



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)	DECISION AND ORDER
JERSEY GAS COMPANY TO CHANGE THE)	APPROVING STIPULATION
LEVEL OF ITS BASIC GAS SUPPLY SERVICE)	FOR PROVISIONAL RATES
CHARGE FOR THE BGSS YEAR ENDING)	
SEPTEMBER 30, 2009)	DOCKET NO. GR08050366

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND

In accordance with the New Jersey Board of Public Utilities ("Board") January 6, 2003 Order in Docket No. GX01050304, South Jersey Gas Company ("Petitioner," "Company", or "SJG") filed its annual Basic Gas Supply Service ("BGSS") petition with the New Jersey Board of Public Utilities ("Board") on May 30, 2008 for the twelve month period beginning on October 1, 2008 and ending on September 30, 2009. The Company's petition sought to increase its Periodic BGSS charge from its then current level of \$0.9564 per therm (including taxes) to \$1.2355 per therm (including taxes), effective October 1, 2008. SJG estimated that this rate change would recover additional revenues of approximately \$73.7 million compared to its existing BGSS Rate.

The Petition also requested that the Board authorize the Company to do the following: 1) set the gas cost portion of the D-2 charge for Rate Schedule LVS at \$13.8976 per Mcf, including taxes; (2) set the gas cost portion of the Firm D-2 charges at \$15.1534 per Mcf, and of the Limited Firm D-2 charges at \$6.9488 per Mcf, including taxes for Rate Schedule EGS-LV; (3) set the gas cost portion of the D-2 charge at \$6.9488 per Mcf for Rate Schedule FES; and (4) set the non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV at \$0.0836 per therm, including taxes.

A public hearing in this matter was held on August 20, 2008, in Voorhees, New Jersey, after publication of notice in newspapers in general circulation within South Jersey's service territory. No members of the public appeared to provide comments relating to the Company's request to increase its Periodic BGSS rate.

Following a review by, and subsequent discussions among representatives of the Company, Board Staff, and the Department of the Public Advocate, Division of the Rate Counsel ("Rate Counsel"), the only parties to these proceedings (collectively the "Parties"), and the Parties entered into the attached Stipulation for Provisional Rates ("Stipulation") dated November 6, 2008. The attached Stipulation addresses establishing new provisional BGSS rates for Petitioner while the Parties complete their review of the Company's BGSS filing in the instant docket. The Stipulation would reduce the expected additional annual revenues from \$73.7 million under the Company's original filing to approximately \$38 million under the Stipulation. The Parties recommend that pending that review and an opportunity for hearings at the Office of Administrative Law ("OAL"), if necessary, and a final determination by the Board, it would be both reasonable and in the public interest for the Board to authorize on a provisional basis, subject to refund with interest on any net over-recovered BGSS balance, the rate changes set forth in the attached Stipulation. Due to the fact that the 2007 BGSS petition is still pending at the OAL and because the Parties are concerned that any further delay in adjusting the Company's 2008 BGSS rates would exacerbate a gas cost under-recovery and may cause rate shock to ratepayers, the Parties agree that the implementation, on a provisional basis, of the rates proposed in the Stipulation is reasonable and necessary at this time. The Parties also agree to work expeditiously toward resolving the 2007 BGSS Petition.

STIPULATION FOR PROVISIONAL RATES

The key provisions of the Stipulation are as follows:

