



Agenda Date: 1/19/11

Agenda Item: 2L

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)
JERSEY GAS COMPANY FOR APPROVAL OF)
ENERGY EFFICIENCY PROGRAM ("EEP) WITH AN)
ASSOCIATED ENERGY TRACKER ("EET") PURSUANT)
TO N.J.S.A. 48:3-98.1; AND TO MODIFY RATE)
SCHEDULE EGS-LV) DOCKET NO. GO10110861

Ira G. Megdal, Esq. and Daniel J. Bitonti, Esq. (Cozen O'Connor, PC, attorneys), for South Jersey Gas Company, Folsom, NJ, Petitioner

Paul Flanagan, Esq., Felicia Thomas-Friel, Esquire, Deputy Rate Counsel, New Jersey Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Caroline Vachier, Esq., Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

BY THE BOARD:

Background and Procedural History

By Order dated July 24, 2009 in Docket Nos. EO09010056 and GO09010059 ("July 24 Order"), the New Jersey Board of Public Utilities ("Board") approved a stipulation of the parties establishing five energy efficiency programs ("EE Programs") of South Jersey Gas Company ("SJG" or "Company") to be implemented for a 21-month period ending April 2011. The total budget for EE Program expenditures approved by the Board is \$17,118,275 consisting of program investments of \$16,565,975 and operating and maintenance ("O&M") expenses of \$552,300. The costs of the EE Programs are recovered through the Energy Efficiency Tracker ("EET"), which was initially set at \$0.0024 per therm and assessed as a charge per therm applied to the throughput of all customer classes. The following constitute the EE Programs:

1. Enhanced Residential HVAC Rebate
2. Residential Home Performance Finance
3. Combined Heat and Power
4. Commercial Customer Direct Install Financing
5. Non-Residential Energy Efficiency Investment

On November 18, 2010, the Board received SJG's petition in Docket No. GO09010059 ("November 18 Petition") requesting that the Board extend the term of the Company's five EE Programs for a one-year period to allow the Company to continue to offer the EE Programs throughout 2011, to allow the Company to carry-over individual program under-spending to December 2011, and to allow the Company's monthly investment and incremental operating and maintenance expenses to continue until April 2012. The November 18 Petition requested authority to recover all EE Program costs incurred during the extension period through the EET and a reallocation of funding within the programs approved in the July 24 Order. Specifically, the November 18 Petition requested a decrease in the budget of Non-Residential Energy Efficiency Investment of \$2,574,441, a decrease of \$446,455 in the budget of Commercial Customer Direct Install and a decrease of \$93,308 in the budget of Combined Heat and Power, while requesting an increase in the budget of Residential Home Performance Finance Energy Efficiency of \$3,021,732 and an increase in the budget of Enhanced Residential HVAC Rebate of \$92,472.

The November 18 Petition did not propose to increase the Company's existing EET rate or to modify the rate proposed in the 2010 EET petition in Docket No. GO10070446 filed with the Board on July 9, 2010 ("2010 EET Annual True-up"). Based on the subsequent financial data submitted by the Company, it is estimated that SJG would incur total EE Program expenditures of \$8.5 million by the end of April 2011 and an additional \$8.6 million by the end of April 2012.

The Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Staff, (collectively, the "Parties")¹, have participated in settlement negotiations and executed a stipulation ("Stipulation") dated January 12, 2011.

Stipulation

A summary of the key provisions of the Stipulation follows:²

The Parties STIPULATE AND AGREE to an extension of one year to allow South Jersey to carryover individual program under-spending until December 31, 2011.

The Parties STIPULATE AND AGREE to an extension of one year to allow South Jersey's monthly program investment and incremental operating and maintenance costs associated with the EE Program to continue until April 30, 2012 ("Extension Period").

The Parties STIPULATE AND AGREE to the reallocation of money within the EE Programs budget as set forth in Paragraph 17 herein.

The Parties STIPULATE AND AGREE that any rate changes associated with South Jersey's EET as a result the extensions stipulated herein would take place in South Jersey's pending 2010 EET Annual True-Up proceeding.

The 2010 EET Annual True-Up proceeding remains open for the purpose of reviewing the Company's petition. Within 60 days of the Board's approval of this Stipulation, SJG will provide the Stipulating Parties, if requested, with the information set forth in the Minimum

¹ While the Natural Resources Defense Council and the New Jersey Large Energy Users Coalition were intervenors in the original filing, neither signed the stipulation approved by the July 24 Order.

² Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

Filing Requirements ("MFRs") established by the Board's May 12, 2008 Order, Docket No. EO08030164, issued pursuant to N.J.S.A. 48:3-98.1(c) as it relates to the Letter Petition, to the extent such information was not previously provided. Within 30 days following a Board Order accepting this stipulation the Parties will meet to develop a proposed procedural schedule towards a resolution of the issues associated with the modifications to the Company's EE Programs proposed in the Letter Petition.

The Parties STIPULATE AND AGREE to recognize the possibility of a Board proceeding to address the NJCEP transition process where the Board may issue an order or take some other action directing a termination of South Jersey's EE Programs. This recognition does not affect the legal rights of the Stipulating Parties to pursue their then available legal remedies in any such proceeding or process and to take any position they deem appropriate at that time.

The Parties STIPULATE AND AGREE that if South Jersey files any further requests to extend its EE Programs or to make substantive modifications thereof, it will do so under the filing requirements established by the Board's May 12, 2008 Order, Docket No. EO08030164, issued pursuant to N.J.S.A. 48:3-98.1 (c).

The Parties STIPULATE AND AGREE that modifications made to SJG's EE Programs to be consistent with any modifications to the Board-approved Clean Energy Programs ("CEP") related to Energy Efficiency Programs are permitted. SJG agrees to make a compliance filing with the Board and provide a copy to Rate Counsel.

Discussion and Findings

The Board has reviewed the record in this matter. These programs were previously approved in the July 24 Order. The proposed changes will not increase the existing EET rate or modify the rate proposed in the 2010 EET Annual True-up.

The documentation provided by the Company indicates that the Enhanced Rebate HVAC program has been successful in motivating the Company's customers to take advantage of the Home Performance with Energy Star program such that nearly 30% of the customers utilizing this program are served by SJG. The Company intends to continue promoting the Enhanced Residential HVAC Rebate program. The proposed budget revision will enable the Company to serve almost one hundred additional customers. The Board FINDS that an increase of the budget for this program by \$92,472 is justified on this record.

The Residential Home Performance Finance and Energy Improvement program is designed to support and complement the New Jersey Clean Energy Program's Home Performance with Energy Star program by providing increased incentives and long term "up front" financing through the Company. By so doing, this SJG program supports the "whole house" approach to energy efficiency promoted in the New Jersey Energy Master Plan and the Board's policy goals. Thus the Board FINDS that an increase in the budget for this program of \$3,021,732 is justified.

The increases in the budgets of the above programs will be offset by transfers from the budgets of the Non-Residential Energy Efficiency, Commercial Direct Install, and Combined Heat and Power programs. As set out in the supporting documentation, participation in these programs has not reached the anticipated levels, nor does it appear that the original funding levels approved for these programs will be utilized in the coming fifteen months. Thus, the Board


FINDS that a transfer of \$2,574,441 from the Non-Residential Energy Efficiency program, \$446,455 from the Commercial Direct Install program, and \$93,308 from the Combined Heat and Power program will not adversely affect these programs.

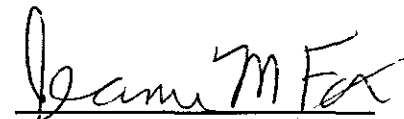
Therefore, the Board, having carefully reviewed the record in this matter, including the petition and the Stipulation, HEREBY FINDS the Stipulation to be reasonable, in the public interest, and in accordance with law, HEREBY APPROVES the attached Stipulation in its entirety, and HEREBY INCORPORATES its terms and conditions as though fully stated herein.

The Board HEREBY DIRECTS the Company to file conforming tariff sheets within five (5) business days of the date of this Order.

