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation

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¹ Commissioner Upendra J. Chivukula recused himself due to a possible conflict of interest, and did not participate in the deliberations on this matter.

programs in its service territory on a regulated basis. Such investment in energy efficiency and conservation programs may be eligible for rate treatment approved by the New Jersey Board of Public Utilities ("Board"), including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

By Order dated July 24, 2009 ("July 2009 Order"), the Board authorized South Jersey Gas Company ("SJG" or "Company") to implement five energy efficiency programs ("EEPs"): 1) Enhanced Residential Heating, Ventilation, and Air Conditioning ("HVAC") Rebate; 2) Residential Home Performance Finance; 3) Combined Heat and Power; 4) Commercial Customer Direct Install Financing; and 5) Non-Residential Energy Efficiency Investment as part of the Economic Stimulus Plan announced in October 2008² ("Original Programs"). The programs were designed to complement or supplement existing New Jersey Clean Energy Program ("NJCEP") offerings. The SJG programs were to be available to eligible customers for approximately twenty-one (21) months. The July 2009 Order also authorized SJG to establish an Energy Efficiency Tracker ("EET") to recover all prudently incurred costs associated with the Original Programs.

By Order dated January 19, 2011, the Board authorized SJG to extend the Original Programs and carryover individual program under-spending of the Original Programs through December 31, 2011³ ("January 2011 Order"). The January 2011 Order also allowed an extension of SJG's monthly program investment and operating and maintenance ("O&M") costs associated with the Original Programs to continue until April 30, 2012. In addition, the January 2011 Order also authorized the Company to reallocate money within the Original Programs.

By Order dated June 21, 2013 ("June 2013 Order"), the Board authorized SJG to continue to offer four EEPs through June 30, 2015 with an approved budget of \$24 million: the Residential Home Performance and Finance Energy Efficiency Program, the Non-Residential Energy Efficiency Investment Program, the Enhanced Residential HVAC Rebate Program, and the Commercial Customer Direct Install Financing Program ("Existing EEPs"). The June 2013 Order also authorized SJG to continue its EET to recover all prudently incurred costs associated with the EEPs.

January 2015 Filing

On January 20, 2015, SJG filed a petition with the Board seeking approval to continue the Existing EEPs for a three year period commencing July 1, 2015 with a total investment budget

2

² In re Energy Efficiency Programs and Associated Cost Recovery Mechanisms AND In re the Petition of South Jersey Gas Company for Approval of an Energy Efficiency Program ("EEP") with an Associated Energy Tracker ("EET") Pursuant to N.J.S.A. 48:3-98.1; and to Modify Rate Schedule EGS-LV, BPU Docket Nos. EO09010056 and GO09010059, Order dated July 24, 2009.

³ In re the Petition of South Jersey Gas Company for Approval of an Energy Efficiency Program with an Associated Energy Efficiency Tracker Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO10110861, Order dated January 19, 2011.

⁴ In re the Petition of South Jersey Gas Company for Approval of an Energy Efficiency Program with an Associated Energy Efficiency Tracker Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO12050363, Order dated June 21, 2013.

of approximately \$56 million ("2015 Petition"). The 2015 Petition, which was assigned Docket No. GR15010090, seeks approval to continue the four (4) Existing EEPs with one modification to the repayment term for the Commercial Customer Direct Install Program. In addition, the petition requests approval to implement a new Social Marketing and Education Program. SJG proposes to recover costs associated with the EEPs through the EET as set forth in Rider N of the Company's tariff.

On February 18, 2015, Board staff ("Staff") notified SJG that the petition was not administratively complete. By filings dated January 23, 2015, January 26, 2015 and March 2, 2015, SJG supplemented the petition. On March 19, 2015, Staff notified SJG that with the supplemental information the petition was administratively complete. Accordingly, the 180-day review period for a Board determination on cost recovery under N.J.S.A. 48:3-98.1 commenced on March 2, 2015.

By Order dated February 11, 2015, the Board retained this matter for review and hearing, and as authorized by N.J.S.A. 48:2-32, designated Commissioner Dianne Solomon as the presiding officer with authority to rule on all motions that arise during the proceeding, and establish and modify any schedule that may be set as necessary to secure a just and expeditious determination of the issues. The Board also delegated to Commissioner Solomon the authority to grant a single extension of the review period, if requested by the Company and agreed to by the remaining parties. The February 11 Order also set February 27, 2015 as the last day for the filing of motions to intervene or participate in this matter.

By Order dated April 13, 2015, Commissioner Solomon approved a procedural schedule in this matter.

After notice, public hearings were held on April 15, 2015 in Voorhees, New Jersey. No members of the public attended.

