



Agenda Date: 11/7/08
Agenda Item: LSC

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)
ERSEY GAS COMPANY TO CHANGE THE)
LEVEL OF ITS BASIC GAS SUPPLY SERVICE)
CHARGE FOR THE BGSS YEAR ENDING)
SEPTEMBER 30, 2006)

ORDER ADOPTING INITIAL
DECISION AND SETTLEMENT

BPU DOCKET NO. GR05060496

IN THE MATTER OF THE PETITION OF SOUTH)
JERSEY GAS COMPANY TO REDUCE THE)
LEVEL OF ITS BASIC GAS SUPPLY SERVICE)
CHARGE FOR THE BGSS YEAR ENDING)
SEPTEMBER 30, 2007)

BPU DOCKET NO. GR06060418

(SERVICE LIST ATTACHED)

BY THE BOARD:

In accordance with the January 6, 2003 Generic Order in Docket No. GX01050304, on June 3, 2005, South Jersey Gas Company ("South Jersey" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") in Docket No. GR05060496 ("the 2005 Petition") requesting an increase in its annual Periodic Basic Gas Supply Service Charge ("BGSS") revenues of approximately \$17.1 million, effective October 1, 2005 for the BGSS year ending September 30, 2006. The requested revenue increase was to be collected via an increase in the then current Periodic BGSS rate of \$0.8707 per therm (including taxes) to \$0.9295 per therm (including taxes).

Due to substantial increases in the price of natural gas on the wholesale market, by letter dated July 25, 2005, the Company amended its petition to request that any increase granted by the Board be implemented on a provisional basis, effective September 1, 2005, one month earlier than the original request.

A public hearing was held August 4, 2005 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.

The Board issued an Order dated August 19, 2005, approving a Stipulation for Provisional Rates that granted South Jersey's request to implement its proposed Periodic BGSS rate on a provisional basis, effective September 1, 2005 thereby increasing the bill of a residential customer using 100 therms per month by 4.4% or \$5.88.

On November 10, 2005, due to continued increases in wholesale natural gas prices nationally, South Jersey filed a Motion for Emergent Rate Relief ("Motion") in the 2005 Petition. South Jersey's Motion sought to increase its then provisional Periodic BGSS rate of \$0.9295 per therm (including taxes) to \$1.3353 per therm (including taxes).

On December 15, 2005, the Board issued its Order on Emergent Motion for Further Provisional Rates, granting South Jersey's request to increase its Periodic BGSS rate from \$0.9295 per therm (including taxes) to \$1.2664 per therm (including taxes) effective December 15, 2005.

By Order dated March 27, 2006 approving a Partial Settlement in Docket No. GR05060496 and a Global Settlement of various other South Jersey matters pending at the Board, South Jersey's Periodic BGSS rate of \$1.2664 per therm (including taxes) was reduced to \$1.2164 per therm (including taxes). The \$0.0500 per therm reduction in the Company's Periodic BGSS rate was offset by the implementation of a \$0.0500 per therm balancing charge to Periodic BGSS sales customers.

On June 1, 2006, pursuant to the January 6, 2005 Generic Order, South Jersey filed a petition with the Board in Docket No. GR06060418 ("the 2006 Petition") requesting a decrease in its annual Periodic BGSS revenues of approximately \$19.8 million, effective October 1, 2006 for the BGSS year ending September 30, 2007. The Company proposed to decrease its provisional Periodic BGSS charge from its then current level of \$1.2164 per therm (including taxes) to \$1.1516 per therm (including taxes). The Company's proposal would have decreased the bill of a residential customer using 100 therms from \$171.66 per month to \$165.18 per month or by \$6.48 per month or 3.8%.

As a result of discussions among the Company, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") and Staff (collectively, the "Parties"), during this proceeding, an agreement was reached that South Jersey's Periodic BGSS rate was to be reduced to \$1.1322 per therm (including taxes), thereby further increasing the proposed \$19.8 million annual Periodic BGSS revenue reduction to a \$28.4 million annual revenue reduction. This revised Periodic BGSS charge resulted in a decrease to the bill of a residential customer using 100 therms from \$173.29 per month to \$163.73 per month or by \$9.56 per month or 5.5%. Additionally, the Parties agreed that since Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV recover some or all of their fixed gas costs through their Monthly BGSS charge, the non-commodity rate component of \$0.0238 per therm, including taxes, would be applicable to these Rate Schedules.

Two public hearing in this matter were held on July 13, 2006 in Voorhees, New Jersey after publication of notices 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 decrease its Periodic BGSS rates in the 2006 Petition.

