



Agenda Date: 4/21/17

Agenda Item: 2F

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
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 TO REVISE THE LEVEL)	APPROVING INITIAL DECISION
OF ITS BASIC GAS SUPPLY SERVICE ("BGSS"))	AND STIPULATION FOR FINAL
CHARGE AND TO REVISE THE LEVEL OF ITS)	BGSS AND CIP RATES
CONSERVATION INCENTIVE PROGRAM ("CIP"))	
CHARGES FOR THE YEAR ENDING)	BPU DOCKET NO. GR16060483
SEPTEMBER 30, 2017)	OAL DOCKET NO. PUC 17489-16

Parties of Record:

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

BY THE BOARD:

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

BACKGROUND

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

¹ In re the Board Review I/M/O the Provision of Basic Gas Supply Service Pursuant to the Electric Discount and Energy Act, N.J.S.A. 48:3-49 et seq. – BGSS Pricing, BPU Docket No. GX01050304, Order dated January 6, 2003.

In accordance with the January 2003 BGSS Order, on June 1, 2016, the Company filed with the Board its annual petition ("Petition") to change its Periodic BGSS rate per therm from \$0.529214 to \$0.354703.² The bill impact on a residential heating customer using 1000 therms annually would be a decrease of \$175.00 or 14.5%. This proposed changes translated to a decrease in annual BGSS recoveries of \$43.9 million.

In the Petition, the Company also requested the following rate revisions:

- i) A decrease in the gas cost portion of the Company's D-2³ charge per Mcf for Rate Schedule Large Volume Service ("LVS") from \$16.545047 to \$15.958901.
- ii) No change is to be made to the gas cost portion of the Firm D-2 charge per Mcf for Rate Schedule Electric Generation Service – Large Volume ("EGS-LV") which is to remain unchanged at \$15.581692.
- iii) A decrease in the gas cost portion of the Limited Firm D-2 and Firm D-2 charges per Mcf for Rate Schedules EGS-LV and Firm Electric Service ("FES") from \$8.272524 Mcf to \$7.979450 Mcf.
- iv) An increase in the monthly BGSS non-commodity per therm rate applicable to Rate Schedules GSG, General Service – Large Volume ("GSG-LV"), Electric Generation Service ("EGS"), LVS, EGS-LV, and Natural Gas Vehicle ("NGV") from \$0.133252 to \$0.138898.

The Petition also called for the following changes to the Company's per therm Conservation Incentive Program ("CIP")⁴ rates:

- i) A change from a credit of \$0.099971 to a charge of \$0.026628 for residential ("RSG") non-heating customers.
- ii) A change from a credit of \$0.058946 to a charge of \$0.073013 for RSG heating customers.
- iii) A change from a credit of \$0.031700 to a charge of \$0.058332 for GSG customers.
- iv) A change from a credit of \$0.025487 to a charge of \$0.017676 for GSG-LV customers.

² All rates quoted include sales and use tax ("SUT"). On November 14, 2016, the Board issued a Secretary's Letter under Docket No. ER16111054, for all New Jersey electric and gas utilities, pursuant to P.L. 2016, c. 57, that the SUT to be charged to customers for utility service had been changed from 7.0% to 6.875% effective January 1, 2017.

³ Designed to recover interstate pipeline demand charges.

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

Pursuant to the Petition, the proposed changes in the Company's CIP rates resulted in a net increase of approximately \$132.00 (11.0%) for a residential heating customer using 1000 therms annually. The proposed changes translated to an increase in annual CIP recoveries of \$43.3 million.

The combined proposed changes in the Company's BGSS and CIP rates would result in a net decrease of approximately \$43.00 or 3.5% for the average residential heating customer using 1000 therms annually.

After publication of notice in newspapers of general circulation in SJG's service territory, two public hearings in this matter were held on August 22, 2016, in Voorhees, New Jersey. No members of the public appeared or filed comments related to the Company's filing.

On September 23, 2016 the Board issued an Order ("September 2016 Provisional Order") in this docket approving a stipulation executed by the Parties. The September 2016 Provisional Order authorized SJG to implement the Petition BGSS and CIP rates on a provisional basis, subject to refund, effective October 1, 2016.

On November 16, 2016, the Petition was transmitted to the Office of Administrative Law and assigned to ALJ Jones for hearing as a contested case.

STIPULATION

Following further review and discussions, on March 23, 2017, the Parties executed the Stipulation. The Stipulation provides for the following:⁵

14. The Parties have determined that it is reasonable and in the public interest to make final the provisional BGSS and CIP rates previously approved by the Board in the September 2016 Provisional Order.
15. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges are required to be offset by reductions in BGSS costs. Subsequently, pursuant to the Board's May 21, 2014 Order in Docket No. GR13030185 approving the continuation of the CIP, CIP non-weather related margin recoveries are subject to a Modified BGSS Savings Test with three (3) categories of BGSS savings: (1) permanent savings achieved through permanent capacity releases; (2) gas cost savings from reductions of capacity on a long-term basis; i.e. for periods of at least one (1) year; and (3) savings associated with avoided capacity costs to meet residential customer growth.
16. Also pursuant to the Board's Order in Docket No. GR13030185, a Variable Margin Revenue Test was established, under which recoverable non-weather CIP amounts shall not exceed 6.5 percent of aggregate variable margin revenues.

