



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625
www.nj.gov/bpu

ENERGY

IN THE MATTER OF PETITION OF)	DECISION AND ORDER
SOUTH JERSEY GAS COMPANY TO CHANGE)	APPROVING INITIAL DECISION
THE LEVEL OF ITS CONSERVATION)	AND STIPULATION FOR
INCENTIVE PROGRAM CHARGE FOR THE)	FINAL CIP RATES
CIP YEAR ENDING SEPTEMBER 30, 2011)	
)	DOCKET NO. GR10060379

Parties of Record:

Ira G. Megdal, Esq. and **Daniel J. Bitonti, Esq.**, for South Jersey Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

On June 1, 2010, South Jersey Gas Company ("Company" or "SJG") filed its annual Conservation Incentive Program Charge ("CIP") petition with the Board seeking a decrease in CIP rates sufficient to yield a total \$1,022,343 million net decrease in revenues, which results in a total CIP recovery of \$14,527,181 to SJG for the 2011 CIP year October 1, 2010 through September 30, 2011. The CIP Petition sought to implement the following CIP rate changes on a per therm after-tax basis of 1) \$0.0949 for Group I Residential Non-Heating customers; 2) \$0.0441 for Group II Residential Heat customers; 3) \$0.0422 for Group III General Service (GSG) customers, and 4) \$0.0046 for Group IV General Service Large Volume (GSG-LV) customers. The Company's proposal translates into 1) an increase of approximately \$0.47 or 0.3% per month, to the average residential heating customer using 100 therm per month; 2) a decrease of \$0.72 or 2.4% per month for a residential non-heating customer using 15 therms per month; 3) a decrease of \$18.75 or 2.8% per month for General Service Gas (GSG) customers using 500 therms per month and 4) a decrease of \$90.75 or 0.6% per month for General Service Large Volume (GSG-LV) customers using 15,646 therms per month.

The Company's current CIP rates were approved by the Board on a provisional basis by Order dated September 17, 2010 in the instant docket. The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated into the Company's basic gas supply service ("BGSS") rates which are reviewed in a separate filing. The CIP surcharge is also subject to a return on equity cap of 10%.

After publication of notice in newspapers in general circulation, two public hearings in this matter were held on July 29, 2010 in Voorhees, New Jersey. No members of the public appeared at the hearing to provide comments related to the Company's request to revise its CIP rates.

Following additional review by and subsequent discussions among representative of SJG, Rate Counsel, and Board Staff, the Parties entered into the attached Stipulation for Final CIP Rates dated August 25, 2011 ("Stipulation"). The Parties have determined that it would be reasonable and in the public interest to make final the provisional CIP rates previously approved by the Board in its Order dated September 17, 2010.

On August 30, 2011, Administrative Law Judge Judge Gail Cookson issued her Initial Decision approving the Stipulation in its entirety finding that the Parties have voluntarily agreed to the settlement as evidenced by the signatures of the parties or their representatives and that the settlement fully disposes of all issues in controversy and is consistent with the law.

DISCUSSION AND FINDINGS

The Board, having carefully reviewed the attached Initial Decision and the Stipulation, **HEREBY FINDS** that, subject to the terms and conditions set forth below, the Initial Decision and Stipulation fully disposes of all issues in controversy, are reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and Stipulation in their entirety and **HEREBY INCORPORATES** their terms and conditions, as if fully set forth herein.

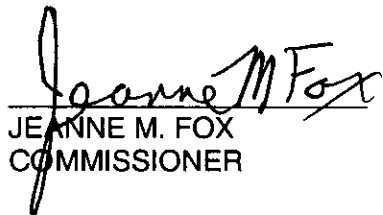
The Board **HEREBY APPROVES** on final basis, the Company's implementation of the following after-tax per therm CIP rates: 1) \$0.0949 for Group I Residential Non-Heat Customers; 2) \$0.0441 for Group II Residential Heat Customers; 3) \$0.0422 for Group III General Service Customers, and 4) \$0.0046 for Group IV General Service Large Volume customers, effective for service rendered on or after October 1, 2011

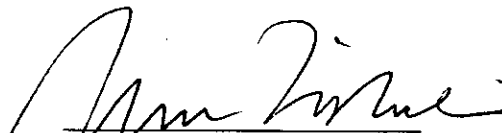
The Company's CIP costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.


