



Agenda Date: 10/20/17  
Agenda Item: 2E

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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ENERGY

IN THE MATTER OF THE PETITION OF SOUTH	)	ORDER ADOPTING INITIAL
JERSEY GAS COMPANY FOR APPROVAL OF	)	DECISION AND STIPULATION
INCREASED BASE TARIFF RATES AND CHARGES	)	
FOR GAS SERVICE AND OTHER TARIFF REVISIONS	)	BPU DOCKET NO. GR17010071
	)	OAL DOCKET NO. PUC 3261-17

**Parties of Record:**

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**Stefanie A. Brand, Esq.**, Director, Division of Rate Counsel

BY THE BOARD:<sup>1</sup>

On January 27, 2017, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, South Jersey Gas Company ("Company" or "SJG"), a public utility of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed a petition for approval of an increase in its operating revenues of approximately \$74.9 million or 15.3% to be effective for gas service provided on or after February 28, 2017, as well as for certain other tariff changes and proposals.<sup>2</sup> The Company also seeks Board approval to maintain its existing composite depreciation rate pursuant to N.J.S.A. 48:2-18. In addition, the Company seeks authorization to defer, until the Company's next base rate case, certain incremental expenses related to pension and post-retirement healthcare expenses. The petition was based upon three (3) months of actual and nine (9) months of estimated data.

<sup>1</sup> Commissioner Dianne Solomon did not participate.

<sup>2</sup> The referenced increase is after giving effect to: (1) the roll-in of the Company's Conservation Incentive Program revenues, adjusted for Sales and Use Tax; and (2) the roll-ins to base rates for the Company's Storm Hardening and Reliability Program ("SHARP") and Accelerated Infrastructure Replacement Program ("AIRP") to take place October 1, 2017, outside of this base rate proceeding.

According to the petition, the primary reasons for the requested increase is the need to earn a fair return on capital investments and projects made since the filing of the Company's last base rate case in 2013 in order to ensure that the Company can continue to attract capital at reasonable rates and invest in the infrastructure necessary to provide safe and reliable service.

On February 22, 2017, the Board issued an Order suspending the proposed rates until June 28, 2017, and the matter was transmitted to the Office of Administrative Law ("OAL") on March 7, 2017. By Order dated May 31, 2017, the Board further suspended the proposed rates until October 28, 2017.

The matter was assigned to Administrative Law Judge Elia A. Pelios. On April 6, 2017 and April 10, 2017, Motions to Participate were filed by Public Service Electric & Gas Company ("PSE&G") and New Jersey Natural Gas Company ("NJNG"), respectively. On June 21, 2017, ALJ Pelios issued orders granting participant status to NJNG and PSE&G.

Following notice in newspapers of general circulation within SJG's service territory, and the serving of notice upon affected municipalities and counties within the Company's service area, two (2) public hearings were held in Voorhees, New Jersey on June 20, 2017. No members of the public appeared at either public hearing. On June 19, 2017, the Housing Authority of the Borough of Clementon filed comments in opposition to the rate increase requested by SJG.

As the case progressed, the estimated data was replaced by actual data, and on September 15, 2017, the Company filed its update consisting of twelve (12) months of actual data. The net revenue increase demonstrated by this twelve (12) month update became approximately \$86.66 million.

### **STIPULATION**

After discovery and comprehensive settlement discussions, on September 29, 2017, the Company, Board Staff, and Rate Counsel (collectively, "Parties") reached a stipulation of settlement ("Stipulation"),<sup>3</sup> the key elements of which are as follows:

#### **A. Revenue Requirements**

11. The Parties agree that the test year ending August 31, 2017, adjusted for known and measurable changes, is appropriate for use in this case.
12. The Parties agree that SJG's revenues from base rates should be increased by \$39.5 million, excluding SUT, effective for service rendered on and after November 1, 2017, or on such other date as the Board deems appropriate.

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<sup>3</sup> Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of the Order.

13. The Parties agree to a rate base of \$1,612,091,070.
14. The Parties further agree that an appropriate overall rate of return is 6.7975%, based upon a 52.5% common equity component of the capital structure with a cost rate of 9.60%. The long-term debt component of the capital structure is 47.5% with a cost rate of 3.70%. As a result of the Stipulation, the typical residential sales service customer, using 100 therms of gas during a winter month, will receive an increase of \$14.73 or 11.9% on their monthly bill from \$124.09 to \$138.82. The average residential heating customer using 727 therms annually will receive an increase of \$112.12 or 11.8% in their annual bill.
15. The stipulated revenue requirement reflects an adjustment for consolidated federal income taxes.
16. The Parties agree that the revenue increase stipulated above reflects the roll-in of the Conservation Incentive Program ("CIP"), and takes into consideration the Storm Hardening and Reliability Program ("SHARP") and Accelerated Infrastructure Replacement Program (AIRP II) roll-ins taking place on October 1, 2017, the values of which are: (1) CIP \$9,078,930; (2) SHARP \$3,421,314; and (3) AIRP II \$4,653,896.
17. The Parties agree that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in SJG's current CIP tariff must be updated in order to align these aspects of the CIP with the Board's approval of new rates in this proceeding. The new Margin Revenue Factors will be:

Group I (RSG non-heating):	\$0.697621 per therm
Group II (RSG heating):	\$0.697621 per therm
Group III (GSG):	\$0.582636 per therm
Group IV (GSG-LV):	\$0.289580 per therm

The new BUC will be as follows for each customer class:

Month	Group I: RSG Non-Heating	Group II: RSG Heating	Group III: GSG	Group IV: GSG-LV
Oct.	9.8	17.4	98.3	8,357.0
Nov.	17.6	72.8	334.4	19,088.4
Dec.	30.8	125.4	572.2	23,786.5
Jan.	29.9	151.6	668.9	33,867.6
Feb.	30.8	129.7	553.2	26,589.0
Mar.	24.1	102.8	509.6	24,561.7
Apr.	16.2	54.4	262.5	12,840.3
May	10.9	22.6	160.0	9,454.9
Jun.	11.9	12.3	117.2	5,214.4
Jul.	10.5	13.5	107.9	7,028.8
Aug.	9.0	8.5	85.8	4,538.1
Sep.	8.4	15.8	124.7	3,558.7
Total Annual	209.9	726.8	3,594.7	178,885.4

18. The Parties agree that the rate increase set forth earlier in this Stipulation reflects an amortization of the following balance sheet accounts for periods not to exceed those listed below:
- A. Rate Case Expense (36 months); and
  - B. Deferred Pipeline Integrity Management ("PIM") Expense (36 months); and
  - C. Deferred expense arising from the 2014 mortality table updates (15 years).
19. The Parties agree that the Company may defer until its next base rate case the incremental pension and post-retirement healthcare expense that will result from the Accounting Standards Update ("ASU") related to the presentation and capitalization of Net Periodic Pension and Post-Retirement Benefit Costs, which will become effective for annual reporting periods after December 15, 2017. As used in this paragraph 19, incremental expenses are those which would not be experienced by SJG but for the ASU. The Parties further agree that during the next rate case they are free to challenge the reasonableness of the deferral and/or the calculation of the deferred amount.

