



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

ENERGY

IN THE MATTER OF THE JOINT PETITION OF)
SOUTH JERSEY GAS COMPANY AND RC CAPE MAY)
HOLDINGS, LLC FOR APPROVAL OF A STANDARD)
GAS SERVICE AGREEMENT (FES) AND A)
STANDARD GAS SERVICE AGREEMENT (FES))
ADDENDUM) DOCKET NO. GO13010052

Parties of Record:

Ira G. Megdal, Esq. (Cozen O'Connor), on behalf of South Jersey Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
John G. Valeri, Jr., Esq., on behalf of RC Cape May Holdings, LLC

BY THE BOARD:

On January 24, 2013, South Jersey Gas Company ("SJG" or "Company"), jointly with RC Cape May Holdings, LLC ("RC Cape May") (collectively "Petitioners") filed a petition seeking approval of a Standard Gas Service Agreement- Firm Electric Service ("FES") and a Standard Gas Service Agreement- FES Addendum (collectively, the "Agreement"). The Petitioners further requested that the petition and the Agreement be treated as confidential information. By this Decision and Order, the Board considers a Stipulation of Settlement ("Stipulation") entered into by SJG, RC Cape May, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Parties") requesting that the Board approve the Agreement with the modifications agreed to by the Parties.

BACKGROUND

Pursuant to its Rate Schedule FES, SJG provides firm sales and/or transportation service to electric generation facilities with a Winter Daily Contract Demand of 1.000 Mcf per day or more, or a Summer Daily Contract Demand of 2,000 Mcf per day or more, or both. Special Provision (j) of Rate Schedule FES provides that SJG may offer a D-1 Demand Charge and a C-3 Commodity Charge on a negotiated basis. According to the special provision, the D-1 charge, taken in combination with the C-3 charge, may not be lower than an amount sufficient to 1) generate a reasonable return on capital investments made by the Company and 2) recover all of

the marginal and embedded costs, including depreciation. Any offer made by the Company must be based upon cost of service and value of service considerations including such factors as: (1) proximity of customer to the Company's transmission lines, (2) whether the customer will utilize the Company's interstate pipeline capacity, (3) whether the customer will provide its own gas supply, (4) level of interruption elected by the customer pursuant to special provision (r) of the rate schedule; and (5) any other pertinent factors. In addition, Special Provision (j) requires that the negotiated percentages and resultant rates shall be set forth in the Standard Gas Service Agreement (FES) and filed with the Board for approval within thirty (30) days of execution.

RC Cape May is an affiliate of Rockland Capital, a Delaware limited liability company. RC Cape May is the new owner of the B.L. England electric generation facility located in the Beesley's Point section of Upper Township on the Great Egg Harbor Bay ("the Facility" or "Station"). The Facility is a 447-megawatt ("MW") electricity generation facility powered by two 1960s-era coal units (155 MW and 129 MW), one 1970s-era residual oil unit (155 MW) and four 2MW diesel generators. RC acquired the Facility in early 2007 from Atlantic City Electric Company, and the Station currently operates as a merchant power plant selling electricity and capacity into the PJM Power market. Pursuant to an Administrative Consent Order ("ACO") and a series of amendments to the ACO, with the New Jersey Department of Environmental Protection ("DEP"), RC Cape May is required to either repower the Facility or alternatively meet certain performance standards by certain dates. After determining that the Facility should be redeveloped as a gas-fired facility, RC Cape May and DEP executed the 2012 ACO Amendment, which included deadlines of 2013 and 2015 for cessation of coal operations at the Station's two units, and the identification of natural gas repowering as the chosen alternative for the Station. In June 2012, RC Cape May launched a full-scale redevelopment plan for the Station with mid-2013 as the target date for financial close and start of construction, and early 2016 as the date for commencement of commercial operation.

