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Deborah M. Franco, Esq.
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August 13, 2020

Electronic Submission

Aida Camacho-Welch
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625

Re: In the Matter of the Petition of South Jersey Gas Company For Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions, BPU Docket No. GR20030243

Dear Secretary Camacho-Welch,

Enclosed please find South Jersey Gas Company's 12+0 Update which consists of the supplemental direct testimony of Stefany M. Graham, Brent W. Schomber, Brenda J. O'Brien and Daniel P. Yardley and supporting documents in the above-referenced matter. Due to the COVID-19 pandemic, and in accordance with the New Jersey Board of Public Utilities ("BPU") March 19, 2020 and May 20, 2020 Orders issued in BPU Docket No. EO20030254, hard copies are not being provided at this time, but can be provided at a later time, as needed.

Please contact me at (908) 662-8448 if you have any questions.

Respectfully submitted,

Deborah M. Franco

Deborah M. Franco

Enclosures

cc: Service List (w/Enclosure)

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

**BPU DOCKET NO. GR20030243
OAL DOCKET NO. PUC 04830-20**

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BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF :
SOUTH JERSEY GAS COMPANY FOR : DOCKET NO. GR20030243
APPROVAL OF INCREASED BASE :
TARIFF RATES AND CHARGES FOR :
GAS SERVICE, CHANGES TO :
DEPRECIATION RATES AND OTHER :
TARIFF REVISIONS :

12&0 Update

August 2020

12 & 0 UPDATE

**Testimony & Schedules
of
S.M. Graham**

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

BPU DOCKET NO. GR20030243

SUPPLEMENTAL DIRECT TESTIMONY

OF

STEFANY M. GRAHAM

**Director, Rates and Regulatory Affairs
SJI Utilities, Inc.**

**On Behalf of
South Jersey Gas Company**

Exhibit P-3A

“12 and 0” Update

August 13, 2020

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**SOUTH JERSEY GAS COMPANY
SUPPLEMENTAL DIRECT TESTIMONY OF
STEFANY M. GRAHAM**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.**

3 **A. My name is Stefany M. Graham and I am Director, Rates and Regulatory Affairs for SJI**
4 **Utilities (“SJIU”). My business address is One South Jersey Place, Atlantic City, NJ**
5 **08401.**

6 **Q. ARE YOU THE SAME STEFANY M. GRAHAM WHO PREVIOUSLY**
7 **SUBMITTED PREPARED DIRECT TESTIMONY IN THIS PROCEEDING?**

8 **A. Yes. I am.**

9

10 **II. PURPOSE OF TESTIMONY**

11 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY**
12 **IN THIS PROCEEDING?**

13 **A. The purpose of my supplemental direct testimony is to provide a “12 and 0” update to**
14 **South Jersey Gas Company’s (“SJG” or “Company”) rate filing in this proceeding. The**
15 **Company’s “12 and 0” update reflects actual data for the twelve months ending June 30,**
16 **2020, as well as updated forecasts of changes in certain capital expenditures through**
17 **December 31, 2020, and changes in certain revenues and expenses through March 31,**
18 **2021. In addition to my supplemental direct testimony, the Company’s “12 and 0” update**
19 **includes testimony and schedules of Company witnesses Brent W. Schomber, Brenda J.**
20 **O’Brien and Daniel P. Yardley.**

1 **Q. DO YOU SPONSOR ANY SCHEDULES IN YOUR SUPPLEMENTAL DIRECT**
2 **TESTIMONY?**

3 **A.** Yes. I am sponsoring the following Schedules, which were prepared or compiled under
4 my direction and supervision:

- 5 • Schedule SMG-1 (“12+0”) – Revenue Requirement;
- 6 • Schedule SMG-2 (“12+0”) – Statement of Rate Base;
- 7 • Schedule SMG-3 (“12+0”) – Operating Income Statement;
- 8 • Schedule SMG-4 (“12+0”) – Summary of *Pro Forma* Adjustments to Operating
9 Income; and
- 10 • Schedule SMG-5 (“12+0”) – Derivation of Revenue Expansion Factor.
- 11 • Schedule SMG-6 (“12+0”) – Summary of Revenue and Cost of Gas Adjustments;
- 12 • Schedule SMG-7 (“12+0”) – EET Rider Adjustment;
- 13 • Schedule SMG-8 (“12+0”) – SHARP II/AIRP II Revenue Annualization Adjustment;
- 14 • Schedule SMG-9 (“12+0”) – Interruptible/Off-System Sales/Storage Incentive
15 Adjustment;
- 16 • Schedule SMG-10 (“12+0”) – Customer Annualization;
- 17 • Schedule SMG-11 (“12+0”) – Customer Counts;
- 18 • Schedule SMG-12 (“12+0”) – Sales From Post Test Year Utility Plant Additions;
- 19 • Schedule SMG-13 (“12+0”) – New Customers from Post Test Year Utility Plant
20 Additions;
- 21 • Schedule SMG-14 (“12+0”) – Contract Changes;
- 22 • Schedule SMG-15 (“12+0”) – Miscellaneous Service Charges;

- 1 • Schedule SMG-16 (“12+0”) – Summary of O&M Adjustments;
- 2 • Schedule SMG-17 (“12+0”) – Payroll Expense;
- 3 • Schedule SMG-18 (“12+0”) – Employee Benefits Expense;
- 4 • Schedule SMG-19 (“12+0”) – Allocated Service Company Salaries and Benefits
- 5 Expense;
- 6 • Schedule SMG-20 (“12+0”) – Mark Out Expense Annualization;
- 7 • Schedule SMG-21 (“12+0”) – Compression Project Expense;
- 8 • Schedule SMG-22 (“12+0”) – Rate Case Expense;
- 9 • Schedule SMG-23 (“12+0”) – Pipeline Integrity Management Expense Amortization;
- 10 • Schedule SMG-24 (“12+0”) – Amortization Expense Adjustment;
- 11 • Schedule SMG-25 (“12+0”) – O&M Inflation Adjustment;
- 12 • Schedule SMG-26 (“12+0”) – Customer Deposits;
- 13 • Schedule SMG-27.1 (“12+0”) – Revenue Taxes;
- 14 • Schedule SMG-27.2 (“12+0”) – PUA Expense Adjustment;
- 15 • Schedule SMG-28.1 (“12+0”) – Cash Working Capital (Test Year);
- 16 • Schedule SMG-28.2 (“12+0”) – Cash Working Capital (Post-Test Year); and
- 17 • Schedule SMG-29 (“12+0”) – Inventories.

18

1 **III. 12+0 UPDATE**

2 **Q. WHAT IS THE COMPANY'S PROPOSED REVENUE REQUIREMENT AS**
3 **REFLECTED IN THE 12 AND 0 UPDATE?**

4 **A.** The Company's proposed revenue requirement is \$87,044,733. This compares to a revenue
5 requirement of \$82,966,082 reflected in the Company's 9+3 update.

6 **Q. WHAT IS THE COMPANY'S REQUESTED ADDITIONAL OPERATING**
7 **REVENUE IN THIS PROCEEDING?**

8 **A.** The requested additional operating revenue is \$73,331,533. This compares to requested
9 additional operating revenue of \$75,740,633 reflected in the Company's 9+3 update. The
10 difference in requested additional operating revenue is primarily due to the change in the
11 revenue requirement identified above as offset by the roll-in from the Conservation
12 Investment Program. The roll-in is described by Company witness Daniel P. Yardley.

13 **Q. WHAT ARE THE MAJOR ELEMENTS OF THE DIFFERENCE IN THE**
14 **COMPANY'S REVENUE REQUIREMENT IN THE 12+0 UPDATE AS**
15 **COMPARED TO THE 9+3 UPDATE?**

16 **A.** The major components of the revenue requirement difference are as follows:
17 (i) an increase in rate base of \$4.8 million resulting in an increase in required
18 operating income of approximately \$0.35 million;
19 (ii) a decrease in margin revenue of approximately \$11 million;
20 (iii) a decrease in operating expenses of approximately \$6.8 million;
21 (iv) a decrease in depreciation expense of \$0.6 million; and
22 (v) a decrease in income taxes of approximately \$1 million.

1 The adjustments described, as well as other minor adjustments, are grossed up by the
2 proposed revenue factor as set forth on Schedule SMG-1 (“12+0”) to derive the difference
3 in the revenue requirement increase reflected in the 12+0 update.

4 **Q. WHAT ARE THE ELEMENTS OF THE DECREASE IN O&M EXPENSE**
5 **REFLECTED IN THE 12+0 UPDATE AS COMPARED TO THE 9+3 UPDATE?**

6 **A.** The primary elements of the \$6.8 million decrease are:

7 (i) a decrease of \$5.2 million primarily due to the COVID-19 pandemic, which
8 includes approximately \$0.7 million of deferred COVID-related costs as
9 authorized by the Board of Public Utilities in Docket No. AO20060471;

10 (ii) a decreased inflation adjustment of approximately \$1.2 million based on
11 updates to the Gross Domestic Product inflation factor;

12 (iii) a total of \$1.0 million of adjustments to reflect the elimination of lobbying
13 expenses, club fees and the Remediation Adjustment Clause Deferred Tax
14 Offset as identified during discovery; and

15 (iv) an increase of \$0.8 million for adjustments to annualize employee benefit
16 expense and allocated service company salary and benefits expense.

17 **Q. IN PREPARING THE 12+0 UPDATE HAS THE COMPANY MADE ANY MAJOR**
18 **CHANGES IN THE ASSUMPTIONS AND FORECAST METHODOLOGIES**
19 **THAT WERE USED IN PREPARING THE COMPANY’S INITIAL FILING**
20 **AND/OR 9+3 UPDATE?**

21 **A.** No. It has not.

22 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

23 **A.** Yes, it does.

**SOUTH JERSEY GAS COMPANY
REVENUE REQUIREMENT**

<u>Line No.</u>			<u>REFERENCE</u>
1	Adjusted Rate base	2,220,731,788	SMG-2
2	Rate of Return	7.38%	
3	Required Operating Income	163,918,115	
4	Adjusted Net Operating Income	102,545,159	SMG-3
5	Income Deficiency	61,372,956	
6	Revenue Factor	1.418291	SMG-5
7	Revenue Requirement	\$87,044,733	
8	Revenue Requirement Rolled-In From:		
9	Accelerated Infrastructure Replacement Program (AIRP II)	(\$6,004,290)	
10	Storm Hardening & Reliability Program (SHARP II)	(\$3,436,588)	
11	Conservation Incentive Program (CIP)	(\$4,272,322)	DPY-3
12	Requested Additional Operating Revenue	\$73,331,533	

SOUTH JERSEY GAS COMPANY
STATEMENT OF RATE BASE

Line No.		ACTUAL RATE BASE June-20	ADJUSTMENT	ACTUAL RATE BASE June-20	PRO FORMA ADJUSTMENT	ADJUSTED RATE BASE December-20	REFERENCE TO RATEMAKING ADJUSTMENTS
1	Utility Plant In Service	\$3,088,240,044	\$ -	\$3,088,240,044	\$ 194,809,885	\$3,283,049,929	BWS-1
2	Accumulated Depreciation & Amortization	(571,134,308)	\$ -	(\$571,134,308)	(30,908,489)	(\$602,042,797)	BJO-5
3	Non-Legal ARO	(13,853,048)	\$ -	(\$13,853,048)	229,609	(\$13,623,439)	BJO-6
4							
5	Net Utility Plant	<u>2,503,252,688</u>	<u>0</u>	<u>2,503,252,688</u>	<u>164,131,004</u>	<u>2,667,383,693</u>	
6							
7							
8	Materials & Supplies ⁽¹⁾	629,955	\$ -	629,955	0	\$629,955	SMG-29
9	Gas Inventory: ⁽¹⁾						
10	Natural Gas Inventory	9,921,210	\$ -	9,921,210	(2,120,121)	\$7,801,089	SMG-29
11	LNG Inventory	3,028,379	\$ -	3,028,379	(95,748)	\$2,932,631	SMG-29
12	Cash Working Capital	76,029,712	\$ -	76,029,712	9,730,266	\$85,759,979	SMG-28.1,28.2
13	Customer Deposits ⁽¹⁾	(6,894,381)	\$ -	(6,894,381)	177,234	(\$6,717,147)	SMG-26
14	Customer Advances ⁽¹⁾	(1,462,234)	\$ -	(1,462,234)	0	(\$1,462,234)	
15	Deferred Income Taxes:						
16	Excess Protected ADIT	(467,802)	\$ -	(467,802)	30,441	(437,361)	
17	Excess ADIT (2017 TCJA)	(149,470,704)	\$ -	(149,470,704)	3,214,439	(146,256,265)	ADF-3
19	Federal Income Tax	(281,506,970)	\$ -	(281,506,970)	(27,758,270)	(309,265,241)	BJO-7
20	NJ CBT	(72,377,119)	\$ -	(72,377,119)	(7,260,192)	(\$79,637,311)	BJO-8
21	Consolidated Tax Adjustment	0	\$ -	0	0	\$0	ADF-2
22							
23	Total Rate Base	<u>\$2,080,682,733</u>	<u>\$0</u>	<u>\$2,080,682,733</u>	<u>\$140,049,055</u>	<u>\$2,220,731,788</u>	

