Agenda Date: 4/16/09
Agenda Item: 2A

STATE OF NEW JERSEY

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

ENERGY

IN THE MATTER OF THE PROCEEDING FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR ALL GAS AND ELECTRIC UTILITIES	))))	DECISION AND ORDER APPROVING STIPULATION DOCKET NO. EO09010049
IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF A CAPITAL INVESTMENT RECOVERY TRACKER PURSUANT TO N.J.S.A. 48:2-21.1 AND N.J.S.A. 48:2-21	)))))	DOCKET NO. GO09010051

(SERVICE LIST ATTACHED)

BY THE BOARD:

Background:

On October 16, 2008 in response to the worldwide economic downturn and seeking to mitigate its effects on New Jersey, Governor Jon Corzine announced plans to provide immediate assistance for New Jersey residents and long term economic growth options through an "Economic Stimulus Plan." Governor Corzine called on the New Jersey Board of Public Utilities ("BPU" or "Board") and the State's public utilities to aid in that plan by implementing the policy changes to be proposed in the State's Energy Master Plan ("EMP").

The EMP, issued on October 22, 2008, is the roadmap to guide the State toward a responsible energy future with adequate, reliable energy supplies that are both environmentally responsible and competitively priced[1]. Under the EMP, major goals for New Jersey include maximizing energy conservation and energy efficiency, and reducing energy consumption by at least 20% by 2020. The EMP also calls for upgrading energy infrastructure to ensure the continued reliability of energy supply, support increased energy efficiency, renewable energy, and reductions in peak demand.[2] Public utility involvement, along with competition in the renewable energy, conservation and energy efficiency industries are essential to meeting the goals of the EMP. The Governor, together with Board President Jeanne M. Fox, encouraged New Jersey's electric and gas utilities to formulate plans for enhanced investments in infrastructure improvements during 2009. Implementation of such plans would accelerate the current schedule of the electric and gas utilities for planned capital improvements and investments, thereby creating jobs and stimulating the State's economy.

New Jersey's gas and electric utilities responded by filing petitions outlining each utility's proposed projects, and seeking the Board's approval of accelerated investments in utility infrastructure. In reviewing the utilities' petitions, the Board seeks to ensure not only that the proposals further the EMP, but also create jobs to strengthen the local economy.

By Order dated January 29, 2009, the Board determined that these petitions should be retained by the Board for review and hearing, and, as authorized by N.J.S.A. 48:2-32, designated President Fox as the presiding officer.[3]

Procedural History

South Jersey Gas Company ("SJG" or the "Company") filed a petition ("Petition") in Docket No. GO09010051 on January 20, 2009, requesting that the "Board approve an infrastructure investment program ("Infrastructure Program") and simultaneously approve the recovery of costs for projects included within its proposed Infrastructure Program through the implementation of a capital investment recovery tracker ("CIRT") charge, pursuant to N.J.S.A. 48:2-21 and 48:2-21.1.

In its Petition, the Company states that as part of its ordinary capital spending planning cycle, SJG continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution system and to ensure the continuation of safe, adequate, proper service and the conservation and preservation of the environment. SJG has recently determined, however, to increase its planned infrastructure capital spending at this time to enhance the reliability of its system and to support economic development and job growth in New Jersey.

SJG proposed eleven projects for inclusion in its Infrastructure Program seeking to recover, through a CIRT, a revenue requirement, based on the cost of capital and depreciation rates used in SJG's most recent base rate case (BPU Docket No. GR03080683) for those projects

[1] For the full text of the EMP, see www.nj.gov/emp.

[2] EMP at 75.

[3] In anticipation of the filings by the utilities, the Board assigned a generic docket number to facilitate the individual utility proceedings, i.e. BPU Docket No. EO09010049, as noted above.

initiated within a period of approximately two years from the date of final Board approval of the Infrastructure Program.

On February 11, 2009, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a Motion to Intervene in this proceeding. The motion was unopposed, and was granted on February 25, 2009.

Public notice was provided through publication in newspapers in general circulation in the Company's service territory, and two public hearings on the Company's Infrastructure Program filing were held on March 4, 2009, in Voorhees, New Jersey. No members of the public appeared at either public hearing.

Discovery questions in this matter were propounded by Board Staff and Rate Counsel, and the Company responded to them.

Subsequent to the completion and review of discovery and the two public hearings, representatives of SJG, Board Staff, Rate Counsel, and NJLEUC met to discuss the issues in this case. The Company, Rate Counsel and Board Staff (the "Parties") agreed that the Infrastructure Program proposal and associated interim cost recovery mechanism, as modified, are reasonable and in the public interest. The attached stipulation with accompanying appendices describes the terms and conditions of the Company's Infrastructure Program (the "Stipulation"), and resolves all issues in this proceeding[4]

In this Order the Board considers the proposed Stipulation with key provisions described below.

<u>The Proposed Stipulation[5]</u>

<u>Qualifying Projects</u>

SJG represents that the Company's proposal, as set forth in the Stipulation, is consistent with and meets the goals of the comprehensive Economic Stimulus Plan for New Jersey proposed by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy. The Company represents that the eleven projects identified in Appendix A of the Stipulation ("Qualifying Projects" or "QP") will assist the Company in providing safe, adequate and proper service to its customers; are incremental in nature, and will create jobs in support of Governor Corzine's Economic Stimulus Plan. Accordingly, the Parties agreed that the costs associated with the Qualifying Projects should be recovered through the implementation of a CIRT charge, subject to review, as set forth in the Stipulation. Appendix A of the Stipulation contains a description of each Qualifying Project, the projected cost for each Qualifying Project, the estimated number of jobs created as a result of each Qualifying Project, and the projected timeline and completion date for each Qualifying Project.

[4] NJLEUC did not sign the Stipulation, but submitted a letter (attached to the Stipulation) indicating that it does not formally support or oppose the settlement.

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

The Company anticipates that the design and construction work associated with the Qualifying Projects will generate approximately 127 incremental jobs in its service territory. The number of jobs is based on agreement by the Parties that 1,820 hours is equal to one full time equivalent ("FTE") employee. The Company agreed that it will endeavor to employ contractors and engineering firms located in New Jersey. The Company's estimate of the workforce necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects.

The work associated with the Qualifying Projects will commence upon receipt of the Board's Order approving the Stipulation, in conjunction with the estimated construction start and completion dates set forth in Appendix A. However, the Parties to the Stipulation recognized that to expedite the commencement of the Qualifying Projects, preliminary incremental expenditures (design, right-of-way acquisition, materials, etc.) have already been made on the Qualifying Projects. These expenditures will be recognized in the CIRT.

The Parties stipulated that the Board should approve on an interim basis, subject to refund, cost recovery through the implementation of a CIRT rate for the eleven Qualifying Projects listed in Appendix A, totaling $103 million, subject to a prudency review in the Company's next base rate case.

According to the Stipulation, if it is necessary for the Company to eliminate or substitute another project for any of the Qualifying Projects during the term of its Infrastructure Program, notice of any such changes and an opportunity for review and comment shall be provided to the Parties, and any substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Parties to the Stipulation, and seek their consent to the modifications which may be manifested in filings with the Board.

Cost Recovery Mechanism

The Parties have stipulated that the revenue requirement recovered through the CIRT will be calculated to include a return on investment and a return of investment through depreciation, which investment will include capitalized costs related to the Qualifying Projects. The Parties further stipulated that this calculation will use the depreciation rates and methodology and the cost of capital utilized to set rates in the Company's most recent base rate case (BPU Docket No. GR03080683), which was 7.97% overall (11.20% pre-tax). The Parties have also stipulated that the initial revenue requirement and resulting CIRT rate will be calculated utilizing projected cost and sales data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial CIRT rate is set forth in Appendix B of the Stipulation attached hereto and made a part of the Stipulation.

The Company shall have the discretion to implement a bill credit or a refund at anytime while the CIRT rate is in effect with five (5) days notice to the BPU Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-implementing rate reduction without a cap at any time the CIRT rate is in effect with two (2) weeks notice to the BPU Staff and the Division of Rate Counsel. The Board shall set the effective date of the initial CIRT rate.

The initial revenue requirement calculation for the Qualifying Projects will commence during the month in which the CIRT mechanism is approved by the Board and will be based upon projected expenditures for the Qualifying Projects. The monthly over and under recovery calculation will be based upon actual revenues billed monthly under the CIRT mechanism applied against the monthly revenue requirement of the Qualified Projects. The monthly over and under recovery calculation will follow the methodology illustrated in the sample calculation set forth in Appendix C of the Stipulation. The annual revenue requirement calculation will follow the methodology set forth in Appendix B attached hereto and made a part of the Stipulation.

The Parties stipulated that the Company will file an annual petition ("Annual Filing") to adjust its CIRT rate on a calendar basis, with copies provided to the Parties, no later than each November 1st which is two months prior to the January 1st date proposed implementation date of the revised CIRT rate each year. Each Annual Filing will contain a reconciliation of its projected CIRT costs and recoveries and actual revenue requirements for the relevant period, as well as the items set forth in the minimum filing requirements ("MFRs") set forth in Appendix D attached hereto and made a part of the Stipulation. The Company agreed that it will not seek to recover incremental operation and maintenance expenses (non-capitalized) in its future Annual Filings. The Annual Filings shall be made available to other parties to the Stipulation, as well as any other interested members of the public, through the prompt posting of all non-confidential portions of those filings on the Company's web site.

In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's monthly weighted interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. The interest amount charged or credited to the CIRT will be computed using the methodology set forth in Appendix C attached hereto and made a part of the Stipulation. The true-up calculation of over- and under- recoveries shall be included in the Company's Annual Filing.

Base Rate Case Requirement

The projects and associated investment costs included in the Annual Filing, as well as the level of the proposed CIRT rate, will be subject to review by Board Staff, Rate Counsel, and Intervenors with opportunity for discovery and filed comments, prior to the issuance of a Board Order establishing the Company's proposed new annual CIRT rate adjustment. The issuance of the Board Order will be preceded by public notice and hearings to the extent required by law.

The Parties stipulated that the Company shall file a base rate petition on or before April 1, 2011. The Parties further stipulated that, in the context of the Company's next base rate case, the Qualifying Projects and the CIRT rates will be subject to a full and thorough examination***.*** In addition, the Parties stipulated that, if required, full evidentiary hearings concerning Qualifying Project recoveries will take place in that base rate case proceeding. The Parties further stipulated that, by agreeing to the Stipulation, a party does not waive, or in any way prejudice, its ability to raise any issue with regard to the base rate petition contemplated by paragraph 23 of the Stipulation.