DATED: 1/19/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT

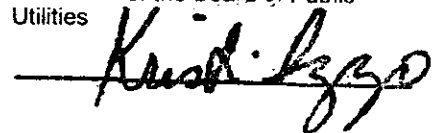

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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 FOR APPROVAL
OF ENERGY EFFICIENCY PROGRAM ("EEP") WITH AN ASSOCIATED ENERGY TRACKER
("EET") PURSUANT TO N.J.S.A. 48:3-98.1; AND TO MODIFY RATE SCHEDULE EGS-LV
BPU DOCKET NO. GO10110861

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

**IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY FOR
APPROVAL OF AN ENERGY EFFICIENCY
PROGRAM ("EEP") WITH AN
ASSOCIATED ENERGY TRACKER ("EET")
PURSUANT TO N.J.S.A. 48:3-98.1; AND TO
MODIFY RATE SCHEDULE EGS-LV**

**BPU DOCKET NO. GO10110861
STIPULATION**

APPEARANCES:

Ira G. Megdal, Esquire and Daniel J. Bitonti, Esquire (Cozen O'Connor, PC, attorneys), for the Petitioner, South Jersey Gas Company

Paul Flanagan, Esquire and Felicia Thomas-Friel, Esquire, Deputy Rate Counsel, Judith Appel, Esquire, Assistant Deputy Rate Counsel, Kurt S. Lewandowski, Esquire, Assistant Deputy Rate Counsel New Jersey Division of Rate Counsel (**Stefanie A. Brand, Esq.**, Director)

Caroline Vachier, Esquire and Kerri Kirschbaum, Esquire, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Paula T. Dow**, Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

I. INTRODUCTION

1. This Stipulation is intended to resolve the outstanding issues in Docket No. GO09010059.

II. BACKGROUND

2. By Order dated July 24, 2009 in the above-referenced docket number, the Board of Public Utilities ("Board") approved a Stipulation of the parties establishing South Jersey Gas Company's ("South Jersey" or the "Company") proposed Energy Efficiency Programs (the "EE Programs"), as well as an associated Energy Efficiency Tracker (the "EET").

3. The Stipulation established specific budgets for the specific programs for Year 1 and Year 2 EE Programs and contained the following provisions:

- Based upon market responses, the spending on the aggregate EE Program or any of the original programs may be accelerated and completed sooner than the proposed period. To provide flexibility in responding to market conditions and customer demands during the term of the program, the Parties agree that any individual program under-spending may be carried over from 2009 to 2010. No such under-spending may be carried over beyond December 31, 2010, without the approval of the Board; and
- Based upon market conditions and the level of market response to each individual program, after January 1, 2010, the Company may transfer funding between programs in order to maximize energy savings and Program resources, subject to [certain] procedures.

4. In adopting the Stipulation, the Board adopted by reference certain schedules which supported the Stipulation. Specifically, Appendix B (p. 5 of 7) demonstrated that the monthly investment for the EET would be reduced to zero (\$0) dollars in Month 22 of the program (April 2011).

5. Similarly, also demonstrated in Appendix B (p. 6 of 7), the Company's Incremental Operating and Maintenance (O&M) Budget for the EET is reduced to zero (\$0) dollar in April 2011.

6. On November 18, 2010, South Jersey filed a Letter Petition ("Letter Petition") with the Board seeking modification of these three aspects of the July 24, 2009 Board Order:

1. South Jersey sought Board approval for an extension of one year to allow South Jersey to carryover individual program under-spending until December 31, 2011.
2. South Jersey sought Board approval for an extension of one year to allow South Jersey's monthly investment and incremental operating and maintenance costs associated with the EE Program to continue until April 2012.
3. South Jersey sought Board approval to reallocate of money within the EE Programs budget.

These actions are all permissible within the construct of the Board's Order dated July 24, 2009.

7. South Jersey is not seeking to modify any EE Program approved by the Board, nor is the Company seeking an increase in total funding for the EE programs.

8. In its Letter Petition, the Company states that its original EE Program petition was created to meet two objectives: 1) encouraging customers to reduce their overall energy usage; and 2) the creation of additional jobs in the energy efficiency marketplace at a time when the State's (and Country's) economy was in crisis.

9. The Company states that as a result of the EE Programs, approximately 71 full time employment jobs were created according to the its July 2010 EET filing.

10. The Company further states the current state of the economy warrants the extensions requested in the Letter Petition.

11. The Company states that in the Stipulation, the Parties recognized the need for spending flexibility because of the uncertain market conditions and that when that provision was drafted, although these uncertain market conditions were specifically acknowledged, the language contemplated a situation where there could be under-spending for a short duration.

12. The Company further states that due to the continued uncertainty in the market conditions and the prolonged recovery of the State's economy, its EE Programs are under-spent when compared to the approved budget of \$17,118,275. By end of December 2010, the Company has incurred actual program costs of \$4.5 million (with December 2010 being estimated), including operating and maintenance ("O&M") expenses. As a result, South Jersey will not meet its intended program goals unless this December 31, 2010 deadline is extended through April 2012. The projected program spending through April 2012 is \$12.6 million.

13. South Jersey anticipates that such an extension will allow the Company to continue to offer the EE Programs throughout 2011 and it will also allow the Company the ability to maintain the newly created jobs and, through the budget modifications described below, potentially create additional jobs.

14. South Jersey also proposes a one year extension to April 2012 for the Company to make monthly Program Investments and incur incremental operational and maintenance costs associated with the EE Programs as the Company's proposed spending, consistent with the Board Order and Stipulation in GO09010059, and the Company's July 2010 EET filing (Docket No. GO10070466) is due to expire at that time. This is demonstrated in Exhibit 1, page 1 attached hereto.

15. If such extension is approved, the Company proposes spending on Program Investments and Incremental O&M as set forth in Exhibit 1, pgs 2-3.

16. In addition, South Jersey seeks Board approval to transfer money within the EE Programs. The Company does not seek to modify the EE Programs; rather, the Company states that based upon the market response to specific programs, a modification of the EE Program budget by reallocating dollars within the EE programs is necessary.

17. The Company proposes the following budget modifications:

- The Enhanced Residential HVAC Rebate Program would be increased from a budget of \$5,093,836 to a budget of \$5,186,308.
- The Residential Home Performance Finance Energy Efficiency Program would be increased from a budget of \$3,025,800 to a budget of \$6,047,532.
- The Commercial Customer Direct Install Program will be reduced from a budget of \$1,025,385 to a budget of \$578,930.
- The Non-Residential Energy Investment Program will be reduced from a budget of \$4,863,355 to a budget of \$2,288,914.
- The Combined Heat and Power Program will be reduced from a budget of \$3,109,900 to a budget of \$3,016,592.

Exhibit 2 hereto identifies the original and proposed budget amounts for each program.

In addition, Exhibit 3 hereto explains the program descriptions and the justifications for the reallocation of money within the EE Program budget.

18. The Company's Letter Petition does not propose any rate changes and the Company proposes that any rate changes associated with South Jersey's EET would take place in the its pending EET Petition, Docket No. GO10070466, ("2010 EET Annual True-Up").

II. STIPULATED TERMS

19. South Jersey, Board Staff and Rate Counsel (collectively the "Parties"), the only parties to this proceeding, have discussed certain matters at issue in this proceeding. As a result of those

discussions, the Parties agree that it would be reasonable and in the public interest to resolve the issues raised in the Letter Petition.

20. Specifically, the Parties hereby **STIPULATE AND AGREE** to an extension of one year to allow South Jersey to carryover individual program under-spending until December 31, 2011.

21. The Parties further **STIPULATE AND AGREE** to an extension of one year to allow South Jersey's monthly program investment and incremental operating and maintenance costs associated with the EE Program to continue until April 30, 2012 ("Extension Period").

22. The Parties further **STIPULATE AND AGREE** to the reallocation of money within the EE Programs budget as set forth in Paragraph 17 herein.

23. The Parties further **STIPULATE AND AGREE** that any rate changes associated with South Jersey's EET as a result the extensions stipulated herein would take place in South Jersey's pending 2010 EET Annual True-Up proceeding.

