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January 23, 2009

Via Hand Delivery

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

**Re: In the Matter of the Petition of South Jersey Gas Company for Approval of an Energy Efficiency Program ("EEP") With an Associated Energy Efficiency Tracker ("EET"), Pursuant to N.J.S.A. 48:3-98.1; and to Modify Rate Schedule EGS-LV
BPU Docket No.**

Dear Secretary Izzo:

This firm represents South Jersey Gas Company ("South Jersey") in the referenced matter. On behalf of South Jersey we are filing herewith the original and ten (10) copies of a Petition and Exhibits.

Also enclosed herewith are two (2) additional copies of the Petition and Exhibits, marked "File Copy". Please stamp each File Copy as "Received", and return them to our messenger.

Thank you for your attention to this matter.

Cordially yours,

COZEN O'CONNOR, PC

A handwritten signature in dark ink, appearing to read "Ira G. Megdal".

By: Ira G. Megdal

IGM/bab
Enclosures
See attached Service List

IN THE MATTER OF THE PETITION OF : SERVICE LIST
SOUTH JERSEY GAS COMPANY FOR :
APPROVAL OF AN ENERGY EFFICIENCY :
PROGRAM ("EEP") WITH AN ASSOCIATED :
ENERGY EFFICIENCY TRACKER ("EET"), :
PURSUANT TO N.J.S.A. 48:3-98.1 : BPU DOCKET NO. _____

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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

PETITION AND EXHIBITS

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, South Jersey Gas Company (sometimes herein referred to as "South Jersey," "Petitioner," or "Company"), a public utility corporation of the State of New Jersey with its principal office at One South Jersey Plaza, Folsom, New Jersey, hereby petitions this Honorable Board (sometimes herein referred to as "Board") for approval of an energy efficiency program ("EEP") with an associated energy efficiency tracker ("EET") pursuant to N.J.S.A. 48:3-98.1, and to modify Rate Schedule EGS-LV. In support of this Petition, South Jersey states as follows:

I. INTRODUCTION

1. South Jersey is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory within the State of New Jersey. Said service territory includes all or portions of the following counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem. Within its service territory South Jersey serves approximately 335,000 customers.

2. South Jersey is subject to regulation by the Board for the purposes of insuring safe, adequate and proper natural gas service pursuant to N.J.S.A. 48:2-23.

II. BACKGROUND

3. Pursuant to N.J.S.A. 26:2C-45 ("RGGI Legislation"), signed into law by Governor Corzine on January 13, 2008, the New Jersey Legislature found Global Warming to be a pervasive and dangerous threat internationally, nationally and locally. It was further determined that New Jersey can address the problem through the establishment of a Statewide Greenhouse Gas ("GHG") emissions reduction program that will, among other things, limit the level of Statewide GHG emissions from electricity generated and used in the State, as well as that used in the State but generated from sources outside New Jersey. Establishing a goal of reducing such emissions to the 1990 level, or below, by 2020, the RGGI Legislation also found that energy efficiency and conservation measures must be essential elements within all future energy planning, including the direction encompassed in the New Jersey Energy Master Plan ("EMP").

4. An additional finding in the RGGI Legislation stresses the importance of a coordinated Statewide effort toward reaching the aggressive goals found appropriate in the RGGI Legislation which include the active involvement and participation of public utilities through the establishment of competitive energy efficiency and conservation programs. The active participation of New Jersey utilities is an integral element to successfully reducing energy consumption and emissions.

5. Pursuant to Section 13 of the RGGI Legislation, an electric or natural gas utility can offer and invest in regulated energy efficiency and conservation programs within its service territory. *N.J.S.A.* 48:3-98.1. Furthermore, utilities are authorized to seek approval from the Board for recovery of costs related to such programs. *Id.* That recovery may include a return on equity, the establishment of incentives and the development of a rate mechanism that breaks the

link between utility revenues and customer usage. *Id.* The eligible ratemaking treatments can provide for the inclusion of certain related investments in rate base or the recovery of such costs through a Board approved method. *Id.*

6. On May 8, 2008, the Board issued an Order (the "RGGI Order") pursuant to *N.J.S.A. 48:3-98.1(c)*. The RGGI Order allows electric and gas public utilities to offer energy efficiency and conservation programs on a regulated basis, provided that the utility files a petition and obtains Board approval for such programs and a mechanism for cost recovery.

7. This RGGI Order established, among other things, the procedures and Minimum Filing Requirements ("MFRs") for utility filings proposing energy efficiency and conservation programs on a regulated basis pursuant to the RGGI Legislation.

8. However, given the imperative within Governor Corzine's Economic Stimulus Plan (as described below) that programs be implemented as soon as possible, South Jersey is requesting that the Board waive certain of the procedural requirements and MFRs to ensure that the programs proposed within this filing can be implemented in an accelerated manner. This submission includes available information to satisfy the MFRs. Additionally, South Jersey requests that the Board retain this filing and not transfer the matter to the Office of Administrative Law, to assure expedition. South Jersey believes evidentiary hearings are not necessary or required to approve this Petition and that an Order should be issued in this matter as soon as reasonably possible. However, South Jersey has proposed notice for a public hearing prior to that approval.

9. On October 16, 2008, Governor Corzine made an address to a Joint Session of the Legislature, describing the economic crisis facing the State. In that speech, the Governor presented a multi-pronged proposal to stimulate the State's economy. As part of the proposal,

the Governor instructed the Board to accelerate where feasible all currently funded spending projects in order to strengthen current economic activity and grow employment right away. According to the Governor, he will aggressively move forward to put in place a Statewide \$500 million energy efficiency program with the State's electric and gas utilities.¹ This \$500 million is in addition to the \$462 million that the Board has budgeted for the remainder of 2008 and all of 2009. *Id.* Thus, the Governor specifically recognized that the electric and natural gas utilities can play a crucial role in improving the State's economic condition and encouraging energy efficiency. Therefore the economic stimulus proposal included provisions for the energy companies to invest in programs for utility customers that will encourage energy efficiency, create jobs and strengthen the local economy.

10. South Jersey supports the State's economic stimulus goals, such as energy efficiency and conservation. These goals form the underlying basis for the RGGI Legislation and the Energy Master Plan, and provide the State's public utilities with opportunities to support economic recovery and generate job growth.

11. That support has recently been demonstrated by South Jersey's filing for approval of a capital investment recovery tracker pursuant to N.J.S.A. 48:2-21.1 and N.J.S.A. 48:2-21 on January 20, 2009.

12. In furtherance of its commitment to energy efficiency and conservation, South Jersey has now developed energy efficiency programs which will be discussed in this Petition. These programs have been designed to complement or supplement the existing New Jersey Clean Energy Program ("CEP") offers, either through enhancements of or additions to such programs.

¹ New Jersey Economic Assistance and Recovery Plan, Green Economy in New Jersey.

13. These new energy efficiency programs do not duplicate or eliminate any of the CEP programs. However, they are intended to increase customer awareness, enhance participation and support utilization of CEP efforts through the State.

14. Consistent with the focus of the RGGI Legislation, the Energy Master Plan and the Governor's Economic Stimulus goals, the energy efficiency programs proposed by South Jersey are geared toward encouraging customers to reduce their overall energy usage. They also have the beneficial effect of creating additional jobs in the energy efficiency market.

III. PROGRAMS TO BE OFFERED

15. South Jersey proposes five Energy Efficiency Programs ("EEP") targeted at the RGGI Legislation. The total amount budgeted for these programs is \$17,118,275 to be spent over a two year period. This budgeted amount is based on projected expenditures. A general overview of these five programs is set forth below, with descriptions of each provided in Exhibits 1 through 5. South Jersey intends to retain the services of an administrator who has comprehensive knowledge of the current suite of New Jersey CEP programs to oversee South Jersey's EEP. This administrator's role will be to coordinate the benefits from South Jersey's EEP with the benefits received by our customers from CEP.

Enhanced Residential HVAC Rebate Program

16. South Jersey's Enhanced Residential HVAC Rebate Program is designed to motivate customers with existing HVAC equipment scheduled to be replaced due to immediate or imminent equipment failure to install high efficiency heating equipment. by offering a menu of financial incentives. This program will be available to residential customers. For a detailed description and projected program expenditures for this Program, please see Exhibit 1.

The Residential Home Performance Finance and Energy Improvement Plan

17. South Jersey's Residential Home Performance Finance and Energy Improvement Plan is designed to reduce energy use and carbon emissions of residential customers through a whole house approach to providing energy savings. This new program is designed to partner with the State through a combination of utility sponsored, increased incentives and long term "up front" financing. This program will be available to residential customers. For a detailed description and projected program expenditures for this Program, please see Exhibit 2.

The Commercial Customer Direct Install Financing Program

18. South Jersey's Commercial Customer Direct Install Financing Program is designed to reduce the environmental footprint and the energy consumption of commercial and industrial customers. This program will also encourage implementation of CEP SmartStart Building program qualified measures or improvements identified by the 2009 CEP Direct Install program. This program will be available to commercial and industrial customers. For a detailed description and projected program expenditures for this Program, please see Exhibit 3.

The Nonresidential Efficiency Investment Program

19. South Jersey's Nonresidential Efficiency Investment Program is designed to generate large energy savings for larger commercial/industrial customers, including but not limited to: multifamily housing complexes, institutions, municipal complexes, schools, medical facilities, hotels and casinos, and industrial users. This program is also designed to reduce the energy consumption of residential customers living in multi-family homes, and commercial and industrial customers. For a detailed description and projected program expenditures for this Program, please see Exhibit 4.