The Stipulation states that during the Company's next base rate case, the net capitalized amounts of the Qualifying Projects, if deemed to be reasonable and prudent, will be rolled into the Company's rate base and related CIRT charges will be terminated. Any Qualifying Project expenditures and CIRT charges not known and measurable at the conclusion of the required base rate case may be considered in a subsequent phase two proceeding, after which time the CIRT rate and tariff will terminate. Upon termination, the Parties further stipulate that the provisions relating to prior period over and under recoveries will continue until such time as there is no remaining balance to be refunded or charged to customers.

Minimum Filing Requirements (“MFRs”)

Under the terms of the Stipulation, the Company will provide the information set forth in the MFR attached to the Stipulation as Appendix D, in its Annual Filing and as part of its required base rate case filing. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each Qualifying Project in Appendix A, together with measurable parameters, such as line-feet or number of installations, associated with each Qualifying Project

Rate Design

The Parties stipulated that rate recovery through the CIRT rate will be non-bypassable except as provided in the Board’s Order in the Company’s 2003 base rate case, BPU Docket No. GR03080683, and implemented on a volumetric basis (equal charge per therm applied to throughput of all customer classes). The calculation of the initial CIRT rate is set forth in Appendix B of the Stipulation. The Parties further stipulated that this initial volumetric recovery mechanism is not intended to govern, or to have any precedential value with respect to the ultimate allocation of Qualifying Project costs among SJG’s rate classes in its next base rate case. The Parties also stipulated that after the Qualifying Projects are rolled into base rates, the ultimate allocation of Qualifying Project costs will be resolved in the base rate case contemplated by Stipulation Paragraph 23 on a going forward basis.

Rate Impact

The Parties stipulated to an initial CIRT rate of $.0094 per therm, including taxes ($.0088 without taxes), which would result in $3.2 million in revenue for the initial period as set forth in Appendix B of the Stipulation. The CIRT rate will result in a rate increase for a typical residential customer using an average of 100 therms of gas during a month of $.94 or 0.57%. The impact on a typical General Service customer using 500 therms during a month would be an increase of $4.72 or 0.62%. The impact for a Large Volume Service sales customer using 63,000 therms in a month would be an increase of $592 or 0.8%. The rate impact of the implementation of the proposed CIRT rate for each customer class is set forth in Appendix E of the Stipulation.

Quarterly Reporting

The Parties stipulated that the Company will provide the Board and Rate Counsel with a quarterly report (“Quarterly Report”), reflecting capital expenditures and the job growth resulting from the implementation of each Qualifying Project on a quarterly basis, in the format attached as Appendix F and made a part of the Stipulation. The Quarterly Report will also reflect actual construction expenditures not related to the Qualifying Projects. New business budget and actual expenditures will be provided in the Quarterly Report, but not used for spending comparison purposes. The Quarterly Report should also include a narrative, describing the status of each project, tasks completed, percentage of projects completed, the actual money spent to date, etc. This information, related to the bare steel main replacement Qualifying Project, will be provided on a consolidated basis for all sub-projects covered under the capital blanket authorization. Additionally, the Company will include in the Quarterly Report planned/budgeted capital expenditures by budget type for similar non-Qualifying Projects for comparison to the actual costs incurred for the Qualifying Projects. This reporting will begin 30 (thirty) days after the end of the first calendar quarter following the issuance of a Final Board Order in this proceeding. The Quarterly Reports shall be made available to other parties to the Stipulation, as well as any other interested members of the public, through the prompt posting of all non-confidential portions of those filings on the Company's web site. In addition, the Company agrees to track the number of incremental contractor or other positions associated with the Qualifying Projects and will include that information with each Quarterly Report and Annual Filing submitted to the Board Staff and Rate Counsel, in the format set forth in Appendix F of the Stipulation.

Calculation of Jobs Created

The Parties agreed that job creation is an integral part of the Economic Stimulus Plan underlying the Qualified Projects. For purposes of reporting jobs associated with the Qualifying Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 hours per year.

Government Funding

On February 17, 2009, the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits directly related to the Qualifying Projects through the ARRA, the Company agrees to utilize that money to offset the Qualifying Projects' costs. If funding or credits from the ARRA or any subsequent state or federal action become available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the Qualifying Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

Discussion and Findings

The Board recognizes that the acceleration of utility infrastructure projects and the treatment of capital expenses on an expedited schedule outside the purview of a rate case is not part of the normal course of utility regulation. However, these are not ordinary times.

In his address to the Legislature on October 16, 2008, the Governor called upon the Board to help facilitate job growth and assist in New Jersey's economic stimulus program. The Board, in turn, called upon the State's public utilities to formulate plans for enhanced investments in infrastructure that would both increase reliability and promote employment.

The Board takes notice of the fact that the financial markets remain volatile, affecting the utilities' ability to fund incremental infrastructure projects within the usual framework which requires that capital expenditures be recovered through a rate case only after projects are completed. N.J.S.A. 48:2-21. It is within a rate case that the property that is used and useful in the utility's provision of service is evaluated, and the expenses that can become components of just and reasonable rates are determined. In re Investigation of Tele. Cos., 66 N.J. 476 (1975). These difficult economic times require creative responses that respect the law but adapt to extraordinary circumstances**.** In the past, the Board has found that it has the power to act to meet such challenges. N.J.S.A. 48:2-13; In re Implementation of the Two Bridges/Ramapo Water Diversion Project, BPU Docket No. 8011-870 (March 17, 1981). The Board continues to have that power.

Looking generally at all of the infrastructure settlements before the Board, and at SJG's in particular, the Board FINDS that the infrastructure programs reviewed today, if successfully executed, will both increase employment in the State and reliability of the utilities' distribution systems. Only capital projects which enhance the reliability, safety and security of each utility's distribution system are eligible under these programs as Qualifying Projects. These are projects originally scheduled for future years which can be brought forward into the 2009-2010 time period because they have already been researched and planned by the companies. In the absence of this program, most of the projects would be completed, but only in future years.

In identifying projects to be included in their infrastructure programs, projects using New Jersey-based employees were strongly favored; in contrast, projects not expected to affect employment in New Jersey, such as replacement of vehicles or computers, were eliminated from utility proposals. Projects without an obvious benefit to justify their costs were excluded as well.

Staff engineers reviewed the projects proposed by the utilities to establish that the projects would make the distribution systems more reliable, safer, or more secure, or would provide a combination of these benefits. Rate Counsel also conducted its own review, with substantial input from contracted professional consultants. Based on its review of the information provided, the Board is satisfied that the projects will positively contribute to the reliability, safety and security of utility service.

In addition to providing positive benefits to the provision of safe, adequate, and proper service, the proposed Qualifying Projects are designed to create direct jobs. Evidence presented to the Board during the overall proceedings indicate that the full impact of the overall accelerated infrastructure programs will create approximately 1,302 direct jobs in the private sector – without the use of additional government funding. The Qualifying Projects associated with this particular Order are expected to generate 127 direct jobs over the next two years, primarily in the construction industry. These are actual incremental private sector jobs which would not be created in the absence of these programs. The companies have provided an initial estimate of the incremental jobs to be created by these projects, and as part of the mandatory reporting requirements, will report the actual jobs created on a quarterly basis. Furthermore, the companies will provide reports on capital spending other than for the Qualifying Projects in order to identify any possible shifting of spending and assure that these are actually new jobs which would not have been created without these programs. Without question, the Board FINDS that the accelerated infrastructure programs will have a significant and real benefit on employment in the State.

The estimate of jobs to be created includes only the direct impact of the proposed projects on employment – the employees working on the utility projects themselves. It does not include the indirect impacts with respect to jobs created in other sectors of the state economy for labor, materials, and services needed for the utility projects. Neither does it include what is known as the "induced" impacts resulting from spending by the added employees for local goods and services. These "ripple" effects are difficult to quantify, but they clearly exist. Rate Counsel's consultants estimated that an additional 14,100 direct, indirect and induced jobs will be created by the accelerated infrastructure program. The multiplier calculation is based on the RIMS II Regional Input-Output Model, produced by the Bureau of Economic Affairs, US Department of Commerce, and has not been contradicted by any of the evidence provided during these proceedings. The Board therefore FINDS that the overall estimate of 1,302 direct jobs created is a relatively small fraction of the total jobs to be created as a result of the programs that the Board is approving today.

The Board also notes that current economic conditions have reduced commodity and other input costs, making this a propitious time to pursue capital investment on cost-effective terms. For example, the federal Bureau of Labor Statistics stated that the producer price index ("PPI") for the primary products of iron and steel mills dropped nearly 20% from March 2008 to March 2009; the PPI of iron and steel pipe and tube made from purchased iron and steel dropped nearly 7% over the same period; and the PPI for communication and energy wire and cable manufacturing dropped more than 19%.[6] The price of iron and steel scrap dropped by nearly half over the same period.[7] In addition, the prudency of the projects and reasonableness of the amounts actually spent on the projects will be subject to a base rate review – either within a current, reopened or to be filed rate case. This review assures that the projects included in this program will receive the same level of scrutiny as any project undertaken by a New Jersey utility where the resulting costs become part of the rate base used to calculate rates.

Likewise, the Stipulations require that each company use the Weighted Average Cost of Capital ("WACC") determined in its last rate case, which provides significant financial advantages to ratepayers because the cost of debt and common equity have risen substantially in recent months. The companies originally proposed two much less attractive approaches for determining the WACC for use with the stimulus program: (1) the embedded cost of debt currently on the utility's books plus the cost of equity which the Board awarded to New Jersey Natural Gas Company in its recently completed rate case, i.e., 10.30 percent; or (2) the expected future cost of debt to finance the projects and the expected cost of equity if the Board were making that decision today, possibly as high as 10.50 percent. In rejecting that, and instead negotiating a WACC from each utility's last base rate proceedings, the Board has ensured a significant saving that further solidifies the foundation of approving these accelerated infrastructure programs.

On a net present value basis, the Board FINDS that the cost of these accelerated infrastructure programs to ratepayers is essentially the same as it would be through conventional ratemaking. In the short term, the cost may be less than under conventional ratemaking because the cost of capital used in the clauses, as discussed above, is somewhat below the current market rate. Therefore, the Board FINDS that these additions to rate base are being financed between program inception and the next base rate case at a more attractive cost from a ratepayer perspective.