24. The 2010 EET Annual True-Up proceeding remains open for the purpose of reviewing the Company's petition. Within 60 days of the Board's approval of this Stipulation, SJG will provide the Stipulating Parties, if requested, with the information set forth in the Minimum Filing Requirements ("MFRs") established by the Board's May 12, 2008 Order issued pursuant to *N.J.S.A. 48:3-98.1(c)* as it relates to the Letter Petition, to the extent such information was not previously provided. Within 30 days following a Board Order accepting this stipulation the Stipulating Parties will meet to develop a proposed procedural schedule towards a resolution of the issues associated with the modifications to the Company's EE Programs proposed in the Letter Petition.

25. The Parties further **STIPULATE AND AGREE** to recognize the possibility of a Board proceeding to address the NJCEP transition process where the Board may issue an order or take some other action directing a termination of South Jersey's EE Programs. This recognition does not affect the legal rights of the Stipulating Parties to pursue their then available legal remedies in any such proceeding or process and to take any position they deem appropriate at that time.

26. The Parties **STIPULATE AND AGREE** that if South Jersey files any further requests to extend their EE Programs or to make substantive modifications thereof, it will do so under the RGGI filing requirements established by the Board's May 12, 2008 Order issued pursuant to N.J.S.A. 48:3-98.1 (c). The Parties further **STIPULATE AND AGREE** that modifications made to SJG's EE Programs to be consistent with any modifications to the Board-approved Clean Energy Programs Energy Efficiency Programs are permitted. SJG agrees to make a compliance filing with the Board and provide a copy Rate Counsel if such an event occurs.


III. MISCELLANEOUS

27. 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.

28. It is specifically understood and agreed that this Stipulation represents a negotiated 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. Megdal, Esq.
Cozen O'Connor

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

By: _____
Kerri Kirschbaum, Deputy Attorney General


STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: _____
Judith Appel, Esq.
Assistant Deputy Rate Counsel

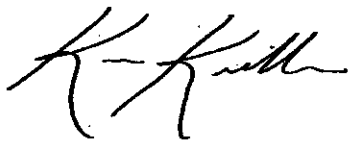
Dated: 1/12/11

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By: 
Ira G. Megdal, Esq.
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ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: 
Kerri Kirschbaum, Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL


By: _____
Judith Appel, Esq.
Assistant Deputy Rate Counsel

Dated: 1/12/11

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

By:


Kerri Kirschbaum, Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By:


Kurt S. Lewandowski, Esq.
Assistant Deputy Rate Counsel

Dated: 1/12/11

EXHIBIT 1

South Jersey Gas Company
Energy Efficiency Program
July 8, 2010 Filing Proposed Spending

	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Total
Incremental O & M												
Combined Heat and Power	\$ 1,667	\$ 8,267	\$ 11,330	\$ 11,330	\$ 14,663	\$ 20,463	\$ 12,463	\$ 5,063	\$ 5,563	\$ 6,063	\$ 6,563	\$ 103,434
Commercial Direct Install	10,200	19,433	48,289	61,449	53,449	56,599	48,408	14,366	14,366	14,367	14,368	\$ 385,303
Enhanced Residential HVAC	66,173	59,411	59,703	47,006	47,006	47,006	46,962	37,287	37,287	37,287	37,287	\$ 522,411
Non Residential Energy Efficiency	8,500	108,423	108,738	122,538	121,638	120,838	102,538	4,784	5,284	5,784	6,284	\$ 718,874
Home Performance Financing	\$ 49,190	\$ 47,793	\$ 47,703	\$ 49,099	\$ 49,849	\$ 48,799	\$ 28,799	\$ 4,000	\$ 4,500	\$ 5,000	\$ 5,500	\$ 389,842
Total Administrative Costs	\$ 135,729	\$ 244,236	\$ 276,775	\$ 291,423	\$ 288,308	\$ 293,406	\$ 239,171	\$ 65,480	\$ 66,980	\$ 68,480	\$ 69,980	\$ 2,037,963
Program Investments												
Combined Heat and Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 3,000,000
Commercial Direct Install	-	-	40,000	37,500	75,000	82,500	82,500	100,000	67,500	67,500	67,500	\$ 630,001
Enhanced Residential HVAC	-	260,000	278,585	484,617	484,617	484,617	484,617	421,613	421,613	421,613	421,613	\$ 4,153,508
Non Residential Energy Efficiency	1,395	33,195	22,223	38,825	38,455	38,825	49,496	818,333	728,750	1,260,833	1,280,833	\$ 4,130,563
Home Performance Financing	\$ 137,500	\$ 37,500	\$ 37,500	\$ 25,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 297,500
Total Program Investment	\$ 138,895	\$ 320,695	\$ 378,308	\$ 585,642	\$ 658,072	\$ 605,642	\$ 626,614	\$ 1,139,947	\$ 2,217,863	\$ 2,769,947	\$ 2,769,947	\$ 12,211,571
Total Costs												
Combined Heat and Power	\$ 1,667	\$ 8,267	\$ 11,330	\$ 11,330	\$ 14,663	\$ 20,463	\$ 12,463	\$ 5,063	\$ 1,005,563	\$ 1,006,063	\$ 1,006,563	\$ 3,109,434
Commercial Direct Install	\$ 10,200	\$ 19,433	\$ 66,289	\$ 98,949	\$ 128,449	\$ 139,099	\$ 140,908	\$ 114,367	\$ 81,866	\$ 81,867	\$ 81,867	\$ 885,304
Enhanced Residential HVAC	\$ 66,173	\$ 309,411	\$ 338,288	\$ 531,623	\$ 531,623	\$ 531,623	\$ 531,579	\$ 458,900	\$ 458,900	\$ 458,900	\$ 458,900	\$ 4,675,919
Non Residential Energy Efficiency	\$ 9,895	\$ 142,618	\$ 131,962	\$ 161,064	\$ 159,994	\$ 159,064	\$ 162,038	\$ 623,097	\$ 734,014	\$ 1,266,597	\$ 1,287,097	\$ 4,847,438
Home Performance Financing	\$ 186,690	\$ 85,203	\$ 85,203	\$ 74,099	\$ 109,849	\$ 48,799	\$ 28,799	\$ 4,000	\$ 4,500	\$ 5,000	\$ 5,500	\$ 637,442
Grand Total	\$ 274,624	\$ 564,931	\$ 655,081	\$ 877,065	\$ 944,378	\$ 899,048	\$ 865,785	\$ 1,205,428	\$ 2,284,843	\$ 2,838,426	\$ 2,839,928	\$ 14,249,536