Combined Heat and Power and Distributed Generation Technology

20. South Jersey's Combined Heat and Power and Distributed Generation Technology ("CHP") Program is designed to complement the goals of the New Jersey Energy Master Plan. This program will provide an incentive to promote the efficient generation of electricity, and offset thermal loads otherwise satisfied by boilers. This program will be available to commercial and industrial customers. For a detailed description and projected program expenditures for this Program, please see Exhibit 5. The effectiveness of the CHP program will be greatly enhanced by South Jersey's proposed tariff modifications discussed in Section VI of this Petition.

21. It is important to note that customer responsiveness to these initiatives is uncertain, especially given current economic conditions. The program budgets are intended to fully fund programs as proposed herein. However, the regulatory process used to manage the EEP must be flexible in order to properly respond to South Jersey's customers' interest and the economy. South Jersey's programs are based upon the premise that affordable financial plans can promote a rapid increase in customer participation rates for energy efficiency. After approval of the EEP, it is important to provide a process for adjustments to programs and budgets on an informal basis.

IV. COST RECOVERY MECHANISM

22. South Jersey proposes that the Board grant approval of recovery of all revenue requirements associated with the EEP. Cost recovery would be through the 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") to be created upon South Jersey's balance sheet. The other part of

the EET would recover incremental operating and maintenance ("O&M") expenses associated with the EEP.

23. Pursuant to the RGGI Legislation, South Jersey requests that the return on its RA be set equal to the Weighted Average Cost of Capital ("WACC") utilized in South Jersey's most recent base rate case.

24. South Jersey proposes that the revenue requirement will include the following:

- Return on the RA, utilizing the WACC authorized by the Board in South Jersey's most recent base rate case.
- Amortization of the RA established to recover the EEP expenditures over ten (10) years.
- Recovery of 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.
- The revenue factor approved in the Company's most recent base rate case adjusted for the subsequent change in New Jersey Sales and Use Tax.

25. Attached to this Petition is an initial tariff sheet for the EET, which South Jersey proposes to make effective with a Board Order approving this Petition. Between the date of the filing of this Petition, and approval by the Board, South Jersey proposes that a public hearing be held within its service territory pursuant to appropriate public notice and notice to public officials.

26. The revenue requirement proposed in this filing is based upon the projected RA 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 commencing after the Board issues its Order, which would be EEP year one.

27. In November following EEP Year 1, South Jersey will file a second EEP petition, with rates to be implemented on a self-implementing basis, effective January 1st. Between the November filing and January 1, a public hearing will be held in South Jersey's service territory.

28. The Company shall have the discretion to implement a bill credit or a refund at any time during the EEP Year with five (5) days notice to Board Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-implementing rate reduction at any time during the EEP with two (2) weeks notice to Board Staff and the Division of Rate Counsel.

29. The EEP, the EET, and all issues related thereto shall be subjected to full examination by Rate Counsel and Staff.

30. As part of the proposal to implement the EET, South Jersey seeks authority from the Board to implement deferred accounting for all applicable EEP cost. South Jersey also seeks authority to calculate the return on the RA balance using the WACC.

31. Following each EEP year there will be a true-up. Underrecoveries will be charged to the EET with interest, and overrecoveries will be credited to the EET with interest. Interest shall equal the interest rate on two year treasuries (as established in the Federal Reserve Statistical Release) effective as of each November 1, plus sixty basis points.

V. REQUEST FOR WAIVER OF CERTAIN MFRs

32. Governor Corzine's New Jersey Economic Stimulus Plan requests that utilities invest in energy efficiency programs in order to promote energy efficiency, and to stimulate the State's economy. Pursuant to the Economic Stimulus Plan, South Jersey is submitting its filing pursuant to the RGGI Legislation and the RGGI Order. Both the RGGI Legislation and the

RGGI Order allow the Board 180 days to review and approve any RGGI filing. However, if the Board should take 180 days to review and approve this Petition, that will only delay the opportunity for South Jersey to begin energy efficiency investments under the EEP, until later in calendar year 2009.

33. As a result, in order to afford South Jersey to opportunity to implement the EEP, and have it running during the first half of 2009, South Jersey requests waiver of the 180 day review period. In lieu of the 180 day review period, South Jersey requests expeditious review and approval of this Petition.

34. The RGGI Order requires that South Jersey meet with Board Staff and representatives of Rate Counsel to discuss any RGGI filing, in a Pre-Filing Meeting, to discuss the nature of the RGGI filing. South Jersey, Staff and Rate Counsel have frequently met to discuss energy efficiency program design. Due to the number of program design meetings already held and the need for expeditious handling of this Petition, South Jersey requests waiver of the Pre-Filing Meeting.

35. Pursuant to the RGGI Order, MFRs may be modified by Board Staff as is appropriate on a case-by-case basis. In order to allow expeditious handling of this Petition, South Jersey requests waiver of the following MFRs.

- The MFR requiring a pro forma income statement reflecting operating income at present and proposed rates (N.J.A.C. 14:1-5.12(a)5).
- Waiver of pre-filed testimony.
- Waiver of the requirement of the submission of proposed draft contracts (will be submitted when prepared).

- Waiver of the requirement of the submission of proposed marketing material (will be submitted as prepared).
- Waiver of cost/benefit analysis.

36. The Rutgers Center for Energy, Economic, and Environmental Policy (“CEEPP”) will be performing an appropriate cost/benefit analysis. South Jersey therefore requests a waiver of the requirement to file this cost benefit analysis, with this Petition.

37. South Jersey believes that it is submitting sufficient information with this Petition for the Board to approve it in an expeditious manner. In the event that this Petition is in any respect not in strict compliance with the MFRs, South Jersey requests a waiver of strict compliance with such MFR, and acceptance of this Petition.

VI. TARIFF PROVISIONS FOR COMBINED HEAT AND POWER AND DISTRIBUTED GENERATION (“CHP”) TECHNOLOGY

38. New Jersey is a densely populated state, and as a result, a significant importer of power. Most electricity used in New Jersey is generated outside of the State by older (environmentally unfriendly) generating facilities and sent over transmission lines into the State. This process is inefficient, and significant energy loss occurs during transmission.

39. CHP technology 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.

40. This is particularly important, in that continued economic development throughout New Jersey will be dependent upon adequate, efficient and relatively inexpensive sources of power. Given the challenges of permitting transmission lines, economics and the environment, supplementing the existing electric infrastructure with CHP becomes a viable

solution. CHP, fired by clean-burning natural gas, can replace the use of diesel fuel-fired and older technology generators (oil, coal) and allow New Jersey to be less dependent on other (less environmentally stringent) states to provide for energy needs. The increased efficiency of CHP improves the economics of power generation when compared to traditional and 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 EMP.

41. Gas-fired generation used in CHP is preferable to other fuels in providing long-term reductions in GHG emissions.

42. Distributed generation technology could include the installation of natural gas fired generators at sub-transmission and distribution substations to provide base and peak loading capacity for electric utilities. Siting the generation at the sub-transmission and distribution voltage levels would mitigate the need to construct costly (to the customer) transmission lines needed to enhance service reliability and support economic growth.

43. South Jersey's CHP Program will provide a significant financial incentive to CHP developers. However, without appropriate modifications, the tariff restrictions on South Jersey's ability to negotiate contracts with CHP customers coupled with the impediments that such tariff provisions have on third-party suppliers ("TPSs") of the natural gas commodity will significantly impair the efficacy of CHP projects.

44. South Jersey provides service to CHP customers primarily under its EGS-LV rate schedule.

45. 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, South Jersey provides a gas delivery service to CHP customers. That is to say that South Jersey transports natural gas purchased by CHP customers that purchase from TPSs.

46. As currently structured, the EGS-LV rate schedule limits agreements between South Jersey and its CHP customers to five years or less. This inhibits the ability of CHP customers to obtain financing. That is, lenders to CHP customers who may be financing a project for 10, 15 or 20 years will want to assure themselves that CHP customers will have a gas supply and associated transportation for a period of time at a cost that will make the project financing viable. The five-year limitation impedes the ability of South Jersey's CHP customers to obtain financing, and construct CHP projects. South Jersey proposes to eliminate the five year restriction.

47. Moreover, the EGS-LV rate schedule requires South Jersey to petition the Board for approval of the EGS-LV Agreement containing negotiated rates. In the past, the approval process has been protracted.

48. As a result, CHP customers are not able, at inception, to lock up a long-term supply of natural gas from a TPS due to the uncertain timing for approval of the EGS-LV Agreement for the delivery of that gas by South Jersey. Were they able to do so, they would be able to lock up an agreement for a supply of gas with a pre-determined price, which would better enable such CHP customers to obtain financing, and complete construction of a project. If they are uncertain as to when the Board will act, or whether the Board will approve an EGS-LV

Agreement, the CHP customer cannot lock up a firm gas supply or pricing agreement with the TPS.

49. The inability to lock up a long-term supply and price creates great uncertainty for a CHP developer. In many cases, the natural gas supply represents the largest operating and maintenance expense to be faced by the developer. Without being able to lock up a supply at an established price, the developer does not know whether his proposed project is economically sound. The result is a significant inhibition for such development.

50. As a result, South Jersey is proposing that its EGS-LV Rate Schedule be amended so that South Jersey will file a proposed EGS-LV Agreement on 30 days notice, prior to the effective date. If the Board does not then act, the EGS-LV Agreement will become legally effective. Under this notice provision a return is deemed appropriate if the negotiated rates yield at least two times the rate of return from its last rate case. This notice provision will not be an available path for lower returns.

