

Pursuant to the terms of a stipulation among Staff, the Company, and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") in Docket No. GO99030125, South Jersey accrues simple interest on SBC under-recoveries and over-recoveries. The interest is calculated by applying a rate that is adjusted each August 31, and is based on the seven (7) year constant maturity Treasury Securities as shown in the Federal Reserve Statistical Release on or closest to August 31 of each year, plus sixty (60) basis points (the "Treasury Rate"). South Jersey applied this rate to the SBC filings which were the subject of the Stipulation in Docket No. GO99030125. South Jersey also credits its customers with any deferred tax benefits which the Company recognizes by virtue of the timing differences between the deduction of gas plant remediation costs for federal income tax purposes and the deduction of gas plant remediation costs for calculating tax expenses for book purposes. These deferred tax benefits are credited against the gas plant remediation costs to be recovered through the RAC. The deferred tax benefits have accrued interest at the Company's weighted average cost of capital instead of the Treasury Rate used for calculations concerning under and over-recoveries.

Approval of the rates proposed by this petition would have resulted in a decrease of \$1.16 per month or 0.9% for the typical residential customer using 100 therms during a winter heating month.

After publication of notice in newspapers in general circulation, a public hearing in this matter was held on October 2, 2007 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 rates.

On October 26, 2006, SJG filed a petition ("2006 Petition") in Docket No. GR06100750, to decrease the annual revenue level of its SBC by 3.1% or approximately \$437,000. The Company sought to reduce the rates associated with certain components of its SBC including a net reduction to its RAC and CLEP charge. The Company again requested that the same rate utilized to calculate carrying costs on the unamortized RAC balances be utilized to calculate the deferred tax benefits arising from the RAC. Approval of the rates proposed by this petition would have resulted in a decrease of \$0.08 per month or 0.05% for the typical residential customer using 100 therms during a winter heating month.

After publication of notice in newspapers in general circulation, a public hearing in this matter was held on October 2, 2007 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 rates.

On December 21, 2007, the Company filed a petition ("2007 Petition") in Docket No. GR07120969, to change the RAC component of its SBC, namely, to increase the charge to \$0.0118 per therm, including taxes, from its then current credit of \$0.0032 per therm. Approval of that change would have resulted in a \$9 million revenue increase to SJG. The Company again requested that the same rate utilized to calculate carrying costs on the unamortized RAC balances be utilized to calculate the deferred tax benefits arising from the RAC. The rates proposed by this petition would have resulted in an increase of \$1.50 per month or 0.09% for the typical residential customer using 100 therms during a winter heating month.

A duly noticed public hearing was held on June 11, 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 rates.

The RAC allows for recovery of South Jersey's reasonably incurred Manufactured Gas Plant ("MGP") remediation costs, amortized over a seven year rolling average period, with carrying charges tied to seven-year treasuries plus sixty basis points, as previously described.

The CLEP has only one legacy program in place, namely, the Residential Subsidized Loan Program.

The 2005 Petition, the 2006 Petition and the 2007 Petition were sent to the Office of Administrative Law ("OAL") and assigned to Administrative Law Judge Douglas Hurd. 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 agenda meeting.

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 16, 2008. The Stipulation resolves the issues raised in Docket Nos. GR06020089, GR06100750 and GR07120969.

Key terms of the Stipulation are as follows:

The RAC rate of \$0.0118 per therm (including taxes) requested in the 2007 Petition should be made final;

The deferred tax benefit associated with the RAC will accrue simple interest at the Treasury Rate. Interest will be calculated by applying a rate that is adjusted each August 31 and will be based on the seven (7) year constant maturity Treasury Securities as shown in the Federal Reserve Statistical Release on or closest to August 31 of each year, plus sixty (60) basis points. The Parties agree that this calculation shall be implemented for accounting purposes and shall be reflected in SBC rate changes on or after November 1, 2009;