South Jersey Gas Company
Energy Efficiency Program

Change in Proposed Program Spending

	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Total
Incremental O & M												
Combined Heat and Power	\$ (1,624)	\$ (8,224)	\$ (11,287)	\$ (10,374)	\$ (14,622)	\$ (19,963)	\$ (11,963)	\$ (4,563)	\$ (5,063)	\$ (5,563)	\$ (6,063)	\$ (99,309)
Commercial Direct Install	\$ (3,297)	\$ (18,529)	\$ (46,896)	\$ (60,546)	\$ (49,765)	\$ (56,049)	\$ (46,706)	\$ (13,066)	\$ (13,066)	\$ (13,067)	\$ (13,066)	\$ (340,056)
Enhanced Residential HVAC	\$ 45,327	\$ (31,122)	\$ (10,262)	\$ 49,823	\$ (77,400)	\$ 0	\$ (0)	\$ (4,864)	\$ (4,864)	\$ (4,864)	\$ (4,864)	\$ (43,091)
Non Residential Energy Efficiency	\$ (7,597)	\$ (106,520)	\$ (106,836)	\$ (117,623)	\$ (120,877)	\$ (117,394)	\$ (94,894)	\$ 2,781	\$ 2,281	\$ 1,781	\$ 1,281	\$ (867,516)
Home Performance Financing	\$ 1,239	\$ (43,771)	\$ (4,508)	\$ (31,185)	\$ (6,368)	\$ 0	\$ 0	\$ 16,600	\$ 16,000	\$ 15,500	\$ 15,000	\$ (21,589)
Total Administrative Costs	\$ 28,049	\$ (210,166)	\$ (181,786)	\$ (169,906)	\$ (268,831)	\$ (193,406)	\$ (153,965)	\$ (3,212)	\$ (4,712)	\$ (6,212)	\$ (7,712)	\$ (1,171,550)
Program Investments												
Combined Heat and Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Commercial Direct Install	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 31,250	\$ 343,750
Enhanced Residential HVAC	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 218,750	\$ 2,408,250
Non Residential Energy Efficiency	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 1,375,000
Home Performance Financing	\$ -	\$ -	\$ 600,000	\$ -	\$ -	\$ 600,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ 1,340,000
Total Program Investment	\$ 375,000	\$ 375,000	\$ 975,000	\$ 375,000	\$ 375,000	\$ 875,000	\$ 375,000	\$ 1,375,000	\$ 515,000	\$ 375,000	\$ 1,375,000	\$ 7,485,000
Total Costs												
Combined Heat and Power	\$ (1,624)	\$ (8,224)	\$ (11,287)	\$ (10,374)	\$ (14,622)	\$ (19,963)	\$ (11,963)	\$ 995,437	\$ (5,063)	\$ (5,563)	\$ 993,937	\$ 1,900,891
Commercial Direct Install	\$ 21,953	\$ 12,721	\$ (16,946)	\$ (28,296)	\$ (18,515)	\$ (24,799)	\$ (15,458)	\$ 18,184	\$ 18,184	\$ 18,183	\$ 18,184	\$ 3,894
Enhanced Residential HVAC	\$ 264,077	\$ 187,628	\$ 208,488	\$ 268,573	\$ 141,350	\$ 218,750	\$ 218,750	\$ 213,886	\$ 213,886	\$ 213,886	\$ 213,886	\$ 2,363,169
Non Residential Energy Efficiency	\$ 117,403	\$ 16,480	\$ 16,164	\$ 7,377	\$ 4,323	\$ 7,606	\$ 30,006	\$ 127,781	\$ 127,281	\$ 126,781	\$ 126,281	\$ 707,484
Home Performance Financing	\$ 1,239	\$ (43,771)	\$ 595,494	\$ (31,185)	\$ (6,368)	\$ 600,000	\$ 0	\$ 16,600	\$ 166,000	\$ 16,500	\$ 15,000	\$ 1,318,411
Grand Total	\$ 403,049	\$ 164,834	\$ 793,214	\$ 205,084	\$ 106,166	\$ 781,595	\$ 221,335	\$ 1,371,788	\$ 510,288	\$ 368,788	\$ 1,367,288	\$ 6,293,440

EXHIBIT 2



A PENNSYLVANIA PROFESSIONAL CORPORATION

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July 29, 2010

Kristi Izzo, Secretary
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: In the Matter of the Petition of South Jersey Gas Company for Approval of an Energy Efficiency Program ("EEP") with an Associated Energy Tracker ("EET") Pursuant to N.J.S.A. 48:3-98-1; and to Modify Rate Schedule EGS-LV BPU Docket No. GO09010059

Dear Secretary Izzo:

This firm represents South Jersey Gas Company ("South Jersey") in connection with the referenced matter. On behalf of South Jersey we submit herewith the original and ten (10) copies of this Letter Petition. We have also enclosed two copies marked "File Copy". Please stamp each File Copy as "Received" and return them to the undersigned in the enclosed, self-addressed envelope.

By its Order in the referenced docket, dated July 24, 2009, the Board approved a Stipulation of the parties establishing South Jersey's proposed Energy Efficiency Programs (the "EE Programs") as well as an associated Energy Efficiency Tracker (the "EET"). It also established specific budgets for specific programs for Year 1 and Year 2 EE Programs.

I. The Staff Request

The Staff of the Board of Public Utilities ("Staff") has initiated discussions to inquire as to whether South Jersey will be willing to propose certain modifications to its EE Program

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budgets. At the request of the Staff, South Jersey has agreed to make the proposal submitted in this Letter Petition.

South Jersey appreciates the opportunity to assist the Board and the Staff, as well the State of New Jersey in these difficult economic times. We understand that the Department of the Public Advocate, Division of Rate Counsel is also supportive of the Staff requests, and we make this proposal with the understanding that it has the conceptual support of all relevant stakeholders.

II. Proposal

The program descriptions and proposal are detailed on Exhibit 1 attached to this letter. This proposal does not look to change South Jersey's original EE Program budget approved by the Board amounting to approximately \$17.1 million. By virtue of the proposal, South Jersey proposes to modify its EEP program budget by reallocating dollars within the programs as follows:

- The Enhanced Residential HVAC Rebate Program would be reduced from a budget of \$5,093,836 to a budget of \$3,293,836.
- The Residential Home Performance Finance Energy Efficiency Program would be increased from a budget of \$3,025,800 to a budget of \$7,825,800.
- The Commercial Customer Direct Install Program will be increased from a budget of \$1,025,385 to a budget of \$2,025,385.
- The Non-Residential Energy Efficiency Investment Program will be reduced from a budget of \$4,863,355 to a budget of \$863,355.
- No budget change is proposed to the Combined Heat and Power Program.

Exhibit 2 attached hereto clearly identifies the original and proposed budget amounts for each program.

III. Other Considerations

Because this proposal will not alter South Jersey's projected administrative expenses or total EE Program budget, it will have no effect on the revenue requirement or rates resulting from the EE Program. For your convenience we have attached as Exhibit 3 the revenue requirement calculation included in our most recent EEP filing dated July 9, 2010. Additionally we include Exhibit 4 which provides original and projected monthly expenditures by program for Year 2.

Moreover, because South Jersey's EE Program budget, as a totality, will not be altered by this proposal, we believe that there is no impact from this proposal on the Cost Benefit Analysis performed by Rutgers University for the Board of Public Utilities and have therefore not performed an updated cost benefit analysis.

Kristi Izzo, Secretary
July 29, 2010
Page 3

South Jersey requests that the Board address this request at its August 18, 2010 Agenda meeting.

In closing, we commend all involved for this collaborative effort which addresses certain budget restraints and is supportive of the marketplace. We again thank you for the opportunity to make this proposal.

Very truly yours,

COZEN O'CONNOR, PC

Ira G. Megdal

By: Ira G. Megdal

IGM/bab

cc: Service List Attached

**I/M/O ENERGY EFFICIENCY PROGRAMS AND ASSOCIATED COST
RECOVERY MECHANISM PROCEEDINGS
BPU DOCKET NO. EO09010056**

and

**I/M/O THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF AN
ENERGY EFFICIENCY PROGRAM WITH AN ASSOCIATED ENERGY TRACKER
PURSUANT TO N.J.S.A. 48:3-98.1 AND TO MODIFY RATE SCHEDULE EGS-LV
BPU DOCKET NO. GO09010059**

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**Proposed Modifications
To
South Jersey Gas Company Energy Efficiency Program**

EXHIBIT 1

Enhanced Residential HVAC Rebate Program

Program Description

This program is designed to motivate customers with existing HVAC equipment scheduled to be replaced due to immediate or imminent equipment failure to opt for high efficiency heating equipment. Since this decision will most likely only be made once by most households between now and 2020, it is critical to start significantly influencing those purchases now. Accordingly, South Jersey would offer enhanced rebates of \$900 for qualified "WARM Advantage" HVAC equipment purchases. However, customers would only be entitled to this enhanced rebate, if they agree to have a Home Performance with Energy Star® (HPwES) Home audit assessment, provided by certified auditors recognized by the Clean Energy Program.

Given that this program is predicated upon receiving an approved home energy assessment, many of our customers elected to take advantage of the information found in that report and accept the recommendation of their contractors to enlist in the Home Performance with Energy Star Program.

It was the intention of the Enhanced Rebate HVAC Program to inform customers that it would be beneficial for them to act on the recommendations of that assessment, and if they could afford it, take advantage of the Home Performance with Energy Star Program. That effect worked, and according to the Market Manager, nearly 30% of the customers that take advantage of the Home Performance Program, are served by South Jersey Gas Company.

Moreover, given the high level of success that the Home Performance with Energy Star program had throughout New Jersey, the State's Home Performance program budget realized extreme pressure. That pressure was compounded by the State's budgetary crisis.

The utilities were asked if we could provide assistance to support the Home Performance Program. This is the basis for the Company's determination to allocate some of the incentive dollars planned for the Enhanced Rebate Program, to the State's Home Performance program within our franchise.

