STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
BEFORE THE HONORABLE GAIL M. COOKSON, ALJ

I/M/O THE PETITION OF	)	
SOUTH JERSEY GAS FOR APPROVAL	)	
OF INCREASED BASE TARIFF RATES	)	
AND CHARGES FOR GAS SERVICE	)	**BPU DOCKET No. GR10010035**
AND OTHER TARIFF REVISIONS	)	**OAL DOCKET No. PUC-01598-2010N**
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DIRECT TESTIMONY OF RICHARD LELASH
ON BEHALF OF THE
NEW JERSEY DEPARTMENT OF THE PUBLIC ADVOCATE,
DIVISION OF RATE COUNSEL

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SOUTH JERSEY GAS COMPANY
DOCKET NO. GR10010035
TESTIMONY OF RICHARD W. LELASH

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I. STATEMENT OF QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Richard W. LeLash and my business address is 18 Seventy Acre Road, Redding, Connecticut.

Q. WHAT IS YOUR CURRENT BUSINESS AFFILIATION?

A. I am an independent financial and regulatory consultant working on behalf of several state public utility commissions and consumer advocates.

Q. PRIOR TO YOUR WORK AS AN INDEPENDENT CONSULTANT, WHAT WAS YOUR BUSINESS AFFILIATION, AND WHAT WAS YOUR REGULATORY EXPERIENCE?

A. I was a principal with the Georgetown Consulting Group for twenty years. During my affiliation with Georgetown, and continuing to date, I testified on regulatory issues in more than 300 regulatory proceedings. These testimonies were presented before the Philadelphia Gas Commission, the Federal Energy Regulatory Commission and in the following jurisdictions: Alabama, Arizona, Colorado, Delaware, District of Columbia, Georgia, Illinois, Kansas, Maine, Maryland,

Minnesota, Missouri, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, U.S. Virgin Islands, and Vermont.

Q. MR. LELASH, WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated in 1967 from the Wharton School with a BS in Economics and in 1969 from the Wharton Graduate School with an MBA.

Q. DURING THE COURSE OF YOUR REGULATORY WORK, WHAT HAS BEEN YOUR EXPERIENCE WITH UTILITY POLICY AND REGULATORY ISSUES?

A. As a regulatory consultant, I have worked on matters involving natural gas, electric, telephone, transportation, and water utilities. My testimonies have addressed rate of return, revenue requirements, service metrics, and various regulatory policy issues. In my Appendix there is a listing of the recent cases in which I have sponsored testimony.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WOULD YOU PLEASE STATE THE SCOPE AND PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I was hired by the New Jersey Rate Counsel ("Rate Counsel") to review the filing made by South Jersey Gas Company ("Company" or "SJG") and evaluate various policy issues based on regulatory considerations. My review focused on the Company's proposed Capital Investment Recovery Tracker ("CIRT"), Accelerated Main Replacement Program ("AMRP") and the Integrity Management ("IM") Programs. In addition, my review assessed the Company's performance concerning various customer service metrics.

The purpose of my testimony is to present findings and recommendations to the New Jersey Board of Public Utilities ("Board" or "BPU") concerning issues raised by the Company's filing.

Q. IN PERFORMING YOUR REVIEW AND ANALYSIS, WHAT DATA SOURCES DID YOU UTILIZE?

A. My review and analysis encompassed the Company's filing, responses to discovery requests, and information obtained in various other regulatory proceedings.

Q. WERE THERE ANY LIMITATIONS PLACED ON YOUR REVIEW AND ANALYSIS OF THE COMPANY'S FILING?

A. As of the time this testimony was prepared, certain data and information was still being sought concerning service metrics, the status of certain capital projects, and the impact of updates to the Company's revenue requirement request. Accordingly, I would like to reserve the right to amend or supplement this testimony if required.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, this testimony was prepared by me.

III. OVERVIEW AND CONCLUSIONS

- Recovery of Revenue Requirements

Q. IN THIS PROCEEDING, DOES THE COMPANY'S PETITION FOLLOW WHAT COULD BE CALLED THE TRADITIONAL REVENUE REQUIREMENT FORMAT?

A. No, it does not. The Company, like some other utilities, seems to be seeking a departure from established rate base regulation. During the past thirty years the Company has filed nine base rate cases or about one filing every three years. During that period, there is no indication that the Company suffered from regulatory lag or that its financial position was threatened in any way. It has been able to attract capital on reasonable terms, and it has made capital expenditures for both asset replacement and incremental system expansion to meet growth in customers and demand. However, despite its past results, it is now seeking a variety of trackers, riders, adjustment clauses and other non-traditional means to augment its level of cost recovery.

Q. YOU STATE THAT THE COMPANY HAS NOT SUFFERED FROM REGULATORY LAG NOR HAS ITS FINANCIAL POSITION BEEN THREATENED. CAN YOU PROVIDE CURRENT EVIDENCE THAT ITS

FINANCIAL CONDITION HAS NOT BEEN HARMED BY TRADITIONAL RATE SETTING?

A. As an initial matter, the Company has been viewed favorably by the credit agencies. Recently, Moody's Investor Service has upgraded SJG's bond rating to A3 and has given the utility a positive outlook. Moody's stated in taking its rating action that, "The upgrade reflects South Jersey Gas's consistent financial performance the last several years . . ." (Response RCR-ROR-005). Likewise, Standard & Poor's has stated that, "SJG's excellent business risk profile is characterized by regulatory treatment that is favorable for credit quality, an attractive service territory with above-average growth rates, low operating risk, and efficient operations. These strengths weigh more heavily on the rating than SJI's aggressive financial profile and SJI's higher risk, unregulated operations" (Response RCR-ROR-05).

In addition, various financial indicators show that the Company has not been adversely affected by not having the types of expense recovery it seeks in this case. Page 1 of my Schedule 1 provides data on various Company financial statistics during the past five years. The first measure of return on common equity shows that the Company has consistently earned more than 10% during the period. In its credit reporting Moody's specifically cites the fact that the Company has earned a consistent return the last few years and achieved its authorized return on equity (Response RCR-ROR-005). The second statistic shown on the schedule is

the Company's long-term debt as expressed as a percentage of total capital. Over the 2004-2009 period the debt percentage has averaged about 45% and long-term debt has been trending downward. Additionally, cash as a percentage of construction expenditures and the Company's before-tax interest coverage have been strong during recent years.

Q. ON PAGE 1 OF SCHEDULE 1, YOU ALSO SHOW STATISTICS RELATED TO THE COMPANY'S LEVEL OF CAPITAL EXPENDITURES AND ITS ANNUAL LEVEL OF DEPRECIATION EXPENSE DURING THE 2004-2009 PERIOD. WHAT IS THE SIGNIFICANCE OF THIS DATA?

A. The data illustrates a facet of utility rate requirements that is seldom considered in rate proceedings. While utilities often raise the issues of prospective capital expenditures and earnings attrition between rate cases, they often ignore the offsetting impact of depreciation charges. However, prospectively, capital expenses, from a revenue requirements perspective, are mitigated by increasing accumulated depreciation.

As shown by the data on Page 1 of Schedule 1, annual depreciation for SJG during the past five years has been equal to between 25% and 50% of the Company's annual capital expenditures. Such cash flow from depreciation plus the uncertainty of prospective capital expenditures has a direct bearing on whether special clauses or riders are necessary or appropriate. One of the major rationales

for riders and trackers is to speed up recovery of capital investment, but periodic base rate proceedings and significant internally generated cash can materially negate the basis for such a rationale.