The Board, in its Decision and Order dated October 5, 2006, approved on a provisional basis, subject to refund with interest on any over-recovered BGSS balance, the following rate changes effective October 1, 2006: 1) a decrease in South Jersey's Periodic BGSS rate to \$1.0959 per therm (including SUT); 2) a decrease in the gas cost portion of the D-2 charge for rate schedule LVS to \$13.1639 per Mcf, including taxes from its then current level of \$13.6307 per Mcf; 3) a decrease in the gas portion of the Firm and Limited Firm D-2 charge for Rate Schedule EGS-LV to \$23.4135 and \$6.5820 per Mcf, respectively, including taxes, from the current level of \$24.1142 and \$6.8153, respectively; 4) a decrease in the gas portion of the Firm D-2 charge for Rate Schedule FES to \$6.5820 per Mcf, including taxes, from the current level of \$6.8153 per Mcf; and (5) application of the non-commodity rate component of \$0.0238 per therm, including taxes, to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

The Company, Board Staff, and Rate Counsel, the only parties to these proceedings, conducted extensive discovery and met numerous times to discuss the matters at issue in these proceedings. As a result of these discussions, the Parties agreed that it would be both reasonable and in the public interest to make final the provisional rates previously approved by the Board in its August 19, 2005 Decision and Order approving a Stipulation for Provisional Rates, its December 15, 2005 Order on Emergent Motion for Further Provisional Rates in Dkt. No. GR05060496, and its October 5, 2006 Decision and Order approving a Stipulation for Provisional Rates in Dkt. No. GR06060418. On October 31, 2008, the Parties signed the stipulation attached to this Order, which finalized these provisional BGSS Rates.

An Initial Decision was issued by Administrative Law Judge Miller approving the October 31, 2008 Stipulation. The ALJ found that the Parties voluntarily agreed to the stipulation and that the stipulation fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDING

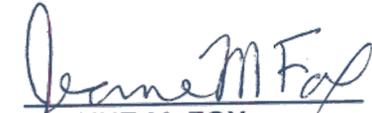
The Board has carefully reviewed the record to date in this proceeding including the attached Initial Decision and October 31, 2008 stipulation. The Board HEREBY FINDS the Initial Decision and the October 31, 2008 Stipulation to be reasonable and in the public interest and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Initial Decision in its entirety, and HEREBY INCORPORATES the terms of the October 31, 2008 Stipulation as if fully set forth herein.

The BGSS costs, similar to the Company's other costs, will continue to be subject to audits. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

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

DATED: 11/7/08

BOARD OF PUBLIC UTILITIES
BY:

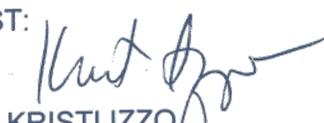

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

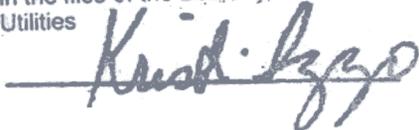

JOSEPH L. FIORDALISO
COMMISSIONER


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 Charge Dkt. No. GR05060496

In the Matter of the Petition of South Jersey Gas Company To Change the Level of its Basic Gas Supply Service Charge Dkt. No. GR06060418

Service List

Stephanie Brand
Department of the Public Advocate
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
kholmes@rpa.state.nj.us

Sarah H. Steindel., Esq.
Department of the Public Advocate
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
ssteinde@rpa.state.nj.us

Henry M. Ogden, Esq.
Department of the Public Advocate
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
hogden@rpa.state.nj.us

Felicia Thomas-Friel, Esq.
Department of the Public Advocate
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101
ftthomas@rpa.state.nj.us

Nusha Wyner, Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
nusha.wyner@bpu.state.nj.us

Sheila Iannaccone
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
sheila.iannaccone@bpu.state.nj.us

Henry Rich, Supervisor
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
henry.rich@bpu.state.nj.us

Beverly Tyndell, Rate Analyst
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
beverly.tyndell@bpu.state.nj.us

Ira G. Megdal, Esq.
Cozen O'Connor
457 Haddonfield Road
P.O. Box 5459
Haddonfield, NJ 08002-2220
imegdal@cozen.com

Alex Moreau, DAG
Department of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07102
Alex.moreau@dol.lps.state.nj.us

Arlene Pasko, DAG
Department of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07102
Arlene.Pasko@dol.lps.state.nj.us

Samuel A. Pignatelli, Vice President
Rates & Regulatory Affairs
South Jersey Gas Company
One South Jersey Plaza
Route 54
Folsom, NJ 08037
spignatelli@sjindustries.com

Babette Tenzer, DAG
Department of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07102
Babette.tenzer@dol.lps.state.nj.us

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF SOUTH	:	BPU DOCKET NO. GR05060496
JERSEY GAS COMPANY TO CHANGE THE LEVEL	:	OAL Docket No. PUC-8461-05
OF ITS BASIC GAS SUPPLY SERVICE CHARGE	:	
AND	:	
IN THE MATTER OF THE PETITION OF	:	BPU DOCKET NO. GR06060418
SOUTH JERSEY GAS COMPANY TO REDUCE THE	:	OAL Docket No. PUC-12043-06
LEVEL OF ITS BASIC GAS SUPPLY SERVICE	:	
CHARGE	:	

STIPULATION

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")

Alex Moreau and Arlene E. Pasko, Deputy Attorneys General, (Anne Milgram, Attorney General of New Jersey) for the Staff of the New Jersey Board of Public Utilities ("Staff")

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. South Jersey Gas Company ("South Jersey", "Company" or "Petitioner") is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory in 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 serves in excess of 335,000 customers.

2. This Stipulation is intended to make final the provisional rates previously approved by the Board in Docket Nos. GR05060496 and GR06060418.

