

1 In 2000, I was employed by PECO Energy in Philadelphia, Pennsylvania as a
2 Senior Analyst in Gas Acquisition and Planning. While there, I negotiated long term gas
3 supply and peaking contracts, managed PECO’s third party underground storage
4 facilities, developed short term gas supply plans and served as project manager for the
5 gas management system. In addition, I was responsible for the annual Purchased Gas
6 Cost filing before the Pennsylvania Public Utilities Commission (“PAPUC”). I
7 coordinated the filing, prepared testimony, answered interrogatories, participated in
8 settlement conferences and prepared quarterly updates to the gas supply plan, which were
9 also filed with the PAPUC.

10 In 2006, I was employed by Southeastern Pennsylvania Transportation Authority
11 (“SEPTA”) in Philadelphia, Pennsylvania as Manager, Contract Grant Compliance. I
12 was responsible for ensuring that all purchases for goods and services made by SEPTA
13 were in compliance with various federal, state and local guidelines, including prevailing
14 wage and hour laws, Buy America regulations and other Federal Transit Administration
15 (“FTA”) procurement regulations. I served as the point of contact to the FTA, prepared
16 requests for waivers and disposition of vehicles and approved all Invitations to Bid and
17 Request for Proposal documents prior to solicitation.

18 In 2008, I joined the Company as Manager, Rates and Revenue Requirements.
19 My responsibilities include managing the daily activity of the revenue requirements
20 function and I provide support for all rate related filings before the New Jersey Board of
21 Public Utilities (the “Board” or “BPU”).

22 I have presented direct testimony in the Company’s 2009 Basic Gas Supply
23 Service Charge (“BGSS”) proceeding, BPU Docket No. GR09060429.

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III. PURPOSE OF TESTIMONY

The purpose of my testimony is to support specific pro forma adjustments to the test year Income Statement and Statement of Rate Base. The Income Statement and Statement of Rate Base have been modified to properly reflect the rate adjustments proposed in this proceeding. I am also supporting a tariff change, to reduce the “Monthly Threshold” which must be met before GSG customer receives service under the Monthly Formula within the Basic Gas Supply Service Clause (“BGSSC”).

The pro-forma adjustments to the test year Income Statement and Statement of Rate Base are reflected on my Schedules as follows:

- SMB-1 Rate Case Expenses
- SMB-2 Audit Expenses
- SMB-3 Pipeline Integrity Management
- SMB-4 Rockford-Eclipse Valve Replacement
- SMB-5 Payroll and Benefit Adjustments
- SMB-6 Miscellaneous Service Charges
- SMB-7 Employee Benefits Expense
- SMB-8 Customer Deposits
- SMB-9 Customer Annualization
- SMB-10 Sales from Post-Test Year Utility Plant Additions
- SMB-11 Interruptible Off-System Sales and Storage Incentive Mechanism
- SMB-12 Revenue Taxes
- SMB-13 Income Statement

1 These adjustments are reflected in the Statement of Rate Base and Income Statement
2 attached to Mr. Pignatelli's testimony as Schedules SAP-3 and SAP-4, respectively. I
3 have noted the location of each adjustment later in this testimony.

4 5 **IV. ADJUSTMENTS TO TEST YEAR EXPENSES**

6 **Operating and Maintenance Expenses**

7 Schedule SMB-1 reflects the pro-forma adjustment for rate case expenses. This
8 adjustment includes the projected costs of legal and consultant expenses, newspaper
9 notices, court reporting, postage and other miscellaneous expenses. These expenses are
10 projected to total \$1,463,999. The Company proposes to amortize fifty percent of these
11 expenses over a three year period which represents the average time between Company
12 rate cases since 1981. Therefore, this adjustment equates to \$244,000 as reflected on the
13 Income Statement, Schedule SAP-3.

14 Schedule SMB-2 shows the pro-forma adjustment for audit expenses incurred by
15 the Company in connection with administration of the hedging program and the required
16 bi-annual audit (Liberty Audit). In December 2005, the BPU commissioned an audit of
17 all four New Jersey natural gas utilities' gas supply hedging programs (South Jersey Gas,
18 BPU Docket No. GR05060496). The audit expense of \$248,974 is reflected on Line 2 of
19 Schedule SMB-2. As required by N.J.A.C. 14:4-3.7, the Company performed an affiliate
20 relations audit. Pursuant to N.J.A.C. 14:4-3.7, New Jersey's gas and electric utilities
21 must conduct an audit every two years to verify compliance with the energy competition
22 standards. The costs associated therewith in the amount of \$956,800 are reflected on
23 Line 1 of Schedule SMB-2. South Jersey proposes to amortize these costs over a three

1 year period, consistent with the treatment of rate case expenses. The annual expense
2 equates to \$401,925 and flows to Schedule SAP-3 (Income Statement).