According to the petition, RC Cape May's plan is to retire both coal fired steam boilers for units 1 and 2 and replace them with a new state-of-the-art combustion turbine and Heat Recovery Steam Generator ("HRSG"). RC Cape May will retire the steam turbine for unit 1, refurbish the steam turbine for unit 2 and connect it to the new combustion turbine and HRSG, creating a single, large generating unit which will generate 403 MWs of power under summer-conditions (430 MW in the winter). RC Cape May also intends to refuel and refurbish unit 3 to operate on natural-gas at a capacity of approximately 160 MWs.

SJG is planning construction of a new twenty-four inch natural gas high pressure transmission pipeline, which SJG states will: (1) provide gas transportation service to the Station to enable its conversion from a coal and oil burning electrical generation power plant to one that burns natural gas; and (2) through a new interconnection with the SJG system, be able to provide system reliability and reinforcement enhancements for its customers served in the south and eastern portions of its service territory. SJG has designed the transmission line as a continuous twenty-four inch pipeline for all twenty-two miles of its installation to allow for full functionality, integrity testing and operation of the pipeline across a variety of normal and contingency conditions. Of the twenty-two miles, RC Cape May will require eight miles of dedicated pipeline to supply the needs of the Station ("Dedicated Line").

The Petitioners entered in an agreement whereby SJG agreed to sell and deliver, and RC Cape May agreed to purchase and pay for gas service under Rate Schedule FES. The project will utilize its own interstate pipeline capacity and gas supply. To allow RC Cape May to properly

perform tests prior to commercial operations of the repowered Facility, the Petitioners have also negotiated a special rate for the period prior to commercial operation.

SJG has requested that the petition and the Agreement be treated as "Confidential." Specifically, the Company maintains that the D-1 charge applicable to RC Cape May is confidential information because it is competitively sensitive information. Pursuant to the Company's FES Tariff, the Company, the customer, the Board and its Staff shall treat any Standard Gas Service Agreement (FES) filed or to be filed with the Board, any petition related thereto, supporting documentation or any discovery related thereto as proprietary and trade secrets of the Company. As such, the contents of such material shall not be disclosed to any party, unless that party executes a confidentiality agreement acceptable to the Company. SJG maintains that if its negotiated, reduced rates are disclosed to the public, SJG's competitors would be able to offer similar or lower rates to the Company's customers, and thereby unfairly compete with SJG. In addition, SJG claims that if future customers of SJG are made aware of the reduced or negotiated rates made available by SJG to ACI, those rates will become a "floor" to future customers.

STIPULATION

Discovery was propounded upon the Petitioners and responses were received. In addition to the written discovery, several discovery conferences were conducted. On April 24, 2013, the Parties entered into the Stipulation, the salient terms of which are below.¹

24. Black and Veatch prepared a cost allocation study dated October, 2012. Black and Veatch determined that if the cost of the Dedicated Line and the Reliability Line was \$86,943,651 then \$34,809,220 or 40% of this amount should be allocated to RC Cape May. If the cost becomes \$90,894,803, then \$34,850,372 or 42.7% of the total cost of the Dedicated Line and the Reliability Line should be allocated to RC Cape May. RC Cape May's share is higher in the second instance, because all the additional costs resulting from failure to obtain easements and right-of-way would arise on the Dedicated Line. The final rate will be determined once actual costs are known using such actual costs.
28. The rates developed for RC Cape May were based upon cost of service and support the value of service considerations required by the Company's tariff, specifically: the customer is eight miles from the Company's transmission line; the customer will not utilize the Company's interstate pipeline capacity; the customer will provide its own gas supply; and the customer has elected to be subject to interruption during South Jersey's peak winter season. Other pertinent factors relate to the public policy benefits of the entire pipeline and of the BL England Facility. Pursuant to the terms of this Agreement, South Jersey may interrupt B.L. England's gas transportation service for scheduled down time.
25. The Reliability Line is not the subject of the Stipulation. RC Cape May will pay a return on and return of (depreciation) the Dedicated Line at the cost rates depicted in Schedule A applied to the actual cost of the Dedicated Line.