⁵ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Each paragraph is numbered to coincide with the paragraphs in the Stipulation.

17. The Company seeks to recover an estimated total of \$27.7 million of CIP related margin, of which \$21.9 million is weather-related margin revenues. The weather-related component of the CIP is recovered through the CIP. However, this portion is not subject to the Modified BGSS Savings Test.
18. In computing the non-weather CIP value, the margin impact of weather is first to be deducted from the total CIP charge or credit. The non-weather related CIP component shall be subject to a dual eligibility test comprised of the Modified BGSS Savings Test and a Margin Revenue Test established in the CIP Continuation Stipulation. In order to be eligible for recovery, non-weather related CIP impacts must pass both cost recovery tests. Amounts that do not pass one or both tests may still be recoverable in future years.
19. SJG's non-weather related margin is \$5.8 million. This was established by subtracting the weather related component of \$21.9 million, from the total CIP amount of \$27.7 million. Thus, SJG seeks to recover total non-weather related margin revenue through the CIP totaling \$5.8 million.
20. SJG's permanent BGSS savings realized from the permanent capacity releases or contract terminations (Category One of the Modified BGSS Savings Test) total \$2.2 million per year. BGSS savings realized from gas cost savings from reductions of capacity on a long-term basis (Category Two of the Modified BGSS Savings Test) total \$6.1 million. BGSS savings realized from avoided capacity costs to meet residential customer growth (Category Three of the Modified BGSS Savings Test) total \$260,288. Therefore, the total BGSS savings for the 2016-2017 CIP year is \$8.6 million. This amount exceeds the \$5.8 million of non-weather related margin revenue that will be recovered through the CIP, thus the Modified BGSS Savings Test has been met.
21. SJG's non-weather related margin of \$5.8 million does not exceed 6.5% of aggregate variable revenues of \$181,697,880, or \$11,810,362, thus the Variable Margin Revenue test has been met.
22. Rider M of the Company's tariff contains a Board approved Return-On-Equity ("ROE") limitation on recoveries from customers pursuant to the CIP, consistent with SJG's former Temperature Adjustment Clause ("TAC") ("ROE Test"). Under this provision, the CIP may not contribute towards earnings in excess of a 9.75% ROE. After recovery of the CIP margin revenues, South Jersey's ROE for the period October 1, 2015 through September 30, 2016 was 7.71%. As a result, the ROE test will not act as a limitation on SJG's recovery through the CIP for the forthcoming 2016-2017 CIP year.
23. The Parties agree that the provisional BGSS and CIP rates contained in the Stipulation approved by the Board's Provisional Rates Order should be made final. There will be no change in SJG's rates as a result of the Stipulation.
24. SJG recognizes that it is currently in an over-recovered position. SJG shall implement a bill credit as of May 31, 2017, or sooner, to eliminate the over-recovery.

25. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) attached hereto as Exhibit A; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached to the Stipulation as Exhibit B). The chart reflected on Exhibit A of the Stipulation is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B of the Stipulation is to be submitted to the Parties on approximately the 15th of the following month.

On March 29, 2017, ALJ Jones issued an Initial Decision adopting the Stipulation, finding that the Parties voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDINGS

Having reviewed the Stipulation and the Initial Decision, and being persuaded that the Parties have thoroughly reviewed the costs for the period at issue, the Board **HEREBY FINDS** that, subject to the terms and conditions set forth below, the attached Initial Decision and Stipulation are reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation in their entirety and **HEREBY INCORPORATES** their terms and conditions as if fully set forth herein.

Therefore, the Board **HEREBY APPROVES**, as final, the Company's per therm BGSS rate of \$0.354703. Furthermore, the Board **HEREBY APPROVES** the following rates as final:

- i) \$15.958901 per Mcf for the gas cost portion of the D-2 charge for Rate Schedule LVS;
- ii) \$15.581692 per Mcf for the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV;
- iii) \$7.979450 per Mcf for the Limited Firm D-2 charge for Rate Schedule EGS-LV, and the D-2 charge for Rate Schedule FES; and
- iv) \$0.138898 per therm for the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV.

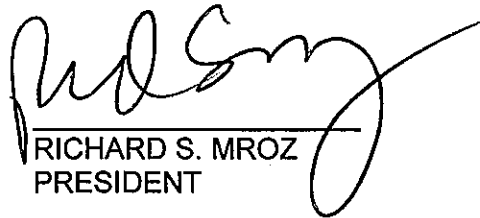
The Board also **HEREBY APPROVES** as final the following per therm CIP rates: \$0.026628 for RSG non-heating customers, \$0.073013 for RSG heating customers, \$0.058332 for GSG customers, and \$0.017676 for GSG - LV customers. The Board **HEREBY ORDERS** SJG to file tariffs consistent with the Board's Order within five (5) days of service of this Order.