20. The Parties agree to allow the Company to fund its investment portfolio for its annual Other Post-Employment Benefits ("OPEB") obligations to the maximum extent available under the Internal Revenue Code ("IRC") up to a limit that will represent full funding of its obligations and to the maximum tax deduction allowed.
21. Attached to the Stipulation as Exhibit A is a schedule entitled "Schedule of Approved Accrual Rates." The Parties agree that these are the accrual rates for depreciation which the Company shall utilize on a plant account by plant account basis from and after the effective date of an Order of the Board accepting the Stipulation, until further Order of the Board.
22. From and after the effective date of a Board Order accepting the Stipulation, the Company will record an annual negative net salvage allowance of \$4,659,755.
23. In the Board-approved stipulation in the Company's 2013 base rate proceeding, Docket No. GR13111137, an agreement was made that the Company would record an annual net negative salvage allowance of \$2,390,167 until further order of the Board. It was further agreed that this amount, along with ongoing net salvage amounts incurred, would be charged to Account No. 254 as a regulatory liability. It was further agreed that the Company would debit Account No. 254 and credit depreciation expense, an annual amount of \$1,060,130 per year for 36.25 years for the return to customers of "Non-Legal Asset Retirement Obligations" of \$38,429,701. It was further agreed that the Company would be made whole for experienced actual cost of removal ("COR"). The Company would not be required to absorb a loss for the amount of negative net salvage in excess of the then balance sheet account.
24. The Company has experienced COR in excess of \$2,390,167 per year, thus reducing the regulatory liability in amounts greater than the annual credit to customers. As a result, as of August 31, 2017 the regulatory liability equaled \$24,137,762. The Parties agree that this amount will be credited to customers over the remaining 33 and 1/12th years at a rate of \$729,605. In addition, the Company will continue to reduce the regulatory liability by the amount by which experienced net salvage exceeds the annual net salvage allowance of \$4,659,755 established in this proceeding.
25. This process will continue until the regulatory liability is reduced to zero.
26. Once the Non-Legal ARO liability balance reaches zero there will be no further special accounting treatment for COR. The annual recovery for COR will be charged to depreciation expense and credited to the depreciation reserve. Actual cost of removal will be debited to the depreciation reserve. The Company shall not be entitled to recover any amounts claimed to be overpaid to ratepayers in the event the rates resulting from this proceeding remain in effect after the Non-Legal ARO liability balance reaches zero. The Company will not record a regulatory asset for any excess actual net COR over the stipulated net salvage

allowance of \$4,659,755 established in this proceeding that may occur after the Non-Legal ARO liability balance reaches zero.

27. The Parties stipulate and agree that, under the methodology set forth above, the Company will be made whole for actual future COR, inasmuch as any over or under recovery of actual COR will be reflected in the depreciation reserve. The Parties reserve their rights to argue their respective positions as to the proper regulatory net salvage amount charged to the depreciation reserve and as to the net salvage rates required to provide full recovery for subsequent rate increases.
28. The Company has recorded \$58.7 million associated with its Legal ARO for gas plant as of August 31, 2017 for financial accounting purposes. The Company's current depreciation expense includes the recognition of the accretion expense of the Legal ARO. The Company represents that it intends to record the annual accretion of the Legal ARO obligation as a regulatory asset and offsetting regulatory liability for financial accounting purposes. The regulatory asset will be credited upon the retirement of the utility property in each respective reporting period against the Legal ARO liability. As long as the Board continues its current policy that provides for full recovery of actual COR expenses to a reasonable net salvage allowance, the Company will not seek recovery of such regulatory asset, since that asset is extinguished as COR is incurred and debited to the depreciation reserve, as described above.
29. Concerning federally mandated transmission and distribution PIM programs, the Company may continue to defer all costs incurred in connection with such programs on its books, and may recover all such prudently incurred costs and related carrying charges in its next base rate case proceeding, subject to review by the Board. The Company will book carrying costs at the interest rate utilized for the Company's SBC.
30. While the Company has removed from rate base the dollars associated with the Compressed Natural Gas ("CNG") Stations which will not be completed during the post-test year period, Rate Counsel and Staff reserve the right to challenge the prudence of the number, location, size and cost of any CNG facilities in a future rate case proceeding. Also, in the interest of settlement, the Company has removed from rate base dollars the post-test year construction project for the Lawnside Pipeline. Rate Counsel and Staff reserve the right to challenge the prudence of these expenditures in a future rate case proceeding.

#### **B. Tariff and Rate Design**

31. Attached to the Stipulation as Exhibit B is a schedule entitled "South Jersey Gas Company, Base and Total Revenues at Present and Proposed Rates." The Parties stipulate that this Schedule represents the rates, rate design and billing determinants to be utilized in this case.
32. The Parties stipulate that within ten days of an Order accepting the Stipulation, the Company will make a compliance filing consisting of the Company's Tariff for Gas Service, BPU NJ No. 12, clean and marked, reflecting the changes agreed upon in this matter.

### III. CUSTOMER SERVICE

33. Attached to the Stipulation as Exhibit C is a document entitled "South Jersey Gas Company Customer Service Metrics." Attached to the Stipulation as Exhibit D is a document entitled "Narrative Summary". Attached to the Stipulation as Exhibit E is a document entitled "South Jersey Gas Company Customer Service Enhancement Plan". These documents have been agreed to by the Parties on a preliminary basis. It is understood that the Parties will meet quarterly, beginning by April 2018 to review these documents and make any mutually agreed upon alterations thereto. It is intended that Exhibits C and D serve as quarterly reports. The Company will continue to provide its existing quarterly customer service metrics reports until additional agreed-upon metrics can be provided as per Exhibit C. The Company will use its best efforts to have its overall computer database systems in place to capture the new metrics by January 2018.

On October 2, 2017, NJNG and PSE&G filed correspondence with the Board indicating that they had no objection to the Stipulation.

On October 3, 2017 ALJ Pelios issued an initial decision accepting the terms of the Stipulation.

### DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the parties worked diligently to negotiate a compromise that attempts to meet the needs of as many stakeholders as possible. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues that were addressed during the proceeding.

Therefore, based on the Board's review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and Stipulation to be reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the attached Initial Decision and Stipulation in their entirety, and **HEREBY INCORPORATES** their terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

As a result of the Stipulation, a typical residential heating customer using 100 therms of gas during a winter month will receive an increase of \$14.73 or 11.9% on their monthly bill from \$124.09 to \$138.82. The rates approved by this Order will become effective for service rendered on and after November 1, 2017.

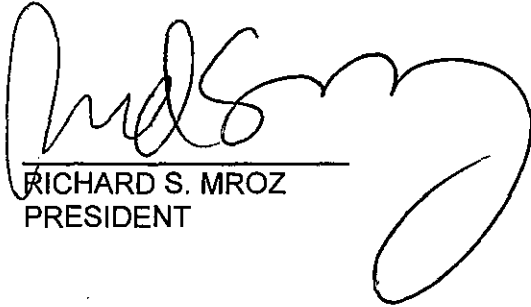
The Company is **HEREBY DIRECTED** to file tariff sheets consistent with this Order by November 1, 2017.

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.

This Order shall be effective on October 30, 2017.

DATED: 10/20/17

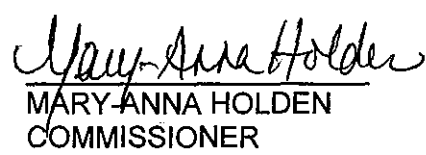
BOARD OF PUBLIC UTILITIES  
BY:



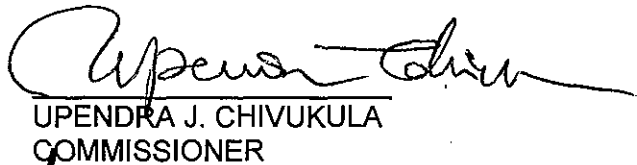
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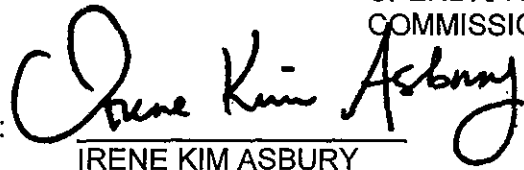
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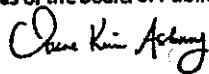
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UPENDRA J. CHIVUKULA  
COMMISSIONER

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 APPROVAL  
OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE AND OTHER  
TARIFF REVISIONS

BPU DOCKET NO. GR17010071; OAL DOCKET NO. PUC 3261-17

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**State of New Jersey**  
**OFFICE OF ADMINISTRATIVE LAW**

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 3261-17

AGENCY DKT. NO. GR17010071

**IN THE MATTER OF THE PETITION OF  
SOUTH JERSEY GAS COMPANY, FOR  
APPROVAL OF INCREASED BASE  
TARIFF RATES AND CHARGES FOR  
GAS SERVICE AND OTHER TARIFF  
REVISIONS.**

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**Ira G. Megdal, Esq.**, for petitioner South Jersey Gas Company (Cozen O'Connor, attorneys)

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, **Maura Caroselli, Kurt S. Lewandowski, Henry M. Ogden** and **Sarah H. Steindel**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel, appearing pursuant to N.J.A.C. 1:1-5.4(a)2

**Alex Moreau** and **Veronica Beke**, Deputy Attorneys General, for respondent New Jersey Board of Public Utilities (Christopher S. Porrino, Attorney General of New Jersey, attorney)

**Joseph F. Accardo, Jr.**, Deputy General Counsel, for Participant PSE&G Services Corporation

**Andrew K. Dembia, Esq., Regulatory Affairs Counsel, for Participant New Jersey  
Natural Gas Company**

Record Closed: October 2, 2017

Decided: October 3, 2017

**BEFORE ELIA A. PELIOS, ALJ:**

This proceeding involves a petition by South Jersey Gas Company, for approval of increased base tariff rates and charges for gas service and other tariff revisions. The petition was transmitted to the Office of Administrative Law on March 8, 2017, for determination as a contested case. Duly noticed public hearings were held in Voorhees Township, New Jersey, on June 20, 2017. No members of the public appeared at either public hearing in Voorhees Township on June 20, 2017. No written comments were submitted by the public.