- 1) The Parties have determined that additional time is needed to complete the review of Petitioner's proposed BGSS rates and related issues.
- 2) The Parties stipulate and agree that pending conclusion of any further review and discussions among the Parties, and a final determination by the Board, and pursuant to N.J.S.A. 48:2-21.1 it would be reasonable for the Board to authorize the following rate changes on a provisional basis, subject to refund with interest on any net over-recovered BGSS balance: an increase in SJG's Periodic BGSS rate from \$0.9564 per therm (including taxes), to \$1.0977 per therm (including taxes) effective November 7, 2008 or on such other date that the Board deems appropriate; decrease the gas cost portion of D-2 charge for Rate Schedule Large Volume Service ("LVS") to \$13.4388 per Mcf, (including taxes) from its current level of \$17.1896 per Mcf, (including taxes); set the gas cost portions of the Firm D-2 charges at \$15.1808 per Mcf, (including taxes) from its current level of \$15.1534 (including taxes) and the Limited Firm D-2 charges at \$6.7194 per Mcf, (including taxes) from its current level of \$8.5948 per Mcf, (including taxes) for

Rate Schedule Electric Generation Service-Large Volume ("EGS-LV"); decrease the gas cost portion of the D-2 charge to \$6.7194 per Mcf, (including taxes) from its current level of \$8.5948 per Mcf, (including taxes) for Rate Schedule Firm Electric Service ("FES"); and set the monthly BGSS non-commodity rate applicable to Rate Schedules General Service Gas ("GSG"), General Service Gas Large Volume ("GSG-LV"), Electric Generation Service ("EGS"), Large Volume Service ("LVS") and Electric Generation Service-Large Volume ("EGS-LV") at \$0.0753 per therm, (including taxes), from its current level of \$0.0162 per therm, (including taxes), effective November 7, 2008, or on such other date as the Board deems appropriate. Board authorization of the requested rates would result in recovery by the Company of an additional \$38,031,628.00 in revenues.

- 3) The increase of \$0.1413 per therm, (including taxes) resulting from this Stipulation will increase the monthly bill of a residential customer using 100 therms per month from \$153.48 to \$167.61. This is an increase of \$14.13 or 9.2%.

DISSUSSION AND FINDINGS

The Board, having carefully reviewed the record to date in this proceeding 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. The Board **HEREBY APPROVES** on a provisional basis, subject to refund with interest on any net over-recovered BGSS balance, the implementation of an increase in the Company's after-tax per therm Periodic BGSS rate to \$1.0977, effective on and after the date of this Order. Furthermore, the Board **HEREBY APPROVES** the following: 1) setting the gas cost portion of Petitioner's D-2 charge for Rate Schedule LVS at \$13.4388 per Mcf, (including taxes); 2) setting the gas cost portion of the Firm D-2 charges at \$15.1808 per Mcf, (including taxes), and the Limited Firm D-2 charges at \$6.7194 per Mcf, including taxes for Rate Schedule EGS-LV; 3) setting the gas cost portion of the D-2 charge at \$6.7194 per Mcf, (including taxes) for Rate Schedule FES; and 4) setting the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV at \$0.0753 per therm, (including taxes) effective on and after the date of this Order.

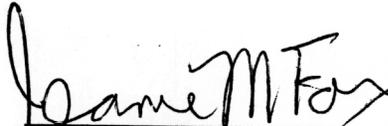
Accordingly, the Board **HEREBY ORDERS** that this docket be sent to the OAL, for full review and an Initial Decision and then returned to the Board for a Final Decision. These provisional rates are approved in reliance on the commitment of the Parties to work diligently to resolve any issues raised by the petition as expeditiously as possible.

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 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.

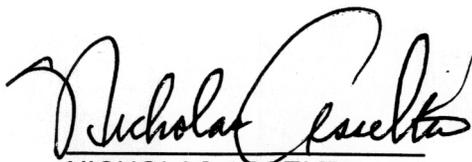
DATED: 1/21/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

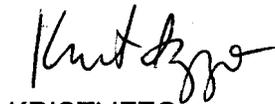

FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

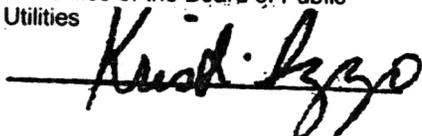

NICHOLAS ASSELTA
COMMISSIONER


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 PETITION OF SOUTH JERSEY GAS COMPANY
TO CHANGE THE LEVEL OF ITS BASIC GAS SUPPLY SERVICE
DOCKET NO. GR08050366 - SERVICE LIST