51. South Jersey will submit with each notice, financial statements which will demonstrate whether the proposed EGS-LV Agreement will have met the return safe harbor.

52. Tariff sheets necessary to implement this modification are attached to this Petition as Exhibit 11.

VII. TARIFF CHANGES

53. Attached to this Petition as Exhibit 12 is the proposed tariff sheet for Rider N implementing the EET. Other tariff sheets to be affected by this Rider N will be submitted under separate cover.

VIII. NOTICE

54. South Jersey will give notice of the filing of this Petition and modification of its Tariff to all customers through the publication of a notice in newspapers of general circulation, and service on appropriate public officials. A copy of the proposed form of public notice is attached as Exhibit 13.

IX. EXHIBITS

55. The following Exhibits are attached to this Petition and incorporated herein:

- Exhibit 1: An Enhanced Residential HVAC Rebate Program
- Exhibit 2: The Residential Home Performance Finance and Energy Improvement Plan
- Exhibit 3: The Commercial Customer Direct Install Financing Program
- Exhibit 4: The Non-Residential Efficiency Investment Program
- Exhibit 5: Combined Heat and Power Program and Distributed Generated Technology (CHP) Program
- Exhibit 6: Program Budgets

Exhibit 6 provides a summary of the Year 1 and Year 2 program budgets. It breaks down the costs into two distinct categories, program investments and incremental O&M expenses. The program budgets for Year 1 and Year 2 total \$17,118,275.

- Exhibit 7: Revenue Requirement and Rate Calculation

Exhibit 7 contains the Year 1 and Year 2 revenue requirement and rate calculation. Each month, investments are made in the program. The prior month's cumulative investment is added to the current month.

Accumulated amortization (shown on Exhibit 8) is deducted from the cumulative investment, to derive the net investment. The net investment is multiplied by 1/12 of the Company's most recently approved weighted average cost of capital to arrive at the required net operating income. The after tax amortization expense from Exhibit 8 and after tax O&M expense from Exhibit 9 are added to the required net operating income to derive the operating income. This operating income is adjusted by the revenue factor of 1.83 to arrive at the revenue requirement. The revenue factor

utilized is the revenue factor utilized in the Company's most recent base rate case, adjusted for the increase in sales and use taxes from six percent to seven percent. The total revenue requirement is divided by total annual projected therms of all rate classes to arrive at a volumetric charge of \$0.0030/therm for Year 1 and \$0.0064/therm for Year 2.

Exhibit 8: Monthly Amortization Calculations

Exhibit 8 contains the monthly amortization calculations based on the projected investments. Amortization begins in the month after an investment is made. The calculation is based on a 10 year (120 months) amortization.

Exhibit 9: Estimated O&M Expenses

Exhibit 9 of the Petition contains the monthly estimated program O&M expenses for Year 1 and Year 2, and calculate the after-tax O&M expenses that flow to Exhibit 7 for the revenue requirement calculation.

Exhibit 10: Recovery Schedule for EET

Exhibit 10 is the recovery schedule for the EET. The beginning over/under recovered balance is compared to the difference between the monthly recoveries and the monthly revenue requirement, less Sales and Use Taxes and PUA Taxes. The carrying costs are calculated based on the average of the beginning and ending cumulative over/under recovery each month, at the two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release as of November 1, 2008, plus sixty basis points.

Exhibit 11: Proposed EGS-LV Tariff Sheets

Exhibit 12: Proposed EET Tariff Sheet

Exhibit 13: Proposed Form of Public Notice

X. MISCELLANEOUS

56. South Jersey has served notice and a copy of this filing, together with a copy of the annexed exhibits being filed herewith upon the Department of the Public Advocate, Division of Rate Counsel, and the Division of Law.

XI. CONCLUSION AND REQUEST FOR APPROVAL

57. In order to secure expeditious treatment of this Petition, South Jersey requests that the matter be retained at the Board. Rate Counsel and Staff may conduct a full and thorough examination before, during or after the implementation of EET rates.

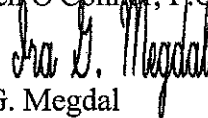
58. For all of the foregoing reasons, South Jersey respectfully requests that the Board retain jurisdiction of this matter and expeditiously issue an Order approving this Petition, specifically finding:

- (a) The Energy Efficiency Program is in the public interest and South Jersey is authorized to implement and administer these regulated utility services under the terms set forth in this Petition and accompanying Exhibits;
- (b) South Jersey is granted waiver of the provisions of the MFRs;
- (c) South Jersey is authorized to recover all costs as requested herein;
- (d) South Jersey is authorized to employ deferred accounting;
- (e) South Jersey is authorized to earn a return on the EEP Regulatory Asset.
- (f) South Jersey is authorized to utilize the revenue requirements methodology as set forth herein; and

- (g) The proposed rates and charges set forth herein are just and reasonable, and South Jersey is authorized to implement the rate proposed or upon issuance of a written Board Order.

Respectfully submitted,

Cozen, O'Connor, P.C.



Ira G. Megdal
Daniel J. Bitonti
Attorneys for Petitioner
South Jersey Gas Company

DATED: January 23, 2009

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VERIFICATION

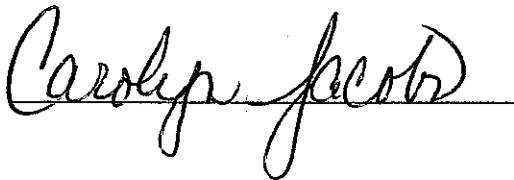
I, Samuel A. Pignatelli, of full age, being fully sworn according to law upon my oath,
depose and say:

1. I am employed by South Jersey Gas Company Vice President, Rates & Regulatory Affairs.
2. I am authorized to make this verification on behalf of South Jersey Gas Company.
3. I have reviewed the foregoing Petition and verify that the information contained therein is true and correct to the best of my knowledge, information and belief.



Samuel A. Pignatelli

Sworn to and subscribed
Before me this 23rd day of January, 2009.



CAROLYN JACOBS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires October 28, 2013

Enhanced Residential HVAC Rebate Program

Program Description

This program is designed to motivate customers with existing HVAC equipment scheduled to be replaced due to immediate or imminent equipment failure to opt for high efficiency heating 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, South Jersey would offer enhanced rebates of \$900 for qualified "WARM Advantage" HVAC equipment purchases. However, customers would only be entitled to this enhanced rebate if they agree to have a Home Performance with Energy Star® (HPwES) Home audit assessment, provided by certified auditors, which the Clean Energy Program considers a Tier I level of participation. Upon receiving this audit, customers will have the option of obtaining up to \$1,000 of free air sealing, considered a Tier II level of participation under this aspect of the Clean Energy Program's Home Performance Program. The air sealing will be performed by certified Home Performance with Energy Star contractors. The air sealing work will be processed through the existing Clean Energy Program and will include the calculation of any future customer and contractor incentives. Should the customer choose to install the measures recommended in the audit, South Jersey will develop a financial plan to help the customer fund the installation of Tier III measures through South Jersey's Home Performance and Finance Energy Efficiency Program. Tier III measures are those total measures which provide 20% savings in heating and cooling, and 20% savings in other energy efficiency measures that are installed throughout the structure of the home, such as insulation. It is the intention of this program to provide an incentive for customers to make the choice toward energy efficiency. Through this program, South Jersey will offer eligible customers an aggressive financial package to assist in obtaining whole house energy efficiency, comfort and savings. This package will include access to financing opportunities through a third party ("Financing Agent").

Customers who choose to opt for Tier III of the NJ Home Performance with Energy Star Program® will initially be provided 100% of the cost of the gas reducing measures, through "up-front" financing up to \$10,000. This amount will be reduced once the customer receives a 50% rebate from the Clean Energy Program, under the Tier III initiative of the NJ Home Performance with Energy Star® program, and as required, will assign this rebate to the financing agent. South Jersey will also provide an additional 25% rebate to offset the remaining costs to the customer, conditioned upon the customer forwarding their Clean Energy rebate to the financing agent to reduce the principle of the loan. The customer will only be responsible to repay the remaining 25% to the financing agent over 10 years, interest free.

Target Market and Availability

This program will be targeted to every residential customer that has existing HVAC equipment in need of imminent replacement. The program will incent the installation of high efficiency HVAC equipment and the installation of deep energy conservation measures. It will target customers in older existing homes, with good potential for whole house energy savings, and is intended to be utilized as a “driver” to move customers to the proposed whole house Home Performance and Finance Energy Efficiency Program.

Offerings and Customer Incentives

South Jersey will offer customers a direct incentive of \$900 for the installation of a central heating unit that would qualify for a rebate under the Clean Energy Program’s Warm Advantage Program, conditioned upon the customer receiving a Tier I home assessment audit. This effort will be coordinated with the appropriate suite of NJ Clean Energy Programs. Incentives for this program are not to exceed \$900 per heating system, within a single dwelling unit.

Delivery Method

This program will be directly promoted to customers through HVAC contractors. South Jersey will work also with an outside vendor to process the rebates. Home Performance with Energy Star contractors will perform Tier I audits, and will implement Tier II and Tier III improvements, under the Home Performance and Finance Energy Program.

Anticipated Program Participants and Related Savings Estimates

It is anticipated that 4,500 customers will apply for the rebate and a Tier I audit. It is further estimated that the average customer will save approximately 151 therms per year by upgrading to an energy efficient heating system. It is estimated therefore that this program will generate a total of 67,950 dth of energy savings annually.