¹ Although described in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions contained in this Order.

35. The Parties agree that the project qualifies for Special Provision (j) of SJG's FES tariff. The Parties agree that the Agreement as modified and attached to the confidential copy of the Stipulation as Exhibit A should be approved effective as soon as the Board may act.
36. The Parties agree that if at the end of the term of the Agreement, RC Cape May is no longer a customer, and if no other customer or customers are using the Dedicated Line, SJG shall cease depreciating the Dedicated Line for regulatory purposes. Provided, however, that if a customer or customers shall receive service from the Dedicated Line at a time after the end of such term, appropriate depreciation will resume.
37. RC Cape May shall not be responsible to pay any Societal Benefits Charge ("SBC"), Capital Investment Tracker ("CIRT") charge; Accelerated Infrastructure Replacement Program ("AIRP") charge; Energy Efficiency Tracker ("EET") charge or Regional Greenhouse Gas Initiative ("RGG") charge; or any other charge, expense, pass-through, or other payment later determined to apply to FES customers under the Tariff that does not apply as of the date of the Agreement, nor any similar future charges or "roll-ins" of such charges into base rates or other rates payable on gas transportation service under the Agreement. There is also a provision at par. 14 reflecting that should the Board approve any additional trackers, riders or similar tariff mechanism in the future, such mechanisms will have no applicability to rate charged by South Jersey to RC Cape May.
38. The Parties agree that any claims of commercially sensitive or proprietary information regarding the pricing, quantity, interruption and balancing terms of the Agreement will be decided by the Board's Custodian of Records pursuant to N.J.A.C. 14:1-12 if and when a request for release of such data is made.

DISCUSSION AND FINDINGS

After reviewing the petition, the Agreement and the Stipulation, the Board is also satisfied that the Agreement meets the requirements of the previously Board approved tariff for FES. Therefore, the Board **HEREBY FINDS** that coupled with the other benefits that the Parties have agreed result from this transaction including the expected sufficient and reasonable return on capital investments made by SJG along with recovery of marginal embedded costs, this project qualifies for Special Provision (j) of SJG's FES tariff. Moreover, the annual revenues will be treated above the line and accrued to the benefit of ratepayers by being included in the calculation of the revenue requirement in the next base rate case. The rates are based upon cost of service and the value of service considerations as required by the provisions of the Company's tariff.

Approval of this Stipulation and Agreement is a step in turning the B.L. England generating station to more productive use for the benefit of the State's electric customers. Conversion of the Station's two coal-oil-diesel generators to natural gas should result in fewer emissions, and more efficient generation which should make the Facility more competitive in the wholesale market. Under the terms of the Agreement, SJG retains the right to interrupt service to the Facility under certain conditions when capacity on the line is needed for the Company's other customers.


As agreed to by the Parties, any requests for information which the Company has claimed is confidential shall be handled in accordance with the Board's rules at N.J.A.C. 14:1-12.

Accordingly, the Board **FINDS** the Stipulation and Agreement to be reasonable and in the public interest, and **HEREBY APPROVES** the Stipulation and the Agreement effective as of the date this Order is served. N.J.S.A. 48:2-40.

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

DATED: 4/29/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

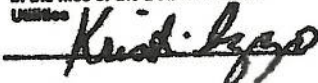

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
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 JOINT PETITION OF SOUTH JERSEY GAS COMPANY AND RC
 CAPE MAY HOLDINGS, LLC FOR APPROVAL OF A STANDARD GAS SERVICE
 AGREEMENT (FES) AND A STANDARD GAS SERVICE AGREEMENT (FES) ADDENDUM -
 DOCKET NO. GO13010052