The parties filed on October 2, 2017, a Stipulation of Settlement (J-1) which resolves all issues in this proceeding. Said Stipulation of Settlement has been signed by all parties, indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND:**

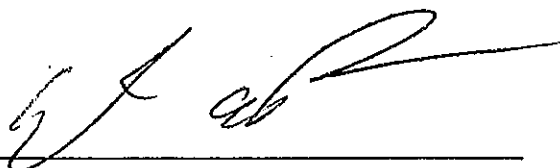
1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

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.

October 3, 2017 \_\_\_\_\_

DATE



\_\_\_\_\_ ELIA A. PELIOS, ALJ

Date Received at Agency:

\_\_\_\_\_

Date Mailed to Parties:

\_\_\_\_\_

/cb

**APPENDIX**

**EXHIBITS**

**Jointly Submitted**

J-1 Stipulation of Settlement

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

RECORDED  
2017 OCT -2 A 10:43  
STATE OF NEW JERSEY  
OFFICE OF ADMIN LAW

IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR17010071  
SOUTH JERSEY GAS COMPANY FOR : OAL DOCKET NO. PUC 03261-17N  
APPROVAL OF INCREASED BASE TARIFF :  
RATES AND CHARGES FOR GAS SERVICE :  
AND OTHER TARIFF REVISIONS :  
:  
:  
:

**STIPULATION  
OF SETTLEMENT**

**APPEARANCES:**

**Ira G. Megdal, Esq.**, Cozen O'Connor, Counsel for Petitioner South Jersey Gas Company.

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, **Maura Caroselli, Kurt S. Lewandowski, Henry M. Ogden and Sarah H. Steindel**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director).

**Alex Moreau and Veronica Beke**, Deputy Attorneys General for the Staff of the New Jersey Board of Public Utilities (**Christopher S. Porrino**, Attorney General of New Jersey).

**Joseph F. Accardo, Jr.**, Deputy General Counsel for Participant, PSE&G Services Corporation.

**Andrew K. Dembia, Esq.**, Regulatory Affairs Counsel for Participant New Jersey Natural Gas Company.

**TO: THE HONORABLE ELIA A. PELIOS, ALJ**

**I. BACKGROUND**

1. On January 27, 2017, South Jersey Gas Company ("South Jersey," "Petitioner," or "Company") filed with the New Jersey Board of Public Utilities ("Board" or "BPU") a case summary, petition, testimony and exhibits ("Petition") in BPU Docket No. GR17010071 requesting an increase in operating revenues, adjusted for Sales and Use Tax ("SUT"), of approximately \$74.87 million or 15.3% (after giving effect to the roll-in of the Company's Conservation Incentive Program ("CIP") revenues, adjusted for SUT, and the roll-ins to base rates for the Company's Storm Hardening and Reliability Program ("SHARP") and Accelerated



Infrastructure Replacement Program ("AIRP"), effective October 1, 2017, outside of the base rate proceeding).

2. In the Petition, South Jersey proposed a test-year ending August 31, 2017. The Petition as originally filed was based upon three (3) months of actual and nine months of estimated data. As the case progressed, the estimated data was replaced by actual data, and on September 15, 2017, the Company filed its update consisting of twelve (12) months of actual data. The requested additional operating revenue or net revenue increase demonstrated by this twelve() month update became approximately \$86.66 million.

3. On March 7, 2017, this proceeding was transmitted by the Board to the Office of Administrative Law ("OAL") as a contested case. The matter was assigned to Administrative Law Judge Elia A. Pelios. On April 19, 2017, the first of two prehearing conferences was conducted by Judge Pelios. The second prehearing conference was held by phone on August 23, 2017.

4. On April 6, 2017 and April 11, 2017, Motions to Participate were filed by Public Service Electric & Gas Services Corporation ("PSE&G") and New Jersey Natural Gas Company ("NJNG"), respectively. On June 21, 2017, Judge Pelios issued orders granting participant status to both NJNG and PSE&G.

5. The parties to this case are Petitioner, the Division of Rate Counsel ("Rate Counsel") and the Staff of the Board ("Staff") (collectively, "Parties"). The participants are NJNG and PSE&G.

6. Pursuant to appropriate notice in newspapers of general circulation within South Jersey's service territory, and the serving of notice upon affected municipalities and counties within the Company's service area, two public hearings were held in Voorhees, New Jersey on

June 20, 2017. No members of the public appeared at either public hearing and no written comments regarding the Petition were received by any of the Parties.

7. Discovery involving over 600 requests, many with multiple parts, was answered by the Company and discovery and settlement conferences were held by the Parties. During these conferences, the Company was asked, and answered numerous discovery questions, both orally and in writing.

8. The Company filed initial direct and supplemental direct testimony. This settlement was made before testimony was filed by any other Party.

9. Evidentiary hearings were scheduled for October 2017. Prior to the commencement of such hearings, the Parties conducted meetings to discuss settlement, and as a result, this Stipulation of Settlement ("Settlement") was agreed upon by the Parties.

10. The Parties hereto agree and stipulate as follows:

## **II. STIPULATED MATTERS**

### **A. Revenue Requirements**

11. The Parties agree that the test year ending August 31, 2017, adjusted for known and measurable changes, is appropriate for use in this case.

12. The Parties agree that South Jersey's revenues from base rates should be increased by \$39.5 million, excluding SUT, effective for service rendered on and after November 1, 2017, or on such other date as the Board deems appropriate.

13. The Parties agree to a rate base of \$1,612,091,070.

14. The Parties further agree that an appropriate overall rate of return is 6.7975%, based upon a 52.5% common equity component of the capital structure with a cost rate of 9.60%. The long-term debt component of the capital structure is 47.5% with a cost rate of 3.70%. As a

result of this Settlement, the typical residential sales service customer, using 100 therms of gas during a winter month, will receive an increase of \$14.73 or 11.9% on their monthly bill from \$124.09 to \$138.82. The average residential heating customer using 727 therms annually will receive an increase of \$112.12 or 11.8% in their annual bill.

15. The stipulated revenue requirement reflects an adjustment for consolidated federal income taxes.

16. The Parties agree that the revenue increase stipulated above reflects the roll-in of the CIP, and takes into consideration the SHARP and AIRP roll-ins taking place on October 1, 2017, the values of which are: (1) CIP \$9,078,930; (2) SHARP \$3,421,314; and (3) AIRP II \$4,653,896.