In this proceeding, the array of clauses, riders, and trackers that the Company is seeking to use for expense recovery is very extensive. As shown on page 2 of Schedule 1, the Company already benefits from eight non-rate case revenue mechanisms. These recovery mechanisms are more extensive and control more revenue than most gas utilities that I am familiar with.

When the new mechanisms that SJG has proposed are taken into account, it becomes evident that the Company is seeking a regulatory framework that is similar to those for utilities with formula ratemaking. However, the record for utility rate setting in New Jersey has been very good and has for the most part adhered to traditional rate base regulation. Based on my experience in utility regulation, it is my opinion that SJG does not need the new recovery mechanisms requested, and ratepayers cannot afford to lose the protections inherent in traditional rate setting.

- Summary of Findings and Recommendations

Q. WOULD YOU PLEASE SUMMARIZE YOUR DIRECT TESTIMONY IN THIS MATTER?

A. Based on my review and analysis, I propose that the Board adopt the following findings and recommendations:

1. Despite the fact that the Company has consistently earned its authorized return on equity and is favorably reviewed by the credit rating agencies, it is seeking several additional mechanisms to recover revenues outside of the revenue requirement adopted in this case. The new mechanisms are being sought in addition to various clauses, trackers, and riders that the Company already has in place.

2. Such an ad hoc approach to rate setting is neither necessary nor appropriate. The new mechanisms, along with those previously implemented, would unreasonably create "deferral" rate setting and could remove the inherent cost control safeguards that exist under traditional ratemaking. A revenue requirement determination constitutes an operating budget for a utility without which adequate service at the lowest reasonable cost would be at risk.

3. The Company's request concerning the Capital Investment Recovery Tracker ("CIRT") is instructive. Based upon a unique set of policy directives, the Board authorized the CIRT for a limited time for specifically authorized qualified projects. In response, the Company seeks to expand the CIRT mechanics and scope without fulfilling the tracker's requisite pre-conditions. Accordingly, the CIRT should be applicable only for the Board's authorized projects subject to the stated recovery provisions.

4. In its filing the Company has requested an Accelerated Main Replacement Program ("AMRP") in order to increase its level of replacement for its mains and services. The Company cites hundreds of jobs that would be preserved or created with the AMRP along with the reduction of greenhouse gas ("GHG") emissions which could result in emission reduction credits. However, the Company has failed to address the need for accelerated replacement, the portion of replacements that will be incremental, and whether such replacements will yield any incremental revenues.

5. With the prior approval of the CIRT major projects that were initially planned for the next five years, the Company will receive recovery on a

current basis. That fact, coupled with the speculative operational need and uncertain incremental cost of AMRP projects, should preclude any additional rate approval for such projects at this time. The current base rate proceeding is simply not the venue to address the regulatory recovery of replacement costs of an estimated $548 million through 2030.

6. With respect to the deferred Pipeline Integrity Management ("PIM") expenses and the estimated Distribution Integrity Management Program ("DIMP") prospective expenses, it is recommended that the recovery of the past expenditures be adjusted and amortized over three years and that the projected expenses be deferred subject to review and possible recovery in the next base rate case. While the deferral could include annual carrying costs, it should be expressly understood that such deferred costs would not constitute regulatory assets. Any decision on their recovery should be subject to a review as to their amount and reasonableness.

7. With respect to the Company's inclusion of the Rockford Eclipse Valve Replacement costs within the Reliability Tracker, I agree with McFadden Consulting's testimony that the rationale and cost amounts claimed by the Company are not adequately established. The Company has already taken remedial actions to prevent customers from using the valves and the

Company's own assessment of potential risk, given its 15 year replacement plan, further suggests that forecasted expenditures may not actually be required. Such a conclusion is also supported by the fact that there has been no evidence submitted by SJG concerning comparable replacement programs being conducted by other gas utilities.

8. To the degree that the Board decides that additions or expansions to the CIRT program, the creation of the reliability tracker, or that AMRP is warranted, then the Board should also require a depreciation tracker. Whether done through a BGSS or other proceeding, when base rates are adjusted for incremental investment and deferred expenses, they should also be adjusted for any additional accumulated depreciation on the Company's balance sheet. In this way, both incremental capital expenditures and appropriate rate base offsets will properly be factored into new rates.

9. The Company should initiate a program to monitor and report on various customer service metrics. The metrics should include data on its call center operation, meter reading activities, and field operations. These are areas where the Company interacts with its customers and where there are trade-

offs between staffing levels and the attainment of certain levels of customer service.

10. A review of the Company's recent service levels show a deterioration in performance in the areas of call center operation and field operations. These areas were addressed in the 2005 Audit Report prepared by Liberty Consulting, and recent data shows that certain service areas continue to have deficiencies.

11. The recommended customer service program needs to define, monitor, and report certain service metrics and determine what constitutes an adequate level of performance for each metric. New Jersey Natural Gas and Elizabethtown Gas have recently developed such service programs as part of their base rate proceedings, and it is appropriate that the Company be required to adopt a similar program.

12. Data is currently maintained on SJG's customer complaints and the levels of complaints per 1,000 customers are exceeding industry benchmarks. The high number of complaints appears related to service levels in the Company's call center for its average speed of answer and its percentage of

abandoned calls. Likewise, the Company's response to leak reports, in certain instances, may also be contributing to high complaint levels.

13. Under the recommended service program, the Company should have to compile monthly data on eight defined metrics and report its performance results on a quarterly basis. If performance is materially below industry benchmarks or deficiencies are occurring over extended periods, then the Board should require the Company to take remedial actions.

IV. REVENUE REQUIREMENTS AND POLICY ISSUES

- Proposed Recovery Mechanisms

Q. IN ITS FILING THE COMPANY HAS PROPOSED VARIOUS RECOVERY MECHANISMS. WOULD YOU PROVIDE AN OVERVIEW OF THE UNDERLYING EXPENSES AND THEIR RECOVERY?

A. The Company's most significant proposal involves a Reliability Tracker ("RT") which is to provide, according to the Company, a return of and a return on investments in three related programs (Pignatelli Testimony, page 2). Specifically, the RT is to include an Accelerated Main Replacement Program ("AMRP"), a Rockford Eclipse ("RE") Valve Replacement Program, and Distribution Pipeline Integrity Management ("DPIM") programs. Additionally, the Company is seeking to expand the scope of its Capital Investment Recovery Tracker ("CIRT"). In the following sections each of these recovery mechanisms is discussed in greater detail.

- Accelerated Main Replacement Program

Q. WHAT IS THE COMPANY'S OBJECTIVE CONCERNING ITS PROPOSED AMRP?

A. According to Mr. Pignatelli's direct testimony, its proposed AMRP is designed to fulfill New Jersey's public policies for reducing greenhouse gases ("GHG") under the Global Warming Response Act and stimulating the State's economy (Pignatelli Testimony, page 8). Given these objectives, the AMRP looks very much like a simple expansion of the existing CIRT without its associated review process or the need to quantify benefits.

In addition to Mr. Pignatelli's testimony, the Company's Vice President of Engineering Services & System Integrity, Mr. Dippo, provides further details on the AMRP. His testimony claims that the AMRP will accelerate the replacement of older mains and services, preserve between 125-150 construction jobs, and reduce fugitive methane emissions by as much as 16,660 metric tons over ten years (Dippo Testimony, page 11). At page 12 of his testimony Mr. Dippo further states that the AMRP may also generate additional revenue for the benefit of ratepayers by obtaining voluntary emission reduction credits associated with having lower GHG levels.