The Company's costs, including those related to BGSS and CIP, remain subject to audit. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective May 1, 2017.

DATED: 4/24/17

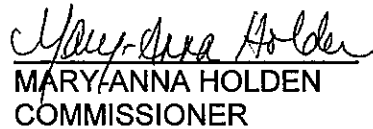
BOARD OF PUBLIC UTILITIES
BY:



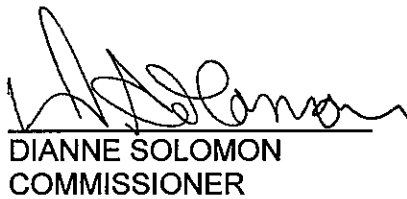
RICHARD S. MROZ
PRESIDENT



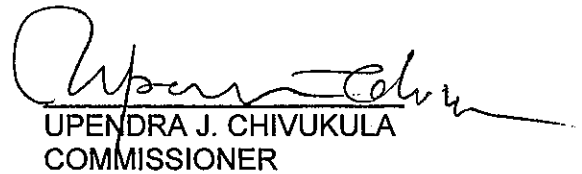
JOSEPH L. FIORDALISO
COMMISSIONER



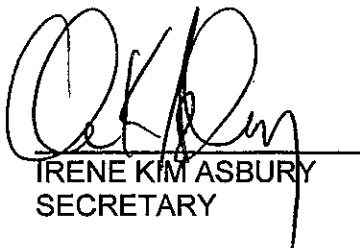
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

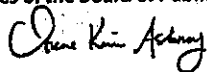


UPENDRA J. CHIVUKULA
COMMISSIONER

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 to Revise the Level of its Basic Gas Supply Service ("BGSS") Charge and to Revise the Level of its Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2017
BPU Docket GR16060483; OAL Docket No. PUC 17489-16

SERVICE LIST

Ira G. Megdal, Esq.
Cozen O'Connor
Liberty View, Suite 300
457 Haddonfield Road
Cherry Hill, NJ 08002
imegdal@cozen.com

Stacy A. Mitchell, Esq.
Regulatory Affairs Counsel
South Jersey Gas Company
One South Jersey Plaza, Route 54
Folsom, NJ 08037
smitchell@sjindustries.com

Steven R. Cocchi
Regulatory Affairs Counsel
South Jersey Gas Company
One South Jersey Plaza, Route 54
Folsom, NJ 08037
scocchi@sjindustries.com

Stefanie A. Brand, Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
ftthomas@rpa.state.nj.us

Henry M. Ogden, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
hogden@rpa.state.nj.us

Irene Kim Asbury, Esq.
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
irene.asbury@bpu.nj.gov

Thomas Walker, Director
Division of Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
thomas.walker@bpu.nj.gov

Stacy Peterson, Deputy Director
Division of Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
stacy.peterson@bpu.nj.gov

Robert Schultheis, Bureau Chief
Division of Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
robert.schultheis@bpu.nj.gov

Oneil Hamilton
Division of Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
oneil.hamilton@bpu.nj.gov

James Glassen, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
jglassen@rpa.state.nj.us

Geoffrey Gersten, DAG
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-5029
geoffrey.gersten@dol.lps.state.nj.us

Veronica Beke, DAG
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-5029
veronica.beke@dol.lps.state.nj.us

Alex Moreau, DAG
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-5029
alex.moreau@dol.lps.state.nj.us

Beverly Tyndell
Division of Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
beverly.tyndell@bpu.nj.gov

Megan Lupo, Esq.
Counsel's Office
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
megan.lupo@bpu.nj.gov

Valerie Haynes, Chief
Office of Case Management
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
valerie.haynes@bpu.nj.gov



State of New Jersey

OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 17489-16

AGENCY DKT. NO. GR16060483

**I/M/O THE PETITION OF SOUTH JERSEY
GAS COMPANY TO REVISE THE LEVEL OF
ITS BASIC GAS SUPPLY SERVICE ("BGSS")
CHARGE AND TO REVISE THE LEVEL OF ITS
CONSERVATION INCENTIVE PROGRAM ("CIP")
FOR THE YEAR ENDING SEPTEMBER 30, 2017**

Stacy A. Mitchell, Esq., Regulatory Affairs Counsel for petitioner South Jersey
Gas Company

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, **Henry M. Ogden, Esq.**,
Assistant Deputy Rate Counsel, and **Maura Caroselli, Esq.**, Assistant
Deputy Rate Counsel for respondent, The New Jersey Division of Rate
Counsel ("Rate Counsel") (Stephanie A. Brand, Director)

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

Record Closed: March 27, 2017

Decided: March 29, 2017

BEFORE IRENE JONES, ALJ t/a:

On June 1, 2016, petitioner, South Jersey Gas Company or "Company") filed a petition with the Board of Public Utilities (BPU) requesting should a decrease in the level of its periodic Basic Gas Supply Service ("BGSS") Commodity Charge from its current level of \$0.529214 per therm to \$0.354703 per therm a reduction of \$17.45 or 14.5% for a residential heating customer using 100 therm of gas per month. The petition also sought other changes in the BGSS rate schedules. The overall propose changes would result in a decrease in annual BGSS revenues of \$27.04 million, including taxes.