Anticipated Job Creation Estimates

It is anticipated that there will be need for additional HVAC contractors for the volume of work to be generated. It is estimated that this program will generate sixty five (65) HVAC installer and sales jobs, and five (5) auditor jobs. It is also anticipated that an additional three (3) people will be needed within South Jersey to administer and market the programs to both contractors and the public. These three (3) South Jersey Gas Company jobs will be allocated across all of the proposed programs addressed in this petition.

NJCEP Similarities and Differences

This South Jersey initiative is more robust than the current \$300 to \$400 Clean Energy Program's "Warm Advantage" program incentive. However the South Jersey program is designed to add to the Clean Energy Program's current "Warm Advantage" heating system incentive, and thereby remove the first cost issues that often prevent customers from making the right choice. Another difference between the South Jersey and the Clean Energy Program heating rebate is that the South Jersey program heating incentive is conditioned upon a home audit, and is designed to motivate customers to participate in South Jersey's proposed Home Performance and Finance Energy Efficiency Program.

NJCEP Program Complements

The South Jersey initiative complements the existing Clean Energy "Warm Advantage" Program by offsetting the cost differences between standard baseline equipment, and high efficiency heating systems. Heating upgrades to high efficiency can cost \$5,000 or more. The cost difference between standard and high efficiency installations can often reach \$1,500. Therefore, we believe that our funding proposal will motivate customers to invest in high efficiency equipment. Our approach is to develop a coordinated, layered approach to partnering with the customer. More importantly, this program can help customers understand that the heating and cooling plant is not the only place where energy can be used more efficiently. It is our intention to use this program to show customers how they can easily take advantage of the Home Performance and Finance Energy Program. That program is built upon a premise that with a minimal monthly customer payment, positive cash flows will be generated that will be greater than the cost of the monthly installments.

Budget

South Jersey will commit up to \$5,093,836 to this program segment.

The Residential Home Performance Finance and Energy Improvement Plan

Program Description

This plan is designed to reduce energy use and carbon emissions of residential customers through a whole house approach to providing energy savings. The program is currently implemented through the NJ Clean Energy Program's "NJ Home Performance with Energy Star Program"®. However, the thrust of the new program is to partner with the State in achieving and exceeding State goals in South Jersey through a combination of utility sponsored, increased incentives and long term "up front" financing. Through this program, South Jersey will offer eligible customers an aggressive financial package to assist in obtaining whole house energy efficiency, comfort and savings. This package will include access to financing opportunities through a third-party ("Financing Agent"). Customers who choose to opt for Tier III of the NJ Home Performance with Energy Star Program® will initially be provided with 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 NJ Home Performance with Energy Star® program, and assigns this rebate to the Financing Agent. South Jersey will then provide an additional 25% rebate to offset the remaining costs to the customer, conditioned upon the customer forwarding his Clean Energy rebate to South Jersey to reduce the principle of the loan. The customer will be responsible to repay the remaining 25% to the financing agent over 10 years, interest free.

Target Market and Eligibility

This program will be targeted to all residential customers within the South Jersey service territory, who are not income eligible for Clean Energy Program's Comfort Partners Low Income Program services. The purpose of this program is to aggressively enhance participation in the NJ Home Performance with Energy Star Program®, and achieve comprehensive energy savings through additional incentives and financing. This program will also target residential heating customers who are in need of a central heating system replacement. South Jersey will utilize this program in conjunction with the Enhanced Residential HVAC Rebate program, as a means to create substantial energy savings at a time when customers are faced with making a decision to improve their most important mechanical energy systems. This program was developed to offer a complete package of energy efficiency offerings to residential customers who are facing both immediate and long term needs. Currently, customers are concerned about economic conditions resulting from potential employment risks, and uncertain future energy costs. South Jersey is prepared to offer a financial plan through a financing agent that will produce positive cash flows to homeowners during a 10 year period.

Offerings and Customer Incentives

This effort will be coordinated with the NJ Clean Energy Program. All participating customers will receive a home assessment audit and report from the NJ Home Performance with Energy Star® program. Low income customers, who qualify for the New Jersey Comfort

Partners program, will be referred to that program. The incentives will be those measures which are provided through the Clean Energy Program, NJ Home Performance with Energy Star Program® combined with the financial incentives listed below.

South Jersey's Financing Agent will offer eligible customers an aggressive financial package program to obtain energy efficiency, comfort and savings, through participation in the NJ Home Performance with Energy Star Program®

- If customers choose the Tier III option of the Home Performance with Energy Star Program, South Jersey will initially provide 100% of the cost of gas reducing measures, through a Financing Agent, such as Energy Finance Solutions (EFS), the current provider of financing for the NJ Home Performance with Energy Star Program®, or another finance agency.
- Under the current Tier III option of the NJ Clean Energy Home Performance with Energy Star program, if a customer achieves 20% energy savings from their new heating and cooling equipment, and 20% savings from the installation of energy saving measures for their home, the customer is eligible to receive a 50% rebate up to \$5,000 from the Clean Energy Program. South Jersey will provide an additional 25% rebate, up to \$2,500, to offset the remaining costs to the customer, conditioned upon the financing agent receiving the Home Performance incentive, payable from the Clean Energy Program.
- The customer will be only responsible to repay the remaining 25% over 10 years, interest free.
- The maximum loan amount from this program will be \$10,000 per customer.
- The South Jersey proposal is designed to generate positive cash flow for the customer. Under the South Jersey plan, the customer will owe the Financing Agent approximately \$21 per month for 120 months. The energy savings is anticipated to be close to \$30 per month, thereby generating positive cash flow for the entire life of the loan.

Delivery Methods

This program will be delivered through certified home energy auditors, trained external heating, home improvement and energy service contractors.

Anticipated Program Participants and Related Savings Estimates

It is estimated that this plan would generate 320 completed homes within the South Jersey territory. South Jersey estimates that this program will enable the existing Home Performance Program to produce more completions, at an average of 25% energy savings per home. The actual savings calculations will be performed by the current Residential Market Manager. However, based upon an annual baseline usage of 914 therms per home in South Jersey's territory, these saving would produce 7,312 dth of energy savings annually.

Anticipated Job Creation Estimates

South Jersey anticipates that additional auditors, contractors, and/or contractor employees will be needed as demand for the plan increases over time. However it is currently estimated that two (2) auditors would be needed for this program, along with four (4) installers, two (2) air sealers, and two (2) insulators. It is also anticipated that this program would generate the need for one (1) additional sales person, totaling eleven (11) people. It is also anticipated that an additional three (3) people will be needed within South Jersey to manage and sell the programs to both contractors and the public. These jobs will be allocated across all of South Jersey's proposed programs.

Contracts

Customers will be required to sign an agreement authorizing South Jersey, and/or their contractors, to finance the work performed as a result of the home energy audit, and to authorize contractors to provide program services. Customers, where applicable, will also be requested to agree to repay their portion of installed measures. In instances where the customer resides in a dwelling unit owned by a landlord, the landlord will be required to sign a permission form, authorizing the work be performed and/or financed. All such forms will be made available to appropriate Board staff, for illustrative purposes and are subject to revision as program details develop.

Marketing

This initiative will be marketed through existing channels currently used to obtain customers for the Clean Energy Program, and will utilize target approaches through local service agencies, local government, and various nonprofit community entities who can assist our effort to promote our offer to their constituents. The offering will also be promoted through local media outlets, which will include print and electronic media, and will be presented to all customers residing within the South Jersey franchise territory. Program marketing materials will be created for energy service vendors, and customers, in order to describe the offer and the benefits of the initiative. The materials will be designed to educate customers regarding the Home Performance measures that are available to be installed in their homes, and how those measures translate into costs savings.

NJCEP Similarities and Differences

The Comfort Partners Program targets customers throughout our entire service area. Those customers participating in our offering will be referred to the Comfort Partners Program, or the appropriate Weatherization Agency Program (WAP). Customers not eligible for Comfort Partners services will be referred by South Jersey, for enrollment in the NJ Home Performance with Energy Star® program, and thus take advantage of our coordinated incentive and financing offer. The major difference between the Comfort Partners (CP) and the South Jersey initiative is that the CP program is only applicable to those who are income eligible. The existing NJ Home Performance with Energy Star® program has an income eligibility component, as well. Given the current state of the economy, those customers will be prioritized based upon their income level, need, and contractor availability. It is intended that income levels and need assessments

will be performed by the current Home Performance with Energy Star program manager. However, the South Jersey program offering will be the same for all customers in our territory who wish to take advantage of the South Jersey financial package.

Customers who are currently income eligible for the extra incentives that are available under the NJ Home Performance with Energy Star® Program are currently not taking advantage of the offer. Customers of greater economic means are taking advantage of the existing program at best, only sparingly. The South Jersey initiative is being offered to provide an affordable financial pathway for all of our residential customers to obtain energy upgrades, where other programs have not been successful.

It is South Jersey's intention to perform gas measures for all gas customers throughout our service territory. Through the proposed South Jersey Home Performance and Financing Energy Improvement plan, customers may be eligible to receive cost effective energy efficiency measures that are identified from the audit, and will not be dependent upon the seasonal energy usage budget guidelines, as is currently the case in the Comfort Partners Program. Those guidelines are calculated by multiplying the customer's annual energy consumption (measured in CCF) by \$1.56 per CCF. Therefore if a Comfort Partners customer consumed 1,000 CCF in a previous year, the value of the work that would be performed under the Comfort Partners program would be worth \$1,560. Under the Home Performance with Energy Star initiative proposed by South Jersey Gas, these guideline mechanisms would not apply. The customer would be encouraged to install as many cost effective measures as possible, to achieve substantial energy savings.