⁽¹⁾ Represents Thirteen Month Averages of Account Balances

SOUTH JERSEY GAS COMPANY
OPERATING INCOME STATEMENT

Line No.		12 MONTHS ACTUAL DATA	0 MONTHS PROJECTED DATA	TEST YEAR ENDED 6/30/2020	PRO FORMA ADJUSTMENTS	ADJUSTED TEST YEAR ENDED 6/30/2020	REVENUE DEFICIENCY	PRO FORMA POST TEST YEAR ENDED 6/30/2020
1	Operating Revenues	\$ 562,637,100	\$ -	\$ 562,637,100	\$ (7,112,774)	\$ 555,524,326	\$87,044,733	\$ 642,569,058
2								
3	Operating Expenses:							
4								
5	Purchased Gas	\$ 195,889,500	\$ -	\$ 195,889,500	\$ 1,306,869	\$ 197,196,369	\$ -	\$ 197,196,369
6								
7	Operation & Maintenance Exps.	\$ 142,554,352	\$ -	\$ 142,554,352	\$ 6,635,079	\$ 149,189,430	\$ 1,435,977	\$ 150,625,407
8								
9	Depreciation Expense	\$ 66,727,100	\$ -	\$ 66,727,100	\$ 13,048,167	\$ 79,775,267	\$ -	\$ 79,775,267
10								
11	Taxes Other Than Income Taxes	\$ 4,922,900	\$ -	\$ 4,922,900	\$ (95,945)	\$ 4,826,955	\$ 238,113	\$ 5,065,067
12								
13	Excess Deferred Tax Amortization	\$ -	\$ -	\$ -	\$ (2,223,581)	\$ (2,223,581)	\$ -	\$ (2,223,581)
14								
15	Federal Income Taxes & NJ CBT	\$ 32,459,264	\$ -	\$ 32,459,264	\$ (8,398,027)	\$ 24,061,238	\$ 23,997,688	\$ 48,058,926
16								
17	Total Operating Expenses	\$ 442,553,116	\$ -	\$ 442,553,116	\$ 10,272,562	\$ 452,825,678	\$ 25,671,777	\$ 478,497,455
18								
19	Net Operating Income	\$ 120,083,984	\$ -	\$ 120,083,984	\$ (17,385,337)	\$ 102,698,647	\$ 61,372,956	\$ 164,071,603
20								
21	Ratemaking Adjustment:							
22	Interest on Customer Deposits	\$156,945	\$0	\$ 156,945	\$ (3,457)	\$ 153,488	\$ -	\$ 153,488
23								
24								
25	Adjusted Net Operating Income	\$ 119,927,039	\$ -	\$ 119,927,039	\$ (17,381,879)	\$ 102,545,159	\$ 61,372,956	\$ 163,918,115
26								
27	Total Rate Base			\$ 2,080,682,733		\$ 2,220,731,788		\$ 2,220,731,788
28								
29	Return on Rate Base			5.76%		4.62%		7.38%
30								
31	Adjusted Net Income			\$ 83,586,963		\$ 63,759,063		\$ 125,132,018
32								
33	Return on Equity			7.41%		5.30%		10.40%

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME

	Pro Forma Adjustments
1. Operating Revenues (SMG-6)	
(a) EET Rider Adjustment (SMG-7)	\$ (9,969,100)
(b) SHARP/AIRP Revenue Adjustment (SMG-8)	\$ 752,613
(c) Interruptible, Off-System Sales & SIM Adjustment (SMG-9)	\$ (4,041,834)
(d) Customer Annualization (SMG-10)	\$ 4,378,719
(e) Sales from Post Test Year Plant Additions (SMG-12)	\$ 4,750,453
(f) Contract Changes (SMG-14)	\$ 27,366
(g) Miscellaneous Services Charges (SMG-15)	\$ 627,183
(h) Rental Income Adjustment (BJO-10)	\$ 634,148
(i) CIP Revenue Adjustment (DPY-3)	\$ (4,272,322)
	(\$7,112,774)
2. Purchased Gas Costs (SMG-6)	
(a) Adjust Purchased Gas Cost to Annualized Post Test Year (SMG-6)	\$ 1,306,869
	1,306,869
3. Operation and Maintenance Expenses (SMG-16)	
(a) Remove EET Rider Expense (SMG-7)	\$ (2,477,100)
(b) Remove EET Rider Amortization (SMG-7)	\$ (2,045,500)
(c) Payroll Expense Adjustment (SMG-17)	\$ 939,201
(d) Benefits Expense Adjustment (SMG-18)	\$ 1,102,805
(e) Allocated Service Company Expense Adjustment (SMG-19)	\$ 2,577,392
(f) Mark Out Expense Adjustment (SMG-20)	\$ 170,018
(g) Compression Project Expense Adjustment (SMG-21)	\$ 2,280,000
(h) Amortization of Rate Case Expenses (SMG-22)	\$ 88,546
(i) Pipeline Integrity Management (SMG-23)	\$ 1,797,732
(j) Remove 2017 Rate Case Amortizations (SMG-24)	\$ (1,853,102)
(k) Facility Expense Adjustment (BJO-10)	\$ 420,816
(l) Pension/OPEB Amortization (BJO-11)	\$ 1,161,982
(m) Pension/OPEB Expense (BJO-11)	\$ 49,503
(n) Amortization of Deferred ERIP Expenses (BJO-12)	\$ 1,691,067
(o) Amortization of B. L. England Expenses (BJO-13)	\$ 1,008,477
(p) O&M Inflation Adjustment (SMG-25)	\$ 766,677
(q) Remove Lobbying Expense (re S-SJG-REV-19)	\$ (31,493)
(r) Remove Club Fees (re S-SJG-REV-92)	\$ (192,025)
(s) Remove RAC Deferred Tax Offset Adjustment (re DCR-33)	\$ (819,919)
	6,635,079
4. Depreciation Expense (BJO-5)	
(a) Annualize Test Year Depreciation Expense as of 6/30/2020 with proposed depreciation rates	\$ 2,847,771
(b) Annualize Post Test Year Depreciation Expense as of 12/31/2020 with proposed depreciation expense	\$ 7,353,986
(c) Adjustment due to Increase in Proposed Annual Net Negative Salvage Allowance	\$ 2,576,021
(d) Adjustment due to Decrease in Non-Legal Asset Retirement Obligation (ARO) Credit	\$ 270,388
	13,048,167
5. Taxes Other Than Income	
(a) Payroll Tax Adjustment (SMG-17)	\$ 84,528
(b) Adjustment for PUA (SMG-27.1 & SMG-27.2)	\$ (180,473)
	(95,945)
6. Interest (SMG-26)	
(a) Adjust Interest on Customer Deposits by Average Yield on 6 month Treasury Bill	\$ (3,457)
	(3,457)
7. Taxes - Income - Current	
(a) Interest Synchronization (BJO-9)	\$ (526,246)
(b) Income Tax effect of adjustments 1 - 6	\$ (7,871,780)
	(8,398,027)

SOUTH JERSEY GAS COMPANY
DERIVATION OF REVENUE EXPANSION FACTOR

Line
No.

1	Additional Required Revenue Percentage		100.000%
2			
3	Percentage Adjustment for Uncollectibles		1.649700%
4	BPU Assessments		0.220453%
5	Rate Counsel Assessments		<u>0.053099%</u>
6			
7	Percentage of Income Before State Income Tax		98.07675%
8			
9	State Income Tax Percentage	9%	<u>8.8269%</u>
10			
11	Percentage of Income Before Federal Income Tax		89.2498%
12			
13	Federal Income Tax Percentage	21%	<u>18.742%</u>
14			
15	Revenue Expansion Factor - Percent		70.5074%
16			
17	Revenue Expansion Factor - Whole Number		<u><u>1.418291</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SUMMARY OF REVENUE & COST OF GAS ADJUSTMENTS

<u>Line No.</u>		<u>Therm Adjustments</u>	<u>Revenue Adjustments</u>	<u>Cost of Gas Adjustments</u>	<u>Reference</u>
1	EET Rider Adjustment	N/A	\$ (9,969,100)	N/A	SMG-7
2	SHARP II/AIRP II Revenue Adjustment	N/A	\$ 752,613	N/A	SMG-8
3	Interruptible, Off-System Sales & SIM Adjustment	N/A	\$ (4,041,834)	\$ (2,340,711)	SMG-9
4	Customer Annualization	303,127	\$ 4,378,719	\$ 1,726,163	SMG-10
5	Sales from Post Test Year Plant Additions	343,087	\$ 4,750,453	\$ 1,921,417	SMG-12
6	Contract Changes	0	\$ 27,366	-	SMG-14
7	Miscellaneous Service Charges	N/A	\$ 627,183	N/A	SMG-15
8	Rental Income Adjustment	N/A	\$ 634,148	N/A	
9	CIP Revenue Adjustment	(2,831,987)	(\$4,272,322)	N/A	DPY-3
10	Total Firm Revenue and Cost of Gas Adjustments	(2,185,773)	\$ (7,112,774)	\$ 1,306,869	

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
EET RIDER ADJUSTMENT

Line No.														TOTAL
	2019 Actual July	2019 Actual August	2019 Actual September	2019 Actual October	2019 Actual November	2020 Actual December	2020 Actual January	2020 Actual February	2020 Actual March	2020 Actual April	2020 Actual May	2020 Actual June		
1	EET Revenue Adjustment	\$ 586,500	\$ 823,200	\$ 741,600	\$ 977,100	\$ 730,600	\$ 870,100	\$ 839,400	\$ 828,300	\$ 914,600	\$ 923,600	\$ 891,000	\$ 843,100	\$ 9,969,100
2	EET O&M Expenses Adjustment	\$ 119,200	\$ 264,200	\$ 262,300	\$ 291,300	\$ 122,300	\$ 225,000	\$ 194,600	\$ 161,900	\$ 248,800	\$ 232,800	\$ 204,300	\$ 150,400	\$ 2,477,100
3	EET Amortization Adjustment	\$ 112,200	\$ 123,500	\$ 141,700	\$ 152,200	\$ 161,200	\$ 183,100	\$ 190,000	\$ 191,100	\$ 192,800	\$ 197,600	\$ 199,800	\$ 200,300	\$ 2,045,500

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SHARP II & AIRP II REVENUE ADJUSTMENT

Line No.		2019 Actual July	2019 Actual August	2019 Actual September	TOTAL
1	SHARP II Roll In Revenue	\$ 75,058	\$ 77,927	\$ 77,165	\$ 230,150
2	AIRP II Roll In Revenue	\$ 170,389	\$ 176,903	\$ 175,172	\$ 522,464
3	Total Revenue Adjustment	<u>\$ 245,447</u>	<u>\$ 254,831</u>	<u>\$ 252,336</u>	<u>\$ 752,613</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
TEST YEAR INTERRUPTIBLE AND OFF-SYSTEM SALES, AND STORAGE INCENTIVE MECHANISM

Line No.	Test Year Ending <u>6/30/2020</u>	Pro Forma Adjustment <u>(Company Margin Share)</u>	Revenue <u>in Test Year</u>
1	<u>Revenue</u>		
2	\$321,893	(\$48,284)	\$273,609
3	\$48,064,575	(\$3,993,550)	\$44,071,025
4	Total Revenues	Total Revenues	Total Revenues
5	\$48,386,468	(\$4,041,834)	\$44,344,634
6	<u>Cost of Gas</u>		
7	34	(5)	29
8	21,755,595	(1,889,348)	19,866,247
9	0	(451,357)	(451,357)
10	Total Cost of Gas	Total Cost of Gas	Total Cost of Gas
11	\$21,755,629	(\$2,340,711)	\$19,414,919

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
CUSTOMER ANNUALIZATION**

Line No.		<u>Annualized</u>		
		<u>Dt</u>	<u>Revenue</u>	<u>Cost of Gas</u>
1	<u>Residential (RSG)</u>			
2	Heating Sales Service (480.11)	270,336	\$3,912,407	\$1,539,433
3	Non-Heating Sales Service (480.12)	<u>1,564</u>	<u>\$23,219</u>	<u>\$7,254</u>
4	Sub-Total	271,900	\$3,935,626	\$1,546,687
5	<u>General Service (GSG)</u>			
6	Commercial Non-Heating Sales Service (481.21)	7,700	\$99,406	\$43,107
7	Commercial Heating Sales Service (481.31)	20,996	\$313,288	\$123,896
8	Industrial Heating Sales Service (481.32)	2,348	\$27,359	\$13,173
9	Transportation Commercial Non-Heating (489.821)	1,466	\$11,735	\$1,922
10	Transportation Commercial Heating (489.831)	(1,492)	(\$10,180)	(\$2,878)
11	Transportation Industrial Heating (489.832)	<u>210</u>	<u>\$1,485</u>	<u>\$256</u>
12	Sub-Total	31,227	\$443,093	\$179,476
13	Total Adjustment	<u>303,127</u>	<u>\$4,378,719</u>	<u>\$1,726,163</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SALES FROM POST TEST YEAR UTILITY PLANT ADDITIONS

