



Agenda Date: 10/24/07  
Agenda Item: *LSB*

***State of New Jersey***  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

**ENERGY**

**DECISION AND ORDER  
APPROVING STIPULATION  
FOR PROVISIONAL RATES**

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

DOCKET NO. GR07060355

IN THE MATTER OF THE PETITION OF )  
SOUTH JERSEY GAS COMPANY TO )  
IMPLEMENT A CONSERVATION )  
INCENTIVE PROGRAM CHARGE )

DOCKET NO. GR07060354

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

In accordance with an Order of the Board of Public Utilities ("Board" or "BPU") dated January 6, 2003, in Docket No. GX01050304, South Jersey Gas Company ("South Jersey" or "Company") filed its annual Periodic Basic Gas Supply Service ("BGSS") petition in Docket No. GR07060355 on June 1, 2007. The Company's petition requested, among other items, a decrease in its BGSS charge for all applicable service classifications, from \$1.0959 per therm including taxes to \$1.0369 per therm including taxes effective October 3, 2007. The petition also requested the BPU to: (1) authorize that the gas cost portion of the D-2 charge for Rate Schedule LVS be increased to \$19.2878 per Mcf, including taxes from its current level of \$13.1639 per Mcf including taxes; (2) authorize, for rate schedule EGS-LV, that the gas cost portion of the Firm D-2 charge to be decreased to \$17.6843 per Mcf including taxes from its current level of \$23.4135 per Mcf including taxes and increase the Limited Firm D-2 charge to \$9.6439 per Mcf including taxes from its current level of \$6.5820 per Mcf including taxes; (3) authorize that the gas cost portion of the Firm D-2 charge for Rate Schedule FES be increased to \$9.6439 per Mcf, including taxes, from its current level of \$6.5820 per Mcf including taxes; and (4) authorize the non-commodity rate component of \$0.0090 per therm, excluding taxes, and \$0.0096 per therm, including taxes, to be applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

~~The BGSS year is for the twelve months ended September 30, 2008. The proposed decrease in South Jersey's BGSS rates would result in an annual decrease in revenues to South Jersey of approximately \$16.9 million. The impact on the bill of an average residential heating customer using 100 therms per month would be a decrease of approximately 3.7% or \$5.90 per month.~~

On June 1, 2007 South Jersey also filed, a petition in Docket No. GR07060354, to establish its initial after-tax per therm Conservation Incentive Program ("CIP") recovery rates of \$.0978 for Residential Non-Heat customers, \$.0442 for Residential Heat customers, \$.0406 for General Service customers and \$(0.0121) for General Service Large Volume customers to be effective October 1, 2007. The filing is for the CIP year October 3, 2007 through September 30, 2008. The impact of this request on the overall price for the average residential heating customer using approximately 100 therms per month is a decrease of \$1.48 or 0.9 percent. The annual revenue increase from these CIP rates would total \$14.3 million. The non-weather portion of the adjustment would result in increased annual revenues to South Jersey of \$9.6 million which is offset by reductions in BGSS related gas cost reductions of \$9.8 million.

The Company submitted updated BGSS and CIP schedules on September 19, 2007.

On October 2, 2007, a public hearing was held in this matter in Voorhees, New Jersey. The public hearing was preceded by notice in newspapers of general circulation throughout the Company's service territory. The public notice advised customers that the Board granted the Company the discretion to self-implement an increase in its BGSS rates to be effective December 1, 2007 and/or February 1, 2008,, with each increase capped at 5 percent of the total SJG residential bill. The public notice also stated that the Company is permitted to decrease its BGSS rate at any time upon two weeks' notice to the Board and Rate Counsel. No members of the public appeared at the public hearings to provide comments related to the Company's request to decrease its periodic BGSS rates or establish its initial CIP rates.