NJCEP Program Complements

This South Jersey initiative complements current Clean Energy programming by utilizing the current protocols and methods to determine eligibility and weatherization need. It will also refer customers to appropriate statewide programs whether administered by the Office of Clean Energy (OCE) or by a local Weatherization Assistance Program (WAP) agency. Given South Jersey's position to market programs in targeted areas, and by employing a broader messaging approach through our bills, website, media outlets, local agencies, and our local Consumer Advisory Council, the NJ Clean Energy Programs can, and will be enhanced through our existing communication endeavors..

Budget

South Jersey will commit up to \$3,025,800 to this program segment

The Commercial Customer Direct Install Financing Program

Program Description

This plan is designed to reduce the environmental footprint and the energy consumption of small businesses. This program will also encourage 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 less than 200 KW demand. However, the plan is silent on the size of customers based upon natural gas usage. It is therefore anticipated that South Jersey's financing agent will offer commercial customers whose electric demand is no 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. The program will achieve this goal through the following:

- An energy assessment of the facility;
- Direct installation of energy savings measures, as recommended by the energy assessment;
- South Jersey's Financing Agent will pay for 80% of the installation and equipment costs "upfront", with a markdown of \$25,000; and
- The customer will be responsible for paying the remaining 20% via a monthly bill from the finance agent over 120 months interest free, pending receipt of all available Clean Energy Program incentives.

Target Market and Eligibility

The Program is targeted at small businesses, with a demand of less than 200kw that are eligible to receive service under the General Service (GSG) rate schedule in South Jersey's tariff. The plan is intended to work with customers that could be eligible for incentives under the new Clean Energy Program Direct Install plan.

Criteria for Program Selection

The program was selected in order to offer a complete package of energy efficiency offerings to businesses who suffer the greatest risk from today's unsettling financial conditions and energy costs. These customers are often owner/operated and would therefore greatly benefit from a program that is consistent with the goal of New Jersey's Energy Master Plan, which is to assist all classes of customers through energy reductions. This program presents an affordable aggressive method for business owners to invest in energy efficiency upgrades, while taking initiatives to control costs that will help preserve their businesses.

Offerings and Customer Incentives

South Jersey's Financing Agent will initially provide 100% of the cost to install the recommended energy savings improvements up to \$25,000. Upon the lender's receipt of the customer's 80% rebate from the Clean Energy Program, the customer will be obligated to repay 20% of the loan, at 0% interest over 120 months. Typical energy savings improvements available through this program include, but are not limited to:

- Heating Venting Air Conditioning (HVAC) and Automatic Water Heating (AWH) upgrades;
- Upgrades of desiccant technology;
- Other prescriptive or custom measures currently eligible for incentives under the NJ Clean Energy Smart Start Buildings® Commercial / Industrial Construction Program; and
- Other measures that will enable a facility to achieve US EPA Building Performance Benchmark.

This effort will be coordinated with the NJ Clean Energy Program. Applications received by South Jersey under this program will be forwarded to the NJ Clean Energy Program Commercial/Industrial Market Manager for its file.

Delivery Methods

The improvements will be delivered consistent with existing SmartStart and Direct Install channels. South Jersey will work with the Clean Energy Program 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 South Jersey.

Anticipated Program Participants and Related Savings Estimates

It is estimated that 300 customers will participate in this program. Energy savings calculations which result from this program will be performed by the Clean Energy Program Market Manager, according to approved protocols. However, based on a small GSG customer's average use of 487 therms per year, a 20% savings plan would produce over 97 therms of energy savings per customer per year, totaling 2,910 dth annually.

Anticipated Job Creation Estimates

It is anticipated that this program will require six (6) installers, along with additional sales, and administrative staff persons. It is also anticipated that an additional three (3) people

will be needed within South Jersey to manage and sell the programs to both contractors and to the public. These jobs will be allocated across all of the South Jersey proposed programs.

Contracts

Customers will be required to sign a form authorizing South Jersey, and/or their contractors, to perform an energy audit, and where necessary, a landlord permission form will be required to authorize the recommended work to be performed. If the customer agrees to proceed with the recommendation of any or all of the audit recommendations, the customer will be required to sign a purchase and installation contract and repayment schedule agreement. All such forms will be made available to appropriate Board staff for illustrative purposes and are subject to revision as program details develop.

Marketing

The offer will be made to commercial customers who according to South Jersey's database have a General Service Gas account designation, and according to the Clean Energy Program Commercial Market Manager, have less than 200kw demand. This initiative will be marketed through existing heating and cooling contractor channels, and other trade groups such as equipment supply distribution outlets, and local mechanical design firms. Program marketing materials will be created in order to explain the offer and the benefits of the initiative, and will heavily promote the availability of other statewide energy programs.

NJCEP Similarities and Differences

The Smart Start Buildings program component of the Clean Energy Program is available to customers within South Jersey's service franchise. Approved Clean Energy Program protocols will be applied to our proposed program as well. The major difference between the Clean Energy Program plan and the South Jersey initiative is that our program is intended to provide up front capital, and provide a schedule of payments that will lead to greater economic affordability on behalf of the owner/operator. This initiative will provide an affordable financial pathway for targeted customers to get access to energy upgrades, where other programs have not been as successful.

It is recognized that the Clean Energy Program Direct Install program works with contractors that have been selected to participate throughout the state. After having discussions with the Market Manager for this program, we have learned that additional contractors can participate in the program, if they meet the requirements. In order to stimulate additional mechanical contractor interest in southern NJ for this program, South Jersey would encourage local contractors to work with the Market Manager in order to become a participating company. South Jersey has a list of over fifty (50) heating contractors that perform work in our franchise territory. South Jersey will promote the program providing for the selection of the contractor to be made by the customer, in consultation with the Commercial/Industrial Market Manager of the Clean Energy Program.

NJCEP Program Complements

This South Jersey initiative complements current Clean Energy programming by utilizing current protocols and reporting practices. The initiative is also intended to refer customers to appropriate statewide programs. Given South Jersey's proposal to market programs throughout our territory and our intention of employing a community approach through local businesses and agencies, and through a local Consumer Advisory Council, Clean Energy programs can, and will be enhanced through our marketing efforts. Furthermore, by taking advantage of the South Jersey Commercial Customer Direct Install Financing Program, the customer will be made aware of other services that can be provided through the Clean Energy Program. Specifically, the Commercial/Industrial Market Manager will be notified of all South Jersey customer participation. This should provide the existing Clean Energy Program with additional sales opportunities.

Budget

South Jersey will commit up to \$1,025,385 to this program segment.

The Non-Residential Efficiency Investment Program

Program Description

The 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 additional incentives to non-residential customers. South Jersey's Financing Agent, through special financing, proposes to provide a financial incentive to install whole building energy efficient technologies, devices, and related equipment which would reduce natural gas consumption, and yield the customer positive cash flows over time. It is intended that the requirements of the customer would first be assessed by a representative of the NJ Clean Energy Program. The South Jersey incentive will be matched with Clean Energy Program incentives up to \$100,000. South Jersey recognizes that the 2009 NJ Clean Energy Program offers eligible customers up to \$500,000 per meter, however the Company also recognizes that certain large customers may need additional funding given the current state of the economy. The maximum amount of financing, after all applicable incentives are assigned to the Financing Agent, will be \$100,000. The program will achieve program goals through additional offsets in the cost differences between standard efficiency and high efficiency natural gas products and related upgrades and financing. For equipment and/or upgrades which are not Energy Star® rated, too large for such a designation, or are considered applicable for non-residential use, then other accepted savings protocols, such as those used by the Clean Energy Program Market Manager(s) will be used to measure the savings benefits.

Target Market and Eligibility

The plan is applicable to all nonresidential customers within the South Jersey service territory, but will be specifically targeted to larger Commercial/Industrial customers, housing complexes (both affordable and market based), municipal complexes, schools, medical facilities, hotels and casinos, and institutional customers.

It is important to emphasize that due to the growth, energy usage, and operational patterns of institutions, schools, colleges, and the medical community, South Jersey will make additional efforts to target hospitals, correctional, and medical facilities, (nursing homes, assisted living facilities, and other such buildings that are required to be operational twenty four (24) hours per day, seven (7) days per week), located within our service territory. Funding priority will be given to non-profit hospitals. The company will also focus efforts to upgrade educational facilities within Abbott school districts located within South Jersey's territory. Non-Abbott schools will be accommodated if funding is available.

Offerings and Customer Incentives

South Jersey's Financing Agent will offer "up-front" zero percent (0%) financing through special financing, for up to 10 years, for a maximum of \$100,000. In addition, upon the complete installation of the equipment, South Jersey will offer customers a direct incentive to

pay for the difference between the purchase and installation of approved energy efficient technology, and standard equipment, up to an amount of \$100,000 per customer account. This effort will be coordinated with the NJ Clean Energy Program. NJ Clean Energy Program incentives will be assigned or forwarded to the lender, in order to buy down the principle portion of the loan.

Delivery Methods

Selection of program delivery personnel will be determined by South Jersey at a later date. However, in order to coordinate efforts between the Clean Energy Program, and this South Jersey initiative, it is proposed that we employ the services of the Clean Energy Program Commercial Market Manager, and other energy firms familiar with energy efficiency programming in the southern New Jersey region. Their expertise and current technical infrastructure will enable South Jersey to meet customer expectations for program fulfillment and will provide a mechanism for seamless reporting practices to meet Board requirements.