Additionally, the company proposed to increase its Conservative Incentive Program ("CIP") rates as set forth in the petition. As proposed, the net annual revenue change to the Company's revenues from the BGSS and CIP revisions would result in a net decrease of 3.5% or \$4.25 per month for a customer using 100 therm per month.

On August 22, 2016 public hearings were held in Voorhees.

Subsequently, the parties met and agreed to a provisional settlement. On September 23, 2016, a Board Order issued that approved, on a provisional basis, the Company's proposed BGSS and CIP rates. The provisional rates decreased the BGSS rate to \$0.354703 per therm (including taxes). Other rate schedule changes were also approved by the Board. The CIP rates were also changed, provisionally, as set forth in the attached stipulation.

On November 17, 2016, the matter was transmitted to the Office of Administrative Law for determination as a contested case pursuant to N.J.S.A. 52:14F-1 to 13. A telephone prehearing conference was held on December 8, 2016. An evidentiary hearing was scheduled for April 20, 21, 2017, but adjourned because the parties agreed to settle the matter. A Stipulation of Settlement was filed on March 27, 2017.

I have reviewed the record and terms of the Stipulation of Settlement and **FIND:**

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

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and is hereby concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

March 29, 2017

DATE

IRENE JONES, ALJ

Date Received at Agency: _____

Date Mailed to Parties: _____

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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO REVISE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE ("BGSS") CHARGE AND TO REVISE THE LEVEL OF ITS CONSERVATION INCENTIVE PROGRAM ("CIP") CHARGES FOR THE YEAR ENDING SEPTEMBER 30, 2017 : BPU DOCKET NO. GR16060483 : OAL DOCKET NO. PUC 17489-16 : STIPULATION FOR FINAL BGSS AND CIP RATES

APPEARANCES:

Stacy A. Mitchell, Esq., Regulatory Affairs Counsel, for Petitioner, South Jersey Gas Company.

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

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. This Stipulation is intended to make final the provisional Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") rates previously approved by the New Jersey Board of Public Utilities (the "Board") on September 23, 2016 in Docket No. GR16060483 (this "Proceeding").

2. On June 1, 2016, South Jersey Gas Company ("South Jersey," or "Company," or "Petitioner") filed a Petition ("Petition"), in Docket No. GR16060483, requesting that the Board of Public Utilities ("Board") approve the Company's proposal to decrease the level of its BGSS charges and to revise the level of its CIP charges for the period October 1, 2016 through

September 30, 2017 ("BGSS/CIP Year"). The Company requested that the Board approve the Company's proposal to decrease the current level of its Periodic BGSS per-therm charge of \$0.529214 to \$0.354703, a decrease of \$17.45, or 14.5%, for a residential heating customer using 100 therms of gas during a winter month.

3. Within the Petition and related entirely to the BGSS, South Jersey request that the Board authorize the following: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$15.958901 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm will remain unchanged at \$15.581692 per Mcf (including taxes); 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES be set at \$7.979450 per Mcf (including taxes); and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS, EGS-LV and NGV be set at \$0.138898 per therm (including taxes).

4. These proposed changes translated to a decrease in annual BGSS recoveries of \$43.9 million.

5. Related to the CIP, within the Petition, South Jersey also requested that the Board approve the implementation of the following per therm CIP factors, effective October 1, 2016:

- \$0.026628 for Group I Residential Non-Heat customers;
- \$0.073013 for Group II Residential Heat customers;
- \$0.058332 for Group III General Service (GSG) customers; and
- \$0.017676 for Group IV General Service Large Volume (GSG-LV) customers.

6. The requested CIP rates would result in a monthly increase of \$13.20, or 11.0%, for a residential heating customer using 100 therms of gas during a winter month. The proposed bill impact on a residential non-heating customer using 15 therms of gas during a month is an increase of \$1.90, or 7.4%. The proposed bill impact on a GSG customer using 500 therms of gas during a month is an increase of \$45.02, or 8.3%. The proposed bill impact on a GSG-LV customer using 15,646 therms of gas a month is an increase of \$675.33, or 6.0%.

7. As proposed, these rates translate to an increase in annual CIP recoveries of \$43.3 million.

8. The combined proposed changes in the Company's BGSS and CIP rates would result in a net decrease of approximately 3.5% or \$4.25 per month for the average residential heating customer using 100 therms during the month.

9. Two duly noticed public hearings on the Petition were held on August 22, 2016 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public were in attendance.