STIPULATION

SJG, the New Jersey Division of Rate Counsel ("Rate Counsel") and Staff (collectively, the "Parties") have conducted several rounds of discovery and have met several times to discuss the issues in the 2015 Petition. The Parties entered into the attached stipulation ("Stipulation") agreeing to an extension of the Existing EEPs for a short period of time. The Parties have agreed to the following salient terms:⁵

- 10. Pursuant to the terms of the June 2013 Order, SJG's Existing EEPs will expire on June 30, 2015.⁶
- 11. Settlement discussions among the Parties to the 2015 Petition are ongoing. Nonetheless, the Parties do not anticipate a Board Order in the matter prior to the June 30, 2015 expiration of SJG's Existing EEPs.

3

⁵ 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 conclusions contained in this Order.

⁶ The "Existing EEPs" refers to those programs currently in effect and approved by the Board in the June 2013 Order.

- 12. Through the Stipulation, the Parties agree that SJG shall extend its Existing EEPs for an additional 31 days, through July 31, 2015, consistent in all other respects with the Board's June 2013 Order.
- 13. SJG is not seeking any additional funds for implementation during this extension. Rather, approximately \$900,000 will remain in SJG's program budget as of June 30, 2015, which the Company will continue to utilize for its Existing EEPs.
- 14. The Parties agree to continue settlement discussions in good faith in order to reach a timely resolution of the 2015 Petition.
- 15. The Parties further agree that with respect to the 2015 Petition (Docket No. GR15010090), Rate Counsel shall have until June 30, 2015 to file its direct testimony.

After additional discussion, the Parties agreed that the Existing EEPs should continue until August 31, 2015, to allow additional time to resolve any issues with the 2015 Petition without causing interruption to the current programs.

DISCUSSION AND FINDING

FINDS that the Stipulation as amended extending the Existing EEPs through August 31, 2015 on the same terms and conditions set forth in the June 2013 Order is reasonable and is in the public interest. There will be no change to the EEP rate by virtue of the approval of the Stipulation, and all authority to continue the Existing EEPs ends on August 31, 2015 unless authorized by further Board Order. The costs and expenditures of the extended Existing EEPs are subject to the budget described in the Stipulation, and will be deferred and be the subject of a full review for reasonableness and prudency in future annual true-up proceedings. This short extension will provide additional time for a thorough review of the 2015 Petition, and will allow for the development of a full and complete record for review by the Board while permitting SJG to continue offering its energy efficiency programs. Accordingly, the Board HEREBY ADOPTS the attached Stipulation as amended as its own, incorporating by reference its terms and conditions as if fully set forth herein.

The Board <u>HEREBY</u> <u>DIRECTS</u> the Parties to comply with the terms and conditions of the Stipulation.

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

The Board Order shall be effective as of June 26, 2015.

DATED: 6/19/15

BOARD OF PUBLIC UTILITIES BY:

RICHARD S. MROZ

JOSEPH L. FIORDALISO COMMISSIONER

Yay-Aara Holden

MARY-ANNA HOLDEN COMMISSIONER

DIANNE SOLOMON COMMISSIONER

SECRETARY

I MEREBY CENTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

5

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL TO CONTINUE ITS ENERGY EFFICIENCY PROGRAMS AND ENERGY EFFICIENCY TRACKER PURSUANT TO N.J.S.A. 48:3-98.1

BPU DOCKET NO. GR15010090

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STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF

SOUTH JERSEY GAS COMPANY FOR APPROVAL OF AN ENERGY EFFICIENCY

PROGRAM ("EEP") WITH AN

ASSOCIATED ENERGY EFFICIENCY

TRACKER ("EET") PURSUANT TO N.J.S.A.

48:3-98.1

IN THE MATTER OF THE PETITION OF

SOUTH JERSEY GAS COMPANY FOR APPROVAL TO CONTINUE ITS ENERGY

EFFICIENCY PROGRAMS AND ENERGY

EFFICIENCY TRACKER PURSUANT TO

N.J.S.A. 48:3-98.1

STIPULATION **EXTENDING TIME**

DOCKET NO. GO12050363

DOCKET NO. GR15010090

APPEARANCES:

Ira G. Megdal, Esquire (Cozen O'Connor) for South Jersey Gas Company

Felicia Thomas-Friel, Esquire, Deputy Rate Counsel, Sarah Steindel, Esquire, Assistant Deputy Rate Counsel, and Kurt S. Lewandowski, Esquire, Assistant Deputy Rate Counsel, and Maura Caroselli, Esquire, Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel (Stefanie A. Brand, Esquire, Director)

Alex Moreau and Veronica Beke, Deputy Attorneys General, on behalf of the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey)

TO THE NEW JERSEY BOARD OF PUBLIC UTILITIES:

1. Pursuant to the State's Regional Greenhouse Gas Initiative ("RGGI") legislation, an electric or natural gas utility can offer and invest in regulated energy efficiency and conservation programs within its service territory. N.J.S.A. 48:3-98.1. Furthermore, utilities are authorized to seek approval from the New Jersey Board of Public Utilities (the "Board") for recovery of costs related to such programs. Id

