Agenda Date: 07/01/09
Agenda Item: 2H

STATE OF NEW JERSEY

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

<u>DIVISION OF ENERGY &
OFFICE OF CLEAN ENERGY</u>

IN THE MATTER OF ENERGY EFFICIENCY PROGRAMS AND ASSOCIATED COST RECOVERY MECHANISMS	)	DECISION AND ORDER APPROVING STIPULATION DOCKET NO. EO09010056
IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF ENERGY EFFICIENCY PROGRAM ("EEP) WITH AN ASSOCIATED ENERGY TRACKER ("EET") PURSUANT TO N.J.S.A. 48:3-98.1; AND TO MODIFY RATE SCHEDULE EGS-LV	)	DOCKET NO. EO09010059

(SERVICE LIST AND STIPULATION ATTACHED)

BY THE BOARD:

<u>Background</u>

In response to the worldwide economic downturn, in October 2008, Governor Jon Corzine announced a plan to help New Jersey weather the turbulence and lay a foundation for a long-term economic recovery. The plan was intended to directly support employment and economic activity in the short term, and to enhance the State's business climate and economic prospects in the long term.

As part of the plan, the Governor called upon New Jersey's electric and gas utilities to invest $500 million in utility energy efficiency programs for residential and business customers through 2009. Less than a week later, the New Jersey Energy Master Plan ("EMP") was released.[1] The EMP set a goal of reducing energy consumption by 20 percent by 2020, and determined that one of the methods to achieve that goal is a transition of energy efficiency programs to the utilities. Board Staff ("Staff") then held a series of meetings with representatives of the seven electric and gas utilities, the New Jersey Utilities Association ("NJUA"), and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") to explore the design of short-term large-scale investments by the utilities to improve energy efficiency. The discussions focused on designing investments that would: use the EMP's "whole building" approach to

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[1]The Energy Master Plan is available at http://www.nj.gov/emp/docs/pdf/081022_emp.pdf (accessed June 30, 2009).

identify all cost-effective energy measures in a comprehensive audit of a building, and then implement as many of them as possible; support the future transition of the New Jersey Clean Energy Program ("NJCEP") to the utilities; avoid overlap between customers targeted by the utilities' programs and customers targeted by the NJCEP; and foster job creation.

In the course of these meetings, the participants recognized that the amount of money that utilities could invest in energy efficiency in one year depended in part on matters outside the control of the utilities and the New Jersey Board of Public Utilities ("Board"), such as the desire of energy customers to participate in programs to improve the efficiency of their buildings and equipment. The energy efficiency petitions ultimately filed by the seven utilities sought approval for programs with investments totaling approximately $305 million, with the programs in some cases extending into a second year. These investments are in addition to the $956 million in accelerated capital improvements and investments that the Board approved for five of New Jersey's major energy utilities in April 2009. Evidence presented to the Board indicated that the overall accelerated infrastructure programs would create about 1,300 direct jobs in the private sector – without the use of additional government funding. As discussed below, the Board is reviewing the energy efficiency proposals not only to ensure that, if properly executed, they further the EMP's energy efficiency goals, but that they also create jobs to strengthen the local economy.

SJG ENERGY EFFICIENCY ECONOMIC STIMULUS PETITION

On January 26, 2009, pursuant to N.J.S.A. 48:3-98.1, South Jersey Gas Company ("SJG" or "Company") filed a petition with the Board. On February 18, 2009, Staff notified SJG that the filing was determined to be administratively complete.[2]

In the filing, SJG requested approval to implement an Energy Efficiency Program ("EEP") consisting of 5 energy efficiency programs with a total investment of approximately $17 million over a two year period. According to the petition, these projects have been designed to complement or supplement the existing NJCEP. The Company also asserted that these projects were geared toward encouraging customers to reduce their overall energy usage as well as create additional jobs in the energy efficiency market.

The petition proposed the following EEP:

1. Enhanced Residential HVAC Rebate Program
2. Residential Home Performance Finance and Energy Improvement Plan
3. Commercial Customer Direct Install Financing Program
4. Non-residential Efficiency Investment Program
5. Combined Heat and Power and Distributed Generation ("CHP") Technology

[2] N.J.S.A. 48:3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Board Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day. I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day period for a Board determination commenced on January 26, 2009.

With regard to cost recovery, SJG proposed recovery of all revenue requirements associated with the EEP through an energy efficiency tracker ("EET"), which would consist of two parts. One part would earn a return on the EEP costs and recover the amortization of the regulatory asset ("RA") over 4 years. The other part of the EET would recover incremental operating and maintenance ("O&M") expenses associated with the EEP. SJG also requested that the return on its RA be set equal to the Weighted Average Cost of Capital ("WACC") utilized in the Company's most recent base rate case.

In its petition, the Company estimated that implementation of the EEP would create 142 direct jobs. The Company originally employed a definition of one full-time equivalent ("FTE") job as 2,080 hours of work per year. The Company subsequently revised the definition of a full-time equivalent job to 1,820 hours of work annually based upon requests from Staff and Rate Counsel, resulting in a revised estimate of 163 direct full-time jobs. [3]

By Order dated February 19, 2009, the Board retained this matter for review and hearing and, as authorized by N.J.S.A. 48:2-32, designated President Jeanne M. Fox as the presiding officer who was authorized to rule on all motions that arise during the proceeding and modify any schedule(s) that may be set as necessary to secure just and expeditious determinations in this matter. Subsequently, on February 25, 2009, President Fox issued an Order setting the procedural schedule in this matter.

After notice in newspapers in general circulation within the service territory, two public hearings were held on March 3, 2009, in Flemington, New Jersey and two hearings on March 4, 2009 in Voorhees, New Jersey. No member of the public appeared at any public hearing.

Motions to intervene were filed by the New Jersey Large Energy Users' Coalition ("NJLEUC") dated February 24, 2009 and by the Natural Resources Defense Council ("NRDC") on March 30, 2009. By Orders dated March 27, 2009 and April 28, 2009, President Fox granted intervention to NJLEUC and NRDC, respectively.

Discovery requests in this matter were propounded by Board Staff and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), which were responded to by the Company.

THE PROPOSED STIPULATION

SJG, Rate Counsel, Staff and NJLEUC actively participated in settlement negotiations. NRDC did not actively participate in the settlement negotiations. SJG, Rate Counsel, and Staff (collectively, the "Signatory Parties") agreed to certain modifications of the proposed programs and cost recovery mechanism, and executed a stipulation ("Stipulation") on June 29, 2009. NJLEUC participated in the negotiations, but did not sign the Stipulation. The comments of NRDC and NJLEUC are discussed later in this Order.

A summary of some of the key provisions of the Stipulation follows:[4]

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[3]The original 2,080 work hours per year reflects a 40 hour work week for 52 weeks per year. Through discovery and technical meetings, the 1,820 hours was agreed upon by Staff, Rate Counsel, and the Company to account for employee leave time. The 1,820 hours reflects a 40 hour work week for 45.5 weeks per year.

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

The EEP

SJG represents that the energy efficiency projects identified in Appendix A will assist the Company in providing safe, adequate and proper service to its customers and are geared toward encouraging customers to reduce their overall energy usage in support of New Jersey's Energy Master Plan and will create jobs in support of Governor Corzine's Economic Stimulus Plan. The Company anticipates that the work associated with the EEP will generate approximately 163 incremental jobs in its service territory, The Company asserts that the estimate of the workforce necessary for the EEP does not include any ancillary job impacts that will increase the overall benefits generated from the EEP. The Company agrees that it will endeavor to employ contractors and engineering firms located in New Jersey.

Appendix A of the Stipulation contains a description of each energy efficiency project; the target market and customer eligibility requirements; the offerings and customer incentives; the delivery methods; the anticipated job creation estimates; the contracts; a description of the marketing initiatives; and a description of how each project complements or supplements the existing NJCEP. The Signatory Parties stipulated that the Board should approve on an interim basis, subject to refund, cost recovery for the EEP identified in Appendix A through the implementation of an EET charge, subject to a prudency review in the Company's Annual EET Filing. The total EEP budget for which approval is sought is $17,118,275.

Cost Recovery Mechanism

The Parties have agreed that the recovery of revenue requirement for the EEP through the EET will be effected through a deferred accounting mechanism and will consist of two parts: one part will earn a return on the unamortized portion of program investments, excluding the CHP Program, and the amortization of the program investments over four years; the other part will recover incremental O&M expenses associated with the EEP. The Company will forgo its right to earn a return upon the rebate associated with the CHP program until its next base rate case. These expenditures will be subject to a revenue factor approved in the Company's most recent base rate case adjusted for the subsequent change in the New Jersey Sales and Use Tax ("SUT") and the elimination of the Corporate Business Tax and Federal Income Tax. The revenue factor as set forth in Appendix B of the Stipulation is 1.0858. The Parties have further agreed that the return on the unamortized portion of program investments will be equal to the Board approved Weighted Average Cost of Capital ("WACC") utilized to set rates in the Company's most recent base rate case Docket No. GR03080683, which is 7.97% (11.20% including income tax). The WACC will be modified to reflect the Board-approved WACC used to set rates in subsequent South Jersey's base rate cases. The Parties have agreed that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations. The Parties have further agreed that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over- and under-recoveries until the date of the next scheduled annual true up, but in any event, no later than October 1 of the subsequent year.

The Parties have also agreed that the initial revenue requirement of $1,345,084 and resulting EET rate of $0.0024 per therm, including SUT, have been calculated utilizing projected EEP investments and incremental O&M expenses, as divided by applicable projected therm sales for the 12-month period commencing after the Board issues its Order, subject to annual adjustments. The monthly over and under recovery calculation will be based upon actual revenues billed under the EET mechanism applied against the monthly revenue requirement of the EET. A monthly interest will be calculated on net over and under recoveries based on the Company's monthly weighted interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized, the weighted average of both sources of capital shall be used. The interest rate shall not exceed SJG's overall rate of return as in the Board-approved WACC in the Company's most recent base rate case. The interest amount charged or credited to the EET and the monthly over and under recoveries will be computed using the methodology set forth in Appendix C of the Stipulation. The annual revenue requirement calculation will follow the methodology set forth in Appendix B of the Stipulation.

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

The Parties have stipulated that the Company will file an annual petition ("Annual Filing") to adjust its EET rate on a calendar basis, with copies provided to the Parties, in June with a proposed implementation of the revised EET rate in October. Each Annual Filing will contain projected EET costs and recoveries and actual revenue requirements for the prior period, a forecast of revenue requirements for the upcoming 12-month period, any fund transfers between the energy efficiency projects and modifications to same, as well as the items set forth in the minimum filing requirements ("MFRs") set forth in Appendix D of the Stipulation. The Annual Filing shall be made available to other parties to the Stipulation, as well as any other interested members of the public, through the prompt posting of all non-confidential portions of those filings on the Company's web site.

Program and Budget Modifications

Based on market response, the Parties have agreed that the spending on the EEP or any energy efficiency project may be accelerated and completed sooner than the proposed period. To provide flexibility in responding to market conditions and customer demand, the Parties have also agreed that any individual project under-spending may be carried over from 2009 into 2010. The Company may not carry over such under-spending past December 31, 2010, without Board approval. In addition, after January 1, 2010, the Company may transfer program funding between energy efficiency projects or modify energy efficiency projects during the term of the EEP, subject to the following: the Company will submit to the Signatory Parties, a written description of the proposed transfers or modification, the rationale for the proposed transfers or modification, and a narrative and schedules showing the effect of the proposed transfers or modification on the costs and benefits of the affected projects. No proposed transfers shall be made until at least sixty (60) days after this description has been submitted to the Signatory Parties; and if any Signatory Party objects in writing to one or more proposed transfers within forty-five (45) days after the Company has submitted the required information to the Signatory Parties, then no transfer will take effect until after the Board has approved the transfer. With regard to any proposed modification to an energy efficiency project, the Company will request Board approval if no objections to the proposed modification are received from the Signatory Parties within forty-five (45) days. Board Staff will advise the Board of all proposed transfers of EEP funding between energy efficiency projects. Board approval will be required when proposed transfers in the aggregate (i) increase or decrease any energy efficiency project's budget by more than 20 percent, or (ii) involve more than 10 percent of the program's budget. For any proposed transfer which does not require Board approval under the parameters described in the preceding sentence, if there has been no objection to the proposed transfer and no notification from Staff indicating that a commissioner wants the Board to review the proposed transfer, then a Secretary's letter will be issued permitting the Company to make the requested transfer. The Company will also report on this acceleration and modifications in its Annual Filing and monthly reporting.

Minimum Filing Requirements

The Company will provide the information set forth in the MFR attached to the Stipulation as Appendix D, in its Annual Filing. The Company will also provide in each filing a detailed description of the expenditures that are reflected in the EEP in Appendix A of the Stipulation.

Rate Design

The Parties have agreed that rate recovery through the EET rate will be non-bypassable except as provided in the Board's Order in the Company's 2003 base rate case, BPU Docket No. GR03080683, and implemented on a volumetric basis (equal charge per therm applied to throughput of all customer classes). The calculation of the initial EET rate is set forth in Appendix B of the Stipulation.

Monthly Reporting

The Company will provide the Board and Rate Counsel with a monthly report ("Monthly Activity Report") on program activity and estimated impacts in a format consistent with that used in the NJCEP through December 2010, or such a later date as the Board approves for the end of the program. Each Monthly Activity Report will be submitted within 30 days after the end of the reported calendar month.

The Company will also include in the monthly report any energy efficiency project modifications and fund transfers between energy efficiency projects, and the job creation data, which include the number of full-time equivalents that the Company hires to perform work associated with the EEP, and the number of FTE employees that entities under contract with the Company to perform work associated with the Company's EE program have hired to perform such work. The Parties have agreed that the reporting of job creation in the monthly report will be in the format contained in the Job Creation Questionnaire, attached to the Stipulation as Appendix F. For the purpose of reporting jobs associated with the Company's EEP, FTE employees means one or more individuals collectively working a total of 1,820 hours annually in connection with the Company's EEP.