17. The Parties agree that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in South Jersey's current CIP tariff must be updated in order to align these aspects of the CIP with the Board's approval of new rates in this proceeding. The new Margin Revenue Factors will be:

Group I (RSG non-heating):	\$0.697621 per therm
Group II (RSG heating):	\$0.697621 per therm
Group III (GSG):	\$0.582636 per therm
Group IV (GSG-LV):	\$0.289580 per therm

The new BUC will be as follows for each customer class:

<u>Month</u>	<u>Group I: RSG Non-Heating</u>	<u>Group II: RSG Heating</u>	<u>Group III: GSG</u>	<u>Group IV: GSG-LV</u>
Oct.	9.8	17.4	98.3	8,357.0
Nov.	17.6	72.8	334.4	19,088.4
Dec.	30.8	125.4	572.2	23,786.5
Jan.	29.9	151.6	668.9	33,867.6
Feb.	30.8	129.7	553.2	26,589.0
Mar.	24.1	102.8	509.6	24,561.7
Apr.	16.2	54.4	262.5	12,840.3
May	10.9	22.6	160.0	9,454.9
Jun.	11.9	12.3	117.2	5,214.4
Jul.	10.5	13.5	107.9	7,028.8
Aug.	9.0	8.5	85.8	4,538.1
Sep.	8.4	15.8	124.7	3,558.7
<b>Total Annual</b>	<b>209.9</b>	<b>726.8</b>	<b>3,594.7</b>	<b>178,885.4</b>

18. The Parties agree that the rate increase set forth earlier in this Stipulation reflects an amortization of the following balance sheet accounts for periods not to exceed those listed below:

- A. Rate Case Expense (36 months); and
- B. Deferred Pipeline Integrity Management ("PIM") Expense (36 months); and
- C. Deferred expense arising from the 2014 mortality table updates (15 years).

19. The Parties agree that the Company may defer until its next base rate case the incremental pension and post-retirement healthcare expense that will result from the Accounting Standards Update ("ASU") related to the presentation and capitalization of Net Periodic Pension and Post-Retirement Benefit Costs, which will become effective for annual reporting periods after December 15, 2017. As used in this paragraph 19, incremental expenses are those which would not be experienced by South Jersey but for the ASU. The Parties further agree that during

the next rate case they are free to challenge the reasonableness of the deferral and/or the calculation of the deferred amount.

20. The Parties agree to allow the Company to fund its investment portfolio for its annual Other Post-Employment Benefits ("OPEB") obligations to the maximum extent available under the Internal Revenue Code ("IRC") up to a limit that will represent full funding of its obligations and to the maximum tax deduction allowed.

21. Attached hereto as Exhibit A is a schedule entitled "Schedule of Approved Accrual Rates." The Parties agree that these are the accrual rates for depreciation which the Company shall utilize on a plant account by plant account basis from and after the effective date of an Order of the Board accepting this Stipulation, until further Order of the Board.

22. From and after the effective date of a Board Order accepting this Stipulation, the Company will record an annual negative net salvage allowance of \$4,659,755.

23. In the Board-approved stipulation in the Company's 2013 base rate proceeding, Docket No. GR13111137, an agreement was made that the Company would record an annual net negative salvage allowance of \$2,390,167 until further order of the Board. It was further agreed that this amount, along with ongoing net salvage amounts incurred, would be charged to Account No. 254 as a regulatory liability. It was further agreed that the Company would debit Account No. 254 and credit depreciation expense, an annual amount of \$1,060,130 per year for 36.25 years for the return to customers of "Non-Legal Asset Retirement Obligations" of \$38,429,701. It was further agreed that the Company would be made whole for experienced actual cost of removal ("COR"). The Company would not be required to absorb a loss for the amount of negative net salvage in excess of the then balance sheet account.

24. The Company has experienced COR in excess of \$2,390,167 per year, thus reducing the regulatory liability in amounts greater than the annual credit to customers. As a result, as of August 31, 2017 the regulatory liability equaled \$24,137,762. The Parties agree that this amount will be credited to customers over the remaining 33 and 1/12th years at a rate of \$729,605. In addition, the Company will continue to reduce the regulatory liability by the amount by which experienced net salvage exceeds the annual net salvage allowance of \$4,659,755 established in this proceeding.

25. This process will continue until the regulatory liability is reduced to zero.

26. Once the Non-Legal ARO liability balance reaches zero there will be no further special accounting treatment for COR. The annual recovery for COR will be charged to depreciation expense and credited to the depreciation reserve. Actual cost of removal will be debited to the depreciation reserve. The Company shall not be entitled to recover any amounts claimed to be overpaid to ratepayers in the event the rates resulting from this proceeding remain in effect after the Non-Legal ARO liability balance reaches zero. The Company will not record a regulatory asset for any excess actual net COR over the stipulated net salvage allowance of \$4,659,755 established in this proceeding that may occur after the Non-Legal ARO liability balance reaches zero.

27. The Parties stipulate and agree that, under the methodology set forth above, the Company will be made whole for actual future COR, inasmuch as any over or under recovery of actual COR will be reflected in the depreciation reserve. The Parties reserve their rights to argue their respective positions as to the proper regulatory net salvage amount charged to the depreciation reserve and as to the net salvage rates required to provide full recovery for subsequent rate increases.

28. The Company has recorded \$58.7 million associated with its Legal ARO for gas plant as of August 31, 2017 for financial accounting purposes. The Company's current depreciation expense includes the recognition of the accretion expense of the Legal ARO. The Company represents that it intends to record the annual accretion of the Legal ARO obligation as a regulatory asset and offsetting regulatory liability for financial accounting purposes. The regulatory asset will be credited upon the retirement of the utility property in each respective reporting period against the Legal ARO liability. As long as the Board continues its current policy that provides for full recovery of actual COR expenses to a reasonable net salvage allowance, the Company will not seek recovery of such regulatory asset, since that asset is extinguished as COR is incurred and debited to the depreciation reserve, as described above.

29. Concerning federally mandated transmission and distribution PIM programs, the Company may continue to defer all costs incurred in connection with such programs on its books, and may recover all such prudently incurred costs and related carrying charges in its next base rate case proceeding, subject to review by the Board. The Company will book carrying costs at the interest rate utilized for the Company's SBC.

30. While the Company has removed from rate base the dollars associated with the CNG Stations which will not be completed during the post-test year period, Rate Counsel and Staff reserve the right to challenge the prudence of the number, location, size and cost of any CNG facilities in a future rate case proceeding. Also, in the interest of settlement, the Company has removed from rate base dollars the post-test year construction project for the Lawnside Pipeline. Rate Counsel and Staff reserve the right to challenge the prudence of these expenditures in a future rate case proceeding.

**B. Tariff and Rate Design**

31. Attached to this Stipulation as Exhibit B is a schedule entitled "South Jersey Gas Company, Base and Total Revenues at Present and Proposed Rates." The Parties stipulate that this Schedule represents the rates, rate design and billing determinants to be utilized in this case.

32. The Parties stipulate that within ten days of an Order accepting this Stipulation, the Company will make a compliance filing consisting of the Company's Tariff for Gas Service, BPU NJ No. 12, clean and marked, reflecting the changes agreed upon in this matter.

**III. CUSTOMER SERVICE**

33. Attached hereto as Exhibit C is a document entitled "South Jersey Gas Company Customer Service Metrics". Attached hereto as Exhibit D is a document entitled "Narrative Summary". Attached hereto as Exhibit E is a document entitled "South Jersey Gas Company Customer Service Enhancement Plan". These documents have been agreed to by the Parties hereto on a preliminary basis. It is understood that the Parties will meet quarterly, beginning by April 2018 to review these documents and make any mutually agreed upon alterations thereto. It is intended that Exhibits C and D serve as quarterly reports. The Company will continue to provide its existing quarterly customer service metrics reports until additional agreed-upon metrics can be provided as per Exhibit C. The Company will use its best efforts to have its overall computer database systems in place to capture the new metrics by January 2018.

**IV. MISCELLANEOUS**

34. The undersigned Parties hereby agree that this Settlement has been made exclusively for the purpose of this proceeding and that this Settlement, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of the Settlement.



35. The undersigned Parties agree that this Settlement contains a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In any event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, or modified by the Board, each party that is adversely affected by the modification can either accept the modification or declare this Settlement to be null and void, and the Parties shall be placed in the same position that they were in immediately prior to its execution.

36. It is the intent of the undersigned Parties that the provisions hereof be approved by the Board as being in the public interest. The undersigned Parties further agree that they consider the Settlement to be binding on them for all purposes herein.

