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**Direct Testimony
of
Robert F. Fatzinger
Vice President, Customer & Distribution Operations
South Jersey Gas Company
January 2010**

9 **I. Introduction**

10
11 My name is Robert F. Fatzinger, and my business address is 1 South Jersey Plaza,
12 Folsom, New Jersey 08037. I am Vice President, Customer & Distribution Operations for South
13 Jersey Gas Company (“South Jersey” or the “Company”). In this position, I am responsible for
14 providing leadership and strategic direction for the Company’s gas distribution operations, work
15 and process management, customer service, sales and energy efficiency functions. I also oversee
16 the Company’s safety and technical training programs.

17 I am a 1981 graduate of Lehigh University with a Bachelor of Science degree in
18 Electrical Engineering. I have been employed by South Jersey Industries (“SJI”) since March
19 2001 and have held various management positions of increasing responsibility in the regulated
20 and non-regulated areas of the corporation. These positions have included Director – Appliance
21 Warranty Programs (SJG) from March 2001 – June 2003, Vice President South Jersey Energy
22 Service Plus from June 2003 – December 2005, and VP/COO South Jersey Energy Service Plus
23 and Vice President South Jersey Energy Solutions from January 2006 – April 2007. In April
24 2007 I was elected Vice President of Gas Delivery for South Jersey Gas followed by election to
25 my current position of Vice President, Customer & Distribution Operations in July 2007.

26 I am a member of the American Gas Association (AGA), and currently serve on its
27 Distribution Construction & Maintenance Committee. I am also a member of the Northeast Gas
28 Association (NGA), and currently serve on its Operations Managing Committee.

1 Prior to working at South Jersey Industries, I was employed by Atlantic Electric (and
2 later Conectiv) from June 1981 through February 2001. I held a number of engineering,
3 operations and management positions with those companies, including Staff Distribution
4 Engineer, Field Operations Engineer, District Supervisor, Manager – Operations, Manager –
5 Power Delivery, Manager – Process Improvement (Conectiv Services) and Corporate Safety
6 Manager.

7 **II. Purpose of Testimony**

8 My testimony in this case will address the recovery of capital expenditures incurred and
9 to be incurred by the Company during the test year and post-test year periods. Additionally, I
10 will address large volume customer contract adjustments which occurred during the test year, as
11 well as the need to establish a mechanism to recover costs associated with the long term
12 replacement of certain high pressure distribution meter riser valves. Finally, I will discuss the
13 restructuring of our sales and marketing functions to create a new Energy Efficiency Consulting
14 & Education Department. This department was formed as part of the Company’s evolving
15 change in culture since the Board’s approval of the Conservation Incentive Plan (CIP). The
16 department advances the Company’s “Green” objectives, as discussed in Mr. Graham’s
17 testimony, acting as a consultant to new and existing customers and focuses on initiatives
18 centered on energy efficiency and the achievement of State and Federal energy efficiency and
19 greenhouse gas (“GHG”) reduction objectives.

20 **III. Test Year Construction Program**

21 South Jersey is proposing to include in rate base, capital expenditures incurred during the
22 test period July 1, 2009, through June 30, 2010. Capital expenditures during this period include
23 construction spending for New Business; Replacements of Main, Services and Meters;

1 Production, Transmission and Distribution Equipment; as well as capital expenditures relating to
2 the South Jersey's Fleet, Facilities, Communication Equipment and Information Technology.
3 Also included in the test year submittal of capital expenditures are projects relating to the Capital
4 Investment Recovery Tracker ("CIRT"), which was approved by the Board of Public Utilities on
5 April 28, 2009.

6 For the purpose of this initial filing, South Jersey has based its test year capital spending
7 upon three months of actual expenditures and nine months of budgeted expenditures. The
8 budgeted expenditures, which cover the period October 2009 through June 2010, have been
9 approved by the Company's Board of Directors. As the test year becomes actual, South Jersey
10 will replace the budgeted data with actual expenditures. Thus, by the end of this proceeding the
11 test year will include actual capital expenditures for the period July 2009 through June 2010.

12 Schedule RFF-1, attached to this testimony, is a summary of the actual and budgeted
13 capital expenditures for the test year. It is this amount of \$133.4 million that I am using as a
14 surrogate for the actual results, which will be provided in conjunction with the 12-month update
15 to be submitted by the Company in this case.