Q. WHAT IS THE ANTICIPATED SCOPE OF THE AMRP?

A. According to Mr. Dippo, the AMRP will replace mains in 20 rather than 46 years and replace services in 10 rather than 16 years. In dollar terms, the AMRP will involve replacement costs of $445 million for mains and $102 million for services.

In effect, the AMRP will reduce the time period for replacing cast iron and base steel by about 50%.

However, there is a question as to how the accelerated replacement is to be accomplished. For example, according to Mr. Dippo's Schedule CFD-2, the AMRP will replace 4,102 services per year under its accelerated program, but during the past 10 years, the Company has replaced more than 4,100 services per year in 5 of those years. Thus, at least for services, the AMRP service replacement level appears to effectively represent business as usual.

As for the operating need for the AMRP's spending, there was no evidence provided in the Company's filing concerning the nature of the projects involved, the criteria used by the Company to determine the priority for accelerated replacement, or any study to assess the Company's plan vs. possible alternatives. When asked whether the AMRP projects had been approved by the Company's Board of Directors, the Company responded that the AMRP projects were not in the current operating budget and therefore were not yet approved. The Company also stated that absent the approval of the AMRP it would need to implement some level of compliance driven main and service replacement programs even though "the exact level of acceleration has not yet been determined" (Company Response RCR-GR-062).

Q. BASED ON THE AMRP REPLACEMENT PLAN THAT HAS BEEN PROPOSED, DO YOU BELIEVE THAT IT SHOULD BE AUTHORIZED BY THE BOARD?

A. No, the plan should not be authorized for several reasons. The Company is already utilizing the CIRT to accelerate its replacement projects. Unlike the AMRP proposal, there were specific objectives associated with the CIRT approval and the qualified projects were identified in advance. The CIRT proposal also had a defined duration. In contrast, the AMRP is proposed for a twenty year period and is to encompass all of the Company's replacement requirements.

The proposed AMRP would also place a disproportionate portion of the revenue requirements associated with the replacements on current ratepayers. The proposal also assumes, without sufficient evidence, that the Company's historical rate of replacement mains and services was inadequate. If this is one of the Company's assumptions, it should have been supported by evidence, and the Company should have disclosed how it came to choose the AMRP replacement rates. While the current replacement criteria are set forth in the Company's Operating and Maintenance Manual, no such criteria have been established and justified for the AMRP (Company Response RCR-GR-070).

Unless there are new New Jersey initiatives to accelerate utility spending for job creation, there really appears to be no rationale for the AMRP. Traditional

rate base regulation therefore appears adequate to provide sufficient capital and a reasonable return without the AMRP.

- Rockford Eclipse Valve Replacement

Q. IN EVALUATING THE COMPONENTS OF THE COMPANY'S PROPOSED RELIABILITY TRACKER, DID YOU REVIEW THE ROCKFORD ECLIPSE VALVE REPLACEMENT ISSUE?

A. Yes, I reviewed the information provided by the Company and the review of the valve replacement program contained in the McFadden Consulting testimony submitted by Rate Counsel. From a regulatory policy perspective, the Company should not be allowed to recover the Rockford Eclipse ("RE") related costs for several reasons.

The first issue relates to the known and measurable criteria applied in utility rate setting. To date, the Company has provided little evidence to support its expense forecast for valve replacement. The RE valves were placed in service about 20 years ago and the Company has experienced three failures out of approximately 70,000 valves that were installed. Two of the failures resulted in no injuries or property damage, while the third appears to be the result of possible SJG employee actions rather than valve failure. Additionally, steps have been taken to prevent unauthorized valve shut offs which may lessen or eliminate the

need for replacement. Indeed, the Company's decision to replace the valves over a 15 year period, rather than over the next few years, suggests that the valves are not considered to be a critical risk.

Q. WHAT IS THE COMPANY'S ESTIMATE FOR THE REPLACEMENT OF THE RE VALVES?

A. According to data supplied by the Company, the annual cost of replacement is estimated to be $732,000. This equates to a total cost of about $11 million over the 15 year replacement period. The Company has also indicated that it knows of only one other utility that has had problems with the RE valves and apparently no other utility is currently involved in a total RE valve replacement program. It is also relevant to note that the Company has stated that if the Board does not grant recovery of the valve replacement costs through the Reliability Tracker, "the timing of valve replacements will need to be reviewed." (Response RCR-GR-81). On that basis, it is unclear whether the Company believes that 100% replacement is necessary over 15 years and whether such replacement is warranted or necessary.

Q. IN THE TESTIMONY OF McFADDEN CONSULTING, IT STATES THAT STOCKHOLDERS RATHER THAN RATEPAYERS SHOULD BE LIABLE

FOR ASSET RELATED PROBLEMS SUCH AS THE RE VALVE REPLACEMENT. DO YOU BELIEVE THAT THIS IS A VALID POSITION?

A. At this point in time, there still is much that is not known concerning the RE valves and their safety. However, the concept of stockholder liability is very relevant and it does not appear to be an option that has been considered by the Company. At a minimum, the RE valve replacement costs would appear to be extraordinary in nature and should be subject to cost sharing between stockholders and ratepayers. The McFadden Consulting testimony raises several issues that would have relevance to what cost sharing might be appropriate. However, even based on current information, ratepayers should not be required to pay all of the associated costs. Pending additional data on the need for, and cost of, the RE valve replacement, the Board could consider having rates include 50% of the annual prospective costs with no rate allowance for past RE costs.

- Integrity Management Programs

Q. WOULD YOU BEGIN BY PROVIDING A DESCRIPTION OF THE COMPANY'S PROPOSALS FOR BOTH ITS PRIOR AND ON-GOING INTEGRITY MANAGEMENT COSTS?

A. As described in Mr. Dippo's direct testimony, during the 2006 through 2009 period the Company claims to have incurred $1,136,099 of incremental operating

and maintenance expenses associated with pipeline integrity management. Of this amount, it appears that $136,545 was for internal expenses and the remainder of $999,554 was paid to third party vendors (Response RCR-RR-077).

Prospectively, the Company estimates that its annual distribution integrity management cost will be $324,60 per year. Adding this amount to a three year amortization of the prior balance reflects on-going annual costs of $703,299. Prospective integrity management costs in excess of the $324,600 amount would be added to the PIM deferred balance and presumably be amortized over three years within the reliability tracker.

Q. DO YOU AGREE WITH THE COMPANY'S PROPOSED RECOVERY OF INTEGRITY MANAGEMENT COSTS?

A. No, I do not. In both its testimony and its responses to discovery requests, the Company did not justify all of its claimed PIM expenses. It is my understanding that in order to obtain recovery of such costs the Company would have to show that the costs were prudent and that they were incremental. This is the case because the PIM deferral was not designated as a regulatory asset, and therefore, was not subject to automatic recovery.

Based on my review, it is recommended that non-incremental costs should not be recovered through rates. As shown on my Schedule 3, the disallowance of internal expenses of $136,545 would limit the amortization amount to $999,553. If

amortized over three years, then $333,184 should be included in base rates. With regard to prospective integrity management costs, they should be added to the accrued deferral and not recovered until the Company's next base rate case. It is also recommended that the unauthorized costs not be considered to be regulatory assets and that they accrue carrying costs at the Company's SBC interest rate.

With such a rate treatment, the Company will not be denied a return on the deferred amounts, but their recovery through rates will not be authorized until the expenditures are subject to regulatory review. This rate treatment is compatible with my recommendation not to initiate a reliability tracker and allow recovery of non-quantifiable expenses only subject to review in a base rate proceeding.