Representatives of the Company, Board Staff, and Division of Rate Counsel, the only parties to this proceeding ("collectively the Parties"), met to discuss the matters at issue. As a result of those discussions, the Parties entered into the attached Stipulation for Provisional BGSS and CIP rates ("Stipulation") dated October 17, 2007. The Stipulation establishes new provisional BGSS and CIP rates for the Company, changes the monthly BGSS surcharge recovery rate and sets the surcharge balance to zero. The remaining issues will be addressed in this ongoing docket.. These provisional rates are subject to refund with interest upon the Board's final decision in these matters. The Stipulation provides for a reduction of South Jersey's BGSS rates to \$.09564 per therm including taxes. The Parties also agree that: (1) the D-2 charge for Rate Schedule LVS be increased to \$17.1896 per Mcf, including taxes from its current level of \$13.1639 per Mcf including taxes; (2) the gas cost portion of the Firm D-2 charge for rate schedule EGS-LV be decreased to \$15.1534 per Mcf including taxes from its current level of \$23.4135 per Mcf including taxes and that the Limited Firm D-2 charge be increased to \$8.5948 per Mcf including taxes from its current level of \$6.5820 per Mcf; (3) that the gas cost portion of the Firm D-2 charge for Rate Schedule FES be increased to \$8.5948 per Mcf, including taxes, from its current level of \$6.5820 per Mcf including taxes; and (4) that the non-commodity rate component of \$.0162 per therm, including taxes, be applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV. The Parties also agree to the implementation of the proposed per therm after tax CIP rates of \$.0988 for Group I Residential Non-Heat customers, \$.0443 for Group II Residential Heat customers, \$.0392 for Group III GSG customers and \$(0.0037) for Group IV GSG-LV customers, effective as of October 3, 2007..The annual revenue increase to the Company from these CIP factors would total \$15.5 million. The total reduction in BGSS revenues amounts to approximately \$36.7 million. The non-weather related portion of the CIP was limited to \$9.1 million equaling the BGSS related gas cost savings. The Board's October 12, 2006 Order approving the CIP required that any non-weather related adjustments be limited by the level of gas cost savings the Company could demonstrate. The total impact of the revised BGSS/CIP rates will result in a decrease of approximately \$21.2 million or 5.8% from

rates currently in effect or \$9.52 per month for a typical residential sales customer using 100 therms per month.

Pursuant to a Global Settlement in Docket No. GR03080683 et al., approved by a Board Order dated March 27, 2006, the Parties agreed that 1) the Company's then existing 100,000 therm annual threshold level for Monthly BGSS pricing would be reduced to 5,000 therms annually; South Jersey would recover from the affected GSG customers the amount of Periodic BGSS under recovery as of March 31, 2006 attributable to those GSG customers who were to switch from Periodic to Monthly BGSS. The applicable GSG customers were transitioned to Monthly BGSS effective April 1, 2006. Since the formula provided for the use of estimates, the Parties reserved their rights to change the recovery rate during the Company's 2006-2007 BGSS Proceeding based on actual results. The Parties agree that the transitioning GSG customers have paid in excess of their portion of the under recovery. As of September 30, 2007, the Company had recovered \$6,448,706 from the transitioning GSG customers, leaving a surcharge balance of \$1,468,527. The Parties agree that: (1) the monthly BGSS surcharge rate should be set at \$0.00 per therm effective with the November, 2007 billing cycle; (2) the amount of the over-collection as of October 31, 2007 should be refunded via bill credits to the transitioning GSG customers; and (3) the remaining surcharge balance (approximately \$1.9 million) will be transferred back to the periodic BGSS clause and the surcharge balance will be set to zero. The foregoing rate change, refund and transfer are on a provisional basis and subject to refund, following an opportunity for full review at the Office of the Administrative Law, if necessary, and final approval by the Board.

#### DISCUSSION AND FINDINGS

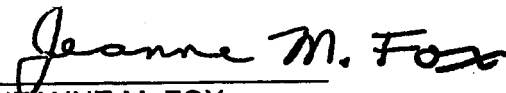
The Board, having reviewed the record to date in this proceeding and the attached Stipulation of the Parties, FINDS that the Stipulation is reasonable, in accordance with the law and in the public interest. Accordingly, the Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein, and HEREBY APPROVES, on a provisional basis, subject to refund with interest, a provisional decrease in South Jersey's Periodic BGSS rate to \$0.9564 per therm including taxes. The Board also HEREBY APPROVES, on a provisional basis, subject to refund with interest, the CIP charges including taxes as follows: (1) RSG Non Heating \$0.0988 per therm; (2) RSG Heating \$0.0443 per therm; (3) GSG \$0.0392 per therm and; (4) GSG-LV \$(0.0037) per therm. The Board also HEREBY APPROVES on a provisional basis and subject to refund, following an opportunity for full review at the Office of the Administrative Law and final approval by the Board 1) the monthly BGSS surcharge rate of \$0.00 per therm effective with the November, 2007 billing cycle 2) a refund via bill credits to the transitioning GSG customers for the amount of the surcharge over-collection as of October 31, 2007; and 3) a transfer back to the periodic BGSS clause of the approximately \$1.9 million remaining surcharge balance and 4) the surcharge balance being set to zero for further review in this Docket at the OAL.