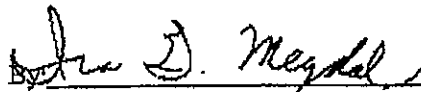
37. It is specifically understood and agreed that this Settlement represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the undersigned Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The undersigned Parties further agree that this Settlement is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement.

38. The Parties agree to accept as service delivery by courier ("hand delivery") of the BPU Order approving this Stipulation, in whole or in part ("Order"). The Parties agree that such method of hand delivery shall be sufficient service of the Order.

**WHEREFORE**, the undersigned Parties respectfully submit this Settlement to the Presiding Administrative Law Judge and Board of Public Utilities and request (1) the Presiding Administrative Law Judge to issue an Initial Decision approving this Settlement in its entirety in

accordance with the terms contained herein, and (2) the BPU approve this Settlement, in its entirety in accordance with the terms contained herein through an order on all rate and tariff issues.

**SOUTH JERSEY GAS COMPANY**

By:   
Ira G. Megdal, Esq.

Dated: September 29, 2017

**STEFANIE A. BRAND, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

By:   
Felicia Thomas-Friel, Esq.

Dated: September 29, 2017

**CHRISTOPHER S. PORRINO,  
ATTORNEY GENERAL OF NEW  
JERSEY**  
Attorney for the Staff of the Board of Public  
Utilities

By:   
Veronica Beke, DAG

Dated: Sept. 29, 2017

EXHIBIT A

**SOUTH JERSEY GAS COMPANY**  
**Schedule of Approved Accrual Rates**

<u>Depreciable Group</u>	<u>Approved Accrual Rate</u>
<b>DEPRECIABLE PLANT</b>	
<b>Acct No. Production Plant</b>	
305.00 Structures and Improvements	20.74%
311.00 Liquefied Petroleum Gas Equipment	NA
<b>Total Production Plant</b>	<b>20.74%</b>
<b>Underground Storage Plant</b>	
351.00 Structures and Improvements	4.76%
354.00 Compressor Station Equipment	0
355.00 Measuring and Regulating Equipment	NA
<b>Total Underground Storage Plant</b>	<b>4.76%</b>
<b>Liquefied Natural Gas Plant</b>	
361.00 Structures and Improvements	0.67%
362.00 Gas Holders	0.07%
363.00 Purification Equipment	3.37%
<b>Total Liquefied Natural Gas Plant</b>	<b>2.44%</b>
<b>Transmission Plant</b>	
366.00 Structures and Improvements	2.13%
367.00 Mains	1.29%
368.00 Compressor Station Equipment	0.00%
369.00 Measuring and Regulating Equipment	3.38%
370.00 Communication Equipment	0.00%
371.00 Other Equipment	0.00%
<b>Total Transmission Plant</b>	<b>1.55%</b>
<b>Distribution Plant</b>	
375.00 Structures and Improvements	3.80%
376.00 Mains	1.37%
377.00 Compressor Station Equipment	0.00%
378.00 Measuring & Regulating Station Equipment - General	1.69%
379.00 Measuring & Regulating Station Equipment - City Gate	1.26%
380.00 Services	2.01%
381.00 Meters	2.38%
382.00 Meter Installations	2.69%
383.00 House Regulators	1.82%
384.00 House Regulator Installations	2.09%
385.00 Industrial Measuring and Regulating Equipment	3.09%
387.00 Other Equipment	0.00%
<b>Total Distribution Plant</b>	<b>1.72%</b>
<b>General Plant Depreciated</b>	
390.00 Structures and Improvements	4.98%
392.00 Transportation Equipment	10.87%
392.10 Transportation Equipment - Van Pool	NA
396.00 Power Operated Equipment	6.43%
<b>Subtotal General Depreciated</b>	<b><u>7.77%</u></b>

**SOUTH JERSEY GAS COMPANY**  
**Schedule of Approved Accrual Rates**

Depreciable Group	Approved Accrual Rate
<b>DEPRECIABLE PLANT</b>	
<b>Acct No. Production Plant</b>	
305.00 Structures and Improvements	20.74%
391.00 Office Furniture and Equipment	2.65%
391.10 Office Furniture and Equipment - EDP Equip. - Prior to 1985	NA
391.20 Office Furniture and Equipment - EDP Equip. - Post 1985	NA
391.30 Office Furniture and Equipment - Computer Pre 2005	NA
391.37 Computer Equip-ADS	17.55%
393.00 Stores Equipment Pre 2005	NA
394.00 Tools, Ship & Garage Equip Pre 2005	NA
397.00 Communications Equipment ADS Prior 1985	NA
397.07 Communications Equipment ADS Prior 2005	42.44%
<b>Subtotal General Depreciated</b>	<b>8.80%</b>
<b>Total General Plant Depreciated</b>	<b>7.87%</b>
<b>Total Depreciable W/O Amortized Property</b>	
	<b>1.84%</b>
<b>General Amortized After 1/1/2005</b>	
391.05 Office Furniture and Equipment Post 12/04	5.00%
391.25 EDP Equipment Post 12/04	20.00%
391.35 Office Furniture and Equip- Computers Post 12/04	20.00%
391.40 Major Software Systems Implementation	6.67%
394.05 Tools, Shop & Garage Equip Post 12/04	5.00%
395.05 Laboratory Equip Post 12/04	5.00%
397.05 Communications Equip Post 12/04	6.67%
398.05 Miscellaneous Equip Post 12/04	5.00%
<b>Total General Amortized</b>	<b>5.00%</b>
<b>Total Depreciable &amp; Amortized Plant</b>	<b>1.96%</b>

**EXHIBIT B**

Privileged and Confidential - For Settlement Purposes Only

South Jersey Gas Company  
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
			<u>RSG</u>		<u>RSG</u>		
<u>Residential Service</u>							
Customer Charge	4,280,934	Bills	\$ 9.00	\$ 38,528,406	\$ 10.00	\$ 42,809,340	
Distribution Charge	253,181,413	Therms	0.569789	144,259,984	0.697621	176,624,670	
CIP Revenues				8,869,851		-	
<b>Total Base Revenues</b>				<b>\$ 191,658,241</b>		<b>\$ 219,434,010</b>	<b>14.5%</b>
				<b>Rider Revenues</b>		<b>\$ 81,748,826</b>	
				<b>Total Class Revenues</b>		<b>\$ 301,182,836</b>	<b>10.2%</b>
			<u>GSG</u>		<u>GSG</u>		
<u>General Service (0-100,000 Annual Therms)</u>							
Customer Charge	299,071	Bills	\$ 27.25	\$ 8,149,685	\$ 31.75	\$ 9,495,504	
Distribution Charge	89,582,097	Therms	0.453266	40,604,518	0.582636	52,193,755	
CIP Revenues				5,126,476		-	
<b>Total Base Revenues</b>				<b>\$ 53,880,679</b>		<b>\$ 61,689,259</b>	<b>14.5%</b>
				<b>Rider Revenues</b>		<b>\$ 24,060,787</b>	
				<b>Total Class Revenues</b>		<b>\$ 85,750,046</b>	<b>10.0%</b>

South Jersey Gas Company  
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
<u>General Service Large Volume (100,000 + Annual Therms)</u>			<u>GSG-LV</u>		<u>GSG-LV</u>		
Customer Charge	2,170	Bills	\$ 150.00	\$ 325,500	\$ 150.00	\$ 325,500	
Demand Charge	212,776	Mcf	9.0000	1,914,984	10.5000	2,234,148	
Distribution Charge	32,241,055	Therms	0.247986	7,995,653	0.289580	9,336,365	
CIP Revenues				154,082		-	
<b>Total Base Revenues</b>				<b>\$ 10,390,219</b>		<b>\$ 11,896,013</b>	<b>14.5%</b>
		<b>Rider Revenues</b>		<b>\$ 6,263,690</b>		<b>\$ 6,263,690</b>	
		<b>Total Class Revenues</b>		<b>\$ 16,653,909</b>		<b>\$ 18,159,703</b>	<b>9.0%</b>
<u>Comprehensive Firm Transportation Service</u>			<u>CTS</u>		<u>CTS</u>		
Customer Charge	555	Bills	\$ 600.00	\$ 333,000	\$ 600.00	\$ 333,000	
Demand Charge	133,720	Mcf	27.4213	3,666,776	31.0000	4,145,320	
Distribution Charge	27,898,657	Therms	0.059451	1,491,211	0.064822	1,806,447	
<b>Total Base Revenues</b>				<b>\$ 5,490,987</b>		<b>\$ 6,286,767</b>	<b>14.5%</b>
		<b>Rider Revenues</b>		<b>\$ 972,455</b>		<b>\$ 972,455</b>	
		<b>Total Class Revenues</b>		<b>\$ 6,463,442</b>		<b>\$ 7,259,222</b>	<b>12.3%</b>