II. PROCEDURAL HISTORY

A. BPU Docket No. GR05060496

3. On June 3, 2005, South Jersey filed a Petition in Docket No. GR05060496 to change the level of its Basic Gas Supply Service ("BGSS") (the "2005 Petition"). Pursuant to the 2005 Petition, the Company proposed to increase its Periodic BGSS charge from its then current level of \$0.8707 per therm (including taxes) to \$0.9295 per therm (including taxes), effective October 1, 2005. Due to substantial increases in the price of natural gas on the wholesale market, by letter dated July 25, 2005, the Company amended its petition to request that any increase granted by the Board of Public Utilities ("Board") be implemented on a provisional basis, effective on September 1, 2005. South Jersey estimated that the rate changes proposed in its 2005 Petition would generate approximately \$17.1 million in additional annual revenues.

4. A public hearing in the 2005 Petition matter was held on August 4, 2005. 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.

5. In its Decision and Order approving Stipulation for Provisional Rates, dated August 19, 2005, the Board granted South Jersey's request to implement its proposed BGSS rate on a provisional basis, effective September 1, 2005, thereby increasing the bill of a residential customer using 100 therms during a month by 4.4% or \$5.88.

6. On November 10, 2005, South Jersey filed a Motion for Emergent Rate Relief in the 2005 Petition docket. The Motion was necessary due to the dramatic increases in wholesale natural gas prices across the country. Between when South Jersey made its 2005 Petition filing on June 3, 2005 and when it filed its motion for emergent relief, wholesale natural gas prices had increased by

approximately 56 %. The NYMEX Strip average closing price on May 16, 2005 which was used in South Jersey's June 3, 2005 filing was \$7.15 per decatherm ("Dt") for the October 2005 through September 2006 period. For this same period, the November 4, 2005 NYMEX Strip average price used for the Motion for Emergent Relief was \$11.12 per Dt. In its Motion, South Jersey proposed that its then existing provisional BGSS rate of \$0.9295 per therm be increased to \$1.3353 per therm.

7. A public hearing on the Motion for Emergent Rate Relief was held on December 7, 2005 at Voorhees, New Jersey. The public hearing was noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared to provide comment relating to the Company's Motion for Emergent Rate Relief.

8. On December 15, 2005, the Board issued its Order on Emergent Motion for Further Provisional Rates, granting South Jersey an increase to the periodic BGSS rates, effective December 15, 2005. That Order allowed South Jersey's Periodic BGSS rate increased from \$0.9295 to \$1.2664 per therm, including taxes, effective December 14, 2005. This rate resulted in a revenue increase of \$91 million, or 30.4%.

9. By Order dated March 27, 2006 approving a Partial Settlement of Docket No. GR05060496 and a Global Settlement of certain other matters, South Jersey's periodic BGSS rate of \$1.2664 per therm was reduced provisionally to \$1.2164 per therm, including taxes. The \$0.0500 per therm reduction was offset by the implementation of a \$0.0500 per therm balancing charge to Periodic BGSS sales customers.

B. BPU Docket No. GR06060418

10. On June 1, 2006, South Jersey filed a Petition in Docket No. GR06060418 to reduce the level of its BGSS clause for the year ending September 30, 2007 ("2006 Petition"). Pursuant to

the 2006 Petition, the Company proposed to decrease its Periodic BGSS charge from its then current level of \$1.2164 per therm (including taxes) to \$1.1516 per therm (including taxes), effective October 1, 2006. South Jersey's 2006 Petition BGSS proposal equated to a \$19.8 million (4.4%) annual reduction in revenues. The BGSS charge as originally proposed by the Company in the 2006 Petition would have decreased the bill of a South Jersey residential customer using 100 therms from \$171.66 per month to \$165.18 per month or by \$6.48 per month or 3.8%.

11. As a result of discussions between the Company, Rate Counsel and Staff during the 2006 Petition proceeding, South Jersey agreed to further reduce its Periodic BGSS rate to \$1.0561 per therm, excluding taxes, or \$1.1322 per therm including taxes and the approved Sales and Use Tax ("SUT") increase from 6% to 7%. This Periodic BGSS rate further increased the proposed \$19.8 million annual revenue reduction to a \$28.4 million (6.4%) annual revenue reduction. The revised BGSS charge proposed by South Jersey for the 2006 Petition resulted in a decrease to the bill of a South Jersey residential customer using 100 therms from \$173.29 per month to \$163.73 per month or by \$ 9.56 per month or 5.5%. Moreover, since Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV recover some or all of their fixed gas costs through their Monthly BGSS charge, as prescribed in South Jersey's tariff, South Jersey proposed that the non-commodity rate component of \$0.0222 (before taxes) and \$0.0238 per therm, including taxes, also be applicable to these Rate Schedules.

12. Two public hearings on the 2006 Petition matter were held on July 13, 2006 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared at either public hearing to provide comments relating to the Company's request to decrease its Periodic BGSS rates.

13. A Stipulation for Provisional BGSS Rates for the 2006 Petition, including the rate changes set forth in paragraph 11 above, was adopted by the Board in its Decision and Order Approving Stipulation for Provisional Rates dated October 5, 2006, which decreased the BGSS rate to \$1.0959 per therm, including taxes, on a provisional basis for a total revenue reduction of \$34.1 million.