As soon as practical, following the effective date of a Board Order approving the Stipulation, the Company will release Transco long-haul capacity with fixed demand charges totaling approximately (but not less than) \$500,000 annually, resulting in a reduction of South Jersey's Basic Gas Supply Service ("BGSS") charge. This release is separate from, and incremental to, any releases addressed in the Conservation Incentive Program Settlement ("CIP Settlement") entered into in Docket Nos. GR07060354 and GR08050367, executed by the Parties concurrently with this Stipulation. The Company will not seek CIP recognition for this release. This release, or a substitute release of equal value, will be in effect for a minimum of five years from the initial release date, with 100% of the resulting savings allocated to South Jersey's customers. The resulting savings from this release will not be eligible to offset non-weather related surcharges under the CIP;

By Order dated March 27, 2006, In Docket No. GR03080683 et al., South Jersey agreed to reduce its Consumer Education Program ("CEP") rate to \$0.0000 per therm. The Order also directed the Company to remove the CEP reference from its tariff in the Company's next SBC filing. The Parties agree that the CEP will be removed from SJG's tariff, and that any remaining CEP balance (\$1.46 million as of October 31, 2008) is credited to the Company's BGSS clause;

The Market Development Credit ("MDC") balance of \$285,638 as of July 31, 2007 will be returned to SJG's customers through a credit to the Company's BGSS clause; and

The Parties agree that the Company will recover lost revenue related to its Clean Energy Program ("CLEP") through December 31, 2003, totaling \$364,000, as permitted by the Board's December 23, 2004 Order in Docket No. EX04040276 ("December 23, 2004"). The recovery will be included in South Jersey's next SBC filing. South Jersey will withdraw, and will not re-file all requests for lost revenue after December 31, 2003, related to the CLEP as discussed in the December 23, 2004 Order.

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, in its entirety, incorporating the terms and conditions thereof into this Order as if they were set forth at length herein.

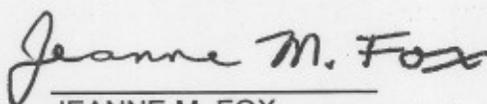
The Board HEREBY APPROVES as final, the following RAC rates per therm: for Docket No. GR06020089, a rate of negative \$00032; for Docket No. GR06100750, a rate of negative \$.0032, and for Docket No. GR07120969, a rate of \$0.0118 (including taxes).

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.

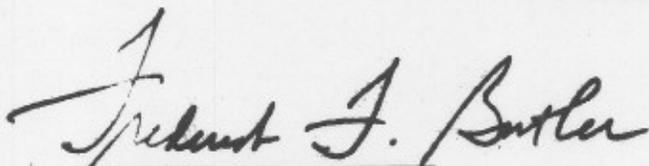
The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 12/31/08

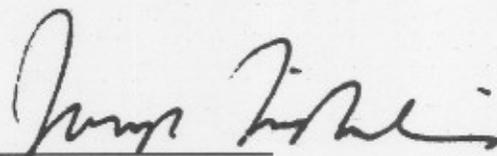
BOARD OF PUBLIC UTILITIES
BY:



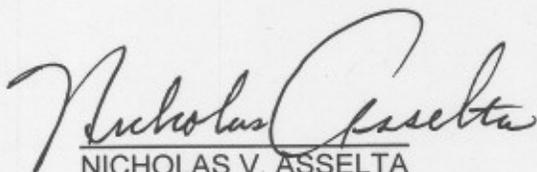
JEANNE M. FOX
PRESIDENT



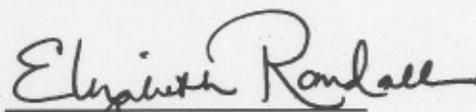
FREDERICK F. BUTLER
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER

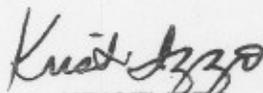


NICHOLAS V. ASSELTA
COMMISSIONER



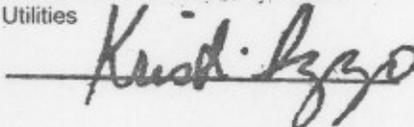
ELIZABETH RANDALL
COMMISSIONER

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 Societal Benefits Charge (SBC) and the Level of its Transportation Initiation Charge Docket Nos. GR06020089, GR06100750 and GR07120969

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