The federal stimulus package, enacted as the American Recovery and Reinvestment Act of 2009 ("ARRA 2009"), included funding to enhance energy independence and modernize infrastructure. It does not currently appear that the ARRA 2009 includes funding for the types of projects included in the accelerated infrastructure development programs. Should

[6] Bureau of Labor Statistics, "Table 5 - Producer price indexes for the net output of selected industries and their products," http://www.bls.gov/ppi/ppitable05.pdf.

[7] Bureau of Labor Statistics, "Table 2 - Producer price indexes and percent changes for selected commodity groupings by stage of processing," http://www.bls.gov/news.release/ppi.t02.htm.

such funds become available under the ARRA 2009, the Stipulations provide that ARRA 2009 funding would be used to reduce the cost of the accelerated infrastructure development programs to ratepayers. The Board notes that the accelerated infrastructure programs eliminate the lag associated with waiting for ARRA 2009 funding to be available for implementing these projects while still preserving for ratepayers any benefits from ARRA 2009 should benefits become available later.

In summary, the Boards FINDS that the overall infrastructure improvement programs, and the projects proposed by the utilities under them, are reasonable and in the public interest because of the positive impact they are expected to have on the reliability, safety and security of utility service. These infrastructure investment programs are timely given the drop in commodity prices, the attractive cost of capital, and the impact on both direct employment and the positive ripple effect on the New Jersey economy. All of these factors make this an appropriate time to proceed with these programs, which enhance and support Governor Corzine's Economic Stimulus Program.

Turning to the SJG Stipulation that is under review, the Board FINDS that it meets the tests articulated above. The company will invest an estimated $103 million over the next two years creating an estimated 127 jobs over that period. The projects, totaling eleven in all, will include the installation of 15 miles of 24-inch diameter transmission line to improve system deliverability and the replacement of approximately 84 miles of aging bare steel mains. The accelerated replacement of this infrastructure is consistent with both State and federal DOT initiatives to improve reliability and enhance the safe operation of the natural gas delivery system in the state. The CIRT rate to recover the costs of these improvements will result in a rate increase for a typical residential customer using an average of 100 therms of gas during a month of $.94 or 0.57%, an increase of $4.72 or 0.62% for a typical General Service customer using 500 therms during a month, and an increase of $592 or 0.8% for a Large Volume Service sales customer using 63,000 therms in a month.

Accordingly, the Board will, in this case, allow the Company to begin recovery of capital expenses for these Qualifying Projects on an interim basis subject to refund pending the filing of the Company's base rate case as contemplated by Paragraph 23 of the Stipulation. This authorization in no way sets a new framework for future actions; instead, it reflects the realities of today's economic situation.

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

Furthermore, the Board HEREBY DIRECTS the Company to commence the design and construction of the Qualifying Projects identified in Appendix A of the attached Stipulation; and FURTHER DIRECTS the Company to file its first annual cost recovery filing no later than November 1, 2009, all as more fully set forth in the Stipulation.

The Board HEREBY SETS the effective date of the initial CIRT rate as the date of this Order written below. Finally, the Board HEREBY RATIFIES all provisional ruling by President Fox for the reasons stated in her Orders.

The Company's base rates will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

DATED: 4/28/09

BOARD OF PUBLIC UTILITIES
BY:

JEANNE M. FOX
PRESIDENT

FREDERICK F. BUTLER
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
COMMISSIONER

These five (5) requests were filed by the utilities in response to Governor Corzine's October 16, 2008 proposal to help revive the State's economy through the acceleration of capital spending projects. In his speech to the New Jersey Legislature on October 16, 2008, the Governor said:

> "First and most practically, I have instructed all Commissioners, most particularly the Commissioners and Directors of the Department of Transportation, New Jersey Transit, the Toll Authorities, the Schools Development Authority, the Board of Public Utilities and the Department of Environmental Protection, to accelerate where feasible all currently funded spending projects."

Although not "currently funded," the utilities are asking the Board to fund these improvements with rate increases which will take effect no later than May 1, 2009. It is my opinion that the projected economic stimulus from these petitions is not sufficient to justify the cost to New Jersey customers.

As discussed below, my decision is based upon two factors: (1) the unprecedented infusion to the State of New Jersey of an anticipated $17.5 billion in federal stimulus monies pursuant to the American Reinvestment Recovery Act (ARRA), and (2) the comparatively small number of new jobs which would be created under these proposals relative to the total cost to New Jersey utility customers.[8]

On February 17, 2009, President Obama signed the ARRA which will inject $787 billion into the U.S. economy. New Jersey is expected to receive $17.5 billion.[9] An additional $240 billion will be available in tax benefits and competitive grants, of which New Jersey hopes to receive $7.2 billion, bringing New Jersey's total of anticipated federal stimulus dollars to $24.7 billion.

Based on estimates from the White House, these dollars will create or save 100,000 New Jersey jobs over the next two years.[10]

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[8] The five (5) stipulations indicate the following costs and projected new jobs:

Utility	Projected Cost	Projected Jobs	Customers
NJNG Co.	$70.8 Million	75 – 100	485,000
PSE&G Co.	$694.0 Million	933	2.1M Elec./1.7M Gas
SJG Co.	$103.0 Million	127	335,000
Elizabethtown Gas Co.	$60.4 Million	65	274,000
Atlantic City Electric Co.	$27.6 Million	92	544,000
TOTALS	**$955.8 Million**	**1292-1317**	**5,438,000**

[9] See http://www.recovery.nj.gov

[10] See http://www.recovery.nj.gov

Some four months before President Obama signed the federal stimulus bill, Governor Corzine addressed the New Jersey Legislature and proposed a New Jersey Economic Assistance and Recovery Plan.

The five matters before the Board are a direct result of the call to identify job-creation proposals. Specifically, the Executive branch sought company-specific program proposals with associated cost recovery and rate mechanisms, broken down into the following categories:

1 Infrastructure programs that will effectively spur an increase in construction employment, while increasing the reliability of the electric and gas distribution system.

2. Infrastructure programs that will improve energy efficiency of the electric or gas distribution system.

3. Statewide energy efficiency programs scaled down from the menu of programs submitted by the energy utilities.

Collectively, these five utilities seek permission to spend $955.8 Million (See Footnote 8), all of which will be recovered from customers through increases in utility rates.[11] The language used to describe the method of cost-recovery varies from utility to utility, with one company proposing an "Economic Stimulus Surcharge," and another calling it an "Infrastructure Investment Surcharge."

Terminology aside, while it is true that customers will benefit from these infrastructure investments, it is equally true that these improvements do not need to be completed within the next 24 months. None of the filings indicates that the delivery of safe and adequate service will be at risk if these requests are denied. Indeed, the petitions are replete with references to ongoing capital projects which are already planned and which will be funded by ratepayers.[12]

The number of new jobs to be created through approval of the accelerated projects is estimated at 1292-1317. Given the cost which customers will bear, I am persuaded that the cost of this job creation is too high. While it is true that the average bill will not go up by more than 1%, this amount will remain as part of the customer's bill for as long as it takes to repay the funds being borrowed by the utilities, which is approximately forty years.

Moreover, while some New Jerseyans would be put to work, there is no guarantee that the construction and engineering jobs created by these projects would go to companies based in

[11] Also recoverable from customers is a profit for each company. In these cases, the utilities will make a profit of approximately 10%.

[12] Illustrative of this point is paragraph 14 of the Stipulation with New Jersey Natural Gas Company (NJNG) which refers to ongoing infrastructure costs unrelated to this matter and states: "14. NJNG's current capital budgets contemplate the following levels of capital expenditures for non-qualifying projects: $64,563,000 in fiscal year 2009, $51,985,000 in fiscal year 2010 and $51,951,000 in fiscal year 2011. NJNG represents that the expenditures related to the qualifying projects will be incremental to such planned levels of expenditures for 2009, 2010 and 2011."

New Jersey.[13] Regardless, the jobs created will be temporary in nature, and do not reflect permanent job creation with the utility companies.

Contrast the efficiency of the BPU's job-creation effort with one recently announced by the Governor and the New Jersey Department of Transportation.

For a cost of $67 million and a promise of 500 jobs, a bridge upgrade will be done on Route 46 in Bergen County. Moreover, federal funds from the American Recovery and Reinvestment Act will pay for $47.6 million of this project, leaving New Jersey taxpayers paying only $19.4 million for 500 jobs.

In sum, the promise and benefits of the federal stimulus program are extraordinary. Were it not for the federal money, we would need to rely on New Jersey taxpayers and ratepayers to shoulder the burden of job creation through increased taxes and rates. Fortunately, this burden need not be increased at this time.

Elizabeth Randall

ELIZABETH RANDALL
COMMISSIONER

ATTEST:

Carmen D. Diaz

CARMEN D. DIAZ
ACTING SECRETARY

[13] Each of the stipulations simply states that the utilities will "endeavor to employ contractors and engineering firms located in New Jersey."

COZEN
O'CONNOR

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April 15, 2009

VIA HAND DELIVERY

Jerome May
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: In the Matter of Proceeding for Infrastructure Investment and a Cost recovery Mechanism for All Electric and Gas Utilities
BPU Docket No. EO09010049
-and-
In the Matter of the Petition of South Jersey Gas Company for Infrastructure Investment and a Cost recovery Mechanism
BPU Docket Nol GO09010051

Dear Jerry:

Enclosed in the referenced matter please find the final Stipulation with original, inked signatures.

Cordially yours,

COZEN O'CONNOR, PC

Ira G. Megdal

By: Ira G. Megdal

IGM/bab
Enclosure
cc: Service List Attached (*via e-mail only w/o encl*)

I/M/O PROCEEDING FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR ALL GAS & ELECTRIC UTILITIES
BPU DOCKET NO. EO09010049

and

I/M/O INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR SOUTH JERSEY GAS COMPANY
BPU DOCKET NO. GR09010051

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*HARD AND ELECTRONIC COPIES

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PROCEEDING FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR ALL ELECTRIC & GAS UTILITIES	**BPU DOCKET NO. EO09010049**
	AND
IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM	**BPU DOCKET NO. GO09010051** **STIPULATION**

APPEARANCES:

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

Felicia Thomas-Friel, Esq., Deputy Public Advocate, and **Sarah H. Steindel**, **Esq.,** Assistant Deputy Public Advocate, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen, Esq.,** Public Advocate**, Stefanie A. Brand, Esq.,** Director)

Caroline Vachier, Jessica L. Campbell, Kerri Kirschbaum, Alex Moreau and Anne Marie Shatto, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram,** Attorney General of New Jersey)

Paul F. Forshay, Esq. (Sutherland Asbill & Brennan, LLP, attorneys), for the Intervenor, New Jersey Large Energy Users Coalition.