Accordingly, the Board HEREBY ORDERS that this docketed matter be continued at the OAL for full review and an Initial Decision and then returned to the Board for a Final Decision. The Company is HEREBY DIRECTED to file appropriate tariff sheets that conform to the terms and conditions of this Order within ten (10) days from the date of this Order.


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

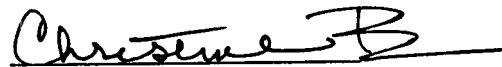
DATED: 10/25/07

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

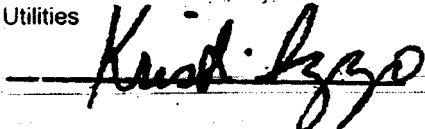
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



**I IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO  
CHANGE THE LEVEL OF ITS TEMPERATURE ADJUSTMENT CHARGE**

**BPU DOCKET NO. GR05110978**

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO CHANGE  
THE LEVEL OF ITS TEMPERATURE ADJUSTMENT CHARGE**

**BPU DOCKET NO. GR06100751**

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

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

<b>IN THE MATTER OF THE PETITION OF</b>	: <b>BPU DOCKET NO. GR07060355</b>
<b>SOUTH JERSEY GAS COMPANY TO</b>	: <b>OAL DOCKET NO. PUCRS04988-</b>
<b>REDUCE THE LEVEL OF ITS BASIC GAS</b>	: <b>2007S</b>
<b>SUPPLY SERVICE CHARGE</b>	:
<b>AND</b>	: <b>AND</b>
	:
<b>IN THE MATTER OF THE PETITION OF</b>	: <b>BPU DOCKET NO. GR07060354</b>
<b>SOUTH JERSEY GAS COMPANY TO</b>	: <b>OAL DOCKET NO. PUCRS04989-</b>
<b>IMPLEMENT A CONSERVATION</b>	: <b>2007S</b>
<b>INCENTIVE PROGRAM CHARGE</b>	:

**STIPULATION FOR PROVISIONAL RATES**

**APPEARANCES:**

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

**Sarah H. Steindel, Esq., and Henry M. Ogden, Esq.** Assistant Deputy Public Advocates, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen**, Public Advocate, **Stefanie A. Brand**, Director)

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

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

South Jersey Gas Company ("SJG") filed a petition in Docket No. GR07060355 on June 1, 2007, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") accept SJG's annual reconciliation filing for its Basic Gas Supply Service ("BGSS") for the SJG BGSS year of October 1, 2007 through September 30, 2008. That petition requested that the BPU approve a decrease in SJG's periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism by \$0.0590 per therm after tax, effective October 3, 2007, thereby decreasing SJG's BGSS after tax rate of \$1.0959 per therm to \$1.0369

per therm.<sup>1</sup> This change represents a decrease of approximately \$5.90 per month, or 3.7%, for the average residential sales heating customer using 100 therms per month. The projection of SJG's under-/over-recovery of natural gas costs was based on market conditions as of the time of the June 1, 2007 filing with a proposed one-year BGSS recovery period. The proposal, as filed, will represent a decrease in annual revenue to SJG of approximately \$16.9 million.

2. The petition also requested the BPU to (1) authorize that the gas cost portion of the D-2 charge for Rate Schedule LVS be increased to \$19.2878 per Mcf, including taxes from its current level of \$13.1639 per Mcf; (2) for rate schedule EGS-LV authorize the gas cost portion of the Firm D-2 charge to be decreased to \$17.6843 per Mcf including taxes from its current level of \$23.4135 per Mcf including taxes and increase the Limited Firm D-2 charge to \$9.6439 per Mcf including taxes from its current level of \$6.5820 per Mcf including taxes ; (3) authorize that the gas cost portion of the Firm D-2 charge for Rate Schedule FES be increased to \$9.6439 per Mcf, including taxes, from its current level of \$6.5820 per Mcf including taxes; and (4) authorize the non-commodity rate component of \$0.0090 per therm, excluding taxes, and \$0.0096 per therm, including taxes, to be applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

3. Also on June 1, 2007, the Company submitted its first annual Conservation Incentive Program ("CIP") filing for fiscal year 2008, October 1, 2007 through September 30, 2008. That petition requested that the BPU approve the implementation of after-tax per therm CIP factors of \$0.0978 for Group I Residential Non-Heat customers, \$0.0442 for Group II Residential Heat customers, \$0.0406 for Group III General Service (GSG) customers and

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<sup>1</sup> The June 1 filing also included testimony, schedules and data that are responsive to and consistent with the Minimum Filing Requirements (MFRs) for annual BGSS filings, pursuant to the Board's generic BGSS Order in Docket No. GX01050304.