Anticipated Program Participants and Related Savings Estimates

It is estimated that 32 customers will participate in this program. The savings calculations will be performed by the Commercial Market Manager for the Clean Energy Program. However based upon the average savings of 2,522 dth per customer experience by South Jersey in 2006, it is estimated that this program could generate energy savings of 80,704 dth annually

Anticipated Job Creation Estimates

It is believed that this program will create five (5) installers, and a number of sales, administrative, and engineering positions. It is also anticipated that an additional three (3) people will be needed within South Jersey to manage and market the programs to both contractors and the public. These jobs will be allocated across all of the South Jersey's proposed programs.

NJCEP Similarities and Differences

The South Jersey Non-Residential Energy Efficiency Investment initiative is similar to the Commercial/Industrial Clean Energy Programs, in that the South Jersey program will offer a cash incentive for natural gas technologies offered through the Clean Energy Program. The major difference is the South Jersey initiative is designed to help remove the first cost financial barrier often associated with installing natural gas energy efficient technologies. The \$100,000 incentive that South Jersey proposes was based upon precedent. During the period the utilities managed the Commercial/Industrial construction program of the Clean Energy Program, incentives were capped at \$100,000. The \$100,000 cap incentive amount was decided upon in or around 2003 in order to prevent any one customer from benefiting from the program at the budgetary expense of smaller customers. It was South Jersey's experience that during the time the utilities managed the Commercial/Industrial Construction Program, no SJG customer refused to participate in the program due to the fact that the \$100,000 incentive was not large enough. By participating in the proposed expanded South Jersey program, customers could receive up to \$100,000 of free financing, a layered \$100,000 incentive, while engaging in the Clean Energy Program for additional measures.

NJCEP Program Complements

This program is designed to supplement Clean Energy Programs through a whole building design approach, and to provide the customer with a “partner” financial plan, support, and long term energy efficiency funding. Under this proposal, a customer could receive 0% financing of up to \$100,000 for a 10 year term for the purchase and installation of high efficiency equipment, plus receive a cash payment of \$100,000. This program will generate additional energy saving opportunities within the non-residential sectors.

Budget

South Jersey will commit up to \$4,863,355 to this program segment.

Combined Heat and Power Program And Distributed Generation Technology (CHP) Program

Program Description

This program is designed to complement the goals of the New Jersey Energy Master Plan, reduce energy consumption and carbon emissions by lowering dependence upon the electric grid system. 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 in order to mitigate the volatility of natural gas prices and is an essential piece of this program. South Jersey will provide a direct incentive to match the incentives of the Clean Energy Program. The program will achieve this goal by:

- Providing an incentive for the efficient generation of electricity to one or more consumers; and to recycle energy to offset thermal loads otherwise satisfied by boilers or other thermal load equipment
- Providing a contract mechanism to stabilize natural gas prices over a fixed term to mitigate the volatility of natural gas prices

Target Market and Eligibility

The program is targeted predominantly, but not exclusively, to large commercial/industrial customers, and to localities where anticipated growth is expected to create a heavy electric demand upon the existing power infrastructure. One such locality is the area of Atlantic City. Other localities include areas of electric congestion, which affect Locational Marginal Pricing. Priority will be given to target medical and institutional facilities, which operate 24 hours per day, 7 days per week on a consistent basis.

Offerings and Customer Incentives

South Jersey will offer eligible customers and developers a direct incentive which will supplement the current offering of the NJ Clean Energy Program of up to a \$1.00 per watt, to be capped at \$1,000,000. This effort will be supplemented with the NJ Clean Energy Program in an effort to foster program participation and to achieve the goals of the Energy Master Plan of achieving 1500 MW of Distributed Generation ("DG") power by the year 2020.

If a non-residential customer installs, or commits to install a combined heat and power system approved by the Board, or an efficient distributed generation power plant, the incentive could be capped at \$1,000,000, and would receive an offset as described above. These incentives would be matched with incentives available from the Clean Energy Program.

Delivery Methods

This program would be delivered through engineering firms, energy service companies and mechanical contractors, coordinated by utility sales engineers

Anticipated Program Participants and Related Savings Estimates

It is estimated that this program will produce with three (3) installations which will offset 4.5 Mw by the end of 2010.

Anticipated Job Creation Estimates

It is estimated that approximately fifty (50) people will be needed to develop, design, build, and operate the CHP plants.

NJCEP Similarities and Differences

The incentive under this South Jersey initiative is currently identical to the incentive schedule offered by the Clean Energy Program. South Jersey recognizes that a program proposal is under development to include CHP as part of a holistic measure for energy efficiency under the proposed Clean Energy Pay For Performance Program. The South Jersey initiative for CHP technology would not compete with the 2009 proposal, and in fact is intended to motivate the customer to consider CHP technology as integral part of their business mechanical operations

NJCEP Program Complements

The proposed CHP initiative is complementary to the Clean Energy Program. Given that the incentive from the proposed South Jersey program is a direct complement to Clean Energy Program incentives; it is proposed that the savings data be calculated in collaboration with the Commercial/Industrial Market Manager for the Clean Energy Program.

Budget

South Jersey will commit up to \$3,109,900 to this program segment.

**South Jersey Gas Company
Energy Efficiency Program - Budget**

	<u>Year 1</u>	<u>Year 2</u>	<u>Total</u>
Enhanced Residential HVAC			
Program Investments	\$ 3,311,542	\$ 1,614,994	\$ 4,926,536
Incremental O&M	\$ 95,600	\$ 71,700	\$ 167,300
Total	<u>\$ 3,407,142</u>	<u>\$ 1,686,694</u>	<u>\$ 5,093,836</u>
Home Performance Financing			
Program Investments	\$ 2,296,400	\$ 565,700	\$ 2,862,100
Incremental O&M	\$ 96,200	\$ 67,500	\$ 163,700
Total	<u>\$ 2,392,600</u>	<u>\$ 633,200</u>	<u>\$ 3,025,800</u>
Combined Heat and Power			
Program Investments	\$ 1,083,700	\$ 2,000,000	\$ 3,083,700
Incremental O&M	\$ 26,200	\$ -	\$ 26,200
Total	<u>\$ 1,109,900</u>	<u>\$ 2,000,000</u>	<u>\$ 3,109,900</u>
Commercial Direct Install			
Program Investments	\$ 568,621	\$ 351,864	\$ 920,485
Incremental O&M	\$ 62,600	\$ 42,300	\$ 104,900
Total	<u>\$ 631,221</u>	<u>\$ 394,164</u>	<u>\$ 1,025,385</u>
Non Residential Energy Efficiency			
Program Investments	\$ 2,664,953	\$ 2,108,202	\$ 4,773,155
Incremental O&M	\$ 54,200	\$ 36,000	\$ 90,200
Total	<u>\$ 2,719,153</u>	<u>\$ 2,144,202</u>	<u>\$ 4,863,355</u>
Total Budget			
Program Investments	\$ 9,925,215	\$ 6,640,760	\$ 16,565,975
Incremental O&M	\$ 334,800	\$ 217,500	\$ 552,300
Total	<u><u>\$ 10,260,015</u></u>	<u><u>\$ 6,858,260</u></u>	<u><u>\$ 17,118,275</u></u>

South Jersey Gas Company
Energy Efficiency Program
Revenue Requirement (Years 1 & 2)

	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
Monthly Investment	\$1,043,863	\$1,086,105	\$1,067,207	\$605,877	\$563,727	\$717,757	\$825,293	\$817,793	\$1,683,025	\$473,357	\$497,357	\$523,857	\$9,925,215
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	\$8,430,645	\$8,904,002	\$9,401,359	\$9,925,215	\$9,925,215
Accumulated Amortization	\$0	(\$8,699)	(\$26,449)	(\$59,258)	(\$85,117)	(\$121,674)	(\$184,211)	(\$213,627)	(\$269,857)	(\$340,112)	(\$414,312)	(\$492,657)	(\$2,189,973)
Net Investment	\$1,043,863	\$2,121,269	\$3,190,726	\$3,769,793	\$4,301,661	\$4,982,861	\$5,755,616	\$6,533,994	\$8,160,789	\$8,563,890	\$8,987,047	\$9,432,559	
Rate of Return (7.97% / 12)	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	
Required Net Operating Income	\$6,936	\$14,095	\$21,201	\$25,049	\$28,583	\$33,109	\$38,310	\$43,415	\$54,225	\$56,903	\$59,715	\$62,675	\$444,215
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	\$198,054
After Tax Amortization	\$0	\$5,145	\$10,499	\$15,858	\$18,844	\$21,623	\$25,161	\$29,229	\$33,260	\$41,556	\$43,889	\$46,341	\$291,407
Operating Income	\$36,886	\$34,521	\$46,980	\$56,187	\$62,707	\$70,012	\$78,751	\$87,925	\$102,765	\$113,740	\$118,885	\$124,296	\$933,656
Revenue Factor	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	
Revenue Requirement	\$67,501	\$63,173	\$85,974	\$102,822	\$114,755	\$128,123	\$144,115	\$160,903	\$188,061	\$208,144	\$217,559	\$227,462	\$1,708,590