- Capital Investment Recovery Tracker

Q. WHAT WAS THE BOARD'S RATIONALE FOR APPROVING THE PROVISIONS OF THE COMPANY'S CURRENT CIRT MECHANISM?

A. In the Board's Order in Docket No. GO09010051 the Company's capital investment recovery tracker was approved in accordance with the Governor's Economic Stimulus Plan. Its concept was to accelerate projects that were planned for the next few years and have them completed in 2009 and 2010. Such an acceleration would create incremental job growth and help stimulate New Jersey's economy. The Company's initial filing identified 11 qualifying projects with an

estimated cost of $103 million that would be subject to a prudency review in the Company's next base rate proceeding.

If, after such a review, the qualifying projects were found to be reasonable and prudent, then the net capitalized amounts of the projects would be rolled into the Company's rate base and the CIRT charges would end. The Board's Order further stated that, "Any Qualifying Project expenditures and CIRT charges not known and measurable at the conclusion of its required base rate case may be considered in a subsequent phase two proceeding, after which time the CIRT rate and tariff will terminate." (Board Order, Docket No. GO09010051, page 5).

Q. WAS THERE ANY SUBSEQUENT ACTION BY THE BOARD CONCERNING THE COMPANY'S CIRT?

A. Yes. In Docket No. GR09110907, the Board accepted a stipulation that provisionally increased the Company's CIRT tariff rate but did not rule on a Company request to add incremental projects that were not covered in the Company's original CIRT filing.

Q. WHAT HAS THE COMPANY REQUESTED IN THIS DOCKET CONCERNING ITS CIRT PROJECTS AND RECOVERY?

A. In his direct testimony in this matter, Mr. Dippo updated the status of the qualified projects and proposed to add other incremental projects to the CIRT. Based on his

testimony and the Company's Response RCR-POL-24, I developed my Schedule 2. The first two lines show the number of projects and cost estimates for the Board approved qualified projects. Combining the projects with completion dates in 2009 and 2010 shows 12 projects with estimated costs of $103 million.

Subsequent to the Board's CIRT approval, the Company proposed six incremental projects in its December 2009 CIRT filing. These projects were to be completed in 2010 and were estimated to cost an additional $5.5 million. Yet another six proposed CIRT projects with an estimated cost of $1.9 million were also added in Mr. Dippo's direct testimony. Thus, according to the filing, the total qualified and non-qualified projects were to cost $110 million as shown on line 7 of Schedule 2. Also in Mr. Dippo's testimony was a projected cost for projects that are estimated to be completed by the end of 2010.

Q. DO THESE COST AMOUNTS REPRESENT THE BASIS FOR A REVENUE REQUIREMENT DETERMINATION ON QUALIFIED CIRT PROJECTS?

A. No. These amounts were provided on Schedule 2 in order to establish an "as filed" cost level. Based on the Board's Order approving the CIRT, the Company will have to update these costs and make a filing as required by the Board in Docket No. GR09110907. As stated in that docket at page 3, "Any Qualifying Project expenditures and CIRT charges not known and measurable at the conclusion of the required base rate case may be considered in a subsequent Phase

Two proceeding . . .” Based on the fact that the Board has yet to rule on certain aspects of the Company’s November 6, 2009 filing and the fact that SJG has sought to add additional 2011 projects to the CIRT, it would appear that a Phase Two proceeding will be necessary. As such, it does not appear that the parties are in a position to make any definitive findings concerning either the CIRT projects or cost amounts subject to recovery.

In the testimony of McFadden Consulting, on behalf of Rate Counsel, there is an update on the CIRT projects. As that testimony states, the various CIRT projects have variances from the original CIRT cost estimates. For example, the March 2010 Quarterly Report shows total CIRT project expenditures of $105 million without taking into account the proposed incremental projects that have been requested but not approved by the Board. As noted by McFadden Consulting, the incremental projects would extend the CIRT program into 2011 and would include expenditures for non-qualified projects.

Q. BASED ON THE CIRT INFORMATION IN THE COMPANY’S FILING, WHAT ARE YOUR RECOMMENDATIONS?

A. Unless required by the Board, the CIRT program should follow the schedule and include only those projects specifically approved by the Board’s prior orders. No supporting documentation has been provided concerning extension of the CIRT into 2011 and the qualified projects should remain as approved by the Board. The

parties have not had an opportunity to evaluate the Company's proposed incremental projects, and it is unclear whether the economy warrants, or the new administration would seek, expansions to the original CIRT program.

- Service Metrics and Performance Levels

Q. IN MR. GRAHAM'S TESTIMONY AT PAGE 7, HE STATES THAT IN THE 2008 AND 2009 J.D. POWER AND ASSOCIATES' GAS UTILITY RESIDENTIAL CUSTOMER SATISFACTION STUDIES, SJG WAS RANKED "IN THE TOP FIVE BOTH YEARS." DO YOU HAVE ANY COMMENTS CONCERNING HIS CLAIM?

A. Yes, there are several issues associated with Mr. Graham's claim. First, he does not explain what constituted the sample in which SJG was in the top five. Second, when asked through discovery for the associated studies, the Company claimed that "J.D. Power has requested that we only provide the Company specific information" (Company Response RCR-POL-005). Third, the performance measures used in the studies do not conform with the service metrics that are typically used for gas utilities.

On Schedule 4, an alternative satisfaction comparison is provided for the gas utilities in New Jersey. This schedule shows the number of customer complaints to the Board for the years 2008 and 2009 (Company Response RCR-

POL-028 - Supplemental). In my opinion, this is the ultimate "satisfaction" metric for regulated utilities and it is the measure used in most service measurement studies. The data in the schedule shows the number of customer complaints on an annual basis. It should be noted that the typical service benchmark is 1.00 complaint per 1,000 customers.

While this data is somewhat skewed since two of the three other gas utilities in New Jersey have acknowledged service problems, the Company is shown to have exceeded the industry benchmark in every quarter during 2008 and 2009 and it has annualized complaint levels that also exceed the average of the other three New Jersey gas utilities in every quarter.

Q. BASED ON THIS PARTICULAR SERVICE METRIC, IS THERE ANY ACTION THAT SHOULD BE TAKEN BY THE BOARD IN THIS CASE?

Yes. I believe it is appropriate that the Board require the Company to develop certain service metrics and report them on a quarterly basis to the Board and the appropriate parties in this proceeding.

This recommendation is made based on several factors. While many service metric programs have been developed in order to monitor post-merger performance, their use also provides necessary on-going regulatory oversight. In the case of post-merger monitoring, service metrics serve as a deterrent to excess staffing cuts used to recoup any acquisition premiums. However, the trade-offs

between staffing and service levels appear to warrant monitoring even in non-merger cases.

Here in New Jersey, recent base rate cases involving all of the gas utilities have shown on-going service related issues. At present, two of the gas utilities have adopted service metrics and associated reporting that are comparable to those in the program recommended in this case. Accordingly, the Board should authorize such programs for this utility. While the utilities continue to pursue regulatory actions to address shareholder interests, it is appropriate that service levels also be pursued to ensure performance metrics that protect ratepayers adequately.

It should also be noted that service issues that are discussed in this proceeding were also highlighted in Liberty Consulting Group's Audit of South Jersey Gas in Docket No. AX04040277. In its report, Liberty Consulting noted deficiencies in SJG's response to customer leak reports, its average speed of answer, and its abandoned call percentage (Response RCR-GR-005, Liberty Report, Section XI Customer Service). At the time of the audit, the Company lowered certain of its service benchmarks, but the fact remains that previous service deficiencies from 2004-2005 still appear to be unresolved. Accordingly, the development and reporting of service metrics and benchmarks as recommended in this testimony have been shown to be necessary and long overdue.

