



Agenda Date: 9/16/10
Agenda Item: 2G

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

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)	DECISION AND ORDER
JERSEY GAS COMPANY FOR APPROVAL OF)	APPROVING STIPULATION
INCREASED BASE TARIFF RATES AND CHARGES)	AND ADOPTING INITIAL
FOR GAS SERVICE AND OTHER TARIFF REVISIONS)	DECISION
)	DOCKET NO. GR10010035

Ira G. Megdal, Esq., Stacy A. Mitchell, Esq., Daniel J. Bitonti, Esq., Cozen O'Connor, Counsel
for Petitioner South Jersey Gas Company

Felicia Thomas-Friel, Esq., Deputy Rate Counsel, **Judith Appel, Esq.,** Assistant Deputy Rate
Counsel, **Kurt Lewandowski, Esq.,** Assistant Deputy Rate Counsel, Division of Rate Counsel
(**Stefanie A. Brand, Esq.,** Director)

Alex Moreau, Deputy Attorney General and **Cynthia Holland,** Deputy Attorney General, for the
Staff of the New Jersey Board of Public Utilities (**Paula T. Dow,** Attorney General of New Jersey)

BY THE BOARD:

BACKGROUND

Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and N.J.A.C. 14:1-5.12, on January 15, 2010, South Jersey Gas Company ("SJG" or "Company") filed a petition (the "Petition") with the New Jersey Board of Public Utilities ("BPU" or "Board") to increase its base tariff rates and charges for gas service, and implement certain other tariff revisions. The Company states that its request for a rate increase is necessitated by a combination of factors including ongoing increasing capital expenditures for infrastructure improvements to ensure system reliability, as

well as increased pension, healthcare and other expenses. SJG is seeking an increase in operating revenues of approximately \$64 million, inclusive of Sales and Use Tax ("SUT") or approximately \$35.9 million or 7.15% after the elimination of the SUT, and the roll-in to base rates of approximately \$7.4 million from Capital Investment Recovery Tracker ("CIRT") revenues and \$16.3 million from Conservation Incentive Program ("CIP") revenues. The Company is further proposing to implement a Reliability Tracker which it states will enable the Company and regulators to expeditiously review and provide appropriate incentives for significant investments that SJG must make in the immediate future to replace infrastructure, including certain defective riser valves, and comply with federal pipeline safety and integrity management regulations.

The January 15, 2010 filing proposed a test year based on the twelve months ending June 30, 2010, and comprised of three months of actual and nine months of estimated data. On July 30, 2010, the Company filed its update consisting of twelve months of actual data and reflecting a revenue increase of approximately \$41.9 million, exclusive of SUT.

On April 28, 2009 in Docket No. GO09010051, the Board on issued an Order approving the implementation of South Jersey's CIRT. That Order included a list of projects which are "Qualifying Projects" for inclusion in the CIRT. The Company proposed to roll certain of those projects out of the CIRT and into rate base in this case.

In Docket No. GR09110907, by a petition filed on November 6, 2009, the Company requested authorization to increase its CIRT program by approximately \$10 million, reflecting certain projects that had not previously been determined to be Qualifying Projects. SJG proposed to move certain projects included in the \$10 million into rate base as part of this Petition.

The Petition was transmitted to the Office of Administrative Law ("OAL") as a contested case on January 27, 2010, and was assigned to Administrative Law Judge ("ALJ") Gail M. Cookson. On March 17, 2010, Judge Cookson issued a prehearing Order establishing procedures and hearing dates for the conduct of this case.

The Company, BPU Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties") are the only parties to this case. On March 24, 2010, Public Service Electric and Gas ("PSE&G") filed a motion to intervene and was granted participant status on the issues of consolidated taxes, incentive compensation, and pensions by Order of Participation dated April 15, 2010.

Following notices in newspapers of general circulation within SJG's territory, and the serving of notice upon affected municipalities and counties within the Company's service area, two public hearings were held in Voorhees, New Jersey on April 13, 2010. No members of the public appeared to comment on the Petition.

On May 28, 2010, Rate Counsel filed its Direct Testimony responding to the Petition.

Evidentiary hearings were scheduled for August and September 2010. However, following the exchange of numerous discovery requests and responses between the Parties, the filing of testimony by Rate Counsel, and numerous meetings to discuss settlement, the Parties agreed upon a Stipulation of Settlement ("Stipulation"), the salient elements of which are described below.

THE PROPOSED STIPULATION¹

The Company will be permitted to increase its base rates in a manner designed to produce a total revenue requirement increase of \$45 million inclusive of SUT and revenues previously recovered through the CIP and CIRT (or approximately \$18,655,038, exclusive of SUT) and after the roll-in to base rates of approximately \$6,788,000 of revenues (exclusive of SUT) previously recovered through the CIRT and \$16,613,036 of revenues (exclusive of SUT) previously recovered through the CIP. The rate base utilized to derive this amount includes certain CIRT projects which the Company had proposed to roll into rate base in this case. As a result of the Stipulation, after giving effect to the partial roll-in of the CIRT and the roll-in of the CIP, typical residential sales service customers, using 100 therms of gas during a winter month, will receive an increase of \$5.79 or 4.1% on their monthly bills from \$142.56 to \$148.34;

2. The new distribution rates reflect a rate of return on common equity of 10.3% and an overall rate of return of 8.21% with a 51.2% common equity component. The percentage of total debt in the capital structure (i.e., short-term debt plus long-term debt) shall be 48.8%;
3. The Board's Order of April 28, 2009, Docket No. GO09010051 approving the implementation of South Jersey's CIRT included a list of projects which are Qualifying Projects for inclusion in the CIRT.
4. The Qualifying Projects listed in Schedule B will remain in the CIRT pending review in a Phase II proceeding;
5. At the request of the Company, on or about July 1, 2011 or a different agreeable date, a Phase II proceeding will commence to complete a review of all Qualifying Projects not being rolled into rate base at this time. To the extent that it is determined by the Board that the projects reviewed in Phase II are Qualifying Projects, prudent in nature, and the costs thereof are likewise prudent, the Company shall be permitted to increase base rates to recover a return of and return on its investment. As a result of the Order issued in the Phase II proceeding, the CIRT rate and tariff will terminate;
6. Of the \$10 million increase in CIRT program costs requested by the Company in Docket No. GR09110907, \$4,199,653 has been included in rate base in this case and the affected projects are listed in Schedule C. The remaining projects are reflected in Schedule D and will be addressed in Docket No. GR09110907;
7. The Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in SJG's current CIP tariff are to be updated to align these aspects of the CIP with the new rates set in this proceeding. The new Margin Revenue Factors and BUC are listed in paragraph 6 of the Stipulation. The rate increase reflects the amortization of the following costs over a period that does not exceed thirty-six (36) months: deferred expenses for the rate case, the Liberty Energy Competition & Management Audit, gas supply hedging program audit, deferred pipeline integrity management costs and the

¹ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions of this Order.