BOARD OF PUBLIC UTILITIES		
Jerome May, Director Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. Post Office Box 350 Trenton, NJ 08625-0350	Rosalie Serapiglia Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. Post Office Box 350 Trenton, NJ 08625-0350	Alice Bator Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. Post Office Box 350 Trenton, NJ 08625-0350
Stacy Peterson Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. Post Office Box 350 Trenton, NJ 08625-0350	Kristi Izzo, Secretary Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. Post Office Box 350 Trenton, NJ 08625-0350	
DIVISION OF RATE COUNSEL		
Stefanie A. Brand, Esq. Division of Rate Counsel 140 East Front Street 4 th Floor Post Office Box 003 Trenton, N.J. 08625	Paul Flanagan, Esq. Division of Rate Counsel 140 East Front Street 4 th Floor Post Office Box 003 Trenton, N.J. 08625	Felicia Thomas-Friel, Esq. Division of Rate Counsel 140 East Front Street 4 th Floor Post Office Box 003 Trenton, N.J. 08625
Henry Ogden, Esq. Division of Rate Counsel 140 East Front Street 4 th Floor Post Office Box 003 Trenton, N.J. 08625	James Glassen, Esq. Division of Rate Counsel 140 East Front Street 4 th Floor Post Office Box 003 Trenton, N.J. 08625	
DEPARTMENT OF LAW & PUBLIC SAFETY		
Caroline Vachier, DAG Division of Law 124 Halsey Street P.O. Box 45029 Newark, NJ 07101	Babette Tenzer, DAG Division of Law 124 Halsey Street P.O. Box 45029 Newark, NJ 07101	Alex Moreau, DAG Division of Law 124 Halsey Street P.O. Box 45029 Newark, NJ 07101
Veronica Beke, DAG Division of Law 124 Halsey Street P.O. Box 45029 Newark, NJ 07101		
SJG and RC Cape May Holdings, LLC		
Ira G. Megdal, Esq. Cozen O'Connor 457 Haddonfield Road Suite 300 Cherry Hill, NJ 08002	Steven R. Cocchi Director Rates and Revenue Requirements South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037	John G. Valeri, Jr., Esq. Wolff & Samson, PC One Boland Drive West Orange, NJ 07052

PUBLIC COPY

**STATE OF JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE JOINT :
PETITION OF SOUTH JERSEY GAS :
COMPANY AND RC CAPE MAY :
HOLDINGS, LLC FOR APPROVAL OF A :
STANDARD GAS SERVICE :
AGREEMENT (FES) AND STANDARD :
GAS SERVICE AGREEMENT (FES) :
ADDENDUM :

STIPULATION
BPU DOCKET NO. GO13010052

APPEARANCES:

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

John G. Valeri, Jr., Esq., Wolff & Samson, for the Petitioner, RC Cape May Holdings, LLC

Felicia Thomas-Friel, Managing Attorney; Henry M. Ogden and James W. Glassen, Assistant Deputies Rate Counsel and Paul E. Flanagan, Litigation Manager for the New Jersey Division of Rate Counsel, Stefanie A. Brand, Director

Alex Moreau and Veronica Beke, Deputy Attorneys General, for Staff of the Board of Public Utilities, Jeffrey S. Chiesa, Attorney General of New Jersey

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Background and Procedural History

1. The Board of Public Utilities (the "Board") is authorized to fix just and reasonable rates and to supervise the property and activities of regulated utilities pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-13. Where a utility plans to enter into an agreement with a particular customer for service at rates different from those authorized under the utility's Board-approved tariff, N.J.A.C. 14:3-1.3(e) outlines the procedure and proofs required for Board approval of special contracts authorizing discounted rates when circumstances warrant.

PUBLIC COPY

2. On January 24, 2013, South Jersey Gas Company ("South Jersey" or the "Company") and RC Cape May Holdings, LLC ("RC Cape May") (collectively, "Joint Petitioners") filed a Joint Petition and Request for Confidential Treatment for approval of a Standard Gas Service Agreement (FES) (the "Standard Agreement") and a Standard Gas Service Agreement (FES) Addendum (the "Addendum")(collectively, the "Agreement") for a gas transportation service agreement, allowing for limited interruptions, by and between South Jersey and RC Cape May at discounted gas rates.