III. STIPULATION TERMS

14. South Jersey, Staff, and Rate Counsel, the only parties to this proceeding (collectively the "Parties") have discussed the matters at issue in this proceeding. As a result of these discussions, the Parties agree that it would be reasonable and in the public interest to make final the provisional rates previously approved in the 2005 Petition and 2006 Petition dockets.

15. The Parties accordingly **STIPULATE AND AGREE** the following BGSS rates contained in the stipulation approved by the Board's Decision and Order approving provisional rates dated December 15, 2005 and the Board's Decision and Order approving a Partial Settlement of Docket No. GR05060496, dated March 27, 2006 should be made final. Additionally, the BGSS rates set forth in the Board's Decision and Order dated October 5, 2006, in Docket No. GR06060418 should be made final. Therefore, the Parties **FURTHER STIPULATE AND AGREE** that : (1) the final BGSS rate is \$1.0959 per therm, including taxes; (2) the gas cost portion of the D-2 charge for Rate Schedule LVS is \$13.1639 per Mcf, including taxes; (3) the rate schedule EGS-LV authorize that the gas cost portion of the Firm D-2 charge is \$23.4135 per Mcf and that the Limited Firm D-2 charge is \$6.5820 per Mcf including taxes; (4) the gas cost portion of the Firm D-2 charge for Rate Schedule FES is \$6.5820 per Mcf, including taxes; and (5) the non-commodity rate component of

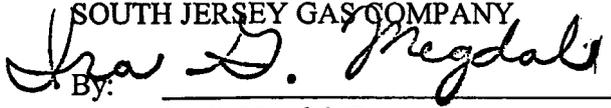
\$0.0238 per therm, including taxes, is applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

IV. MISCELLANEOUS

16. 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.

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

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. Megdal, Esq.
Cozen O'Connor

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: *Arlene E. Pasko*
Alex Moreau, Deputy Attorney General
Arlene E. Pasko, Deputy Attorney 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: *10/30/08*



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
9 Quakerbridge Plaza
PO Box 049
Trenton, New Jersey 08625
(609) 588-6577

Sandra DeSarno Hlatky
Deputy Clerk

FAX TRANSMITTAL

TO	<i>Ed Below</i>	FROM:	<i>Sandra DeSarno Hlatky</i>
FAX NUMBER:	<i>973-648-2209</i>	DATE:	<i>11/5/08</i>

PUC 12043-06

ID Settlement



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 12043-06

AGENCY DKT. NO. GR06060418

**I/M/O THE PETITION OF SOUTH
JERSEY GAS COMPANY TO
REDUCE THE LEVEL OF ITS BASE
GAS SUPPLY SERVICE CHARGE.**

Ira G. Megdal, Esq., for petitioner, South Jersey Gas Company (Cozen
O'Connor, attorneys)

Sarah H. Steindel and Henry M. Goden, Assistant Deputy Public Advocates,
for New Jersey Department of the Public Advocate, Division of Rate
Counsel)

Alex Moreau and Arlene E. Pasko, Deputy Attorneys General (Anne M
Milgram, Attorney General of New Jersey, attorney)

Record Closed: November 3, 2008

Decided: November 5, 2008

BEFORE W. TODD MILLER , ALJ:

OAL Docket No. PUC 8461-2005, BPU Docket No. GR05060496

On June 3, 2005, South Jersey Gas Company ("South Jersey"), a public utility corporation of the state of New Jersey, with its principal offices at 1 South Jersey Plaza, Folsom, New Jersey, 08037, filed a Petition in Docket No. GR05060496 to change the

level of its Basic Gas Supply Service ("BGSS") (the "2005 Petition"). Pursuant to the 2005 Petition, the Company proposed to increase its Periodic BGSS charge from its then current level of \$0.8707 per therm (including taxes) to \$0.9295 per therm (including taxes), effective October 1, 2005. Due to substantial increases in the price of natural gas on the wholesale market, by letter dated July 25, 2005, the Company amended its petition to request that any increase granted by the Board of Public Utilities ("Board") be implemented on a provisional basis, effective on September 1, 2005.

A public hearing in the 2005 Petition matter was held on August 4, 2005. 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.

In its Decision and Order approving Stipulation for Provisional Rates, dated August 19, 2005, the Board granted South Jersey's request to implement its proposed BGSS rate on a provisional basis, effective September 1, 2005.

On November 10, 2005, South Jersey filed a Motion for Emergent Rate Relief in the 2005 Petition docket. The Motion was necessary due to the dramatic increases in wholesale natural gas prices across the country.

A public hearing on the Motion for Emergent Rate Relief was held on December 7, 2005 at Voorhees, New Jersey. 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 Motion for Emergent Rate Relief.

On December 15, 2005, the Board issued its Order on Emergent Motion for Further Provisional Rates, granting South Jersey an increase to the periodic BGSS rates, effective December 15, 2005. That Order allowed South Jersey's Periodic BGSS rate increased from \$0.9295 to \$1.2664 per therm, including taxes, effective December 14, 2005. This rate resulted in a revenue increase of \$91 million, or 30.4%.

By Order dated March 27, 2006 approving a Partial Settlement of Docket No. GR05060496 and a Global Settlement of certain other matters, South Jersey's periodic BGSS rate of \$1.2664 per therm was reduced provisionally to \$1.2164 per therm, including taxes. The \$0.0500 per therm reduction was offset by the implementation of a \$0.0500 per therm balancing charge to Periodic BGSS sales customers.