Proposed Program Offering

South Jersey Gas proposes to immediately transfer \$1,800,000 from this program. It is proposed that of that amount, eight hundred thousand dollars (\$800,000) will go to fund NJBPU allowable incentives for the Residential Home Performance Finance Energy Efficiency Program (Home Performance Program); and one million dollars (\$1,000,000) will be allocated to support direct incentives for NJBPU Direct Install Program.

It is the intention of South Jersey Gas Company to work in conjunction with the Clean Energy Program Market Managers, Honeywell and TRC, and their implementers, Conservation Services Group, and Energy Finance Solutions, to use the proposed funding for direct customer incentives, as approved by the Office of Clean Energy. We believe that current market conditions support this proposal.

Non-Residential Energy Efficiency Investment Program.

Program Description

This program is designed to generate large energy savings for larger Commercial/Industrial accounts, including but not limited to: multifamily housing complexes, institutions, municipal complexes, schools, medical facilities, hotels and casinos, and industrial users. The major thrust of this program is to provide a maximum of \$100,000 of "up-front" financing options and additional incentives to non-residential customers. South Jersey's Financing Agent, through special financing, provides a financial incentive to install whole building energy efficient technologies, devices, and related equipment which would reduce natural gas consumption, and yield the customer positive cash flows over time. The program provides for the requirements of the customer to be first assessed by a representative of the NJ Clean Energy Program. The South Jersey incentive will be matched with Clean Energy Program incentives up to \$100,000. South Jersey recognizes that the 2010 NJ Clean Energy Program offers eligible customers various incentives under its current suite of programs. However the Company also recognizes that certain large customers may need additional funding given the current state of the economy.

The maximum amount of financing, after all applicable incentives are assigned to the Financing Agent, is \$100,000. The program will achieve program goals through additional offsets in the cost differences between standard efficiency and high efficiency natural gas products and related upgrades and financing. For equipment and/or upgrades which are not Energy Star® rated, too large for such a designation, or are considered applicable for non-residential use, then other accepted savings protocols, such as those used by the Clean Energy Program Market Manager(s) will continue to be used to measure the savings benefits.

Proposed Program Offering

The Company remains committed to serving its Non-Residential Market not applicable for the NJBPU Direct Install Program. However, given the current fiscal crisis that has impeded the Home Performance Program from being able to continue in its entirety, and given the fact that decision making cycle is longer for larger customers, the Company is proposing to transfer four million dollars (\$4,000,000) to the Home Performance with Energy Star Program. The purpose of that transfer is to support the payment of direct incentives for the Home Performance Program, in order to enable the Clean Energy Program to fund other programs in need of budgetary assistance. We believe that current market conditions support our proposal.

Commercial Customer Direct Install Program

Program Description

This plan is designed to reduce the environmental footprint and the energy consumption of small businesses. This program will also encourage implementation of NJCEP SmartStart Building program qualified measures or improvements identified by the 2010 NJCEP Direct Install program. The current Clean Energy Plan targets customers with electric demand of less than 200 KW. South Jersey's financing agent will offer commercial customers whose electric demand is no greater than 200KW, zero (0%) percent financing for the entire amount of the customer's financial obligation, up to \$25,000 to install energy efficiency gas reducing technologies, less the NJCEP rebate received, for a 10 year period. The program will achieve this goal through the following:

- An energy assessment of the facility;
- Direct installation of energy savings measures, as recommended by the energy assessment;
- South Jersey's Financing Agent will pay for 60% of the installation and equipment costs "upfront", with a markdown of \$25,000.
- The customer will be responsible for paying the remaining 40% via a monthly bill from the finance agent over 120 months interest free, pending receipt of all available Clean Energy Program incentives.

Proposed Program Offering

In order to increase participation of this program within Southern New Jersey, and to ensure that the NJCEP budgetary pressures on this program can be mitigated, the Company proposes to increase its funding by an additional one million (\$1,000,000) dollars. The Company further proposes that this money be used to pay for NJCEP incentives for customers who participate in this program within our territory, and that the original incentive money which was intended to offset financing costs for participating financing customers, now be used to also pay for the cost of direct incentives. This offer will enable the NJCEP to use money that was intended to be spent on Direct Install customers in the Southern region of the State, to be used for other programs that are experiencing budgetary pressures, and are at risk of being discontinued. We believe that current market conditions support our proposal.

The Residential Home Performance Finance and Energy Improvement Plan

Program Description

This plan is designed to reduce energy use and carbon emissions of residential customers through a whole house approach to providing energy savings. The program is currently implemented through the NJ Clean Energy Program's "NJ Home Performance with Energy Star Program"®. However, the thrust of the new program is to partner with the State in achieving and exceeding State goals in South Jersey through a combination of utility sponsored, increased incentives and long term "up front" financing.

Through this program, South Jersey will continue to offer eligible customers an aggressive financial package to assist in obtaining whole house energy efficiency, comfort and savings. This package will include access to financing opportunities through a third-party ("Financing Agent"). Customers, who choose to opt for participation in this program to achieve a total energy savings of 25%, will initially be provided with 100% of the cost of the gas reducing measures, through "up-front" financing, up to \$10,000. The NJCEP has been recently modified to offer a maximum \$3,000 incentive for customers who participate in this program, and who achieve 25% savings. South Jersey Gas will continue to offer a 25% bonus incentive, in addition to the current NJCEP incentive for income qualified customers.

Proposed Program Offering

South Jersey Gas proposes to immediately transfer four million, eight hundred thousand (\$4,800,000) into this program to cover the cost of customer incentives for applicants served within the Company's franchise area, on behalf of the NJCEP. These dollars will flow into this program as a result of transferring eight hundred thousand (\$800,000) dollars from the Enhanced Rebate HVAC program, and transferring four million (\$4,000,000) dollars from the Non-Residential Energy Efficiency Program. We believe current market conditions support our proposal.

Combined Heat and Power Program and Distributed Generation Technology ("CHP")

Program

Program Description

This program is designed to complement the goals of the New Jersey Energy Master Plan, and reduce energy consumption and carbon emissions by lowering dependence upon the electric grid system. This program will provide an incentive to promote the efficient generation of electricity, and offset thermal loads otherwise satisfied by boilers. A rate and contract mechanism offset will be designed to stabilize natural gas prices over a fixed term in order to mitigate the volatility of natural gas prices and is an essential piece of this program. South Jersey will provide a direct incentive to match the incentives of the Clean Energy Program. The program will achieve this goal by:

- Providing an incentive for the efficient generation of electricity to one or more consumers; and to recycle energy to offset thermal loads otherwise satisfied by boilers or other thermal load equipment
- Providing a contract mechanism to stabilize natural gas prices over a fixed term to mitigate the volatility of natural gas prices

South Jersey will offer eligible customers and developers a direct incentive which will supplement the current offering of the NJ Clean Energy Program of up to a \$1.00 per watt, to be capped at \$1,000,000. This effort will be supplemented with the NJ Clean Energy Program in an effort to foster program participation and to achieve the goals of the Energy Master Plan of achieving 1500 MW of Distributed Generation ("DG") power by the year 2020.

If a non-residential customer installs, or commits to install a combined heat and power system approved by the Board, or an efficient distributed generation power plant, the incentive could be capped at \$1,000,000, and would receive an offset as described above. These incentives would be matched with incentives available from the Clean Energy Program.

Proposed Program Offering

As a result of CHP incentives being cut from the NJCEP program, the Company proposes to offer its maximum of incentive of one million (\$1,000,000) per applicant for any project that is eligible to receive an incentive, grant, or rebate from any NJ State Agency or as a result of any solicitation approved by an agent of the State of NJ. We are not proposing to modify the original budget for this program.