3. By the filing, Joint Petitioners submitted information consistent with N.J.A.C. 14:3-1.3(f) requiring each filing requesting Board approval under N.J.A.C. 14:3-1.3(e) to be accompanied by a detailed statement that includes: (1) the type of service to be provided under the contract or agreement; for example, firm or interruptible service; (2) a detailed list of the costs and expenses to the utility that will result from its performance under the contract or agreement; (3) rates and other charges that the customer will pay; (4) the effect of the contract or agreement on the utility's revenues and income, in detail; (5) the utility's reasons for entering into the contract or agreement; (6) a complete and detailed list of every way in which the contract or agreement changes or affects the utility's Board-approved tariff; (7) the rate treatment of any change in costs, expenses and/or revenues, and the predicted impact of the change on other ratepayers of the utility; and (8) any other potential impacts on other ratepayers, not described in (f)1 through 7 above.

4. On April 15, 2013, the Agreement was modified from the original attached to the Joint Petition (the "Revised Agreement"), and is attached to the Confidential Copy of this Stipulation as "Exhibit A".

PUBLIC COPY

5. South Jersey is engaged in the transmission, distribution, transportation, and sale of natural and mixed gases within its defined service territory within the State of New Jersey. Said service territory includes all or portions of the following counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem. Within its service territory, South Jersey services approximately 360,000 customers in 114 municipalities.

6. RC Cape May is an affiliate of Rockland Capital, a Delaware limited liability company, whose principal office is at 24 Waterway Avenue, Suite 800, The Woodlands, Texas 77380.

7. RC Cape May is the owner of B.L. England, a 447-megawatt electric generation facility, located in the Beesley's Point section of Upper Township on the Great Egg Harbor Bay (the "Facility" or "B.L. England" or the "Station").

8. The Station is powered by two 1960s era coal units (155 MW and 129 MW), one 1970s era residual oil unit (155 MW) and four 2 MW diesel generators. RC Cape May acquired the Station in early 2007 from Atlantic City Electric Company ("ACE"). The Station currently operates as a merchant power plant, selling electricity and capacity into the PJM power market.

9. On January 24, 2006, an Administrative Consent Order ("ACO") was executed by and between the New Jersey Department of Environmental Protection ("DEP") and various parties. The ACO settled allegations by DEP that ACE and affiliates of ACE, the prior owner of the Station, had violated various environmental statutes.

10. On October 31, 2006, a first ACO Amendment was executed by and between the DEP, parties, and RC Cape May to reflect, in part, that RC Cape May had acquired B.L. England and assumed responsibilities thereunder.

PUBLIC COPY

11. On January 13, 2010, a second ACO Amendment was executed by and between the DEP and RC Cape May to reflect air emissions standards.

12. On May 18, 2012, a third ACO Amendment (the "2012 ACO Amendment") was entered by and between the DEP and RC Cape May to reflect that B.L. England be re-developed as a gas-fired facility. The 2012 ACO Amendment requires deadlines of 2013 and 2015 to cease coal-sourced supply operations at the Station's two units and identifies natural gas repowering as the chosen alternative. In June 2012, RC Cape May proposed mid-2013 as the target date for financial closing and start of construction with early 2016 as the anticipated start date for commercial operations.

13. By the petition, RC Cape May states that repowering the Station to convert its coal-oil-diesel-sourced supply to a natural gas-sourced supply and re-develop B.L. England to meet air emissions standards consistent with the 2012 ACO would capitalize upon emerging technologies for transportation and power production (the "Project"). Upon conversion, B.L. England will generate approximately 403-563 MW provided financing closes in 2013 and construction starts in 2013 with an anticipated 2016 date of commercial operations.