DATED: 9/22/11

BOARD OF PUBLIC UTILITIES
BY:

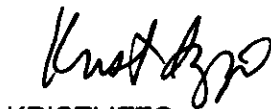

LEE A. SOLOMON -
PRESIDENT


JEANNE M. FOX
COMMISSIONER

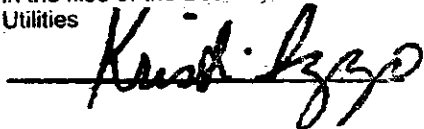

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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



In the Matter of the Petition of South Jersey Gas Company to
Change the Level of its Conservation Incentive Program Charge
For the CIP Year Ending September 30, 2011
Docket No. GR10060379

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CMS
Beslow
Shatto
DAG
RPA
Lee Thomas
Energy



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

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INITIAL DECISION SETTLEMENT

**I/M/O PETITION OF SOUTH JERSEY GAS
COMPANY TO REDUCE THE LEVEL OF
ITS BASE GAS SUPPLY SERVICE.**

OAL DKT. NO. PUC 10580-10
AGENCY DKT. NO. GR10060378

**I/M/O PETITION OF SOUTH JERSEY GAS
COMPANY TO CHANGE THE LEVEL OF
ITS CONSERVATION INCENTIVE PROGRAM.**

OAL DKT. NO. PUC 10580-10
AGENCY DKT. NO. GR10060379

**Ira G. Megdal, Esq., and Daniel J. Bitonti, Esq., for petitioner South Jersey Gas
Company (Cozen O'Connor, attorneys)**

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

**Felicia Thomas-Friel, Deputy Rate Counsel, and Kurt S. Lewandowski, Assistant
Deputy Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand,
Director, attorney)**

Record Closed: August 30, 2011

Decided: August 30, 2011

BEFORE GAIL M. COOKSON, ALJ:

On June 1, 2010, South Jersey Gas Company (Company) filed a petition with the Board of Public Utilities (BPU) for approval of its annual Basic Gas Supply Service (BGSS) rates and its annual Conservation Incentive Program (CIP) rates for the period October 1, 2010, through September 30, 2011. The Company provided public notice of its filing and

OAL DKT. NO. PUC 10580-10

the opportunity for the public to be heard on the level of these clauses was held on July 29, 2010, in Voorhees, New Jersey. Both petitions proposed reductions in the rates of service relating to these clauses of the Company's tariff. By Orders signed on September 17, 2010, the BPU approved Stipulations for Provisional Rates for both the BGSS and CIP rates. The files were transmitted to the Office of Administrative Law (OAL), on October 1, 2010, for consolidation and hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F-1 to-13.

A prehearing conference was convened telephonically on October 22, 2010, and a Prehearing Order was entered on October 25, 2010. The hearings for the presentation of the pre-filed direct testimony and cross-examination of the witnesses were set down for March 9 and 10, 2011. On January 24, 2011, the parties reported during a scheduled telephone status call that they were in the process of resolving the issues in dispute. The hearings were adjourned to April 15 and 25, 2011. Prior to the conduct of those hearings, the parties reported further progress on settlement but the need to conduct some additional financial due diligence.

On August 30, 2011, I received electronically two fully-executed Stipulations of all parties to this matter – one for the BGSS and one for the CIP - with a request that I enter an Initial Decision Settlement and transmit same to the Board. These agreements more completely sets forth the terms and conditions of the settlement of all issues raised by the filing of the Company.

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

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

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

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

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

August 30, 2011
DATE

Gail M. Cookson
GAIL M. COOKSON, ALJ

BPU MAILROOM
Date Received at Agency: SEP - 6 2011

September 1, 2011

Date Mailed to Parties: September 1, 2011

Laura Perkins

id

DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

BPU MAILROOM

SEP - 6 2011

RECEIVED

STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION :
OF SOUTH JERSEY GAS COMPANY : BPU DOCKET NO. GR10060378
TO CHANGE THE LEVEL OF ITS BASIC : OAL DKT. NO. PUC10580-10
GAS SUPPLY SERVICE CHARGE FOR :
THE BGSS YEAR ENDING : STIPULATION FOR FINAL BGSS
SEPTEMBER 30, 2011 : RATES
:

