



**STATE OF NEW JERSEY  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102  
www.bpu.state.nj.us**

ENERGY

IN THE MATTER OF THE PETITION OF )  
SOUTH JERSEY GAS COMPANY TO CHANGE ) DOCKET NO. GR07060354  
THE LEVEL OF ITS CONSERVATION INCENTIVE )  
PROGRAM CHARGE FOR THE CIP YEAR ENDING )  
SEPTEMBER 30, 2008 )

AND

IN THE MATTER OF THE PETITION OF )  
SOUTH JERSEY GAS COMPANY TO CHANGE )  
THE LEVEL OF ITS CONSERVATION INCENTIVE ) DOCKET NO. GR08050367  
PROGRAM CHARGE FOR THE CIP YEAR ENDING )  
SEPTEMBER 30, 2009 )

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND

On June 1, 2007, South Jersey Gas Company ("Company" or "SJG") submitted its first annual Conservation Incentive Program ("CIP") filing in Docket No. GR07060354, for the CIP year ending September 30, 2008.<sup>1</sup>

If approved as filed, the initial CIP filing would have resulted in an annual revenue increase of \$14.3 million based on actual data October through April, and estimated data May through September. As a result of discussions among the Company, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") and Staff, a Stipulation was reached that set CIP rates, on a provisional basis, that would yield an annual revenue increase of \$15.5 million based on actual data for October through May and estimated data for June through September. The Stipulation reflected CIP rates using one month of additional actual data which resulted in higher rates.

<sup>1</sup> The CIP was approved by the Board in Docket No. GR05120119 in Orders dated October 12 and December 12, 2006 ("CIP Order"). The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company's BGSS Rates. The CIP surcharge is also subject to a ROE cap of 10%.

Pursuant to the Board's December 12, 2006 Order in Docket No. GR05121019, any non-weather related CIP surcharges must be offset by reductions in capacity related to the Basic Gas Supply Service ("BGSS") costs. The non-weather related portion of the CIP adjustment was limited to \$9.1 million to match the gas cost reductions in the Company's 2007-2008 BGSS rates. After duly noticed public hearings, on October 24, 2007, the Board issued a Decision and Order approving the Stipulation for Provisional CIP Rates.

On May 30, 2008, the Company filed a CIP petition in Docket No. GR08050367 that sought to (1) revise the level of its CIP recovery rates for the CIP year ending September 30, 2009 to yield a \$3.6 million increase in revenues to SJG which translates into an increase of approximately \$2.34 per month or 1.5 percent, to the average residential heating customer using 100 therms per month, and (2) decrease its Temperature Adjustment Clause ("TAC") rate from \$0.0242 per therm to \$0.0000 per therm including taxes. The proposed decrease in annual revenue from the TAC filing is approximately \$8 million, which translates into a decrease of \$2.42 per month or 1.4 percent for the average residential heating customer using 100 therms per month.

The Company reported total CIP related revenue of \$19.1 million, with \$5.8 million weather related and \$13.3 million non-weather related, for the CIP period ending September 2008. A prior year carry-over of non-weather related CIP revenue amounted to an additional \$0.8 million resulting in total non-weather CIP revenue of \$14.1 million. Therefore, SJG's proposed reductions in capacity based BGSS costs totaled \$14.3 million.

After publication of notice in newspapers in general circulation, a public hearing in this matter was held on August 20, 2008 in Voorhees, New Jersey. No members of the public appeared at the hearing to provide comments related to the Company's request to revise its CIP rates, or decrease its TAC rates.

Following a review by, and subsequent discussions among representatives of SJG, Rate Counsel, and Board Staff, the only parties to these proceedings (collectively, "the Parties"), the Parties entered into the attached stipulation dated December 12, 2008 (the "Stipulation"). The Stipulation proposes to make final the provisional CIP rates approved in the Board's October 24, 2007 Decision and Order in Docket No. GR07060354. In addition, the Parties determined that implementation of the proposed CIP rates in Docket No. GR08050367 (as adjusted to reflect actual data through September 30, 2009) on a provisional basis would be appropriate at this time. The Parties recognize in the Stipulation that additional time is needed to allow for a complete review of the Company's 2009 CIP and TAC filings. The Parties recommend that, pending their review and final determination by the Board, the Board should authorize on a provisional basis, subject to refund and interest on any net over-recovered CIP balance, the Company's proposed revision of its CIP rates, and proposed decrease in its TAC rates.

#### STIPULATION FOR PROVISIONAL RATES

The key provisions of the Stipulation are as follows:

- 1) The Company has made or shall make approximately \$30.3 million in capacity releases, to be allocated between CIP and non-CIP related purposes as outlined in Schedule A of the Stipulation. The Stipulation resolves the sharing of proceeds and costs from those capacity releases.
- 2) The 2008-2009 CIP includes estimated non-weather related CIP charges totaling \$16.4 million that will be offset by \$18.2 million of CIP related gas capacity cost reductions

reflected in the Company's current 2008-2009 BGSS rates that are in effect on a provisional basis.