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<p>Samuel A. Pignatelli, Vice President Rates & Regulatory Affairs South Jersey Gas Company One South Jersey Plaza Route 54 Folsom, NJ 08037 spignatelli@sjindustries.com</p>	<p>Jerome May, Confidential Secretary Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 Jerome.may@bpu.state.nj.us</p>

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION : **BPU DOCKET NO. GR08050366**
OF SOUTH JERSEY GAS COMPANY :
TO CHANGE THE LEVEL OF ITS : **STIPULATION FOR PROVISIONAL**
BASIC GAS SUPPLY SERVICE CHARGE : **RATES**
FOR THE BGSS YEAR ENDING :
SEPTEMBER 30, 2009 :

APPEARANCES:

Ira G. Megdal, Esquire, (Cozen O'Connor, attorneys) for South Jersey Gas Company ("Petitioner")

Sarah H. Steindel and Henry M. Ogden, Assistant Deputy Public Advocates, on behalf of the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel")

Arlene E. Pasko and Kerri Kirschbaum, Deputy Attorneys General, on behalf of the Staff of the Board of Public Utilities ("Staff")(Anne Milgram, Attorney General of the State of New Jersey).

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. PROCEDURAL HISTORY

1. On June 1, 2007, South Jersey Gas Company ("South Jersey," or "Company," or "Petitioner") filed a Petition in Docket No. GR07060355 to decrease the level of its Basic Gas Supply Service Clause ("BGSS") from its then current level by \$0.0590 from \$1.0959 per therm (including taxes) to \$1.0369 per therm (including taxes) ("2007 BGSS Petition"). On September 19, 2007, the Company submitted updated BGSS schedules and proposed to further reduce the Company's Periodic BGSS rate to \$0.9564 per therm (including taxes). This further reduction resulted in an additional decrease in annual revenues of approximately \$19.8 million.

2. On October 24, 2007, the Board of Public Utilities ("Board") approved a Stipulation for Provisional Rates entered into between the Company, Rate Counsel, and Staff ("the Parties"), granting South Jersey's request to implement its proposed 2007 BGSS rate of \$0.9564 per therm

(including taxes) on a provisional basis, effective October 26, 2007, in order to allow the Parties additional time to fully review South Jersey's BGSS rates.

3. Throughout the comprehensive review of South Jersey's proposed 2007 BGSS rates, certain issues remained disputed by the Parties. Accordingly, the Company's 2007 BGSS petition, Docket No. GR07060355, has been transmitted to the Office of Administrative Law ("OAL") as a contested case, pending hearing and initial disposition. The 2007 BGSS Petition is currently pending before Administrative Law Judge W. Todd Miller and has been assigned OAL Docket No.: PUC 4988-07.

4. On May 30, 2008, South Jersey Gas filed a Petition in Docket No. GR08050366 to change the level of its BGSS clause ("2008 BGSS Petition"). Pursuant to this Petition, the Company proposed to increase its Periodic BGSS charge from its then current level of \$0.9564 per therm (including taxes) to \$1.2355 per therm (including taxes), effective October 1, 2008, which would have resulted in the recovery of an additional \$73,721,758.00 in revenues.

5. The 2008 BGSS Petition requested the Board to: (1) authorize that the gas cost portion of the D-2 charge for the Rate Schedule LVS be set at \$13.8976 per Mcf (including taxes); (2) authorize that the gas portion of the Firm and Limited Firm D-2 charges for Rate Schedule EGS-LV be set at \$15.1534 per Mcf, and \$6.9488 per Mcf (including taxes), respectively; (3) authorize that the gas portion of the D-2 charge for Rate Schedule FES be set at \$6.9488; and (4) authorize the non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV be set at \$0.0836 per therm (including taxes).