10. By Order and Decision dated September 23, 2016 (the "Provisional Rates Order"), the Board approved, on a provisional basis, the BGSS and CIP rates proposed in this Proceeding. Included in the Order was Board approval of the following, as requested by the Company: (1) a decrease to its per therm Periodic BGSS rate to \$0.354703 (including taxes); (2) a decrease to the gas cost portion of the D-2 charge for Rate Schedule LVS -to \$15.958901 per Mcf (including taxes); (3) the gas cost portion of its Firm D-2 charge for Rate Schedule EGS-LV Firm to remain unchanged at \$15.581692 per Mcf (including taxes); a decrease to the gas portion

of its Limited Firm D-2 charge for Rate Schedule EGS-LV and the Firm D-2 charge for Rate Schedule FES to \$7.979450 (including taxes); and an increase to the per therm Monthly BGSS non-commodity rate to \$0.138898 (including taxes) for Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

11. The Provisional Rates Order further approved, on a provisional basis, the Company's implementation of the following per therm CIP rates: (1) \$0.026628 for RSG non-heating customers; (2) \$0.073031 for RSG heating customers; (3) \$0.058332 for GSG customers; and (4) \$0.017676 for GSG-LV customers.

12. All changes to the Company's BGSS and CIP rates became effective, on a provisional basis, for service rendered on or after October 1, 2016.

13. As of the date of this Stipulation for Final BGSS and CIP Rates, all discovery that has been propounded upon Petitioner has been responded to by Petitioner, as it relates to this Proceeding.

II. STIPULATED TERMS

14. The parties to this Proceeding, including South Jersey, Rate Counsel and Board Staff (collectively, the "Parties"), have discussed certain matters at issue in this Proceeding. The Parties have determined that it is reasonable and in the public interest to make final the provisional BGSS and CIP rates previously approved by the Board in the Provisional Rate Order.

15. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges are required to be offset by

reductions in BGSS costs. Subsequently, pursuant to the Board's May 21, 2014 Order in Docket No. GR13030185 approving the continuation of the CIP, CIP non-weather related margin recoveries are subject to a Modified BGSS Savings Test with three categories of BGSS Savings: (1) permanent savings achieved through permanent capacity releases; (2) gas cost savings from reductions of capacity on a long-term basis; i.e. for periods of at least one year; and (3) savings associated with avoided capacity costs to meet residential customer growth.

16. Also pursuant to the Board's Order in Docket No. GR13030185, a Variable Margin Revenue Test was established, under which recoverable non-weather CIP amounts shall not exceed 6.5 percent of aggregate variable margin revenues.

17. The Company seeks to recover an estimated total of \$27.7 million of CIP related margin, of which \$21.9 million is weather-related margin revenues. The weather-related component of the CIP is recovered through the CIP. However, this portion is not subject to the Modified BGSS Savings Test.

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

19. South Jersey's non-weather related margin is \$5.8 million. This was established by subtracting the weather related component of \$21.9 million, from the total CIP amount of

\$27.7 million. Thus, South Jersey seeks to recover total non-weather related margin revenue through the CIP totaling \$5.8 million.

20. South Jersey's permanent BGSS savings realized from the permanent capacity releases or contract terminations (Category One of the Modified BGSS Savings Test) total \$2.2 million per year. BGSS savings realized from gas cost savings from reductions of capacity on a long-term basis (Category Two of the Modified BGSS Savings Test) total \$6.1 million. BGSS savings realized from avoided capacity costs to meet residential customer growth (Category Three of the Modified BGSS Savings Test) total \$260,288. Therefore, the total BGSS savings for the 2016-2017 CIP year is \$8.6 million. This amount exceeds the \$5.8 million of non-weather related margin revenue that will be recovered through the CIP, thus the Modified BGSS Savings Test has been met.

21. South Jersey's non-weather related margin of \$5.8 million does not exceed 6.5% of aggregate variable revenues of \$181,697,880, or \$11,810,362, thus the Variable Margin Revenue test has been met.

22. Rider M of South Jersey's tariff contains a Board approved Return-On-Equity ("ROE") limitation on recoveries from customers pursuant to the CIP, consistent with South Jersey's former Temperature Adjustment Clause ("TAC") (the "ROE Test"). Under this provision, the CIP may not contribute towards earnings in excess of a 9.75% ROE. After recovery of the CIP margin revenues, South Jersey's ROE for the period October 1, 2015 through September 30, 2016 was 7.71%. As a result, the ROE test will not act as a limitation on South Jersey's recovery through the CIP for the forthcoming 2016-2017 CIP year.

23. The Parties agree that the provisional BGSS and CIP rates contained in the Stipulation approved by the Board's Provisional Rates Order should be made final. There will be no change in South Jersey's rates as a result of this Stipulation.¹

24. South Jersey recognizes that it is currently in an over-recovered position. South Jersey shall implement a bill credit as of May 31, 2017, or sooner, to eliminate the over-recovery.

25. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) attached hereto as Exhibit A; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm (attached hereto as Exhibit B). The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month.

III. MISCELLANEOUS

26. 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

¹ Pursuant to P.L. 2016, c. 57, the New Jersey Sales and Use Tax ("SUT") to be charged to customers for utility service has been changed from 7 percent to 6.875 percent effective January 1, 2017. All sales on and after the effective date are to have the new rate applied. Accordingly, the Company has implemented the 6.875 percent SUT rate as of January 1, 2017, making the necessary changes to all of rates and tariffs to reflect that decrease. As provisional rates were inclusive of SUT, final rates shall reflect the change in SUT effective January 1, 2017.

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.

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

28. 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. Attached to this Stipulation are proposed tariff sheets to implement the terms of this Stipulation.