OAL Docket No. PUC 8461-2005S, BPU Docket No. GR05060496, was transmitted to the Office of Administrative Law ("OAL"), as a contested case and assigned to Administrative Law Judge ("ALJ") W. Todd Miller. A notice of filing was issued by the Office of Administrative Law on November 2, 2005.

OAL Docket No. PUC 12043-06, BPU Docket No. GR06060418

On June 1, 2006, South Jersey filed a Petition in Docket No. GR06060418 to reduce the level of its BGSS clause for the year ending September 30, 2007 ("2006 Petition"). Pursuant to the 2006 Petition, the Company proposed to decrease its Periodic BGSS charge from its then current level of \$1.2164 per therm (including taxes) to \$1.1516 per therm (including taxes), effective October 1, 2006. South Jersey's 2006 Petition BGSS proposal equated to a \$19.8 million (4.4%) annual reduction in revenues.

As a result of discussions between the Company, Rate Counsel and Staff during the 2006 Petition proceeding, South Jersey agreed to further reduce its Periodic BGSS rate to \$1.0561 per therm, excluding taxes, or \$1.1322 per therm including taxes and the approved Sales and Use Tax ("SUT") increase from 6% to 7%.

Two public hearings on the 2006 Petition matter were held on July 13, 2006 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared at either public hearing to provide comments relating to the Company's request to decrease its Periodic BGSS rates.

A Stipulation for Provisional BGSS Rates for the 2006 Petition was adopted by the Board in its Decision and Order Approving Stipulation for Provisional Rates dated October 5, 2006, which decreased the BGSS rate to \$1.0959 per therm, including taxes, on a provisional basis for a total revenue reduction of \$34.1 million.

OAL Docket No. PUC 12043-2006, BPU Docket No. GR06060418, was transmitted to the OAL and assigned to ALJ Douglas H. Hurd. A notice of filing was issued by the OAL dated December 13, 2006. Because of the similarity of issues, and upon request of all parties to both proceedings, this docket was transferred to ALJ Miller, to allow the petitions to proceed in conjunction with OAL Docket No. PUC 8461-2005S, BPU Docket No. GR05060496.

Discovery was propounded upon South Jersey in both referenced dockets. All discovery was answered in full.

Following the provisional stipulations in both referenced dockets, the parties entered into settlement discussions. The result was the Stipulation of settlement which is appended to this Initial Decision as Exhibit "A."

I reviewed the record and the terms of the settlement and **FIND:**

1. The parties to the Stipulation have voluntarily agreed to a settlement as evidenced by their signatures.
2. The Stipulation of settlement has been executed by all parties of record, except for those who have submitted letters indicating that they have no objection to the Stipulation.

terms of the settlement and that these proceedings be concluded.

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

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

11-5-08

DATE



W. TODD MILLER, ALJ

Date Received at Agency: 11/5/08



Mailed to Parties:

DATE

/sd

OFFICE OF ADMINISTRATIVE LAW

STATE OF NEW JERSEY
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 CHARGE**

**BPU DOCKET NO. GR05060496
OAL Docket No. PUC-8461-05**

AND

**IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY TO REDUCE THE
LEVEL OF ITS BASIC GAS SUPPLY SERVICE
CHARGE**

**BPU DOCKET NO. GR06060418
OAL Docket No. PUC-12043-06**

STIPULATION

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")

Alex Moreau and Arlene E. Pasko, Deputy Attorneys General, (Anne Milgram, Attorney General of New Jersey) for the Staff of the New Jersey Board of Public Utilities ("Staff")

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1 South Jersey Gas Company ("South Jersey", "Company" or "Petitioner") is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory in 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 serves in excess of 335,000 customers.

2. This Stipulation is intended to make final the provisional rates previously approved by the Board in Docket Nos. GR05060496 and GR06060418.

II. PROCEDURAL HISTORY

A. BPU Docket No. GR05060496

3. On June 3, 2005, South Jersey filed a Petition in Docket No. GR05060496 to change the level of its Basic Gas Supply Service ("BGSS") (the "2005 Petition"). Pursuant to the 2005 Petition, the Company proposed to increase its Periodic BGSS charge from its then current level of \$0.8707 per therm (including taxes) to \$0.9295 per therm (including taxes), effective October 1, 2005. Due to substantial increases in the price of natural gas on the wholesale market, by letter dated July 25, 2005, the Company amended its petition to request that any increase granted by the Board of Public Utilities ("Board") be implemented on a provisional basis, effective on September 1, 2005. South Jersey estimated that the rate changes proposed in its 2005 Petition would generate approximately \$17.1 million in additional annual revenues.

4. A public hearing in the 2005 Petition matter was held on August 4, 2005. 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.

5. In its Decision and Order approving Stipulation for Provisional Rates, dated August 19, 2005, the Board granted South Jersey's request to implement its proposed BGSS rate on a provisional basis, effective September 1, 2005, thereby increasing the bill of a residential customer using 100 therms during a month by 4.4% or \$5.88.