<u>Line No.</u>		<u>Dt</u>	<u>Revenue</u>	<u>Cost of Gas</u>
1	Residential Heat (480.11)	260,080.3	\$3,678,544	\$1,464,985
2	Residential Non-Heat (480.12)	4,842.2	\$77,125	\$22,448
3	Gen. Serv. Comm Heat (481.31)	78,165.0	\$994,784	\$433,984
4	Pro-Forma Adjustment	343,087.4	\$4,750,453	\$1,921,417

**SOUTH JERSEY GAS COMPANY
REVENUE PRODUCING UTILITY PLANT
JULY 2020 - DECEMBER 2020**

Projected Post Test Year Gross Customer Additions

	2020 <u>Jul</u>	2020 <u>Aug</u>	2020 <u>Sep</u>	2020 <u>Oct</u>	2020 <u>Nov</u>	2020 <u>Dec</u>	6 Months <u>Total</u>	<u>Dts Per Customer</u>	<u>Annualized Dts</u>
Residential Heat	495	572	648	741	695	743	3,894	66.79	260,080.3
Residential Non-Heat	28	30	26	31	38	36	189	25.62	4,842.2
General Service Gas	34	32	40	59	66	93	324	241.25	78,165.0

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 2020 OPERATING INCOME
CONTRACT CHANGES**

Line No.	Customer I.D.	Annual Dt Sales			Annual Revenue			Cost of Gas Adjustment
		Test Year	After Contract Change	Adjustment	Test Year	After Contract Change	Adjustment	
1	<u>CTS Customers</u>							
2	Customer A	154,883	154,883	0	\$283,593	\$310,959	\$27,366	\$0
3	Pro Forma Adjustment			0			\$27,366	\$0

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
MISCELLANEOUS SERVICE CHARGES

<u>Line No.</u>		<u>Current Amount</u>	<u>Proposed Amount</u>	<u>Proposed Increase</u>	<u>Annual Transactions</u>	<u>Pro Forma Revenue Adjustment</u>
1	<u>Section 10 of the Tariff</u>					
2						
3	10.1 Turn On Charge	\$20.00	\$45.00	\$25.00	25,087	\$627,183.33
4						
5	Total					<u>\$627,183.33</u>

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SUMMARY OF O&M ADJUSTMENTS**

<u>Line No.</u>	<u>Amount</u>	<u>Reference</u>
1 EET O&M Expenses Adjustment	\$ (2,477,100)	SMG-7
2 EET Amortization Adjustment	\$ (2,045,500)	SMG-7
3 Payroll Expense Adjustment	\$ 939,201	SMG-17
4 Employee Benefits Expense Adjustment	\$ 1,102,805	SMG-18
5 Allocated Service Company Costs	\$ 2,577,392	SMG-19
6 Mark Out Expense Adjustment	\$ 170,018	SMG-20
7 Compression Project Expense Adjustment	\$ 2,280,000	SMG-21
8 Rate Case Expense Adjustment	\$ 88,546	SMG-22
9 Pipeline Integrity Management	\$ 1,797,732	SMG-23
10 2017 Rate Case Amortization Adjustment	\$ (1,853,102)	SMG-24
11 Facility Expense Adjustment	\$ 420,816	BJO-10
12 Pension/OPEB Amortization	\$ 1,161,982	BJO-11
13 Pension/OPEB Expense	\$ 49,503	BJO-11
14 ERIP Amortization	\$ 1,691,067	BJO-12
15 BL England Amortization	\$ 1,008,477	BJO-13
16 Inflation Adjustment	\$ 766,677	SMG-25
17 Total O&M Adjustments	<u>\$ 7,678,516</u>	

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
PAYROLL EXPENSE

Line No.			
1	Payroll Expenses:		
2	Annualized Payroll Expenses	\$ 23,925,095	
3	Post Test Year Payroll Increase (3%)	<u>\$ 717,753</u>	
4	Total Adjusted Payroll Expenses	\$ 24,642,848	
5	Less: Test Year Payroll Expenses	\$ 23,703,647	
6	Pro Forma Payroll Adjustment		<u>\$ 939,201</u>
7	Payroll Tax Adjustment (9%)		84,528
8	Total Pro Forma Payroll Adjustment		<u>\$ 1,023,729</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
EMPLOYEE BENEFITS EXPENSE

Line
No.

1	<u>Employee Benefits Expenses:</u>		
2	Annualized Test Year Employee Benefits Expense	\$	6,417,394
3	Post Test Year Employee Benefits Adjustment	\$	<u>215,990</u>
4	Total Adjusted Employee Benefits Expense	\$	<u>6,633,385</u>
5	Less: Test Year Employee Benefits Expense	\$	<u>5,530,579</u>
6	Pro Forma Benefits Adjustment		<u><u>\$ 1,102,805</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2020 OPERATING INCOME
ALLOCATED SERVICE COMPANY SALARIES & BENEFITS EXPENSE

<u>Line</u> <u>No.</u>			
1	<u>Allocated Service Company Salaries & Benefits Expenses:</u>		
2	Annualized Test Year Expenses	\$ 5,457,153	
3	Post Test Year Adjustment	\$ 288,569	
4	Total Adjusted Expense	<u>\$ 5,745,722</u>	
5	Less: Test Year Expenses	<u>\$ 3,168,329</u>	
6	Pro Forma Allocated Expense Adjustment		<u><u>\$ 2,577,392</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
MARK OUT EXPENSES

Line No.			
1	<u>Mark Out Expenses:</u>		
2	Annualized Mark Out Expense	\$	3,189,132
3	Less: Test Year Expense	<u>\$</u>	<u>3,019,114</u>
4	Pro-Forma Adjustment	\$	<u><u>170,018</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
COMPRESSION PROJECT EXPENSES

Line No.			
1	<u>New Sentury Compression Project Expenses:</u>		
2	Annualized Expense	\$	2,280,000
3	Less: Test Year Expense	\$	<u>-</u>
4	Pro-Forma Adjustment		<u><u>\$ 2,280,000</u></u>

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
RATE CASE EXPENSES**

Line No.	Category	Expense
1	Legal Expenses	\$ 195,184
2	Consultant Expenses	\$ 318,880
3	Newspaper Notices	\$ 11,000
4	Court Reporting	\$ -
5	Postage	\$ 1,190
6	Office Supplies	\$ 5,021
7	Miscellaneous Expenses	\$ -
8	Contingency/Rebuttal Witnesses	\$ -
9	Total Rate Case Expenses	<u>\$ 531,275</u>
10		50% \$ 265,638
11	Pro Forma Adjustment - Three Year Amortization	<u>\$ 88,546</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
INTEGRITY MANAGEMENT EXPENSE

Line No.		Expense
1	Pipeline Integrity Management Deferred Balance at June 30, 2020	<u>\$ 5,393,197</u>
2	Pro-Forma Adjustment - Three Year Amortization of Deferred Expense	\$ 1,797,732

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
AMORTIZATION EXPENSE

Line No.	Category	Expense
1	Rate Case Expense Amortization - 2017 Rate Case	\$ (156,347)
2	PIM Expense & Carrying Cost - 2017 Rate Case	\$ (1,696,756)
3	Pro Forma Adjustment	<u>\$ (1,853,102)</u>

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
O&M INFLATION ADJUSTMENT**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Index</u>
1	<u>Calculation of Inflation Rate</u>	
2		
3	GDPIPD Index Value at the Midpoint of the Test Year:	
4	December 2019 Index-GDP	113.0
5	January 2020 Index-GDP	113.4
6	December 31, 2019 Index-GDP (Midpoint)	113.2
7		
8	GDPIPD Index Value at the End of the Post-Test Year:	
9	March 2021 Index-GDP	113.8
10	April 2021 Index-GDP	113.9
11	March 31, 2021 Index-GDP (Midpoint)	113.9
12		
13	Projected Inflation Rate	0.57%
14		
15	<u>Calculation of O&M Inflation Adjustment</u>	
16		
17	Post-Test Year Total O&M Expenses	\$ 149,189,430
18		
19	Less: Normalizing Adjustments	
20	(a) Annualization of Payroll	\$ 939,201
21	(b) Annualization of Benefits	\$ 1,102,805
22	(c) Annualization of Allocated Service Company Costs	\$ 2,577,392
23	(d) Amortization of Rate Case expenses	(67,801)
24	Total Normalizing Adjustments	\$ 4,551,598
25		
26	Less: Items Not Subject to Inflation	
27	(a) PIM Amortization	100,977
28	(b) ERIP Amortization	1,691,067
29	(c) Pension/OPEB Amortization	1,161,982
30	(d) B.L. England Amortization	1,008,477
31	(e) Pension / OBEP Expense	2,041,800
32	(f) Uncollectibles	5,113,777
33	Total Items Not Subject to Inflation	\$ 11,118,080
34		
35	Residual O&M Expenses	\$ 133,519,752
36		
37	Inflation Rate	0.57%
38		
39	Pro Forma Adjustment to O&M Expense	\$ 766,677

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO OPERATING INCOME AND RATE BASE
CUSTOMER DEPOSITS**

Line No.									
	<u>Month</u>	<u>Actual and Projected Data</u>	<u>Number of Customers</u>	<u>Number of Customers with Deposits</u>	<u>Percentage of Customers with Deposits</u>	<u>Average Deposit Per Customer</u>	<u>Rate Base for Customer Deposits</u>	<u>Current Interest Rate</u>	<u>Monthly Interest</u>
1									
2									
3									
4									
5	Jun-19	Actual	393,227	33,570	8.54%	\$209	\$7,017,656	1.87%	\$3,231
6	Jul-19	Actual	393,071	33,047	8.41%	\$211	\$6,967,063	1.87%	\$11,976
7	Aug-19	Actual	392,851	32,824	8.36%	\$210	\$6,898,841	1.87%	\$11,834
8	Sep-19	Actual	393,104	32,644	8.30%	\$211	\$6,879,563	1.87%	\$11,860
9	Oct-19	Actual	393,831	32,607	8.28%	\$212	\$6,907,744	1.87%	\$11,450
10	Nov-19	Actual	395,460	32,731	8.28%	\$211	\$6,920,749	1.87%	\$9,967
11	Dec-19	Actual	397,063	32,296	8.13%	\$214	\$6,901,582	1.87%	\$11,913
12	Jan-20	Actual	398,263	32,338	8.12%	\$215	\$6,939,924	2.33%	\$15,830
13	Feb-20	Actual	399,054	32,615	8.17%	\$215	\$7,020,892	2.33%	\$14,748
14	Mar-20	Actual	400,031	32,549	8.14%	\$214	\$6,973,550	2.33%	\$13,858
15	Apr-20	Actual	400,374	32,662	8.16%	\$213	\$6,969,101	2.33%	\$14,922
16	May-20	Actual	400,570	32,889	8.21%	\$203	\$6,686,885	2.33%	\$14,378
17	Jun-20	Actual	400,616	32,393	8.09%	\$202	\$6,543,406	2.33%	\$14,209
18	Jul-20	Projected	399,594	32,327	8.09%	\$202	\$6,530,105	2.33%	\$12,922
19	Aug-20	Projected	399,562	32,325	8.09%	\$202	\$6,529,582	2.33%	\$12,921
20	Sep-20	Projected	399,845	32,347	8.09%	\$202	\$6,534,206	2.33%	\$12,513
21	Oct-20	Projected	400,462	32,397	8.09%	\$202	\$6,544,289	2.33%	\$12,951
22	Nov-20	Projected	401,541	32,485	8.09%	\$202	\$6,561,922	2.33%	\$12,567
23	Dec-20	Projected	403,104	32,611	8.09%	\$202	\$6,587,465	2.33%	\$13,036
24	Jan-21	Projected	403,104	32,611	8.09%	\$202	\$6,587,465	2.33%	\$13,036
25	Feb-21	Projected	403,104	32,611	8.09%	\$202	\$6,587,465	2.33%	\$11,774
26	Mar-21	Projected	403,104	32,611	8.09%	\$202	\$6,587,465	2.33%	\$13,036
27									
28	<u>Post-Test Year Annualization of Interest</u>								
29									
30	Mar-21	Projected	403,104	32,611	8.09%	\$202	\$6,587,465	2.33%	\$153,488
31									
32									
33	<u>Rate Base Test Year Adjustment</u>			<u>Rate Base PTY Pro-Forma Adjustment</u>			<u>Income Statement Interest Pro-Forma Adjustment</u>		
34									
35			<i>13 mo average</i>			<i>13 mo average</i>			
36	Actual Ending June 30, 2020		\$6,894,381	Actual Ending June 30, 2020		\$6,894,381	Actual Test Year Interest		\$156,945
37									
38	Actual Ending June 30, 2020		\$6,894,381	Projected Ending December 31, 2020		<u>\$6,717,147</u>	Post Test Year Annualized Interest		<u>\$153,488</u>
39									
40	Test Year Adjustment		<u>\$0</u>	Pro-Forma PTY Adjustment		<u>(\$177,234)</u>	Pro-Forma Adjustment		<u>(\$3,457)</u>

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
OTHER EXPENSES - REVENUE TAXES**

Line
No.