Program Evaluation

Based on the Company's data and analyses performed by Rutgers Center for Energy, Economic and Environmental Policy ("CEEEP") on June 18, 2009, the proposed EEP appear to be cost effective and consistent with the Governor's Economic Stimulus Plan. The Parties have agreed that subsequent evaluation of all energy efficiency programs will include Cost/Benefit analysis, including a Participant Cost Test ("PCT"), Program Administration Cost Test ("PAC"), Ratepayer Impact Measure ("RIM"), Total Resource Cost ("TRC"), and Societal Cost Test ("SCT"). The Board will retain CEEEP to perform the evaluation using a methodology consistent with the methodology used and provided to the NJCEP by CEEEP. A sub-contractor may be retained by CEEEP in performing the Impact Evaluation. CEEEP will follow its internal procurement process in retaining such subcontractor in accordance with the terms of the contract between CEEEP and the Board.

Job Creation

As previously stated, the Company anticipates that the work associated with the EEP will generate approximately 163 incremental jobs in its service territory, The Company asserts that the estimate of the workforce necessary for the EEP does not include any ancillary job impacts that will increase the overall benefits generated from the EEP. The Company agrees that it will endeavor to employ contractors and engineering firms located in New Jersey

The Company also agrees to conduct the following program activities to support and promote the Green Job Training Partnership Program ("GJTP") of the New Jersey Department of Labor and Workforce Development ("LWD"):

(a) Promote awareness and enhanced participation of the GJTP by providing information from LWD about the GJTP to all contractors located within the Company's service territory who are listed in the NJCEP Home Performance with Energy Star program and are certified by the Building Performance Institute ("BPI").

(b) Coordinate and conduct at least two outreach meetings each year, inviting all contractors listed in the NJCEP Home Performance with Energy Star program that are BPI certified, and are at a minimum located within the Company's service territory.

(c) Serve on at least one GJTP Employer Council.

(d) Advise all contractors listed in the NJCEP Home Performance with Energy Star program that are BPI certified and are at a minimum located within the Company's service territory of the benefits of participating on the appropriate GJTP Employer Council.

(e) Post information on the Company's website regarding the GJTP and a link to LWD's website at http://lwd.dol.state.nj.us/labor/employer/training/Apprenticeship.html

(f) Post all vacancies for New Jersey-based jobs through the local One-Stop Career Center at http://lwd.dol.state.nj.us/labor/wnjpin/findjob/onestop/services.html

(g) Inform, in writing, all GJTP grantees of all New Jersey-based entry-level job vacancies within the Company, including positions relating to energy efficiency occupations.

Tariff Provisions for Combined Heat and Power Distribution ("CHP") Technology

The Parties have stipulated that SJG's Electric Generation Service-Large Volume ("EGS-LV") Rate Schedule shall be amended to remove the limitation regarding the five-year term agreements between SJG and CHP customers.

Government Funding

On February 17, 2009, the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits directly related to Energy Efficiency Projects through the ARRA, the Company has agreed to utilize that money to offset the EEP costs. If funding or credits from the ARRA or any subsequent state or federal action become available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, the Company has also agreed that any such funds or credits directly applicable to work related to the EEP will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law. The Parties have agreed that in no case shall the combination of the federal ARRA funding, the NJCEP incentive funding, and the incentives provided as part of this approved program fund 100% of a project's costs through a rebate or other direct incentive. This shall not include any financing incentives. If it is determined that such a project would be funded through 100% rebates or initiatives, the Parties agree that, subject to any restrictions in the ARRA and other applicable law, incentive funding approved as part of this program shall be reduced to bring the total rebates and incentives under 100% of the program costs.

NJLEUC Proposals

NJLEUC has proposed three alternative provisions for large commercial and industrial ("C&I") customers: an opt-out provision to allow a large C&I customer to opt out of a utility-sponsored energy efficiency program based on the customer's investments or plans to invest in energy efficiency measures of its own; a surcharge phase-out provision to establish usage-based tiers with the surcharge amount decreasing as consumption increases; and a hard cap provision to place an annual cap on charges payable by large C&I customers for the utility-sponsored energy efficiency programs.

The Parties have stated their support for the establishment of a separate, generic Board proceeding to address the NJLEUC proposals. This statement of support for a generic proceeding does not represent the expression of a position by any party to this Stipulation with respect to the merits of any of the NJLEUC proposals. Aside from this statement of support, the Parties reserve all of their rights in any subsequent proceeding to take any position they deem appropriate, to make any arguments they deem appropriate, to offer any alternative proposals, or to seek to expand the scope of a proceeding.

COMMENTS OF OTHER PARTIES

New Jersey Large Energy Users Coalition

By letter dated June 30, 2009, NJLEUC stated that it does not oppose the Stipulation based on the compromise expressed in the Stipulation by which Staff and Rate Counsel state their support for a separate, generic Board proceeding to address NJLEUC's proposals regarding costs to large C&I customers for utility-sponsored energy efficiency programs. NJLEUC expresses its anticipation of a commitment from the Board to provide this generic proceeding. NJLEUC also notes its concern that the proposed cost recovery mechanism would recover a portion of the Program's cost from large C&I customers but that these customers but cannot, according to NJLEUC, participate in the proposed energy efficiency programs.

NJLEUC requests that the Board indicate its intent, either orally or in its Order upon the Stipulation, to establish the proceeding NJLEUC proposes. In addition, NJLEUC urges the Board to direct Staff to convene all interested parties to determine a procedural framework for this proceeding and, since such a proceeding would relate to a petition filed under RGGI, to conduct it pursuant to the 180-day framework set out in N.J.S.A. 48:3-98.1.

Natural Resource Defense Council

NRDC neither supports nor opposes the Stipulation of Settlement but states its support for efforts to further both Governor Corzine's economic stimulus plan and New Jersey's Energy Master Plan by reducing overall energy usage and creating jobs in its service territory. NRDC further states its belief that creating a sustainable clean energy economy involves upgrading current energy infrastructure to deliver the same services at a lower cost and that the necessary investments in energy efficiency will generate enormous collateral benefits including improved public health and quality of life.

DISCUSSION AND FINDINGS

SJG filed its petition under N.J.S.A. 48:3-98.1, which provides that an electric or gas public utility may provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis and that such investment may be eligible for rate treatment approved by the Board.

The Board has previously acknowledged that investments in energy efficiency can help lower energy costs over the long term and produce significant benefits to customers. Customers who install energy efficiency measures reduce their usage of electricity and natural gas, thus lowering their energy costs. As investments in cost-effective energy efficiency measures increase, they lower electricity and natural gas costs for the customers who implement those measures, and also reduce costs overall for electricity customers by reducing usage of electricity from the grid at times of peak demand when wholesale electricity prices are highest, and by mitigating the need for additional generation, transmission, and distribution infrastructure to serve peak demand. Similarly, wider implementation of energy efficiency can lower natural gas costs for New Jersey customers overall, again because greater efficiency reduces peak demand for natural gas and therefore reduces the infrastructure needed to provide reliable supply for the peak. Increasing energy efficiency improves the competitiveness of New Jersey businesses through reduced energy costs and reduced vulnerability to substantial increases in the prices of fossil fuels and of the electricity generated using those fuels. Finally, energy efficiency is often the most cost-effective means of reducing power plant emissions of air pollutants that cause global warming and endanger the health of our residents.[5]

The Legislature shares this understanding of the benefits of energy efficiency. In enacting the statutory changes which included N.J.S.A. 48:3-98.1, the Legislature found that "energy efficiency and conservation measures and increased use of renewable energy resources must be essential elements of the State's energy future…" N.J.S.A. 26:2C-45.

The EMP recognizes that New Jersey must dramatically increase energy efficiency and energy conservation measures in the 3.7 million existing buildings in the State. Cost-effective improvements to energy efficiency in all of those existing buildings could save more than 15,000 GWh of electricity by 2020, as well as nearly 75 trillion BTUs of heating fuels. The Board recognizes the scale of this effort. To improve efficiency in those existing buildings by 2020,

[5] See, National Action Plan for Energy Efficiency at www.epa.gov/cleanenergy/energy-programs; see also, In the Matter of Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009-2012 Clean Energy Program, Docket No. EO07030203, Order Establishing 2009-2012 Funding Level, September 30, 2008.

more than 300,000 buildings each year will need to be upgraded. In contrast, in the six years from 2001 to 2007, the NJCEP reached approximately 500,000 buildings.[6]

Improving energy efficiency in almost all of the existing buildings will depend on education and outreach to the owners and lessees of those buildings, a means of identifying the energy efficiency opportunities in each building, and a means of delivering the improvements in a way that is advantageous to the owners and lessees. Moreover, past efforts have targeted specific types of energy efficiency improvements, rather than comprehensively improving energy efficiency throughout the whole building. The Board and the EMP have both recognized the need for more thorough "whole building" solutions that identify and implement all cost-effective efficiency measures, potentially addressing the building envelope (such as windows, walls, and doors), heating and cooling systems, lighting, appliances and electronics; a whole building approach could also identify opportunities to offset power requirements through combined heat and power, photovoltaic systems, fuel cells and other on-site clean energy generation.

In enacting the statutory changes which included N.J.S.A. 48:3-98.1, the Legislature recognized the need to involve utilities in delivering these energy efficiency measures, stating that "utility involvement and competition in the renewable energy, conservation and energy efficiency industries are essential to maximize efficiencies . . ." N.J.S.A. 26:2C-45. The EMP reached the same conclusion, calling for the electric and gas utilities to develop individual master plans, addressing the goals and objectives of the EMP[7]. A purpose of these plans is to identify the structure of the programs that the utilities will propose to successfully and efficiently transition the State's energy efficiency programs to the utilities and effectively put the State on track to meet its 2020 energy consumption targets. The Board issued an Order in accordance with this directive in January 2009. In re the Development of Individual Utility Master Plans Pursuant to the Requirements of the New Jersey Energy Master Plan, Dkt. No. EO08121065 (January 28, 2009). The Board believes that the principles developed out of the collaboration of Staff, Rate Counsel, and the energy utilities which led to the development of the proposed energy efficiency programs and eventually to the execution of the stipulations can be valuable in furthering the transition of those programs to the utilities.

One such principle is the need to avoid overlap between the customers targeted by the utilities and those targeted by the NJCEP. In their effort to avoid that overlap, the utilities used their understanding of their customers to identify and focus on those who were more likely to participate in whole-building energy efficiency programs. That focus, especially when supported by the utilities' relationships with their customers and with contractors in their service territories, offers the prospect of higher rates of participation than what the NJCEP has been able to achieve thus far. It also enables utility marketing efforts that will be complementary and supplementary to the marketing performed by the market managers for the NJCEP.

The Board has previously acknowledged the extent of the worldwide economic crisis and the need to take action to support employment in New Jersey, as has Governor Corzine since announcing his economic stimulus plan in October 2009. For example, in April 2009, the Board approved efforts by five electric and gas utilities, including the Company, to accelerate $956 million in planned infrastructure investments. In Re Petition Of South Jersey Gas Company for Approval of a Capital Economic Stimulus Infrastructure Investment Program and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and 48:21.1, Docket No. GO09010051, Decision and Order Approving Stipulation (April 28, 2009). Since then, economic

[6] EMP at 55-56.
[7] EMP at 76.

signals have been mixed; however, the nationwide employment situation continues to deteriorate. The national unemployment rate rose from 6.9 percent in the fourth quarter of 2008, to 8.5 percent in March 2009, 8.9 percent in April, and 9.4 percent in May. In May 2009, there were nearly 3,000 mass layoff events[8] involving a total of 312,880 workers – the highest on record.[9]

The continuing severity of the worldwide economic crisis strongly supports the need for action by the Board now to create jobs and enhance New Jersey's economic competitiveness. At the same time, the Board has taken special care in its review of the costs and benefits of the utilities' energy efficiency programs because the crisis has put such strain on many household budgets. Furthermore, energy efficiency is especially important to household budgets and to economic competitiveness at a time when Congress is currently considering legislation that would limit emissions of carbon dioxide from electric generators, thus increasing the cost of generating fossil-fueled electricity.[10]

In summary, the proposed energy efficiency investments, if properly implemented, will serve the need to create jobs in the short term, the State's environmental needs, and the need to enhance the State's competitiveness, business climate, and economic prospects in the long term. Furthermore, the State has determined that the electric and gas utilities are well positioned to build on their relationships with customers to help those customers improve the energy efficiency of existing buildings.[11]

The Board therefore **FINDS** that a substantial investment by electric and gas utilities in energy efficiency will assist in creating jobs, will continue to build a foundation for a more energy-efficient economy in New Jersey that will support long-term economic growth, and will take a step toward transition of the administration of energy efficiency programs from the NJCEP to the electric and gas utilities.

Turning to the Stipulation under consideration, the Board **FINDS** that the EEP, if successfully executed, will not only further the EMP's energy efficiency goals, but will also create jobs to strengthen the local economy.

Specifically, the projects associated with the EEP, as modified by the Stipulation, are expected to create a need for 163 direct jobs over the next two years. The Stipulation requires SJG to report data monthly on actual hiring. Accordingly, the Board **FINDS** that the EEP will have a significant and real benefit on employment in the State.