6. A public hearing for the 2008 BGSS Petition was held on August 20, 2008. The public hearing was noticed in newspapers of general circulation within South Jersey's service territory. No

members of the public appeared to provide comments relating to the Company's request to increase its Periodic BGSS rates.

7. Due to the fact that the 2007 BGSS Petition is still pending at the OAL, and because the Parties are concerned that any further delay in adjusting the Company's 2008 BGSS rates would exacerbate a gas cost under-recovery and may cause rate shock to ratepayers, the Parties agree that the implementation of the proposed 2008 BGSS rates, on a provisional basis, is reasonable and necessary at this time.

II. STIPULATION TERMS

8. South Jersey, Staff, and Rate Counsel, the only parties to this proceeding (collectively the "Parties") have discussed certain matters at issue in this proceeding. As a result of these discussions, the Parties have determined that additional time is needed to conduct a comprehensive review of South Jersey's proposed BGSS rates and other aspects of the Company's BGSS Petition. However, the Parties agree that the implementation of the proposed BGSS rates, on a provisional basis, is reasonable at this time. The Parties also agree to work expeditiously toward resolving the 2007 BGSS Petition.

9. Accordingly, the Parties stipulate and agree that pending the conclusion of further review and discussion among the Parties it would be both reasonable and in the public interest for the Board to authorize a provisional increase in South Jersey's Periodic BGSS rate from \$0.9564 per therm (including taxes) to \$1.0977 per therm (including taxes) effective November 7, 2008, or on such other date as the Board deems appropriate, resulting in the recovery of an additional \$38,031,628.00 in revenues. Furthermore, the Parties agree that it would be both reasonable and in the public interest for the Board to authorize the following rates on a provisional basis: (1) the D-2 charge for Rate

Schedule LVS be decreased to \$13.4388 per Mcf (including taxes) from its current level of \$17.1896 per Mcf; (2) the gas cost portions of the Firm D-2 charge for Rate Schedule EGS-LV be increased to \$15.1808 per Mcf (including taxes) from its current level of \$15.1534 per Mcf (including taxes) and that the Limited Firm D-2 charge be decreased to \$6.7194 per MCF (including taxes) from its current level of \$8.5948 per Mcf (including taxes); (3) the gas cost portion of the Firm D-2 charge for Rate Schedule FES be decreased to \$6.7194 per Mcf (including taxes) from its current level of \$8.5948 per Mcf; and (4) the Monthly BGSS non-commodity rate for Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV be increased to \$0.0753 per therm (including taxes) from its current level of \$0.0162 per therm (including taxes). These BGSS rate changes are on a provisional basis, subject to refund with interest on any net BGSS over-recovery, an opportunity for a full review at the OAL, if necessary, and final approval by the Board.

10. The periodic BGSS charge increase set forth in this Stipulation of \$0.1413 per therm (including taxes) will increase the bill of a residential customer using 100 therms during a month to \$167.61, from \$153.48. This is an increase of \$14.13, or 9.2%.

11. Following acceptance of this Stipulation by an Order of the Board, South Jersey will submit a Compliance Filing incorporating the provisional rate increases approved by the Board within 7 days of such approval.

III. MISCELLANEOUS

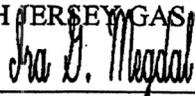
12. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

13. It is specifically understood and agreed that this Stipulation represents a negotiated interim agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, South Jersey, Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

SOUTH JERSEY GAS COMPANY

By:



Ira G. Megdahl, Esq.
Cozen O'Connor

ANNE MILGRAM
ATTORNEY GENERAL OF THE
STATE OF NEW JERSEY
Attorney for the Staff of the
New Jersey Board of Public Utilities

By:



Anne E. Pasko
Keri Kirschbaum
Deputy Attorneys General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: *Sarah H. Steindel*
Sarah H. Steindel
Assistant Deputy Public Advocate

Dated: 11/6/08