South Jersey Gas Company  
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
<u>Large Volume Service</u>			<u>LVS</u>		<u>LVS</u>		
Customer Charge	313	Bills	\$ 900.00	\$ 281,700	\$ 900.00	\$ 281,700	
Demand Charge	349,950	Mcf	14.8842	5,208,726	18.0000	6,289,100	
Distribution Charge	79,591,210	Therms	0.043625	3,472,167	0.046245	3,660,696	
<b>Total Base Revenues</b>				<b>\$ 8,962,592</b>		<b>\$ 10,261,496</b>	<b>14.5%</b>
				<b>Rider Revenues</b>		<b>\$ 3,409,541</b>	
				<b>Total Class Revenues</b>		<b>\$ 13,671,037</b>	<b>10.5%</b>
<u>Electric Generation Service</u>			<u>EGS</u>		<u>EGS</u>		
Customer Charge	108	Bills	\$ 25.00	\$ 2,700	\$ 75.00	\$ 8,100	
Demand Charge	8,392	Mcf	6.5000	54,548	8.2500	69,234	
Distribution Charge (Nov - Mar.)	559,943	Therms	0.129888	72,730	0.137433	76,955	
Distribution Charge (Apr - Oct.)	789,736	Therms	0.099888	78,885	0.107433	84,844	
<b>Total Base Revenues</b>				<b>\$ 208,863</b>		<b>\$ 239,132</b>	<b>14.5%</b>
				<b>Rider Revenues</b>		<b>\$ 505,537</b>	
				<b>Total Class Revenues</b>		<b>\$ 744,670</b>	<b>4.2%</b>

**South Jersey Gas Company  
Base and Total Revenues at Present and Proposed Rates**

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
<u>Electric Generation Service - Large Volume</u>			<u>EGS-LV</u>		<u>EGS-LV</u>		
Customer Charge	84	Bills	\$ 180.00	\$ 15,120	\$ 900.00	\$ 75,600	
Demand Charge	45,200	Mcf	21.354841	965,239	23.160086	1,046,836	
<b>Total Base Revenues</b>				<b>\$ 980,359</b>		<b>\$ 1,122,436</b>	<b>14.5%</b>
		<b>Rider Revenues</b>		<b>\$ 1,862,044</b>		<b>\$ 1,862,044</b>	
		<b>Total Class Revenues</b>		<b>\$ 2,842,403</b>		<b>\$ 2,984,480</b>	<b>5.0%</b>
<u>Natural Gas Vehicle Service</u>			<u>NGV</u>		<u>NGV</u>		
Cust. Charge 0-999 CFH	12	Bills	\$ 37.50	\$ 450	\$ 37.50	\$ 450	
Cust. Charge 1,000-4,999 CFH	-	Bills	75.00	-	75.00	-	
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	2,400	200.00	2,400	
Cust. Charge 25,000+ CFH	96	Bills	600.00	57,600	900.00	86,400	
Distribution Charge	2,255,851	Therms	0.169911	383,294	0.212421	479,190	
<b>Subtotal Distribution</b>				<b>\$ 443,744</b>		<b>\$ 568,440</b>	
Compression Charge	983,046	Therms	0.542769	533,567	0.580000	550,506	
<b>Total Base Revenues</b>				<b>\$ 977,311</b>		<b>\$ 1,118,946</b>	<b>14.5%</b>
		<b>Rider Revenues</b>		<b>\$ 571,761</b>		<b>\$ 571,761</b>	
		<b>Total Class Revenues</b>		<b>\$ 1,549,072</b>		<b>\$ 1,690,707</b>	<b>9.1%</b>

South Jersey Gas Company  
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
			<u>GLS</u>		<u>GLS</u>		
Gas Lights Service							
Yard Lights	48 Mantles		\$ 7.959650	\$ 4,585	\$ 9.113191	\$ 5,249	
Street Lights	36 Mantles		\$ 8.580621	3,707	\$ 9.824155	4,244	
<b>Total Base Revenues</b>				<b>\$ 8,292</b>		<b>\$ 9,493</b>	<b>14.5%</b>
	Rider Revenues			<b>\$ 72,255</b>		<b>\$ 72,255</b>	
	<b>Total Class Revenues</b>			<b>\$ 80,546</b>		<b>\$ 81,748</b>	<b>1.5%</b>
<b>TOTAL SYSTEM BASE DISTRIBUTION REVENUES</b>				<b>\$ 272,557,543</b>		<b>\$ 312,057,552</b>	<b>14.5%</b>
<b>Other Revenues</b>							
	Rider Revenues			\$ 119,466,896		\$ 119,466,896	
	Special Contracts			4,966,317		4,966,317	
	Service Charges			1,174,300		1,174,300	
	Other Revenues			67,877,394		67,877,394	
<b>Total Other Revenues</b>				<b>\$ 193,484,907</b>		<b>\$ 193,484,907</b>	
<b>TOTAL SYSTEM INCLUDING OTHER REVENUES</b>				<b>\$ 466,042,450</b>		<b>\$ 505,542,459</b>	<b>8.5%</b>
					Increase \$	39,500,008	
					Target	39,500,000	
					Difference	\$8	

EXHIBIT C

**SOUTH JERSEY GAS COMPANY  
CUSTOMER SERVICE METRICS  
\_\_\_\_ QUARTER 201\_\_**

<u>CALL ANSWER METRICS AND INFORMATION</u>	[MONTH]	[MONTH]	[MONTH]	Quarter Average
<b>a) Percentage of calls answered within 30 seconds (goal = 80%)</b>				
Overall Average	XX	XX	XX	XX
Folsom	XX	XX	XX	XX
Atlanta	XX	XX	XX	XX
<b>b) Call abandonment rate (goal = 5%)</b>				
Overall Average	XX	XX	XX	XX
Folsom	XX	XX	XX	XX
Atlanta	XX	XX	XX	XX
<b>c) Speed of answer (average speed of answer, seconds) (no goal established)</b>				
Overall Average	XX	XX	XX	XX
Folsom	XX	XX	XX	XX
Atlanta	XX	XX	XX	XX
<b>d) Call volume (number of calls and relative percentages)</b>				
Overall Average	XX	XX	XX	XX
Folsom	XX	XX	XX	XX
Atlanta	XX	XX	XX	XX
<b><u>Meter Reading</u></b>				
a) Number of residential meters not read	XX	XX	XX	XX
b) Number of residential meters	XX	XX	XX	XX
c) Percentage of residential meters read (goal = 95%)	XX	XX	XX	XX
<b><u>Customer Re-bills</u></b>				
a) Number of re-bills	XX	XX	XX	XX
b) Number of total customers	XX	XX	XX	XX
c) Number of re-bills per 1000 customers (goal = 20 or fewer per 1000 customers)	XX	XX	XX	XX

**Gas Leak/Odor Response Time**

Percentage of gas leaks/odors responded to within 60 minutes (goal = 95% within 60 minutes)	XX	XX	XX	XX
--	----	----	----	----

**Service Appointments**

a) Percentage of service appointments met (goal = 95%)	XX	XX	XX	XX
---	----	----	----	----

**Customer Complaints to the Board**

a) Number of complaints per 1000 customers (goal = fewer than 1 per 1000 customers)	XX	XX	XX	XX
--	----	----	----	----

b) Disaggregation of number of complaints by complaint category

Billing Issues	XX	XX	XX	XX
Shut offs	XX	XX	XX	XX
Service Appointments	XX	XX	XX	XX
Payment Arrangements	XX	XX	XX	XX
Meter Issues	XX	XX	XX	XX
Other	XX	XX	XX	XX