\$0.0121) for Group IV General Service Large Volume (GSG-LV) customers effective as of October 3, 2007. . The annual revenue increase from these CIP factors would total \$14.3 million. The non-weather portion of the adjustment would result in increased annual revenues of \$9.6 million which is offset by reductions in BGSS related gas cost reductions of \$9.8 million. This request results in an increase of approximately \$4.42, or 2.7% per month, to the average residential heating customer. The impact to the average residential non-heat customer is an increase of 4.8% per month. The impact to the average GSG customer is an increase of 2.7% and to the average GSG-LV customer is a decrease of 1.0% per month.

4. A duly noticed public hearing on these petitions was held on October 2, 2007, in Voorhees, New Jersey. No members of the public appeared.

5. Representatives of SJG, Board Staff and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (the Parties), the only Parties to these proceedings, have discussed certain matters at issue in these proceedings. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of SJG's proposed BGSS rates, the CIP rates and other aspects of the Company's BGSS and CIP petitions. However, the Parties also agree that the implementation of the proposed BGSS rates and the proposed CIP factors, on a provisional basis, is reasonable at this time so that SJG's BGSS customers may receive the benefit of a price decrease in their gas bills.

6. SJG has submitted updated schedules dated September 19, 2007 regarding its BGSS and CIP rates. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, it would be both reasonable and in the public interest for the Board to authorize the proposed decrease in the Company's periodic BGSS rate to \$.9564 per therm after tax. . The D-2 charges were also reduced from those in the June 1,

2007 filing to reflect changes in the Company's demand charges from its pipeline suppliers. The total after tax annual decrease in revenues from current BGSS rates is \$36.7 million, including an additional decrease of \$19.8 million in the Company's updated BGSS filing. Furthermore, the Parties agree that: (1) the D-2 charge for Rate Schedule LVS be increased to \$17.1896 per Mcf, including taxes from its current level of \$13.1639 per Mcf including taxes; (2) for rate schedule EGS-LV authorize that the gas cost portion of the Firm D-2 charge be decreased to \$15.1534 per Mcf including taxes from its current level of \$23.4135 per Mcf including taxes and that the Limited Firm D-2 charge be increased to \$8.5948 per Mcf including taxes from its current level of \$6.5820 per Mcf; (3) that the gas cost portion of the Firm D-2 charge for Rate Schedule FES be increased to \$8.5948 per Mcf, including taxes, from its current level of \$6.5820 per Mcf including taxes; and (4) that the non-commodity rate component of \$0.0151 per therm, excluding taxes, and \$0.0162 per therm, including taxes, be applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV. The Parties also agree to the implementation of the proposed per therm after tax CIP rates of \$0.0988 for Group I Residential Non-Heat customers, \$0.0443 for Group II Residential Heat customers, \$0.0392 for Group III GSG customers and \$(0.0037) for Group IV GSG-LV customers, effective as of October 3, 2007, or as of a later date should the Board so decide. The annual revenue increase from these CIP factors would total \$15.5 million. The non-weather related portion of the adjustment is limited to \$9.1 million which equals the reductions in BGSS related gas cost reductions. These BGSS price changes and the CIP prices are on a provisional basis, subject to refund with interest on any net BGSS and/or CIP over-recovery, an opportunity for a full review at the Office of Administrative Law, if necessary, and final approval by the Board. The stipulated changes represent an overall decrease from the rates currently in effect of approximately 5.9%, or \$9.52 per month for a typical residential sales

service customer using 100 therms per month. The overall impact to the average residential non-heat sales customer is a decrease of 2.0%, to the average GSG sales customer is a decrease of 6.8%, and to the average GSG-LV customer is a decrease of 0.3%. This action will lead to a decrease in annual revenue to SJG of approximately \$21.3 million.