The estimate of jobs attributable to the EEP includes only the direct impact of the proposed projects on employment – the employees working on the utility projects themselves. It does not include the indirect impacts with respect to jobs created in other sectors of New Jersey's economy for labor, materials, and services needed for the EEP. Neither does it include what is known as the "induced" impacts resulting from spending by the added employees for local goods and services. These "ripple" effects are difficult to quantify, but they clearly exist. The

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[8]A "mass layoff event" involves at least 50 persons from a single employer.
9 Bureau of Labor Statistics, "The Employment Situation: May 2009," http://www.bls.gov/news.release/empsit.nr0.htm, accessed June 30, 2009; Bureau of Labor Statistics, "Mass Layoffs in May 2009," June 23, 2009, http://www.bls.gov/news.release/pdf/mmls.pdf (accessed June 30, 2009).
[10]See, e.g., American Clean Energy and Security Act, H.R. 2454.
[11]EMP at 56.

Board therefore **FINDS** that the estimate of the jobs to be created is conservative, because indirect and induced job creation will add significantly to the job totals.

In reviewing the EEP, the Board has considered a series of cost-benefit analyses conducted by the Center for Energy, Economic, and Environmental Policy at the Bloustein School at Rutgers University ("CEEEP"), including the following:

1. The "Participant" test, which provides an indication of the desirability of the EEP to a typical customer who participates in it. The test includes the quantifiable benefits and costs to the customer who participates in the EEP. Examples of benefits considered in this test include the reduction in the customer's electric and gas bills resulting from energy savings, and the amount of incentives provided by the utility and/or the NJCEP. The costs considered in the test are the customer's out-of-pocket costs;

2. The "Ratepayer Impact Measure" test, which measures the overall effect of the EEP on customers who are not participating in it. Examples of benefits considered in this test include savings from avoided supply costs, such as the costs of electric transmission, distribution, generation, and capacity. Costs include the costs that the Company and the NJCEP incur to implement the program, such as incentive costs and administrative costs. The Ratepayer Impact Measure test is informative; however, it is not well suited to serve as a "litmus test" for energy efficiency programs, especially for short-term programs, because such programs will involve costs for non-participants while the benefits for those non-participants will accrue with sustained investments in energy efficiency that continue over a longer term.

3. The "Total Resource Cost" test, which represents the total effect of the EEP on customers who participate as well as customers who do not participate. It can be seen as a summation of the benefits and costs in the Participant test and the Ratepayer Impact Measure test, with the benefit of incentives paid to participants offset by the cost of those incentives borne by all ratepayers, treating incentive costs paid by the ratepayers as transfer payments.

4. The "Societal Impact" test, which is similar to the Total Resource Cost test, but also includes externalities such as reductions in air pollution as a result of the EEP.

5. The "Program Administrator Cost" test, which measures the net costs of the program based on the costs incurred by the program administrator (such as incentive costs and administrative costs), excludes the costs borne by the participant, and includes avoided supply costs as in the Ratepayer Impact Measure test.

No single test of cost-effectiveness can be determinative. As discussed above, each of the tests provides a different perspective on cost-effectiveness, which provides a fuller picture of the trade-offs involved in policy decisions made in the design of the EEP. For example, increasing an incentive that the EEP provides to an individual customer who implements an energy efficiency measure will result in a higher ratio of benefits to costs under the Participant test, since that individual customer will spend less on the energy efficiency measure while receiving the same benefit. Conversely, the same increased incentive will lower the ratio of benefits to cost under the Ratepayer Impact Measure, because the ratepayers collectively will pay more to support the increased incentive, while any aggregate increase in benefits will be difficult to estimate. Accordingly, the Board has carefully considered the results of all of the cost-benefit tests to understand the EEP from a variety of perspectives.

The Board notes that the only benefits considered by these tests are energy-related benefits. None of these tests consider the economic benefits associated with the jobs impacts from the EEP which were discussed earlier in this Order. Accordingly, the Board evaluated the cost-effectiveness of the EEP without regard to the economic benefits of jobs attributable to the EEP creation, a very conservative approach which provides greater assurance that the EEP, if properly implemented, should indeed be cost-effective.

Staff and Rate Counsel thoroughly reviewed and analyzed with SJG and CEEEP all of the cost-benefit analyses prepared by CEEEP for SJG's proposed EEP and its component energy efficiency projects. Based on that review and analysis, and on other information provided by SJG, Staff and Rate Counsel stated in the Stipulation that the proposed EEP appeared to be cost-effective. The Board hereby **FINDS** this conclusion to be reasonable, especially considering the Board's previous findings that investments in energy efficiency can help lower energy costs over the long term and produce significant benefits to customers overall.[12]

As discussed above, under the EEP the Company will invest an estimated $17 million over the next two years creating a need for an estimated 163 direct jobs over that period. As part of the mandatory reporting requirements agreed to by the Signatory Parties, the Company will report monthly on actual hiring.

Beyond the direct employment estimate of 163 jobs, it is expected that the stipulated EEP will generate an additional multiple of indirect jobs as a result of related orders for goods and services provided by local establishments and by the additional spending power of the newly hired workers. The Board is persuaded that these are incremental jobs which will be attributable to the EEP.

The initial revenue requirement for the EEP is set to recover costs incurred for the first twelve months of the program and is estimated to be $1,345,084, including SUT. The Board has considered the financial impacts of the Program on customers. A residential gas customer using an average of 100 therms a month would initially see an estimated monthly increase of $0.24, or approximately 0.1%.

With respect to NJLEUC's concern regarding the allocation of charges on a per kWh or therm basis, the Board notes that the benefits of the EEP are not specific to one rate class. Energy efficiency programs, even though there is initial cost, are projected to decrease customers' bills as much as 9% over the next ten years, save all customers the construction costs for new infrastructure which would otherwise be needed to serve avoidable demand, and put downward pressure on market rates by reducing demand.[13] The Board also notes that three of the five energy efficiency projects are for non-residential customers. The Board is mindful of NJLEUC's call for "the establishment of a separate generic Board proceeding" to consider the various cost recovery proposals suggested for large C&I customers. NJLEUC comments at 6. Although the Board is not directing at this time that such a proceeding be convened, the Board believes that it could be valuable to review the options that NJLEUC has suggested for large C&I customers, and possibly additional options as well. Should NJLEUC file a petition with the Board to initiate

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[12] In the Matter of Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009-2012 Clean Energy Program, Order Establishing 2009-2012 Funding Level, Docket No. EO07030203 (September 30, 2008).
[13] See, National Action Plan for Energy Efficiency at www.epa.gov/cleanenergy/energy-programs.

such a proceeding, as stated in the Stipulation, the Signatory Parties support a review of the proposals within that proceeding.

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

The Board **HEREBY RATIFIES** all provisional rulings by President Fox for the reasons stated in her Orders.

The Board **HEREBY SETS** the effective date of the rates established in Rider F as August 1, 2009. The Company is **HEREBY DIRECTED** to file tariff sheets consistent with the Order within five (5) business days from the date the Order is executed.

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

DATED: 7/24/09

BOARD OF PUBLIC UTILITIES
BY:

Jeanne M. Fox

JEANNE M. FOX
PRESIDENT

Frederick F. Butler

FREDERICK F. BUTLER
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

Nicholas Asselta

NICHOLAS ASSELTA
COMMISSIONER

DISSENT OF COMMISSIONER ELIZABETH RANDALL

These three petitions establish utility-run "Energy Efficiency Programs" and were filed by the utilities in response to Governor Corzine's October 16, 2008 proposal to help revive the State's economy.[14]

Cost to Ratepayers

All costs of creating these Energy Efficiency Programs will be borne by customers of the utilities who will administer the programs. Rate increases take effect August 1, 2009.

Pertinent information about the programs is as follows:

Company	**Duration of Program**	**Total Ratepayer Cost**	**Average Residential Customer Increase**	**Jobs Projected**
PSE&G	Through December 31, 2010	$217.4 million	$ 3.88/year (gas customers) for 5 years; $ 2.98/year (electric customers) for 5 years	668
NJNG	12 Months (to be extended to December 31, 2010, if program funding is available)	$21.1 million	$8.31/year for 4 years	114
SJG	Two Years	$19.2 million	$2.88/year for 4 years	163

[14]The Administration made a similar request with regard to capital improvements the utilities wish to make to their infrastructure. On April 27, 2009, the Board approved five (5) utility company requests for accelerated capital spending at a total ratepayer cost of $955.8 million.

Voluntary participation in programs promoting energy efficiency and conservation is an important part of New Jersey's Energy Master Plan (EMP). However, in light of today's current cost of gas and electricity, I question whether consumers should be required to fund these programs during a recession. It has been well-documented that a growing number of New Jerseyans are falling behind on their electric and gas bills. For example, PSE&G has seen a 10 percent increase in families that have fallen behind on their payments compared to last year. *See* "Recession Leads to Uptick in Utility Shut-offs in New Jersey," by Kelly Heyboer, *The Star-Ledger*, May 24, 2009.

While some jobs will be created through these filings, part of every customer's bill already includes a charge to support existing energy efficiency programs through the Office of Clean Energy (OCE). As part of their monthly bills, all gas and electric customers provide the funding for the BPU's Office of Clean Energy. $462 million dollars has been set aside to fund the OCE for the next eighteen (18) months.[15] These proposals will require another $257.72 million from customers served by PSE&G, SJG and NJNG.

While the details of the programs are laudable, they break very little new ground. In essence, the companies will promote and enrich certain energy efficiency programs now offered by the BPU's Office of Clean Energy.

In general terms, all ratepayers of PSE&G, NJG and SJG will be eligible for the programs offered by their respective utilities. The notable exception is the residential component of PSE&G's program. To receive the benefits of PSE&G's targeted marketing efforts for residential programs, a customer must live in one of the following Urban Enterprise Zone (UEZ) cities: Bayonne, Camden, Carteret, East Orange, Elizabeth, Gloucester City, Guttenberg, Hillside, Irvington, Jersey City, Kearney, Mount Holly, Newark, New Brunswick, North Bergen, Orange, Passaic, Paterson, Pemberton, Perth Amboy, Plainfield, Roselle, Trenton, Union City and West New York.

Orderly Transition

It is clear that the Legislature has given the utility companies the ability to provide and invest in energy efficiency and conservation programs in their service territories on a regulated basis through the RGGI legislation enacted in 2008. *See* N.J.S.A. 48:3-98.1 (a)(1). Moreover, the EMP has called upon the utility companies to "successfully and efficiently transition the State's energy efficiency programs to the utilities." *See* NJEMP at 75-76.

The BPU has expressed its support of this strategy by approving utility-run programs, such as PSE&G's Carbon Abatement Program and Solar Loan Program.

This migration of programs from the State of New Jersey Office of Clean Energy to the utilities ought to be achieved in a cost-effective and well-orchestrated manner so as to not erode

[15] Funding for the Office of Clean Energy is part of the "Societal Benefits Charge" (SBC) which appears on every customer's monthly bill. The largest components of the SBC are funding for the OCE (averaging $33/year) and The Lifeline and Universal Service Fund (averaging $54/year) which provide subsidies to low-income electric and gas customers who qualify for the benefits. Overall, the average customer pays over $100 a year though the SBC through their electric and gas bills.

the substantial accomplishments of the OCE and so as to avoid duplication of effort by the utilities and the OCE.

The transfer of energy efficiency and conservation programs to the companies should be done systematically, much like we achieved the original shift of programs away from the utilities and to the OCE in 2003 (renewable energy programs) and 2007 (energy efficiency programs).

By order of the BPU dated January 28, 2009, all utilities were ordered to file individual utility master plans with the Board by December 31, 2009 (Docket No. EO0812165). Among other things, these plans will provide a blueprint for the successful and efficient transition of the OCE programs to the utilities. The Order calls for migration to be completed by 2010. The plans should include milestones, a clear end date and transition reports to the Board. The BPU should ensure that our strategic plan for transition of the programs reduces that portion of the Societal Benefits Charge which funds the OCE.[16]

While we must be guided by the Legislature's desire to see the utilities play a direct role in energy efficiency programs, I believe we should have a strategic plan in place first. It is difficult to imagine a systematic transition without having resolved these issues of lost revenue recovery (*See* Footnote 3) and the impact on large energy users.

Waxman-Markey Legislation & Federal Stimulus

Finally, the policy and cost implications of the legislation which passed the House of Representatives on June 26, 2009, are enormous. The bill requires the United States to reduce carbon dioxide and other greenhouse gas emissions by 17 percent from 2005 levels by 2020 and by 83 percent by mid-century.

While no one knows what the final legislation will look like, all parties agree that it will cost customers more money. Electricity, gasoline, natural gas and home heating oil prices will rise. By all accounts, the largest increase will be in the price of electricity.

Utilities will come to us for rate increases as they are required to pay for these investments in cleaner, more expensive technologies called for in the legislation.

The rate increase asked for in these stipulations should be deferred until early 2010 when we can assess the impact of both the federal legislation, as well as review the utility master energy plans called for in the Board's Order of January 28, 2009.

Job creation and energy efficiency efforts are already benefiting from federal stimulus funds earmarked for New Jersey, pursuant to the Federal American Recovery and Reinvestment Act of 2009 (ARRA) signed into law by President Obama on February 17, 2009. New Jersey's State Energy Program will receive $73,643,000 for clean energy efforts in the

[16] In the orderly transition of clean energy programs to the utilities, an important policy decision exists with regard to utility recovery of "lost distribution margin revenues." If the companies are successful in promoting efficiency and conservation measures, they will sell less energy. The question has been raised as to whether companies should be compensated for this loss of revenue. The stipulations being recommended to the Board defer this question for another day. It is difficult to imagine an orderly transition of responsibilities to the utilities without resolving this issue.

State. New Jersey will also receive $ 75,468,200 from the Energy Efficiency and Community Development Block Grants.

The Board should consider the positive effect of these federal grants on New Jersey's economy before approving rate hikes such as those before us today.

DATED: 7-24-09

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

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June 30, 2009

VIA FAX (973) 648-4195
and FEDERAL EXPRESS

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

Re: In the Matter of South Jersey Gas Company's Petition for Approval of an Energy Efficiency Program with an Associated Energy Efficiency Tracker Pursuant to N.J.S.A. 48:3-98.1 and to Modify Rate Schedule EGS-LV Docket No. GO09010059

Dear Secretary Izzo:

Enclosed please find a fully executed Stipulation in the above-referenced matter. Please be advised that this matter is scheduled to be on the Board's agenda for July 1, 2009.