Rockford Eclipse Valves;

8. The rates established in this Stipulation include the amortization of an \$184,500 call premium on the retirement of the Company's 8.6% Unsecured Debenture Note retired in February 2005. This premium will be amortized over the life of the replacement long term debt (6.213% First mortgage Bond Series, due 2034);
9. The rates set in this Stipulation provide for continued deferred accounting treatment for unrealized gains and losses resulting from mark-to-market accounting requirements on the two (2) interest rate swaps on the Company's books at June 30, 2010. Realized gains or losses resulting from an early termination of the swaps will be deferred until SJG's next base rate case;
10. The Company withdraws its request for a reliability tracker and the components of the reliability tracker;
11. SJG's current composite depreciation rate will remain unchanged at 2.24%. This rate is prior to the return to customers of "Non-Legal Asset Retirement Obligations" of \$48,665,855 at \$1,216,646 per year over a forty (40) year period, which SJG will recognize as a regulatory liability, and record to account number 254, Other Regulatory Liability. This will make the Company whole for actual future costs of removal. In accordance with the provisions of the Stipulation in Docket No. GR03080683, SJG will continue to record an annual net negative salvage allowance of \$1,416,816. This amount, along with ongoing net salvage amounts incurred, shall be charged to Account No. 254 as a regulatory liability;
12. The revenue increase in this matter reflects an adjustment in rate base due to the filing by SJG of a consolidated federal income tax return;
13. The Company has commenced litigation against certain parties relative to Rockford Eclipse Valves. The net proceeds of this litigation, if any, shall be deferred by SJG and returned to customers in the Company's next base rate case;
14. Concerning federally mandated transmission and distribution Pipeline Integrity Management programs, starting October 1, 2010, the Company may defer all costs incurred in connection with such programs on its books, and may recover all such prudently incurred costs and related carrying costs in its next base rate case proceeding, subject to review by the Board. Carrying charges will be booked at the Company's SBC interest rate. SJG withdraws its petition in Docket No. GO05100879;
15. The Company's proposal regarding Special Provision (9) of Rider A to reduce the Monthly Threshold from 5,000 to 3,000 therms of annualized usage, applicable to all non-residential customers will be addressed in SJG's 2010-2011 BGSS proceeding, Docket No. GR10060378;
16. The Parties stipulate and agree that the revenue allocation and rate design shown in Schedule E are appropriate;
17. The Parties stipulate and agree that the issue set forth in the stipulation entered into by the parties in January 2010 in Docket No. GR05121019 regarding BGSS savings

offsetting any recovery of non-weather related margins through the CIP Tariffs will be addressed in SJG's 2010-2011 CIP proceeding.

18. Concurrent with the implementation of new base rates in this proceeding, the CIRT rate will be reduced to \$0.0044 per therm, including taxes, which reflects the roll-in of the CIRT projects identified in Schedule A attached hereto.
19. SJG will add Rate Schedule Natural Gas Vehicle (NGV) to its tariff. Rate Schedule NGV will contain a distribution charge of \$0.1047 per therm (excluding SUT), a graduated customer charge based on customer usage (as applicable), and a compression charge of \$0.53 per therm (excluding SUT) as applicable. Rate Schedule NGV will be subject to a full review in the Company's next base rate case. Provided, however, that neither the principle of gradualism nor any other similar principle shall be employed by any party to oppose adjusting the NGV rate to recover its full cost of service in the next SJG base rate case.

SJG agrees to provide, in the interim, an annual report to the Parties regarding rate NGV. The annual report will commence once SJG has added a customer to this rate schedule. The report will include the number of customers, projected annual usage per customer and actual usage per customer.

20. Starting after the first quarter of 2011, the Company shall file with the Secretary of the Board and provide copies to the Director of the Board's Division of Customer Assistance, the Director of the Board's Division of Energy and the Director of Rate Counsel, quarterly reports containing the eight (8) customer service metrics reflected on Schedule G, which metrics will be measured on a monthly basis.
21. Prior to issuance of the quarterly report, the Parties will meet to discuss the contents of the report. The quarterly reporting will begin after the first quarter of 2011, and will include data for the last quarter of 2010 and first quarter of 2011. The quarterly report will be filed within thirty days after the end of each quarter. The Parties are not precluded from later agreeing to discontinue quarterly reporting in lieu of annual reporting. The Parties further agree to meet no later than March 31, 2011 to assess the progress of the Company in meeting the above-mentioned benchmarks.
22. The Parties agree that the benchmarks set forth in Schedule G are guidelines that the Company will strive to achieve by December 2011. If the Company does not meet these benchmarks, neither Staff nor Rate Counsel shall request that the Board penalize or fine the Company for its failure to meet these benchmarks.
23. Attached hereto as Schedule F are tariffs reflecting a number of changes agreed upon by the Parties. The Reconnection, Return Check, and Field Collection charges are unchanged. The Parties agree to recommend that the Board approve these tariffs by its Order approving the Stipulation.

As reflected on Schedule E attached to the Stipulation, the revenue increase will be allocated to achieve the following class distribution revenue increases: 12% to the RSG class, 11.2% to the GSG rate class, 5% to each of the GSG-LV, CTS, LVS, and EGS-LV classes, 5.6% to the ESG class and 16.8% to the GLS class.

The impact of the instant rate changes on the monthly gas bill for a typical residential heating customer using 100 therms per month will be an increase of \$5.38 or 3.8%, and a decrease by \$0.36 or 0.8% for a residential non-heating customer using 25 therms per month.

On September 14, 2010, Administrative Law Judge ("ALJ") Gail M. Cookson issued her Initial Decision in the proceeding. ALJ Cookson found that the Signatory Parties voluntarily agreed to a settlement in this matter, and that the Stipulation fully disposes of all issues in controversy and is consistent with the law.

FINDINGS AND RECOMMENDATIONS

In evaluating a proposed Stipulation, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether a stipulation represents a reasonable disposition of the issues that will enable the Company to provide its customers with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied 152 N.J. 12 (1997). The Board recognizes that the Parties worked diligently to negotiate a compromise that attempts to meet the needs of as many stakeholders as possible. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues that were addressed during the proceeding. Therefore, based on the Board's review and consideration of the record in this proceeding including the Stipulation and Initial Decision as well as the Petition and testimony, the Board HEREBY FINDS the Initial Decision and the Stipulation to be reasonable, in the public interest and in accordance with the law. Therefore the Board HEREBY ADOPTS ALJ Cookson's Initial Decision and the Stipulation as its own, as if fully set forth herein.