Q. WOULD YOU DISCUSS THE TYPES OF ISSUES THAT WOULD NEED TO BE ADDRESSED IN ESTABLISHING A SERVICE BENCHMARK PROGRAM?

A. Initially, there is a need to develop an overall framework for the program. As a starting point, the Company's service measures have to be defined and quantified. There then is a need to determine what constitutes an adequate level of performance for each specified measure. Such performance would be considered the benchmark for on-going reporting and evaluation. Based on the Company's performance relative to the benchmarks, there also is a need for the specification of remedial actions for cases where adequate service is not maintained.

In order to fulfill service objectives, it is also necessary to ensure that customers receive reasonable service on a consistent basis. Using call center response times as an example, it is not acceptable for calls to be answered in 30 seconds 80% of the time during a year if in any given quarter the standard was met only 60% of the time. To a customer, month-by-month and even day-by-day performance is relevant. Since calling volumes vary over periods of time, the longer the measurement interval, the less likely it is that service deficiencies will be identified. Thus, while deficiencies may not be identified within an annual program, it is quite likely they will result in increased complaints. In the end analysis, call center staffing must be adequate to meet call volume requirements

throughout the year, not just provide acceptable performance over extended periods of time. The Company should maintain service data on a monthly basis, and service should be evaluated on reported quarterly results.

The program also should take exogenous events into account if they had an impact on any metric. Bad weather could distort the performance of meter readers and telephone equipment problems could hinder call center operations. Therefore, any remedial action should take into account the circumstances of the deficiency and to what degree it may have been beyond the Company's control.

Q. WHAT SPECIFIC PERFORMANCE MEASURES ARE YOU RECOMMENDING, AND WHAT BENCHMARK LEVELS WOULD BE APPROPRIATE?

A. The specific performance measures that are recommended are shown on Schedule 5. As the schedule shows, the service metrics relate to call center performance, meter and billing activities, and field operations. There is also a provision for an overall service metric which involves the level of customer complaints as referenced earlier. The schedule also has recommended benchmark levels for each of the metrics. These benchmarks were derived from service performance programs for other utilities, including gas utilities. Based on my involvement in developing service metrics for nine gas utilities in seven different state

jurisdictions, the listed benchmarks are appropriate for SJG and have already been approved for Elizabethtown Gas and New Jersey Natural Gas by the Board.

Q. WOULD YOU PLEASE DISCUSS EACH OF THE METRICS SHOWN ON SCHEDULE 4 AND PROVIDE THE COMPANY'S PERFORMANCE RELATIVE TO EACH.

A. Yes. The average speed of answer ("ASA") measurement is based on data concerning the interval of time between when a caller interacts with the answering system and when the customer connects with a customer service representative.

Based on the Company's compiled data for the ASA measured in seconds, the Company's call center has experienced declining performance during the past few years. As shown on Schedule 6, while the Company's performance has never been very good, its ASA metric in 2009 shows results that are far below accepted industry levels. Unfortunately, based on the Company's discovery responses, it does not appear that the Company maintains data on the percentage of calls answered within a specified time period.

It is also recommended that an abandoned call percentage ("ACP") measure be established. The ACP is defined as calls to the Company's system that are terminated by the caller prior to reaching the appropriate department or a customer service representative. This measure adds a qualitative component to the measurement of call center performance since the ACP is a direct indicator of

customer dissatisfaction. As for the performance benchmark, an ACP of 5% or less should be reasonable and attainable on a quarterly basis. This benchmark for the ACP is in effect for two of the other gas utilities in New Jersey. Over time, based on the Company's ability to maintain its current performance, the 5% could be lowered somewhat based on industry norms. Generally in those states that utilize an ACP measure, the benchmark is in the 3.5% to 5.0% range.

The data on Schedule 7 shows the Company's performance over the last five years as measured by the ACP. Again, during the past two years, it is evident that the Company's call center performance has declined considerably. While less than 3% of calls were abandoned in 2007, the ACP has grown to more than 15% in 2009. In addition to monitoring ASA and ACP metrics, many utilities also measure call center performance by using a metric that evaluates the percentage of calls that are answered within a 30 second time interval. The general performance benchmark for such a metric is to have 80% of calls answered within a specified 30 second interval. While the Company apparently does not routinely use such a metric, it would be appropriate to include it in any service monitoring program for SJG. If one references the results for the ASA measures discussed previously, it is evident that the Company would not meet an 80% benchmark in 30 seconds given that its average ASA in 2009 was 217 seconds.

Q. YOUR RECOMMENDED SERVICE METRICS INCLUDED METER READING PERFORMANCE. WHAT RELATED SERVICE MEASURES SHOULD BE INCORPORATED INTO A PROGRAM FOR THE COMPANY?

A. Within the program, the Company's performance concerning meter readings and billing should be measured by two separate metrics. The first is meters read as scheduled ("on cycle") and the second covers rebills per 1,000 customers.

For the meter reads on cycle, a benchmark of 95% or higher is proposed. This is an attainable level of service, and it should be understood that this benchmark could be raised in subsequent years. The other billing related service measure is the number of rebills per 1,000 customers. Rebills are defined to be all bills mailed to customers that are subsequently adjusted, cancelled, or reissued for any amount or reason.

Q. WHAT HAS BEEN THE COMPANY'S PERFORMANCE FOR METERING RELATED SERVICE?

A. The Company has maintained data on its meter reading and the associated data is shown on Schedule 8. While the Company is not attaining 95% of its residential meters being read on cycle, its performance has been in the 92% to 94% range. It should be noted that this Company metric did not specifically define its measurement. It described the metric as "percentage residential meters read" and did not specify that a reading had to be done "on cycle."

As for the second metric concerning billing accuracy, the Company does not appear to monitor this aspect of billing. In other service metric programs, there are benchmarks of less than 20 rebills per month per 1,000 customers. It is unfortunate that rebill data is not available because excessive rebillings often result in higher calling rates to a utility's call center and higher levels of complaints which might explain the Company's recent deficiencies in these areas.

Q. YOUR SERVICE METRICS ALSO INCLUDE FIELD OPERATIONS. WOULD YOU PLEASE DISCUSS THE RELATED SERVICE MEASUREMENTS?

A. For field operations, two service measures and one reporting requirement are recommended. The first measure is service appointments met. This metric measures the percentage of appointments for such things as meter installations, reconnections, starting and final meter reads and high bill investigations that were met on the same day requested and it excludes situations when a customer misses the agreed upon date.

Again, it does not appear that SJG monitors service appointments. Accordingly, no information was available on how service appointments are scheduled and to what degree the Company meets its scheduled appointments. The lack of this data is a major omission in the Company's overall service management. Customers often have considerable difficulty in scheduling their

time for a service appointment, and therefore, an appointment missed by the Company can be a major issue. It is difficult to see why the Company would not have records concerning service appointments met, but it provided no information to a discovery request (RCR-POL-029) for this specific type of data.

The second service measure for field operations is the percentage of time that an odor or leak report is responded to within one hour. This metric covers emergency odor calls and considers a response to require a "make safe" condition rather than to just arrive at the location. The ambiguity arises from the fact that in certain situations involving odor calls, the first response personnel may not be qualified or able to address the identified problem. For example, a customer service representative would not be able to address a below ground main or service leak, which generally would require a distribution crew.