PUA Adjustments

1	EET Rider Adjustment	\$ (9,969,100)
2	SHARP II/AIRP II Revenue Adjustment	\$ 752,613
3	Interruptible Sales Revenue Adjustment	\$ (48,284)
4	Customer Annualization	\$ 4,378,719
5	Sales from Post Test Year Plant Additions	\$ 4,750,453
6	Contract Changes	\$ 27,366
7	CIP Revenue Adjustment	\$ (4,272,322)
8	Total Revenue Adjustment	<u>\$ (4,380,555)</u>
9	PUA Tax Rate	<u>0.002736</u>
10	Pro Forma Adjustment to PUA Taxes	<u>\$ (11,983)</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
OTHER EXPENSES - PUA EXPENSE ADJUSTMENT

Line No.		<u>BPU Assessment</u>	<u>Public Advocate Assessment</u>	<u>Total</u>
1	Year 2017 Intrastate Revenues	\$ 417,182,066	\$ 417,182,066	
2	Estimated Assessment Rate	\$ 0.002205	\$ 0.000531	\$ 0.002736
3				
4	Estimated Assessment	\$ 919,689	\$ 221,521	\$ 1,141,210
5				
6	Less: Assessment included in Test Year Operating Expenses	\$ 1,079,300	\$ 230,400	\$ 1,309,700
7				
8	Pro Forma Adjustment to PUA Taxes	<u>\$ (159,611)</u>	<u>\$ (8,879)</u>	<u>\$ (168,490)</u>

SOUTH JERSEY GAS COMPANY
Lead-Lag Study
Working Capital Requirement
Test Year

Line	Description	Test Year Expenses	Average Daily Expenses	Revenue Lag	Expense Lag	Net (Lead)/Lag Days	Working Capital Requirement
1	Operations and Maintenance Expenses						
2	Purchased Gas Costs	\$ 195,889,500	536,684	66.29	(36.51)	29.77	\$ 15,979,658
3	Regular Payroll	\$ 23,703,647	64,941	66.29	(11.92)	54.36	3,530,480
4	Variable Compensation	\$ 683,228	1,872	66.29	(238.97)	(172.68)	(323,234)
5	Pension	\$ 2,041,800	5,594	66.29	31.44	97.73	546,674
6	Employee Benefits	\$ 5,530,579	15,152	66.29	(33.53)	32.76	496,387
7	Uncollectible Expense	\$ 3,677,800	10,076	66.29	(653.47)	(587.18)	(5,916,531)
8	Outside Services Employed	\$ 28,107,899	77,008	66.29	(42.86)	23.43	1,803,925
9	New Jersey Clean Energy Program	\$ 11,472,900	31,433	66.29	(67.15)	(0.86)	(27,093)
10	Materials & Supplies Issues	\$ 378,692	1,038	66.29	0.00	66.29	68,774
11	Membership Dues	\$ 218,063	597	66.29	(23.46)	42.83	25,586
12	Utility Location Markout Services	\$ 3,225,300	8,836	66.29	(41.60)	24.69	218,171
13	Bank Service Fees	\$ 1,824,700	4,999	66.29	(36.04)	30.25	151,209
14	Motor Vehicle	\$ 3,669,638	10,054	66.29	(18.18)	48.10	483,614
15	Outside Services (Audit)	\$ 1,257,303	3,445	66.29	(39.99)	26.29	90,571
16	Meter Reading Services	\$ 3,201,230	8,770	66.29	(37.06)	29.23	256,339
17	Insurance	\$ 1,888,018	5,173	66.29	0.00	66.29	342,880
18	Other O&M Expenses	\$ 51,673,556	141,571	66.29	(51.14)	15.14	2,143,928
19	Total O&M Expenses	\$ 338,443,852					\$ 19,871,339
20	Income Taxes						
21	Excess Deferred Tax Amortization	\$ -	-	66.29	0.00	66.29	-
22	Federal Income Taxes	22,066,757	60,457	66.29	(37.00)	29.29	1,770,605
23	State Income Tax	10,392,507	28,473	66.29	47.25	113.54	3,232,698
24	Total Federal Income Taxes	\$ 32,459,264					\$ 5,003,304
25	Taxes Other Than Income Taxes						
26	PUA and Ratepayer Advocate	\$ 1,309,700	3,588	66.29	(394.50)	(328.21)	\$ (1,177,700)
27	Other Taxes Other Than Income Taxes	3,613,200	9,899	66.29	(18.36)	47.92	474,402
28	Taxes Other Than Income Taxes	\$ 4,922,900					\$ (703,298)
29	Depreciation and Amortization Expense	\$ 66,727,100	\$ 182,814	66.29	0.00	66.29	\$ 12,118,205
30	Interest Expense						
31	Interest on Long-Term Debt	\$ 32,853,900	90,011	66.29	(59.51)	6.77	\$ 609,683
32	Interest on Short-Term Debt	-	-	66.29	(6.91)	59.38	\$ -
33	Interest on Customer Deposits	156,945	430	66.29	(246.39)	(180.10)	\$ (77,442)
34	Total Interest Expense	\$ 33,010,845					\$ 532,240
38	Return	\$ 87,073,139	238,557	66.29	0.00	66.29	\$ 15,813,217
39	Other Working Capital Requirements / (Sources)						
40	Employee Deductions						\$ (1,000,161)
41	Cash Balance						290,164
42	Working Funds						\$ 301,750
43	General Prepayments						\$ 4,706,834
44	Prepaid Energy Sales and Use Tax						\$ 10,536,917
45	USF/Lifeline Reserve						\$ 755,201
46	Prepaid Pension						\$ 35,641,494
47	Prepaid Postretirement Healthcare						\$ 8,215,471
48	Accrued Invoiced Related to Plant						\$ (31,831,110)
49	Accrued Payroll Related to Plant						\$ (1,107,153)
50	Vacation Accrual Reserve						\$ (1,127,898)
51	Uninsured Risk Reserve						\$ (718,226)
52	Marketer Payment Reserve						\$ (1,268,576)
53	Total Other Working Capital						\$ 23,394,706
54							
55							
56	Total	\$ 562,637,100					\$ 76,029,712

SOUTH JERSEY GAS COMPANY
Lead-Lag Study
Working Capital Requirement
Post Test Year

Line	Description	Adjusted Test Year Expenses	Average Daily Expenses	Revenue Lag	Expense Lag	Net (Lead)/Lag Days	Working Capital Requirement
1	Operations and Maintenance Expenses						
2	Purchased Gas Costs	\$ 197,196,369	540,264	66.29	(36.51)	29.77	\$ 16,086,266
3	Regular Payroll	24,642,848	67,515	66.29	(11.92)	54.36	3,670,367
4	Variable Compensation	683,228	1,872	66.29	(238.97)	(172.68)	(323,234)
5	Pension	3,253,285	8,913	66.29	31.44	97.73	871,039
6	Employee Benefits	6,633,385	18,174	66.29	(33.53)	32.76	595,367
7	Uncollectible Expense	5,113,777	14,010	66.29	(653.47)	(587.18)	(8,226,608)
8	Outside Services Employed	30,685,291	84,069	66.29	(42.86)	23.43	1,969,338
9	New Jersey Clean Energy Program	11,472,900	31,433	66.29	(67.15)	(0.86)	(27,093)
10	Materials & Supplies Issues	378,692	1,038	66.29	0.00	66.29	68,774
11	Membership Dues	218,063	597	66.29	(23.46)	42.83	25,586
12	Utility Location Markout Services	3,395,318	9,302	66.29	(41.60)	24.69	229,672
13	Bank Service Fees	1,824,700	4,999	66.29	(36.04)	30.25	151,209
14	Motor Vehicle	3,669,638	10,054	66.29	(18.18)	48.10	483,614
15	Outside Services (Audit)	1,257,303	3,445	66.29	(39.99)	26.29	90,571
16	Meter Reading Services	3,201,230	8,770	66.29	(37.06)	29.23	256,339
17	Insurance	1,888,018	5,173	66.29	0.00	66.29	342,880
18	Other O&M Expenses	52,307,733	143,309	66.29	(51.14)	15.14	2,170,240
19	Total O&M Expenses	\$ 347,821,776					\$ 18,434,327
20	Income Taxes						
21	Excess Deferred Tax Amortization	\$ (2,223,581)	(6,092)	66.29	0.00	66.29	(403,821)
22	Federal Income Taxes	\$ 32,671,863	89,512	66.29	(37.00)	29.29	2,621,544
23	State Income Tax	15,387,063	42,156	66.29	47.25	113.54	4,786,307
24	Total Federal Income Taxes	\$ 45,835,345					\$ 7,004,030
28	Taxes Other Than Income Taxes						
29	PUA and Ratepayer Advocate	\$1,547,813	4,241	66.29	(394.50)	(328.21)	(1,391,814)
30	Other Taxes Other Than Income Taxes	3,517,255	9,636	66.29	(18.36)	47.92	461,805
31	Taxes Other Than Income Taxes	\$ 5,065,067					\$ (930,009)
32	Depreciation and Amortization Expense	\$ 79,775,267	218,562	66.29	0.00	66.29	\$ 14,487,862
33	Interest Expense						
34	Interest on Long-Term Debt	\$ 38,786,097	106,263	66.29	(59.51)	6.77	\$ 719,769
35	Interest on Short-Term Debt	-	-	66.29	(6.91)	59.38	-
36	Interest on Customer Deposits	153,488	421	66.29	(246.39)	(180.10)	(75,736)
37	Total Interest Expense	\$ 38,939,585					\$ 644,032
38	Return	\$ 125,132,018	342,827	66.29	0.00	66.29	\$ 22,725,031
39	Other Working Capital Requirements / (Sources)						
40	Employee Deductions						\$ (1,000,161)
41	Cash Balance						\$ 290,164
42	Working Funds						\$ 301,750
43	General Prepayments						\$ 4,706,834
44	Prepaid Energy Sales and Use Tax						\$ 10,536,917
45	USF/Lifeline Reserve						\$ 755,201
46	Prepaid Pension						\$ 35,641,494
47	Prepaid Postretirement Healthcare						\$ 8,215,471
48	Accrued Invoiced Related to Plant						\$ (31,831,110)
49	Accrued Payroll Related to Plant						\$ (1,107,153)
50	Vacation Accrual Reserve						\$ (1,127,898)
51	Uninsured Risk Reserve						\$ (718,226)
52	Marketer Payment Reserve						\$ (1,268,576)
53	Total Other Working Capital						\$ 23,394,706
54	Total	\$ 642,569,058					\$ 85,759,979

12 & 0 UPDATE

**Testimony & Schedules
of
B.W. Schomber**

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

BPU DOCKET NO. GR20030243

SUPPLEMENTAL DIRECT TESTIMONY

OF

BRENT W. SCHOMBER

**Vice President, Operations
South Jersey Gas Company**

**On Behalf Of
South Jersey Gas Company**

Exhibit P-4A

“12 and 0” Update

August 13, 2020

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**SOUTH JERSEY GAS COMPANY
SUPPLEMENTAL DIRECT TESTIMONY OF
BRENT W. SCHOMBER**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.**

3 **A.** My name is Brent W. Schomber, and my business address is 1 South Jersey Place, Atlantic
4 City, NJ 08401. I am Vice President of Operations for South Jersey Gas (“SJG”). In this
5 position, I am responsible for providing leadership and direction for all operational
6 activities including but not limited to construction, asset, utility, and engineering
7 operations. I also have responsibility for the capital spending program and operations of
8 South Jersey Gas Company (“SJG” or “the Company”).

9 **Q. ARE YOU THE SAME BRENT W. SCHOMBER WHO PREVIOUSLY**
10 **SUBMITTED PREPARED DIRECT TESTIMONY IN THIS PROCEEDING?**

11 **A.** Yes. I am.