6. On November 10, 2005, South Jersey filed a Motion for Emergent Rate Relief in the 2005 Petition docket. The Motion was necessary due to the dramatic increases in wholesale natural gas prices across the country. Between when South Jersey made its 2005 Petition filing on June 3, 2005 and when it filed its motion for emergent relief, wholesale natural gas prices had increased by

approximately 56 %. The NYMEX Strip average closing price on May 16, 2005 which was used in South Jersey's June 3, 2005 filing was \$7.15 per decatherm ("Dt") for the October 2005 through September 2006 period. For this same period, the November 4, 2005 NYMEX Strip average price used for the Motion for Emergent Relief was \$11.12 per Dt. In its Motion, South Jersey proposed that its then existing provisional BGSS rate of \$0.9295 per therm be increased to \$1.3353 per therm.

7. A public hearing on the Motion for Emergent Rate Relief was held on December 7, 2005 at Voorhees, New Jersey. 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 Motion for Emergent Rate Relief.

8. On December 15, 2005, the Board issued its Order on Emergent Motion for Further Provisional Rates, granting South Jersey an increase to the periodic BGSS rates, effective December 15, 2005. That Order allowed South Jersey's Periodic BGSS rate increased from \$0.9295 to \$1.2664 per therm, including taxes, effective December 14, 2005. This rate resulted in a revenue increase of \$91 million, or 30.4%.

9. By Order dated March 27, 2006 approving a Partial Settlement of Docket No. GR05060496 and a Global Settlement of certain other matters, South Jersey's periodic BGSS rate of \$1.2664 per therm was reduced provisionally to \$1.2164 per therm, including taxes. The \$0.0500 per therm reduction was offset by the implementation of a \$0.0500 per therm balancing charge to Periodic BGSS sales customers.

B. BPU Docket No. GR06060418

10. On June 1, 2006, South Jersey filed a Petition in Docket No. GR06060418 to reduce the level of its BGSS clause for the year ending September 30, 2007 ("2006 Petition"). Pursuant to

the 2006 Petition, the Company proposed to decrease its Periodic BGSS charge from its then current level of \$1.2164 per therm (including taxes) to \$1.1516 per therm (including taxes), effective October 1, 2006. South Jersey's 2006 Petition BGSS proposal equated to a \$19.8 million (4.4%) annual reduction in revenues. The BGSS charge as originally proposed by the Company in the 2006 Petition would have decreased the bill of a South Jersey residential customer using 100 therms from \$171.66 per month to \$165.18 per month or by \$6.48 per month or 3.8%

11. As a result of discussions between the Company, Rate Counsel and Staff during the 2006 Petition proceeding, South Jersey agreed to further reduce its Periodic BGSS rate to \$1.0561 per therm, excluding taxes, or \$1.1322 per therm including taxes and the approved Sales and Use Tax ("SUT") increase from 6% to 7%. This Periodic BGSS rate further increased the proposed \$19.8 million annual revenue reduction to a \$28.4 million (6.4%) annual revenue reduction. The revised BGSS charge proposed by South Jersey for the 2006 Petition resulted in a decrease to the bill of a South Jersey residential customer using 100 therms from \$173.29 per month to \$163.73 per month or by \$ 9.56 per month or 5.5%. Moreover, since Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV recover some or all of their fixed gas costs through their Monthly BGSS charge, as prescribed in South Jersey's tariff, South Jersey proposed that the non-commodity rate component of \$0.0222 (before taxes) and \$0.0238 per therm, including taxes, also be applicable to these Rate Schedules.

12. Two public hearings on the 2006 Petition matter were held on July 13, 2006 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared at either public hearing to provide comments relating to the Company's request to decrease its Periodic BGSS rates.

13. A Stipulation for Provisional BGSS Rates for the 2006 Petition, including the changes set forth in paragraph 11 above, was adopted by the Board in its Decision and Order Approving Stipulation for Provisional Rates dated October 5, 2006, which decreased the BGSS rate to \$1.0959 per therm, including taxes, on a provisional basis for a total revenue reduction of \$34.1 million.

III. STIPULATION TERMS

14. South Jersey, Staff, and Rate Counsel, the only parties to this proceeding (collectively the "Parties") have discussed the matters at issue in this proceeding. As a result of these discussions, the Parties agree that it would be reasonable and in the public interest to make final the provisional rates previously approved in the 2005 Petition and 2006 Petition dockets.

15. The Parties accordingly STIPULATE AND AGREE the following BGSS rates contained in the stipulation approved by the Board's Decision and Order approving provisional rates dated December 15, 2005 and the Board's Decision and Order approving a Partial Settlement of Docket No. GR05060496, dated March 27, 2006 should be made final. Additionally, the BGSS rates set forth in the Board's Decision and Order dated October 5, 2006, in Docket No. GR06060418 should be made final. Therefore, the Parties FURTHER STIPULATE AND AGREE that: (1) the final BGSS rate is \$1.0959 per therm, including taxes; (2) the gas cost portion of the D-2 charge for Rate Schedule LVS is \$13.1639 per Mcf, including taxes; (3) the rate schedule EGS-LV authorize that the gas cost portion of the Firm D-2 charge is \$23.4135 per Mcf and that the Limited Firm D-2 charge is \$6.5820 per Mcf including taxes; (4) the gas cost portion of the Firm D-2 charge for Rate Schedule FES is \$6.5820 per Mcf, including taxes; and (5) the non-commodity rate component of

\$0.0238 per therm, including taxes, is applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

IV. MISCELLANEOUS

16. 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.