The Board notes that the Stipulation provides for an increase of \$45 million inclusive of SUT and revenues previously recovered through the CIP and CIRT (or approximately \$18,655,038, exclusive of SUT) and after the roll-in to base rates of approximately \$6,788,000 of revenues (exclusive of SUT) previously recovered through the CIRT and \$16,613,036 of revenues (exclusive of SUT) previously recovered through the CIP as compared to the \$64 million sought by the Company in the Petition. The Board FINDS that the stipulated rate increase based on a rate base of \$821,889,948 is reasonable.

The Board also FINDS that the appropriate return on equity for SJG is 10.3 percent with a 51.2 percent common equity component and an overall rate of return of 8.21 percent. The 10.3 percent return is consistent with other recent Board decisions, and fairly balances the interests of ratepayers and shareholders. In addition, the Board notes that this return and capital structure supports solid investment grade credit ratings to ensure that the Company will be able to provide safe, adequate and proper service in a financially efficient manner.

The Board HEREBY NOTES SJG's withdrawal of its request for a reliability tracker and the components of the reliability tracker, finding these withdrawals to be in the public interest and thus, reasonable and prudent.

The monthly gas bill for a typical residential heating customer using 100 therms per month will increase by \$5.38 or 3.8% and decrease by \$0.36 or 0.8% for a residential non-heating customer using 25 therms per month.

The Board HEREBY APPROVES the use of a rate base adjustment to recognize the filing by

SJG of a consolidated federal income tax return.

The Board HEREBY APPROVES the roll into base rates of \$4,199,653 of CIRT related program costs. The CIRT will be correspondingly reduced.

The Board HEREBY APPROVES the Margin Revenue Factors and monthly Baseline Usage per Customer reflected in the Stipulation.

The Board HEREBY APPROVES the amortization of an \$184,500 call premium on the retirement of SJG's 8.6% Unsecured Debenture Note retired in February 2005; with the premium to be amortized over the life of the replacement long term debt (6.213% First Mortgage Bond Series, due 2034).

The Board HEREBY APPROVES deferred accounting treatment for 1) unrealized gains and losses resulting from mark-to-market accounting requirements on the two (2) interest rate swaps reflected on SJG's books at June 30, 2010; 2) the Rockford Eclipse Valve litigation net proceeds, if any; and 3) PIM programs, starting October 1, 2010. The PIM costs will accrue carrying costs at SJG's SBC interest rate. The realized gains or losses resulting from early termination of the swaps will be deferred until SJG's next base rate case

The Board HEREBY APPROVES a tariff applicable to Natural Gas Vehicles that will contain a distribution charge of \$0.1047 per therm (excluding SUT), a graduated customer charge based on customer usage (as applicable), and a compression charge of \$0.53 per therm (excluding SUT) as applicable and HEREBY DIRECTS that Rate Schedule NGV will be subject to a full review in the Company's next base rate case.

The Board HEREBY DIRECTS that the issue of BGSS savings offsetting any recovery of non-weather related margins through the CIP Tariffs that stems from the Board's January 2010 Order in Docket No. GR05121019 will be addressed in the 2010-2011 CIP proceeding, and SJG's proposed adjustment to the Monthly Threshold from 5,000 to 3,000 therms of annualized usage will be addressed in SJG's 2010-2011 BGSS proceeding.

The Board HEREBY APPROVES the benchmarks reflected on Schedule G, and HEREBY DIRECTS that 1) quarterly reports containing the eight (8) customer service metrics reflected on Schedule G, which are to be measured on a monthly basis, be filed according to the instructions in the Stipulation, and that the Parties will meet to discuss the contents of the report prior to the report being filed and will meet prior to April 1, 2011 to assess SJG's progress in meeting the agreed upon benchmarks.

Lastly the Board HEREBY APPROVES the revenue allocation and rate design reflected on Schedule E attached to the Stipulation;

The Board FURTHER DIRECTS that the issue of the review of the rate treatment of the costs of all of the Company's CIRT Qualifying Projects be addressed in a Phase II proceeding to be initiated at the request of the Company on or about July 1, 2011 or a different agreeable date.

Lastly, the Board HEREBY DIRECTS that the new rates resulting from this Stipulation are to become effective for service rendered on and after the date of this Order.


The Board HEREBY FINDS that the tariff sheets attached to the Stipulation comply with the terms of the Stipulation, and HEREBY APPROVES the attached tariff sheets. The Board HEREBY DIRECTS the Company to file within the next five (5) business days a compliance tariff that is consistent with the terms of this Order and effective on the date of this Board Order.

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

DATED: 9/17/10
September 17, 2010

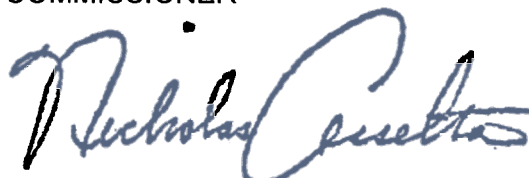
BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER



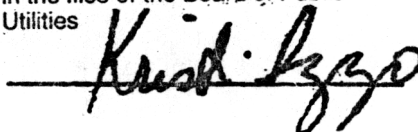
NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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



IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL
OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE AND OTHER
TARIFF REVISIONS DOCKET NO. GR10010035

SERVICE LIST

Stephanie Brand Division of Rate Counsel 31 Clinton Street, 11 th Floor P.O. Box 46005 Newark, NJ 07101 sbrand@rpa.state.nj.us	Judith Appel, Esq. Division of Rate Counsel 31 Clinton Street, 11 th Floor P.O. Box 46005 Newark, NJ 07101 jappel@rpa.state.nj.us
Henry M. Ogden, Esq. Division of Rate Counsel 31 Clinton Street, 11 th Floor P.O. Box 46005 Newark, NJ 07101 hogden@rpa.state.nj.us	Samuel A. Pignatelli, Vice President Rates & Regulatory Affairs South Jersey Gas Company One South Jersey Plaza -Route 54 Folsom, NJ 08037 spignatelli@sjindustries.com
Jerome May, Director Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 jerome.may@bpu.state.nj.us	Sheila DeLucia, Bureau Chief Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 sheila.delucia@bpu.state.nj.us
Henry Rich, Supervisor Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 henry.rich@bpu.state.nj.us	Beverly Tyndell, Rate Analyst Scott Sumliner Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 beverly.tyndell@bpu.state.nj.us scott.sumliner@bpu.state.nj.us
Ira G. Megdal, Esq. Cozen O'Connor 457 Haddonfield Road P.O. Box 5459 Haddonfield, NJ 08002-2220 imegdal@cozen.com	Alex Moreau, DAG Babette Tenzer, DAG Department of Law & Public Safety 124 Halsey Street P.O. Box 45029 Newark, NJ 07102 alex.moreau@dol.lps.state.nj.us babette.tenzer@dol.lps.state.nj.us
Daniel J. Bitonti, Esq. Cozen O'Connor 457 Haddonfield Road P.O. Box 5459 Haddonfield, NJ 08002-2220 dbitonti@cozen.com	Alice Bator, Chief Jacqueline Galka Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 alice.bator@bpu.state.nj.us jacqueline.galka@bpu.state.nj.us