**South Jersey Gas Company
Energy Efficiency Program
Updated Budget Proposal**

<u>Programs</u>	<u>Approved EET Program Budget</u>	<u>Net Program Increase (Decrease)</u>	<u>Proposed Program Budget - No Net Increase To Board Approved Stipulation</u>
Enhanced Residential HVAC Rebate	\$5,093,836	(\$1,800,000)	\$3,293,836
Residential Home Performance Finance Energy Efficiency	\$3,025,800	\$4,800,000	\$7,825,800
Commercial Customer Direct Install	\$1,025,385	\$1,000,000	\$2,025,385
Non-Residential Energy Efficiency Investment	\$4,863,355	(\$4,000,000)	\$863,355
Combined Heat and Power	\$3,109,900	\$0	\$3,109,900
Total	<u>\$17,118,276</u>	<u>\$0</u>	<u>\$17,118,276</u>

South Jersey Gas Company
Energy Efficiency Program
July 9, 2010 Filing Proposed Spending

	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Total
Program Investments												
Combined Heat and Power	\$0	\$0	\$40,000	\$37,500	\$75,000	\$82,500	\$92,500	\$100,000	\$67,500	\$1,000,000	\$1,000,000	\$3,000,000
Commercial Direct Install	\$0	\$250,000	\$278,885	\$484,817	\$484,817	\$484,817	\$484,817	\$421,813	\$421,813	\$421,813	\$421,813	\$4,153,506
Enhanced Residential HVAC	\$1,395	\$33,195	\$22,223	\$38,626	\$38,455	\$38,625	\$49,496	\$618,333	\$726,750	\$1,290,833	\$1,290,833	\$4,180,563
Non Residential Energy Efficiency	\$137,500	\$37,500	\$37,500	\$25,000	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$287,500
Home Performance Financing	\$138,856	\$320,695	\$378,308	\$685,842	\$688,872	\$608,642	\$628,814	\$1,139,947	\$2,217,863	\$2,769,947	\$2,769,947	\$12,211,571
Total												
	\$1,667	\$8,287	\$11,330	\$11,330	\$14,663	\$20,463	\$12,463	\$5,063	\$5,563	\$6,063	\$6,563	\$103,434
Incremental O & M												
Combined Heat and Power	\$10,200	\$19,433	\$48,299	\$61,449	\$83,449	\$86,599	\$48,408	\$14,366	\$14,366	\$14,366	\$14,366	\$85,503
Commercial Direct Install	\$66,173	\$59,411	\$59,703	\$47,008	\$47,008	\$47,008	\$46,962	\$37,287	\$37,287	\$37,287	\$37,287	\$622,411
Enhanced Residential HVAC	\$9,500	\$109,423	\$109,739	\$121,539	\$121,539	\$120,539	\$102,539	\$4,704	\$5,284	\$5,764	\$6,264	\$716,872
Non Residential Energy Efficiency	\$49,190	\$47,703	\$47,703	\$49,089	\$49,649	\$49,799	\$28,799	\$4,000	\$4,500	\$5,000	\$5,500	\$339,942
Home Performance Financing	\$138,729	\$244,226	\$276,773	\$291,423	\$286,306	\$293,496	\$238,171	\$66,468	\$66,940	\$68,460	\$69,940	\$2,037,963
Total												
	\$1,667	\$8,287	\$11,330	\$11,330	\$14,663	\$20,463	\$12,463	\$5,063	\$5,563	\$6,063	\$6,563	\$103,434
Total Program												
Combined Heat and Power	\$10,200	\$19,433	\$66,299	\$96,949	\$126,449	\$139,099	\$140,908	\$114,366	\$91,866	\$1,006,863	\$1,006,863	\$3,103,434
Commercial Direct Install	\$66,173	\$309,411	\$330,288	\$531,623	\$531,623	\$531,578	\$531,578	\$459,900	\$468,900	\$468,900	\$468,900	\$885,303
Enhanced Residential HVAC	\$9,500	\$142,616	\$131,962	\$161,063	\$158,983	\$159,063	\$152,035	\$623,087	\$734,014	\$1,266,597	\$1,267,087	\$4,875,919
Non Residential Energy Efficiency	\$49,190	\$95,203	\$95,203	\$74,089	\$109,849	\$48,799	\$28,799	\$4,000	\$4,500	\$5,000	\$5,500	\$498,042
Home Performance Financing	\$138,729	\$284,931	\$355,081	\$377,065	\$364,378	\$359,048	\$366,784	\$1,206,426	\$2,284,943	\$2,839,926	\$2,839,926	\$14,110,938
Total												
	\$1,667	\$8,287	\$11,330	\$11,330	\$14,663	\$20,463	\$12,463	\$5,063	\$5,563	\$6,063	\$6,563	\$103,434

**South Jersey Gas Company
Energy Efficiency Program**

Updated Proposal

	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Total
Program Investments												
Combined Heat and Power	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$3,000,000
Commercial Direct Install	\$0	\$0	\$40,000	\$120,878	\$158,378	\$185,878	\$175,878	\$183,378	\$150,878	\$150,878	\$150,878	\$1,287,024
Enhanced Residential HVAC	\$0	\$250,000	\$278,585	\$259,617	\$259,617	\$118,342	\$400,617	\$196,613	\$196,613	\$196,613	\$196,613	\$2,353,233
Non Residential Energy Efficiency	\$1,395	\$33,195	\$22,223	\$38,525	\$38,456	\$280,260	\$49,496	\$0	\$0	\$0	\$0	\$463,639
Home Performance Financing	\$137,500	\$37,500	\$37,500	\$186,822	\$201,822	\$41,172	\$622	\$759,955	\$870,372	\$1,422,455	\$1,422,455	\$5,097,775
Total	\$138,895	\$320,895	\$378,308	\$585,842	\$656,072	\$695,642	\$626,614	\$1,139,947	\$2,217,863	\$2,769,947	\$2,769,947	\$12,211,571
Incremental O & M												
Combined Heat and Power	\$1,667	\$8,267	\$11,330	\$11,330	\$14,663	\$20,463	\$12,463	\$5,063	\$5,563	\$8,063	\$8,563	\$103,434
Commercial Direct Install	\$10,200	\$74,929	\$103,795	\$118,945	\$108,945	\$112,095	\$103,904	\$14,368	\$14,368	\$14,368	\$14,368	\$688,279
Enhanced Residential HVAC	\$66,173	\$59,411	\$59,703	\$47,006	\$47,006	\$47,006	\$48,962	\$37,287	\$37,287	\$37,287	\$37,287	\$522,411
Non Residential Energy Efficiency	\$8,500	\$53,827	\$54,243	\$67,043	\$66,043	\$65,043	\$47,043	\$4,764	\$5,264	\$5,764	\$6,264	\$383,896
Home Performance Financing	\$49,190	\$47,703	\$47,703	\$49,099	\$49,649	\$48,799	\$28,799	\$4,000	\$4,500	\$5,000	\$5,500	\$338,942
Total	\$136,729	\$244,236	\$276,773	\$291,423	\$286,306	\$293,406	\$238,171	\$66,460	\$68,980	\$68,480	\$69,950	\$2,037,963
Total Program												
Combined Heat and Power	\$1,667	\$8,267	\$11,330	\$11,330	\$14,663	\$20,463	\$12,463	\$5,063	\$1,006,563	\$1,006,563	\$1,006,563	\$3,103,434
Commercial Direct Install	\$10,200	\$74,929	\$143,795	\$237,823	\$267,323	\$277,973	\$279,762	\$197,744	\$165,244	\$165,244	\$165,244	\$1,965,304
Enhanced Residential HVAC	\$66,173	\$309,411	\$338,288	\$306,623	\$306,623	\$185,348	\$447,578	\$233,900	\$233,900	\$233,900	\$233,900	\$2,875,644
Non Residential Energy Efficiency	\$8,500	\$87,122	\$76,486	\$105,587	\$104,497	\$345,293	\$96,539	\$4,764	\$5,264	\$5,764	\$6,264	\$846,040
Home Performance Financing	\$49,190	\$85,203	\$85,203	\$215,721	\$251,271	\$89,971	\$28,421	\$783,955	\$874,872	\$1,427,455	\$1,427,455	\$5,300,218
Total	\$135,729	\$564,931	\$655,081	\$677,065	\$944,378	\$899,048	\$665,785	\$1,205,428	\$2,284,843	\$2,838,428	\$2,838,926	\$14,110,639