APPEARANCES:

Ira G. Megdal, Esquire and Daniel J. Bitonti, Esquire, (Cozen O'Connor, attorneys) for South Jersey Gas Company ("Petitioner")

Felicia Thomas-Friel, Esq., Deputy Rate Counsel and Kurt S. Lewandowski, Esq., Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") (Stefanie A. Brand, Director)

Alex Moreau, Deputy Attorney General, on behalf of the Staff of the Board of Public Utilities ("Staff")(Paula T. Dow, Attorney General of the State of New Jersey).

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. This Stipulation is intended to make final the provisional Basic Gas Supply Service ("BGSS") rates in OAL Dkt. No. PUC10580-10 (BPU Docket No. GR10060378) ("this Proceeding").

II. PROCEDURAL HISTORY

2. On June 1, 2010, South Jersey Gas Company ("South Jersey", "the Company") filed a Petition ("Petition") for the period October 1, 2010 through September 30, 2011 ("BGSS year") in Docket No. GR10060378. That Petition requested that the Board of Public Utilities

("Board") approve a reduction in the level of the company's periodic Basic Gas Supply Service Charge ("BGSS") from its then current level of \$0.8398 per therm (including taxes) to \$0.6887 per therm (including taxes), a reduction of \$0.1511 per therm.

3. The Petition also requested the Board to: (1) authorize that the gas cost portion of the D-2 charge for the Rate Schedule LVS be set at \$13.3449 per Mcf (including taxes); (2) authorize that the gas portion of the Firm and Limited Firm D-2 charges for Rate Schedule EGS-LV be set at \$15.1393 per Mcf, and \$6.6724 per Mcf (including taxes), respectively; (3) authorize that the gas portion of the D-2 charge for Rate Schedule FES be set at \$6.6724 per Mcf (including taxes); and (4) authorize the non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV be set at \$0.1181 per therm (including taxes).

4. A duly noticed public hearing for the Petition was held on July 29, 2010, in Voorhees, New Jersey. The public hearing was noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared to provide comments relating to the Company's request to decrease its Periodic BGSS rates.

5. By Board Order and Decision dated September 17, 2010, the Board approved, on a provisional basis, subject to refund with interest on any net over recovery, a provisional decrease in South Jersey's after tax BGSS rate to \$0.6887 per therm (including taxes) from \$0.8398 per therm (including taxes).

6. As a result of the September 17, 2010 Order, the residential heating customer using 100 therms of gas during a month experienced a monthly decrease of \$15.11, or 10.4%.

7. The Petition also sought a change to Petitioner's BGSS tariff. Currently the Company reviews all Rate Schedule GSG customers to determine which customers meet the

threshold of 5,000 therms of annualized usage (the "Monthly Threshold"). If a customer meets the Monthly Threshold, it is subject to Monthly BGSS pricing in the following year. If the customer has met the Monthly Threshold and subsequently falls below it, the customer is switched back to Periodic BGSS.

8. Rate Case Board Order (Docket No. GR10010035) dated September 17, 2010, states the Company will address its proposal to reduce the Monthly Threshold from 5,000 to 3,000 therms of annual usage for non-residential customers in its 2010-2011 BGSS proceeding.

9. In addition, South Jersey also sought a Storage Incentive Mechanism ("SIM") Accounting Order. By agreement, this request for a SIM Accounting Order is withdrawn.

10. On September 24, 2010, the instant matter was transmitted to the Office of Administrative Law before Administrative Law Judge Gail M. Cookson and consolidated with South Jersey's Conservation Incentive Program petition (BPU Docket No. GR10060379). A Pre-Hearing Order was issued on October 26, 2010.

11. Pursuant to the schedule set forth by ALJ Cookson, as amended, Rate Counsel filed the testimony of its witness, Andrea Crane, on March 31, 2011.

12. On July 18, 2011, the Company filed a Petition ("South Jersey AMA Petition") seeking Board approval of an Asset Management Agreement ("AMA") between the Company and a non-regulated affiliate, South Jersey Resources Group, LLC. The South Jersey AMA Petition is currently pending before the Board (BPU Docket No. GO11070427).