<p>Nnajindu Ugoji Stacey Peterson Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 nnajindu.ugoji@bpu.state.nj.us stacey.peterson@bpu.state.nj.us</p>	<p>Eloisa Flores Andrea Reid Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 eloisa.flores@bpu.state.nj.us andrea.reid@bpu.state.nj.us</p>
<p>Tamara Linde, Esq. Gregory Eisenstark, Esq. Public Service Electric and Gas Company 80 Park Plaza-T8C Newark, NJ 07102 tamara.linde@pseg.com gregory.eisenstark@pseg.com</p>	<p>Victoria Fisher Marcel Moreau Division of Energy Board of Public Utilities Two Gateway Center Newark, NJ 07102 victoria.fisher@bpu.state.nj.us marcel.moreau@bpu.state.nj.us</p>

**South Jersey Gas Company
CIRT Projects Rolled into Rate Base
UPIS Value at June 30, 2010**

Schedule A

Accelerated Main Replacements (in-service at 6/30/2010)	\$24,544,658
24" Malaga-Vineland Pipeline	\$46,160,192
LNG Plant Generator Install	\$2,085,689
Swedesboro Station Upgrades	\$1,003,452
Union Road Regulator Station	\$2,096,201
12" Rio Grande - Wildwood Pipeline	\$3,794,429
Transmission Valve Upgrade	<u>\$1,653,252</u>
Total:	\$81,337,873

**South Jersey Gas Company
CIRT Projects Remaining in CIRT Tracker
Project Value at June 30, 2010**

Schedule B

Accelerated Main Replacements (not in service at 6/30/2010)	\$1,543,500
20" Union Rd. - Rt. 50 Upgrade	\$646,865
10" Atco-Stokes Road Pipeline	\$8,500,250
16" CMCH - Burleigh Pipeline	\$7,100,366
Install H-6 LNG Vaporizer	\$4,874,079
CMCH to Burleigh Station	<u>\$400,035</u>
Total:	\$23,065,095

Schedule C

South Jersey Gas Company
Proposed CIRT Projects Rolled into Rate Base

Woodbine Regulator Station	\$200,000
8 Inch PP Main CR538 to Hollybrook	\$250,303
Rebuild Deepwater Station	\$242,938
LNG Pump Skid	<u>\$3,506,412</u>
Total:	\$4,199,653

Schedule D

**South Jersey Gas Company
Proposed CIRT Projects not In Rate Base**

Upgrade Ocean Heights 8 Inch to 250 MAOP	\$250,000
Regulator Station - Patcong Creek	\$250,000
LNG Tank Underground Heating and Sump Refurb	\$675,000
Rebuild Beckett Meter Station	\$200,000
Replace Harmony Rd 12 scrubber/meter piping	\$300,000
Rebuild Mickelton Station	<u>\$190,000</u>
Total:	\$1,865,000

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Settlement Rates

Component	Amount	Units	Present Rates		Proposed Rates	
			Rate	Revenue	Rate	Revenue
			RSG		RSG	
Residential Service						
Customer Charge	3,838,844	Bills	\$ 7.25	\$ 27,831,619	\$ 8.34	\$ 32,015,959
Distribution Charge	248,823,226	Therms	0.3062	76,189,672	0.4031	100,300,642
Distribution Charge (Air Conditioning)	117	Therms	0.3019	35	0.4031	47
CIP Revenues				10,712,652		
CIRT Revenues				3,393,043		
Total Base Revenues			\$	118,127,022	\$	132,316,649

			GSG		GSG	
General Service (0-100,000 Annual Therms)						
Customer Charge	274,379	Bills	\$ 17.50	\$ 4,801,633	\$ 22.25	\$ 6,104,933
Distribution Charge	93,352,947	Therms	0.2183	20,378,948	0.3192	29,798,261
Distribution Charge (Air Conditioning)	619	Therms	0.2140	132	0.3192	198
CIP Revenues				5,833,483		-
CIRT Revenues				1,272,995		-
Total Base Revenues				\$ 32,287,191		\$ -

			GSG-LV		GSG-LV	
General Service Large Volume (100,000 + Annual Therms)						
Customer Charge	1,894	Bills	\$ 100.00	\$ 189,400	\$ 150.00	\$ 284,100
Demand Charge	18,238	Therms	8.9863	1,528,984	8.000	1,750,848
Distribution Charge	29,969,098	Therms	0.1533	4,594,263	0.1699	5,091,750
CIP Revenues				66,901		-
CIRT Revenues				408,669		-
Total Base Revenues				\$ 6,788,227		\$ 7,126,698

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Settlement Rates

Component	Amount	Units	Present Rates		Proposed Rates	
			Rate	Revenue	Rate	Revenue
			CTS		CTS	
Comprehensive Firm Transportation Service						
Customer Charge	546	Bills	\$ 600.00	\$ 327,600	\$ 600.00	\$ 327,600
Demand Charge	9,645	Therms	22.6286	2,619,034	27.4213	3,173,741
Distribution Charge	28,195,743	Therms	0.0026	73,309	0.0026	73,309
CIRT Revenues				384,487		
Total Base Revenues				\$ 3,404,430		\$ 3,574,650

			LVS		LVS	
Large Volume Service						
Customer Charge	307	Bills	\$ 600.00	\$ 184,200	\$ 900.00	\$ 276,300
Demand Charge	29,140	Therms	10.7096	3,744,933	14.8842	5,204,707
Distribution Charge	93,845,065	Therms	0.0025	234,613	0.0025	234,613
CIRT Revenues				1,279,705		
Total Base Revenues				\$ 5,443,451		\$ 5,715,620

			EGS		EGS	
Electric Generation Service						
Customer Charge	48	Bills	\$ 25.00	\$ 1,200	\$ 25.00	\$ 1,200
Demand Charge	247	Therms	5.175	15,339	6.500	19,268
Distribution Charge (Nov - Mar.)	183,875	Therms	0.0843	15,501	0.0825	15,170
Distribution Charge (Apr - Oct.)	93,581	Therms	0.0543	5,081	0.0525	4,913
CIRT Revenues				1,276		
Total Base Revenues				\$ 38,397		\$ 40,549

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Settlement Rates

Component	Amount	Units	Present Rates		Proposed Rates	
			Rate	Revenue	Rate	Revenue
			EGS-LV		EGS-LV	
Electric Generation Service - Large Volume						
Customer Charge	18	Bills	-	-	180.00	36,880
Demand Charge	2,100	Therms	13.451	338,985	14.5734	367,250
Distribution Charge	3,507,086	Therms	-	-		
CIRT Revenues				47,824		
Total Base Revenues			\$	386,789	\$	406,130