16 **IV. Post-Test Year Construction**

17 South Jersey is proposing to include in rate base, capital expenditures in the post-test year
18 period expenditures which are known and measurable, consistent with Board precedent,
19 including *In Re Elizabethtown Water Company Rate Case*, BPU Docket No. WR8504330 (May
20 23, 1985). South Jersey's proposed post-test year capital expenditures will be shown to be
21 "prudent and major in nature and consequence," and therefore should be included in rate base.

22 In this initial filing I am sponsoring a post-test year adjustment based upon a projection
23 of capital expenditures to be made by the Company during the period July 1, 2010 through

1 December 31, 2010. These expenditures, summarized in Schedule RFF-2, were projected in the
2 Company's budget process and are currently approved by the Company's Board of Directors. I
3 am using the amount of \$36.2 million contained in Schedule RFF-2 as a surrogate for the actual
4 adjustment, which will be provided in conjunction with the 12-month update. Schedule RFF-2 is
5 merely a placeholder and the descriptions and numbers therein are representative of what we will
6 request in the 12-month update. The Company will supplement its filing with a 12-month update
7 when that information becomes available. In that update, South Jersey will provide a discussion
8 of the post-test year adjustments it seeks to include in rate base and I will provide supplemental
9 testimony that will support the inclusion of the post-test year expenditures in rate base.

10 Although Schedule RFF-2 is a summary of South Jersey's capital budget, it does not
11 include Transmission and Production related post-test year construction expenditures.
12 Transmission and Production related expenditures for which South Jersey is seeking rate base
13 recognition are addressed in Mr. Dipppo's testimony and accompanying Schedule CFD-1.

14 Some of the expenditures included in Schedule RFF-2 are related to new business
15 infrastructure. To the extent that a project is revenue producing, the capital expenditure has been
16 offset by an annualized revenue adjustment, as presented in Schedule SMB-10 and discussed in
17 Ms. Barnes' testimony. My post-test year adjustment for capital expenditures not related to
18 Production and Transmission yields an adjustment of \$36.2 million, which is reflected as a pro
19 forma adjustment in Schedule TSK-8 of Mr. Kavanaugh's testimony. The 12-month update will
20 demonstrate that South Jersey will have expenditures which will be known and measureable and
21 major in nature and consequence. In addition, Ms. Barnes' Schedule SMB-10 will be updated to
22 reflect the annualized revenues that will be produced in conjunction with the specific new
23 business producing assets requiring capital expenditures.

1 **V. Customer Growth**

2 Economic conditions over the past several years have significantly impacted the new
3 construction market in South Jersey. Prior to 2008, the Company experienced annual customer
4 growth rates of 2.5-3.0%; however, in recent years the rate of growth has slowed to the range of
5 1.3-1.5% per year. In 2007, the Company added 5,159 residential and commercial customers as
6 a result of new construction, while in 2008 that number fell to 3,734. Through the first eleven
7 months of 2009, the Company has added 2,229 residential and commercial customers as a result
8 of new construction. This depressed level of new construction is anticipated to extend into 2011,
9 at which time we anticipate the number of new construction customers will begin to increase.

10 As a result of the decrease in new construction customer growth, in 2008 the Company
11 developed an increased focus on customer growth through conversions from other fuel sources.
12 In addition to our normal complement of sales representatives, the Company added several
13 ‘canvassing’ representatives to our sales force. These canvassing representatives work closely
14 with our Marketing Department to identify conversion opportunities that may be near existing
15 main or may have a sufficient number of homes and businesses to justify the cost of a main
16 extension to the area. In addition, they also serve as consultants to new conversion customers in
17 the selection of high efficiency equipment and energy saving opportunities as further discussed
18 in Section VII of this testimony. Recent examples of successful canvassing opportunities include
19 Beesley’s Point, the Villas, and Shawcrest Mobile Home Park, all in Cape May County. We
20 have approached these opportunities in a very comprehensive manner, including advertising in
21 local publications, communication with the mayors and city councils, and conducting
22 Community Information Days to generate additional customer interest.

1 The results of our conversion efforts have been significant. In 2007, the Company added 2,110
2 customers through conversions, while in 2008 the number grew to 2,995. Through the first
3 eleven months of 2009, we have added 2,754 customers through conversions.

4 Despite our success in the conversion market, we have not been able to make up for the
5 significant loss of new construction customers. As a result, our overall customer growth rate has
6 slowed considerably, and will remain at these reduced levels until 2011. Schedule RFF-3
7 indicates the annualized customer growth during the test year. This monthly customer data
8 represents ‘net’ customer growth (i.e. new customers added minus customers lost). This
9 schedule includes three months of actual data and nine months of budget data. The budget data
10 will be updated with actual data during the course of the rate proceeding.