12

13 **II. PURPOSE OF TESTIMONY**

14 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENT DIRECT TESTIMONY?**

15 **A.** The purpose of my supplemental direct testimony is to provide a “12 and 0” update to
16 South Jersey Gas Company (“SJG” or “Company”) rate filing in this proceeding. The
17 Company’s “12 and 0” update reflects actual data for the twelve months ending June 30,
18 2020, as well as updated forecasts of changes in certain capital expenditures through
19 December 31, 2020 and changes in certain revenues and expenses through March 31, 2021.

1 **Q. DO YOU SPONSOR ANY SCHEDULES AS PART OF YOUR SUPPLEMENTAL**
2 **DIRECT TESTIMONY?**

3 **A.** Yes. I am sponsoring the following schedules, supporting the Company's capital
4 expenditures included in rate base, which were prepared by me or under my supervision or
5 direction:

- 6 • Schedule BWS-1 ("12+0") – Utility Plant in Service ("UPIS");
- 7 • Schedule BWS-2 ("12+0") – Test Year Plant Additions;
- 8 • Schedule BWS-3 ("12+0") – Post-Test Year Plant Additions; and
- 9 • Schedule BWS-4 ("12+0") – Post-Test Year Major Capital Projects.

10

11 **III. 12+0 UPDATE**

12 **Q. WHAT DOES THE INFORMATION PROVIDED ON THESE SCHEDULES SET**
13 **FORTH?**

14 **A.** The information provided reflects actual results for the twelve months ending June 30,
15 2020 as well as updated forecast information where appropriate. This information has been
16 provided to Company witness Stefany M. Graham to prepare the Company's 12+0 update.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes. It does.

**SOUTH JERSEY GAS COMPANY
STATEMENT OF RATE BASE
UTILITY PLANT IN SERVICE (UPIS)**

<u>Line No.</u>			<u>Reference</u>
1			
2	Test Year Ending UPIS at 6/30/20	\$3,088,240,044	SMG-2
3			
4	Projected Post Test Year Plant Additions (7/1/20 - 12/31/20)	\$ 93,286,434	BWS-3
5	Projected Post Test Year Plant Retirements (7/1/20 - 12/31/20)	\$ (6,972,659)	BWS-3
6	Projected Post Test Year Major Capital Projects	<u>\$ 108,496,110</u>	BWS-4
7	Total Projected Post Test Year Net Plant Additions (7/1/20-12/31/20)	\$ 194,809,885	
8			
9	Projected Post Test Year Ending UPIS at 12/31/20	<u><u>\$3,283,049,929</u></u>	

SOUTH JERSEY GAS COMPANY
ADJUSTMENT TO JUNE 30, 2020 RATE BASE

	July Actual 2019	August Actual 2019	September Actual 2019	October Actual 2019	November Actual 2019	December Actual 2019	January Actual 2020	February Actual 2020	March Actual 2020	April Actual 2020	May Actual 2020	June Actual 2020	2019-20 Test Year Total
New Business													
1.0 Mains	1,656,732	1,918,260	1,624,729	2,106,621	1,252,980	1,538,894	1,499,843	1,102,139	991,409	893,435	1,054,655	624,262	16,263,960
1.1 Services	1,815,218	1,811,642	2,409,461	2,604,810	2,395,199	3,184,307	2,385,095	2,117,028	2,091,959	1,540,920	2,007,940	1,371,746	25,735,325
1.2 Meters	405,570	540,221	863,745	685,155	796,586	795,043	212,126	616,308	794,357	422,447	400,712	594,789	7,127,058
1.3 Regulators	224,115	295,911	255,012	427,243	471,362	436,350	249,051	434,632	250,627	160,799	113,271	112,460	3,430,834
Total New Business	4,101,634	4,566,034	5,152,947	5,823,829	4,916,128	5,954,595	4,346,115	4,270,106	4,128,353	3,017,600	3,576,578	2,703,257	52,557,177
2.0 Improvement Mains	26,997	3,158	31,370	65,795	114,800	39,272	44,952	76,779	163,741	28,817	270,605	(35,756)	830,530
Replacements													
3.0 Replacement Mains	909,687	1,117,275	1,357,792	1,052,852	1,174,232	795,678	2,346,067	229,616	1,211,847	488,306	3,582,649	466,219	14,732,220
3.1 Replacement Services	942,104	2,173,407	905,718	953,858	1,301,008	1,328,006	1,101,638	1,651,029	1,519,020	343,008	490,446	1,576,393	14,285,635
3.2 Leak Clamping	388,328	304,417	366,319	553,338	424,541	371,857	382,657	388,138	405,274	412,610	549,244	228,376	4,775,100
3.3 Replacement Meters	22,825	9,805	35,454	21,192	27,432	28,302	18,892	25,670	30,025	6,840	20,163	15,588	262,188
3.4 Replacement Regulators	539,829	717,297	605,135	656,964	586,798	347,733	757,054	631,223	449,776	104,498	56,045	259,123	5,711,474
Total Replacements	2,802,773	4,322,201	3,270,418	3,238,204	3,514,010	2,871,576	4,606,309	2,925,676	3,615,942	1,355,262	4,698,546	2,545,699	39,766,617
4.0 Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
5.0 Automotive Equipment	25,366	42,535	6,778	6,778	27,824	1,584	1,584	3,184	1,584	918,833	198,914	7,174	1,242,138
6.0 Production Equipment	(103,173)	15,095	61,336	348,985	102,043	105,412	(4,703)	10,234	49,095	25,244	225,392	26,689	861,649
7.0 Transmission Equipment	100,587	89,113	77,611	94,588	128,873	270,636	45,859	51,758	541,292	217,410	129,733	138,549	1,886,009
8.0 Distribution Equipment	56,013	575,089	934,703	551,578	507,838	684,506	284,359	905,661	775,533	354,519	305,819	479,697	6,415,315
9.0 Office Furniture & Equipment	5,734	-	2,992	17,830	(10,224)	4,913	7,334	17	-	6,759	-	-	35,354
10.0 Building Improvements	71,336	230,886	61,257	86,793	127,865	11,552	173,706	116,634	91,941	26,427	27,988	44,935	1,071,323
11.0 Cathodic Protection	228,739	270,989	182,929	298,574	193,681	198,638	73,531	94,529	162,074	174,219	241,157	318,128	2,437,189
12.0 Communications Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
13.0 Information Technology	282,215	93,120	350,884	151,892	192,756	150,893	188,028	89,625	363,312	160,514	36,118	28,902	2,088,260
14.0 Infrastructure Investment													
SHARP II	(234,131)	1,369,633	423,500	6,375,932	4,045,250	4,297,321	3,444,972	3,680,400	3,166,773	968,371	805,388	804,557	29,147,965
AIRP II	7,809,036	7,493,861	6,652,923	6,302,036	5,156,266	6,468,955	4,923,708	4,266,375	3,040,118	1,554,637	1,025,265	1,950,906	56,644,086
Total Infrastructure Investment	7,574,904	8,863,494	7,076,423	12,677,967	9,201,516	10,766,276	8,368,680	7,946,775	6,206,891	2,523,008	1,830,653	2,755,463	85,792,052
TOTAL SJG Capex	15,173,127	19,071,715	17,209,647	23,362,814	19,017,111	21,059,853	18,135,755	16,490,979	16,099,758	8,808,613	11,541,504	9,012,737	194,983,612
Transfer from CWIP to UPIS ¹	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	15,173,127	19,071,715	17,209,647	23,362,814	19,017,111	21,059,853	18,135,755	16,490,979	16,099,758	8,808,613	11,541,504	9,012,737	194,983,612
Total Retirements	2,914,274	3,123,860	1,764,925	3,460,220	1,548,701	11,946,428	2,361,865	1,908,088	2,933,825	1,291,922	587,162	403,213	34,244,483
Total	12,258,853	15,947,855	15,444,721	19,902,594	17,468,410	9,113,426	15,773,890	14,582,891	13,165,933	7,516,691	10,954,342	8,609,524	160,739,129

1. Projected Test Year CWIP to UPIS Transfer incorporated in June UPIS balance and Post Test Year forecast. Capex amounts provided for comparative purposes.

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2020 RATE BASE

	July	August	September	October	November	December	Total Post Test
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Year
	2020	2020	2020	2020	2020	2020	Forecast
	2020	2020	2020	2020	2020	2020	2020
<u>New Business</u>							
1.0 Mains	1,040,900	1,049,600	1,229,400	1,185,300	1,150,200	973,100	6,628,500
1.1 Services	1,570,900	1,575,500	1,809,200	1,736,700	1,686,000	1,457,300	9,835,600
1.2 Meters	1,517,000	1,497,100	1,472,700	1,336,500	1,209,100	1,195,000	8,227,400
1.3 Regulators	277,200	277,700	277,700	277,700	277,700	306,000	1,694,000
Total New Business	4,406,000	4,399,900	4,789,000	4,536,200	4,323,000	3,931,400	26,385,500
2.0 Improvement Mains	62,800	52,600	52,600	52,600	52,600	52,600	325,800
<u>Replacements</u>							
3.0 Replacement Mains	2,056,100	2,365,600	2,094,300	2,498,200	2,297,600	2,046,400	13,358,200
3.1 Replacement Services	1,885,400	2,475,100	2,888,000	3,988,300	3,508,800	2,018,100	16,763,700
3.2 Leak Clamping	399,900	519,000	526,400	545,900	594,300	605,700	3,191,200
3.3 Replacement Meters	16,900	16,900	16,900	16,900	16,900	19,800	104,300
3.4 Replacement Regulators	1,365,100	1,365,100	1,365,100	1,365,100	1,365,100	1,365,100	8,190,600
Total Replacements	5,723,400	6,741,700	6,890,700	8,414,400	7,782,700	6,055,100	41,608,000
4.0 Land & Buildings	-	50,300	50,000	-	-	-	100,300.0
5.0 Automotive Equipment	24,100	1,415,700	862,900	1,774,400	795,500	1,598,500	6,471,100
6.0 Production Equipment	30,400	4,500	13,000	300	300	100	48,600
7.0 Transmission Equipment	197,200	193,300	141,700	93,800	94,300	94,800	815,100
8.0 Distribution Equipment	75,536	75,636	75,636	75,736	75,736	67,636	445,913
9.0 Office Furniture & Equipment	100	46,500	25,100	25,000	46,500	100	143,300
10.0 Building Improvements	203,900	395,700	414,800	421,700	220,300	32,000	1,688,400
11.0 Cathodic Protection	417,500	418,100	418,100	363,900	333,300	321,500	2,272,400
12.0 Communications Equipment	-	-	-	-	-	-	-
13.0 Information Technology	61,700	161,000	202,400	29,600	29,200	26,000	509,900
14.0 <u>Infrastructure Investment</u>							
SHARP II	-	-	-	-	-	-	-
AIRP II	-	-	-	-	-	-	-
Total Infrastructure Investment	-	-	-	-	-	-	-
TOTAL SJG Capex	11,202,636	13,954,936	13,935,936	15,787,636	13,753,436	12,179,736	80,814,313
Transfer from CWIP to UPIS	3,964,875	4,770,918	50,108	66,654	175,057	3,444,509	12,472,121
Total	15,167,511	18,725,853	13,986,043	15,854,290	13,928,492	15,624,245	93,286,434
Total Retirements	1,162,110	1,162,110	1,162,110	1,162,110	1,162,110	1,162,110	6,972,659
Total	14,005,401	17,563,743	12,823,934	14,692,180	12,766,382	14,462,135	86,313,775

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO DECEMBER 31, 2020
MAJOR CAPITAL PROJECTS**