**South Jersey Gas Company
Energy Efficiency Program**

Change in Proposed Program Spending

	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Total
Program Investments												
Combined Heat and Power	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial Direct Install	\$0	\$0	\$0	\$83,378	\$83,378	\$83,378	\$83,378	\$83,378	\$83,378	\$83,378	\$83,378	\$867,024
Enhanced Residential HVAC	\$0	\$0	\$0	(\$225,000)	(\$225,000)	(\$366,275)	(\$84,000)	(\$225,000)	(\$225,000)	(\$225,000)	(\$225,000)	(\$1,800,275)
Non Residential Energy Efficiency	\$0	\$0	\$0	\$0	\$0	\$241,725	\$0	(\$618,333)	(\$728,750)	(\$1,280,833)	(\$1,280,833)	(\$3,667,025)
Home Performance Financing	\$0	\$0	\$0	\$141,622	\$141,622	\$41,172	\$622	\$759,955	\$870,372	\$1,422,455	\$1,422,455	\$4,800,275
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incremental O & M												
Combined Heat and Power	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial Direct Install	\$0	\$55,496	\$55,496	\$55,496	\$55,496	\$55,496	\$55,496	\$0	\$0	\$0	\$0	\$332,976
Enhanced Residential HVAC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non Residential Energy Efficiency	\$0	(\$55,496)	(\$55,496)	(\$55,496)	(\$55,496)	(\$55,496)	(\$55,496)	\$0	\$0	\$0	\$0	(\$332,976)
Home Performance Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Program												
Combined Heat and Power	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial Direct Install	\$0	\$55,496	\$55,496	\$138,874	\$138,874	\$138,874	\$138,874	\$83,378	\$83,378	\$83,378	\$83,378	\$1,000,000
Enhanced Residential HVAC	\$0	\$0	\$0	(\$225,000)	(\$225,000)	(\$366,275)	(\$84,000)	(\$225,000)	(\$225,000)	(\$225,000)	(\$225,000)	(\$1,800,275)
Non Residential Energy Efficiency	\$0	(\$55,496)	(\$55,496)	(\$55,496)	(\$55,496)	\$188,229	(\$55,496)	(\$618,333)	(\$728,750)	(\$1,280,833)	(\$1,280,833)	(\$4,000,001)
Home Performance Financing	\$0	\$0	\$0	\$141,622	\$141,622	\$41,172	\$622	\$759,955	\$870,372	\$1,422,455	\$1,422,455	\$4,800,275
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

END OF EXHIBIT 2

EXHIBIT 3

Exhibit 3**South Jersey Gas Company
Energy Efficiency Program****Updated Budget Proposal**

<u>Programs</u>	<u>Approved EET Program Budget</u>	<u>Net Program Increase / (Decrease)</u>	<u>Proposed Budget</u>
Enhanced Residential HVAC	\$ 5,093,836	\$ 92,472	\$ 5,186,308
Non Residential Energy Efficiency	\$ 4,863,355	\$ (2,574,441)	\$ 2,288,914
Commercial Direct Install	\$ 1,025,385	\$ (446,455)	\$ 578,930
Home Performance Financing	\$ 3,025,800	\$ 3,021,732	\$ 6,047,532
Combined Heat and Power	\$ 3,109,900	\$ (93,308)	\$ 3,016,592
Total	<u>\$ 17,118,276</u>	<u>\$ 0</u>	<u>\$ 17,118,276</u>

Exhibit 4: Proposed Budget Modifications to South Jersey Gas Company Energy Efficiency Program.

Enhanced Residential HVAC Rebate Program.

Program Description

This program is designed to motivate customers with existing HVAC equipment scheduled to be replaced due to immediate or imminent equipment failure to opt for high efficiency heating equipment. Since this decision will most likely only be made once by most households between now and 2020, it is critical to start significantly influencing those purchases now. Accordingly, South Jersey offers enhanced rebates of \$900 for qualified "WARM Advantage" HVAC equipment purchases. However, customers are only entitled to this enhanced rebate if they agree to have a Home Performance with Energy Star® (HPwES) Home audit assessment, provided by certified auditors, which is recognized by the Clean Energy Program.

It is the intention of the Enhanced Rebate HVAC Program to inform customers that it would be beneficial for them to act on the recommendations of their home assessment, and if they could afford it, to take advantage of the Home Performance with Energy Star Program. That effect worked, and according to the Market Manager many of our customers elected to take advantage of the information found in their report and accept the recommendation of their contractors to enlist in the Home Performance with Energy Star Program. As a result, nearly 30% of the customers that take advantage of the Home Performance Program state-wide are served by South Jersey Gas Company.

Moreover, given the high level of success that the Home Performance with Energy Star program has had throughout New Jersey, the State's Home Performance program budget realized extreme pressure. That pressure was compounded by the State's budgetary crisis.

In July of 2010, the utilities were asked if we could provide assistance to support the Home Performance Program, which is basis upon which the Company has made the determination that some of the incentive dollars which were planned for the Enhanced Rebate Program should be utilized to support the State's Home Performance program within our franchise. However, since the time of that request the Office of Clean Energy has been able to secure funding through other sources, notably through the use of funding from the American Recovery and Reinvestment Act (ARRA). Therefore the Company will continue to promote the Enhanced Residential HVAC Rebate Program through an aggressive marketing campaign to aid customers in their efforts to install high efficiency heating systems, while receiving the benefit of a Home Energy Assessment.

Proposed Program Offering

South Jersey Gas is proposing to increase our budget for this program from \$5,093,836 to \$5,186,308. The program will continue to offer a \$900 rebate to customers who are eligible for an incentive through the Warm Advantage Program currently administered by the Office of Clean Energy. Receipt of this incentive from SJG will continue to be conditioned upon the customer receiving a Home Energy Audit from a recognized BPI accredited contractor. This increase will come from an \$92,472 funding reduction from the Commercial Customer Direct Install Program.

Proposed Program Participants and Related Savings Estimates

Currently, the Enhanced Residential HVAC rebate program was structured to benefit four thousand five hundred (4,500) participants by the end of the approved twenty – one (21) month program cycle. Under the proposed plan, four thousand five hundred ninety seven (4,597) customers will be able to take advantage of this proposal. Based on information obtained from the Market Manager, approximately 14.7 dts per home are saved when a residential customer located within our territory installs a qualifying high efficiency heating system.

Proposed Program Impact on Cost Benefit

As a result of transferring the proposed funds to the Residential HVAC Rebate program, there is no perceived negative impact upon the overall cost benefit analysis.

Proposed Program Impact on Job Creation

This proposal to support the Residential HVAC Rebate program will serve to maintain the 75 jobs that have already been created as a result of the efforts made by the Company and the NJ Clean Energy Program to create various jobs to serve this market. In our original plan, it was thought that the Enhanced Rebate HVAC program, in conjunction with the Home Performance program, would generate seventy (70) jobs in the outside market.

Non Residential Energy Efficiency Investment Program.

Program Description

This program is designed to generate large energy savings for larger Commercial/Industrial accounts, including but not limited to: multifamily housing complexes, institutions, municipal complexes, schools, medical facilities, hotels and casinos, and industrial users. The major thrust of this program is to provide a maximum of \$100,000 of "up-front" financing options and additional incentives to non-residential customers. South Jersey's Financing Agent, through special financing, provides a financial incentive to install whole building energy efficient technologies, devices and related equipment which would reduce natural gas consumption and yield the customer positive cash flows over time. It is intended that the requirements of the customer would first be assessed by a representative of the NJ Clean Energy Program. The South Jersey incentive will be matched with Clean Energy Program incentives up to \$100,000. South Jersey recognizes that the 2010 NJ Clean Energy Program offers eligible customers various incentives under their current suite of programs. However the Company also recognizes that certain large customers may need additional funding given the current state of the economy.

The maximum amount of financing, after all applicable incentives are assigned to the Financing Agent, is \$100,000. The program will achieve program goals through additional offsets in the cost differences between standard efficiency and high efficiency natural gas products and related upgrades and financing. For equipment and/or upgrades which are not Energy Star® rated, too large for such a designation, or are considered applicable for non-residential use, other accepted savings protocols, such as those used by the Clean Energy Program Market Manager(s) will continue to be used to measure the savings benefits.

Proposed Program Offering

The Company remains committed to serving its Non Residential Market that is not eligible for the NJBPU Direct Install Program. However, given the current fiscal crisis that has impeded customers from making investments in energy efficiency projects, and given the fact that the decision making cycle is much longer and complicated for larger customers, the Company proposes to transfer \$2,574,441

from this program to support the Home Performance with Energy Star Program. The purpose of this transfer is to support the payment of loan buy-downs for customers who participate in all facets of the proposed 2011 Home Performance Program.