11 **VI. Industrial Contracts/Large Volume Cogeneration Contracts**

12 The economic situation in South Jersey has negatively impacted several of our largest
13 customers. Six of these customers have reduced their contract gas usage during the test year,
14 while only two customers have increased their usage. Exhibit RFF-5 details the contract changes
15 to our CTS, LVS-FT, EGS-LV and LVCS customer groups. I have quantified the contractual
16 sales changes by annualizing the customers' loads at the new contract levels. The result is a
17 revenue decrease of \$1,606,849 and an associated cost of gas decrease of \$1,189,035. The
18 financial impact of this decrease in throughput is reflected as an adjustment in Schedule SAP-5,
19 which is included with Mr. Pignatelli’s testimony.

20 **VII. Post Test Year Customer Additions**

21 Schedule RFF-4 details the gross customer additions that are projected to occur during
22 the post-test year period from July 1, 2010 through December 31, 2010. These customer
23 additions support the projected “new business” utility plant included in the post-test year

1 construction portion of my testimony (Section IV above). The revenue associated with these
2 incremental sales is discussed in Ms. Barnes' testimony and is reflected in Schedule SMB-10.
3 This customer growth information will be updated with actual data during the course of the rate
4 proceeding.

5 **VIII. Sales and Marketing Restructuring**

6 In order to move definitively and aggressively toward the South Jersey's vision of
7 becoming the 'go to' company for customers and communities who are looking for innovative,
8 clean, cost effective energy solutions for their homes and businesses, the Company made the
9 decision in July 2009 to transform its sales and marketing functions from an organization
10 focused primarily on acquiring gas customers and additional gas load into an organization
11 focused on Energy Efficiency Education and Consulting (EEE&C). This new organization will
12 have the ability and resources to create the demand for energy efficient products and services in
13 South Jersey, to provide the necessary expertise to advise customers on their best courses of
14 action, and ultimately to ensure that the energy efficiency improvements are successfully
15 delivered to customers.

16 This corporate sea change is being driven by a number of forces that are all converging
17 around the same theme – to improve energy efficiency and reduce GHG within the State and the
18 nation. These forces include:

- 19 • Implementation of the Company's Energy Efficiency Tracker (EET)
- 20 • Implementation of the New Jersey State Energy Master Plan
- 21 • The Regional Greenhouse Gas Initiative (RGGI) legislation
- 22 • Governor Corzine's Economic Stimulus Plan for New Jersey
- 23 • Proposed cap and trade regulations and/or legislation

- 1 • The Company’s historic concern for the environment, and commitment to reduce its
2 environmental impact, as discussed by Mr. Graham.

3 The EEE&C organization will help to drive the achievement of the State’s aggressive
4 energy efficiency objectives by creating the required customer demand for energy efficiency
5 services throughout our service territory. The structure of this new organization is designed to
6 focus on four major objectives.

- 7 • Educate the South Jersey population with regard to the benefits of energy efficiency, and
8 market the Clean Energy programs and other opportunities for customers to cost
9 effectively achieve their energy objectives utilizing natural gas, as well as other sources
10 of energy where appropriate
- 11 • Provide high quality energy consulting services to customers, utilizing both internal and
12 external experts, ensuring that customers have the information they need to make good
13 decisions regarding investments to improve the efficiency of their home or business.
- 14 • Manage our relationships with the network of energy related businesses that will be our
15 partners in successfully educating customers, assessing their energy needs, and
16 implementing energy efficiency improvements which meet the needs of each specific
17 customer.
- 18 • Manage our relationship with the South Jersey educational community, ensuring that the
19 necessary pipeline of ‘green workers’ is maintained in order to achieve our business
20 objectives relating to energy efficiency investments.

21 Structurally, the EEE&C organization has three primary components, each focused on a
22 specific aspect of the energy efficiency effort, while working collectively to achieve the
23 objectives of our energy efficiency programs. These three components are:

- 1 • Residential Energy Consulting and Program Delivery. This portion of the organization
2 provides consulting to residential customers regarding energy efficiency options,
3 promoting energy efficiency improvements to customers, and managing the network of
4 auditors and third party contractors who will be required to successfully install the
5 desired energy efficiency programs into a customer's home.
- 6 • Commercial/Industrial Energy Consulting and Program Delivery. This portion of the
7 organization focuses on providing consulting to commercial and industrial customers
8 regarding energy efficiency options, promoting energy efficiency improvements to
9 customers, and managing the network of architects, engineers, energy auditors and third
10 party contractors who will be required to successfully install the desired energy efficiency
11 programs into a customer's business or industrial facility. This group will also pursue
12 opportunities with municipal facilities.
- 13 • Energy Efficiency Education & Marketing. This portion of the organization works in
14 conjunction with both the residential and commercial/industrial organizations to
15 effectively educate customers regarding energy efficiency opportunities. The primary
16 function of this group is to create customer interest and demand for the energy efficiency
17 programs which are developed. Additionally, in collaboration with the Residential and
18 Commercial/Industrial Contractor Managers, this group will interface with the South
19 Jersey educational and business communities to ensure that the pipeline of 'green jobs' is
20 adequate to meet the staffing objectives of contractors and the needs of customers.
21 Included in the department's make-up is an aggressive education campaign for our sales
22 and marketing employees. For example, the entire department attended a workshop to learn
23 about the process of performing a Building Performance Institute ("BPI") certified audit, and two

1 of our employees have become BPI certified auditors. Additionally, many of our sales
2 representatives have accompanied external BPI certified auditors on audit engagements. This
3 experience has made our sales representatives much better able to discuss the benefits of energy
4 audits, as well as the accompanying Clean Energy and EET programs, with customers.

5 In order to implement this new organization, three additional management personnel
6 were added to the department. These positions are currently being funded through the EET.

7
8 **IX. Rockford Eclipse Valve Replacement Program**

9 It is necessary for South Jersey to remove and replace defectively designed riser valves
10 that are installed at approximately 70,000 of the Company's customers' residences and
11 businesses to ensure public safety and system reliability. The valves that need to be replaced
12 were manufactured, distributed and sold to South Jersey and other utilities by a combination of
13 the following companies: Rockford-Eclipse, Eclipse, Inc., Mueller Company, and Mueller
14 Group Ltd. in the 1980s and early 1990s. The valves were also installed at customer locations
15 during that time frame. Based upon several failures associated with these valves, including one
16 that led to significant property damage, and subsequent testing and analysis, South Jersey has
17 determined that these riser valves ("Rockford Eclipse valves") were defectively designed. To
18 ensure public safety these Rockford Eclipse valves must be replaced.

19 At the time of this filing, South Jersey has experienced three failures of Rockford Eclipse
20 valves at residential locations and without the proactive measures the Company took when the
21 design defect was discovered, it is possible that more failures could have occurred. The first
22 incident occurred in February 2005 when a Company employee responded to a leak call at a
23 residence in Voorhees, NJ. In response to the leak, the employee attempted to shut off the flow
24 of gas to the residence by operating the Rockford Eclipse valve. In doing so, the Rockford

1 Eclipse valve's stem blew out causing a release of gas and subsequent fire. This caused
2 extensive damage at the property. While this failure was the first time South Jersey experienced
3 a problem with the Rockford Eclipse valve, two subsequent failures, testing on the valves and
4 opinions contained in expert reports produced in litigation led South Jersey to conclude that these
5 valves must be identified and replaced so that this type of incident would not be repeated.

6 The second known failure occurred in July 2005 when a homeowner operated a Rockford
7 Eclipse valve to perform maintenance inside his Deptford, NJ home. Similar to the first failure,
8 when the Rockford Eclipse valve was operated, the stem blew out of the valve. Fortunately
9 though, this failure did not lead to any personal injury or damage to the homeowner's property.
10 In response to the failure, South Jersey shut off gas service to the home and replaced the valve.

11 In March 2008, a contractor at a third residence in Berlin, NJ operated a Rockford
12 Eclipse valve, again causing the valve stem to blow out of the valve. South Jersey responded,
13 shut off gas service to the home and replaced the valve. Again, fortunately, there was no
14 property damage or personal injury related to this valve failure. At this point, South Jersey still
15 had approximately 70,000 Rockford Eclipse valves installed in its service territory. These three
16 failures represented the only known problems that the Company experienced with the Rockford
17 Eclipse valves.

18 As a result of the extensive damage purportedly caused by the first failure of the
19 Rockford Eclipse valve, litigation was commenced by the property owner and others against
20 South Jersey and the manufacturers of the Rockford Eclipse valve in Superior Court of New
21 Jersey – Law Division, Camden County. This matter was captioned *McKee Duncan, et als. v.*
22 *South Jersey Gas Company, et als.* and docketed as CAM-L-686-07 (“*Duncan* litigation”).
23 During the course of the *Duncan* litigation, specifically in 2008, South Jersey learned for the first
24 time that the failure of the Rockford Eclipse valve was caused by a flaw in the design of the

1 valve. To our knowledge, the valves had caused no problems during the first twenty years or so
2 of their lives following installation. This design defect was revealed in expert reports submitted
3 in the *Duncan* litigation. This design defect caused the Rockford Eclipse valve to corrode
4 internally and seize up, which prevented proper operation. In addition to the internal corrosion
5 problem, the Rockford Eclipse valve does not have a nut opposite the valve plug which would
6 allow a service technician to loosen the valve if it seizes.