III. STIPULATION TERMS

13. South Jersey, Board Staff and Rate Counsel (collectively the "Parties"), the only parties to these proceedings, have discussed certain matters at issue in this proceeding. As a

result of those discussions, the Parties have determined that it would be reasonable and in the public interest to make final the provisional BGSS rates previously approved in the September 17, 2010 Order.

14. The Parties accordingly **STIPULATE AND AGREE** that the BGSS rates contained in the stipulation approved by the Board's Decision and Order approving Stipulation for Provisional Rates in this docket, dated September 17, 2010, should be made final and permanent.

15. The Parties **STIPULATE AND AGREE** that the Monthly Threshold shall remain at 5,000 therms and the Company's proposal to reduce the Monthly Threshold from 5,000 to 3,000 therms of annual usage, applicable to all non-residential customers shall be reviewed in the Company's pending 2011-2012 BGSS case (BPU Dkt. No. GR11060335).

16. The Parties accordingly **STIPULATE AND AGREE** that a customer will remain as a monthly BGSS customer once they meet the current Monthly Threshold. South Jersey will review the propriety of a customer's Monthly BGSS billing designation upon request by that customer and if appropriate, the customer will return to Periodic BGSS billing.

17. All gas costs incurred during the 2010-2011 BGSS Year may be reviewed during the 2011-2012 BGSS proceeding. This review in the 2011-2012 BGSS proceeding shall include all transactions related to the AMA, except as otherwise ordered by the Board in the AMA proceeding.

18. South Jersey will submit a Compliance Filing incorporating the rates made final and permanent herein within 5 business days of a Board Order approving this Stipulation.

IV. MISCELLANEOUS

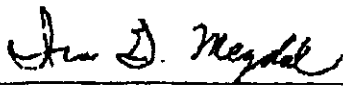
19. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to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

20. It is specifically understood and agreed that this Stipulation represents a negotiated final agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, South Jersey, Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates are subject to Board audit.

21. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation for review and issuance of an appropriate Initial Decision as well as a subsequent Board Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

SOUTH JERSEY GAS COMPANY

By: 
Ira G. Megdal, Esq.
Cozen O'Connor

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

By: 
Alex Moreau, Deputy Attorney General

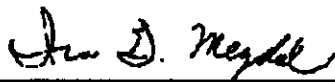
STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: _____
Kurt S. Lewandowski, Esq.
Assistant Deputy Rate Counsel

Dated: August 25, 2011

WHEREFORE, the Parties hereto do respectfully submit this Stipulation for review and issuance of an appropriate Initial Decision as well as a subsequent Board Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

SOUTH JERSEY GAS COMPANY

By: 
Ira G. Megdal, Esq.
Cozen O'Connor

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

By: 
Alex Moreau, Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Kurt S. Lewandowski, Esq.
Assistant Deputy Rate Counsel

Dated: August 25, 2011

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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR10060379
SOUTH JERSEY GAS COMPANY TO : OAL DKT. NO. PUC10580-10
CHANGE THE LEVEL OF ITS :
CONSERVATION INCENTIVE PROGRAM : STIPULATION FOR FINAL CIP
CHARGE FOR THE YEAR ENDING : RATES
SEPTEMBER 30, 2011 :

APPEARANCES:

Ira G. Megdal, Esquire and Daniel J. Bitonti, Esquire (Cozen O'Connor, attorneys) for South Jersey Gas Company ("Petitioner")

Felicia Thomas-Friel, Esq., Deputy Rate Counsel and Kurt S. Lewandowski, Esq., Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") (Stefanie A. Brand, Director)

Alex Moreau, Deputy Attorney General, on behalf of the Staff of the Board of Public Utilities ("Staff")(Paula T. Dow, Attorney General of the State of New Jersey).

TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. This stipulation is intended to make final the provisional Conservation Incentive Program ("CIP") rates previously approved by the Board in Docket No. GR10060379.

II. PROCEDURAL HISTORY

2. On June 1, 2010, South Jersey submitted its annual Conservation Incentive Program ("CIP") filing for the period October 1, 2010 through September 30, 2011 in the above-referenced docket.