Line No.	Project Name	Type of Project	Actuals as of Jun-20	Test Year Projection	Post-Test Year Projection	Total Projection	Projected In Service Date
1	New Sentury Compression Project (A3482)	Transmission Equipment	\$ 35,285,770	\$ -	\$ 29,517,613	\$ 64,803,383	December 2020
2	24 New Sentury Traffic Study HDD	Replacement Mains	\$ 10,378	\$ -	\$ 1,365,800	\$ 1,376,178	December 2020
3	8 Ocean Heights Offset	Improvement Mains	\$ 144,528	\$ -	\$ 550,700	\$ 695,228	October 2020
4	Farm Taps 2020 (A4245)	Transmission Equipment	\$ 857,224	\$ -	\$ 75,700	\$ 932,924	December 2020
5	Stokes Road Station Replacement	Transmission Equipment	\$ 276,085	\$ -	\$ 451,800	\$ 727,885	October 2020
6	Timothy Lane Reg Station Replacement	Transmission Equipment	\$ 139,862	\$ -	\$ 10,900	\$ 150,762	July 2020
7	Above Grade Station Asbuilt Program	Transmission Equipment	\$ 191,392	\$ -	\$ 141,400	\$ 332,792	December 2020
8	Gate Station Odorization	Transmission Equipment	\$ -	\$ -	\$ 345,500	\$ 345,500	November 2020
9	Renovation of Folsom Headquarters Facility - comp	Building Improvements	\$ 13,083,085	\$ -	\$ 6,916,915	\$ 20,000,000	September 2020
10	Maximo & CC&B Upgrade (A3881)	Information Technology	\$ 6,039,257	\$ -	\$ 6,165,300	\$ 12,204,557	August 2020
11	SJG Contact Center Modernization (3286)	Information Technology	\$ 1,987,767	\$ -	\$ 467,600	\$ 2,455,367	December 2020
12	ServiceNow Enhancement (ITSM, ITBM)	Information Technology	\$ 13,353	\$ -	\$ 294,700	\$ 308,053	December 2020
13	SCADA Intrusion Prevention System (IPS) Upgrade	Information Technology	\$ 41,117	\$ -	\$ 583,400	\$ 624,517	December 2020
14	Role-Based Access Control (3284)	Information Technology	\$ 492,647	\$ -	\$ 24,500	\$ 517,147	August 2020
15	Safety Management Solution (A3867)	Information Technology	\$ 214,873	\$ -	\$ 282,800	\$ 497,673	August 2020
16	Cyber Risk Remediation (A3880)	Information Technology	\$ 102,673	\$ -	\$ 137,000	\$ 239,673	October 2020
17	NextGen Portal	Information Technology	\$ 66,547	\$ -	\$ 178,800	\$ 245,347	December 2020
18	Windows/SQL 2008 Upgrades (A4215)	Information Technology	\$ 115,487	\$ -	\$ 153,800	\$ 269,287	August 2020
19	16 & 8 Cape May Lateral Tie In	Replacement Mains	\$ 13,293	\$ -	\$ 317,200	\$ 330,493	July 2020
20	MV Customer Payment Upgrades (3262)	Building Improvements	\$ 8,638	\$ -	\$ 200,600	\$ 209,238	September 2020
21	FO - Roof Replacement	Building Improvements	\$ 239,688	\$ -	\$ 750,000	\$ 989,688	October 2020
22	Galloway Station Inlet Relocation (A3886)	Transmission Equipment	\$ 25,118	\$ -	\$ 215,300	\$ 240,418	September 2020
23							
24	Total Post Test Year Major Capital Projects		\$ 59,348,782	\$ -	\$ 49,147,328	\$ 108,496,110	

12 & 0 UPDATE

**Testimony & Schedules
of
B.J. O'Brien**

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

BPU DOCKET NO. GR20030243

SUPPLEMENTAL DIRECT TESTIMONY

OF

BRENDA J. O'BRIEN

Vice President, Accounting

**On Behalf Of
South Jersey Gas Company**

Exhibit P-6A

"12 and 0" Update

August 13, 2020

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**SOUTH JERSEY GAS COMPANY
SUPPLEMENTAL DIRECT TESTIMONY OF
BRENDA J. O'BRIEN**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A. My name is Brenda J. O'Brien. My business address is 1001 South Grand Street,**
4 Hammonton, New Jersey 08037.

5 **Q. ARE YOU THE SAME BRENDA J. O'BRIEN WHO PREVIOUSLY SUBMITTED**
6 **PREPARED DIRECT TESTIMONY IN THIS PROCEEDING?**

7 **A. Yes. I am.**

8
9 **II. PURPOSE OF TESTIMONY**

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

11 **A. The purpose of my supplemental direct testimony is to provide a "12 and 0" update to**
12 South Jersey Gas Company ("SJG" or "Company") rate filing in this proceeding. The
13 Company's "12 and 0" update reflects actual data for the twelve months ending June 30,
14 2020, as well as updated forecasts of changes in certain capital expenditures through
15 December 31, 2020 and changes in certain revenues and expenses through March 31, 2021.

16 **Q. DO YOU SPONSOR ANY SCHEDULES IN YOUR SUPPLEMENTAL DIRECT**
17 **TESTIMONY?**

18 **A. Yes. I am sponsoring the following schedules which were prepared or compiled under my**
19 direction and supervision:

- 20 • Schedule BJO-5 ("12+0) – *Pro Forma* Depreciation Expense & Accumulated
21 Depreciation;

- 1 • Schedule BJO-6 (“12+0) – *Pro Forma* Non-Legal Asset Retirement Obligation;
- 2 • Schedule BJO-7 (“12+0) – Adjusted Deferred FIT Included in Rate Base;
- 3 • Schedule BJO-8 (“12+0) – Adjusted Deferred CBT Included in Rate Base;
- 4 • Schedule BJO-9 (“12+0) – Interest Synchronization Adjustment;
- 5 • Schedule BJO-10 (“12+0) – *Pro Forma* Revenue and O&M Expense – Folsom Facility;
- 6 • Schedule BJO-11 (“12+0) – *Pro Forma* Pension and Retirement Benefit Expense;
- 7 • Schedule BJO-12 (“12+0) – ERIP Costs; and
- 8 • Schedule BJO-13 (“12+0) – BL England Costs.

9

10 **III. 12+0 UPDATE**

11 **Q. WHAT DOES THE INFORMATION PROVIDED ON THESE SCHEDULES SET**
12 **FORTH?**

13 **A.** The information provided reflects actual results for the twelve months ending June 30,
14 2020 as well as updated forecast information where appropriate. This information has been
15 provided to Company witness Stefany M. Graham to prepare the Company’s 12+0 update.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A.** Yes. It does.

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION

Line No.		Utility Plant in Service	Depreciation Expense (Proposed Rates)	Schedule Reference
1	<u>Depreciation Expense:</u>			
2				
3	Utility Plant In Service as of June 30, 2020	\$ 3,088,240,044	\$ 69,574,871	
4				
5	Test Year Depreciation Expense		<u>\$ 66,727,100</u>	SMG-3
6				
7	Pro Forma Depreciation Expense Annualization Adjustment		\$ 2,847,771	
8				
9	Post Test Year Depreciation Expense Annualization Adjustment	\$ 194,809,885	\$ 7,353,986	
10				
11	Adjustment due to Increase in Proposed Annual Net Negative Salvage Allowance		\$ 2,576,021	BJO-6
12				
13	Adjustment due to Decrease in Non-Legal Asset Retirement Obligation (ARO) Credit		\$ 270,388	BJO-6
14				
15	Total Pro Forma Adjustment to Depreciation Expense (Income Statement)	<u>\$ 3,283,049,929</u>	<u>\$ 13,048,167</u>	
16				
17				
18	<u>Accumulated Depreciation:</u>			
19				
20	Accumulated Depreciation as of June 2020		\$ (571,134,308)	SMG-2
21				
22	Post Test Year Depreciation on UPIS as of June 30, 2020 (Jul 20 -Dec 20)		\$ (34,787,436)	Line 3 / 2
23				
24	Post Test Year Depreciation on PTY Plant (Jul 20 -Dec 20)		\$ (3,676,993)	Line 7 / 2
25				
26	Post Test Year Retirements (Jul 20 -Dec 20)		\$ 6,972,659	BWS-1
27				
28	Post Test Year Net Salvage (Jul 20 -Dec 20)		\$ 4,201,169	BJO-6
29				
30	Post Test Year Net Salvage Allowance (Jul 20 -Dec 20)		\$ (3,617,888)	BJO-6
31				
32	Accumulated Depreciation as of Dec 31, 2020 (Rate Base)		<u>\$ (602,042,797)</u>	

SOUTH JERSEY GAS COMPANY
NON-LEGAL ASSET RETIREMENT OBLIGATION (ARO) AMORTIZATION

Line No.		(a) Start Reserve	(b) COR Amort.	(c) Net Salvage Allowance	(d) Net Salvage Incurred	(e) End Reserve
1	Jul-17	\$ 24,657,876	(88,344)	199,181	(613,270)	24,155,442
2	Aug-17	\$ 24,155,442	(88,344)	199,181	(128,516)	24,137,762
3	Sep-17	\$ 24,137,762	(88,344)	177,936	(758,741)	\$ 23,468,612
4	Oct-17	\$ 23,468,612	(88,344)	199,181	(453,737)	\$ 23,125,712
5	Nov-17	\$ 23,125,712	(60,800)	388,313	(208,184)	\$ 23,245,040
6	Dec-17	\$ 23,245,040	(60,800)	388,313	(277,070)	\$ 23,295,482
7	2018	\$ 23,295,482	(729,605)	4,659,755	(6,420,311)	\$ 20,805,321
8	2019	\$ 20,805,321	(729,605)	4,659,755	(8,402,337)	\$ 16,333,134
9	Jan to June 2020	\$ 16,333,134	(364,803)	2,329,878	(4,445,162)	\$ 13,853,048

New Shortfall (net col's c & d)	(8,162,412)
---------------------------------	--------------------

10	Balance Available to be Returned to Customer as of June 30, 2020	\$ 13,853,048
11	Number of Years Remaining from the Original 40-Year Amortization Period	<u>30 1/6</u>
12	Projected Annual Amortization of Regulatory Liability	\$ 459,217
13	Current Annual Amortization of Regulatory Liability included in Rates (BPU Docket No. GR17010071)	\$ 729,605
14	Proposed Decrease in Annual Amortization of Regulatory Liability	<u>\$ (270,388)</u>
15	Proposed Provision for Annual Net Negative Salvage (3-year average)	\$ 7,235,776
16	Current Provision for Annual Net Negative Salvage	\$ 4,659,755
17	Proposed Change in Annual Net Negative Salvage	<u>\$ 2,576,021</u>

**SOUTH JERSEY GAS COMPANY
CALCULATION OF ADJUSTED TEST YEAR
DEFERRED FEDERAL INCOME TAX (DFIT) INCLUDED IN RATE BASE**

<u>Line No.</u>	<u>POST TEST YEAR ADDITIONS</u>	<u>ADDED TAX DEPRECIATION</u>	<u>DFIT IN RATE BASE</u>
1	DFIT Rate Base Balance 6/30/20		(281,506,970) ⁽¹⁾
2			
3	<u>Normalization on 6/30/20 Plant (PTY 7/20-12/20):</u>		
4			
5	Book Depreciation	33,244,572	
6			
7	Tax Depreciation-Federal	<u>(57,904,501)</u>	
8			
9	Federal Tax Depreciation Over Book		<u>(24,659,929)</u>
10			
11	<u>Normalization on PTY Additions (PTY 7/20-12/20):</u>		
12			
13	Book Depreciation	3,676,993	
14			
15	Tax Depreciation-Federal	<u>(3,652,685)</u>	
16			
17	Federal Tax Depreciation Over Book		<u>24,308</u>
18			
19	Total Added Tax Depreciation		(24,635,621)
20			
21	Deferred FIT (@ effective FIT rate of 21%)		<u>(5,173,480)</u>
22			
23	Federal benefit of state taxes - 21%		<u>1,524,640</u>
24			
25	NOL Carryforward		<u>(24,109,430)</u> ⁽²⁾
26			
27	Adjusted DFIT Rate Base Balance 12/31/20		<u>(309,265,241)</u>

(1) Deferred Balance adjusted to reflect adjusted NOL Carryforward Balance

(2) Reflect update to projected utilization of NOL Carryforward

**SOUTH JERSEY GAS COMPANY
CALCULATION OF ADJUSTED TEST YEAR
DEFERRED NJ CORPORATE BUSINESS TAX (CBT) INCLUDED IN RATE BASE**

<u>Line No.</u>	<u>POST TEST YEAR ADDITIONS</u>	<u>ADDED TAX DEPRECIATION</u>	<u>DFIT IN RATE BASE</u>
1	Deferred CBT Rate Base Balance 6/30/20		(72,377,119) ⁽¹⁾
2			
3	<u>Normalization on 6/30/20 Plant (PTY 7/20-12/20):</u>		
4			
5	Book Depreciation	33,244,572	
6			
7	Tax Depreciation-Federal	<u>(57,904,501)</u>	
8			
9	Federal Tax Depreciation Over Book		<u>(24,659,929)</u>
10			
11	<u>Normalization on PTY Additions (PTY 7/20-12/20):</u>		
12			
13	Book Depreciation	3,676,993	
14			
15	Tax Depreciation-Federal	<u>(3,652,685)</u>	
16			
17	Federal Tax Depreciation Over Book		<u>24,308</u>
18			
19	Total Added Tax Depreciation		(24,635,621)
20			
21	Pro Forma Adjustment - Deferred NJ CBT @ 9.00%		(2,217,206)
22			
23	NOL Carryforward		<u>(5,042,986) ⁽²⁾</u>
24			
25	Adjusted DCBT Rate Base Balance 12/31/20		<u>(79,637,311)</u>

(1) Deferred Balance adjusted to reflect State NOL Carryforward Balance

(2) Reflect update to projected utilization of NOL Carryforward

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
INCOME TAXES - INTEREST SYNCHRONIZATION

Line No.