7 Although the valves present no safety hazard in their current (dormant) state, they
8 become problematic when used for their intended purpose, which is to stop the flow of gas.
9 Precautionary actions have been and continue to be taken by South Jersey to mitigate future
10 damage from valves malfunctioning. We believe the problem is limited to Rockford Eclipse
11 valves and does not extend to valves manufactured by companies other than Rockford-Eclipse,
12 Eclipse, Inc. Mueller Group, Ltd. and Mueller Company.

13 In response to this situation, South Jersey has conducted a survey to identify the location
14 of Rockford Eclipse valves throughout its service territory. This survey identified 69,167
15 locations as having a Rockford Eclipse valve on the service riser. Yellow plastic safety/warning
16 caps stating “Warning – Tampering subject to prosecution” were then purchased and installed on
17 each identified Rockford Eclipse valve to deter unauthorized personnel from operating the
18 Rockford Eclipse valve.

19 Once tagged, South Jersey commenced its plan to replace all of the defective valves.
20 Pursuant to this plan, each Rockford Eclipse valve in the South Jersey distribution system will be
21 inspected by no later than April 30, 2011 to determine evidence of atmospheric corrosion.
22 Valves which are graded as poor in this survey will receive the highest priority in the
23 replacement plan. Following completion of the survey, a plan for prioritizing and replacing all

1 Rockford Eclipse valves will be developed and provided to the Board by no later than July 31,
2 2011.

3 In the interim, Rockford Eclipse valves will be replaced as detailed below:

- 4
5 • The required South Jersey distribution system program work includes its main
6 replacement program, 20% services replacement program and the meter age
7 change program. An analysis of the locations included in these programs for the
8 next three years includes over 2,700 locations that have been identified as having
9 Rockford Eclipse valves on the service riser. While work is being done at these
10 locations, the riser valve will be replaced.
- 11
12 • When field personnel encounter a Rockford Eclipse valve at a work location, the
13 valve will be replaced.
- 14
15 • A total of 3,382 locations within business districts have been identified as having
16 a Rockford Eclipse valve. This list will be prioritized and all Rockford Eclipse
17 valves in business districts will be replaced over a 3-year period.

18 The costs associated with the replacement of the Rockford Eclipse valves will be tracked
19 in accordance with the methodology set forth in the testimony of Frank DiPalma. The costs that
20 have already been incurred as well as the projected costs associated with the annual replacement
21 program are reflected on Schedule SMB-4 of Ms. Barnes' testimony.

22 In the meantime, the Company commenced litigation against the manufacturers of the
23 Rockford Eclipse valves in the Superior Court of New Jersey, Atlantic County in July 2009 to
24 recover the costs associated with the removal and replacement of all of the defective Rockford
25 Eclipse valves. South Jersey asserted claims against these manufacturers based upon breach of
26 express and implied warranties. The defendants removed the matter to federal court and have
27 moved to dismiss the complaint arguing that the four-year statute of limitations to bring such an
28 action expired in the 1990s, thus barring such action. South Jersey has opposed this motion.
29 We are currently awaiting a ruling from the Court.

30

31

1 **X. Summary**

2 The issues reflected in this testimony represent significant levels of expenditures for both
3 the test year and post-test year periods. South Jersey’s extensive construction program has
4 significantly increased rate base. Additionally, the replacement of Rockford Eclipse valves is
5 necessary to ensure public safety and distribution system reliability. As has been noted in the
6 testimony of the other Company witnesses in this case, the Company must maintain its access to
7 capital markets in order to continue to fund its ongoing growth. Construction expenditures are
8 the primary source of capital requirements for the Company and as such, I request that the Board
9 approve the proposals set forth in this testimony.