<u>Gas Lights Service</u>		<u>GLS</u>		<u>GLS</u>	
Yard Lights	31 Mantles	5.2790	\$ 1,964	6.1655	\$ 2,294
Street Lights	2,232 Mantles	5.6908	152,422	6.6465	178,020
Total Base Revenues			\$ 154,386		\$ 180,313

TOTAL SYSTEM BASE DISTRIBUTION REVENUES	\$ 166,629,893	\$ 186,263,999
--	-----------------------	-----------------------

<u>Other Revenues</u>		
Special Contracts	\$ 2,690,683	\$ 2,690,683
Service Charges	1,275,700	1,275,700
Total Other Revenues	\$ 3,966,383	\$ 3,966,383

TOTAL SYSTEM INCLUDING OTHER REVENUES	\$ 170,596,276	\$ 189,230,382
--	-----------------------	-----------------------

INCREASE	18,634,106
TARGET INCREASE	18,655,039
Difference	(\$20,933)

SETTLEMENT INCREASE:	42,056,076
Less CIP \$	(16,813,036)
Less CIRT \$	(6,788,000)
TARGET INCREASE \$	18,655,039

South Jersey Gas Company
Service Performance Plan

Call Center

1. Measure: Average speed of answer (ASA)

Benchmark: 80% of calls answered in 30 seconds or less

Definition: Measured in seconds from the time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Includes abandoned calls. Measured monthly, reported quarterly.

2. Measure: Abandoned call percentage (ACP)

Benchmark: 5% or less of calls abandoned

Definition: The number of calls to the IVR system that are terminated by the caller before reaching the selected destinations, whether a department or a representative. Measured monthly, reported quarterly.

3. Measure: Average Speed of Answer (in seconds)

Benchmark: Track and monitor only

Definition: Measured in seconds from the time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Includes abandoned calls. Measured monthly, reported quarterly.

Meter Reading and Billing

4. Measure: % of residential meters read

Benchmark: 95% of meters read

Definition: The percentage of meters actually read on cycle. Measured monthly, reported quarterly.

5. Measure: Billing accuracy

Benchmark: 20 or fewer rebills per 1,000 customers per month

Definition: The number of rebills per 1,000 customers measured as all bills mailed to customers that are later adjusted, cancelled, or re-issued for any performance or reason.

South Jersey Gas Company
Service Performance Plan

Field Operations

6. Measure: Gas leak response time

Benchmark: 95% of calls responded to within 60 minutes

Definition: Leak, odor, and emergency call response measured from the initial customer call to the time qualified personnel arrive at the location to either assess or implement a “make safe” condition.

Exception: Provide a report to the BPU for all calls that are not responded to within 60 minutes, giving the reasons for the delay.

7. Measure: % of service appointments met

Benchmark: 95%+ service appointments met

Definition: The percentage of appointments completed on the day scheduled. Includes appointments for meter installations, disconnects and reconnects, billing investigations, initial and final meter reads. Excludes regularly scheduled meter reads, gas leaks, emergencies, outages, appliance service appointments, and appointments missed by the customer.

Overall Customer Service and Satisfaction

8. Measure: Customer complaints to the BPU

Benchmark: Less than 1 complaint/inquiry per 1,000 customers annually

Definition: The number of verbal or written complaints made to the BPU, not including complaints to SJG, which are measured as an annual average number of complaints per 1,000 customers. The Company also should report complaints by root cause category, such as billing, collections, etc.



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
FAX TRANSMITTAL

DATE: 9/14/10
TIME: 1:55 p.m.

TELECOPIED TO:

Daniel Bitonti, Esq.
(PUC 1598-10)
I-D. Settlement

FAX NO:

856-494-7805

FROM: Jd. Cookson / id

Office of Administrative Law: Newark, Trenton, Atlantic City
OFFICE (CIRCLE ONE)

973-648-6018
TELEPHONE NUMBER

FAX TELEPHONE NUMBER: (Circle One)

(Newark) 973-648-6124 or 973-648-6058
(Trenton) 609-588-3730 or 609-588-6536
(Atlantic City) 609-441-3824

THERE ARE 3 PAGES TO FOLLOW. IF YOU DO NOT RECEIVE ALL OF THE PAGES, PLEASE CALL THE SENDER AT THE TELEPHONE NUMBER LISTED ABOVE. THANK YOU.



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 01598-10
AGENCY DKT. NO. GR10010035

**I/M/O PETITION OF SOUTH JERSEY GAS
COMPANY FOR APPROVAL OF INCREASED
BASE TARIFF RATES AND CHARGES FOR
GAS SERVICE AND OTHER TARIFF
REVISIONS.**

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

Alex Moreau, Deputy Attorney General, for the Staff of the Board of Public Utilities
(Paula T. Dow, Attorney General of New Jersey, attorney)

Felicia Thomas-Friel, Deputy Rate Counsel, for Division of Rate Counsel (Stefanie
A. Brand, Director, attorney)

Record Closed: September 14, 2010

Decided: September 14, 2010

BEFORE GAIL M. COOKSON, ALJ:

On January 15, 2010, South Jersey Gas Company (Company) filed a petition with the Board of Public Utilities for approval of an increase in its base rates and other revisions to its tariff. The file was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F-1 to- 13, on February 5, 2010. A prehearing conference was convened telephonically on March 8,

2010 and a Prehearing Order was entered on March 16, 2010. A supplemental Scheduling Order was entered on May 14, 2010, to establish the revised discovery and pre-filed testimony deadlines agreed upon by the parties. The Company provided public notice of its base rate filing and the opportunity for the public to be heard on the rate increase was held on April 13, 2010, in Voorhees, New Jersey. In addition, Public Service Electric & Gas Company moved to intervene in the rate case pursuant to N.J.A.C. 1:1-16.3, which the parties subsequently agreed should be converted to permit its status as a participant N.J.A.C. 1:1-16.6.

Plenary hearings for the presentation of the pre-filed direct testimony and cross-examination of the witnesses were set down for August 16-20 and 23-27 and September 13 and 15, 2010. Prior to the dates set for the evidentiary hearings, the parties reported that they were in the process of resolving the issues in dispute. Accordingly, and on that basis, I adjourned any plenary hearing dates scheduled during August 2010 but held in abeyance the hearing dates of September 13 and 15, 2010. On September 13, 2010, I received a fully-executed Stipulation of all parties to this matter with a request that I enter an Initial Decision Settlement and transmit same to the BPU. That agreement more completely sets forth the terms and conditions of the settlement of all issues raised by the filing of the Company.