14. There are currently two coal-fired steam boilers at the Station. RC Cape May's B.L. England re-development plan is to retire both coal-fired steam boilers for Units 1 and 2 and replace them with a new state-of-the-art combustion turbine and Heat Recovery Steam Generator ("HRSG"). RC Cape May will retire the steam turbine for Unit 1, refurbish the steam turbine for Unit 2 and connect it to the new combustion turbine and HRSG, creating a single, large generating unit which will generate 403 MWs of power under summer-conditions (430 MW in the winter). RC Cape May also intends to refuel and refurbish Unit 3 to operate on natural-gas at a capacity of approximately 160 MW.

PUBLIC COPY

15. RC Cape May states that converting B.L. England will directly benefit the area because there is a severe need for capacity and it is the only significant generator in southeast New Jersey. B.L. England will also possibly replace power that will be lost from the retirement of the Oyster Creek Nuclear power plant 645 MW in 2019.

16. RC Cape May states converting B.L. England will provide environmental benefits to the State, including: significant reduction in greenhouse gases, and power plant air pollutants, including nitrogen oxides (NOx) and sulfur dioxide (SO₂), while at the same time increasing power generation by 30%; significant reduction in surface water withdrawals from the Great Egg Harbor Bay because the Station will no longer require once-through cooling; and the elimination of coal deliveries and other materials associated with operating a coal plant such as material required to run air pollution control technology that will no longer be required for a gas-fired power plant.

17. B.L. England has no ability to physically bypass the South Jersey system to connect with either of the interstate pipelines serving South Jersey. B.L. England must be served off of South Jersey's transmission and distribution system.

18. By the petition, South Jersey states that it does not currently have transmission capacity to serve the B.L. England plant today, thus, South Jersey requires that a twenty-two mile pipeline be constructed for this purpose. The Facility will be, by a huge margin, South Jersey's single largest customer. The annual gas load at BL England will be more than that of 210,000 residential customers.

19. South Jersey is planning construction of a new twenty-two mile, twenty-four inch natural gas high pressure transmission pipeline, which South Jersey states will : (1) provide gas transportation service to BL England; and (2) provide a new interconnection with the South

PUBLIC COPY

Jersey system to provide system reliability and redundancy by way of reinforcement enhancements. That portion of the line which will serve B.L. England is the "Dedicated Line". The segment of line that will run from South Jersey's transmission system to B.L. England. That portion which will provide reliability for its other customers is the "Reliability Line". That segment of line will run between Union Road and Rt. 49 and the proposed interconnection with South Jersey's existing transmission system in Tuckahoe, New Jersey.

20. Because of the size of the BL England load, South Jersey must construct the Dedicated Line and connect it to South Jersey's transmission system. Even then, South Jersey must be able to interrupt service to the Station on peak winter days, and enforce strict load control and balancing requirements. These are built into the Revised Agreement.

21. South Jersey states that the BL England facility will require an upstream South Jersey transmission infrastructure improvement of the same size and length (14 miles of 24" pipeline) to be utilized for South Jersey to provide a fully redundant supply feed to its customers in Cape May and Atlantic Counties.

22. The BL England facility will require a further downstream South Jersey transmission infrastructure improvement of 8 miles of 24" pipeline dedicated to supply the generating station.

23. South Jersey provided cost estimates for the proposed pipeline to Black & Veatch Corporation ("Black & Veatch"), its energy and utilities consultant pertaining to costing and pricing, to develop a cost allocation for the pipeline based upon review of South Jersey's pipeline design and cost estimates. The current estimate of capital costs for the pipeline is \$86,943,651 if certain rights-of-way and easements are acquired by South Jersey from ACE. If these rights-of-way and easements are not acquired, the total capital cost for the Dedicated Line and the

PUBLIC COPY

Reliability Line will be \$90,984,803. These are estimates only, and actual costs will not be well defined until bids are solicited and received for construction. Even then, they will not be final until construction is complete. The final rate will be determined once construction costs are final.