Thank you very much for your attention in this matter.

Very truly yours,

COZEN O'CONNOR, PC

By: Daniel J. Bitonti

DJB/lbs
Enclosure
cc: Attached Service List (*via email*)

CHERRY_HILL\538168\1 224181.000

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

and

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

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF ENERGY EFFICIENCY PROGRAMS AND ASSOCIATED COST RECOVERY MECHANISM PROCEEDINGS	**BPU DOCKET NO. EO09010056**
	AND
IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF AN ENERGY EFFICIENCY PROGRAM ("EEP") WITH AN ASSOCIATED ENERGY TRACKER ("EET" PURSUANT TO N.J.S.A. 48:3-98.1; AND TO MODIFY RATE SCHEDULE EGS-LV	**BPU DOCKET NO. GO09010059** **STIPULATION**

APPEARANCES:

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

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

Richard Webster, Esq. (Eastern Environmental Law Center, attorneys) for Natural Resource Defense Council

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1. South Jersey Gas Company ("SJG" or the "Company") filed a petition ("Petition") in Docket No. GO09010059 on January 26, 2009, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve an Energy Efficiency Program ("EEP") and simultaneously approve the recovery of costs for programs included within its proposed EEP through the implementation of an Energy Efficiency Tracker ("EET") charge, pursuant to N.J.S.A. 48:3-98.1; and to modify rate schedule EGS-LV.

2. In furtherance of its commitment to energy efficiency and conservation, SJG has developed and proposed five energy efficiency projects ("Energy Efficiency Projects") in response to N.J.S.A. 26:2C-45 and N.J.S.A. 48:3-98.1 ("RGGI Legislation").

3. The Company represents that these new Energy Efficiency Projects do not duplicate or eliminate any of the New Jersey Clean Energy Programs ("CEP"); rather, they have been designed to complement or supplement the existing CEP offers, either through enhancements of, or additions to such programs. The proposed Energy Efficiency Projects are also intended to increase customer awareness, enhance participation and support utilization of CEP efforts through the State.

4. The Company proposes that the total amount budgeted for the Energy Efficiency Projects is $17,118,275, which will be spent over a two year period. This budgeted amount is based on projected expenditures.

5. On February 18, 2009 a letter was sent to the Company by the then Co-Acting Directors for the Energy Division, Alice Bator and Sheila Iannaccone, informing the Company that its filing was complete and that the 180 day review period commenced on January 26, 2009.

6. By Order dated February 19, 2009, the Board retained this matter for review and hearing, and designated Board President Jeanne M. Fox as the presiding officer.

7. On February 24, 2009, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a Motion to Intervene in this proceeding. The Motion was unopposed and on March 27, 2009, President Fox granted the motion, provided that NJLEUC complies with the schedule adopted for this proceeding on February 25, 2009.

8. On February 25, 2009, President Fox issued an Order setting forth a procedural schedule for this matter.

9. Public Notice was provided and two public hearings on the Company's EEP filing were held on March 4, 2009, in Voorhees, New Jersey. No members of the public appeared at either public hearing.

10. On March 30, 2009, the Natural Resources Defense Council ("NRDC") filed a Motion to Intervene in this proceeding. The Motion was unopposed, and on

April 28, 2009 President Fox granted the motion, provided that NRDC complies with the schedule adopted for this proceeding on February 25, 2009 and commits to working cooperatively, to the fullest extent possible, with the other parties.

11. The parties to this proceeding included the Company, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), the Staff of the Board ("Board Staff"), NRDC, and NJLEUC.

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

13. Subsequent to the completion and review of discovery and the two public hearings, representatives of Parties to this proceeding, met to discuss the issues in this case. The Company, Board Staff and Rate Counsel (the "Signatory Parties") agreed that the EEP proposal and associated cost recovery mechanism as set forth herein are reasonable and in the public interest.

14. The Company represents that its proposal is consistent with and meets the goals of New Jersey's Energy Master Plan and the RGGI Legislation in that the Energy Efficiency Projects are geared toward encouraging customers to reduce their overall energy usage.

15. The Company represents that its proposal is also consistent with and meets the goals of the comprehensive Economic Stimulus Plan for New Jersey proposed

by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy.

Specifically, the Signatory Parties hereby **STIPULATE AND AGREE** to the following:

STIPULATED MATTERS

Programs

16. The Energy Efficiency Projects identified in Appendix A will assist the Company in providing safe, adequate and proper service to its customers and are geared toward encouraging customers to reduce their overall energy usage in support of New Jersey's Energy Master Plan and will create jobs in support of Governor Corzine's Economic Stimulus Plan. Accordingly, the Parties agree that the costs associated with the EEP will be recovered through the implementation of an EET charge, subject to review, as set forth below.

17. Appendix A contains a description of each Energy Efficiency Project, the target market and customer eligibility requirements, the offerings and customer incentives, the delivery methods, the anticipated program participants and related savings estimates, the anticipated job creation estimates, the contracts, a description of the marketing initiatives, how each project compares and/or complements the existing New Jersey Clean Energy program, and the budget for each Energy Efficiency Project.

18. The Company anticipates that the work associated with the EEP will generate approximately 163 incremental jobs in its service territory. The number of jobs is based on agreement by the Parties that 1,820 hours is equal to one full time equivalent (FTE) employee. The Company agrees that it will endeavor to

employ contractors and engineering firms located in New Jersey. The Company's estimate of the workforce necessary for the EEP does not include any ancillary job impacts that will increase the overall benefits generated from the EEP.

19. The Company will take all reasonable and prudent steps to institute the Energy Efficiency Projects upon receipt of a Final Board Order in this proceeding.

20. The Parties stipulate that the Board should approve on an interim basis, subject to refund, cost recovery through the implementation of an EET rate for the Energy Efficiency Projects listed in Appendix A, including incremental Operating and Maintenance Expenses totaling $17,118,275, subject to a prudency review in the Company's Annual EET Filing.

Cost Recovery Mechanism

21. The Parties stipulate that cost recovery through the EET will consist of two parts and be effected through a deferred accounting mechanism. One part will recover the amortization of the investments made in participating customer rebates, incentive payments, and the costs of providing customer financing ("program investments") and a return on the unamortized portion of such program investments. The other part of the EET will recover incremental operating and maintenance ("O&M") expenses associated with the EEP.

22. The Parties stipulate that the return on the unamortized portion of the program investments be set equal to the Weighted Average Cost of Capital ("WACC") utilized to set rates in South Jersey's most recent base rate case BPU Docket

No. GR03080683, which was 7.97% overall (11.20% including income tax). The WACC will be modified to reflect the WACC used to set rates in subsequent South Jersey base rate cases. The parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations. The parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over- and under-recoveries until the date of the next scheduled annual true up but in any event, no later than October 1 of the subsequent year.

23. The Parties stipulate that the revenue requirement for all EET programs, with the exception of the Combined Heat and Power Program and Distributed Generation Technology (CHP) Program, will include the following:

1. Return on the unamortized portion of the program investments, utilizing the WACC utilized to set rates in the Company's most recent base rate case.

2. Amortization of the program investments over four (4) years.

3. Recovery of reasonable and prudent incremental O&M expenses related to implementation and operation of the EEP. Incremental O&M will include, but not be limited to, program management, information technology, sales and marketing, program evaluation, training and other costs associated with staffing the required workforce and managing the workforce.

4. The revenue factor, 1.0858 as shown on Appendix B to this Stipulation approved in the Company's most recent base rate case adjusted for the subsequent change in the New Jersey Sales and Use Tax and the elimination of the Corporate Business Tax and Federal Income Tax.

24. The Parties stipulate that the revenue requirement for the CHP Program will include the following:

1. Amortization of the program investments to recover the CHP Program expenditures over four (4) years.

2. Recovery of reasonable and prudent incremental O&M expenses related to implementation and operation of the CHP Program. Incremental O&M will include, but not be limited to, program management, information technology, sales and marketing, program evaluation, training and other costs associated with staffing the required workforce and managing the workforce.

3. The revenue factor, 1.0858 as shown on Appendix B to this Stipulation approved in the Company's most recent base rate case adjusted for the subsequent change in the New Jersey Sales and Use Tax and the elimination of the Corporate Business Tax and Federal Income Tax.

25. The Parties agree that the Company will forgo its right to earn a return upon the rebate associated with the CHP program until its next base rate case. The Company will continue to recover a return of the rebate, provided, however, that all investments to serve CHP customers and all revenues from CHP customers will be reflected in schedules filed in the Company's next base rate case.

26. Attached to this Stipulation is an initial tariff sheet for the EET as Appendix G, which the Signatory Parties stipulate will be effective as determined by the Board in its Order approving this Stipulation

27. The Signatory Parties stipulate that the revenue requirement stipulated to herein is based upon the projected program investments and projected incremental O&M expenses. To calculate the rate the revenue requirement was divided by the applicable projected therm sales for the 12-month period, representing EEP year one.

28. The Company shall have the discretion to implement a bill credit or a refund at anytime while the EET rate is in effect with five (5) days notice to the Board

Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-implementing rate reduction without a cap at any time the EET rate is in effect with two (2) weeks notice to the Board Staff and the Division of Rate Counsel.

Budget Flexibility

29. Based on market response, spending on the aggregate EE Program or any of the individual programs may be accelerated and completed sooner than the proposed period. To provide flexibility in responding to market conditions and customer demand during the term of the program, the Parties agree that any individual program under-spending may be carried over from 2009 into 2010. No such under-spending may be carried over beyond December 31, 2010 without the approval of the Board. In addition, based upon market conditions and the level of market response to each individual program, after January 1, 2010 the Company may transfer Program funding between programs in order to maximize energy savings and Program resources, subject to the following procedures. No proposed transfers shall be made until at least sixty (60) days after the Company has submitted to the Signatory Parties, a written description of the proposed transfers, the rationale for the proposed transfers, and a narrative and schedules showing the effect of the proposed transfers on the costs and benefits of the affected programs. If any Signatory Party objects in writing to one or more proposed transfers within forty-five (45) days after the Company has submitted the required information to the Signatory Parties, then no transfer that is a subject of the objection will take effect until after the Board has

approved the transfer. Board Staff shall advise the Board of all proposed transfers of Program funding between programs. Board approval will be required when proposed transfers in the aggregate (i) increase or decrease any program's budget by more than 20 percent, or (ii) involve more than 10 percent of the aggregate Program's budget. For any proposed transfer which does not require Board approval under the parameters described in the preceding sentence, if there has been no objection to the proposed transfer and no notification from Staff indicating that a commissioner wants the Board to review the proposed transfer, then a Secretary's letter will be issued permitting the Company to make the requested change. The Company will also report on this acceleration in its Annual Filing and the monthly reporting described below.

30. The Company will provide monthly reports ("Monthly Activity Reports") to Board Staff and Rate Counsel on EE Program activity and estimated impacts for each calendar month from the Board's approval of the program through December 2010, or such later date as the Board approves for the end of the program. The Company will include data in these reports consistent with the data reported from the BPU's Clean Energy Program with respect to energy efficiency. The Company will submit its Monthly Activity Reports in a format that can be electronically uploaded to the Clean Energy Program's reporting system. The Company will submit each Monthly Activity Report within thirty (30) days after the end of the calendar month covered by the report. The Company will provide BPU Staff and Rate Counsel with a cost estimate of any

information technology modifications needed to report the data in the required format. If Board Staff and/or Rate Counsel inform the Company to proceed with the necessary IT modifications then all reasonable and prudent costs to provide such electronic data transfer are in the best interest of ratepayers and shall be fully recoverable by the Company.

31. Based on market response, the Company may propose to modify programs during the term of the EE Program. No such modification shall take effect without approval by the Board. To propose a modification, the Company shall submit to the Signatory Parties, in writing, a description of its proposed modifications, the rationale for its proposed modifications, and a narrative and schedules showing the effect of its proposed modifications on the costs and benefits of the affected programs. The Company shall present the proposed modifications to the Board for approval if no objections to the proposed modifications are received within forty-five (45) days after that filing. The Company will also report on these modifications in its Annual Filing and the monthly reporting described above.

32. The Company shall file with the Board its compliance EET tariff and initial EET tariff rate within three business days of the date of the Board Order approving this Stipulation.

33. The initial revenue requirement calculation for the EET will commence during the month in which the EET mechanism is approved by the Board and will be based upon projected expenditures for the EET. The monthly over and under recovery calculation will be based upon actual revenues billed monthly under the EET

mechanism applied against the monthly revenue requirement of the EET. The monthly over and under recovery calculation will follow the methodology illustrated in the sample calculation set forth in Appendix C. The calculation of interest shall be based on the average of the net of tax beginning and ending monthly balance. The annual revenue requirement calculation will follow the methodology set forth in Appendix B attached hereto and made a part of this Stipulation.

34. The Signatory Parties stipulate that the Company will file an annual petition ("Annual Filing") to adjust its EET rate on a calendar basis, with copies provided to the Parties, in June with a proposed implementation of the revised EET rate in October. Each Annual Filing will contain a reconciliation of its projected EET costs and recoveries and actual revenue requirements for the relevant period, as well as the items set forth in the minimum filing requirements ("MFRs") set forth in Appendix D attached hereto and made a part of this Stipulation. The Annual Filings shall be made available to other parties to this Stipulation, as well as any other interested members of the public, through the prompt posting of all non-confidential portions of those filings on the Company's website. The EET rate will be subject to full and complete examination in the context of the annual filing. The EET will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance. The annual filings also will present actual costs since the previous annual review and such costs will then be available for review for reasonableness and prudency. Any

Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. Each Annual Filing will contain a reconciliation of its projected EET costs and recoveries and actual revenue requirements for the prior period, a forecast of revenue requirements for the upcoming 12-month period which shall be based upon the Company's WACC utilized to set rates in the Company's most recent base rate case.

35. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's monthly weighted interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. The interest amount charged or credited to the EET will be computed using the methodology set forth in Appendix C attached hereto and made a part of this Stipulation. The monthly interest shall be based on the net average monthly balance, consistent with the methodology set forth in Appendix C. The Company shall accrue simple interest with an annual roll-in at the end of each 12-month period. The interest rate shall not exceed SJG's overall rate of return as in SJG's WACC utilized to set rates in the Company's most recent base rate case (including income tax effects) as identified in Paragraph 22 above. The true-up calculation of over- and under- recoveries shall be included in the Company's Annual Filing. This interest calculation in this paragraph is subject to the condition set forth in paragraph 22.

36. The programs and associated investment costs included in the Annual Filing, as well as the level of the proposed EET rate, will be subject to a full and complete review by Board Staff, Rate Counsel, and Intervenors with opportunity for discovery and filed comments, prior to the issuance of a Board Order establishing the Company's proposed new annual EET rate adjustment. The Signatory Parties are not however, precluded from exercising their statutory rights under the law to the filing of testimony and evidentiary hearings if necessary. The issuance of the Board Order will be preceded by public notice and hearings to the extent required by law.

Minimum Filing Requirements ("MFR")

37. The Company will provide the information set forth in the MFR attached hereto as Appendix D and made a part of this Stipulation, in its Annual Filing. The Company will also provide in each filing a detailed description of the expenditures that are reflected in the EEP in Appendix A.

Rate Design

38. The Signatory Parties stipulate that rate recovery through the EET rate will be non-bypassable except as provided in the Board's Order in the Company's 2003 base rate case, BPU Docket No. GR03080683, and implemented on a volumetric basis (equal charge per therm applied to throughput of all customer classes). The calculation of the initial EET rate is set forth in Appendix B attached hereto and made a part of this Stipulation.

Rate Impact

39. The Signatory Parties stipulate to an initial EET rate of $.0024 per therm, including taxes ($.0022 without taxes), which would result in $1,345,084 in revenue for the initial period, EEP year one, as set forth in Appendix B. The EET rate will result in a rate increase for a typical residential customer using an average of 100 therms of gas during a month of $.24 or 0.1%. The impact on a typical General Service customer using 500 therms during a month would be an increase of $1.20 or 0.2%. The impact for a Large Volume Service sales customer using 63,000 therms in a month would be an increase of $151 or 0.2%. The rate impact of the implementation of the proposed EET rate for each customer class is set forth in Appendix E attached hereto and made a part of this Stipulation.

Program Evaluation

40. Based on the Company's data and analyses performed by Rutgers Center for Energy, Economic and Environmental Policy (CEEEP) on June 18, 2009, the proposed EE programs appear to be cost effective and consistent with the Governor's Economic Stimulus Plan. The future program evaluation will include evaluation for all programs, and the scope of the program evaluation will include:

    1. Cost/Benefit analysis, including a Participant Cost Test ("PCT"), Program Administration Cost Test ("PAC"), Ratepayer Impact Measure ("RIM"), Total Resource Cost ("TRC"), and Societal Cost Test ("SCT"), to be performed by CEEEP to be

retained by the Board; using a methodology consistent with the methodology used by the CEEEP and provided to the NJ Clean Energy Program by CEEEP; and

2. Impact evaluation, to be performed by CEEEP or a subcontractor to be retained by CEEEP.

CEEEP will follow its internal procurement process in retaining such subcontractor in accordance with the terms of the contract between CEEEP and the Board. If the Board is unable to retain CEEEP to perform the evaluation services identified above, then such evaluations shall be performed by a third party vendor to be retained by the Board pursuant to State procurement laws.

Customers including those who are protected by the BPU's Winter Moratorium rules will be eligible to participate in this program. However, should any customer fail to repay his or her portion of the costs associated with the measures installed, all such costs will be recovered within the rate recovery mechanism set forth herein.

<u>Reporting</u>

41. The Signatory Parties agree that job creation is an integral aspect of the EE program. Therefore, the Company agrees to report, in the monthly report provided pursuant to Paragraph 30 herein, (i) the number of full-time equivalents that the Company hires to perform work associated with the EE program, and (ii) the number of full-time equivalents that entities under contract with the Company to perform work associated with the Company's EE program

have hired to perform such work. The Parties agree that reporting of job creation in the monthly report will be in the format contained in the Job Creation Questionnaire, attached hereto as Appendix F. For the purpose of reporting jobs associated with the Company's EE programs, "full-time equivalent" means one or more individuals collectively working a total of 1820 hours annually in connection with the Company's EE program.

Job Creation

42. The New Jersey Department of Labor and Workforce Development (LWD) oversees the Green Job Training Partnership program (GJTP), which is intended to help meet the employment needs of the Company and local contractors by providing graduates of the training program to be considered for employment in occupations needed for implementation of the Program. The Company will conduct the following program activities to support and promote the GJTP:

a) Promote awareness and enhanced participation of the GJTP, by providing information from LWD about the GJTP to all contractors located within the Company's service territory who are listed in the NJCEP Home Performance with Energy Star program and are certified by the Building Performance Institute (BPI).

b) Coordinate and conduct at least two outreach meetings each year, inviting all contractors listed in the NJCEP Home Performance with Energy Star program that are BPI certified, and are at a minimum located within the Company's service territory. The outreach meetings will include a presentation regarding the GJTP, in which LWD will participate along with local GJTP grantees for the territory.

c) Serve on at least one GJTP Employer Council.

d) Advise all contractors listed in the NJCEP Home Performance with Energy Star program that are BPI certified and are at a minimum located within the Company's service territory of the benefits of participating on the appropriate GJTP Employer Council.

e) Post information on the Company's website regarding the GJTP and a link to LWD's website. Information on the GJTP can be found at: http://lwd.dol.state.nj.us/labor/employer/training/Apprenticeship.html

f) Post all vacancies for New Jersey-based jobs through the local One-Stop Career Center. A listing of the local One-Stop Career Centers is located at: http://lwd.dol.state.nj.us/labor/wnjpin/findjob/onestop/services.html

g) Inform, in writing, all GJTP grantees of all New Jersey-based entry-level job vacancies within the Company, including positions relating to energy efficiency occupations.

Tariff Provisions for Combined Heat and Power Distributed Generation ("CHP") Technology

43. CHP technology is consistent with SJG's CHP Energy Efficiency Program and can be employed as an effective response to congestion on the power grid. It can also be used in areas where electric transmission lines cannot be built for economic or political reasons.

44. The increased efficiency of CHP improves the economics of power generation when compared to traditional delivery methods. The State of New Jersey recognizes the value of CHP and has established the increased development of CHP facilities as one of its major strategies within the Energy Master Plan.

45. SJG provides service to CHP customers primarily under its EGS-LV rate schedule.

46. The EGS-LV rate schedule establishes benchmark rates. However, recognizing the competitive nature of the CHP marketplace, the EGS-LV rate schedule

allows South Jersey to negotiate rate reductions with potential CHP customers. Under this rate schedule, SJG provides a gas delivery service to CHP customers.

47. As currently structured, the EGS-LV rate schedule limits agreements between SJG and its CHP customers to five years or less. This inhibits the ability of CHP customers to obtain financing.

48. The Parties stipulate that SJG's EGS-LV Rate Schedule shall be amended to remove the limitation regarding five year agreements between SJG and CHP customers.

49. Tariff sheets necessary to implement this modification are attached to this Stipulation as Appendix G.

Government Funding

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

used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

51. However, in no case shall the combination of 1.) federal ARRA funding, 2.) NJCEP incentive funding and 3.) incentives provided as part of this approved program (excluding program incentive financing) fund 100% of a project's costs through rebates or other direct incentives. If it is determined that a project would be funded through 100% rebates or incentives the parties agree that, subject to any restrictions set forth in the ARRA and other applicable law, incentive funding approved as part of this program shall be reduced to bring the total rebates and incentives under 100% of the program costs.

NJLEUC Proposal

52. With respect to cost recovery granted by the Board for energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1, NJLEUC has proposed three alternative provisions for large commercial and industrial ("C&I") customers: an opt-out provision, to allow a large C&I customer to opt out of a utility-sponsored energy efficiency program based on the customer's investments or plans to invest in energy efficiency measures of its own; a surcharge phase-out provision, to establish usage-based tiers with the surcharge amount decreasing as consumption increases; and a hard cap provision, to place an annual cap on charges payable by large C&I customers for the utility-sponsored energy efficiency programs.

53. The parties hereby state their support for the establishment of a separate, generic Board proceeding to address the NJLEUC proposals. This statement of support for a generic proceeding does not represent the expression of a position by any party to this Stipulation with respect to the merits of any of the NJLEUC proposals. Aside from this statement of support, the parties reserve all of their rights in any subsequent proceeding to take any position they deem appropriate, to make any arguments they deem appropriate, to offer any alternative proposals, or to seek to expand the scope of a proceeding.

Further Provisions

54. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Signatory 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 Signatory 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.

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

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

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

SOUTH JERSEY GAS COMPANY
PETITIONER\

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

DEPARTMENT OF THE PUBLIC ADVOCATE
RONALD K. CHEN, PUBLIC ADVOCATE

By: ______________________
STEFANIE A. BRAND, ESQ., DIRECTOR
DIVISION OF RATE COUNSEL

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

By: ______________________
CAROLINE VACHIER
Deputy Attorney General

Date: June 29, 2009

SJG WHOLE BUILDING Energy Efficiency Programs
Enhanced Residential HVAC Rebate Program Description

<table>
<tr><td>Description of Program</td><td colspan="3">Currently, the overwhelming majority of customers with existing HVAC equipment that is being replaced due to immediate or imminent equipment failure opt for standard efficiency for their new units. In order to get on track toward the Energy Master Plan savings targets, the state would need nearly every customer faced with an equipment decision to select high efficiency equipment. Since this decision will most likely only be made once by most households between now and 2020, it is critical to start significantly influencing those purchases now. Accordingly, SJG would offer enhanced rebates of up to $900 for qualified WARM Advantage heating equipment purchases. However, customers would only be entitled to this enhanced rebate if they agree to have a Home Performance with Energy Star (HPwES) Tier I audit. These audits will be performed by certified contractors. Tier II and Tier III work would also be performed by HPES certified contractors, and would run through the NJCEP program channels for approval of work and calculation of customer and contractor incentives. SJG would co-fund Tier III incentives to customers, and will offer financing for those customers that have received enhanced rebates from the Clean Energy Program to offset costs associated with non-HVAC recommended improvements identified through the audit.</td></tr>
<tr><td>Market Segment/ Efficiency Targeted</td><td colspan="3">Residential customers that have existing HVAC equipment needing imminent replacement. The program will incent the installation of high efficiency HVAC equipment and the installation of energy conservation measures. This program will target customers in older existing homes, with good potential for whole house energy savings. This program will be utilized as a "driver" to move customers to the proposed Home Performance and Finance Energy Efficiency Program.</td></tr>
<tr><td>Delivery Method</td><td colspan="3">This program will be directly promoted to customers through HVAC contractors. SJG will work with an outside vendor to process incremental rebates. HPES contractors will perform Tier 1 audits, and will impleme Tier II and Tier III improvements, under the Home Performance and Finance Energy Program.</td></tr>
<tr><td>Estimated Program Participants</td><td>It is anticipated that 4,500 customers will apply for the rebate and a Tier I audit.</td><td>Estimated savings</td><td>It is estimated that the average customer will save approximately 151 therms per year by upgrading to an energy efficient heating system. It is estimated that this program will generate a total of 67,950 dth annually.</td></tr>
</table>

SJG WHOLE BUILDING Energy Efficiency Programs

Enhanced Residential HVAC Rebate Program Description

Link to existing programs	• WARM Advantage • COOL Advantage • Home Performance with Energy Star		
Existing Incentives	* WARM Advantage $300 - 400 per heating system * HPES Tier I- NJCEP discount on the cost of the audit. Tier II- NJCEP Program offers up to $1000 for air and duct sealing. Tier III- choice of rebates ranging from 10% to 50% of the improvements with total rebate cap of $5000 or low cost financing through a 3rd party	**Proposed SJG Incentive**	This proposed plan will offer an incremental rebate of $900 to customers who upgrade to an energy efficient heating system. A HPES Tier I audit is required to be performed, as a condition to receiving the incremental $900 rebate from SJG. SJG will co-fund the HPES Tier III incentives through up-front financing and additional rebates. For more detail, refer to the Home Performance and Finance Energy Efficiency Program.
Estimated avoided air emissions	All savings will be calculated by the Clean Energy Program Manager, according to approved protocols		
Anticipated Job Creation	We anticipate that there will be need for additional HVAC contractors for the volume of work to be generated. It is estimated that this program could generate 74 HVAC installer and sales jobs, and 6 auditor jobs. It is anticipated that an additional 3 people will be needed within SJG to manage and sell the programs to both contractors and the public. These jobs will be allocated across all of the SJG proposed programs.		
Budget information	See Attachment Exhibit 6 of the SJG filing for categorization of costs.		

SJG WHOLE BUILDING Energy Efficiency Programs
Enhanced Residential HVAC Rebate Program Description

Marketing Approach	This program will be marketed using multi-layered approaches. SJG will market the program directly to customers, and will work with local HVAC contractors to ensure that they understand the additional rebates available and the associated requirements. This program will also be used as an initiative to motivate customers to participate in the Home Performance with Energy Star Program.
Cost Recovery/ Rate design	O&M for program administration, marketing costs, and recovery of applicable rebates and / or financing costs to be collected through a new rider to be applied consistent with treatment of Societal Benefits Clause
Contractor Role	It will be the role of any local HVAC contractor who is currently engaged in equipment replacement to make the customer aware of the enhanced rebate opportunity. The program will be coordinated with the residential market manager of the NJCLEP, with assistance from SJG.