On Schedule 9 there is data presented concerning the Company's leak response percentages. In providing this data, the Company just listed percentages without any specification of the time interval for response. Typically, gas utilities provide the percentage of leak response within a targeted interval which can vary between 30 and 60 minutes depending upon the nature of their service territory. As shown by the Company's data (and assuming no more than a 60 minute response requirement), the Company's leak response percentages are in the range of 95% to 97%, which is acceptable.

It is also recommended that the Board require exception reporting for all calls which are not responded to within one hour. With such reporting, qualitative data will be available to monitor any interval in excess of one hour and to understand the basis for the response delay. To the degree any non-compliance is caused by minor, random events, there may be relatively little concern. But, if the intervals beyond one hour are of a significant duration, or patterns appear in the locations where there is non-compliance, then certain remedial actions may be required even if the Company is meeting its basic benchmark. For example, during the first quarter of 2010, the Company had 18 leak call response times that were in excess of 100 minutes. For these calls the average response time was 130 minutes and the longest response time was 187 minutes (SJG Quarterly Report of Leak and Emergency Calls to the BPU, April 12, 2010). Such leak response times are unacceptable, and they show the need for on-going reporting and monitoring.

The final service measure does not relate directly to specific Company activities. Rather, as discussed previously, it involves quantitative information concerning customer complaints to the Board.

As discussed earlier, the customer complaint measure fundamentally is the best barometer of the Company's overall performance. If complaints, as measured per 1,000 customers, escalate above the 1.0 to 1.5 level on an annual basis, there is almost certainly some form of service quality problem. In addition to serving as a barometer of performance, customer complaints, when compiled by type of

complaint, also provide very valuable information on the areas where performance may be deficient. Therefore, as a corollary to the monitoring of complaint levels, data should be maintained to identify categories of complaints. Such a compilation of complaints is very useful in determining whether the program is adequately covering service quality areas and identifying any incremental areas which need to be incorporated into the program.

While all of the metrics and the benchmarks are relatively common in the utility industry, it is anticipated that certain details of the program may benefit from input from the Company and other parties. Accordingly, it is anticipated that in adopting a performance program the Board will set a date for implementation which could allow for a collaborative process within a specified time frame, if required.

Q. WITH THE IMPLEMENTATION OF YOUR PROPOSED PROGRAM, WHAT ACTIONS SHOULD BE SPECIFIED?

A. In order to ensure that the established benchmarks are met by the Company, it is appropriate that remedial actions be considered for any quarterly service deficiency. These actions should, theoretically, be a sufficient means to ensure that the Company meets its service benchmarks.

In addition, it should be understood that, if necessary, penalties could be imposed subject to the discretion of the Board. Such penalties could be

established by the Board based on the severity of the performance deficiency, the duration of the deficiency, and the potential impact of exogenous events. Accordingly, it is envisioned that the Board would address penalties and any related factors only when performance was materially or persistently deficient against the defined benchmarks.

As for the concept of allowing better than benchmark performance to cancel or offset deficient performance, by utilizing a quarterly benchmark, the program would allow limited offsetting for monthly performance in any specific service measure. For example, one month's deficient performance in a quarter can be offset by two other months when performance might be better than required by a benchmark. Such a limitation on offsets is appropriate since good performance does not cancel out deficient service from the customers' perspective.

Another issue is that, while the Company should report its service data within thirty days from the end of each quarter, it should also document any claim it might have concerning the impact of exogenous events on its reported monthly performance for the quarter. Such claims could be reviewed by the parties and any dispute concerning an exogenous claim or any performance deficiency could be addressed by the Board as required.

Thus, if there were months in which an exogenous event took place, deficient performance could be excused. However, the Company would have to show that such exogenous events were the basic cause of the inadequate

performance. For example, the Company cannot staff its field operations for periods when activity is low and then claim that any monthly failure to meet a service measure is, by definition, an exogenous event.

In summary, it is important to note that the possible imposition of penalties is neither the objective of the program nor, ideally, the major reason why the Company will seek to maintain good customer service. With the program's definition of service benchmarks, and the on-going reporting of performance data, it is anticipated that the Company will be better able to monitor service and take remedial actions if and when required. Experience in other jurisdictions would indicate that the availability and evaluation of program data, by both the utility and the regulatory agency, has as much to do with ultimate performance as the existence of any potential penalty.

While utilities such as SJG need to control their operating expenses to the greatest extent possible, the program should provide quantitative measures of when such cost control is unreasonably affecting the Company's prime objective, and obligation, to provide safe and adequate service.

Q. MR. LELASH, DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS MATTER?

A. Yes, it does at this time.

V . SUPPORTING SCHEDULES

South Jersey Gas Company
Historical Statistics

	2004	2005	2006	2007	2008	2009
Equity Return (%)	10.9	10.6	10.2	10.3	10.1	
Long-Term Debt (%)	48.2	44.3	45.2	43.8	42.3	
Cash % of Construction	96	33	59	116	118	
BT Interest Coverage	4.0x	4.1x	3.7x	4.0x	4.4x	
Capital Expenditures ($ millions)	69	75	56	50	56	114
Annual Depreciation ($ millions)	24	23	24	25	26	28
Change % Cap. Ex.	35%	31%	43%	50%	46%	25%

SOURCES: Company Exhibit PRM-1, pages 1-7, Responses RCR-DEP-015 and RCR-DEP-011.

South Jersey Gas Company
Rate Mechanisms

Currently Approved

BGSS	Basic Gas Supply Service Clause
CIP	Conservation Incentive Program
CIRT	Capital Investment Recovery Tracker
EET	Energy Efficiency Tracker
RAC	Remediation Adjustment Clause
SBC	Societal Benefits Clause
NJCEP	New Jersey Clean Energy Program
USF	Universal Service Fund

Proposed By Company

AMRP	Accelerated Main Replacement Program
RE	Rockford Eclipse Valve Replacement Program
PIM	Pipeline Integrity Management
DIMP	Distribution Integrity Management Program
CIRT	Expansion of Scope for Current CIRT
RT	Reliability Tracker (AMRP, RE, and DIMP)

Schedule 2

South Jersey Gas Company
Proposed CIRT Projects

		Number	Cost (000's)
1.	Approved 2009 CIRT Projects	8	$ 70,500
2.	Approved 2010 CIRT Projects	4	32,500
3.	Original CIRT Qualified Projects	12	$103,000
4.	Requested 2010 CIRT Projects	6	5,452
5.	Incremental 2011 CIRT Projects	6	1,865
6.	Non-Qualified CIRT Projects	12	$ 7,317
7.	Total Qualified and Non-Qualified	24	$110,317
8.	CIRT Projects Completed in 2010	6	$ 29,534

SOURCES: Dippo Testimony, pp. 6-8 and Company Response RCR-POL-24.

Schedule 3

South Jersey Gas Company
Integrity Management Programs

	As Filed	Adjustment	Recommended
Payroll Costs	$ 51,856	$ (51,856)	$ -
Motor Vehicles	11,939	(11,939)	-
Miscellaneous	72,750	(72,750)	-
Total Internal Expenses	$ 136,545	$(136,545)	$ -
Vendor Expenses	999,553	-	999,553
Total Claimed PIM Expenses	$1,136,098	$(136,545)	$999,553
Amortization Period - Years	3	3	3
Annual Deferral Recovery	$ 378,699	$ (45,515)	$333,184
On-Going DIMP Costs	324,600	(324,600)	-
Total IM Costs in Rates	$ 703,299	$(370,115)	$333,184

SOURCE: Company Response RCR-RR-077.