I have reviewed the record and terms of the Stipulation and **FIND:**

- 1 The parties have voluntarily agreed to the settlement as evidenced by the signatures of the parties or their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with law.

I **CONCLUDE** that the Stipulation of Settlement meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the matter be deemed dismissed with prejudice and that these proceedings be and are hereby concluded.

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

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

September 14, 2010
DATE


GAIL M. COOKSON, ALJ

Date Received at Agency:

Date Mailed to Parties:

id

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

**IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY FOR
APPROVAL OF INCREASED BASE TARIFF
RATES AND CHARGES FOR GAS SERVICE
AND OTHER TARIFF REVISIONS**

**STIPULATION OF SETTLEMENT
BPU DOCKET NO. GR10010035
OAL DOCKET NO. PUC01598-2010N**

APPEARANCES:

Ira G. Megdal, Esq., Stacy A. Mitchell, Esq., Daniel J. Bitonti, Esq., Cozen O'Connor,
Counsel for Petitioner South Jersey Gas Company

**Felicia Thomas-Friel, Esq., Deputy Rate Counsel, Judith B. Appel, James W. Glassen, Kurt
S. Lewandowski, Henry M. Ogden and Sarah H. Steindel, Assistant Deputy Rate Counsels,**
for the New Jersey Division of Rate Counsel (**Stefanie A. Brand, Esq., Director**)

**Alex Moreau, Deputy Attorney General, and Cynthia Holland, Deputy Attorney General, for
the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New
Jersey)**

TO: THE HONORABLE GAIL M. COOKSON, ALJ

BACKGROUND

On January 15, 2010, South Jersey Gas Company ("South Jersey", "Petitioner", or "Company") filed with the New Jersey Board of Public Utilities ("Board" or "BPU") a Case Summary, Petition, Testimony and Exhibits (the "Petition") requesting an increase in operating revenues, exclusive of Sales and Use Tax ("SUT"), of approximately \$35.9 million or 7.15% over the current \$501.9 million in combined base rate, Conservation Incentive Program ("CIP") and Capital Investment Recovery Tracker ("CIRT") revenues, adjusted for SUT.

The Company sought an increase in base rates of approximately \$64 million, inclusive of SUT. After the elimination of the SUT, giving effect to the elimination of the current CIRT and CIP charges, which currently produce, respectively, approximately \$7.4 million and \$16.3 million in revenues, the proposed net revenue increase became approximately \$35.9 million.

In the Petition, South Jersey proposed a test-year ending June 30, 2010. The Petition as originally filed was based upon three months of actual and nine months of estimated data. As the case progressed, the estimated data were replaced by actual data, and on July 30, 2010, the Company filed its update consisting of twelve months of actual data. The net revenue increase became approximately \$41.9 million in this 12 Month Update.

On January 27, 2010, this proceeding was transmitted by the Board to the Office of Administrative Law ("OAL") as a contested case. The matter was assigned to Administrative Law Judge Gail M. Cookson. On March 8, 2010, a prehearing conference was conducted by Judge Cookson and on March 17, 2010 Judge Cookson issued a prehearing order establishing procedures and hearing dates for the conduct of this case.

The parties to this case are Petitioner, the Division of Rate Counsel ("Rate Counsel") and the Staff of the Board ("Staff"). Public Service Electric and Gas Company ("PSE&G") filed a motion to intervene on March 24, 2010. The parties subsequently agreed that PSE&G should be allowed participant status on the issues of consolidated taxes, incentive compensation, and pensions, and, by Order of Participation dated April 15, 2010, PSE&G was granted participant status accordingly under N.J.A.C. 1:1-16.6(c). No other parties sought leave to intervene.

Pursuant to appropriate notice in newspapers of general circulation within South Jersey's service territory, and the serving of notice upon affected municipalities and counties within the Company's service area, two public hearings were held in Voorhees, New Jersey on April 13, 2010.

Discovery involving over 660 requests, many with multiple parts, was answered by the Company. An on-site inspection and discovery conference was held at the Company's offices in Folsom, New Jersey on May 5, and May 6, 2010. During these conferences the Company was asked, and answered numerous discovery questions, both orally and in writing.

Initial direct and supplemental direct testimony was filed by the Company. Rate Counsel also filed testimony.

Evidentiary hearings were scheduled for August and September, 2010. Prior to the commencement of such hearings, the parties conducted meetings to discuss settlement, and as a result, this Stipulation of Settlement was agreed upon by the parties. As a result of those settlement conferences, the undersigned parties **AGREE AND STIPULATE AS FOLLOWS:**

The parties agree that South Jersey's revenues from base rates should be increased by \$45 million, effective for service rendered on and after October 1, 2010, or on such other date as the Board deems appropriate. The \$45.0 million is inclusive of SUT. It also includes \$16,613,036 of revenues (exclusive of SUT) previously recovered through the CIP and \$6,788,000 of revenues (exclusive of SUT) previously recovered through the CIRT. The rate base utilized to derive the \$45 million includes certain CIRT projects which the Company had proposed be rolled into rate base in this case. When considering the roll in of CIRT related revenue and CIP related revenues, the net increase in revenues amounts to \$18,655,038, excluding taxes. The parties agree that an appropriate return on common equity for this Settlement is 10.3%. The parties agree that an appropriate overall rate of return based upon a return on common equity of 10.3% is 8.21% with a 51.2% common equity component. The percentage of total debt in the capital structure (i.e., short-term debt plus long-term debt) shall be 48.8%. As a result of this Settlement, after giving effect to the partial roll-in of the CIRT and the roll-in of the CIP described above, the typical residential sales service customer, using 100 therms of gas during a winter month, will receive an increase of \$5.79 or 4.1% on their monthly bill from \$142.56 to \$148.34. The average residential heating customers using 804 therms annually will receive an increase of \$51.15 or 4.3% in their annual energy costs.

2. In Docket No. GO09010051, the Board on April 28, 2009 issued an Order approving the implementation of South Jersey's CIRT. That Order included a list of projects which are "Qualifying Projects" for inclusion in the CIRT. South Jersey proposed to roll certain of those projects out of the CIRT, and into rate base in this case. Attached hereto as Schedule A is a list of all Qualifying Projects which are being rolled into rate base by virtue of this Stipulation of Settlement.

3. Attached hereto as Schedule B is a list of those "Qualifying Projects" which are not being rolled into rate base as a result of this Stipulation of Settlement. Those projects will remain in the CIRT, and will be subject to review in Phase II of this proceeding.