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

<u>BACKGROUND</u>

1. South Jersey Gas Company ("SJG" or the "Company") filed a petition ("Petition") in Docket No. GO09010051 on January 20, 2009, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve an infrastructure investment program

(“Infrastructure Program”) and simultaneously approve the recovery of costs for projects included within its proposed Infrastructure Program through the implementation of a capital investment recovery tracker (“CIRT”) charge, pursuant to N.J.S.A. 48:2-21 and 48:2-21.1.

2. As part of its ordinary capital spending planning cycle, SJG continuously plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution system and to ensure the continuation of safe, adequate, proper service and the conservation and preservation of the environment. SJG has recently determined, however, to increase its planned infrastructure capital spending at this time, to enhance the reliability of its system and to support economic development and job growth in New Jersey.

3. SJG proposed eleven projects for inclusion in its Infrastructure Program seeking to recover, through a CIRT, a revenue requirement, based on the cost of capital and depreciation rates used in SJG’s most recent base rate case, BPU Docket No. GR03080683, for those projects initiated within a period of approximately two years from the date of final Board approval of the Infrastructure Program, as further discussed herein.

4. On January 29, 2009, the Board issued an Order retaining this matter for consideration and designated BPU President Jeanne M. Fox as the presiding officer. On February 2, 2009, the Board issued an Order setting forth a procedural schedule for this matter. [1]

[1] In anticipation of the filings by the utilities, the Board assigned a generic docket number, EO09100049, to facilitate the issuance of procedural orders.

5. On February 11, 2009, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a Motion to Intervene in this proceeding. The Motion was unopposed, and on February 25, 2009 the Board granted NJLEUC intervenor status.
6. Public Notice was provided and two public hearings on the Company's Infrastructure Program filing were held on March 4, 2009, in Voorhees, New Jersey. No members of the public appeared at either public hearing.
7. Discovery questions in this matter were propounded by Board Staff and Rate Counsel, and the Company responded thereto.
8. Subsequent to the completion and review of discovery and the two public hearings, representatives of SJG, Board Staff, Rate Counsel, and NJLEUC (the "Parties"), the only Parties to this proceeding, met to discuss the issues in this case and agreed that the Infrastructure Program proposal and associated interim cost recovery mechanism, as amended by the Parties and set forth herein, are reasonable and in the public interest.
9. SJG represents that the Company's proposal, as amended below, is consistent with and meets the goals of the comprehensive Economic Stimulus Plan for New Jersey proposed by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy. Specifically, the Parties hereby **STIPULATE AND AGREE** to the following.

STIPULATED MATTERS

Projects

10. The Company represents that the eleven projects identified in Appendix A ("Qualifying Projects" or "QP") will assist the Company in providing safe, adequate and proper service to its customers; are incremental in nature, and will create jobs in support of

Governor Corzine's Economic Stimulus Plan. Accordingly, the Parties agree that the costs associated with the Qualifying Projects be recovered through the implementation of a CIRT charge, subject to review, as set forth below.

11. Appendix A contains a description of each Qualifying Project, the projected cost for each Qualifying Project, the estimated number of jobs created as a result of each Qualifying Project, and the projected timeline and completion date for each Qualifying Project.

12. The Company anticipates that the design and construction work associated with the Qualifying Projects will generate approximately 127 incremental jobs in its service territory. The number of jobs is based on agreement by the Parties that 1,820 hours is equal to one full time equivalent (FTE) employee. The Company agrees that it will endeavor to employ contractors and engineering firms located in New Jersey. The Company's estimate of the workforce necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects.

13. The work associated with the Qualifying Projects will commence upon receipt of a Final Board Order in this proceeding in conjunction with the estimated construction start and completion dates set forth in Appendix A. However, the parties recognize that to expedite the commencement of the Qualifying Projects, preliminary incremental expenditures (design, right-of-way acquisition, materials, etc.) have already been made on the Qualifying Projects. These expenditures will be recognized in the CIRT.

14. The Parties stipulate that the Board should approve on an interim basis, subject to refund, cost recovery through the implementation of a CIRT rate for the eleven Qualifying Projects listed in Appendix A, totaling $103 million, subject to a prudency review in the Company's next base rate case.

Substitution of Projects

15. If it is necessary for the Company to eliminate or substitute another project for any of the Qualifying Projects during the term of its Infrastructure Program, notice of any such changes and an opportunity for review and comment shall be provided to the Parties, and any substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Parties to this Stipulation, and consent to the modifications may be manifested in filings with the Board.

Cost Recovery Mechanism

16. The Parties stipulate that the revenue requirement recovered through the CIRT will be calculated to include a return on investment and a return of investment through depreciation, which investment will include capitalized costs related to the Qualifying Projects. The Parties further stipulate that this calculation will use the depreciation rates and methodology and the cost of capital utilized to set rates in the Company's most recent base rate case, BPU Docket No. GR03080683, which was 7.97% overall (11.20% pre-tax). The Parties stipulate that the initial revenue requirement and resulting CIRT rate will be calculated utilizing projected cost and sales data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial CIRT rate is set forth in Appendix B attached hereto and made a part of this Stipulation.

17. The Company shall have the discretion to implement a bill credit or a refund at anytime while the CIRT rate is in effect with five (5) days notice to the BPU Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-

implementing rate reduction without a cap at any time the CIRT rate is in effect with two (2) weeks notice to the BPU Staff and the Division of Rate Counsel.

18. The Board shall set the effective date of the initial CIRT rate.

19. The initial revenue requirement calculation for the Qualifying Projects will commence during the month in which the CIRT mechanism is approved by the Board and will be based upon projected expenditures for the Qualifying Projects. The monthly over and under recovery calculation will be based upon actual revenues billed monthly under the CIRT mechanism applied against the monthly revenue requirement of the Qualified Projects. The monthly over and under recovery calculation will follow the methodology illustrated in the sample calculation set forth in Appendix C. The annual revenue requirement calculation will follow the methodology set forth in Appendix B attached hereto and made a part of this Stipulation.

20. The Parties stipulate that the Company will file an annual petition ("Annual Filing") to adjust its CIRT rate on a calendar basis, with copies provided to the Parties, no less than 60 (sixty) days prior to the date proposed for the implementation of the revised CIRT rate. Each Annual Filing will contain a reconciliation of its projected CIRT costs and recoveries and actual revenue requirements for the relevant period, as well as the items set forth in the minimum filing requirements ("MFRs") set forth in Appendix D attached hereto and made a part of this Stipulation. The Company agrees that it will not seek to recover incremental operation and maintenance expenses (non-capitalized) in its future Annual Filings. The Annual Filings shall be made available to other parties to this Stipulation, as well as any other interested members of the public, through the prompt posting of all non-confidential portions of those filings on the Company's web site.

21. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's monthly weighted interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. The interest amount charged or credited to the CIRT will be computed using the methodology set forth in Appendix C attached hereto and made a part of this Stipulation. The true-up calculation of over- and under- recoveries shall be included in the Company's Annual Filing.

Base Rate Case Requirement

22. The projects and associated investment costs included in the Annual Filing, as well as the level of the proposed CIRT rate, will be subject to review by Board Staff, Rate Counsel, and Intervenors with opportunity for discovery and filed comments, prior to the issuance of a Board Order establishing the Company's proposed new annual CIRT rate adjustment. The issuance of the Board Order will be preceded by public notice and hearings to the extent required by law.

23. The Parties stipulate that the Company shall file a base rate petition on or before April 1, 2011. The Parties further stipulate that, in the context of the Company's next base rate case, the Qualifying Projects and the CIRT rates will be subject to a full and thorough examination. The Parties further stipulate that, if required, full evidentiary hearings concerning Qualifying Project recoveries will take place in that base rate case proceeding. The Parties further stipulate that, by agreeing to this Stipulation, a party does

not waive, or in any way prejudice, its ability to raise any issue with regard to the base rate petition contemplated by this paragraph.

24. The Parties further stipulate that, during the Company's next base rate case, the net capitalized amounts of the Qualifying Projects, if deemed to be reasonable and prudent, will be rolled into the Company's rate base and related CIRT charges will be terminated. Any Qualifying Project expenditures and CIRT charges not known and measurable at the conclusion of the required base rate case may be considered in a subsequent phase two proceeding, after which time the CIRT rate and tariff will terminate. Upon termination the Parties further stipulate that the provisions relating to prior period over and under recoveries will continue until such time as there is no remaining balance to be refunded or charged to customers.

Minimum Filing Requirements ("MFR")

25. The Company will provide the information set forth in the MFR attached hereto as Appendix D and made a part of this Stipulation, in its Annual Filing and as part of its required base rate case filing. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each Qualifying Project in Appendix A, together with measurable parameters, such as line-feet or number of installations, associated with each Qualifying Project.

Rate Design

26. The Parties stipulate that rate recovery through the CIRT rate will be non-bypassable except as provided in the Board's Order in the Company's 2003 base rate case, BPU Docket No. GR03080683, and implemented on a volumetric basis (equal charge per

therm applied to throughput of all customer classes). The calculation of the initial CIRT rate is set forth in Appendix B attached hereto and made a part of this Stipulation. The Parties stipulate that this initial volumetric recovery mechanism is not intended to govern, or to have any precedential value with respect to the ultimate allocation of Qualifying Project costs among South Jersey Gas rate classes in the Company's next base rate case. The parties further stipulate that after the Qualifying Projects are rolled into base rates the ultimate allocation of Qualifying Project costs will be resolved in the base rate case contemplated by Stipulation Paragraph 23 (on a going forward basis).

Rate Impact

27. The Parties stipulate to an initial CIRT rate of $.0094 per therm, including taxes ($.0088 without taxes), which would result in $3.2 million in revenue for the initial period, effective May 1, 2009 as set forth in Appendix B. The CIRT rate will result in a rate increase for a typical residential customer using an average of 100 therms of gas during a month of $.94 or 0.57%. The impact on a typical General Service customer using 500 therms during a month would be an increase of $4.72 or 0.62%. The impact for a Large Volume Service sales customer using 63,000 therms in a month would be an increase of $592 or 0.8%. The rate impact of the implementation of the proposed CIRT rate for each customer class is set forth in Appendix E attached hereto and made a part of this Stipulation.