10

**South Jersey Gas Capital
ADJUSTMENT TO SEPTEMBER 30, 2009 RATE BASE**

**RFF-1
3&9**

	July Actual 2009	August Actual 2009	September Actual 2009	October Budget 2009	November Budget 2009	December Budget 2009	January Budget 2010	February Budget 2010	March Budget 2010	April Budget 2010	May Budget 2010	June Budget 2010	2009-2010 Test Year Total
<u>New Business</u>													
1.0 Mains	220,947.55	1,304,545.31	1,758,595.18	511,544.50	616,896.22	1,061,228.04	480,839.16	482,256.66	485,547.29	1,066,347.91	1,220,378.93	1,226,871.24	10,435,998.0
1.1 Services	708,317.94	1,082,821.47	1,370,580.01	659,985.65	805,643.24	1,478,038.48	663,445.93	667,653.02	667,653.02	976,588.76	1,184,478.20	1,185,766.38	11,450,972.1
1.2 Meters													795,757.6
1.3 Meter Installations	73,994.07	98,901.47	79,255.82	116,250.73	116,610.73	163,005.68	111,403.71	111,403.71	111,403.71	111,403.71	111,403.71	111,403.71	1,316,440.8
1.4 Regulators	-	-	-	9,956.00	24,300.00	-	3,333.33	3,333.33	3,333.33	3,333.33	3,333.33	3,333.33	54,256.0
1.5 Regulator Installations	70,900.3	80,314.1	66,704.8	79,203.4	79,203.4	97,476.3	70,276.9	70,276.9	70,276.9	70,276.9	70,276.9	70,276.9	895,463.9
Total New Business	1,104,408.6	2,649,480.9	3,371,496.2	1,443,770.4	1,698,788.5	2,842,383.4	1,399,407.4	1,405,032.0	1,408,322.6	2,298,059.0	2,659,979.4	2,667,759.9	24,948,888.3
2.0 Improvement Mains	(2,468.29)	(27,722.32)	203,708.61	135,595.05	182,295.00	180,620.21	82,418.47	82,897.55	130,694.50	162,720.40	175,786.86	79,921.99	1,386,468.0
<u>Replacements</u>													
3.0 Replacement Mains	446,306.08	3,200,947.54	4,993,743.84	8,043,509.40	9,032,004.37	15,459,490.32	2,360,925.54	2,124,948.43	2,432,358.43	2,782,402.00	2,740,694.35	3,069,984.47	56,687,314.8
3.1 Replacement Services	391,419.00	736,835.79	848,708.98	1,496,464.93	1,607,639.84	2,053,892.89	609,329.03	612,624.00	675,624.00	1,151,432.09	1,498,223.25	1,704,480.02	13,386,673.8
3.2 Leak Clamping	547,588.5	574,246.4	593,918.0	549,174.6	604,118.6	928,767.7	668,201.9	672,639.9	672,639.9	651,937.1	651,799.6	651,799.6	7,766,831.8
3.3 Replacement Meters	26,750.2	97,748.3	85,215.8	96,150.4	70,192.5	83,357.1	101,958.3	101,958.3	101,958.3	101,958.3	101,958.3	101,958.3	1,071,164.3
3.4 Replacement Meter Installations	55,110.7	34,935.1	16,856.6	58,282.3	58,282.3	87,173.5	54,421.1	54,421.1	54,421.1	54,421.1	54,421.1	54,421.1	637,167.3
3.5 Replacement Regulators	-	-	-	1,111.0	2,700.0	-	416.7	416.7	416.7	416.7	416.7	416.7	6,311.0