1	Adjusted Rate Base	\$ 2,220,731,788	
2			
3	Total Weighted Cost of Long Term Debt	<u>1.75%</u>	
4			
5	Annualized Interest Expense	\$ 38,786,097	
6			
7	Less: Test Year Interest Expense	<u>\$ (36,914,000)</u>	
8			
9	Net Interest Expense		<u>\$ 1,872,097</u>
10			
11	Income Tax Rate		<u>28.11%</u>
12			
13	(Increase)/Decrease to test year income taxes		\$ 526,246
14			
15	Total (Increase)/Decrease to test year income taxes		<u><u>\$ 526,246</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
REVENUE AND O&M EXPENSE - FOLSOM FACILITY

<u>Line No.</u>			
1	<u>Rental Income:</u>		
2	Annualized Test Year Rental Income	\$ 634,148	
3	Less: Test Year Rental Income	<u>\$ -</u>	
4	Pro Forma Rental Income Adjustment		<u><u>\$ 634,148</u></u>
5	<u>Facility Expense:</u>		
6	Annualized Test Year Facility Expense	\$ 640,000	
7	Less: Test Year Facility Expense	<u>\$ 219,184</u>	
8	Pro Forma Facility Expense Adjustment		<u><u>\$ 420,816</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
PENSION EXPENSE

<u>Line No.</u>		Pension	SERP	FAS 106	Total
		<u>Acct 182387</u>	<u>Acct 182388</u>	<u>Acct 182389</u>	
1					
2	Total Unamortized Deferred Balance as of June 2020	\$ 1,606,676	\$ 3,608,179	\$ (1,728,907)	\$ 3,485,947
3					
4	Total Projected Deferred Balance at Test Year End June 30, 2020				\$ 3,485,947
5	Amortization Period (Years)				3
6	Pro Forma Annual Amortization Adjustment				<u>\$ 1,161,982</u>
7					
8					
9	Projected Monthly Pension Expense				\$ 4,125
10	Months				12
11	Pro Forma Annual Pension Expense Adjustment				<u>\$ 49,503</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
EARLY RETIREMENT INCENTIVE PLAN

Line No.		Expense
1	Early Retirement Incentive Plan Deferred Balance at June 30, 2020	<u>\$ 5,073,202</u>
2	Pro-Forma Adjustment - Three Year Amortization of Deferred Expense	\$ 1,691,067

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
B.L. ENGLAND COSTS

Line No.		Expense
1	BL England Project Costs at June 30, 2020	<u>\$ 10,084,772</u>
2	Pro-Forma Adjustment - Ten Year Amortization of Deferred Expense	\$ 1,008,477

12 & 0 UPDATE

**Testimony & Schedules
of
D.P. Yardley**

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

BPU DOCKET NO. GR20030243

SUPPLEMENTAL DIRECT TESTIMONY

OF

DANIEL P. YARDLEY

**On Behalf Of
South Jersey Gas Company**

Exhibit P-11A

“12 and 0” Update

August 13, 2020

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III.	12+0 UPDATE.....	2

**SOUTH JERSEY GAS COMPANY
SUPPLEMENTAL DIRECT TESTIMONY OF
DANIEL P. YARDLEY**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.**

3 **A.** My name is Daniel P. Yardley. I am Principal, Yardley Associates and my business address
4 is 2409 Providence Hills Drive, Matthews, North Carolina 28105.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

6 **A.** I am testifying on behalf South Jersey Gas Company (“South Jersey Gas” or the
7 “Company”).

8 **Q. ARE YOU THE SAME DANIEL P. YARDLEY WHO PREVIOUSLY SUBMITTED**
9 **PREPARED DIRECT TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I am.

11

12 **II. PURPOSE OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

14 **A.** The purpose of my supplemental direct testimony is to provide a “12 and 0” update to
15 South Jersey Gas Company (“SJG” or “Company”) rate filing in this proceeding. The
16 Company’s “12 and 0” update reflects actual data for the twelve months ending June 30,
17 2020, as well as updated forecasts of changes in certain capital expenditures through
18 December 31, 2020 and changes in certain revenues and expenses through March 31, 2021.

19 **Q. ARE YOU SUPPORTING ANY SCHEDULES THAT ACCOMPANY YOUR**
20 **TESTIMONY?**

21 **A.** Yes. I am sponsoring the following four schedules, which was prepared under my direction
22 and supervision and will be explained later in my testimony:

- 1 Schedule DPY-2 (“12+0”): Summary of Proposed Rates and Revenues; and
- 2 Schedule DPY-3 (“12+0”): Pro Forma Revenue Adjustment Attributable to
- 3 Updating CIP Tariff Factors;
- 4 Schedule DPY-4 (“12+0”): Derivation of Updated CIP Baseline Use per
- 5 Customer Factors; and
- 6 Schedule DPY-5: Comparison of CIP Benchmarks.

7

8 **III. 12+0 UPDATE**

9 **Q. HAVE YOU PREPARED AN UPDATED RATE DESIGN REFLECTING THE**
10 **COMPANY’S 12+0 FILING SCHEDULES?**

11 **A.** Yes. Schedule DPY-2 (“12+0”) provides a revised rate design incorporating updated
12 information contained in the Company’s 12+0 filing schedules. This schedule employs the
13 same methodologies described in my direct testimony for the allocation of the proposed
14 revenue increase among South Jersey Gas customer classes and the recommended
15 customer and demand charges. The resulting rates recover the revised base revenue
16 deficiency of \$73.3 million.

17

18 **Q. WHAT ASPECTS OTHER THAN THE REVENUE DEFICENCY ARE UPDATED**
19 **IN SCHEDULE DPY-2 (“12+0”)?**

20 **A.** The updated schedule incorporates actual weather normalized billing determinants for the
21 test period ending June 2020, as adjusted for post-test year customer additions. In addition,
22 the updated schedule reflects actual information for the roll-in of SHARP, AIRP II and
23 Conservation Incentive Program (“CIP”) revenues for each rate class.

24

1 **Q. HAVE YOU PREPARED A SCHEDULE THAT DERIVES THE CIP REVENUES**
2 **FOR THE TEST PERIOD?**

3 **A.** Yes. Schedule DPY-3 (“12+0”) calculates the non-weather-related CIP revenues that are
4 associated with the CIP Benchmarks reflected in the current tariff. The CIP revenues are
5 eliminated from the test period due to the resetting of the benchmarks to reflect actual
6 experience for the test period that occurs with the implementation of new base rates. The
7 updated Schedule DPY-3 (“12+0”) reflects \$4.3 million of CIP revenues as compared to a
8 CIP revenues of (\$15.4) million reflected in the Company’s initial filing.

9
10 **Q. HAVE YOU ALSO PREPARED AN UPDATE TO THE CIP BENCHMARKS TO**
11 **BE IMPLEMENTED WITH THE PROPOSED RATES?**

12 **A.** Yes. Schedule DPY-4 (“12+0”) provides the proposed benchmarks incorporating actual
13 weather-normalized usage information for the 12-month period ending June 2020. These
14 benchmarks are consistent with the updated billing units relied upon to derive the rates
15 reflected in Schedule DPY-2 (“12+0”) ensuring that the CIP operates in a manner that is
16 consistent with the derivation of base rates.

17
18 **Q. PLEASE COMPARE THE DIFFERENCE BETWEEN THE CIP BENCHMARKS**
19 **REFLECTED IN THE COMPANY’S 12+0 UPDATE AS COMPARED TO THOSE**
20 **REFLECTED IN THE COMPANY’S INITIAL FILING.**

21 **A.** Schedule DPY-5 provides a comparison of the CIP monthly benchmarks forecast for
22 January through June in the initial filing to the current benchmarks as well as the same
23 comparison for the updated benchmarks presented in Schedule DPY-4 (“12+0”) update.

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Q. DO YOU BELIEVE THE BENCHMARKS REFLECTED IN THE 12+0 UPDATE ARE APPROPRIATE FOR ESTABLISHING CIP ADJUSTMENTS ONCE NEW RATES ARE PLACED INTO EFFECT.

A. Yes. The updated benchmarks properly reflect the actual weather-normalized throughput for the twelve-month period ending June 2020. Schedule DPY-5 indicates that the updates to the benchmarks reflect a reduction in average use for both residential heating and general service customers as compared to the Company’s initial filing. These classes represent the majority of the Company’s customer base. The Company initially forecast an increase in use-per-customer for these two classes over the January through June time period as compared with the benchmarks established in the prior rate case based. The updated use-per-customer for each of these classes based upon actual weather-normalized information for January through June now show a decline in average use-per-customer. The reductions in use-per-customer and the associated CIP benchmarks for the winter months of January through June appear more reasonable than the projected increase filed with the initial case. Declining use-per-customer since the conclusion of the prior rate case in 2017 is expected given the longer-term downward trend due to increases in efficiency that occur as part of the appliance replacement cycle.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

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

Component	Amount	Units	Present Rates		Existing Rates Adjusted for Projected October 1, 2020 SHARP and AIRP II Roll-In		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Rate	Revenue	Increase
			<u>RSG</u>		<u>RSG</u>		<u>RSG</u>		
<u>Residential Service</u>									
Customer Charge	4,557,601	Bills	\$ 9.50	\$ 43,297,210	\$ 9.50	\$ 43,297,210	\$ 12.75	\$ 58,109,413	
Distribution Charge	265,712,873	Therms	0.678051	180,166,879	0.703107	186,824,581	0.886490	235,551,805	
CIP Revenues				2,672,828		2,672,828		-	
Total Base Revenues				\$ 226,136,917		\$ 232,794,619		\$ 293,661,218	26.1%
				Rider Revenues		\$ 133,242,668		\$ 133,242,668	
				Total Class Revenues		\$ 359,379,585		\$ 426,903,885	16.6%
<hr/>									
			<u>GSG</u>		<u>GSG</u>		<u>GSG</u>		
<u>General Service (0-100,000 Annual Therms)</u>									
Customer Charge	318,717	Bills	\$ 29.97	\$ 9,551,948	\$ 29.97	\$ 9,551,948	\$ 34.75	\$ 11,075,416	
Distribution Charge	98,604,223	Therms	0.566312	55,840,755	0.586189	57,800,711	0.659189	64,998,819	
CIP Revenues				1,179,972		1,179,972		-	
Total Base Revenues				\$ 66,572,676		\$ 68,532,632		\$ 76,074,235	11.0%
				Rider Revenues		\$ 29,381,645		\$ 29,381,645	
				Total Class Revenues		\$ 95,954,320		\$ 105,455,880	7.7%

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

Component	Amount	Units	Present Rates		Exsting Rates Adjusted for Projected October 1, 2020 SHARP and AIRP II Roll-In		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Rate	Revenue	Increase
<u>General Service Large Volume (100,000 + Annual Therms)</u>			<u>GSG-LV</u>		<u>GSG-LV</u>		<u>GSG-LV</u>		
Customer Charge	2,043	Bills	\$ 150.00	\$ 306,450	\$ 150.00	\$ 306,450	\$ 225.00	\$ 459,675	
Demand Charge	231,528	Mcf	9.6086	2,224,660	9.6086	2,224,660	12.2500	2,836,218	
Distribution Charge	29,002,749	Therms	0.283532	8,223,207.54	0.294875	8,552,186	0.326615	9,472,733	
CIRT Revenues				419,522		419,522		-	
Total Base Revenues				\$ 11,173,839		\$ 11,502,818		\$ 12,768,626	11.0%
				Rider Revenues		\$ 5,645,073		\$ 5,645,073	
				Total Class Revenues		\$ 16,818,912		\$ 18,413,699	7.4%
<u>Comprehensive Firm Transportation Service</u>			<u>CTS</u>		<u>CTS</u>		<u>CTS</u>		
Customer Charge	564	Bills	\$ 600.00	\$ 338,400	\$ 600.00	\$ 338,400	\$ 750.00	\$ 423,000	
Demand Charge	165,024	Mcf	28.6555	4,728,845	28.6555	4,728,845	31.7500	5,239,512	
Distribution Charge	31,227,584	Therms	0.068773	2,147,615	0.075575	2,360,025	0.082686	2,582,084	
Total Base Revenues				\$ 7,214,860		\$ 7,427,270		\$ 8,244,596	11.0%
				Rider Revenues		\$ 2,604,675		\$ 2,604,675	
				Total Class Revenues		\$ 9,819,535		\$ 10,849,271	8.1%