Quarterly Reporting

28. The Parties stipulate that the Company will provide the Board and Rate Counsel with a quarterly report ("Quarterly Report"), reflecting capital expenditures and the job growth resulting from the implementation of each Qualifying Project on a quarterly basis, in the

format attached hereto as Appendix F and made a part of this Stipulation. The Quarterly Report will also reflect actual construction expenditures not related to the Qualifying Projects. New business budget and actual expenditures will be provided in the Quarterly Report, but not used for spending comparison purposes. The Quarterly Report should also include a narrative, describing the status of each project, tasks completed, percentage of projects completed, the actual money spent to date, etc. This information, related to the bare steel main replacement Qualifying Project, will be provided on a consolidated basis for all sub-projects covered under the capital blanket authorization. Additionally, the Company will include in the Quarterly Report planned/budgeted capital expenditures by budget type for similar non-Qualifying Projects for comparison to the actual costs incurred for the Qualifying Projects. This reporting will begin 30 (thirty) days after the end of the first calendar quarter following the issuance of a Final Board Order in this proceeding. The Quarterly Reports shall be made available to other parties to this Stipulation, as well as any other interested members of the public, through the prompt posting of all non-confidential portions of those filings on the Company's web site.

29. The Company agrees to track the number of incremental contractor or other positions associated with the Qualifying Projects and will include that information with each Quarterly Report and Annual Filing submitted to the Board Staff and Rate Counsel, in the format set forth in Appendix F.

Calculation of Jobs Created

30. The Parties agree that job creation is an integral part of the Economic Stimulus Plan underlying the Qualified Projects. For purposes of reporting jobs associated with the

Qualifying Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 hours per year.

Government Funding

31. On February 17, 2009, the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits directly related to the Qualifying Projects through the ARRA, the Company agrees to utilize that money to offset the Qualifying Projects' costs. If funding or credits from the ARRA or any subsequent state or federal action become available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, the Company agrees that any such funds or credits directly applicable to work related to the Qualifying Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

Further Provisions

32. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), 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.

33. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

34. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither SJG, the Board, its Staff, the Intervenor, nor Rate Counsel shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. This stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

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
PETITIONER

By:

IRA G. MEGDAL, ESQ.
COZEN O'CONNOR, P. C.

DEPARTMENT OF THE PUBLIC ADVOCATE
RONALD K. CHEN, PUBLIC ADVOCATE
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By: ______________________
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Assistant Deputy Public Advocate

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

By: ______________________ 4/8/09
CAROLINE VACHIER
Deputy Attorney General

Date: April 7, 2009

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

LIST OF PROJECTS AND SUPPORTING INFORMATION

Project Name and Number:
Project 1- Accelerated Main Replacements

Breakdown of sub-projects within blankets:

Blanket Authorization for replacement of 42 miles of main $9.1 million (2009)
Blanket Authorization for replacement of 2200 services $3.9 million (2009)

Estimated Total Cost:
Year 1 $13 million
Year 2 $13 million

Full and Complete Description of Programs:
In Year 1 and Year 2, replace approximately 42 miles of bare steel main and 2200 associated services, throughout the Company's service territory. This improves reliability by improving the integrity of the Company's distribution mains.

Estimated start Date:
April 1, 2009

Estimated Completion Date:

12/31/2010

Estimated Number of Incremental Jobs Created (breakdown):

2009 14 Jobs
2010 14 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 2- 24" Malaga-Vineland Pipeline

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$40 million

Full and Complete Description of Programs:

Install 15 miles of 24 inch diameter gas transmission line from Malaga in Franklin Township to the east end of City of Vineland to improve delivery reliability.

Estimated start Date:

4/1/2009

Estimated Completion Date:

12/31/2009

Estimated Number of Incremental Jobs Created (breakdown):
44 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 3- Transmission Valve Upgrades

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$1.8 million

Full and Complete Description of Programs:

Replace gas transmission line valves with full open ball valves that allow pass thru of inspection tools on the 16" Woodbury pipeline throughout various municipalities from West Deptford to the City of Pleasantville. This improves reliability by allowing the Company to more thoroughly inspect the pipeline and monitor and thus determine ways to improve its integrity.

Estimated start Date:

4/1/2009

Estimated Completion Date:

9/30/2009

Estimated Number of Incremental Jobs Created (breakdown):

5 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 4- LNG Plant Generator Install

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$1.8 million

Full and Complete Description of Programs:

Install back-up electric generator which allows facility to operate without outside electric supply at McKee City Liquified Natural Gas (LNG) Plant in Hamilton and Egg Harbor Townships. This will improve reliability of peak shaving gas supply.

Estimated start Date:

4/1/2009

Estimated Completion Date:

9/30/2009

Estimated Number of Incremental Jobs Created (breakdown):

4 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 5- 20" Union Road to Route 50 Upgrade

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$0.6 million

Full and Complete Description of Programs:

Increase operating pressure of 10 mile pipeline to increase flow capacity on 20" transmission pipeline from City of Vineland to Estell Manor Township to improve delivery reliability.

Estimated start Date:

4/1/2009

Estimated Completion Date:

11/30/2009

Estimated Number of Incremental Jobs Created (breakdown):

2 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 6- Swedesboro Station Upgrade

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$0.8 million

Full and Complete Description of Programs:

Reconfigure piping and valves at Swedesboro Station in Woolwich Township to improve operational flexibility to obtain gas supply from different pipeline suppliers. This will improve reliability of gas supply into the Company's service territory.

Estimated start Date:

6/1/2009

Estimated Completion Date:

7/31/2009

Estimated Number of Incremental Jobs Created (breakdown):

2 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 7- 12” Rio Grand to Wildwood Project

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$4 million

Full and Complete Description of Programs:

Replace 3 miles of 6" steel pipe with 12" steel pipe in Middle Township and City of Wildwood to improve delivery reliability.

Estimated start Date:

9/1/2009

Estimated Completion Date:

12/31/2009

Estimated Number of Incremental Jobs Created (breakdown):

5 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 8- 10" Atco to Stokes Road Pipeline

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$8.5 million

Full and Complete Description of Programs:

Replace 6 miles of 6" steel pipe with 10" steel pipe in Waterford and Shamong Townships to improve delivery reliability.

Estimated start Date:

9/1/2009

Estimated Completion Date:

12/31/2009

Estimated Number of Incremental Jobs Created (breakdown):

10 Jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 9- 16” Cape May Court House to Burleigh Pipeline

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$7.5 million

Full and Complete Description of Programs:

Install 3 miles of 16 inch diameter gas transmission line from Cape May Court House to Burleigh in Middle Township to improve delivery reliability.

Estimated start Date:

3/1/2010

Estimated Completion Date:

6/30/2010

Estimated Number of Incremental Jobs Created (breakdown):

8 jobs

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

Project Name and Number:

Project 10- 24” Black Horse Pike to Delilah Pipeline

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$7.5 million

Full and Complete Description of Programs:

Install 2.7 miles of 24 inch diameter gas transmission line from Blackhorse Pike to Delilah Road in Egg Harbor Township to improve delivery reliability.

Estimated start Date:

4/1/2010

Estimated Completion Date:

7/31/2010

Estimated Number of Incremental Jobs Created (breakdown):

8 Jobs

Project Name and Number:

Project 11- Install H-6 LNG Vaporizer

Breakdown of sub-projects within blankets:

N\A

Estimated Total Cost:

$4.5 million

Full and Complete Description of Programs:

Installation of new vaporizer to improve peak shaving gas supply reliability at McKee City Liquified Natural Gas (LNG) Plant in Hamilton and Egg Harbor Townships.

Estimated start Date:

5/1/2010

Estimated Completion Date:

9/30/2010

Estimated Number of Incremental Jobs Created (breakdown):

11 Jobs

Updated Exhibit 2-A

South Jersey Gas Company

Capital Investment Recovery Tracker
Estimated Expenditures

2009 Qualifying Projects	In-Service Date	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Accelerated Main Replacements	Various		$500,000	$750,000	$1,250,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$13,000,000
24" Malaga-Vineland Pipeline	12/31/2009		$3,000,000	$1,000,000	$4,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$7,000,000	$40,000,000
Transmission Valve Upgrades	9/30/2009		$300,000	$300,000	$150,000	$150,000	$300,000	$550,000	$50,000			$1,800,000
LNG Plant Generator Install	9/30/2009		$100,000	$1,000,000	$50,000	$50,000	$50,000	$500,000	$50,000			$1,800,000
20" Union Rd.-Rt. 50 Upgrade	11/30/2009		$50,000	$50,000	$50,000	$50,000	$50,000	$200,000	$50,000	$50,000	$50,000	$600,000
Swedesboro Station Upgrades	7/31/2009				$200,000	$500,000	$100,000					$800,000
12" Rio Grande-Wildwood Pipeline	12/31/2009		$175,000	$25,000	$25,000	$75,000	$200,000	$1,000,000	$500,000	$500,000	$1,500,000	$4,000,000
10" Atco-Stokes Road Pipeline	12/31/2009		$75,000	$200,000	$200,000	$4,000,000	$200,000	$200,000	$500,000	$1,500,000	$1,625,000	$8,500,000
Total 2009		**$0**	**$4,200,000**	**$3,325,000**	**$5,925,000**	**$11,575,000**	**$7,650,000**	**$9,200,000**	**$7,900,000**	**$8,800,000**	**$11,925,000**	**$70,500,000**

2010 Qualifying Projects	In-Service Date	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Accelerated Main Replacements	Various	$50,000	$50,000	$100,000	$800,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$13,000,000
16" CMCH-Burleigh Pipeline	6/30/2010	$1,000,000	$500,000	$1,000,000	$1,500,000	$1,500,000	$1,750,000	$250,000						$7,500,000
24" Black Horse Pike-Delilah	7/31/2010	$1,000,000	$500,000	$1,000,000	$1,500,000	$1,500,000	$1,500,000	$250,000	$250,000					$7,500,000
Install H-6 LNG Vaporizer	9/30/2010		$100,000	$100,000	$100,000	$2,500,000	$500,000	$300,000	$100,000	$300,000	$500,000			$4,500,000
Total 2010		**$2,050,000**	**$1,150,000**	**$2,200,000**	**$3,900,000**	**$7,000,000**	**$5,250,000**	**$2,300,000**	**$1,850,000**	**$1,800,000**	**$2,000,000**	**$1,500,000**	**$1,500,000**	**$32,500,000**