3 Schedule SMB-3 shows the pro-forma adjustment for deferred and projected
4 expenses related to Pipeline Integrity Management, which is an integrity management
5 program on gas transmission pipelines. Pipeline Integrity Management is a federally
6 mandated program required by 49 CFR 192.901, *et al.* Line 1 of the Schedule represents
7 costs incurred and deferred to date, which the Company proposes to amortize over 3
8 years, and is reflected on Line 2 as \$378,699. Line 3 of the Schedule represents an
9 estimated annual cost of \$324,600 to be spent on the program going forward. In addition,
10 I have put a place marker on this schedule for Distribution Integrity Management
11 expenses. Distribution Integrity Management is also a federally mandated program that
12 will be effective February 2, 2010, and is applicable to gas distribution system operators
13 such as South Jersey. We have not incurred any expenses to date for this program, but
14 will incur expenses going forward. The total amount of \$703,299 flows to Schedule
15 SAP-3 (Income Statement). South Jersey has proposed to include these expenses as a pro
16 forma adjustment to its O&M expenses in the case.

17 Schedule SMB-4 shows the pro-forma adjustment for deferred and projected
18 expenses related to the Rockford-Eclipse valve replacement program. Consistent with
19 the confidential plan submitted to the BPU, the Company is implementing a program to
20 replace all Rockford-Eclipse valves in its service territory over a 15 year period. Please
21 refer to Mr. Fatzinger's testimony for a description of the replacement program. Pending
22 completion of a cost estimate by Jacob's Consultancy, to be submitted in this case, we
23 have derived a proxy schedule of expenditures for use in this filing. Line 1 of the

1 Schedule represents costs incurred and deferred to date, which the Company proposes to
2 amortize over 3 years, and is reflected on Line 2 as \$163,692. Line 3 of the Schedule
3 represents an estimated annual cost of \$732,000, which the Company intends to spend on
4 valve replacement on a going forward basis. This estimate will be updated in the 12
5 month update, using cost information provided by Mr. DiPalma. The total amount of
6 \$895,692 flows to Schedule SAP-3 (Income Statement). South Jersey has proposed to
7 include the deferred expenses and the projected expenditures as a pro forma adjustment
8 to its O&M expenses in the case. However, if the Reliability Tracker proposed in Mr.
9 Pignatelli's testimony is approved, South Jersey will remove the projected expenditures
10 (\$732,000) from the post-test year adjustment in this case.

11 Schedule SMB-5 shows pro-forma adjustments for employee payroll. Schedule
12 SMB-5b represents employee additions and separations that have occurred, or are
13 projected to occur during the test year. The wages associated with these additions and
14 separations are annualized on this worksheet, and are carried forward to Schedule SMB-
15 5a. Schedule SMB-5a represents a test year wage increase and Federal Insurance
16 Contributions Act ("FICA") expense. The first column shows base wages. July, August
17 and September 2009 reflect actual wages while the period October 2009 through June
18 2010 reflects projected wages. The wage increase of \$280,715 is calculated by
19 increasing the wages for the period June through December 2009 by 3%. This 3%
20 increase represents the estimated general wage increase. Three of the collective
21 bargaining agreements were recently extended and include an annual wage increase of
22 3%. The Company is estimating the same 3% wage increase for all other employees.
23 This adjustment to wages also includes the increase in FICA expense, totaling \$19,949,

1 associated with the wage increase. No wage adjustment is included for January through
2 June 2010, since these increases were incorporated into the Company's projected figures.
3 The total amount of \$280,715 for these two adjustments, which is reflected on the last
4 column of Schedule SMB-5, flows to Schedule SMB-5, Line 1 (Payroll and FICA
5 adjustment).

6 Schedule SMB-6 includes a proposal to increase the charges related to a meter
7 turn on from \$20.00 to \$36.00, returned bank items from \$18 to \$30, and the field
8 collection fee from \$12 to \$20. These proposed increases are based upon the Company's
9 actual expenses incurred. This proposed tariff change is an attempt to recover the actual
10 cost of providing these services to customers. The Company has performed a
11 transactional cost analysis and used the results as a guideline to increase these charges.
12 This pro-forma revenue adjustment for miscellaneous service charges is summarized on
13 Schedule SAP-5

14 Schedule SMB-7 reflects the pro forma adjustment to healthcare benefits in the
15 test year. The increase of \$186,674 represents a 10% annual increase related to the
16 Company's health care plans. The proposed adjustment is based upon information
17 provided by the Company's healthcare insurance broker as to the Company's plans. The
18 increase proposed in this case is less than the Company has experienced in recent years.
19

20 **Ratemaking Adjustments**

21 The ratemaking adjustment for interest on customer deposits is detailed on
22 Schedule SMB-8. Interest expense is normally booked below the line, but I have moved
23 interest on customer deposits above the line for ratemaking purposes. This adjustment is

1 appropriate when customer deposits are used to reduce rate base as a customer supplied
2 source of capital, as we have done in this case. Line 20 of the Schedule shows the
3 projected interest of \$144,453 to be paid to ratepayers during the test year based on 6
4 months at 2.34% interest and 6 months at 0.43% interest. These rates are contained in the
5 Board's regulations.