SJG Energy Efficiency Programs
Residential Home Performance Finance Energy Efficiency Program Description

Description of Program	Through this program, SJG will offer eligible customers an aggressive financial package to assist in obtaining whole house energy efficiency, comfort and savings. Customers, who choose to participate at the Tier III of the NJ Home Performance with Energy Star Program, will be provided with 100% of the cost of the gas reducing measures, up to $20,000 through "up-front", 0% financing. The financed amount will be reduced through assigned rebates, proposed to be 50% up to $10,000, from the Clean Energy Program. For income eligible customers who earn less than 400 % of federal poverty guidelines, SJG will provide an additional 25% rebate to offset the cost of energy efficiency measures. SJG will also pay for the cost of the $125 audit for income eligible customers. Customers will be responsible to repay the balance of the loan over 10 years, interest free. Customers, who are financially eligible for the Comfort Partners Low Income Program, or other weatherization agency programs, will be referred to those programs.		
Market Segment/ Efficiency Targeted	All residential customers within the SJG service territory, which are not income eligible for CLEP Low Income Program services. The purpose of this program is to aggressively boost participation in the NJ Home Performance with Energy Star Program®, and to achieve comprehensive energy savings through additional incentives and financing.		
Delivery Method	This program will be delivered through certified home energy auditors, trained external heating, home improvement and energy service contractors.		
Estimated Program Participants	It is estimated that this plan would generate 320 completed homes within the SJG territory.	**Estimated savings**	It is estimated that this program will enable the Home Performance Program to produce more completions, at an average of 25% savings per home. The actual savings calculations will be performed by the current Residential Market Manager. However, based upon a baseline of 914 therms per home in SJG's territory, these saving would produce a minimum of 7,312dth annually.
Link to existing programs	This program will link to the Clean Energy Program Low Income, and the NJ Home Performance with Energy Star® program.		

SJG Energy Efficiency Programs
Residential Home Performance Finance Energy Efficiency Program Description

Existing Incentives	Tier I- NJCEP discount on the cost of the audit. Customer cost is now $125, refundable upon completing Tier III measures. Tier II- NJCEP Program offers up to $1000 for air sealing. Tier III- choice of rebates ranging from 10% to 50% of the improvements with total rebate cap of $5000 or low cost financing through a 3rd party	**Proposed Incentive**	SJG will offer eligible customers an aggressive financial package to assist in obtaining whole house energy efficiency, comfort and savings. Customers who choose to opt for Tier III of the Home Performance with Energy Star Program will initially be provided by SJG's program to provide, 100% of the cost of the gas reducing measures, through "up-front" financing. This financed amount will be reduced once the customer receives a 50% rebate from the Clean Energy Program, under the Tier III initiative of the Home Performance program, and assigns this the provider of the financing. SJG will then provide an additional 25% rebate to income eligible customers to offset the remaining costs to the customer. This incentive will also be assigned to the finance agent. Customers will be responsible to repay the balance of the loan over 10 years, interest free. This loan offer will be capped at $20,000, per customer. It is intended that income eligible customers will only pay a maximum of less than $42 per month, and non income eligible customers will only pay a maximum of less than $84 per month for 120 months, after all applicable rebates are assigned.	**Total Incentive**

SJG Energy Efficiency Programs
Residential Home Performance Finance Energy Efficiency Program Description

Estimated avoided air emissions	All savings data will be calculated by the Clean Energy Program Market Manager, according to their approved protocols
Anticipated Job Creation	Additional auditors, contractors, and / or contractor employees will be needed as demand for the plan increases over time. However it is estimated that this program could support 2 additional auditors, 6 more installers, 2 air sealers, 2 insulators. It is anticipated that this program would generate the need for an additional sales person, totaling 11 people. An additional 3 people will be needed within SJG to manage and sell the programs to both contractors and the public. These jobs will be allocated across all of the SJG proposed programs.
Budget information	See Exhibit 6 of the SJG filing for categorization of costs.
Marketing Approach	Multi tiered approach: Service providers, and homeowners. direct mail complimented by print and broadcast media channels. Bill stuffers, web site, community outreach and education, trade ally programs, call center "up-selling", and contact customers who have accessed SJG's Take Control of Your Gas Bill Dashboard
Cost Recovery/ Rate design	O&M for program administration, marketing costs, and recovery of applicable rebates and / or financing costs. To be collected through a new rider to be applied consistent with treatment of Societal Benefits Clause
Contractor Role	It will be the role of firms who specialize in training, home auditing, home improvement and energy services, to promote, manage, and implement this program. This program will be coordinated between the services of the Residential Market Manager of the NJCEP, and SJG.

SJG WHOLE BUILDING Energy Efficiency Programs
Combined Heat and Power Program Description

Description of Program	This program will provide an incentive to promote the efficient generation of electricity, and offset thermal loads otherwise satisfied by boilers. A rate and contract mechanism offset will be designed to stabilize natural gas prices over a fixed term to mitigate the volatility of natural gas prices. SJG will provide a direct incentive to match the incentives of the Clean Energy Program.			
Market Segment/ Efficiency Targeted	Commercial / Industrial Customers with a heavy requirement for thermal load. Will also target localities where anticipated growth is expected to create heavy demand upon the existing power infrastructure. Other localities include areas of electric congestion, areas of contiguous building infrastructure, and areas affected by Local Marginal Pricing. Priority will be given to review medical and institutional facilities, which operate 24 hours per day, 7 days per week on a consistent basis.			
Delivery Method	Engineering firms, energy service companies, mechanical contractors; coordinated by utility sales engineers.			
Estimated Program Participants	3 installations	**Estimated savings**	4.5 MW	
Link to existing programs	Link to the CLEP SmartStart Program			
Existing Incentives	See Attached Table	**Proposed SJG Incentive**	100% Match of the CLEP table of incentive	
Estimated avoided air emissions	All savings data will be calculated by the Clean Energy Program Market Manager, according to their approved protocols			
Anticipated Job Creation	It is estimated that approximately 57 people will be needed to develop, design, build, and operate a CHP plant worthy of a $1M incentive			
Budget information	See Attachment Exhibit 6 of the SJG filing for categorization of costs.			

SJG WHOLE BUILDING Energy Efficiency Programs
Combined Heat and Power Program Description

Marketing Approach	Direct contact with customers who fit the profile discussed in market segment, coupled with trade publications, web site, and up channel market allies, such as distributors, engineering firms, developers, mechanical contractors, manufactures, and dealer reps.
Cost Recovery/ Rate design	O&M for program administration, marketing costs, and recovery of applicable rebates and / or financing costs to be collected through a new rider to be applied consistent with treatment of Societal Benefits Clause.
Contractor Role	It will be the role of the contractors and developers will be to sell, install, and where appropriate maintain the equipment. The program will be coordinated with the commercial market manager of the NJCLEP, with assistance from SJG.

SJG WHOLE BUILDING Energy Efficiency Programs
Combined Heat and Power Program Description

TABLE 1: CHP TECHNOLOGY AND INCENTIVE LEVELS

Eligible Technology[1]	Incentive[2] ($/Watt) (Up to $1.0 Million)	Maximum % of Project Cost	Minimum System Size
Level 1 •Fuel cells not fueled by Class I renewable fuel	$4.00/Watt	60%	None
Level 2 •Micro turbines •Internal Combustion Engines •Combustion Turbines	$1.00/Watt	30% [3]	None
Level 3 •Heat Recovery or Other Mechanical Recovery from Existing Equipment Utilizing New Electric Generation Equipment	$0.50/Watt	30%	None

[1] Insert New Jersey's code requirements or any other mandates if applicable to the appropriate technology.

[2] No one particular level will receive more than 50% of the funding, subject to review after 6 months

[3] The maximum % of project cost will go to 40% where a cooling application is used or included with the CHP system.

SJG WHOLE BUILDING Energy Efficiency Programs
Commercial Customer Direct Install Financing Program

Description of Program	This program will encourage participation and implementation of NJCEP SmartStart Building program qualified measures or improvements identified by the 2009 NJCEP Direct Install program. The current Clean Energy Plan targets customers with electric demand of < 200 KW demand, however the plan is silent on the size of customers based upon natural gas usage. It is therefore anticipated that SJG will offer commercial customers whose electric demand is not greater than 200KW, zero (0%) percent, financing for the entire amount of the customer's financial obligation, up to $25,000 to install energy efficiency gas reducing technologies, less the NJCEP rebate received, for a 10 year period.		
Market Segment/ Efficiency Targeted	The program will be marketed to all SJG customers who can install measures which are eligible for either SmartStart Buildings program, or the new NJCEP Direct Install program. ,		
Delivery Method	The improvements will be delivered consistent with existing SmartStart and Direct Install channels. SJG will work with the NJCEP Commercial Market Manager, and will employ the services of another energy engineering company, to raise awareness of new financing options with active contractors and commercial customers. This program will also be supported by managerial and sales staff provided by SJG.		
Estimated Program Participants	It is estimated that 300 customers will participate in this program	**Estimated savings**	Energy savings which result from this program will be done by the NJCEP Market Manager, according to approved protocols. However, based on a small GSG customer's average use of 487 th/yr, a 20% savings plan would produce over 97 therms per customer per year, totaling 2,910 dth annually.
Link to existing programs	Directly linked to NJCEP SmartStart Building and new NJCEP Direct Install program		

SJG WHOLE BUILDING Energy Efficiency Programs
Commercial Customer Direct Install Financing Program

Existing Incentives for 2009	SmartStart- NJCEP rebate incentives vary by measures. No changes to rebate levels proposed Direct install- NJCEP provides 80 percent of the costs of the recommended measures.	**Proposed Incentives**	SJG, either through the Company, or through another lending agency, will provide zero (0) percent financing for the "up-front cost of installing the recommended gas measures, up to $25,000. This financing option is conditioned upon the customer forwarding all CLEP incentives and rebates received under this program to SJG, to the lending agency. If such rebates are not received within 180 days, SJG will apply an interest rate equal to the Company's weighted avg. cost of capital for the duration of the term of the loan.
Estimated avoided air emissions	To be calculated by the NJCEP Market Manager, according to approved protocols		
Anticipated Job Creation	It is anticipated that this program could generate 7 installers, and a variety of sales, and administrative staff persons. It is also anticipated that an additional 3 people will be needed within SJG to manage and sell the programs to both contractors and to the public. These jobs will be allocated across all of the SJG proposed programs.		
Budget information	See Attachment Exhibit 6 of the SJG filing for categorization of costs.		

SJG WHOLE BUILDING Energy Efficiency Programs
Commercial Customer Direct Install Financing Program

Marketing Approach	SJG will partner with TRC, and other local energy engineering firms to promote this program by working with contractors, local business organizations, and Chambers of Commerce, industry and trade groups. SJG will also frequently promote this offer through our Web Site, and various print publications.
Cost Recovery/ Rate design	O&M for program administration, marketing costs, and recovery of applicable rebates and / or financing costs to be collected through a new rider to be applied consistent with treatment of Societal Benefits Clause.
Contractor Role	It will be the role of energy service contracting firms, energy engineering companies, and engineers who specialize in large applications, to promote, design, and install energy efficiency measures. The program will be coordinated with the commercial market manager of the NJCLEP, with assistance from SJG.

SJG WHOLE BUILDING Energy Efficiency Programs
Non Residential Energy Efficiency Investment Program Description

Description of Program	This program is designed to generate large energy savings for larger commercial / industrial accounts, including but not limited to: multifamily housing complexes, institutions, municipal complexes, schools, medical facilities, hotels and casinos, and industrial users. The major thrust of this program is to provide a maximum of $100,000 of "up-front" financing options and an additional incentive to non residential customers. SJG is also proposing to buy down the difference to install whole building energy efficient technologies, devices, analytical studies, and recommended equipment which would reduce natural gas consumption, and yield the customer positive cash flows over time, for the customer. The needs of the customer would be assessed by a representative if the NJ Clean Energy Program Market Manager and the project would be coordinated with the NJCEP Market Manager. This incentive will be matched with CLEP incentives up to $100,000. The maximum amount of financing, after all applicable incentives are assigned to SJG will be $100,000.		
Market Segment/ Efficiency Targeted	The plan is applicable to all non residential customers within the SJG service territory, however the program will be specifically targeted to larger commercial / industrial customers, housing complexes (both affordable and market based), and the above named groups of customers mentioned earlier.		
Delivery Method	The selection of program delivery personnel will be determined by SJG. Program implementation and sales will include outside resources, along with SJG staff. The actual work will be performed by area mechanical contractors, engineering firms, and energy services companies. This program will be offered in cooperation with the assistance of the current NJCEP Commercial Market Manager.		
Estimated Program Participants	It is estimated that 32 customers will participate in this program.	**Estimated savings**	The savings calculations will be performed by the Commercial Market Manager for the NJCLEP, however based on the average savings of 2,522 Dth per customer experience by SJG in 2006, it is estimated that this program could generate 80,704 dth annually.