South Jersey Gas Company
Capital Investment Recovery Tracker
Depreciation Calculation

Updated Exhibit 2-B

Annual Composite Depreciation Rate
2.24%
Monthly Depreciation Rate
0.19%

2009 Depreciation	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Accelerated Main Replacements	$0	$0	$933	$2,333	$4,667	$7,933	$11,200	$14,467	$17,733	$21,000
Swedesboro Station Upgrades	$0	$0	$0	$0	$0	$1,307	$1,493	$1,493	$1,493	$1,493
Transmission Valve Upgrades	$0	$0	$0	$0	$0	$0	$0	$3,267	$3,360	$3,360
LNG Plant Generator Install	$0	$0	$0	$0	$0	$0	$0	$3,267	$3,360	$3,360
20” Union Rd.-Rt. 50 Upgrade	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,027
Total	$0	$0	$933	$2,333	$4,667	$9,240	$12,693	$22,493	$25,947	$30,240
Accumulated Depreciation	$0	$0	$933	$3,267	$7,933	$17,173	$29,867	$52,360	$78,307	$108,547

2010 Depreciation	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Accelerated Main Replacements	$24,267	$24,360	$24,453	$24,640	$26,133	$28,933	$31,733	$34,533	$37,333	$40,133	$42,933	$45,733	$48,533
Swedesboro Station Upgrades	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493	$1,493
Transmission Valve Upgrades	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360
LNG Plant Generator Install	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360	$3,360
20” Union Rd.-Rt. 50 Upgrade	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120	$1,120
24” Malaga-Vineland Pipeline	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667	$74,667
12” Rio Grande-Wildwood Pipeline	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467	$7,467
10” Atco-Stokes Road Pipeline	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867	$15,867
16” CMCH-Burleigh Pipeline	$0	$0	$0	$0	$0	$0	$13,533	$13,533	$13,533	$13,533	$13,533	$13,533	$13,533
24” Black Horse Pike-Delilah	$0	$0	$0	$0	$0	$0	$0	$14,000	$14,467	$14,467	$14,467	$14,467	$14,467
Install H-6 LNG Vaporizer	$0	$0	$0	$0	$0	$0	$0	$0	$0	$7,467	$8,400	$8,400	$8,400
Total	$131,600	$131,693	$131,787	$131,973	$133,467	$136,267	$152,600	$169,400	$172,667	$182,933	$186,667	$189,467	$192,267
Accumulated Depreciation	$240,147	$371,840	$503,627	$635,600	$769,067	$905,333	$1,057,933	$1,227,333	$1,400,000	$1,582,933	$1,769,600	$1,959,067	$2,151,333

Updated Exhibit 2-B(1)

South Jersey Gas Company

Capital Investment Recovery Tracker
Deferred Tax Calculation

2009

		Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Qualifying Projects Utility Plant In Service		$0	$500,000	$750,000	$1,250,000	$2,450,000	$1,850,000	$5,250,000	$1,850,000	$2,300,000	$16,200,000
2009 Projects - Tax Depreciation	5.0%	$0	$25,000	$37,500	$62,500	$122,500	$92,500	$262,500	$92,500	$115,000	$810,000
Book Depreciation		$0	($933)	($2,333)	($4,667)	($9,240)	($12,693)	($22,493)	($25,947)	($30,240)	($108,547)
Net		$0	$24,067	$35,167	$57,833	$113,260	$79,807	$240,007	$66,553	$84,760	$701,453
2009 Deferred Tax	41.08%	$0	$9,888	$14,448	$23,760	$46,532	$32,788	$98,604	$27,343	$34,823	$288,185
Accumulated Deferred Tax		$0	$9,888	$24,335	$48,096	$94,627	$127,415	$226,020	$253,362	$288,185	

2010

		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Qualifying Projects Utility Plant In Service		$54,300,000	$50,000	$50,000	$100,000	$800,000	$1,500,000	$8,750,000	$9,000,000	$1,750,000	$5,500,000	$2,000,000	$1,500,000	$85,300,000
2010 Projects - Tax Depreciation	5.0%	$2,715,000	$2,500	$2,500	$5,000	$40,000	$75,000	$437,500	$450,000	$87,500	$275,000	$100,000	$75,000	$4,265,000
2009 Projects - 2nd Year Tax Depreciation	9.5%	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$128,250	$1,539,000
Subtotal		$2,843,250	$130,750	$130,750	$133,250	$168,250	$203,250	$565,750	$578,250	$215,750	$403,250	$228,250	$203,250	$5,804,000
Book Depreciation		($131,600)	($131,693)	($131,787)	($131,973)	($133,467)	($136,267)	($152,600)	($169,400)	($172,667)	($182,933)	($186,667)	($189,467)	($1,850,520)
Net		$2,711,650	($943)	($1,037)	$1,277	$34,783	$66,983	$413,150	$408,850	$43,083	$220,317	$41,583	$13,783	$3,953,480
2009 Deferred Tax	41.08%	$1,114,054	($388)	($426)	$525	$14,290	$27,519	$169,739	$167,972	$17,700	$90,515	$17,084	$5,663	$1,912,433
Accumulated Deferred Tax		$1,402,239	$1,401,852	$1,401,426	$1,401,950	$1,416,241	$1,443,760	$1,613,499	$1,781,471	$1,799,171	$1,889,686	$1,906,770	$1,912,433	

Updated Exhibit 2-C

South Jersey Gas Company

Capital Investment Recovery Tracker
Revenue Requirement
and
2009 Rate Calculation

	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	2009 Total
Monthly Investment (Exhibit 2-A)	$0	$4,200,000	$3,325,000	$5,925,000	$11,575,000	$7,650,000	$9,200,000	$7,900,000	$8,800,000	$11,925,000	$70,500,000
Cumulative Investment	$0	$4,200,000	$7,525,000	$13,450,000	$25,025,000	$32,675,000	$41,875,000	$49,775,000	$58,575,000	$70,500,000	
Less Accumulated Depreciation	$0	$0	($933)	($3,267)	($7,933)	($17,173)	($29,867)	($52,360)	($78,307)	($108,547)	
Net Plant	$0	$4,200,000	$7,524,067	$13,446,733	$25,017,067	$32,657,827	$41,845,133	$49,722,640	$58,496,693	$70,391,453	
Less Accumulated Deferred Tax	$0	$0	($9,888)	($24,335)	($48,096)	($94,627)	($127,415)	($226,020)	($253,362)	($288,185)	
Net Investment	$0	$4,200,000	$7,514,179	$13,422,398	$24,968,971	$32,563,199	$41,717,718	$49,496,620	$58,243,331	$70,103,268	
Rate of Return (11.20% / 12)	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	
Required Operating Income	$0	$39,203	$70,137	$125,285	$233,060	$303,945	$389,393	$462,001	$543,643	$654,344	$2,821,012
Depreciation Expense (Exhibit 2-B)	$0	$0	$933	$2,333	$4,667	$9,240	$12,693	$22,493	$25,947	$30,240	$108,547
Operating Income	$0	$39,203	$71,071	$127,618	$237,727	$313,185	$402,087	$484,495	$569,590	$684,584	$2,929,559
Revenue Factor	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	
Revenue Requirement	$0	$42,566	$77,169	$138,568	$258,124	$340,056	$436,586	$526,064	$618,461	$743,321	$3,180,915
Revenue Requirement Excluding SUT	$0	$39,782	$72,120	$129,502	$241,237	$317,810	$408,024	$491,649	$578,001	$694,693	$2,972,817

Therms May - December 2009	276,217,967
Calculated Recovery Rate Per Therm Effective 5/1/2009	$0.0115
Stipulated Recovery Rate Based on Noticed Rate	$0.0094
Stipulated Recovery Rate Based on Noticed Rate Excluding SUT	$0.0088

Updated Exhibit 2-D

South Jersey Gas Company

Capital Investment Recovery Tracker
Revenue Requirement
and
2010 Rate Calculation

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	2010 Total	
Monthly Investment (Exhibit 2-A)	$2,050,000	$1,150,000	$2,200,000	$3,900,000	$7,000,000	$5,250,000	$2,300,000	$1,850,000	$1,800,000	$2,000,000	$1,500,000	$1,500,000	$32,500,000	$103,000,000
Cumulative Investment	$72,550,000	$73,700,000	$75,900,000	$79,800,000	$86,800,000	$92,050,000	$94,350,000	$96,200,000	$98,000,000	$100,000,000	$101,500,000	$103,000,000		
Less Accumulated Depreciation	($240,147)	($371,840)	($503,627)	($635,600)	($769,067)	($905,333)	($1,057,933)	($1,227,333)	($1,400,000)	($1,582,933)	($1,769,600)	($1,959,067)		
Net Plant	$72,309,853	$73,328,160	$75,396,373	$79,164,400	$86,030,933	$91,144,667	$93,292,067	$94,972,667	$96,600,000	$98,417,067	$99,730,400	$101,040,933		
Less Accumulated Deferred Tax	($1,402,239)	($1,401,852)	($1,401,426)	($1,401,950)	($1,416,241)	($1,443,760)	($1,613,499)	($1,781,471)	($1,799,171)	($1,889,686)	($1,906,770)	($1,912,433)		
Net Investment	$70,907,614	$71,926,308	$73,994,947	$77,762,450	$84,614,693	$89,700,906	$91,678,568	$93,191,196	$94,800,829	$96,527,381	$97,823,630	$99,128,501		
Rate of Return (11.20% / 12)	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%		
Required Operating Income	$661,852	$671,360	$690,669	$725,835	$789,794	$837,268	$855,728	$869,847	$884,871	$900,987	$913,086	$925,265	$9,726,560	
Depreciation Expense (Exhibit 2-B)	$131,600	$131,693	$131,787	$131,973	$133,467	$136,267	$152,600	$169,400	$172,667	$182,933	$186,667	$189,467	$1,850,520	
Operating Income	$793,452	$803,053	$822,456	$857,808	$923,260	$973,535	$1,008,328	$1,039,247	$1,057,538	$1,083,920	$1,099,752	$1,114,732	$11,577,080	
Revenue Factor	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858		
Revenue Requirement	$861,530	$871,955	$893,022	$931,408	$1,002,476	$1,057,064	$1,094,842	$1,128,414	$1,148,274	$1,176,920	$1,194,111	$1,210,376	$12,570,394	
Revenue Requirement Excluding SUT	$805,168	$814,912	$834,600	$870,475	$936,893	$987,910	$1,023,217	$1,054,593	$1,073,154	$1,099,925	$1,115,992	$1,131,193	$11,748,032	
2009 (Over)/Under Recovered Balance)	$75,954	$77,745	$72,751	$52,568	$34,264	$27,233	$28,632	$28,448	$23,785	$26,237	$39,682	$58,483	$545,784	
Total Revenue Requirement	$881,122	$892,657	$907,351	$923,043	$971,157	$1,015,144	$1,051,849	$1,083,041	$1,096,939	$1,126,162	$1,155,674	$1,189,676	$12,293,815	
Therms													565,123,418	
Rate Per Therm Excluding SUT													$0.0218	
Rate Per Therm Including SUT													$0.0233	