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


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

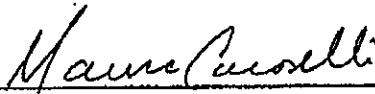
By:


Stacy A. Mitchell, Esq.
Regulatory Affairs Counsel

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

By: 
Veronica Beke
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Maura Caroselli, Esq.
Assistant Deputy Rate Counsel

Dated: March 2³~~2~~, 2017

GR 16060483
PUC 17489-16

EXHIBIT A

S-SCHART-1
BGSS NYMEX Update Report
As of February 3, 2017

EXHIBIT A

Month	a BGSS	b NYMEX	c = b - a Incr/ (Decr)	% Chg	d Sales forecast (dths)	e Hedged volume (dths)	f = d - e Unhedged volume (dths)	g = c x f Change in value unhedged
Oct-15	\$ 2,919	\$ 2,563	\$ (0,356)		1,070,153	475,000	595,153	(\$211,874)
Nov-15	\$ 3,021	\$ 2,033	\$ (0,988)		2,492,384	1,313,546	1,178,838	(\$1,164,692)
Dec-15	\$ 3,196	\$ 2,206	\$ (0,990)		4,205,186	2,348,459	1,856,727	(\$1,838,160)
Jan-16	\$ 3,306	\$ 2,372	\$ (0,934)		4,890,462	3,246,611	1,643,851	(\$1,535,357)
Feb-16	\$ 3,295	\$ 2,189	\$ (1,106)		4,162,171	2,761,623	1,400,548	(\$1,549,006)
Mar-16	\$ 3,245	\$ 1,711	\$ (1,534)		3,293,752	1,574,139	1,719,613	(\$2,637,886)
Apr-16	\$ 3,083	\$ 1,903	\$ (1,180)		1,493,092	495,000	998,092	(\$1,177,749)
May-16	\$ 3,083	\$ 1,995	\$ (1,088)		813,576	500,000	313,576	(\$341,171)
Jun-16	\$ 3,112	\$ 1,963	\$ (1,149)		553,667	480,000	73,667	(\$84,643)
Jul-16	\$ 3,147	\$ 2,917	\$ (0,230)		542,339	500,000	42,339	(\$9,738)
Aug-16	\$ 3,153	\$ 2,672	\$ (0,481)		553,864	500,000	53,864	(\$25,909)
Sep-16	\$ 3,145	\$ 2,853	\$ (0,373)		602,835	500,000	102,835	(\$38,357)
Avg Total \$	\$ 3,142	\$ 2,281	\$ (0,861)	-27.4%	24,673,481	14,694,378	9,979,103	(\$10,614,542)
Oct-16	\$ 2,459	\$ 2,952	\$ 0,493		1,370,119	500,000	870,119	\$428,969
Nov-16	\$ 2,672	\$ 2,764	\$ 0,092		2,890,862	1,242,199	1,648,663	\$151,677
Dec-16	\$ 2,965	\$ 3,232	\$ 0,267		4,676,835	2,087,546	2,589,289	\$691,340
Jan-17	\$ 3,096	\$ 3,930	\$ 0,834		5,274,932	3,627,247	1,647,685	\$1,374,169
Feb-17	\$ 3,089	\$ 3,391	\$ 0,302		4,612,659	3,032,763	1,579,896	\$477,129
Mar-17	\$ 3,039	\$ 3,063	\$ 0,024		3,582,350	1,808,337	1,774,013	\$42,576
Apr-17	\$ 2,850	\$ 3,116	\$ 0,266		1,810,968	470,000	1,340,968	\$356,697
May-17	\$ 2,835	\$ 3,159	\$ 0,324		945,586	480,000	465,586	\$150,850
Jun-17	\$ 2,865	\$ 3,209	\$ 0,344		603,104	480,000	123,104	\$42,348
Jul-17	\$ 2,900	\$ 3,253	\$ 0,353		590,928	470,000	120,928	\$42,688
Aug-17	\$ 2,909	\$ 3,260	\$ 0,351		612,419	460,000	152,419	\$53,499
Sep-17	\$ 2,905	\$ 3,242	\$ 0,337		611,725	425,000	186,725	\$62,926
Avg Total \$	\$ 2,882	\$ 3,214	\$ 0,332	11.5%	27,582,487	15,083,092	12,499,395	\$3,874,868

Footnotes:

- a : Nymex rate used for annual BGSS periodic rate filing
- b : Nymex rate as of date of the report
- c : Increase/Decrease in the Nymex rate compared to rate used for annual BGSS periodic rate filing
- d : Sales forecast (includes fuel requirement)
- e : 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)
- f : 'Unhedged' volume consists of sales volume forecast less 'hedged' volume
- g : Not necessarily representative of a change in under/over-recovery value