SJG WHOLE BUILDING Energy Efficiency Programs
Non Residential Energy Efficiency Investment Program Description

Link to existing programs	Link to the Clean Energy Program SmartStart Program		
Existing Incentives	See Current 2009 CLEP TRC Filing	**Proposed SJG Incentives**	SJG, a finance agency, will finance any outstanding balance up to $100,000 after all applicable CLEP and SJG incentives and rebates are applied. This financing option is conditioned upon the customer forwarding all CLEP incentives and rebates received under this program, to SJG, to the lending agency. If such rebates are not received within 180 days, SJG will apply an interest rate equal to the Company's weighted cost of capital for the duration of the term of the loan.
Estimated avoided air emissions	Will follow approved CLEP Protocol		
Anticipated Job Creation	It is believed that this program could generate 6 installers, and a variety of sales, administrative, and engineering positions. It is also anticipated that an additional 3 people will be needed within SJG to manage and sell the programs to both contractors and the public. These jobs will be allocated across all of the SJG proposed programs.		
Budget information	See Exhibit 6 of the SJG filing for categorization of costs.		
Marketing Approach	The approach to this program will entail a multi-level approach. This program will require marketing from energy service providers and developers; coupled with web site applications, heavy business outreach and education, trade ally programs, trade publications, and contractor outreach. In addition, the communication will need to be supplemented with coordinated utility sales efforts.		
Cost Recovery/ Rate design	O&M for program administration, marketing costs, and recovery of applicable rebates and / or financing costs to be collected through a new rider to be applied consistent with treatment of Societal Benefits Clause.		

South Jersey Gas Company

Energy Efficiency Tracker
Revenue Requirement and Rate Calculation Year 1

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Total
Net Monthly Investment	$1,043,863	$1,086,105	$1,087,207	$605,877	$563,727	$717,757	$825,293	$817,793	$1,683,025	$473,357	$497,357	$523,857	
Less CHP Rebate									($1,000,000)				
Net Monthly Investment	$1,043,863	$1,086,105	$1,087,207	$605,877	$563,727	$717,757	$825,293	$817,793	$683,025	$473,357	$497,357	$523,857	$8,925,215
Cumulative Investment	$1,043,863	$2,129,968	$3,217,175	$3,823,051	$4,386,778	$5,104,535	$5,929,828	$6,747,621	$7,430,645	$7,904,002	$8,401,359	$8,925,215	
Less Accumulated Amortization	$0	($21,747)	($66,121)	($133,146)	($212,793)	($304,184)	($410,529)	($534,067)	($674,642)	($850,281)	($1,035,781)	($1,231,642)	
Less Accumulated Deferred Tax	($428,861)	($866,141)	($1,294,579)	($1,515,961)	($1,714,840)	($1,972,176)	($2,267,549)	($2,552,777)	($3,186,476)	($3,308,791)	($3,436,914)	($3,571,668)	
Net Investment	$615,002	$1,242,079	$1,856,474	$2,173,945	$2,459,145	$2,828,175	$3,251,750	$3,660,778	$3,569,527	$3,744,931	$3,928,664	$4,121,906	
Rate of Return (11.2% / 12)	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	
Required Net Operating Income	$5,740	$11,594	$17,328	$20,292	$22,954	$26,398	$30,352	$34,170	$33,318	$34,955	$36,670	$38,474	$312,244
Incremental O&M After Tax	$29,950	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$198,034
After Tax Amortization	$0	$12,863	$26,247	$39,645	$47,111	$54,058	$62,903	$73,073	$83,150	$103,890	$109,723	$115,852	$728,516
Operating Income	$35,690	$39,737	$58,856	$75,217	$85,345	$95,736	$108,535	$122,523	$131,749	$154,126	$161,674	$169,606	$1,238,795
Revenue Factor	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	
Revenue Requirement	$38,752	$43,147	$63,906	$81,671	$92,668	$103,951	$117,847	$133,035	$143,053	$167,350	$175,545	$184,159	$1,345,084
Revenue Requirement Excluding SUT	$36,217	$40,324	$59,725	$76,328	$86,605	$97,150	$110,138	$124,332	$133,694	$156,402	$164,061	$172,111	$1,257,088
Therms													565,123,418
Rate Per Therm Excluding SUT													$0.0022
Rate Per Therm Including SUT													$0.0024

South Jersey Gas Company

Energy Efficiency Tracker
Revenue Requirement and Rate Calculation Year 2

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Year 2 Total
Net Monthly Investment	$565,217	$541,217	$477,567	$467,567	$1,467,567	$497,567	$587,042	$1,563,042	$473,977	$0	$0	$0	
Less CHP Rebate					($1,000,000)			($1,000,000)					
Net Monthly Investment	$565,217	$541,217	$477,567	$467,567	$467,567	$497,567	$587,042	$563,042	$473,977	$0	$0	$0	$4,640,760
Cumulative Investment	$9,490,432	$10,031,649	$10,509,215	$10,976,782	$11,444,349	$11,941,915	$12,528,957	$13,091,999	$13,565,975	$13,565,975	$13,565,975	$13,565,975	
Less Accumulated Amortization	($1,438,418)	($1,656,968)	($1,886,794)	($2,126,570)	($2,376,086)	($2,656,176)	($2,946,633)	($3,249,320)	($3,584,570)	($3,929,694)	($4,274,819)	($4,619,943)	
Less Accumulated Deferred Tax	($3,718,930)	($3,851,494)	($3,953,276)	($4,046,861)	($4,547,285)	($4,636,633)	($4,758,482)	($5,276,286)	($5,333,281)	($5,191,490)	($5,049,699)	($4,907,908)	
Net Investment	$4,333,085	$4,523,187	$4,669,146	$4,803,351	$4,520,978	$4,649,106	$4,823,842	$4,566,393	$4,648,125	$4,444,792	$4,241,458	$4,038,124	
Rate of Return (11.2% / 12)	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	0.9334%	
Required Net Operating Income	$40,445	$42,219	$43,582	$44,834	$42,199	$43,395	$45,026	$42,623	$43,386	$41,488	$39,590	$37,692	$506,478
Incremental O&M After Tax	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$0	$0	$0	$128,651
After Tax Amortization	$122,308	$129,273	$135,942	$141,827	$147,589	$165,674	$171,805	$179,039	$198,300	$204,141	$204,141	$204,141	$2,004,180
Operating Income	$177,047	$185,787	$193,818	$200,956	$204,082	$223,363	$231,125	$235,956	$255,981	$245,629	$243,731	$241,833	$2,639,309
Revenue Factor	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	1.0858	
Revenue Requirement	$192,238	$201,727	$210,448	$218,198	$221,593	$242,527	$250,956	$256,201	$277,944	$266,704	$264,643	$262,582	$2,865,762
Revenue Requirement Excluding SUT	$179,662	$188,530	$196,680	$203,924	$207,096	$226,661	$234,538	$239,441	$259,760	$249,256	$247,330	$245,404	$2,678,282
Year 1 (Over)/Under Recovered Balance	$668	$702	$698	$583	$644	$973	$1,434	$1,863	$1,907	$1,784	$1,289	$840	$13,386
Total Revenue Requirement	$180,329	$189,232	$197,378	$204,507	$207,739	$227,634	$235,973	$241,304	$261,667	$251,040	$248,619	$246,244	$2,691,668
Therms													585,123,418
Rate Per Therm Excluding SUT													$0.0046
Rate Per Therm Including SUT													$0.0051

South Jersey Gas Company
Energy Efficiency Tracker Amortization of Investment

	Total Program	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Month 1	$1,043,863	$0	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747
Month 2	$1,086,105	$0	$0	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627
Month 3	$1,087,207	$0	$0	$0	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650
Month 4	$605,877	$0	$0	$0	$0	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622
Month 5	$563,727	$0	$0	$0	$0	$0	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744
Month 6	$717,757	$0	$0	$0	$0	$0	$0	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953
Month 7	$825,293	$0	$0	$0	$0	$0	$0	$0	$17,194	$17,194	$17,194	$17,194	$17,194
Month 8	$817,793	$0	$0	$0	$0	$0	$0	$0	$0	$17,037	$17,037	$17,037	$17,037
Month 9	$1,683,025	$0	$0	$0	$0	$0	$0	$0	$0	$0	$35,063	$35,063	$35,063
Month 10	$473,357	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$9,862	$9,862
Month 11	$497,357	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$10,362
Month 12	$523,857	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 13	$565,217	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 14	$541,217	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 15	$477,567	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 16	$467,567	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 17	$1,467,567	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 18	$497,567	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 19	$587,042	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 20	$1,563,042	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Month 21	$473,977	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$16,565,975	$0	$21,747	$44,374	$67,024	$79,647	$91,391	$106,344	$123,538	$140,575	$175,638	$185,500	$195,862
Cumulative Amortization			$21,747	$66,121	$133,146	$212,793	$304,184	$410,529	$534,067	$674,642	$850,281	$1,035,781	$1,231,642

South Jersey Gas Company
Energy Efficiency Tracker Amortization of Investment

	Total Program	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Month 1	$1,043,863	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747	$21,747
Month 2	$1,086,105	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627	$22,627
Month 3	$1,087,207	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650	$22,650
Month 4	$605,877	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622	$12,622
Month 5	$563,727	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744	$11,744
Month 6	$717,757	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953	$14,953
Month 7	$825,293	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194	$17,194
Month 8	$817,793	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037	$17,037
Month 9	$1,683,025	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063	$35,063
Month 10	$473,357	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862	$9,862
Month 11	$497,357	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362	$10,362
Month 12	$523,857	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914	$10,914
Month 13	$565,217	$0	$11,775	$11,775	$11,775	$11,775	$11,775	$11,775	$11,775	$11,775	$11,775	$11,775	$11,775
Month 14	$541,217	$0	$0	$11,275	$11,275	$11,275	$11,275	$11,275	$11,275	$11,275	$11,275	$11,275	$11,275
Month 15	$477,567	$0	$0	$0	$9,949	$9,949	$9,949	$9,949	$9,949	$9,949	$9,949	$9,949	$9,949
Month 16	$467,567	$0	$0	$0	$0	$9,741	$9,741	$9,741	$9,741	$9,741	$9,741	$9,741	$9,741
Month 17	$1,467,567	$0	$0	$0	$0	$0	$30,574	$30,574	$30,574	$30,574	$30,574	$30,574	$30,574
Month 18	$497,567	$0	$0	$0	$0	$0	$0	$10,366	$10,366	$10,366	$10,366	$10,366	$10,366
Month 19	$587,042	$0	$0	$0	$0	$0	$0	$0	$12,230	$12,230	$12,230	$12,230	$12,230
Month 20	$1,563,042	$0	$0	$0	$0	$0	$0	$0	$0	$32,563	$32,563	$32,563	$32,563
Month 21	$473,977	$0	$0	$0	$0	$0	$0	$0	$0	$0	$9,875	$9,875	$9,875
Total	$16,565,975	$206,775	$218,551	$229,826	$239,775	$249,516	$280,091	$290,457	$302,687	$335,250	$345,124	$345,124	$345,124
Cumulative Amortization		$1,438,418	$1,656,968	$1,886,794	$2,126,570	$2,376,086	$2,656,176	$2,946,633	$3,249,320	$3,584,570	$3,929,694	$4,274,819	$4,619,943

After Tax Amortization Calculation:	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Monthly Amortization Total	$206,775	$218,551	$229,826	$239,775	$249,516	$280,091	$290,457	$302,687	$335,250	$345,124	$345,124	$345,124
Tax Factor	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915
After Tax Amortization	$122,308	$129,273	$135,942	$141,827	$147,589	$165,674	$171,805	$179,039	$198,300	$204,141	$204,141	$204,141

South Jersey Gas Company

Energy Efficiency Tracker
Deferred Tax Calculation

Year 1

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Monthly Investment		$1,043,863	$1,086,105	$1,087,207	$605,877	$563,727	$717,757	$825,293	$817,793	$1,683,025	$473,357	$497,357	$523,857	$9,925,215
Tax Deduction		$1,043,863	$1,086,105	$1,087,207	$605,877	$563,727	$717,757	$825,293	$817,793	$1,683,025	$473,357	$497,357	$523,857	$9,925,215
Book Amortization		$0	($21,747)	($44,374)	($67,024)	($79,647)	($91,391)	($106,344)	($123,538)	($140,575)	($175,638)	($185,500)	($195,862)	($1,231,642)
Net		$1,043,863	$1,064,358	$1,042,832	$538,852	$484,080	$626,365	$718,949	$694,255	$1,542,449	$297,718	$311,857	$327,995	$8,693,573
Year 1 Deferred Tax	41.084%	$428,861	$437,281	$428,437	$221,382	$198,879	$257,336	$295,373	$285,228	$633,700	$122,315	$128,123	$134,753	$3,571,668
Accumulated Deferred Tax		$428,861	$866,141	$1,294,579	$1,515,961	$1,714,840	$1,972,176	$2,267,549	$2,552,777	$3,186,476	$3,308,791	$3,436,914	$3,571,668	

Year 2

		Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Total
Monthly Investment		$565,217	$541,217	$477,567	$467,567	$1,467,567	$497,567	$587,042	$1,563,042	$473,977	$0	$0	$0	$6,640,760
Tax Deduction		$565,217	$541,217	$477,567	$467,567	$1,467,567	$497,567	$587,042	$1,563,042	$473,977	$0	$0	$0	$6,640,760
Book Amortization		($206,775)	($218,551)	($229,826)	($239,775)	($249,516)	($280,091)	($290,457)	($302,687)	($335,250)	($345,124)	($345,124)	($345,124)	($3,388,301)
Net		$358,441	$322,666	$247,741	$227,791	$1,218,050	$217,476	$296,585	$1,260,355	$138,727	($345,124)	($345,124)	($345,124)	$3,252,459
Year 2 Deferred Tax	41.084%	$147,262	$132,564	$101,782	$93,586	$500,424	$89,348	$121,849	$517,804	$56,994	($141,791)	($141,791)	($141,791)	$1,336,240
Accumulated Deferred Tax		$3,718,930	$3,851,494	$3,953,276	$4,046,861	$4,547,285	$4,636,633	$4,758,482	$5,276,286	$5,333,281	$5,191,490	$5,049,699	$4,907,908	

South Jersey Gas Company
Energy Efficiency Tracker - Incremental Operating and Maintenance Budget