Schedule 4

South Jersey Gas Company
Complaints Per 1,000 Customers

	SJG	PSE&G	E'town	NJNG	Average
1Q 2008	2.08	1.36	2.51	0.73	1.53
2Q	2.16	1.62	2.66	0.61	1.63
3Q	2.54	1.62	2.69	0.60	1.64
4Q	3.38	1.72	3.72	0.87	2.10
Total 2008	2.52	1.57	2.90	0.70	1.72
1Q 2009	2.66	1.90	3.08	0.85	1.94
2Q	3.42	2.09	3.33	1.02	2.15
3Q	2.92	2.22	3.34	0.82	2.13
4Q	3.62	2.32	3.20	0.97	2.16
Total 2009	3.14	2.10	3.23	0.91	2.08

SOURCE: Company Response RCR-POL-028 (Supplemental).

South Jersey Gas Company
Benchmarks vs. SJG Performance

	Benchmark	2007	2008	2009
Call Center				
1. Average Speed of Answer	-	69	98	217
2. Abandoned Call Percentage	<5%	2.9%	6.7%	15.2%
3. Answered Within 30 Seconds	80%	N/A	N/A	N/A
Meter Reading and Billing				
4. On Cycle Reads Percentage	>95%	94.5%	94.6%	93.8%
5. Re-Bills per 1,000 Customers	<20 per month	N/A	N/A	N/A
Field Operations				
6. Make Safe in 60 Minutes	>95%	97.3%	96.6%	95.5%
Exception Reporting	-	-	-	-
7. Service Appointments Met	>95%	N/A	N/A	N/A
Overall Service				
8. Complaints per 1,000 Customers	<1 annually	N/A	2.5	3.1

SOURCES: Schedules 5-9.

South Jersey Gas Company
Service Performance Plan

Call Center

1. Measure: Average speed of answer (ASA)

Benchmark: 80% of calls answered in 30 seconds

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

	Prior Performance			
	2006	2007	2008	2009
	(metric values not available)			

2. Measure: Abandoned call percentage (ACP)

Benchmark: 5% or less of calls abandoned

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

	Prior Performance			
	2006	2007	2008	2009
Range	2.4 to 12.1%	2.2 to 4.8%	3.4 to 10.8%	2.5 to 29.1%
Annual average	5.1%	2.9%	6.7%	15.2%
# months benchmark met	9 of 12	12 of 12	3 of 12	3 of 12

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

Benchmark: Track and monitor only

Definition: The time in seconds it takes to reach a customer service representative. Measured monthly, reported quarterly.

	Prior Performance			
	2006	2007	2008	2009
Range	67 to 169 sec.	61 to 81 sec.	63 to 133 sec.	68 to 273 sec.
Annual average	98 sec.	69 sec.	98 sec.	217 sec.

South Jersey Gas Company
Service Performance Plan

Meter Reading and Billing

4. Measure: % of residential meters read

Benchmark: 95% of meters read

Definition: The percentage of meters actually read on cycle.

	Prior Performance			
	2006	2007	2008	2009
Range	93.6 to 94.9%	93.9 to 94.9%	93.6 to 95.1%	88.9 to 95.1%
Annual average	94.4%	94.5%	94.6%	93.8%
# months benchmark met	0 of 12	0 of 12	1 of 12	1 of 12

5. Measure: Billing accuracy

Benchmark: 20 or fewer rebills per 1,000 customers

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

Prior Performance			
2006	2007	2008	2009
	(metric values not available)		

Field Operations

6. Measure: Gas leak response time

Benchmark: 95% of calls responded to within 60 minutes

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

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

	Prior Performance			
	2006	2007	2008	2009
Annual average	96.4%	97.3%	96.6%	95.5%
# months benchmark met	10 of 12	12 of 12	11 of 12	8 of 12

South Jersey Gas Company
Service Performance Plan

7. Measure: % of service appointments met

Benchmark: 95%+ service appointments met

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

	Prior Performance			
	2006	2007	2008	2009
	(metric values not available)			

Overall Customer Service and Satisfaction

8. Measure: Customer complaints/inquiries to the BPU

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

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

	Prior Performance			
	2006	2007	2008	2009
Annual average # complaints per 1,000 customers	-	-	2.5	3.1

Schedule 6

South Jersey Gas Company
Average Speed of Answer (Seconds)

	2005	2006	2007	2008	2009
January	250	–	65	63	202
February	54	169	61	66	232
March	50	128	81	74	218
1st Quarter	118	149	69	68	215
April	52	121	79	88	215
May	51	106	74	104	232
June	57	99	70	111	176
2nd Quarter	53	109	74	101	208
July	57	88	66	108	123
August	54	82	64	104	68
September	66	73	64	106	68
3rd Quarter	59	81	65	106	86
October	55	71	65	124	273
November	77	69	71	133	188
December	80	67	70	93	79
4th Quarter	71	69	69	117	180
Average	75	98	69	98	217

SOURCE: Company Response RCR-POL-029.

Schedule 7

South Jersey Gas Company
Abandoned Call Percentage

	2005	2006	2007	2008	2009
January	12.1	-	2.3	3.4	29.1
February	2.0	6.9	2.2	3.8	28.0
March	1.8	4.7	3.3	4.7	27.6
1st Quarter	5.3	5.8	2.6	4.0	28.2
April	2.1	4.4	4.8	5.7	21.9
May	2.0	3.8	3.1	7.0	15.0
June	2.3	3.4	2.8	7.2	10.0
2nd Quarter	2.1	3.9	3.6	6.6	15.6
July	2.2	3.1	2.6	7.0	5.2
August	2.1	2.9	2.5	6.7	2.7
September	2.6	2.5	2.5	7.1	3.4
3rd Quarter	2.3	2.8	2.5	5.9	3.8
October	2.1	2.5	2.6	9.3	15.5
November	3.1	2.4	3.3	10.5	11.9
December	3.3	19.1	3.1	10.8	2.5
4th Quarter	2.8	8.0	3.0	10.2	10.0
Average	3.1	5.1	2.9	6.7	15.2

SOURCE: Company Response RCR-POL-029.

Schedule 8

South Jersey Gas Company
Percentage Residential Meter Read

	2005	2006	2007	2008	2009
January	84.9	93.6	94.1	94.4	94.6
February	92.0	93.7	93.9	93.6	94.3
March	89.3	94.6	94.6	94.6	89.8
1st Quarter	88.7	94.0	94.2	94.2	92.9
April	94.5	94.8	94.8	94.7	95.1
May	94.7	94.7	94.7	94.8	94.4
June	94.2	94.4	94.4	94.8	94.3
2nd Quarter	94.5	94.6	94.6	94.8	94.6
July	93.6	94.3	94.3	95.1	94.9
August	90.9	94.3	94.3	94.7	94.5
September	92.1	94.4	94.4	94.5	94.7
3rd Quarter	92.2	94.3	94.3	94.8	94.7
October	92.9	94.9	94.9	94.5	94.8
November	93.1	94.7	94.7	94.7	94.9
December	92.8	94.5	94.5	94.7	88.9
4th Quarter	92.9	94.7	94.7	94.6	92.9
Average	92.1	94.4	94.5	94.6	93.8

SOURCE: Company Response RCR-POL-029.