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

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. Megdal, Esq.
Cozen O'Connor

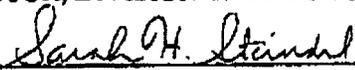
ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

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Alex Morean, Deputy Attorney General
Arlene E. Pasko, Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Sarah H. Steindel
Assistant Deputy Public Advocate

Dated: 10/30/08



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
9 Quakerbridge Plaza
PO Box 049
Trenton, New Jersey 08625
(609) 588-6577

Sandra DeSarno Hlatky
Deputy Clerk

FAX TRANSMITTAL

TO *Ed Below*

FROM:
Sandra DeSarno Hlatky

FAX NUMBER:
973-648-2209

DATE: *11/5/08*

*PUC 8461-05
11 Settlement*



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 8461-05

AGENCY DKT. NO. GR05060496

**I/M/O THE PETITION OF SOUTH
JERSEY GAS COMPANY TO CHANGE
THE LEVEL OF ITS BASIC GAS
SUPPLY SERVICE CHARGE.**

**Ira G. Megdal, Esq., for petitioner, South Jersey Gas Company (Cozen
O'Connor, attorneys)**

**Sarah H. Steindel and Henry M. Goden, Assistant Deputy Public Advocates,
for New Jersey Department of the Public Advocate, Division of Rate
Counsel)**

**Alex Moreau and Arlene E. Pasko, Deputy Attorneys General (Anne M.
Milgram, Attorney General of New Jersey, attorney)**

Record Closed: November 3, 2008

Decided: November 5, 2008

BEFORE W. TODD MILLER , ALJ

OAL Docket No. PUC 8461-2005, BPU Docket No. GR05060496

On June 3, 2005, South Jersey Gas Company ("South Jersey"), a public utility corporation of the state of New Jersey, with its principal offices at 1 South Jersey Plaza, Folsom, New Jersey, 08037, filed a Petition in Docket No. GR05060496 to change the

level of its Basic Gas Supply Service ("BGSS") (the "2005 Petition"). Pursuant to the 2005 Petition, the Company proposed to increase its Periodic BGSS charge from its then current level of \$0.8707 per therm (including taxes) to \$0.9295 per therm (including taxes), effective October 1, 2005. Due to substantial increases in the price of natural gas on the wholesale market, by letter dated July 25, 2005, the Company amended its petition to request that any increase granted by the Board of Public Utilities ("Board") be implemented on a provisional basis, effective on September 1, 2005.

A public hearing in the 2005 Petition matter was held on August 4, 2005. 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.

In its Decision and Order approving Stipulation for Provisional Rates, dated August 19, 2005, the Board granted South Jersey's request to implement its proposed BGSS rate on a provisional basis, effective September 1, 2005.

On November 10, 2005, South Jersey filed a Motion for Emergent Rate Relief in the 2005 Petition docket. The Motion was necessary due to the dramatic increases in wholesale natural gas prices across the country.

A public hearing on the Motion for Emergent Rate Relief was held on December 7, 2005 at Voorhees, New Jersey. 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 Motion for Emergent Rate Relief.

On December 15, 2005, the Board issued its Order on Emergent Motion for Further Provisional Rates, granting South Jersey an increase to the periodic BGSS rates, effective December 15, 2005. That Order allowed South Jersey's Periodic BGSS rate increased from \$0.9295 to \$1.2664 per therm, including taxes, effective December 14, 2005. This rate resulted in a revenue increase of \$91 million, or 30.4%.

By Order dated March 27, 2006 approving a Partial Settlement of Docket GR05060496 and a Global Settlement of certain other matters, South Jersey's periodic BGSS rate of \$1.2664 per therm was reduced provisionally to \$1.2164 per therm, including taxes. The \$0.0500 per therm reduction was offset by the implementation of a \$0.0500 per therm balancing charge to Periodic BGSS sales customers.

OAL Docket No. PUC 8461-2005S, BPU Docket No. GR05060496, was transmitted to the Office of Administrative Law ("OAL"), as a contested case and assigned to Administrative Law Judge ("ALJ") W. Todd Miller. A notice of filing was issued by the Office of Administrative Law on November 2, 2005.

OAL Docket No. PUC 12043-06, BPU Docket No. GR06060418

On June 1, 2006, South Jersey filed a Petition in Docket No. GR06060418 to reduce the level of its BGSS clause for the year ending September 30, 2007 ("2006 Petition"). Pursuant to the 2006 Petition, the Company proposed to decrease its Periodic BGSS charge from its then current level of \$1.2164 per therm (including taxes) to \$1.1516 per therm (including taxes), effective October 1, 2006. South Jersey's 2006 Petition BGSS proposal equated to a \$19.8 million (4.4%) annual reduction in revenues.

As a result of discussions between the Company, Rate Counsel and Staff during the 2006 Petition proceeding, South Jersey agreed to further reduce its Periodic BGSS rate to \$1.0561 per therm, excluding taxes, or \$1.1322 per therm including taxes and the approved Sales and Use Tax ("SUT") increase from 6% to 7%.

Two public hearings on the 2006 Petition matter were held on July 13, 2006 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared at either public hearing to provide comments relating to the Company's request to decrease its Periodic BGSS rates.