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total Year 1
Enhanced Residential HVAC	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 95,600
Home Performance Financing	$ 13,700	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 96,200
Combined Heat and Power	$ 7,867	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 1,667	$ 26,200
Commercial Direct Install	$ 10,900	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 62,600
Non Residential Energy Efficiency	$ 10,200	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 54,200
Total Budget	$ 50,633	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 334,800
After Tax O&M Calculation:													
Monthly Budget	$ 50,633	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 25,833	$ 334,800
Tax Factor	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915
Incremental O&M - After-Tax	$29,950	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$15,280	$198,034

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Total Year 2
Enhanced Residential HVAC	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 7,967	$ 71,700
Home Performance Financing	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 67,500
Combined Heat and Power	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Direct Install	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 4,700	$ 42,300
Non Residential Energy Efficiency	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 36,000
Total Budget	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 217,500
After Tax O&M Calculation:										
Monthly Budget	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 24,167	$ 217,500
Tax Factor	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	0.5915	
Incremental O&M - After-Tax	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$14,295	$ 128,651

South Jersey Gas Company
Energy Efficiency Tracker
Monthly Recovery and Interest Calculation

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Period Volumes		28,198,304	29,646,462	29,456,552	24,627,977	27,166,606	41,088,524	60,555,416	78,645,727	80,500,121	75,326,408	54,431,195	35,476,123	565,123,416
Recovery Rate		$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	$0.0022	
Recoveries		$62,036	$65,222	$64,804	$54,182	$59,767	$90,395	$133,222	$173,021	$177,100	$165,722	$119,749	$78,052	$1,243,272
Revenue Requirements Excluding SUT		$36,217	$40,324	$59,725	$76,328	$86,605	$97,150	$110,138	$124,332	$133,684	$156,402	$164,061	$172,111	$1,257,088
Less Recoveries		$62,036	$65,222	$64,804	$54,182	$59,767	$90,395	$133,222	$173,021	$177,100	$165,722	$119,749	$78,052	$1,243,272
Monthly (Over)/Under Recovered Balance		($25,819)	($24,898)	($5,079)	$22,146	$26,839	$6,755	($23,084)	($48,688)	($43,406)	($9,321)	$44,313	$94,059	$13,816
Beginning (Over)/Under Recovered Balance		$0	($25,819)	($50,717)	($55,796)	($33,650)	($6,811)	($56)	($23,140)	($71,828)	($115,235)	($124,556)	($80,243)	$0
Ending (Over)/Under Recovered Balance		($25,819)	($50,717)	($55,796)	($33,650)	($6,811)	($56)	($23,140)	($71,829)	($115,235)	($124,556)	($80,243)	$13,816	$13,816
Average (Over)/Under Recovered Balance (Net of Taxes)	0.5915	($7,636)	($22,636)	($31,501)	($26,454)	($11,987)	($2,031)	($6,880)	($28,087)	($55,324)	($70,918)	($60,569)	($19,646)	
Interest (To Customers) / To Company	1.50%	($10)	($28)	($39)	($33)	($15)	($3)	($9)	($35)	($69)	($89)	($76)	($25)	($430)
(Over)/Under Recovered Balance to be Recovered in Year 2														$13,386

		Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 18	Month 20	Month 21	Month 22	Month 23	Month 24	Total
Period Volumes		28,198,304	29,646,462	29,456,552	24,627,977	27,166,606	41,088,524	60,555,416	78,645,727	80,500,121	75,328,408	54,431,195	35,476,123	565,123,416
Recovery Rate		$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	$0.0048	
Recoveries		$135,352	$142,303	$141,391	$118,214	$130,400	$197,225	$290,666	$377,499	$386,401	$361,576	$261,270	$170,295	$2,712,592
Revenue Requirements Excluding SUT		$179,682	$186,530	$196,680	$203,924	$207,096	$226,661	$234,538	$239,441	$259,760	$249,256	$247,330	$245,404	$2,678,282
Interest		($430)												($430)
Less Recoveries		$135,352	$142,303	$141,391	$118,214	$130,400	$197,225	$290,666	$377,499	$386,401	$361,576	$261,270	$170,295	$2,712,592
Monthly (Over)/Under Recovered Balance		$43,880	$46,227	$55,289	$85,709	$76,696	$29,436	($56,128)	($138,059)	($126,840)	($112,320)	($13,840)	$75,109	($34,740)
Beginning (Over)/Under Recovered Balance		$13,816	$57,696	$103,923	$159,212	$244,922	$321,618	$351,054	$294,926	$156,867	$30,227	($82,093)	($96,033)	$13,816
Ending (Over)/Under Recovered Balance		$57,696	$103,923	$159,212	$244,922	$321,618	$351,054	$294,926	$156,867	$30,227	($82,093)	($96,033)	($20,924)	($20,924)
Average (Over)/Under Recovered Balance (Net of Taxes)	0.5915	$21,150	$47,798	$77,822	$119,523	$167,554	$198,943	$191,049	$133,818	$55,333	($15,339)	($52,681)	($34,590)	
Interest (To Customers) / To Company (Net of Taxes)	1.50%	$26	$60	$97	$149	$209	$249	$239	$167	$69	($19)	($66)	($43)	$1,138

SJG INFRASTRUCTURE INVESTMENT PROGRAM

CALCULATION OF INTEREST CHARGES

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

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

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

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

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

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

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

	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$6,000,000
Interest	(30,788)												(30,788)
Monthly Recoveries	(325,153)	(325,153)	(352,249)	(379,345)	(433,537)	(569,017)	(650,306)	(650,306)	(569,017)	(406,441)	(379,345)	(379,345)	(5,419,213)
(Over)/Under Recovery	$144,060	$174,847	$147,751	$120,655	$66,463	($69,017)	($150,306)	($150,306)	($69,017)	$93,559	$120,655	$120,655	$550,000
Beginning Balance - (Over)/Under Recovery	($550,000)	($405,940)	($231,093)	($83,342)	$37,313	$103,776	$34,759	($115,547)	($265,852)	($334,869)	($241,310)	($120,655)	
Ending Balance (Over)/Under Recovery	($405,940)	($231,093)	($83,342)	$37,313	$103,776	$34,759	($115,547)	($265,852)	($334,869)	($241,310)	($120,655)	$0	
Average Balance (Over)/Under	($477,970)	($318,517)	($157,217)	($23,014)	$70,545	$69,268	($40,394)	($190,699)	($300,361)	($288,090)	($180,983)	($60,328)	
Interest Rate (Monthly)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	
Interest (To Customer) /To Company	($1,912)	($1,274)	($629)	($92)	$282	$277	($162)	($763)	($1,201)	($1,152)	($724)	($241)	($7,691)

Year 2 - Actual	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	$378,900	$378,900	$410,475	$442,050	$505,200	$663,075	$757,800	$757,800	$663,075	$473,625	$442,050	$442,050	$6,315,000
Interest	(30,788)												(30,788)
Monthly Recoveries	(321,327)	(321,327)	(348,105)	(374,882)	(428,437)	(562,323)	(642,655)	(642,655)	(562,323)	(401,659)	(374,882)	(374,882)	(5,355,457)
(Over)/Under Recovery	$26,785	$57,573	$62,370	$67,168	$76,763	$100,752	$115,145	$115,145	$100,752	$71,966	$67,168	$67,168	$928,756
Beginning Balance - (Over)/Under Recovery	($550,000)	($523,215)	($465,642)	($403,272)	($336,104)	($259,341)	($158,589)	($43,443)	$71,702	$172,454	$244,419	$311,587	
Ending Balance (Over)/Under Recovery	($523,215)	($465,642)	($403,272)	($336,104)	($259,341)	($158,589)	($43,443)	$71,702	$172,454	$244,419	$311,587	$378,755	
Average Balance (Over)/Under	($536,607)	($494,429)	($434,457)	($369,688)	($297,722)	($208,965)	($101,016)	$14,129	$122,078	$208,437	$278,003	$345,171	
Interest Rate (Monthly)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	
Interest (To Customer) /To Company	($2,146)	($1,978)	($1,738)	($1,479)	($1,191)	($836)	($404)	$57	$488	$834	$1,112	$1,381	($5,900)

APPENDIX D

Minimum Filing Requirements

1. Direct FTE employment impact, including a breakdown by project, as defined in paragraph 41 of the Stipulation.
2. A monthly revenue requirement calculation based on program expenditures, showing the actual monthly revenue requirement for each of the past twelve months or clause-review period, as well as supporting calculations, including the information related to the tax rate and revenue multiplier used in the revenue requirement calculation.
3. For the review period, actual revenues, by month and by rate class recorded under the programs.
4. Monthly beginning and ending clause balances, as well as the average balance net of tax for the 12-month period.
5. The interest rate used each month for over/under recoveries, and all supporting documentation and calculations for the interest rate.
6. The interest expense to be charged or credited to ratepayers each month.
7. A schedule showing budgeted versus actual program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives, including inspections and quality control, program implementation (all contract costs), evaluation, and any other costs.
8. The monthly journal entries relating to regulatory asset and O&M expenses for the 12 month review period.
9. Supporting details for all administrative costs included in the revenue requirement.
10. Information supporting the carrying cost used for the unamortized costs.
11. Number of program participants, including a breakdown by project.
12. Estimated demand and energy savings, including a breakdown by project.
13. Emissions reductions from the Program, including a breakdown by project.
14. Estimated free ridership and spillover.
15. Participant costs (net of utility incentives), including a breakdown by project.
16. Results of program evaluations, including a breakdown by project.

Note: Based on $.0024 rate

RATE IMPACT

Residential Service (RSG)

Therm Level	Bill as of June 30, 2009(1)	Bill as of July 1, 2009 (2)	Dollar Increase	Percent Increase
25	$47.64	$47.70	$0.06	0.1%
100	$167.28	$167.52	$0.24	0.1%
200	$326.80	$327.28	$0.48	0.2%

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

Therm Level	Bill as of June 30, 2009(1)	Bill as of July 1, 2009 (2)	Dollar Increase	Percent Increase
500	$769.33	$770.53	$1.20	0.2%
1,000	$1,519.93	$1,522.33	$2.40	0.2%
2,000	$3,021.13	$3,025.93	$4.80	0.2%

Large Volume Service- Sales (LVS)

Therm Level	Bill as of June 30, 2009(1)	Bill as of July 1, 2009 (2)	Dollar Increase	Percent Increase
63,000	$71,016	$71,167	$151	0.2%

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

PUBLIC UTILITY STIMULUS FILINGS
JOB CREATION SURVEY INSTRUCTIONS

IN THE MATTER OF ________________________________

DOCKET NO. ______________

PART A: Program information

Please provide the following information related to each program contained in the Company's Energy Efficiency filing:

(1) Budget
(2) Total time
(3) Type of building
(4) Number of projects

PART B: Typical project

In order to provide a better understanding of the Company's estimates, the following questions ask about a typical project under this filing:

(1) What is the size of a typical or average project in this program? Indicate the estimate in square feet.
(2) How much will the typical project described above cost to complete?
(3) How long (in days) will it take to complete the typical project described above?
(4) What is the total number of workers (FTE) needed to complete this project?

PART C: Jobs

The Company's filing indicated the total number of jobs that will be necessary to complete this project. This section asks more detailed questions about those.

(1) *Total number of jobs from filing:* Please identify the total number of jobs created listed in the Company's filing. Please update if this figure has changed.

(2) *Source of formula for jobs estimate:* What is the source or formula the Company used to create the job projects? Please include supporting documentation.

(3) *Occupation title:* What is the title of the occupation?

(4) *Total jobs:* Please provide the average number of people in this position the Company estimates will be needed for the program. Also provide the Company's minimum and maximum estimates, based on demand for this program.

(5) *New jobs:* Please provide the average number of ***new*** people in this position the Company estimates will be needed for the program. Also provide the Company's minimum and maximum estimates, based on demand for this program.

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(6) *Requirements:*

(a) *Minimum education:* What is the minimum education level needed for people in this occupation?

(b) *Certifications:* What types of certifications are necessary for people in this occupation, if any?

(c) *Skills:* What specific skills are necessary for people in this occupation?

(7) *Entry level:* Is this occupation one that can be filled by entry-level workers without training or experience? Check 'Y' for YES or 'N' for NO.

PART D: Contracts

Some of the work identified in the Company's filing will be contracted out. This section asks specific questions about these proposed contracts.

(1) *Type of contract:* What type of business services will this contract target?

(2) *Number of this type:* How many contracts of this type do you expect to make?

(3) *Number of projects:* How many projects will be served by this type of contract?

(4) *Estimated number of workers:* How many workers will be employed by this contract?

(5) *Estimated number of new workers:* How many new workers will be hired to fulfill this contract?

(6) *Occupation titles of workers:* What are the specific occupation titles of workers who will be help fulfill this contract?

PART E: Comments

Please provide any additional information that will be helpful in evaluating the job creation portion of your filing.

<Company name>

PART A: Program information

Program:

Budget:
Total time:
Type of building:
Number of projects:

PART B: Typical project

(1) Size of a typical building project for this program: ________ sq ft.
(2) Cost of a typical project, as described in (1), above: $________
(3) Time (in days) to complete this typical project: ________ days
(4) Number of workers needed for typical project: ________ workers

PART C: Jobs

(1) Total number of jobs from filing: <from filing>

(2) Source of formula for jobs estimate (please attach documentation): ____________________

(3) Occupation title	(4) total jobs min	(4) total jobs max	(4) total jobs avg	(5) new jobs min	(5) new jobs max	(5) new jobs avg	(6) Requirements (a) Minimum education	(6) Requirements (b) Certifications	(6) Requirements (c) Skills	(7) Entry level
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N
										_Y _N

PART D: Contracts

(1)Type of contract	(2) Number of this type	(3) Number of projects	(4) Estimated number of workers	(5) Estimated number of new workers	(5) Occupation titles of workers

PART E: Comments

APPENDIX G

Revised Tariff Language to be Agreed Upon By the Parties