Updated Exhibit 2-E

South Jersey Gas Company
Capital Investment Recovery Tracker
Monthly Recovery and Interest Calculation

		Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Period Volumes		-	-	35,478,123	28,198,304	29,646,462	29,456,552	24,627,977	27,166,606	41,088,524	60,555,418	
Recovery Rate (Excluding SUT)				$0.0088	$0.0088	$0.0088	$0.0088	$0.0088	$0.0088	$0.0088	$0.0088	
Recoveries		$0	$0	$311,677	$247,723	$260,446	$258,777	$216,358	$238,660	$360,965	$531,982	$2,426,588
Revenue Requirement Excluding SUT		$0	$39,782	$72,120	$129,502	$241,237	$317,810	$408,024	$491,649	$578,001	$694,693	$2,972,817
Less Recoveries		$0	$0	$311,677	$247,723	$260,446	$258,777	$216,358	$238,660	$360,965	$531,982	$2,426,588
Monthly (Over)/Under Recovered Balance		$0	$39,782	($239,557)	($118,221)	($19,208)	$59,032	$191,666	$252,989	$217,036	$162,711	$546,230
Beginning (Over)/Under Recovered Balance		$0	$0	$39,782	($199,775)	($317,996)	($337,204)	($278,172)	($86,506)	$166,483	$383,519	
Ending (Over)/Under Recovered Balance		$0	$39,782	($199,775)	($317,996)	($337,204)	($278,172)	($86,506)	$166,483	$383,519	$546,230	$546,230
Average (Over)/Under Recovered Balance		$0	$19,891	($79,997)	($258,886)	($327,600)	($307,688)	($182,339)	$39,989	$275,001	$464,874	
Interest (To Customer) / To Company	1.50%	$0	$25	($100)	($324)	($410)	($385)	($228)	$50	$344	$581	($446)
(Over)/Under Recovered Balance to be Recovered in 2010												$545,784

		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Period Volumes		78,645,727	80,500,121	75,328,408	54,431,195	35,478,123	28,198,304	29,646,462	29,456,552	24,627,977	27,166,606	41,088,524	60,555,418	565,123,418
Recovery Rate		$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	$0.0218	
Recoveries		$1,710,876	$1,751,217	$1,638,710	$1,184,108	$771,799	$613,432	$644,935	$640,804	$535,762	$590,988	$893,848	$1,317,335	$12,293,815
Revenue Requirement Excluding SUT		$805,168	$814,912	$834,600	$870,475	$936,893	$987,910	$1,023,217	$1,054,593	$1,073,154	$1,099,925	$1,115,992	$1,131,193	$11,748,032
Interest		($446)												($446)
Less Recoveries		$1,710,876	$1,751,217	$1,638,710	$1,184,108	$771,799	$613,432	$644,935	$640,804	$535,762	$590,988	$893,848	$1,317,335	$12,293,815
Monthly (Over)/Under Recovered Balance		($906,154)	($936,305)	($804,110)	($313,633)	$165,095	$374,479	$378,282	$413,788	$537,391	$508,937	$222,143	($186,143)	($546,230)
Beginning (Over)/Under Recovered Balance		$546,230	($359,924)	($1,296,229)	($2,100,339)	($2,413,972)	($2,248,878)	($1,874,399)	($1,496,117)	($1,082,329)	($544,938)	($36,000)	$186,143	$546,230
Ending (Over)/Under Recovered Balance		($359,924)	($1,296,229)	($2,100,339)	($2,413,972)	($2,248,878)	($1,874,399)	($1,496,117)	($1,082,329)	($544,938)	($36,000)	$186,143	($0)	$0
Average (Over)/Under Recovered Balance		$93,153	($828,077)	($1,698,284)	($2,257,156)	($2,331,425)	($2,061,638)	($1,685,258)	($1,289,223)	($813,633)	($290,469)	$75,071	$93,071	
Interest (To Customer) / To Company	1.50%	$116	($1,035)	($2,123)	($2,821)	($2,914)	($2,577)	($2,107)	($1,612)	($1,017)	($363)	$94	$116	($16,242)

SJG INFRASTRUCTURE INVESTMENT PROGRAM

CALCULATION OF INTEREST CHARGES

Year 1 Assumptions:	Projected Annual	Projected Monthly	Actual Annual
Total Capital Expenditures	$28,500,000		$26,000,000
Revenue Requirement - Year 1	$4,000,000	$444,444	$3,650,000
Total Sales (KWh)	4,000,000,000		4,200,000,000
Recovery Rate	$0.0010		$0.0010
Total Amount Actually Collected			$4,200,000

Revenue Breakdown:	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Year 1				8.50%	9.00%	13.00%	16.00%	16.00%	13.00%	8.50%	8.00%	8.00%	100.00%
Interest Rate (Annual - Assuming Fixed Rate)													
Year 1				5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	

Year 1 - As Projected Initially Based on Uniform Monthly Rev. Req.	April '09	May '09	June '09	July '09	Aug. '09	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Total
Revenue Requirement	$444,444	$444,444	$444,444	$444,444	$444,444	$444,444	$444,444	$444,444	$444,444	$4,000,000
Monthly Recoveries	(340,000)	(360,000)	(520,000)	(640,000)	(640,000)	(520,000)	(340,000)	(320,000)	(320,000)	($4,000,000)
(Over)/Under Recovery	$104,444	$84,444	($75,556)	($195,556)	($195,556)	($75,556)	$104,444	$124,444	$124,444	$0
Beginning Balance - (Over)/Under Recovery	$0	$104,444	$188,889	$113,333	($82,222)	($277,778)	($353,333)	($248,889)	($124,444)	
Ending Balance (Over)/Under Recovery	$104,444	$188,889	$113,333	($82,222)	($277,778)	($353,333)	($248,889)	($124,444)	$0	
Average Balance (Over)/Under	$52,222	$146,667	$151,111	$15,556	($180,000)	($315,556)	($301,111)	($186,667)	($62,222)	
Interest Rate (Monthly)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	
Interest (To Customer) /To Company	$218	$611	$630	$65	($750)	($1,315)	($1,255)	($778)	($259)	($2,833)

Year 1 - Actual	April '09	May '09	June '09	July '09	Aug. '09	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Total
Revenue Requirement	$0	$200,000	$350,000	$400,000	$400,000	$500,000	$600,000	$600,000	$600,000	$3,650,000
Monthly Recoveries	(357,000)	(378,000)	(546,000)	(672,000)	(672,000)	(546,000)	(357,000)	(336,000)	(336,000)	($4,200,000)
(Over)/Under Recovery	($357,000)	($178,000)	($196,000)	($272,000)	($272,000)	($46,000)	$243,000	$264,000	$264,000	($550,000)
Beginning Balance - (Over)/Under Recovery	$0	($357,000)	($535,000)	($731,000)	($1,003,000)	($1,275,000)	($1,321,000)	($1,078,000)	($814,000)	
Ending Balance (Over)/Under Recovery	($357,000)	($535,000)	($731,000)	($1,003,000)	($1,275,000)	($1,321,000)	($1,078,000)	($814,000)	($550,000)	
Average Balance (Over)/Under	($178,500)	($446,000)	($633,000)	($867,000)	($1,139,000)	($1,298,000)	($1,199,500)	($946,000)	($682,000)	
Interest Rate (Monthly)	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	
Interest (To Customer) /To Company	($744)	($1,858)	($2,638)	($3,613)	($4,746)	($5,408)	($4,998)	($3,942)	($2,842)	($30,788)

Year 2 Assumptions:	Projected Annual	Projected Monthly	Actual Annual
Total Cumulative Capital Expenditures	$34,200,000		$36,000,000
Revenue Requirement - Year 2	$6,000,000	$500,000	$6,315,000
Year 1 True-Up (Over)/Under	($550,000)	($45,833)	($550,000)
Year 1 Interest (To Customer)/To Company	($30,788)	($2,566)	($30,788)
Total Amount to be Collected	$5,419,213	$451,601	$5,734,213
Total Sales (KWh)	4,250,000,000		4,200,000,000
Recovery Rate	$0.0013		$0.0013
Total Amount Actually Collected			$5,355,457.06

Revenue Breakdown:	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Year 2	6.00%	6.00%	6.50%	7.00%	8.00%	10.50%	12.00%	12.00%	10.50%	7.50%	7.00%	7.00%	100.00%
Interest Rate (Annual - Assuming Fixed Rate)													
Year 2	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	

Year 2 - As Projected Initially Based on Uniform Monthly Rev. Req.