- 2. On January 23, 2009, in accordance with the RGGI Order, South Jersey Gas Company ("South Jersey" or the "Company") petitioned the Board seeking approval of an Energy Efficiency Program ("EEP") with an associated Energy Efficiency Tracker ("EET"), pursuant to N.J.S.A. 48:3-98.1 (hereafter referred to as "EEP I"). The matter was assigned Docket No. GO09010059 by the Board, which retained jurisdiction.
- 3. In an Order dated July 24, 2009, the Board adopted the terms and conditions of a stipulation entered into among representatives from the Board Staff, the New Jersey Division of Rate Counsel ("Rate Counsel") and South Jersey (hereafter referred to collectively as the "Parties" or the "Signatory Parties") authorizing the Company to offer the EEP I program and to recover reasonable and prudent revenue requirements associated with the EEP I through a deferred accounting mechanism. Cost recovery was through the creation of the EET.
- 4. On May 3, 2012, South Jersey filed a petition in Docket No. GO12050363 seeking approval from the Board of an Energy Efficiency Program ("EEP II"), and permission for South Jersey to continue its EET to recover all costs associated with the EEP II (the "EEP II Petition").
- 5. By Order dated June 21, 2013 in Docket No. GO12050363 (the "June 2013 Order"), the Board entered an Order adopting a stipulation entered into among representatives of Board Staff, Rate Counsel and South Jersey authorizing South Jersey to offer four (4) EEPs through June 2015 with an authorized budget of \$24 million: (1) the Residential Home Performance and Finance Energy Efficiency Program; (2) the Non-Residential Energy Efficiency Investment Program; (3) the Enhanced Residential HVAC Rebate Program; and (4) the Commercial Customer Direct Install Financing Program. The June 2013 Order also authorized

Docket No. E008030164 (Order, May 12, 2008).

South Jersey to continue its EET to recover all prudently incurred costs associated with the EEPs.

- 6. On January 20, 2015 South Jersey filed a Petition seeking, inter alia, Board authorization to continue offering the four (4) EEPs, with certain modifications, to add a Social Marketing and Education Program and to continue its EET pursuant to N.J.S.A. 48:3-98.1 (the "EE Continuation Proceeding"). The matter was assigned Docket No. GR15010090 and retained at the Board.
- 7. Numerous discovery requests were propounded by Board Staff and Rate Counsel and answered in full by South Jersey in the EE Continuation Proceeding.
- 8. A public hearing was held on April 15, 2015 in Voorhees, New Jersey. No members of the public appeared.
- 9. The Parties to the EE Continuation Proceeding have engaged in numerous settlement discussions. However, to date, the Parties have yet to reach a settlement of the matter.

STIPULATION

- 10. Pursuant to the terms of the June 2013 Order, South Jersey's existing EEPs will expire on June 30, 2015.²
- 11. Settlement discussions among the Parties to the EE Continuation Proceeding are ongoing. Nonetheless, the Parties do not anticipate a Board Order in this matter prior to the June 30, 2015 expiration of South Jersey's existing EEPs.

^{2 2} The "existing EEPs" refers to those programs currently in effect and approved by the Board in <u>In Re The Petition of South Jersey Gas Company for Approval of an Energy Efficiency Program ("EEP") With an Associated Energy Efficient Tracker ("EET") Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO12050363 (Board Order June 2013).</u>

- 12. Through this Stipulation, the Parties agree that South Jersey shall extend its existing EEPs for an additional 31 days, through July 31, 2015, consistent in all other respects with the Board's June 2013 Order.
- 13. South Jersey is not seeking any additional funds for implementation during this extension. Rather, approximately \$900,000 will remain in South Jersey's program budget as of June 30, 2015, which the Company will continue to utilize for its existing EEPs.
- 14. The Parties agree to continue settlement discussions in good faith in order to reach a timely resolution of the EE Continuation Proceeding.
- 15. The Parties further agree that with respect to the EE Continuation Proceeding (Docket No. GR15010090), Rate Counsel shall have until June 30, 2015 to file its direct testimony.

Further Provisions

- 16. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Signatory Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Signatory 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.
- 17. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

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, South Jersey, Board 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 and, in total or by specific item. This stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Signatory 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

JOHN J. HOFFMAN

ACTING ATTORNEY GENERAL OF NEW

JERSEY

Attorney for Staff of the Board of Public Utilities

By:

Ira G. Megdal

Ira G. Megdal, Esquire Cozen O'Connor

By:

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Deputy Attorney General

DIVISION OF RATE COUNSEL

Stefanie Brand, Esq.

Director

BY

Kurt S. Lewandowski, Esq. Assistant Deputy Rate Counsel

Dated: June →, 2015