Therms

Rate Per Therm

565,123,418
\$0.0030

	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
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
Cumulative Investment	\$10,490,432	\$11,031,649	\$11,509,215	\$11,976,782	\$13,444,349	\$13,941,915	\$14,528,957	\$16,091,999	\$16,565,975				
Accumulated Amortization	(\$575,367)	(\$662,787)	(\$754,718)	(\$850,628)	(\$950,434)	(\$1,062,471)	(\$1,178,653)	(\$1,299,728)	(\$1,433,828)				
Net Investment	\$9,915,065	\$10,368,862	\$10,754,498	\$11,126,154	\$12,493,914	\$12,879,445	\$13,350,304	\$14,792,271	\$15,132,148	\$15,132,148	\$15,132,148	\$15,132,148	
Rate of Return (7.97% / 12)	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	
Required Net Operating Income	\$65,881	\$68,896	\$71,459	\$73,928	\$83,016	\$85,578	\$88,707	\$98,288	\$100,546	\$100,546	\$100,546	\$100,546	\$1,037,939
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	\$48,923	\$51,709	\$54,377	\$56,731	\$59,036	\$66,269	\$68,722	\$71,616	\$79,320	\$81,656	\$81,656	\$81,656	\$801,672
Operating Income	\$129,099	\$134,900	\$140,130	\$144,954	\$156,347	\$166,142	\$171,723	\$184,198	\$194,161	\$182,203	\$182,203	\$182,203	\$1,966,262
Revenue Factor	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	
Revenue Requirement	\$236,251	\$246,867	\$256,438	\$265,265	\$286,114	\$304,040	\$314,254	\$337,083	\$355,315	\$333,431	\$333,431	\$333,431	\$3,601,920

Therms

Rate Per Therm

565,123,418
\$0.0064

South Jersey Gas Company
Energy Efficiency 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	\$0	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699
Month 2	\$0	\$0	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051
Month 3	\$0	\$0	\$0	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060
Month 4	\$805,877	\$0	\$0	\$0	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049
Month 5	\$563,727	\$0	\$0	\$0	\$0	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698
Month 6	\$717,757	\$0	\$0	\$0	\$0	\$0	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981
Month 7	\$825,293	\$0	\$0	\$0	\$0	\$0	\$0	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877
Month 8	\$817,793	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,815	\$6,815	\$6,815	\$6,815
Month 9	\$1,683,025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,025	\$14,025	\$14,025
Month 10	\$473,357	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,945	\$3,945
Month 11	\$497,357	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,145
Month 12	\$523,857	\$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
Month 14	\$541,217	\$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
Month 16	\$467,567	\$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
Month 18	\$497,567	\$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
Month 20	\$1,563,042	\$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
Total	\$16,565,975	\$0	\$8,699	\$17,750	\$26,810	\$31,859	\$42,538	\$49,415	\$56,230	\$70,255	\$74,200	\$78,345

Cumulative Amortization	\$8,699	\$26,449	\$53,258	\$85,117	\$121,674	\$164,211	\$213,627	\$269,857	\$340,112	\$414,312	\$492,657
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After Tax Amortization Calculation:

Monthly Amortization Total	\$0	\$8,699	\$17,750	\$26,810	\$31,859	\$36,556	\$42,538	\$49,415	\$56,230	\$70,255	\$74,200	\$78,345
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	\$0	\$5,145	\$10,499	\$15,858	\$18,844	\$21,823	\$25,161	\$29,229	\$33,260	\$41,556	\$43,889	\$46,341

South Jersey Gas Company
Energy Efficiency 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	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699	\$8,699
Month 2	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051
Month 3	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060	\$9,060
Month 4	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049	\$5,049
Month 5	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698	\$4,698
Month 6	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981	\$5,981
Month 7	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877	\$6,877
Month 8	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815	\$6,815
Month 9	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025	\$14,025
Month 10	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945	\$3,945
Month 11	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145	\$4,145
Month 12	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365
Month 13	\$0	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710	\$4,710
Month 14	\$0	\$0	\$4,510	\$4,510	\$4,510	\$4,510	\$4,510	\$4,510	\$4,510	\$4,510	\$4,510	\$4,510
Month 15	\$0	\$0	\$0	\$3,980	\$3,980	\$3,980	\$3,980	\$3,980	\$3,980	\$3,980	\$3,980	\$3,980
Month 16	\$0	\$0	\$0	\$0	\$3,896	\$3,896	\$3,896	\$3,896	\$3,896	\$3,896	\$3,896	\$3,896
Month 17	\$0	\$0	\$0	\$0	\$0	\$12,230	\$12,230	\$12,230	\$12,230	\$12,230	\$12,230	\$12,230
Month 18	\$0	\$0	\$0	\$0	\$0	\$0	\$4,146	\$4,146	\$4,146	\$4,146	\$4,146	\$4,146
Month 19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,892	\$4,892	\$4,892	\$4,892	\$4,892
Month 20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,025	\$13,025	\$13,025	\$13,025
Month 21	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,950	\$3,950	\$3,950
Total	\$82,710	\$87,420	\$91,930	\$95,910	\$99,807	\$112,036	\$116,183	\$121,075	\$134,100	\$138,050	\$138,050	\$138,050

Cumulative Amortization	\$575,367	\$662,787	\$754,718	\$850,628	\$950,434	\$1,062,471	\$1,178,653	\$1,299,728	\$1,433,828	\$1,571,878	\$1,709,927	\$1,847,977
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After Tax Amortization Calculation:

Monthly Amortization Total	\$82,710	\$87,420	\$91,930	\$95,910	\$99,807	\$112,036	\$116,183	\$121,075	\$134,100	\$138,050	\$138,050	\$138,050
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	\$48,923	\$51,709	\$54,377	\$56,731	\$59,036	\$66,269	\$68,722	\$71,616	\$79,320	\$81,656	\$81,656	\$81,656

South Jersey Gas Company
Energy Efficiency Program
Recovery Schedule (Years 1 & 2)

	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
Beginning Balance	\$0	(\$80,544)	(\$131,673)	(\$131,002)	(\$118,699)	(\$94,729)	(\$44,572)	\$13,143	\$47,354	\$51,998	\$24,355	\$286	\$0
Period Volumes	54,431,195	35,478,123	28,198,304	29,646,462	29,456,532	24,627,977	27,166,606	41,088,524	60,555,418	78,645,727	80,500,121	75,328,408	585,123,418
Recovery Rate	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030	\$0.0030
Recoveries	\$164,567	\$107,264	\$85,255	\$89,633	\$98,059	\$74,460	\$82,135	\$124,227	\$193,083	\$237,777	\$243,384	\$227,747	\$1,708,590
Revenue Requirements	\$67,501	\$63,173	\$85,974	\$102,822	\$114,755	\$128,123	\$144,115	\$160,903	\$198,061	\$208,144	\$217,569	\$227,462	\$1,708,590
Monthly (Over)/Under Recovered Balance	(\$97,066)	(\$44,091)	\$7,19	\$13,189	\$23,686	\$53,663	\$61,980	\$36,676	\$4,976	(\$29,633)	(\$25,825)	(\$285)	
Monthly (Over)/Under Recovered Balance Excluding SUT and PUA	(\$90,544)	(\$41,129)	\$671	\$12,303	\$23,969	\$50,057	\$57,815	\$34,212	\$4,643	(\$27,642)	(\$24,089)	(\$266)	
Cumulative (Over)/Under Recovered Balance	(\$90,544)	(\$131,673)	(\$131,002)	(\$118,699)	(\$94,729)	(\$44,572)	\$13,143	\$47,354	\$51,998	\$24,355	\$286	\$0	\$0
Carrying Costs	(\$57)	(\$139)	(\$164)	(\$156)	(\$183)	(\$87)	(\$20)	\$38	\$62	\$48	(\$552)	(\$965)	(\$2,125)

	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
Beginning Balance	\$0	(\$103,240)	(\$83,893)	(\$12,336)	\$58,844	\$150,602	\$287,789	\$419,410	\$489,555	\$460,968	\$304,413	\$136,832	\$0
Period Volumes	54,431,195	35,478,123	28,198,304	29,646,462	29,456,532	24,627,977	27,166,606	41,088,524	60,555,418	78,645,727	80,500,121	75,328,408	585,123,418
Recoveries Rate	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064	\$0.0064
Recoveries	\$346,927	\$226,126	\$179,727	\$188,957	\$187,747	\$156,971	\$173,151	\$261,985	\$395,961	\$501,263	\$513,083	\$480,120	\$3,601,920
Revenue Requirements	\$236,251	\$246,887	\$256,438	\$265,265	\$286,114	\$304,040	\$314,254	\$337,083	\$355,315	\$333,431	\$333,431	\$333,431	\$3,601,920
Monthly (Over)/Under Recovered Balance	(\$110,677)	\$20,741	\$76,711	\$76,308	\$98,367	\$147,069	\$141,102	\$75,197	(\$30,647)	(\$167,832)	(\$179,652)	(\$146,689)	
Monthly (Over)/Under Recovered Balance Excluding SUT and PUA	(\$103,240)	\$19,347	\$71,557	\$71,181	\$91,768	\$137,187	\$131,621	\$70,145	(\$28,587)	(\$156,555)	(\$167,560)	(\$136,832)	
Cumulative (Over)/Under Recovered Balance	(\$103,240)	(\$83,893)	(\$12,336)	\$58,844	\$150,602	\$287,789	\$419,410	\$489,555	\$460,968	\$304,413	\$136,832	\$0	\$0
Carrying Costs	(\$65)	(\$117)	(\$60)	\$29	\$131	\$274	\$442	\$568	\$594	\$478	\$276	\$86	\$2,635

SOUTH JERSEY GAS COMPANY

B.P.U.N.J. No. 9 - GAS

First Revised Sheet No. 48
Superseding Original Sheet No. 48

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)

(Continued)

successor rate schedules) customers may be impacted if not given. Any customer who then uses gas in excess of the level instructed may be invoiced at an additional charge (in addition to the charges set forth in the Monthly Rate section of this Rate Schedule EGS-LV). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This rate shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation.