24. Black & Veatch prepared a cost allocation study dated October, 2012. Black & Veatch determined that if the cost of the Dedicated Line and the Reliability Line was \$86,943,651 then \$34,809,220 or 40% of this amount should be allocated to RC Cape May. If the cost becomes \$90,984,803, then \$38,850,372 or 42.7% of the total cost of the Dedicated Line and the Reliability Line should be allocated to RC Cape May. RC Cape May's share is higher in the second instance, because all of the additional costs resulting from failure to obtain easements and rights-of-way would arise on the Dedicated Line. The final rate will be determined once actual costs are known using such actual costs.

25. The Reliability Line is not the subject of this Stipulation. RC Cape May will pay a return on and a return of (depreciation) the Dedicated Line at the cost rates depicted in Schedule A applied to the actual cost of the Dedicated Line.

26. Because of the size of the BL England load, South Jersey must construct the Dedicated Line and connect it to South Jersey's transmission system. Even then, South Jersey must be able to interrupt service to the Station on peak winter days, and enforce strict load control and balancing requirements. These are built into the Revised Agreement.

Rate Impact

27. Pursuant to Special Provision (j) of South Jersey's FES tariff issued January 15, 2010 effective September 17, 2010, the Company may offer a Winter and Summer D-1 Demand

PUBLIC COPY

Charge and C-3 Volumetric Charge on a negotiated basis, so long as the offer is based on cost of service and value of service considerations. These include, but are not limited, to the following factors: 1) the proximity of the customer to the Company's transmission lines; (2) whether the customer will utilize the Company's interstate pipeline capacity; (3) whether the customer will provide its own gas supply; (4) the level of interruption elected by the customer; and (5) other pertinent factors.

28. The rates developed for RC Cape May were based upon cost of service and support the value of service considerations required by the Company's tariff, specifically: the customer is eight miles from the Company's transmission line; the customer will not utilize the Company's interstate pipeline capacity; the customer will provide its own gas supply; and the customer has elected to be subject to interruption during South Jersey's peak winter season. Other pertinent factors relate to the public policy benefits of the entire pipeline and of the BL England Facility. Pursuant to the terms of this Agreement, South Jersey may interrupt B.L. England's gas transportation service for scheduled down time.

29. South Jersey and RC Cape May have also negotiated a special rate for the period prior to the Commercial Operation Date, as defined in the Revised Agreement. This rate will allow RC Cape May to properly perform tests.

30. The specific terms of the rate agreement are set forth in the Agreement and attached to the Confidential Copy of this Stipulation.

31. The proposed FES rates are based upon: the estimated cost of capital to serve the BL England plant; an appropriate return on investment; and return of investment for South Jersey. As actual costs are determined, the rates could increase or decrease. Schedule A attached to the Confidential Copy of this Stipulation sets forth the methodology by which rates

PUBLIC COPY

were developed for this Stipulation. The same methodology will be applied to actual costs, when finally known. The determination of the prudence of actual costs of the Reliability Line will be reviewed in a future rate case.

32. RC Cape May plans to convert two of B.L. England's units to natural gas on or before DEP's deadline and to bid into the base residual auction ("BRA") conducted by PJM in May 2013. To be eligible to bid and by the subject petition, RC Cape May requests by that time a Board order approving the Revised Agreement for an economically feasible and technically reliable source of natural gas.

33. Discovery was propounded upon the Joint Petitioners by the Staff of the Board ("Staff") and by the Division of Rate Counsel ("Rate Counsel") (collectively, the signatory "Parties") and has been answered by the Joint Petitioners. The parties also held discovery and settlement conferences.