**Low Income Assistance Programs**

a) Number of participants in low-income programs, separately by program

USF	XX	XX	XX	XX
Lifeline	XX	XX	XX	XX
HEAP	XX	XX	XX	XX

b) Number of participants in low-income programs by municipality, as applicable

[County]				
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX

**Deferred Payment Arrangements**

a) Number of DPAs entered into	XX	XX	XX	XX
--------------------------------	----	----	----	----

b) Average term of DPAs	XX	XX	XX	XX
-------------------------	----	----	----	----

c) Average dollar amount of arrears made subject to DPA	XX	XX	XX	XX
---	----	----	----	----

d) Average monthly installment	XX	XX	XX	XX
--------------------------------	----	----	----	----

e) Number of defaulted DPAs	XX	XX	XX	XX
-----------------------------	----	----	----	----

f) Number of completed (i.e., successful) DPAs	XX	XX	XX	XX
--	----	----	----	----

g) DPA success rate	XX	XX	XX	XX
---------------------	----	----	----	----

explanation entered here: \_\_\_\_\_

h) DPA failure rate	XX	XX	XX	XX
---------------------	----	----	----	----

explanation entered here: \_\_\_\_\_

**Convenience Store Fees**

a) Number of bills paid each month at convenience stores	XX	XX	XX	XX
b) Percentage of bills paid each month at convience stores compared to Company-wide	XX	XX	XX	XX
c) Total number bills paid, per convenience store - Annually				
[Municipality]				
[Store Name]	XX	XX	XX	XX
[Store Name]	XX	XX	XX	XX
[Store Name]	XX	XX	XX	XX
[Store Name]	XX	XX	XX	XX

**Walk-in Centers**

<b>Folsom</b>				
- Total number of walk-ins	XX	XX	XX	XX
- Number request Low Income assistance	XX	XX	XX	XX
- Number of Payments	XX	XX	XX	XX
- Percentage of bills paid each month at Folsom compared to Company-wide	XX	XX	XX	XX
<b>Glassboro</b>				
- Total number of walk-ins	XX	XX	XX	XX
- Number request Low Income assistance	XX	XX	XX	XX
- Number of Payments	XX	XX	XX	XX
- Percentage of bills paid each month at Glassboro compared to Company-wide	XX	XX	XX	XX
<b>Pleasantville</b>				
- Total number of walk-ins	XX	XX	XX	XX
- Number request Low Income assistance	XX	XX	XX	XX
- Number of Payments	XX	XX	XX	XX
- Percentage of bills paid each month at Pleasantville compared to Company-wide	XX	XX	XX	XX
<b>Millville</b>				
- Total number of walk-ins	XX	XX	XX	XX
- Number request Low Income assistance	XX	XX	XX	XX
- Number of Payments	XX	XX	XX	XX
- Percentage of bills paid each month at Millville compared to Company-wide	XX	XX	XX	XX
<b>Swainton</b>				
- Total number of walk-ins	XX	XX	XX	XX
- Number request Low Income assistance	XX	XX	XX	XX
- Number of Payments	XX	XX	XX	XX
- Percentage of bills paid each month at Swainton compared to Company-wide	XX	XX	XX	XX

**Shut-Offs**

<b>Elderly</b>				
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX
<b>Low Income Assistance</b>				
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX
<b>Both</b>				
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX
[Municipality]	XX	XX	XX	XX

EXHIBIT D



SOUTH JERSEY GAS COMPANY  
CUSTOMER SERVICE QUARTERLY MEETING  
QUARTER ENDING [insert month/year]

**NARRATIVE SUMMARY**

**A. Significant Changes in customer service:**

- a. Implemented in last quarter: [insert narrative summary]
- b. Planned for next quarter: [insert narrative summary]

**B. Metrics Data Report**

- a. See attached report dated [insert date] for [insert quarterly period]
- b. Significant deviations from prior quarter: [insert narrative summary]

**C. Convergent-Financial Incentives (\*\*\*)to be supplied following hire of Quality Assurance personnel, job has been posted\*\*\*)**

- a. [Explanation of formula applied for financial incentives and date implemented]
- b. [Copy of Scorecard once formula established]
- c. Annual summary of performance: [insert narrative summary]

**D. Low Income Assistance:**

- a. Outreach completed for last quarter: [insert narrative summary]
- b. Outreach planned for next quarter: [insert narrative summary]

**E. Customer Satisfaction Survey: (\*\*\*)to be conducted in in 4<sup>th</sup> quarter 2017)**

- a. Survey questions and description of survey methodology [attach in 4<sup>th</sup> quarter 2017]
- b. Report benchmark survey results (following completion of survey)

**F. Customer Service Scorecard**

- a. CSR Scorecard [Provide copy of scorecard for metrics by second quarter 2018]
- b. Report out on findings (annually)

SOUTH JERSEY GAS COMPANY  
CUSTOMER SERVICE QUARTERLY MEETING  
QUARTER ENDING [insert month/year]

**G. Miscellaneous**

- a. Status of call volumes (Folsom vs. Atlanta)
- b. Fees paid to third-parties/convenience stores [insert status of findings]
- c. Outreach Plan [Discuss any changes]

**EXHIBIT E**



Exhibit E

South Jersey Gas Company  
Customer Service Enhancement Plan

September 2017



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OUTREACH PLAN

APPENDIX A



## I. INTRODUCTION

South Jersey Gas ("SJG" or the "Company") is committed to enhancing our customer service and internal processes to ensure its customers receive the highest level of customer service at all points of contact with the Company. In support thereof, in 2016, SJG commenced a comprehensive Customer Experience (Cx) improvement initiative. As part of this initiative, the Company engaged a third-party vendor, ESource, to conduct an independent, comprehensive assessment of its Contact Center, Back-office and Dispatch processes and procedures. Based on ESource's findings and ultimately its recommendations, SJG developed a prioritized strategy to enhance our processes and procedures to improve the customer experience and achieve its ultimate goal of "best-in-class" service.

This Customer Service Enhancement Plan ("Plan") provides an overview of the top customer service functions that have been identified by the Company for enhancement including a summary of SJG's immediate commitments to ensure overall customer satisfaction.

Specifically, this Plan addresses the following key areas of focus:

- Enhancements to the Company's organizational structure and processes relative to its Customer Contact Center, Billing, Cx Operations and Dispatch departments;
- Credit and Collections improvements for process optimization;
- Walk-In Center upgrades;
- Improved Contact Center metrics and internal reporting;
- New processes for customer complaint management;
- Development and implementation of a Customer Satisfaction Survey; and
- Technology upgrades to improve the customer experience.

## II. ORGANIZATIONAL STRUCTURE AND PROCESSES

Based on ESource's findings and recommendations, a number of organizational and process changes have already taken place at the Company with additional actions to be taken across the Company's Contact Center, Cx Operations and Dispatch departments over the next 2-3 years. A key initial step in this process included revising the organizational structure applicable to these departments, which the Company has already undertaken. The following highlights other organizational and process improvements that will be taken, by department, to enhance customer service.

### A. Contact Center

The Company has added a new Cx Program Manager to oversee and ensure implementation of all Cx improvement initiatives on a going forward basis. This individual will be accountable for delivering key performance metrics relative to the Contact Center. In addition, the Company plans to align its Customer Service Representatives (CSRs) with supervisors and topical areas of expertise (i.e., moving, billing, and general inquiry) through "skill-based" call routing to ensure



operational efficiency. Several newly created Cx related positions will support these efforts, including a new Director, Contact Center, Billing & Collections, which was just filled. Furthermore, CSRs will receive refresher training to increase their overall knowledge of the Company and improve their skills necessary to deliver optimal customer service.

The Company is currently working on adoption of a workforce management process, anticipated to be implemented second quarter 2018, which will forecast work and help to align resources for 2018 implementation and beyond. The Company is also in the development stages of a new Quality Assurance (QA) process for all contact center groups. The new QA process will (1) evaluate number of calls listened to per month, per representative, (2) document feedback, (3) include a scoring mechanism, and (4) set expectations, among other things.