A Stipulation for Provisional BGSS Rates for the 2006 Petition was adopted by the Board in its Decision and Order Approving Stipulation for Provisional Rates dated October 5, 2006, which decreased the BGSS rate to \$1.0959 per therm, including taxes, on a provisional basis for a total revenue reduction of \$34.1 million.

OAL Docket No. PUC 12043-2006, BPU Docket No. GR06060418, was transmitted to the OAL and assigned to ALJ Douglas H. Hurd. A notice of filing was issued by the OAL dated December 13, 2006. Because of the similarity of issues, and upon request of all parties to both proceedings, this docket was transferred to ALJ Miller, to allow the petitions to proceed in conjunction with OAL Docket No. PUC 8461-2005S, BPU Docket No. GR05060496.

Discovery was propounded upon South Jersey in both referenced dockets. All discovery was answered in full.

Following the provisional stipulations in both referenced dockets, the parties entered into settlement discussions. The result was the Stipulation of settlement which is appended to this Initial Decision as Exhibit "A."

reviewed the record and the terms of the settlement and **FIND:**

- 1 The parties to the Stipulation have voluntarily agreed to a settlement as evidenced by their signatures.
2. The Stipulation of settlement has been executed by all parties of record, except for those who have submitted letters indicating that they have no objection to the Stipulation.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1, and accordingly, I approve the settlement and **ORDER** that the parties comply with the terms of the settlement and that these proceedings be concluded.

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

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

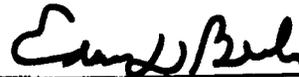
11-5-08

DATE



W. TODD MILLER, ALJ

Date Received at Agency: 11/5/08



Mailed to Parties:

DATE

/sd

OFFICE OF ADMINISTRATIVE LAW

STATE OF NEW JERSEY
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 CHARGE**

BPU DOCKET NO. GR05060496
OAL Docket No. PUC-8461-05

AND

**IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY TO REDUCE THE
LEVEL OF ITS BASIC GAS SUPPLY SERVICE
CHARGE**

:
: **BPU DOCKET NO. GR06060418**
: **OAL Docket No. PUC-12043-06**
:
:

STIPULATION

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")

Alex Moreau and Arlene E. Pasko, Deputy Attorneys General, (Anne Milgram, Attorney General of New Jersey) for the Staff of the New Jersey Board of Public Utilities ("Staff")

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. South Jersey Gas Company ("South Jersey", "Company" or "Petitioner") is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory in 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 serves in excess of 335,000 customers.

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II. PROCEDURAL HISTORY

A. BPU Docket No. GR05060496

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B. BPU Docket No. GR06060418

10. On June 1, 2006, South Jersey filed a Petition in Docket No. GR06060418 to reduce the level of its BGSS clause for the year ending September 30, 2007 ("2006 Petition"). Pursuant to

the 2006 Petition, the Company proposed to decrease its Periodic BGSS charge from its then current level of \$1.2164 per therm (including taxes) to \$1.1516 per therm (including taxes), effective October 1, 2006. South Jersey's 2006 Petition BGSS proposal equated to a \$19.8 million (4.4%) annual reduction in revenues. The BGSS charge as originally proposed by the Company in the 2006 Petition would have decreased the bill of a South Jersey residential customer using 100 therms from \$171.66 per month to \$165.18 per month or by \$6.48 per month or 3.8%.

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14. South Jersey, Staff, and Rate Counsel, the only parties to this proceeding (collectively the "Parties") have discussed the matters at issue in this proceeding. As a result of these discussions, the Parties agree that it would be reasonable and in the public interest to make final the provisional rates previously approved in the 2005 Petition and 2006 Petition dockets.

15. The Parties accordingly **STIPULATE AND AGREE** the following BGSS rate contained in the stipulation approved by the Board's Decision and Order approving provisional rates dated December 15, 2005 and the Board's Decision and Order approving a Partial Settlement of Docket No. GR05060496, dated March 27, 2006 should be made final. Additionally, the BGSS rates set forth in the Board's Decision and Order dated October 5, 2006, in Docket No. GR06060418 should be made final. Therefore, the Parties **FURTHER STIPULATE AND AGREE** that : (1) the final BGSS rate is \$1.0959 per therm, including taxes; (2) the gas cost portion of the D-2 charge for Rate Schedule LVS is \$13.1639 per Mcf, including taxes; (3) the rate schedule EGS-LV authorize that the gas cost portion of the Firm D-2 charge is \$23.4135 per Mcf and that the Limited Firm D-2 charge is \$6.5820 per Mcf including taxes; (4) the gas cost portion of the Firm D-2 charge for Rate Schedule FFS is \$6.5820 per Mcf, including taxes; and (5) the non-commodity rate component of

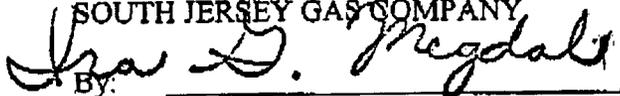
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WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

SOUTH JERSEY GAS COMPANY
By: 
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Cozen O'Connor

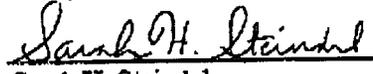
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STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Sarah H. Steindel
Assistant Deputy Public Advocate

Dated: 10/30/08