Settlement Terms

34. In consideration of the terms, covenants and agreements contained herein, the Company, Staff and Rate Counsel hereby stipulates to the following settlement terms:

35. The Parties stipulate and agree that this Project qualifies for Special Provision (j) of South Jersey's FES tariff issued on January 15, 2010 and meets the requirements of that tariff. The parties agree that the Agreement and Revised Agreement, attached to the Confidential Copy of this Stipulation as Exhibit "A", should be approved effective upon the Board action date.

36. The Parties stipulate and agree that if at the end of the term of the Agreement, RC Cape May is no longer a customer, and if no other customer or customers are using the Dedicated Line, South Jersey shall cease depreciating the Dedicated Line for regulatory

PUBLIC COPY

purposes. Provided, however, that if a customer or customers shall receive service from the Dedicated Line at a time after the end of such term, appropriate depreciation will resume.

37. RC Cape May shall not be responsible to pay any Societal Benefits Charge ("SBC"), Capital Investment Tracker ("CIRT") charge; Accelerated Infrastructure Replacement Program ("AIRP") charge; Energy Efficiency Tracker ("EET") charge or Regional Greenhouse Gas Initiative ("RGGI") charge; or any other charge, expense, pass-through, or other payment later determined to apply to FES customers under the Tariff that does not apply as of the date of the Agreement, nor any similar future charges or "roll-ins" of such charges into base rates or other rates payable on gas transportation service under the Agreement. There is also a provision at Par. 14 reflecting that should the Board approve any additional trackers, riders, or similar Tariff mechanisms in the future, such mechanisms will have no applicability to rates charged by South Jersey to RC Cape May.

38. The Parties agree that any claims of commercially sensitive or proprietary information regarding the pricing, quantity, interruption and balancing terms of the Agreement will be decided by the Board's Custodian of Records pursuant to N.J.A.C. 14:1-12 if and when a request for release of such data is made.

39. The Parties stipulate and agree that the Revised Standard Gas Service Agreement (FES), and the Revised Gas Service Agreement (FES) Addendum Agreement, attached to this Stipulation as Exhibit A should be approved in form and content in accordance with South Jersey's tariff and N.J.A.C. 14:3-1.3(e) approved by the Board.

40. It is understood and agreed upon that this Stipulation represents a negotiated agreement exclusively for the purpose of resolving these proceedings. No party shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying this

PUBLIC COPY

agreement that would prejudice its position in another matter or restrict its position in pending or future proceedings, in this or any other forum, except as expressly provided in this Stipulation.

41. This Stipulation represents a mutual balancing of interests, contains interdependent provisions, and is therefore intended to be accepted and approved in its entirety. Should any term in this Stipulation not be accepted or approved in its entirety by the Board, any aggrieved Party shall not be bound by the Stipulation but free to pursue its available remedies.

42. The Parties further acknowledge that any increase or resolution of any issue agreed to in this Stipulation, shall become effective upon service of the Board Order on all parties of record unless a later date is indicated in the Order, consistent with N.J.S.A. 48:2-40. All rates are subject to audit by the Board.

43. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

SOUTH JERSEY GAS COMPANY

RC CAPE MAY HOLDINGS, LLC

By: Ira G. Megdal
Ira G. Megdal, Esq.
Cozen O'Connor

By: John G. Valeri, Jr.
John G. Valeri, Jr., Esq.
Wolff & Samson, P.C.

STEFANIE BRAND, DIRECTOR,
DIVISION OF RATE COUNSEL

JEFFREY S. CHIESA, ATTORNEY GENERAL
OF THE STATE OF NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: Steffnie A. Brand
Steffnie A. Brand
Director

By: Veronica Beke
Alex Moreau
Veronica Beke
Deputy Attorneys General

DATED: April 24, 2013

PUBLIC COPY

EXHIBIT

A

PUBLIC COPY

REDACTED
(23 PAGES)

PUBLIC COPY

SCHEDULE

A

PUBLIC COPY

REDACTED

(1 PAGE)