7. The parties to this Stipulation agree that all of the rates set forth in Paragraph 6 above, are provisional and subject to refund.

8. Pursuant to the Stipulation in SJG's Global Settlement, Docket No. GR03080683 et al., approved by a Board Order dated March 27, 2006, the parties agreed that the then existing 100,000 therm annual threshold level for Monthly BGSS pricing would be reduced to 5,000 therms annually. It was also agreed that SJG would recover from the affected GSG customers the amount of Periodic BGSS under recovery as of March 31, 2006 attributable to those GSG customers who were to switch from Periodic to Monthly BGSS. Effective April 1, 2006, the applicable GSG customers were transitioned to Monthly BGSS. The Global Stipulation included an agreed formula for determining the amount to be recovered from the affected GSG customers and the resulting surcharge, based on estimates of the Company's March 31, 2006 under collected balance and usage data for October 2005 through March 2006. Since the formula provided for the use of estimates, the parties reserved their rights to change the recovery rate during the Company's 2006-2007 BGSS Proceeding.

9. The threshold reduction was effective on April 1, 2006. At that time the previously agreed upon formula was used to provide the estimates in deriving the surcharge. Consistent with the Global Settlement and supporting calculation, SJG reduced the March 31, 2006 Periodic BGSS under recovery in April 2006, allocating \$7,917,233 to a separate tracking account applicable solely to the transitioning GSG customers. A surcharge of \$0.1647 per

therm, including taxes, was established to recover this amount from the affected GSG customers. As part of SJG's 2006-2007 BGSS proceeding, the Company presented revised calculations applying the agreed formula to the Company's actual March 31, 2006 under recovery balance and actual usage data through March 31, 2007. According to the Company's calculations, the under recovery allocated to the migrating GSG customers should have been \$5,929,902 rather than \$7,917,233. SJG accordingly proposed to reallocate \$1,987,331 to the periodic BGSS clause and reduce the then-existing surcharge of \$0.1647 per therm, including taxes, to \$0.1199 per therm, including taxes, effective October 1, 2006.

10. The transitioning GSG customers have paid in excess of their portion of the under recovery. As of September 30, 2007 the Company had recovered \$6,448,706 from the transitioning GSG customers, leaving a surcharge balance of \$1,468,527. The parties agree that: (1) the monthly BGSS surcharge rate should be set at \$0.00 per therm effective with the November, 2007 billing cycle (2) the amount of the overcollection as of October 31, 2007 should be refunded via bill credits to the transitioning GSG customers; and (3) the remaining surcharge balance (approximately \$1.9 million) will be transferred back to the periodic BGSS clause and the surcharge balance will be set to zero. The foregoing rate change, refund and transfer are on a provisional basis and subject to refund, following an opportunity for full review at the Office of the Administrative Law, if necessary, and final approval by the Board.

11. 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 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.

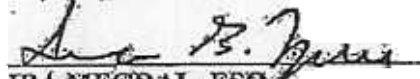
12. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

13. 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, 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.

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  
PETITIONER

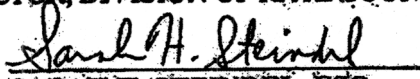
By:

  
IRA MEGDAL, ESQ.  
South Jersey Gas

RONALD K. CHEN  
PUBLIC ADVOCATE OF NEW JERSEY

STEFANIE A. BRAND  
DIRECTOR, DIVISION OF RATE COUNSEL

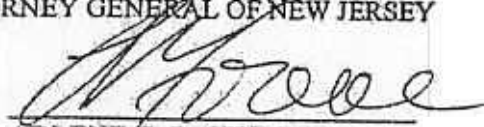
By:

  
SARAH H. STEINDEL, ESQ.  
ASSISTANT DEPUTY PUBLIC ADVOCATE

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY

By:

  
ARLENE E. PASKO, DAG  
ALEX MOREAU, DAG

Date: October 22, 2007

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO CHANGE THE LEVEL OF ITS TEMPERATURE ADJUSTMENT CLAUSE

AND

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY TO CHANGE THE LEVEL OF ITS TEMPERATURE ADJUSTMENT CLAUSE

BPU DOCKET NO. GR05110978

BPU DOCKET NO. GR06100751

STIPULATION

## **II. PROCEDURAL HISTORIES**

### **A. Docket No. GR05110978**

In Docket No. GR91071243J, the Board ordered the adoption of a Temperature Adjustment Clause ("TAC") for the Petitioner. The TAC was designed to adjust the Company's revenues when colder than normal, or warmer than normal, temperatures were experienced. The revenue adjustment was effectuated through a credit or surcharge applied to customer's bills during a subsequent year. The TAC has now been succeeded by the Conservation Incentive Program ("CIP") Charge, for periods after the recoveries required by Docket Nos. GR05110978 and GR06100751 are completed.