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

Component	Amount	Units	Present Rates		Existing Rates Adjusted for Projected October 1, 2020 SHARP and AIRP II Roll-In		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Rate	Revenue	Increase
			<u>LVS</u>		<u>LVS</u>		<u>LVS</u>		
<u>Large Volume Service</u>									
Customer Charge	300	Bills	\$ 900.00	\$ 270,000	\$ 900.00	\$ 270,000	\$ 1,050.00	\$ 315,000	
Demand Charge	299,496	Mcf	15.9588	4,779,597	15.9588	4,779,597	19.7500	5,915,046	
Distribution Charge	64,590,601	Therms	0.051052	3,297,479	0.054857	3,543,247	0.065861	4,254,002	
Total Base Revenues				\$ 8,347,076		\$ 8,592,843		\$ 10,484,048	22.0%
				\$ 4,984,455		\$ 4,984,455		\$ 4,984,455	
				\$ 13,331,531		\$ 13,577,298		\$ 15,468,502	13.9%
<hr/>									
			<u>EGS</u>		<u>EGS</u>		<u>EGS</u>		
<u>Electric Generation Service</u>									
Customer Charge	157	Bills	\$ 63.38	\$ 9,951	\$ 63.38	\$ 9,951	\$ 79.00	\$ 12,403	
Demand Charge	9,396	Mcf	7.8432	73,695	7.8432	73,695	8.2500	77,517	
Distribution Charge (Nov - Mar.)	763,767	Therms	0.135163	103,233	0.140035	106,954	0.155230	118,560	
Distribution Charge (Apr - Oct.)	1,002,386	Therms	0.105163	105,414	0.110035	110,297	0.125230	125,529	
Total Base Revenues				\$ 292,292		\$ 300,897		\$ 334,008	11.0%
				\$ 448,708		\$ 448,708		\$ 448,708	
				\$ 741,000		\$ 749,605		\$ 782,716	4.4%

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

Component	Amount	Units	Present Rates		Existing Rates Adjusted for Projected October 1, 2020 SHARP and AIRP II Roll-In		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Rate	Revenue	Increase
			<u>EGS-LV</u>		<u>EGS-LV</u>		<u>EGS-LV</u>		
<u>Electric Generation Service - Large Volume</u>									
Customer Charge	108	Bills	\$ 428.32	46,259	\$ 428.32	\$ 46,259	\$ 750.00	\$ 81,000	
Demand Charge	20,400	Mcf	23.233717	473,968	23.984511	489,284	28.059280	572,409	
Total Base Revenues				\$ 520,226		\$ 535,543		\$ 653,409	22.0%
			Rider Revenues	\$ 2,456,574		\$ 2,456,574		\$ 2,456,574	
			Total Class Revenues	\$ 2,976,800		\$ 2,992,116		\$ 3,109,983	3.9%
<hr/>									
			<u>NGV</u>		<u>NGV</u>		<u>NGV</u>		
<u>Natural Gas Vehicle Service</u>									
Cust. Charge 0-999 CFH	12	Bills	\$ 37.50	\$ 450	\$ 37.50	\$ 450	\$ 37.50	\$ 450	
Cust. Charge 1,000-4,999 CFH	-	Bills	75.00	-	75.00	-	75.00	-	
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	2,400	200.00	2,400	220.00	2,640	
Cust. Charge 25,000+ CFH	84	Bills	703.47	59,091	703.47	59,091	925.00	77,700	
Distribution Charge	1,719,145	Therms	0.196474	337,767	0.203319	349,535	0.254935	438,270	
Subtotal Distribution				\$ 399,709		\$ 411,476		\$ 519,060	
Compression Charge	426,388	Therms	0.548712	233,964	0.548712	233,964	0.692180	295,137	
Total Base Revenues				\$ 633,673		\$ 645,441		\$ 814,198	26.1%
			Rider Revenues	\$ 440,127		\$ 440,127		\$ 440,127	
			Total Class Revenues	\$ 1,073,800		\$ 1,085,568		\$ 1,254,325	15.5%

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

Component	Amount	Units	Present Rates		Existing Rates Adjusted for Projected October 1, 2020 SHARP and AIRP II Roll-In		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Rate	Revenue	Increase
			<u>GLS</u>		<u>GLS</u>		<u>GLS</u>		
<u>Gas Lights Service</u>									
Yard Lights		48 Mantles	\$ 8.818524	\$ 5,079	\$ 9.078154	\$ 5,229	\$ 11.076151	\$ 6,380	
Street Lights		36 Mantles	\$ 9.506499	4,107	\$ 9.786384	4,228	\$ 11.940254	5,158	
Total Base Revenues				\$ 9,186		\$ 9,457		\$ 11,538	22.0%
		Rider Revenues		\$ 77,614		\$ 77,614		\$ 77,614	
		Total Class Revenues		\$ 86,800		\$ 87,070		\$ 89,152	2.4%
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				\$ 320,900,746		\$ 330,341,518		\$ 403,045,875	22.0%
Other Revenues									
Rider Revenues			\$ 179,281,537		\$ 179,281,537		\$ 179,281,537		
Special Contracts			4,430,607		4,430,607		4,430,607		
Service Charges			<u>2,136,448</u>		<u>2,136,448</u>		<u>2,763,631</u>		
Total Other Revenues			\$ 185,848,592		\$ 185,848,592		\$ 186,475,775		
TOTAL SYSTEM INCLUDING OTHER REVENUES				\$ 506,749,338		\$ 516,190,110		\$ 589,521,650	14.2%
							Increase	\$ 73,331,540	
							Target	<u>73,331,533</u>	
							Difference	\$7	

SOUTH JERSEY GAS COMPANY
Pro Forma Adjustment to June 30, 2020
Summary of CIP Revenue Adjustment

Description	Actual 2019 July	Actual 2019 August	Actual 2019 September	Actual 2019 October	Actual 2019 November	Actual 2019 December	Actual 2020 January	Actual 2020 February	Actual 2020 March	Actual 2020 April	Actual 2020 May	Actual 2020 June	Test Year Total
CIP Revenue Adjustment													
CIP Group 1 - RSG non-Heat	(\$6,063)	(\$2,107)	\$11,451	\$26,262	\$43,959	\$76,641	\$62,394	\$33,740	\$19,261	\$24,829	\$51,935	(\$492)	\$341,809
CIP Group 2 - RSG Heat	(\$55,615)	\$1,332,528	(\$529,892)	\$1,440,189	\$3,634,254	(\$1,937,820)	(\$7,969,433)	(\$6,356,131)	(\$8,179,836)	\$332,757	\$2,576,529	\$1,354,317	(\$14,358,154)
CIP Group 3 - GSG	\$35,573	\$521,321	(\$117,209)	\$817,295	\$1,202,435	(\$561,092)	(\$1,954,521)	(\$974,366)	(\$2,520,640)	\$38,829	(\$293,073)	(\$568,736)	(\$4,374,182)
CIP Group 4 - GSG-LV	(\$97,543)	\$70,518	\$84,949	\$61,447	\$91,260	(\$42,615)	(\$399,710)	(\$333,504)	(\$337,685)	\$188,040	(\$115,785)	(\$41,606)	(\$872,234)
Total Revenue	(\$123,647)	\$1,922,260	(\$550,702)	\$2,345,193	\$4,971,908	(\$2,464,885)	(\$10,261,270)	(\$7,630,261)	(\$11,018,901)	\$584,455	\$2,219,606	\$743,483	(\$19,262,760)
Weather Related Dollars	\$0	\$0	\$0	(\$1,686,142)	\$4,861,078	(\$2,243,902)	(\$7,737,726)	(\$5,826,815)	(\$6,306,211)	\$2,213,740	\$1,735,540	\$0	(\$14,990,438)
Total Non-Weather Related Dollars	(\$123,647)	\$1,922,260	(\$550,702)	\$4,031,335	\$110,830	(\$220,983)	(\$2,523,544)	(\$1,803,446)	(\$4,712,690)	(\$1,629,285)	\$484,066	\$743,483	(\$4,272,322)

**South Jersey Gas Company
Derivation of CIP Baseline Use-per-Customer
12 + 0 Update**

	<u>Jul-19</u>	<u>Aug-19</u>	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Total</u>
Group 1: RSG Non-Heat													
Customers	11,564	11,553	11,538	11,489	11,480	11,466	11,445	11,418	11,409	11,438	11,470	11,500	137,770
Therms	112,114	100,743	114,501	151,322	266,879	466,186	434,224	401,434	303,363	221,915	201,617	136,125	2,910,421
Baseline Use per Cust.	9.70	8.72	9.92	13.17	23.25	40.66	37.94	35.16	26.59	19.40	17.58	11.84	253.93
Group 2: RSG Heat													
Customers	355,602	355,501	355,777	356,438	357,814	359,223	360,327	361,081	362,004	362,851	363,281	363,653	4,313,552
Therms	4,715,241	5,067,607	4,807,725	10,220,434	25,861,553	44,767,688	51,726,211	44,120,077	32,290,013	17,679,718	9,707,666	6,470,300	257,434,233
Baseline Use per Cust.	13.26	14.25	13.51	28.67	72.28	124.62	143.55	122.19	89.20	48.72	26.72	17.79	714.76
Group 3: GSG													
Customers	25,614	25,505	25,498	25,613	25,875	26,083	26,197	26,261	26,324	26,337	26,333	26,235	311,875
Therms	2,889,219	3,194,586	3,042,258	4,567,084	9,365,301	15,181,035	17,304,277	15,345,009	11,630,087	6,517,382	3,577,018	2,178,051	94,791,307
Baseline Use per Cust.	112.80	125.25	119.31	178.31	361.94	582.03	660.54	584.33	441.81	247.46	135.84	83.02	3,632.64
Group 4: GSG-LV													
Customers	170	171	170	170	170	170	170	171	171	171	170	169	2,043
Therms	836,487	1,035,121	917,111	1,979,959	3,019,596	4,096,364	5,138,201	3,862,809	3,738,295	2,535,968	1,108,347	734,492	29,002,749
Baseline Use per Cust.	4,920.51	6,053.34	5,394.77	11,646.82	17,762.33	24,096.26	30,224.71	22,589.53	21,861.38	14,830.22	6,519.69	4,346.10	170,245.66

South Jersey Gas Company
Comarison of CIP Baseline Use-per-Customer
Original Filing and 12+0 Update Vs. Current Benchmark

	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Total Jan-Mar</u>	<u>Percent Change</u>
Group 1: RSG Non-Heat								
GR20030243 Original Filing	27.03	27.52	24.45	16.17	12.37	10.74	118.28	
Current Baseline	29.90	30.80	24.10	16.20	10.90	11.90	123.80	
Difference	(2.87)	(3.28)	0.35	(0.03)	1.47	(1.16)	(5.52)	-4.7%
GR20030243 12+0 Update	37.94	35.16	26.59	19.40	17.58	11.84	148.51	
Current Baseline	29.90	30.80	24.10	16.20	10.90	11.90	123.80	
Difference	8.04	4.36	2.49	3.20	6.68	(0.06)	24.71	16.6%
Group 2: RSG Heat								
GR20030243 Original Filing	157.10	132.41	100.34	50.45	24.24	14.68	479.22	
Current Baseline	151.60	129.70	102.80	54.40	22.60	12.30	473.40	
Difference	5.50	2.71	(2.46)	(3.95)	1.64	2.38	5.82	1.2%
GR20030243 12+0 Update	143.55	122.19	89.20	48.72	26.72	17.79	448.17	
Current Baseline	151.60	129.70	102.80	54.40	22.60	12.30	473.40	
Difference	(8.05)	(7.51)	(13.60)	(5.68)	4.12	5.49	(25.23)	-5.6%
Group 3: GSG								
GR20030243 Original Filing	647.13	675.80	579.26	366.44	338.30	269.66	2,876.59	
Current Baseline	668.90	553.20	509.60	262.50	160.00	117.20	2,271.40	
Difference	(21.77)	122.60	69.66	103.94	178.30	152.46	605.19	21.0%
GR20030243 12+0 Update	660.54	584.33	441.81	247.46	135.84	83.02	2,153.00	
Current Baseline	668.90	553.20	509.60	262.50	160.00	117.20	2,271.40	
Difference	(8.36)	31.13	(67.79)	(15.04)	(24.16)	(34.18)	(118.40)	-5.5%
Group 4: GSG-LV								
GR20030243 Original Filing	31,113.31	26,681.13	22,349.95	14,338.27	6,984.41	6,979.05	108,446.12	
Current Baseline	33,867.60	26,589.00	24,561.70	12,840.30	9,454.90	5,214.40	112,527.90	
Difference	(2,754.29)	92.13	(2,211.75)	1,497.97	(2,470.49)	1,764.65	(4,081.78)	-3.8%
GR20030243 12+0 Update	30,224.71	22,589.53	21,861.38	14,830.22	6,519.69	4,346.10	100,371.63	
Current Baseline	33,867.60	26,589.00	24,561.70	12,840.30	9,454.90	5,214.40	112,527.90	
Difference	(3,642.89)	(3,999.47)	(2,700.32)	1,989.92	(2,935.21)	(868.30)	(12,156.27)	-12.1%