3. The Petition requested that the Board of Public Utilities ("Board") approve the implementation of after-tax per therm CIP factors of \$0.0949 for Group I Residential Non-Heat customers, \$0.0441 for Group II Residential Heat customers, \$0.0422 for Group III General Service (GSG) customers and \$0.0046 per therm for Group IV General Service Large Volume (GSG-LV) customers effective October 1, 2010. The requested CIP rates would result in an increase of \$0.47 or 0.3% per month, to the residential heat customer using 100 therms of gas during a month. The impact on a residential non-heat customer using 15 therms of gas a month is a decrease of \$0.72 or 2.4% per month. The impact on a GSG customer using 500 therms of gas a month is a decrease of \$18.75 or 2.8% per month. The impact on a GSG-LV customer using 15,646 therms of gas a month is an increase of \$90.75 or 0.6% per month.

4. A duly noticed public hearing on the Petition was held on July 29, 2010, in Voorhees, New Jersey. The public hearing was noticed in newspapers of general circulation within South Jersey's service territory. No members of the public appeared to provide comments relating to the Company's request to change its CIP rates.

5. By Order dated September 17, 2010, the Board approved, on a provisional basis, the Company's implementation of the following after-tax per therm CIP rates: 1) a charge of \$0.0949 (including taxes) for Group I Residential Non-Heat Customers, 2) a charge of \$0.0441 (including taxes) for Group II Residential Heat Customers, 3) a charge of \$0.0422 (including taxes) for Group III General Service Customers, and 4) a charge of \$0.0046 (including taxes) for Group IV General Service Large Volume customers, effective as of September 17, 2010.

6. The CIP rates set forth in the Stipulation were to result in a total net reduction of \$1,022,343, which results in a total recovery of \$14,527,181.

7. On September 24, 2010, the instant matter was transmitted to the Office of Administrative Law before Administrative Law Judge Gail M. Cookson and consolidated with South Jersey's Basic Gas Supply Service petition (BPU Docket No. GR10060378). A Pre-Hearing Order was issued on October 26, 2010.

8. Pursuant to the schedule set forth by ALJ Cookson, as amended, Rate Counsel filed the testimony of its witness, Andrea Crane, on March 31, 2011.

III. STIPULATED TERMS

9. South Jersey, Board Staff and Rate Counsel (collectively the "Parties"), the only parties to these proceedings, have discussed certain matters at issue in these proceedings. As a result of those discussions, the Parties have determined that it would be reasonable and in the public interest to make final the provisional rates previously approved by the Board in its Order dated September 17, 2010.

10. The Parties accordingly STIPULATE AND AGREE that the provisional CIP rates contained in the Stipulation approved by the Board's Decision and Order dated September 17, 2010 in BPU Docket No. GR10060379 should be made final.

11. Following acceptance of this Stipulation by an Order of the Board, South Jersey will submit a Compliance Filing incorporating the rate changes approved by the Board, in this docket, within 7 days of such approval.

IV. MISCELLANEOUS

12. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal

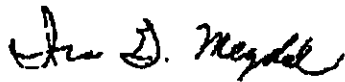
remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

13. It is specifically understood and agreed that this Stipulation represents a negotiated final agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, South Jersey, Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates are subject to Board audit.

12. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that an initial decision approving the stipulation be issued as soon as reasonably possible and that the Board likewise issue an appropriate Order approving the Stipulation in its entirety.

SOUTH JERSEY GAS COMPANY

By: 
Ira G. Megdal, Esq.
Cozen O'Connor

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

By: 
Alex Moreau, Deputy Attorney General

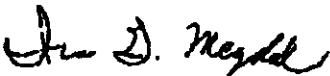
STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: _____
Kurt S. Lewandowski, Esq.
Assistant Deputy Rate Counsel

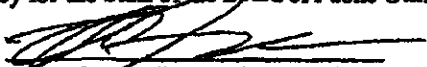
Dated: August 25, 2011

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that an initial decision approving the stipulation be issued as soon as reasonably possible and that the Board likewise issue an appropriate Order approving the Stipulation in its entirety.

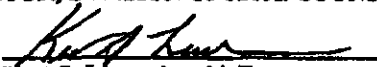
SOUTH JERSEY GAS COMPANY

By: 
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Dated: August 25, 2011