By a Petition filed November 17, 2005, South Jersey sought authorization to recover a \$903,325 net deficiency in its TAC. The net deficiency arose in the Base Year October 1, 2004 to May 31, 2005. The rate change proposed in that Petition would have resulted in a rate increase for a typical residential heating customer using 100 therms of gas during a winter heating month of \$0.29, or 0.2%.

Discovery has been propounded upon the Petitioner, and all discovery has been answered.

Docket No. GR05110978 was retained at the Board.

Following the answering of discovery, the parties met to resolve the matters in Docket No. GR05110978.

### **B. Docket No. GR06100751**

By a Petition filed October 26, 2006, South Jersey sought to recover an \$8,295,342 net deficiency in its TAC resulting from temperatures being 12.5% warmer than normal. This was a cumulative net deficiency arising in the Base Years October 1, 2004 to May 31, 2005 and

October 1, 2005 to May 31, 2006. The rate change proposed in the Petition would have resulted in a rate increase for a typical residential heating customer, using 100 therms of gas during a winter heating month of \$2.50 or 1.6%. The proposal in that Petition would have increased the then-existing TAC rate by \$0.0250 per therm, from \$0.0039 to \$0.0289 per therm. The Petition in Docket No. GR06100751 was filed while the Petition in Docket No. GR05110978 was still pending and superseded the rate proposals in that filing. The TAC is applicable to Rate Schedules RSG, GSG and GSG-LV.

Discovery has been propounded upon the Petitioner, and all discovery has been answered.

Docket No. GR06100751 was retained at the Board.

Following the answering of discovery, the parties met to resolve the matters in Docket No. GR06100751.

### **III. RESOLUTION OF THE TAC PROCEEDINGS**

#### **A. TAC Revenue Deficiency**

The Company's current TAC rate is \$0.0036 per therm excluding taxes, or \$0.0039 including taxes. The parties hereto agree that South Jersey had a net cumulative TAC revenue deficiency of \$8,028,569 as of July 31, 2007. This was a cumulative net deficiency and it arose during the Base Years October 1, 2004 to May 31, 2005 and October 1, 2005 to May 31, 2006. These cumulative balances are reduced by an overrecovery of \$266,774 arising from the TAC rate established in South Jersey's Global Settlement, Docket No. GR03080683, *et al.* It is this net deficiency of \$8,028,569 that is used to calculate South Jersey's stipulated TAC rate increase. The net cumulative TAC revenue deficiency does not include a deficiency associated with the Company's CIP. Therefore, the parties agree that South Jersey should increase its

current TAC rate by \$0.0190 per therm excluding taxes, or \$0.0203 including taxes, resulting in a TAC rate of \$0.0226 per therm, excluding taxes, or \$0.0242 per therm, including taxes.

**B. TAC Rate**

This TAC rate of \$0.0242 per therm, including taxes, shall be applicable to Rate Schedules RSG, GSG and GSG-LV. Customers exempt from SUT will pay a TAC rate of \$0.0226.

**C. TAC Balances**

The parties recognize that Rate Counsel and Staff have not had the opportunity to fully examine all TAC balances. As a result, the TAC rate of \$0.0242 per therm, including taxes will be provisional, subject to refund. This Stipulation shall not prejudice any party's right to examine existing TAC balances in South Jersey's current CIP proceeding, Docket No. GR07060354.

**IV. TARIFFS**

Following approval of this Stipulation by an Order of the Board, South Jersey will submit revised tariff sheets incorporating the rate changes approved by the Board. Such tariff sheets will be submitted within 10 days of the effective date of a Board Order.

**V. MISCELLANEOUS**

The parties further agree that they consider this Stipulation to be binding on them for all purposes herein.

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

It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of the referenced proceedings. Except as expressly provided herein, neither South Jersey, the Board, Staff, 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.

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

SOUTH JERSEY GAS COMPANY

By: 

Ira G. Megdal, Esq.  
Cezza O'Connor

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Dated: October 22, 2007