- 3) The Parties stipulate and agree that, pending the conclusion of any further review and discussions among the Parties, it would be both reasonable and in the public interest for the Board to authorize the implementation of the following CIP rates, on a per therm after tax basis: a) a charge of \$0.2219 (including taxes) for Group I Residential Non-Heat Customers, b) a charge of \$0.0707 (including taxes) for Group II Residential Heat Customers, c) a charge of \$0.0684 (including taxes) for Group III General Service (GSG) Customers, d) a charge of \$0.0062 (including taxes) for Group IV General Service Large Volume (GSG-LV) customers and e) the filed for decrease in the TAC rate to \$0.0000 per therm (including taxes). These CIP changes would be implemented on a provisional basis, subject to refund with interest on any net over-recovery, an opportunity for a full review at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board. These CIP factors will result in the recovery of an additional \$4.9 million over the 2007-2008 CIP recovery amounts. The stipulated CIP change represents an overall increase from current rates of less than 1.6 %, or \$2.64 per month, for a typical residential sales service customer using 100 therms per month.
- 4) Through the end of the CIP pilot period, any increase in BGSS savings due to interstate pipeline rate changes or any decrease in BGSS savings due to (i) interstate pipeline rate changes or (ii) reacquisition of capacity from the capacity releases by the Company, will be allocated on the basis of 60% as CIP qualified releases and 40% as non-CIP qualified releases.
- 5) Should the Company incur incremental demand costs during the CIP pilot period related to the capacity releases, then these costs will be allocated on the basis of 60% as CIP qualified releases and 40% as non-CIP qualified releases.
- 6) The provisional CIP rates contained in the stipulation approved by the Board's Decision and Order dated October 24, 2007 in BPU Docket No. GR07060354 should be made final.
- 7) The Parties agree, pursuant to the Board's Order in Docket No. GR0512019, to set the TAC rate to \$0.0000 to be effective simultaneously with the provisional CIP rates. Any residual TAC balance (over or under recovery) will be rolled into the weather component balance of the CIP clause. The TAC rate change (from \$0.0242 per therm to \$0.000 per therm) and the roll-over of any residual TAC balance into the weather related component balance of the CIP clause are implemented on a provisional basis, subject to refund with interest.

By letter dated December 15, 2008, the Board requested that the filings be returned from the OAL pursuant to N.J.A.C. 1:1-3.3, so that the Board could rule on these matters at its December 17, 2008 meeting.

#### DISCUSSION AND FINDINGS

The Board, having carefully reviewed the record to date in these proceedings and the attached Stipulation, HEREBY FINDS that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein.

Therefore, the Board HEREBY APPROVES on a provisional basis, the Company's implementation of the following after-tax per therm CIP rates for Docket No. GR08050357: 1) a charge of \$0.2219 (including taxes) for Group I Residential Non-Heat Customers, 2) a charge of \$0.0707 (including taxes) for Group II Residential Heat Customers, 3) a charge of \$0.0684 for Group III General Service Customers, and 4) a charge of \$0.0062 (including taxes) for Group IV General Service Large Volume customers, effective as of the date of this Order.

The Board HEREBY APPROVES on a provisional basis, the Company's implementation of a decrease in the Company's after-tax per therm TAC rate to \$0.0000 effective as of the date of this Order. Any net over-recovery on the CIP charge at the end of the CIP period shall be subject to refund with interest.

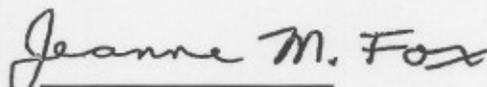
The Board HEREBY APPROVES as final rates for Docket No. GR07060354, the following after-tax per therm CIP rates which were provisionally approved on October 24, 2007: (1) a charge of \$0.0988 (including taxes) for Group I Residential Non-Heat Customers, 2) a charge of \$0.0443 (including taxes) for Group II Residential Heat Customers, 3) a charge of \$0.0392 for Group III General Service Customers, and 4) a charge of (\$0.0037) (including taxes) for Group IV General Service Large Volume customers.

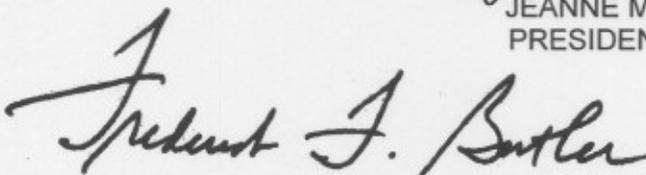
The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within seven (7) business days from the effective date of this Order.

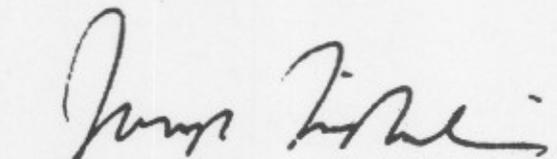
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

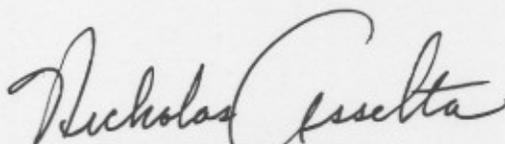
DATED: 12/31/08

BOARD OF PUBLIC UTILITIES  
BY:

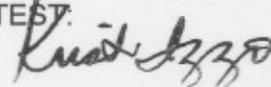
  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

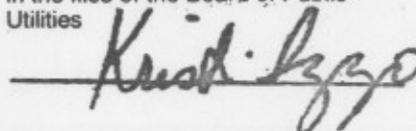
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

  
ELIZABETH RANDALL  
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 Petitions of South Jersey Gas Company To Change the Level of Its Conservation Incentive Program (CIP) for The CIP Years Ending 2008 and 2009 Docket Nos. GR07060354 & GR08050367

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