- (e) The Company may, at its sole reasonable discretion, offer a D-1 Demand Charge and a C-3 Commodity Charge on a negotiated basis. ~~The D-1 charge, taken in combination with the Limited Firm C-3 charge, if applicable, may not be lower than an amount sufficient to generate a reasonable return on capital investments made by the Company and recovery of marginal and embedded costs, including depreciation, to provide service under this Rate Schedule EGS-LV.~~ If such an offer is made it shall be based upon cost of service and value of service considerations, including but not limited to such factors as: (1) necessity to meet competitive conditions to promote Distributed Generation or Combined Heat and Power; (2) proximity of customer to the Company's transmission lines; (3) whether the customer will utilize the Company's interstate pipeline capacity; (4) whether the customer will provide its own gas supply; and (4) other pertinent factors. Such negotiated percentages and resultant rates shall be set forth in the Standard Gas Service Agreement (EGS-LV) and submitted to the Board as a notice filing at least thirty (30) days prior to the effective date of the Standard Gas Service Agreement (EGS-LV) filed with the Board within thirty (30) days of execution, for approval. Service Agreements containing the Benchmark Rates shown in the Monthly Rate section of this Rate Schedule (EGS-LV) shall not be submitted to the Board as a notice filing. If the Board does not act within thirty (30) days of the submission of a notice filing, no further action need be taken by the Company, and the Standard Gas Service Agreement (EGS-LV) may take effect. The notice filing shall contain sufficient exhibits for the Board to determine the rate of return that the Company will derive from the Standard Gas Service Agreement (EGS-LV). The return projected by the Standard Gas Service Agreement (EGS-LV) shall be deemed acceptable if it provides the Company with a return equal to or greater than two times the Company's Weighted Average Cost of Capital ("WACC") as determined in the Company's last completed base rate case. Lower returns may also be deemed acceptable, however agreements with lower returns will need to be filed for Board approval. ~~require filing with the Board. All agreements submitted to the Board for approval with a term of greater than five (5) years must be accompanied by justification for the extended term.~~ The Company, the customer, the Board and its Staff shall treat any Standard Gas Service Agreement (EGS-LV) filed or to be filed with the Board, any petition related thereto, supporting documentation or any discovery related thereto as proprietary and trade secrets of the Company. As such, the contents of such material shall not be disclosed to any party, unless that party executes a confidentiality agreement acceptable to the Company.
- (f) The Firm and Limited Firm D-2 charges, and Firm and Limited Firm C-2 charge set forth above are subject to adjustment pursuant to Rider "A" of this Tariff. The Firm D-2 charge includes the highest interstate pipeline contract demand charge applicable to the Company at October 1 of each year, which will include, but not be limited to, pipeline demand charges, reservation fees, gas inventory charges and direct bill take-or-pay surcharges, plus applicable taxes. The Limited Firm D-2 charge shall equal one-half (1/2) the weighted average of all interstate pipeline demand charges applicable to the

Issued January 23, 2009
by South Jersey Gas Company,
E. Graham, President

Effective with service rendered
on and after _____

Filed pursuant to Order in Docket No. _____ of the Board of
Public Utilities, State of New Jersey, dated _____

SOUTH JERSEY GAS COMPANY

B.P.U.N.J. No. 9 - GAS

Original Sheet No. 97g

RIDER "N"

ENERGY EFFICIENCY TRACKER ("EET")

APPLICABLE TO:

Rate Schedule RSG	-	Residential
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service- Large Volume
Rate Schedule CTS	-	Comprehensive Transportation Service
Rate Schedule LVS	-	Large Volume Service
Rate Schedule FES	-	Firm Electric Service
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule EGS-LV	-	Electric Generation Service- Large Volume
Rate Schedule IGS	-	Interruptible Gas Service
Rate Schedule ITS	-	Interruptible Transportation Service

This Rider "N" shall be known as the Energy Efficiency Tracker ("EET"). The EET shall be utilized to allow the Company to earn a return on and a return of investments in energy efficiency programs (approved by the Board at Docket No. _____, dated _____), as well as a reimbursement of incremental operating and maintenance expenses of the programs, subject to the EET. The calculation will use the weighted average cost of capital utilized in the Company's most recent base rate case. For financial accounting purposes the Company shall record the return on and return of all EET associated Regulatory Assets and recover all incremental Operating and Maintenance Expenses on a monthly basis.

The revenue requirement will be calculated using projected data and subject to a true-up at the end of the year with simple interest on net over/under recoveries. Interest associated with over recoveries will be credited against the EET, while interest associated with under recoveries will be charged to the EET. The interest on EET under and over recoveries shall be the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on or closest to November 1st of each year, plus sixty basis points, but shall not exceed the Company's overall rate of return utilized by the Board in the Company's last base rate case.

This tracker will be effectuated through a volumetric rate applied to customers' bills. The Company shall make an annual EET rate filing in November of each year. Included in the filing will be a list of efficiency programs offered and eligible for recovery under the EET. The EET rate shall be a self-implementing rate adjusted each January 1st. EET rate adjustments shall be made pursuant to the Board's Order at Docket No. _____, dated _____. The Company shall have the discretion to implement a bill credit or a refund at any time during the EET Year with five (5) days notice to the BPU Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-implementing rate reduction at any time during the EET Year with two (2) weeks notice to the BPU Staff and the Division of Rate Counsel.

Rate Schedules subject to this Rider will be charged the following volumetric rate:

EET Factor per therm	\$0.0028
Applicable Revenue Tax Factor	<u>1.0019</u>
EET Factor per therm	\$0.0028
Applicable NJ Sales Tax Factor	<u>1.07</u>
EET Rate per therm with NJ Sales Tax	<u>\$0.0030</u>

Issued January 23, 2009
by South Jersey Gas Company,
E. Graham, President

Effective with service rendered
on and after _____

Filed pursuant to Order in Docket No. _____ of the Board of
Public Utilities, State of New Jersey, dated _____

**NOTICE OF FILING OF PETITION
PROPOSING TO IMPLEMENT A NEW RATE
AND OF PUBLIC HEARING**

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY
FOR APPROVAL OF AN ENERGY EFFICIENCY PROGRAM ("EEP")
WITH AN ASSOCIATED ENERGY EFFICIENCY TRACKER ("EET"),
PURSUANT TO N.J.S.A. 48:3-98.1; AND TO MODIFY RATE SCHEDULE EGS-LV
B.P.U. DOCKET NO. _____**

NOTICE IS HEREBY GIVEN that pursuant to the statutory authorization granted in N.J.S.A. 48:3-98.1, South Jersey Gas Company ("South Jersey" or the "Company") has filed a Petition with the New Jersey Board of Public Utilities (the "Board") seeking approval to implement its Energy Efficiency Program ("EEP") and also seeking approval of an associated cost recovery mechanism. Pursuant to its filing, South Jersey requested that the Board permit South Jersey to implement an Energy Efficiency Tracker ("EET") to recover all costs associated with these programs. South Jersey is requesting that it be allowed to earn a return on and a return of investments associated with these programs. These programs will provide customers with increased incentives to reduce their natural gas consumption. In addition, South Jersey is requesting approval for modification of Rate Schedule EGS-LV of its tariff.

South Jersey seeks Board approval to implement its EEP to offer five energy efficiency programs, resulting in an investment of approximately \$17 million over a two year period. The EEP is being filed under the State's Regional Greenhouse Gas Initiative ("RGGI") legislation and directly supports the Governor Corzine's Economic Stimulus Plan and New Jersey's Energy Master Plan.

South Jersey proposes to recover all EEP costs through a cost recovery mechanism which will operate in a manner consistent with existing Board-approved mechanisms. The proposed EET Charge would be applied to all customer classes, irrespective of volume of gas usage. If approved by the Board, the impact of the proposed changes in the EET Charges on typical Residential and General Service customers using less than 5,000 therms per year would be:

Residential Service (RSG)

Therm Level	Bill as of January 1, 2009⁽¹⁾	Bill as of April 1, 2009 ⁽²⁾	Dollar Increase	Percent Increase	Present EET Charge per Therm	Proposed EET Charge per Therm
25	\$51.19	51.42	\$0.08	0.14%	0	
100	\$166.34	\$167.28	\$0.30	0.18%	0	
200	\$324.92	\$326.80	\$0.60	0.18%	0	

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

Therm Level	Bill as of January 1, 2009 (1)	Bill as of April 1, 2009 (2)	Dollar Increase	Percent Increase	Present EET Charge per Therm	Proposed EET Charge per Therm
500	\$764.63	\$766.13	\$1.50	0.20%	0	
1,000	\$1,510.53	\$1,513.53	\$3.00	0.20%	0	
2,000	\$3,002.33	\$3,008.33	\$6.00	0.20%	0	

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

The Board has statutory authority to approve the Energy Efficiency Program and the associated Energy Efficiency Tracker in a manner it finds just and reasonable pursuant. Therefore, the Board may approve the EEP and EET in different form than that proposed by South Jersey and may implement a different rate or rates than those proposed by South Jersey.

Copies of the Company's filing are available for inspection at the Company offices located at One South Jersey Plaza, Folsom, New Jersey 08037, or at the Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

NOTICE is further given that a public hearing has been scheduled at the following date, time, and place on the Company's above-mentioned requests.

XXX XX at 7:00 P.M.
 Voorhees Middle School, Lecture Hall
 Holly Oak Drive
 Voorhees, New Jersey 08043

The public is invited to attend and interested persons will be permitted to testify and/or make a statement of their views on the proposed increases. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to this hearing. In addition, members of the public may submit written comments concerning the petition to the BPU regardless of whether they attend the hearing by addressing them to: Honorable Kristi Izzo, Secretary, Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

SOUTH JERSEY GAS COMPANY
 By: Edward Graham, President