	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$6,000,000
Interest	(30,788)												(30,788)
Monthly Recoveries	(325,153)	(325,153)	(352,249)	(379,345)	(433,537)	(569,017)	(650,306)	(650,306)	(569,017)	(406,441)	(379,345)	(379,345)	(5,419,213)
(Over)/Under Recovery	$144,060	$174,847	$147,751	$120,655	$66,463	($69,017)	($150,306)	($150,306)	($69,017)	$93,559	$120,655	$120,655	$550,000
Beginning Balance - (Over)/Under Recovery	($550,000)	($405,940)	($231,093)	($83,342)	$37,313	$103,776	$34,759	($115,547)	($265,852)	($334,869)	($241,310)	($120,655)	
Ending Balance (Over)/Under Recovery	($405,940)	($231,093)	($83,342)	$37,313	$103,776	$34,759	($115,547)	($265,852)	($334,869)	($241,310)	($120,655)	$0	
Average Balance (Over)/Under	($477,970)	($318,517)	($157,217)	($23,014)	$70,545	$69,268	($40,394)	($190,699)	($300,361)	($288,090)	($180,983)	($60,328)	
Interest Rate (Monthly)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	
Interest (To Customer) /To Company	($1,912)	($1,274)	($629)	($92)	$282	$277	($162)	($763)	($1,201)	($1,152)	($724)	($241)	($7,591)

Year 2 - Actual	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	$378,900	$378,900	$410,475	$442,050	$505,200	$663,075	$757,800	$757,800	$663,075	$473,625	$442,050	$442,050	$6,315,000
Interest	(30,788)												(30,788)
Monthly Recoveries	(321,327)	(321,327)	(348,105)	(374,882)	(428,437)	(562,323)	(642,655)	(642,655)	(562,323)	(401,659)	(374,882)	(374,882)	(5,355,457)
(Over)/Under Recovery	$26,785	$57,573	$62,370	$67,168	$76,763	$100,752	$115,145	$115,145	$100,752	$71,966	$67,168	$67,168	$928,755
Beginning Balance - (Over)/Under Recovery	($550,000)	($523,215)	($465,642)	($403,272)	($336,104)	($259,341)	($158,589)	($43,443)	$71,702	$172,454	$244,419	$311,587	
Ending Balance (Over)/Under Recovery	($523,215)	($465,642)	($403,272)	($336,104)	($259,341)	($158,589)	($43,443)	$71,702	$172,454	$244,419	$311,587	$378,755	
Average Balance (Over)/Under	($536,607)	($494,429)	($434,457)	($369,688)	($297,722)	($208,965)	($101,016)	$14,129	$122,078	$208,437	$278,003	$345,171	
Interest Rate (Monthly)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	
Interest (To Customer) /To Company	($2,146)	($1,978)	($1,738)	($1,479)	($1,191)	($836)	($404)	$57	$488	$834	$1,112	$1,381	($5,900)

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

MINIMUM FILING REQUIREMENTS

1. The Company’s income statement for the most recent 12 month period, as filed with the New Jersey Board of Public Utilities (“BPU”).
2. The Company’s balance sheet for the most recent 12 month period, as filed with the BPU.
3. The Company’s overall capital budget broken down by major categories, including distribution and incremental capital expenditures for the Qualifying Projects, both budgeted and actual amounts.
4. For each Qualifying Project or proposed new project:
   a. The original project summary for each Qualifying Project;
   b. Capital expenditures incurred to date;
   c. Appropriate metric (e.g., poles replaced, linear feet of installed cable, etc.)
5. Anticipated project timeline with updates and expected changes.
6. A schedule detailing the Qualifying Projects and Non-Qualifying Projects to date as compared to the Company’s original approved capital spending plans.
7. A summary of expenditures for each of the Qualifying Projects that identifies expenditures related to labor and material from project inception through the end of the current quarter.
8. A calculation of the proposed rate adjustment based on details related to Qualifying Projects included in Plant in Service.
   a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
9. A count of FTE jobs created and their duration associated with each Qualifying Project.

10. A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the Qualifying Projects, such as relocation, reimbursement or stimulus money.
    a. An explanation of the financial treatment associated with the receipt of the government funds or credits.

11. A monthly revenue requirement calculation based on actual capital expenditures, showing the actual monthly revenue requirement for each of the past twelve months, as well as supporting calculations.

12. Actual revenues, by month, billed to ratepayers pursuant to the tariff(s).

13. Monthly beginning and ending clause balances, as well as the average balance for the month.

13. The interest rate used each month for over/under recoveries, and all supporting documentation and calculations for the interest rate.

14. The interest expense to be charged or credited to ratepayers each month.

South Jersey Gas
Capital Investment Recovery Tracker Stipulation

RATE IMPACT

Residential Service (RSG)

Therm Level	Bill as of January 1,2009(1)	Bill as of May 1, 2009 (2)	Dollar Increase	Percent Increase
25	$51.19	51.42	$0.23	0.45%
100	$166.34	$167.28	$0.94	0.57%
200	$324.92	$326.80	$1.88	0.58%

General Service (GSG) (Using less than 5,000 therms per year)

Therm Level	Bill as of January 1, 2009 (1)	Bill as of May 1, 2009 (2)	Dollar Increase	Percent Increase
500	$764.63	$769.35	$4.72	0.62%
1,000	$1,510.53	$1,519.97	$9.45	0.63%
2,000	$3,002.33	$3,021.22	$18.90	0.63%

Large Volume Service- Sales (LVS)

Therm Level	Bill as of January 1, 2009 (1)	Bill as of May 1, 2009 (2)	Dollar Increase	Percent Increase
63,000	$70,424	$71,015	$592	0.8%

(1) Based upon current Delivery Rates and Basic Gas Supply Service (BGSS) charges in effect January 1, 2009 and assumes that the customer receives BGSS service from South Jersey Gas.
(2) Same as (1) except includes change in CIRT.

APPENDIX F

South Jersey Gas Company

Quarterly Report on Capital Expenditures and Job Creation Related to Qualifying Projects

													Traditional Budget			
Proposed Infrastructure Project	Project Type	Estimated Quantity	Major Tasks	Tasks Completed To Date	Quantity Completed To Date	Percent of Quantity/Tasks Completed To Date	Total Estimated Cost	Actual Cost To Date	Percent of Cost To Date	Project Completion Date	Total Jobs To Be Created	Jobs Created To Date	Budgeted Spending For The Budget Year	Actual Spending For The Budget Year	Budgeted Spending For The Quarter	Actual Spending For The Quarter
(a)	(b)	(c)*	(d)*	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)*	(o)*	(p)*	(q)*

Notes: 1. For column c & d-If the project cannot be quantified with numbers then it should be broken down into major tasks to be completed.
e.g. desgn phase, material procurement, permit gathering, phases of construction etc.

2. For column N & O the amounts includes only normal spending for the budget year and do not include any spending associated with the qualitified projects in Exhibit A.

3. In lieu of a Gantt Chart, South Jersey Gas Company will provide the information required in this Appendix F.

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April 15, 2009

VIA FEDERAL EXPRESS

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
2 Gateway Center
Newark, NJ 07102

Re: In the Matter of the Petition of South Jersey Gas Company for Infrastructure Investment and a Cost Recovery Mechanism

Dear Secretary Izzo:

Enclosed are an original and ten copies of NJLEUC's position letter regarding the Stipulation filed in the above-captioned proceeding on April 9, 2009. Also included is an additional copy to be stamped and returned to our office in the enclosed self-addressed envelope.

Copies of this position letter are also being forwarded electronically to all persons whose names appear on the distribution list.

Please contact the undersigned if there are any questions regarding this filing.

Respectfully Submitted,

Paul Forshay

Paul Forshay
SUTHERLAND, ASBILL & BRENNAN, LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004

Attorney for the New Jersey Large Energy Users Coalition

YL/knb
cc: Service List

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April 15, 2009

VIA FEDERAL EXPRESS

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
2 Gateway Center
Newark, NJ 07102

Re: In the Matter of the Petition of South Jersey Gas Company for Infrastructure Investment and a Cost Recovery Mechanism

Dear Secretary Izzo:

Please accept this letter as the New Jersey Large Energy Users Coalition's ("NJLEUC") comments in response to the proposed Stipulation filed by South Jersey Gas Company ("SJG") in this matter on April 9, 2009.[1]

As an intervenor that has participated actively in the settlement discussions underlying the April 9 filing, NJLEUC has carefully reviewed the proposed Stipulation, and commends the parties for their concerted settlement efforts. For the reasons set forth below, NJLEUC will not sign the stipulation, and will not formally support or oppose it.

NJLEUC recognizes the economic necessity of taking prompt action to stimulate economic activity and growth in the state of New Jersey. We commend SJG, the BPU Staff and all other parties to this proceeding for working in a timely and collaborative manner to respond to Governor Corzine's call to foster economic development.

A central feature of the proposed Stipulation, however, raises a long-standing concern that, in turn, prevents NJLEUC from affirmatively supporting the Stipulation. Specifically, the

[1] NJLEUC did not receive either formal notice of the Stipulation's filing or service of an as-filed copy of the Stipulation on Thursday, April 9. NJLEUC contacted the Board Secretary's office on Monday, April 13, and was informed that the Stipulation had not been filed. NJLEUC subsequently received informal notice on Wednesday, April 15, that the Stipulation, in fact, had been filed with the Board. NJLEUC then promptly submitted this letter setting forth its position regarding the Stipulation to the Board.

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volumetric allocation of project costs incorporated by the Stipulation's capital investment recovery tracker ("CIRT") clause is inappropriate under fundamental ratemakings principles. As we have pointed out numerous times in the past, such a volumetric cost allocation scheme produces an inappropriate allocation of capital costs to large commercial and industrial users, including the members of NJLEUC. Governor Corzine's call for stimulus measures like those reflected in the SJG Stipulation is intended to foster economic development in the state. A cost allocation methodology that unfairly burdens the already struggling business community with a disproportionate share of the Stipulation's projected project costs would frustrate, rather than stimulate, the economic revival that both the Governor and the Stipulation wish to encourage. A better method of allocating the Stipulation's project costs would be to base the proposed CIRT surcharge on peak demand, rather than usage. Accordingly, NJLEUC will not support or sign the Stipulation as it now stands.

While NJLEUC cannot support the volumetric nature of the CIRT surcharge, we recognize that the Stipulation, to some degree, seeks to ameliorate that concern. The Stipulation, for example, makes clear that the CIRT surcharge is intended to serve only as an interim measure that would allow SJG to promptly implement the projects described in the Stipulation. The Stipulation also provides that the volumetric nature of the CIRT surcharge is not intended to influence or govern any final determination regarding the ultimate allocation of the Stipulation's project costs among SJG rate classes. Consistent with the interim nature of the CIRT surcharge, the Stipulation also preserves NJLEUC's (and all other parties') right to address the ultimate allocation of these project costs in the base rate case contemplated by the Stipulation. In light of these mitigating features, NJLEUC does not affirmatively oppose the Stipulation.

Respectfully Submitted,

Paul Forshay
SUTHERLAND, ASBILL & BRENNAN, LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004

Attorney for the New Jersey Large Energy Users Coalition

YL/knb
cc: Service List

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