4. The parties agree that on or about July 1, 2011, or a different agreeable date, a Phase II of this proceeding will commence in accordance with the terms of the Stipulation and Board Order in BPU Docket No. GO09010051. It will be commenced by a notice to Rate Counsel and Staff from the Company, to the effect that South Jersey requests completion of a review of all its CIRT Qualifying Projects. To the extent that it is determined by the Board that the projects reviewed in Phase II are Qualifying Projects, prudent in nature, and the costs thereof are likewise prudent, the Company shall be permitted to increase base rates to recover a return of and return on its investment as a result of the order emanating from the Phase II proceeding. The CIRT rate and tariff may terminate pursuant to the Board's Order in Docket No. GR09110907.

5. In Docket No. GR09110907, by a Petition filed November 6, 2009, the Company requested authorization to increase its CIRT program by approximately \$10 million, reflecting certain projects that had not been determined to be Qualifying Projects, in the Board's Order of December 17, 2009 in Docket No. GO09050051. Of this amount \$4,199,653 has been included in rate base in this case, and the underlying projects are listed in Schedule C, attached hereto.

Schedule D addresses the balance of the projects. This Stipulation does not address those projects listed on Schedule D, which will be addressed in Docket No. GR09110907.

6. The parties agree that the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in South Jersey's current CIP tariff must be updated in order to align these aspects of the CIP with the BPU's approval of new rates in this proceeding. The new Margin Revenue Factors will be:

Group I (RSG non-heating):	\$0.4031 per therm
Group II (RSG heating):	\$0.4031 per therm
Group III (GSG):	\$0.3192 per therm
Group IV (GSG-LV):	\$0.1699 per therm

The new BUC will be as follows for each customer class:

	Group I: RSG <u>Non-Heating</u>	Group II: RSG <u>Heating</u>	Group III: <u>GSG</u>	Group IV: <u>GSG-LV</u>
<u>Month</u>				
Oct.	10.6	36.7	239.1	11,848.3
Nov.	14.8	79.6	302.9	19,672.2
Dec.	16.8	129.6	706.6	26,311.9
Jan.	18.4	162.7	740.1	30,164.5
Feb.	15.7	135.3	630.0	27,515.6
Mar.	19.7	104.8	481.2	23,359.7
Apr.	10.9	50.5	229.4	15,855.1
May	15.1	30.7	145.8	8,605.6
Jun.	11.2	14.7	120.6	6,753.3
Jul.	13.6	17.9	142.2	5,684.7
Aug.	16.6	23.2	182.0	8,448.2
Sep.	<u>8.7</u>	<u>17.9</u>	<u>143.2</u>	<u>5,991.8</u>
Total Annual	172.1	803.6	4,063.1	190,210.9

The parties agree that the rate increase set forth earlier in this Stipulation reflects an amortization of the following balance sheet accounts for periods not exceeding 36 months:

Deferred Expense A: Rate Case Expense

Deferred Expense B: Liberty Energy Competition & Management Audit Costs

Deferred Expense C: Gas Supply Hedging Program Audit

Deferred Expense D: Deferred Pipeline Integrity Management ("PIM") Costs

Deferred Expense E: Deferred Rockford Eclipse ("RE") Valve Costs

7 The rates established in this Stipulation embrace the amortization of a \$184,500 call premium on the retirement of Petitioner's 8.6% Unsecured Debenture Note retired in February 2005. This premium is being amortized over the life of the replacement long-term debt (6.213% First mortgage Bond Series, due 2034).

8. The rates established in this stipulation provide for continued deferred accounting treatment for unrealized gains and losses resulting from mark-to-market accounting requirements on the two (2) interest rate swaps on the Company's books at June 30, 2010. Further, any realized gains or losses resulting from an early termination of the swaps will be deferred until Petitioner's next base rate case.

9. South Jersey withdraws its request for a reliability tracker and the components of the reliability tracker.

10. The parties stipulate that the Company's current composite depreciation rate will remain unchanged at 2.24%. This rate is prior to the return to customers of "Non-Legal Asset Retirement Obligations" of \$48,665,855 at \$1,216,646 per year over a forty (40) year period, which Petitioner will recognize as a regulatory liability, and record it to account number 254-Other Regulatory Liability.

The parties further stipulate that by virtue of the proposed methodology change with respect to Non-Legal Asset Retirement Obligations, the Company will be made whole for actual future cost of removal. For example, in the event of an unforeseen retirement where the prudently-incurred net negative salvage is in excess of the Non-Legal Asset Retirement Obligations balance on the Company's balance sheet, the Company would not be required to absorb a loss for the amount of the net negative salvage in excess of the balance sheet balance.

It should be understood that nothing contained herein will alter the provision of the Stipulation in Docket No. GR03080683, In the Matter of the Petition of South Jersey Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service and Other Tariff Revisions, that Petitioner will continue to record an annual net negative salvage allowance of \$1,416,816. This amount along with ongoing net salvage amounts incurred shall be charged to Account No. 254 as a regulatory liability.

11. The parties to this Stipulation agree that the revenue increase set forth earlier in this Stipulation of Settlement reflects an adjustment to rate base due to the filing by South Jersey Industries of a consolidated federal income tax return.

12. Relative to Rockford Eclipse valves, the parties recognize that the Company has commenced litigation against certain parties in the United States District Court for the District of New Jersey in Docket No. 1:09-cv-04194-RBK-JS. The net proceeds of this litigation, if any, shall be deferred by the Company, and returned to customers in the Company's next base rate case.

13. Concerning federally mandated transmission and distribution Pipeline Integrity Management programs, the Company, commencing October 1, 2010, may defer all costs incurred in connection with such programs on its books, and may recover all such prudently

incurred costs and related carrying charges in its next base rate case proceeding, subject to review by the Board. The Company will book carrying charges currently at the Company's SBC interest rate. The Company hereby withdraws its petition in Docket No. GO05100879.

TARIFF AND RATE DESIGN ISSUES

14. The parties stipulate that SJG's proposal regarding Special Provision (9) of Rider A to reduce the Monthly Threshold from 5,000 to 3,000 therms of annualized usage, applicable to all non-residential customers will be addressed in SJG's 2010-2011 BGSS proceeding.

15. The stipulation entered into by the parties in January 2010 in Docket No. GR05121019, contained the following provision:

The Parties agree that reductions in customer usage provide opportunities to reduce peak-related demand costs and to utilize lower cost commodity supplies. As such, BGSS savings will offset any recovery of non-weather related margins through the CIP Tariffs. In each Company's next base rate proceeding, any Party may assert that all or a portion of pre-existing BGSS savings are ineligible to offset a post-rate case Recovery of Deficiency; provided, however, any Party may assert that pre-existing BGSS savings will be eligible to offset post rate case CIP surcharges to the extent such cumulative savings exceed each Company's cumulative total non-weather CIP surcharges, calculated since the implementation of the CIP in October 2006. It is the intent of this provision to ensure that each Company continues to maximize opportunities to reduce peak-related demand costs and to utilize lower cost commodity supplies, with further reductions in customer usage.