#### B. Cx Operations

The Company has created its new "Cx Operations" group, which will drive continuous process improvement and accountability throughout the Contact Center, walk-in centers, billing, collections and dispatch, by implementing regular training, QA, metrics & reporting, and voice of the customer surveys.

#### C. Dispatch

The primary objective for dispatch includes meeting service appointment times. In addition, the Company is focused on improving the Company's leak call response time and increasing communication with our customers. To achieve these objectives, the Company plans to move all leak calls to dispatch, add additional union shifts for better coverage at peak periods and early evenings, add two new dispatchers and four Dispatch Support Agents to handle added volume, update Oracle Real-Time Scheduler (ORS) to alert when appointment times are in jeopardy, and adopt reduced appointment times. The Company anticipates completion of these initiatives within the next 6-12 months. The Company expects to realize improvements to its performance metrics on a continuous basis thereafter.

In order to improve customer communication efforts, Dispatch Support Agents will begin to contact customers for confirmation, updates and status of scheduled service appointments. Additionally, like the Contact Center and Cx Operation departments, a new QA process will be implemented.



### III. BILLING DEPARTMENT

One of the Company's key objectives is to enhance the customer service experience through improved billing (e.g., accuracy). To achieve this objective, the Company plans to increase the current staffing level of its audit representatives, assemble a cross functional team to review and prioritize processes, cross-train audit representatives, develop a new QA process, and formalize new hire and existing employee training.

### IV. CREDIT AND COLLECTIONS

The Company is modifying its existing approach to credit and collections in the following ways to achieve enhanced customer satisfaction:

- Improving collections efforts prior to customer severance;
- Relocating field collection work and resources to Folsom to operate more efficiently;
- Increase customer communication of assistance programs (see Outreach Plan for Energy Assistance Programs attached hereto as Appendix A);
- Establish cross-functional team to ensure implementation of the Outreach Plan for Energy Assistance Programs;
- Develop collections metrics and internal reporting requirements;
- Develop outbound dialer for collection campaigns; and
- Develop and Implement system changes to track and report on assistance programs, payment arrangements and defaults on payment arrangements, by municipality.

The Company anticipates completion of these efforts in the first quarter of 2018.

### V. WALK-IN CENTERS

The Company intends to not only enhance the look and feel of its Walk-In Centers, but also ensure proper staffing, technology, and accessibility to its customers. Specifically, the Company plans to rename and rebrand its Walk-In Centers. The Company also plans to remodel the existing facilities to improve the customer experience when transacting business with the Company. The Company plans to add technology, including added computers for staff to provide real time training to customers related to the Company's online customer assistance programs and services.

To provide more accessibility to its customers, the Company is modifying the existing hours of operation at its Walk-In Centers from 9:00 AM - 3:30 PM, to 8:30 AM - 4:00 PM. Additional CSR personnel will also be added to the Company's highest volume centers including Cumberland, Pleasantville and Glassboro. Pertinent communication materials, including customer assistance program materials, will also be available at the centers. The Company also plans to implement new training, communication and QA practices at the Walk-In Centers.





## VI. CONTACT CENTER METRICS AND REPORTING

In order to maximize and continuously improve its front and back office operations, the Company plans to enhance its monitoring practices and frequency to ensure its ability to continuously satisfy metrics and reporting requirements. Specifically, the Company plans to document all metrics and associated reporting requirements for the new workforce management system, utilize metrics to identify trends (e.g., average speed of answer), and add new metrics not currently tracked by the call center (e.g., reporting by call center (Folsom and Atlanta); average call volume per day; first-contact resolution (FCR); Interactive Voice Response (IVR) call containment; and average call volume by type).

## VII. COMPLAINT MANAGEMENT

The Company plans to implement an enhanced complaint handling and reporting process including designating an "Escalated Complaints"<sup>1</sup> team to handle and document all complaints from receipt to resolution. These positions have been posted and the new processes will be implemented once filled. In addition, the Company plans to develop and implement new reporting requirements for Escalated Complaints and communicate these requirements internally to ensure effective new process implementation and employee understanding.

## VIII. Customer Satisfaction Survey

In order to make informed decisions and continuously improve customer service, the Company plans to develop and implement a customer satisfaction survey (CSAT) prior to year-end. The 2017 baseline CSAT data will be used by the Company to establish satisfaction targets for 2018 and beyond and to achieve year over year reduction of customer complaints. Additional customer surveys will be developed and implemented to actively gather customer insights and feedback across the organization.

## IX. TECHNOLOGY

The Company's Plan includes enhancing its IVR from a functionality and usability standpoint. These enhancements will include improved menu organization and wording; consistent voice across IVR options for both English and Spanish speaking customers; post-call IVR survey; and an assessment of natural language for future implementation. The Company plans to implement these enhancements over the next 12 months.

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<sup>1</sup> "Escalated Complaints" is defined to include escalated issues from contact centers, BPU complaints; and complaints received in other areas of the Company or through social media.



## X. CONCLUSION

This Plan is dynamic. As such, this Plan may be modified on a continuous basis, in collaboration with Rate Counsel and Board Staff, to ensure ongoing enhancement of the Company's customer service goals and objectives. The Company anticipates that through these enumerated enhancements, it will continue to see improvements to its customer experience and ultimately achieve its goal of "best-in-class" service.



South Jersey Gas

South Jersey Gas Company  
Outreach Plan for  
Energy Assistance Programs, 2017-2018

- I. Participation in outreach events throughout South Jersey Gas' service territory.
  - South Jersey Gas will attend and provide utility assistance information at community events and promote programs available to customers. Specifically, South Jersey will:
    - Attend 8 job fair events throughout the year and include assistance information; and
    - Organize and provide utility assistance program information at all company-sponsored community events, totaling approximately 20 events per year.
  
- II. Partner with Atlantic City Electric to plan utility assistance programs.
  
- III. Partner on events with non-governmental organizations to promote available programs.

South Jersey Gas will:

  - Participate with United Way twice yearly; and
  - Provide utility assistance information to all non-profit organizations South Jersey Gas partners with for charitable giving including, 15 specific groups from across SJG's service territory (e.g., Salem County Meals on Wheels, Family Services of Atlantic County, and Gloucester County NAACP).
  
- IV. Distribute program communications to customers.

South Jersey Gas commits to:

  - Publish four (4) quarterly promotions to highlight the various programs available through south Jersey Gas' website (home page plus interior pages), Facebook and Twitter, customer communications (inserts and/or emails), and press releases to local media (20 touchpoints total);
  - Educate South Jersey Gas employees quarterly regarding these programs through internal website stories plus provide talking points to Division managers for use during field staff briefings (8 total);
  - Specifically target moratorium dates in November and March to spotlight financial assistance program information to all customers and where possible to a target group of customers (2 times); and

- Insert seven (7) communications pieces into all customers' monthly bills over the course of the year (or provide the information by email if requested and available) detailing information on utility assistance programs.

V. Communicate to customers facing disconnection.

In order to more effectively commute with customers facing disconnection, South Jersey will:

- Issue two (2) communication alerts to customers who maintain outstanding balances owed in their monthly bill cautioning them to take steps and consider programs to avoid any potential loss of service.
- Distribute door hangers with the assistance information and phone numbers to all customers noticed for service discontinuation.

VI. Promote and make timely updates to South Jersey Gas' webpage detailing utility assistance programs

- <https://www.southjersevgas.com/Manage-My-Account/Financial-Assistance.aspx>

VII. Awareness Campaign in coordination with Counties and Municipalities

- South Jersey Gas will promote available programs through direct mail to all Mayors. Specifically, South Jersey will:
  - Include utility assistance information in letter on annual survey for notice of involuntary disconnection with municipalities; and
  - Provide sample social media posts and press releases with elected officials in SJG's service territory.
- South Jersey will further conduct outreach and provide assistance information to the Aging and Disability Resource Connection in each county within the service territory.
- South Jersey Gas will attend and promote awareness at LIHEAP conference sponsored by the NJ Department of Community Affairs.