EXHIBIT B

South Jersey Gas Company
Calculation of Net Cost of Gas Per Therm

	Actual Oct-15	Actual Nov-15	Actual Dec-15	Actual Jan-16	Actual Feb-16	Actual Mar-16	Actual Apr-16	Actual May-16	Actual Jun-16	Actual Jul-16	Actual Aug-16	Actual Sep-16	Total
1 NYMEX - 5/1/016 - Included in BGSS Filing	\$2,459	\$2,672	\$2,965	\$3,096	\$3,089	\$3,039	\$2,850	\$2,835	\$2,865	\$2,900	\$2,909	\$2,905	\$2,905
2 NYMEX - Actual Settlement	\$2,952	\$2,764	\$3,232	\$3,930	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000
3 Breakdown of Gross Cost of Gas Per Therm:													
4 Flowing Gas Cost	0.5868	0.4121	0.3412	0.2574	0.2442	0.2201	0.2004	0.2557	0.3511	0.4928	0.5111	0.3931	0.2857
5 Gas Withdrawn From Storage Cost	0.0323	0.0964	0.0907	0.0812	0.0833	0.0428	0.0195	0.0000	0.0000	0.0000	0.0000	0.0000	0.0561
6 Hedged Volumes Delivered Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7 Pipeline Demand Cost	0.6347	0.5299	0.1479	0.0945	0.0880	0.1004	0.1476	0.3080	0.4752	0.7233	0.7076	0.6484	0.1993
8 Storage Demand Cost	0.0055	0.0023	0.0020	0.0017	0.0061	0.0007	0.0026	0.0047	0.0070	0.0104	0.0102	0.0092	0.0035
9 Peaking Cost	0.0133	0.0026	0.0190	0.0092	0.0127	0.0110	0.0020	0.0042	0.0056	0.0096	0.0096	0.0090	0.0100
10 Weighted Average Fuel Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
11 Variable Pipeline Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
12 Other Costs	0.0138	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0004
13 Total Gross Cost of Gas Per Therm	\$1,2564	\$0,8433	\$0,6008	\$0,4440	\$0,4543	\$0,3748	\$0,3722	\$0,5726	\$0,8379	\$1,2363	\$1,2385	\$1,0497	\$0,5550
14													
15													
16													
17													
18 NYMEX - Actual Settlement	\$2,563	\$2,033	\$2,206	\$2,372	\$2,189	\$1,711	\$1,903	\$1,995	\$1,963	\$2,917	\$2,672	\$3,957	\$3,957
19 Breakdown of Gross Cost of Gas Per Therm:													
20 Flowing Gas Cost	0.8258	0.5719	0.3816	1.3263	0.5446	0.5052	0.2724	0.2891	0.4540	0.6402	0.5647	0.5455	0.6038
21 Gas Withdrawn From Storage Cost	0.0705	0.2973	0.1692	0.1747	0.1210	0.1047	0.0152	0.0064	0.0011	0.0030	0.0738	0.1076	0.1172
22 Hedged Volumes Delivered Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
23 Pipeline Demand Cost	0.5976	0.2395	0.1190	0.1310	0.0396	0.0728	0.1071	0.2255	0.4967	0.5940	0.6154	0.6264	0.1578
24 Storage Demand Cost	0.0050	0.0103	0.0011	0.0011	0.0045	0.0015	0.0034	0.0047	0.0086	0.0105	0.0083	0.0089	0.0026
25 Peaking Cost	0.0189	0.0251	0.0036	0.0452	0.0198	0.0152	0.0082	0.0149	0.0277	0.0369	0.0433	0.0206	0.0026
26 Weighted Average Fuel Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
27 Variable Pipeline Cost	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
28 Other Costs	0.0082	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
29 Total Gross Cost of Gas Per Therm	\$1,5260	\$1,1441	\$0,6746	\$1,6817	\$0,7176	\$0,6994	\$0,4063	\$0,5445	\$1,0637	\$1,3120	\$1,3055	\$1,5665	\$0,9663

Footnotes:
 Flowing Gas Cost = Gas purchased for delivery to city gate during month - not injected into storage
 Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawal, fees, line loss
 Hedged Volumes Delivered Cost = Hedged Volumes delivered to city gate - not injected into storage
 Pipeline Demand Cost = Fixed Pipeline costs
 Storage Demand Cost = Fixed Storage related costs
 Peaking Cost = Peaking Cost includes peaking services, LNG, Propane, etc....
 Weighted Average Fuel Cost = Commodity x fuel % for each pipeline - represents portion of gas shipped that is retained by pipeline
 Variable Pipeline Cost = Pipeline Charge per therm shipped