3.6 Replacement Regulator Installations	10,515.8	23,792.4	17,806.3	15,017.7	15,017.7	16,477.0	22,054.4	22,054.4	22,054.4	22,054.4	22,054.4	22,054.4	230,953.1
Total Replacements	1,477,690.3	4,668,505.6	6,556,249.5	10,259,710.4	11,389,955.3	18,629,158.5	3,817,307.0	3,589,062.8	3,959,472.8	4,764,621.7	5,069,567.7	5,605,114.6	79,786,416.2
4.0 Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
5.0 Automotive Equipment	-	242,011.9	-	-	46,124.0	423,584.0	256,026.7	256,026.7	256,026.7	34,916.7	34,916.7	34,916.7	1,584,549.9
6.0 Production Equipment	46,044.2	590,382.4	733,286.2	638,232.7	699,782.2	404,283.0	557,895.3	1,086,815.3	1,282,765.3	421,405.3	865,405.3	343,635.3	7,669,932.5
7.0 Transmission Equipment	117,440.1	261,312.4	315,415.7	1,216,891.6	1,486,781.4	2,547,155.9	225,720.7	185,772.2	351,728.6	103,105.0	103,381.9	142,397.7	7,057,103.3
8.0 Distribution Equipment	968.2	2,839.2	45,096.1	61,892.6	67,951.4	65,451.4	12,500.0	12,500.0	12,500.0	15,833.3	15,833.3	15,833.3	329,198.9
9.0 Office Furniture & Equipment	75,024.2	86,630.0	114,482.7	78,115.9	80,115.9	76,815.9	741,957.7	735,417.7	743,866.7	723,590.1	791,198.1	812,409.9	5,059,624.9
10.0 Building Improvements	(7,313.5)	72,791.8	108,167.3	43,080.0	104,200.0	126,000.0	1,633.3	21,633.3	105,933.3	332,243.3	255,023.3	196,233.3	1,359,625.6
11.0 Cathodic Protection	148,701.1	102,775.4	102,672.1	88,790.9	87,196.0	104,278.5	103,129.6	101,328.5	102,804.9	119,998.4	119,614.1	120,109.2	1,301,398.9
12.0 Communications Equipment	155,694.8	1,040.0	3,264.7	308.3	308.3	7,808.3	110,117.7	110,117.7	110,117.7	103,284.3	4,458.3	4,458.3	610,978.5
13.0 Information Technology	76,940.5	251,275.6	465,308.9	280,402.1	316,398.6	297,248.0	82,853.6	126,113.8	126,123.9	100,534.0	100,544.1	60,704.2	2,284,447.3
TOTAL SJG Capex	3,193,130.2	8,901,322.8	12,019,148.0	14,246,790.0	16,159,896.7	25,704,787.2	7,390,967.5	7,712,717.5	8,590,357.0	9,180,311.6	10,195,709.2	10,083,494.5	133,378,632.2
Retirements													
Blankets	78,434.8	110,899.3	277,509.7	419,968.8762	419,968.9	419,968.9	238,590.0	238,590.0	252,590.0	346,848.3	426,592.1	447,792.1	
Individuals	24,085.0	30,692.1	320,419.8	-	-	-	6,666.7	7,666.7	23,966.7	24,966.7	96,066.7	49,666.7	
Total Retirements	102,519.9	141,591.4	597,929.6	419,968.9	419,968.9	419,968.9	245,256.7	246,256.7	276,556.7	371,815.0	522,658.8	497,458.8	4,261,949.9
Total	3,090,610.4	8,759,731.4	11,421,218.5	13,826,821.2	15,739,927.8	25,284,818.4	7,145,710.9	7,466,460.8	8,313,800.3	8,808,496.5	9,673,050.4	9,586,035.7	129,116,682.3