The parties in Docket No. GR10010035 stipulate and agree that the issue set forth above from the January 2010 stipulation in Docket No. GR05121019 will be addressed in SJG's 2010-2011 CIP proceeding.

16. The parties stipulate and agree that the revenue allocation and rate design shown in Schedule E are appropriate.

17. Concurrent with the implementation of the base rates stipulated to and agreed herein, the CIRT rate will be reduced from its current level of \$.0224 per therm, including taxes to \$.0044 per therm, including taxes, which reflects the roll-in of the CIRT projects listed in Schedule A.

18. The parties agree that the Company will add Rate Schedule Natural Gas Vehicle (NGV) to its tariff. This rate schedule is reflected at Tariff Sheet No. 66 in Schedule F. Rate Schedule NGV will contain a distribution charge of \$.1047 per therm (excluding SUT), a graduated customer charge based on customer usage (as applicable), and a compression charge of \$.53 per therm (excluding SUT) as applicable. Rate Schedule NGV will be subject to a full review in the Company's next base rate case. Provided, however, that neither the principle of gradualism nor any other similar principal shall be employed by any party to oppose adjusting the NGV rate to recover its full cost of service in the next South Jersey base rate case.

The Company agrees to provide, in the interim, an annual report to the parties regarding rate NGV. The annual report will commence once the Company has added a customer to this rate schedule. The report will contain number of customers, projected annual usage per customer and actual usage per customer.

19. Attached hereto as Schedule F are tariffs reflecting a number of changes agreed upon by the parties to this case. The Reconnection, Return Check, and Field Collection charges are unchanged. The parties agree to recommend that the Board approve these tariffs by its Order approving this Stipulation of Settlement.

CUSTOMER SERVICE METRICS

20. The parties stipulate and agree that the Petitioner shall file with the Secretary of the Board and provide copies to the Director of the Board's Division of Customer Assistance, the Director of the Board's Division of Energy and the Director of Rate Counsel quarterly reports containing the following eight (8) customer service metrics which metrics will be measured on a monthly basis:

- a) Average Speed of Answer, with a benchmark of eighty percent (80%) of telephone calls answered in thirty (30) seconds from time customer asks for a customer service representative and the customer service representative answers the telephone;
- b) Abandoned Call Percentage, with a benchmark of five percent (5%) or fewer telephone calls abandoned;
- c) Speed of Customer Representative Response in Seconds, Benchmark: Track and monitor average time in seconds it takes for a customer to reach a customer representative;
- d) Percentage of meters read on cycle, with a benchmark of ninety five percent (95%);
- e) Customer Rebills, with a benchmark of 20 or fewer rebills per one thousand (1000) customers;
- f) Gas Leak/Odor Response Time, with a benchmark of ninety five percent (95%) of gas leak/odor telephone calls responded to within sixty (60) minutes with actual response time and reason for delay if response exceeds 60 minutes;
- g) Service appointments met with a ninety five percent (95%) benchmark for the following categories: meter installation, service

disconnects and reconnects, billing investigation, initial and final meter reads; and

- h) Board Complaints, with a benchmark of less than one (1) complaint to the Board per thousand (1,000) customers annually.

Schedule G, annexed hereto and incorporated herein by reference, sets forth the specific detail on these customer service metrics.

Prior to issuance of the quarterly report, the Company agrees to meet with Rate Counsel and Board Staff to discuss the contents of the report. The quarterly reporting will begin after the first quarter of 2011, and will include data for the last quarter of 2010 and first quarter of 2011. The quarterly report will be filed within thirty days after the end of each quarter. Nothing herein precludes the parties from later agreeing to discontinue quarterly reporting in lieu of annual reporting. The parties further agree to meet no later than March 31, 2011 to assess the progress of the Company in meeting the above-mentioned benchmarks.

21. The parties stipulate and agree that the benchmarks set forth in Paragraph ~~19-20~~ are guidelines that the Petitioner will strive to achieve by December 2011. If the Petitioner does not meet these benchmarks, neither Staff nor Rate Counsel shall request that the Board penalize or fine Petitioner for its failure to meet these benchmarks.

MISCELLANEOUS

22. The undersigned parties hereby agree that this Settlement has been made exclusively for the purpose of this proceeding and that this Settlement, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of the Settlement.

23. The undersigned parties agree that this Settlement contains a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and

approved in its entirety. In any event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, or modified by the Board, each party that is adversely affected by the modification can either accept the modification or declare this Settlement to be null and void, and the parties shall be placed in the same position that they were in immediately prior to its execution.

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

25. It is specifically understood and agreed that this Settlement represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the undersigned parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The undersigned parties further agree that this Settlement is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement.

26. **WHEREFORE**, the undersigned parties respectfully submit this Settlement to the Presiding Administrative Law Judge and Board of Public Utilities and request (1) the Presiding Administrative Law Judge to issue an Initial Decision approving this Settlement in its entirety in accordance with the terms contained herein, and (2) the BPU approve this Settlement, in its entirety in accordance with the terms contained herein through an order on all rate and tariff issues with a separate order to follow on rolling in the remaining CIRT projects identified in Schedule B, attached hereto, that will be subject to final review in Phase II of this proceeding.

SOUTH JERSEY GAS COMPANY

By: Ira G. Megdal
Ira G. Megdal, Esq.

Dated: 9/14/10

**STEFANIE A. BRAND, ESQ., DIRECTOR,
DIVISION OF RATE COUNSEL**

By: _____
Stefanie A. Brand, Esq.

Dated: _____


**PAULA T. DOW, ATTORNEY GENERAL
OF NEW JERSEY**

**Attorney for the Staff of the Board of Public
Utilities**

By: _____
Alex Moreau, DAG

Dated: _____

SOUTH JERSEY GAS COMPANY

By: 
Ira G. Megdal, Esq.

Dated: 9/14/10

**STEFANIE A. BRAND, ESQ., DIRECTOR,
DIVISION OF RATE COUNSEL**

By: _____
Stefanie A. Brand, Esq.

Dated: _____

**PAULA T. DOW, ATTORNEY GENERAL
OF NEW JERSEY**
Attorney for the Staff of the Board of Public
Utilities

By: 
Alex Moreau, DAG

Dated: 09/14/10

SOUTH JERSEY GAS COMPANY

By: Ira G. Megdal
Ira G. Megdal, Esq.

Dated: 9/14/10

**STEFANIE A. BRAND, ESQ., DIRECTOR,
DIVISION OF RATE COUNSEL**

By: Stefanie A. Brand
Stefanie A. Brand, Esq.

Dated: 9/14/10

**PAULA T. DOW, ATTORNEY GENERAL
OF NEW JERSEY**
Attorney for the Staff of the Board of Public
Utilities

By: _____
Alex Moreau, DAG

Dated: _____