Proposed Program Impact on Cost Benefit

As a result of transferring the proposed funds to the Home Performance program, there is no perceived negative impact upon the overall cost benefit analysis.

Commercial Customer Direct Install Program.

Program Description

This plan is designed to reduce the environmental footprint and the energy consumption of small businesses. This program also encourages implementation of NJCEP SmartStart Building program qualified measures or improvements identified by the 2010 NJCEP Direct Install program. The current Clean Energy Plan targets customers with electric demand of less than 200 KW demand. South Jersey's financing agent offers commercial customers whose electric demand is no greater than 200KW, zero (0%) percent financing for a 10 year period for the entire amount of the customer's financial obligation, up to \$25,000 less the NJCEP rebate received, to install energy efficiency gas reducing technologies. The program achieve its goal through the following:

- An energy assessment of the facility;
- Direct installation of energy savings measures, as recommended by the energy assessment;
- South Jersey's Financing Agent will pay for 60% of the installation and equipment costs "upfront", with a markdown of \$25,000.
- The customer will be responsible for paying the remaining 40% via a monthly bill from the finance agent over 120 months interest free, pending receipt of all available Clean Energy Program incentives.

Target Market and Eligibility

The Program is targeted at small businesses with a demand of less than 200kw that are eligible to receive service under the General Service (GSG) rate schedule in South Jersey's tariff. The plan is intended to work with customers that could be eligible for incentives under the proposed 2011 Clean Energy Program Direct Install plan.

Criteria for Program Selection

The program was selected in order to offer a complete package of energy efficiency offerings to businesses who suffer the greatest risk from today's unsettling financial conditions and energy costs. These customers are often owner/operated and would therefore greatly benefit from a program that is

consistent with the goal of New Jersey's Energy Master Plan, which is to assist all classes of customers through energy reductions. This program presents an affordable, aggressive method for business owners to invest in energy efficiency upgrades while undertaking initiatives to control costs that will help preserve their businesses.

Proposed Program Offering

Due to several unforeseen challenges that the NJCEP encountered in attempting to market this program throughout the Southern New Jersey region, participation has been quite limited. The Company contends that there is still an opportunity to apply this program to the commercial market, should many of the issues that have been raised by the Market Manager, the program partner contractors, and their customers be resolved through modifications approved by the NJBPU in 2011. Therefore, SJG will continue to offer qualified customers the opportunity to have access to commercial zero interest financing. However, given the fact that SJG is able to provide loan buy down incentives for gas measures only in this market segment, it is proposed that the original budget of \$1,025,385 be reduced to \$578,930. The reduction of \$446,455 will be used to increase the Enhanced Residential HVAC Rebate program by \$92,472, with the balance of \$353,983 allocated to the Residential Home Performance Finance Energy Efficiency Program.

Proposed Program Impact on Cost Benefit

As a result of transferring the proposed funds from the Direct Install program, there is no perceived negative impact upon the overall cost benefit analysis.

The Residential Home Performance Finance and Energy Improvement Program

Program Description

This program is designed to reduce energy use and carbon emissions of residential customers through a whole house approach to providing energy savings. The program is currently implemented through the NJ Clean Energy Program's "NJ Home Performance with Energy Star Program"®. However, the thrust of the new program is to partner with the State in achieving and exceeding State goals in South Jersey through a combination of increased incentives and long term "up front" financing provided through South Jersey Gas.

Through this program, South Jersey offers eligible customers an attractive financial package to assist in obtaining whole house energy efficiency, comfort and savings. This package includes access to financing opportunities through a third-party ("Financing Agent"). Customers who opt for participation in this program to achieve a total energy savings of at least 25% are provided with 100% of the cost of the gas reducing measures through "up-front" financing, up to \$10,000. The NJCEP Home Performance Program was modified in July 2010 to offer a maximum \$3,000 incentive for customers who participate in this program and who achieve 25% savings.

South Jersey Gas also offers a 25% bonus incentive, in addition to the current NJCEP incentive, for income qualified customers, and is committed to aligning its financing program to the Market Manager proposal currently under consideration. That proposal is to continue to offer zero percent (0%) ten (10) year financing up to \$10,000 for qualified customers who can achieve total savings of 25%. Furthermore, if the customer can only achieve 20% to 25% of whole house total energy savings as calculated by NJCEP implementers, then such customers will also be able to take advantage of the 0% financing plan discussed above.

Proposed Program Offering

South Jersey Gas proposes to increase its current budget of \$3,025,800 for this program to \$6,047,532 to cover the cost of customer loan incentives, along with the additional 25% incentive for customers who are income eligible, for residences

that are located within the Company's service area. The additional funding for this program will be obtained as a result of transferring \$2,574,441 from the Non-Residential Energy Investment Program, \$359,983 from the Direct Install Program and \$93,308 from the Combined Heat and Power Program.

Proposed Program Participants and Related Savings Estimates

As a result of allocating an additional \$3,021,732 to this program, it is estimated that approximately one thousand seven hundred (1,700) additional customers will be able to take advantage of the program, which will generate significant energy savings. The Company has currently exceeded its twenty one month expectation of completed jobs in this program under the approved Stipulation by 80%.

It is further noted through information provided by the NJCEP Market Manager that the average home in our territory that participates in the NJ Home Performance Program saves approximately 24.6 dths annually, or about 30% of their average use.

Proposed Program Impact on Cost Benefit

As a result of transferring the proposed funds to the Home Performance program, there is no perceived negative impact upon the overall cost benefit analysis.

Combined Heat and Power Program and Distributed Generation Technology
(CHP) Program

Program Description

This program is designed to complement the goals of the New Jersey Energy Master Plan, reduce energy consumption and carbon emissions by lowering dependence upon the electric grid system. This program provides an incentive to promote the efficient generation of electricity, and offset thermal loads otherwise satisfied by boilers. A rate and contract mechanism offset will be designed to stabilize natural gas prices over a fixed term in order to mitigate the volatility of natural gas prices and is an essential piece of this program. South Jersey provides a direct incentive to match the incentives of the Clean Energy Program. The program achieves its goal by:

- Providing an incentive for the efficient generation of electricity to one or more consumers; and to recycle energy to offset thermal loads otherwise satisfied by boilers or other thermal load equipment
- Providing a contract mechanism to stabilize natural gas prices over a fixed term to mitigate the volatility of natural gas prices

Target Market and Eligibility

The program is targeted predominantly, but not exclusively, to large commercial/industrial customers, and to localities where anticipated growth is expected to create a heavy electric demand upon the existing power infrastructure. One such locality is the area of Atlantic City. Other localities include areas of electric congestion, which affect Locational Marginal Pricing. Priority will be given to target medical and institutional facilities, which operate 24 hours per day, 7 days per week on a consistent basis.

Offerings and Customer Incentives

South Jersey offers eligible customers and developers a direct incentive which supplements the current offering of the NJ Clean Energy Program of up to a \$1.00 per watt, to be capped at \$1,000,000. This effort is supplemented with the NJ Clean Energy Program in an effort to foster program participation and to achieve

the goals of the Energy Master Plan of achieving 1500 MW of Distributed Generation ("DG") power by the year 2020.

If a non-residential customer installs, or commits to install a combined heat and power system approved by the Board, or an efficient distributed generation power plant, the incentive would be capped at \$1,000,000, and would receive an offset as described above. These incentives are matched with incentives available from the Clean Energy Program.

Proposed Program Impact on Cost Benefit

It is anticipated that this incentive proposal will have no negative impact upon the overall cost benefit analysis.

Proposed Program Offering

Currently, CHP incentives are conditional upon receiving approval from the NJCEP Pay for Performance Program. To date, no CHP awards have been made to this market out of that program. In an effort to motivate participation in the CHP market, the Company proposes to offer its maximum of incentive of one million (\$1,000,000) per applicant for any project that is eligible to receive an incentive, grant, or rebate from any NJ State Agency or as a result of any solicitation approved by an agent of the State of NJ. While the Company will maintain its original program investment of \$3,000,000, it is proposing a \$93,308 reduction in O&M costs., which will be allocated to the Residential Home Performance Finance and Energy Improvement Program.