Schedule 9

South Jersey Gas Company
Percentage Leak Response in 60 Minutes

	2005	2006	2007	2008	2009
January	-	94.6	97.6	96.4	94.8
February	-	92.6	96.2	97.9	94.2
March	-	96.0	97.4	97.1	96.0
1st Quarter	-	94.4	97.1	97.1	95.0
April	-	96.7	97.9	97.3	96.2
May	-	98.0	97.9	96.8	97.3
June	-	97.5	97.9	97.8	97.4
2nd Quarter	-	97.4	97.9	97.3	97.0
July	-	97.3	97.9	95.0	97.4
August	-	96.9	98.1	95.8	97.4
September	-	96.9	97.0	97.4	94.2
3rd Quarter	-	97.0	97.7	96.1	96.3
October	-	96.8	97.5	96.2	96.0
November	-	96.6	96.7	94.9	95.6
December	-	97.4	94.9	96.9	89.2
4th Quarter	-	96.9	96.4	96.0	93.6
Average	96.6	96.4	97.3	96.6	95.5

SOURCE: Company Response RCR-POL-029.

VI. APPENDIX: PRIOR R.W. LELASH TESTIMONIES

R. W. LELASH'S REGULATORY TESTIMONIES
(2004 to Present)

268. Delaware, Delmarva Power & Light Company (Docket No. 03-378F) Evaluation of Gas Procurement and Price Hedging Testimony for the Delaware Public Service Commission (February, 2004).

269. Pennsylvania, Philadelphia Gas Works (Docket Nos. R-00049157 and P-00042090) Purchased Gas Cost Testimony for the Pennsylvania Office of Consumer Advocate (May, 2004)

270. Pennsylvania, Philadelphia Gas Works (Docket Nos. R-00049157 and P-00042090) Purchased Gas Cost Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May, 2004)

271. Delaware, Chesapeake Utilities Corporation (Docket No. 02-287F) Gas Supply Plan Review for Chesapeake Utilities and the Delaware Public Service Commission (July, 2004).

272. Georgia, Atmos Energy Corporation (Docket No. 18509-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2004).

273. Georgia, Atlanta Gas Light Company (Docket Nos. 18437-U and 8516-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2004).

274. New Jersey, NUI Utilities and AGL Resources (Docket No. GM04070721) Terms and Conditions of Merger Testimony for the New Jersey Ratepayer Advocate (September, 2004).

275. Georgia, Atlanta Gas Light Company (Docket No. 18638-U) Business Risk Testimony for the Georgia Public Service Commission (February, 2005).

276. Pennsylvania, Philadelphia Gas Works (Docket No. R-00050264) Purchase Gas Cost Testimony for the Pennsylvania Office of Consumer Advocate (April, 2005).

277. Federal Energy Regulatory Commission, Exelon and Public Service Enterprise Group (Docket No. EC05-43-000) Market Power Testimony by Affidavits for the New Jersey Division of the Ratepayer Advocate (April and May, 2005).

278. Pennsylvania, PECO Energy Company (Docket No. R-00050537) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2005).

279. Georgia, Atmos Energy Corporation (Docket No. 20528-U) Gas Supply Plan Testimony for the Georgia Public Service Commission (August, 2005).

280. New Jersey, Public Service Electric & Gas/Exelon (Docket No. EM05020106) Gas Related Merger Testimony for the New Jersey Ratepayer Advocate (November, 2005).

281. New Jersey, Public Service Electric & Gas/Exelon (Docket No. EM05020106) Gas Related Merger Surrebuttal Testimony for the New Jersey Ratepayer Advocate (December, 2005).

282. New Jersey, Pivotal Utilities Holdings (Docket No. GR05040371) Pipeline Replacement Cost Recovery Testimony for the New Jersey Ratepayer Advocate (February, 2006).

283. New Jersey, Public Service Electric & Gas Company (Docket No. GR05050470) Gas Supply Requirements Testimony for the New Jersey Ratepayer Advocate (May, 2006).

284. New Jersey, Public Service Electric & Gas Company (Docket No. GR05100845) Base Rate Regulatory Policy Testimony for the New Jersey Ratepayer Advocate (June, 2006).

285. Vermont, Vermont Gas Systems (Docket No. 7109/7160) Report on Gas Price Hedging for Vermont Gas Systems (December, 2006).

286. Delaware, Chesapeake Utilities Corporation (Docket No. 06-287F) Report on Gas Price Hedging for Chesapeake Utilities Corporation (March 2007).

287. Delaware, Chesapeake Utilities Corporation (Docket No. 06-287F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (March, 2007).

288. Pennsylvania, Philadelphia Gas Works (Docket No. R-00061931) Base Rate Regulatory Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2007).

289. Pennsylvania, Philadelphia Gas Works (Docket No. R-00072110) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (April 2007)

290. Pennsylvania, Philadelphia Gas Works (Docket No. R-00061931) Base Rate Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May 2007).

291. Pennsylvania, Philadelphia Gas Works (Docket No. R-0001931) Base Rate Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May 2007).

292. Pennsylvania, PECO Energy Company (Docket No. R-00072331) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2007).

293. Georgia, Atlanta Gas Light Company (Docket No. 18437-U) Capacity Supply Plan Testimony for the Georgia Public Service Commission (August, 2007)

294. Delaware, Chesapeake Utilities Corporation (Docket No. 07-186) Gas Policy Testimony for the Delaware Public Service Commission (December, 2007).

295. Delaware, Chesapeake Utilities Corporation (Docket No. 07-246F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (April, 2008).

296. Pennsylvania, Philadelphia Gas Works (Docket No. R-2008-2021348) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (April, 2008).

297. New Jersey, New Jersey Natural Gas Company (Docket No. GR07110889) Base Rate Policy Testimony for the Division of Rate Counsel (April, 2008).

298. Georgia, Atmos Energy Corporation (Docket No. 27168) Gas Supply Plan Testimony for the Georgia Public Service Commission (August, 2008).

299. Pennsylvania, Philadelphia Gas Works (Docket No. R-2008-2073938) Emergency Rate Relief Testimony for the Pennsylvania Office of Consumer Advocate (December, 2008).

300. Delaware, Delmarva Power & Light Company (Docket No. 08-266F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (February, 2009).

301. Delaware, Chesapeake Utilities Corporation (Docket No. 08-269F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (March, 2009).

302. Pennsylvania, Philadelphia Gas Works (Docket No. R-2009-2088076) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2009).

303. Pennsylvania, PECO Energy Company (Docket No. R-2009-2108705) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2009).

304. Delaware, Chesapeake Utilities Corporation (Docket No. 08-269F, Phase II) Gas Policy Testimony for the Delaware Public Service Commission (August, 2009).

305. Georgia, Atmos Energy Corporation (Docket No. 29554) Gas Supply Plan Testimony for the Georgia Public Service Commission (August, 2009).

306. New Jersey, Pivotal Utilities Holdings (Docket No. GR09030195) Base Rate Policy Regulatory Testimony for the Division of Rate Counsel (August, 2009).

307. New Jersey, Public Service Electric & Gas Company (Docket No. GR09050422) Base Rate Regulatory Policy Testimony for the Division of Rate Counsel (November, 2009).

308. New Jersey, Gas and Electric Utilities (Docket No. EX00020091) Rate Recovery of Deferred USF Expenditures for the Division of Rate Counsel (January, 2010).

309. Delaware, Chesapeake Utilities Corporation (Docket No. 09-398F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (January, 2010).

310. Delaware, Delmarva Power and Light Company (Docket No. 09-385F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (February, 2010).

311. Pennsylvania, Philadelphia Gas Works (Docket No. R-2009-2139884) Base Rate Policy Testimony for the Pennsylvania Office of Consumer Advocate (March, 2010).

312. Pennsylvania, Philadelphia Gas Works (Docket No. R-2010-2157062) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2010).

313. Pennsylvania, Philadelphia Gas Works (Docket No. R-2009-2139884) Base Rate Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (April, 2010).

314. Pennsylvania, Philadelphia Gas Works (Docket No. R-2009-2139884) Base Rate Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May, 2010).