South Jersey Gas Company
Calculation of Net Cost of Gas Per Therm

	Actual Oct-16	Actual Nov-16	Actual Dec-16	Actual Jan-17	Projected Feb-17	Projected Mar-17	Projected Apr-17	Projected May-17	Projected Jun-17	Projected Jul-17	Projected Aug-17	Projected Sep-17	Total
1 Asset Management Credits	(\$0.1566)	(\$0.2395)	(\$0.0788)	(\$0.0734)	(\$0.0184)	(\$0.0212)	(\$0.0106)	(\$0.0218)	(\$0.0541)	(\$0.0512)	(\$0.0501)	(\$0.0467)	(\$0.0530)
2 OIF-system sales	(\$0.1202)	(\$0.0948)	(\$0.0175)	(\$0.0098)	(\$0.0141)	(\$0.0170)	(\$0.0133)	(\$0.0273)	(\$0.0425)	(\$0.0441)	(\$0.0627)	(\$0.0381)	(\$0.0231)
3 Capacity release	(\$0.0033)	(\$0.0024)	(\$0.0024)	(\$0.0003)	(\$0.0004)	(\$0.0006)	(\$0.0006)	(\$0.0015)	(\$0.0020)	(\$0.0022)	(\$0.0017)	(\$0.0021)	(\$0.0011)
4 On System Credits to BGSS-P Customers	(\$0.0000)	(\$0.0005)	(\$0.0003)	(\$0.0000)	(\$0.0000)	(\$0.0002)	(\$0.0000)	(\$0.0003)	(\$0.0005)	(\$0.0005)	(\$0.0005)	(\$0.0006)	(\$0.0006)
5 Supplier Refunds	(\$0.0010)	(\$0.0000)	(\$0.0000)	(\$0.0002)	(\$0.0002)	(\$0.0000)	(\$0.0002)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)	(\$0.0000)
6 Gas for Company Use	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
7 Line Loss	(\$0.2399)	(\$0.1665)	(\$0.1170)	(\$0.1314)	(\$0.1267)	(\$0.1430)	(\$0.1315)	(\$0.1525)	(\$0.1946)	(\$0.2651)	(\$0.2742)	(\$0.2458)	(\$0.1480)
8 Transfer to Non BGSS-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
9 Other	(\$0.5210)	(\$0.4428)	(\$0.2162)	(\$0.2150)	(\$0.1598)	(\$0.1820)	(\$0.1564)	(\$0.2064)	(\$0.2737)	(\$0.3955)	(\$0.3896)	(\$0.3554)	(\$0.2255)
10 Total Credits, Refunds, & Recoveries Per Therm	\$0.7254	\$0.2925	\$0.3846	\$0.2290	\$0.2745	\$0.1928	\$0.2158	\$0.3692	\$0.5642	\$0.4527	\$0.8488	\$0.6968	\$0.3285

11 Total Net Cost Per Therm (Lines 1-10 less Lines 2 Lines 10)

	Actual Oct-16	Actual Nov-16	Actual Dec-16	Actual Jan-17	Actual Feb-17	Actual Mar-17	Actual Apr-17	Actual May-17	Actual Jun-17	Actual Jul-17	Actual Aug-17	Actual Sep-17	Weighted Average
1 Asset Management Credits	(\$0.0391)	(\$0.1115)	(\$0.0566)	(\$0.0400)	(\$0.0101)	(\$0.0150)	(\$0.0055)	(\$0.0184)	(\$0.0802)	(\$0.1373)	(\$0.1125)	(\$0.1160)	(\$0.0368)
2 OIF-system sales	(\$0.0382)	(\$0.0047)	(\$0.0086)	(\$0.0083)	(\$0.0040)	(\$0.0043)	(\$0.0201)	(\$0.0367)	(\$0.0738)	(\$0.0938)	(\$0.0972)	(\$0.0989)	(\$0.0172)
3 Capacity release	(\$0.0036)	(\$0.0028)	(\$0.0016)	(\$0.0006)	(\$0.0006)	(\$0.0008)	(\$0.0013)	(\$0.0019)	(\$0.0094)	(\$0.0038)	(\$0.0037)	(\$0.0047)	(\$0.0014)
4 On System Credits to BGSS-P Customers	\$0.0000	\$0.0000	(\$0.0003)	\$0.0000	\$0.0000	\$0.0000	(\$0.1194)	(\$0.0002)	\$0.0000	(\$0.0002)	(\$0.0006)	(\$0.0017)	(\$0.0140)
5 Supplier Refunds	(\$0.0011)	(\$0.0006)	(\$0.0004)	(\$0.0003)	(\$0.0003)	(\$0.0003)	(\$0.0003)	(\$0.0007)	(\$0.0014)	(\$0.0012)	(\$0.0018)	(\$0.0017)	(\$0.0005)
6 Gas for Company Use	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
7 Line Loss	(\$0.2630)	(\$0.1622)	(\$0.1362)	(\$0.1476)	(\$0.1589)	(\$0.1913)	(\$0.1770)	(\$0.2141)	(\$0.3140)	(\$0.3636)	(\$0.2693)	(\$0.3005)	(\$0.1808)
8 Transfer to Non BGSS-P Customers	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
9 Other	(\$0.3449)	(\$0.2819)	(\$0.2036)	(\$0.1968)	(\$0.1740)	(\$0.2117)	(\$0.3235)	(\$0.3720)	(\$0.4729)	(\$0.5958)	(\$0.4852)	(\$0.5255)	(\$0.2508)
10 Total Credits, Refunds, & Recoveries	\$1.1811	\$0.8623	\$0.4709	\$1.4849	\$0.5435	\$0.4877	\$0.0828	\$0.2725	\$0.5969	\$0.7122	\$0.8202	\$0.8430	\$0.6555

11 Total Net Cost Per Therm (Lines 1-10 less Lines 2 Lines 11)