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 RATE BASE**

**RFF-2
3&9**

	July Budget 2010	August Budget 2010	September Budget 2010	October Budget 2010	November Budget 2010	December Budget 2010	Total Post Test Year Budget 2010
<u>New Business</u>							
1.0 Mains	876,733.7	1,030,649.8	1,031,559.7	879,463.5	663,995.3	571,269.6	5,053,671.6
1.1 Services	1,185,766.4	1,391,723.5	1,393,011.7	1,187,054.6	876,830.6	771,919.8	6,806,306.6
1.2 Meters	67,608.3	67,608.3	67,608.3	67,608.3	67,608.3	67,608.3	405,650.0
1.3 Meter Installations	111,403.7	111,403.7	111,403.7	111,403.7	111,403.7	111,403.7	668,422.3
1.4 Regulators	3,333.3	3,333.3	3,333.3	3,333.3	3,333.3	3,333.3	20,000.0
1.5 Regulator Installations	70,276.9	70,276.9	70,276.9	70,276.9	70,276.9	70,276.9	421,661.5
Total New Business	2,315,122.4	2,674,995.6	2,677,193.8	2,319,140.4	1,793,448.2	1,595,811.7	13,375,712.1
2.0 Improvement Mains	80,189.8	80,457.6	80,725.4	81,395.7	81,665.4	81,933.2	486,367.1
<u>Replacements</u>							
3.0 Replacement Mains	1,861,486.3	1,861,486.3	1,200,011.8	1,075,364.9	335,436.1	145,629.4	6,479,414.8
3.1 Replacement Services	1,767,685.7	1,798,648.6	1,391,023.3	1,250,772.4	614,793.2	432,412.3	7,255,335.4
3.2 Leak Clamping	611,254.4	610,985.1	610,985.1	545,346.3	544,910.3	544,910.3	3,468,391.7
3.3 Replacement Meters Replacement	104,458.3	104,458.3	104,458.3	104,458.3	104,458.3	104,458.3	626,750.0
3.4 Meter Installations	54,421.1	54,421.1	54,421.1	54,421.1	54,421.1	54,421.1	326,526.7
3.5 Replacement Regulators Replacement	416.7	416.7	416.7	416.7	416.7	416.7	2,500.0
3.6 Regulator Installations	22,054.4	22,054.4	22,054.4	22,054.4	22,054.4	22,054.4	132,326.3
Total Replacements	4,421,776.9	4,452,470.6	3,383,370.7	3,052,834.2	1,676,490.1	1,304,302.5	18,291,244.9
4.0 Land & Buildings	-	-	-	-	-	-	-
5.0 Automotive Equipment	34,916.7	34,916.7	467,096.7	34,916.7	34,916.7	920,575.7	1,527,339.0
6.0 Production Equipment	-	-	-	-	-	-	-
7.0 Transmission Equipment	-	-	-	-	-	-	-
8.0 Distribution Equipment	12,500.0	12,500.0	12,500.0	12,500.0	12,500.0	12,500.0	75,000.0
Office Furniture & 9.0 Equipment	714,280.0	197,713.0	210,105.0	158,076.4	148,076.4	148,076.4	1,576,327.2
10.0 Building Improvements	178,733.3	26,333.3	21,533.3	27,033.3	1,333.3	1,333.3	256,300.0
11.0 Cathodic Protection	102,259.1	102,297.7	102,297.7	80,237.9	80,091.4	80,091.4	547,275.1
Communications 12.0 Equipment	4,458.3	4,458.3	4,458.3	4,458.3	4,458.3	4,458.3	26,750.0
13.0 Information Technology	25,622.4	25,622.4	1,522.4	1,522.4	1,522.4	1,522.4	57,334.4
TOTAL SJG Capex	7,889,859.0	7,611,765.2	6,960,803.3	5,772,115.2	3,834,502.2	4,150,604.9	36,219,649.8
Retirements Blankets	482,551.1	474,651.1	414,021.9	519,181.7	411,923.3	385,108.8	2,687,437.9
Individuals	124,666.7	6,666.7	6,666.7	8,666.7	6,666.7	17,666.7	171,000.0
Total Retirements	607,217.8	481,317.8	420,688.6	527,848.3	418,590.0	402,775.4	2,858,437.9

**SOUTH JERSEY GAS COMPANY
REVENUE PRODUCING UTILITY PLANT
JULY 2010 - DECEMBER 2010**

Projected Gross Customer Additions

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>6 Months Total</u>	<u>Dts Per Customer</u>	<u>Annualized Dts</u>
Residential Heat	376	347	516	838	756	601	3,434	80.03	274,837.6
Residential Non-Heat	8	26	27	31	60	44	196	18.20	3,567.8
General Service Gas	63	32	41	63	82	106	387	406.37	157,264.6

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2010 OPERATING INCOME
CONTRACT CHANGES

Line No.	Customer I.D.	Annual Dt Sales			Annual Revenue			Cost of Gas Adjustment	TEFA Adjustment
		Test Year	After Contract Change	Adjustment	Test Year	After Contract Change	Adjustment		
1	<u>CTS Customers</u>								
2	Customer A	202,239	75,555	(126,684)	\$397,244	\$218,845	(\$178,398)	(\$75,569)	(\$9,121)
3	Customer B	44,505	0	(44,505)	\$66,040	\$0	(\$66,040)	(\$25,798)	(\$3,204)
4	Customer C	98,894	132,221	33,327	\$140,584	\$189,891	\$49,307	\$20,481	\$2,400
8	<u>LVS-FT Customers</u>								
9	Customer D	79,985	0	(79,985)	\$94,128	\$0	(\$94,128)	(\$46,455)	(\$3,519)
10	Customer E	99,257	0	(99,257)	\$116,922	\$0	(\$116,922)	(\$56,481)	(\$4,367)
11	Customer F	5,839	0	(5,839)	\$7,303	\$0	(\$7,303)	(\$3,515)	(\$257)
12	<u>EGS-LV Customer</u>								
13	Customer G	373,014	642,218	269,204	\$363,360	\$637,197	\$273,837	\$159,504	\$0
14	<u>LVCS</u>								
15	Customer H	2,506,770	377,775	<u>(2,128,995)</u>	\$1,734,611	\$267,410	<u>(\$1,467,202)</u>	<u>(\$1,161,202)</u>	<u>\$0</u>
16	Pro Forma Adjustment			<u>(2,182,734)</u>			<u>(\$1,606,849)</u>	<u>(\$1,189,035)</u>	<u>(\$18,070)</u>