6 Based on the anticipated customer deposits in December 2010, and utilizing the
7 lower interest rate effective January 2010, the projected interest on customer deposits will
8 be \$43,945 as reflected on line 23. When compared to the test year projected interest, as
9 summarized on Lines 26-32, a pro-forma adjustment in the amount of (\$100,508) is
10 necessary. This reduction in interest expense flows to Schedule SAP-3, Line 31.

11

12 **Adjustment to Test Year Rate Base for Customer Deposits**

13 Schedule SMB-8 also reflects the rate base adjustment of \$133,262 made during
14 the test period and pro-forma adjustment of \$129,451 made for the six month period after
15 the test period. Projected customer deposits are a factor of the average deposit per
16 customer and the number of customers with deposits. Customer deposits are also
17 summarized on lines 26-32, and are shown as a reduction to rate base on Schedule SAP-
18 2, Line 12.

19

20 **Temperature Normalization**

21 An adjustment is required to normalize temperatures and revenues.
22 Conceptually, a test period must be adjusted to reflect sales volumes which the Company
23 anticipates will be realized if normal temperatures are experienced. Any variances to

1 temperature sensitive sales resulting from either colder or warmer than normal
2 temperatures will bias the test period. Since the actual data is for the months of July
3 through September, the revenue has not been normalized, as normalization is performed
4 for the months of October through May. The projected data in the test year for the
5 months of October through May is based on normal weather. As actual data is added
6 during the test year for the months of October 2009 to May 2010, it will be normalized
7 and reflected on Schedule SMB-14.

8

9 **Customer Annualization**

10 Schedule SMB-9 reflects the adjustment to annualize Residential and General
11 Service firm sales and transportation customers. The purpose of annualization is to
12 reflect the trends of increasing or decreasing customers to determine the appropriate base
13 level of customers for each class. The base level is the level of customers anticipated to
14 be on the Company's system at the time rates from this proceeding will go into effect.
15 The result of this annualization is a decrease in revenue of \$49,180 and a decrease in the
16 cost of gas of \$125,436.

17 For this adjustment, the classes were analyzed to properly capture the trend in the
18 customer classes. In each case, the annualization was calculated by multiplying the
19 monthly level of annualized customers by temperature normalized sales volumes (Dt) per
20 customer, which resulted in either an increase or decrease in total sales volumes. The
21 sales volumes were then multiplied by revenue and gas costs per Dt to derive the
22 annualized revenue and cost of gas for each class.

23

1 The Residential Heating class is the only class to reflect an increase in annualized
2 revenue and cost of gas due to a projected increase in the number of customers at the end
3 of the test year. The growth trend in this class is apparent from the ongoing increase with
4 minor decreases related to seasonal trends. In order to reflect a proper base level in each
5 class, months with customer levels below the June 2010 base level have been increased to
6 the June level. In this way, the test year is annualized for customer growth up to the
7 projected customer level on the Company's system when rates from this proceeding go
8 into effect.

9 The other rate classes reflect a decrease in annualized revenue and cost of gas.
10 While customer counts are projected to increase from current levels, customer levels peak
11 during the winter months, and therefore some level of revenues and gas costs must be
12 backed out of the test year. The annualization of all customer classes, utilizing actual
13 customers per rate class will be updated as the information becomes available to the
14 Company. This adjustment is summarized on Schedule SAP-5.

15 Schedule SMB-10 contains the post-test year adjustment to the Income Statement
16 for utility plant additions. This adjustment gives recognition to incremental sales which
17 will be generated by the "new business" utility plant, supported by Mr. Fatzinger's
18 testimony. This plant will be added in the six (6) months following the test year. The
19 Company's forecast of customer additions for the post-test year period was used as a
20 surrogate to calculate the resultant annual increase in sales, revenue and gas costs for
21 each new customer. This calculation results in an incremental \$5,765,963 increase in
22 revenues, and a \$4,075,681 increase in cost of gas. This adjustment will be updated as
23 the information becomes actual to the Company, and is summarized on Schedule SAP-5.

1 Schedule SMB-11 reflects the adjustment to revenue, cost of gas, and related
2 taxes to eliminate the impact of sharing profits from interruptible and off system sales as
3 well as the Storage Incentive Mechanism during the test year. These items are incentive
4 mechanisms and the revenue received as a result is not guaranteed. Test year revenue is
5 adjusted to remove the Company's 15% share of the margin received. The balance of the
6 margin received, or the ratepayer share, flows through to the Basic Gas Supply Service
7 clause, reducing overall gas costs. The adjustments to revenue and cost of gas flow to
8 the income statement.

9 Schedule SMB-12 reflects adjustments to the income statement for revenue taxes.
10 The Schedule summarizes the Transitional Energy Facility Assessment ("TEFA") and
11 Public Utility Assessment ("PUA") tax adjustments as a result of revenue adjustments
12 related to Conservation Incentive Program ("CIP"), customer annualization, Sales from
13 post-test year plant additions, contract changes, Capital Investment Recovery Tracker
14 ("CIRT"), and interruptible sales revenue adjustments, which are reflected in Schedules
15 DPY-, SMB-9, SMB-10, RFF-5, SAP-6, and SMB-11. Total adjustments to revenue are
16 reflected on this Schedule and the total is multiplied by the PUA assessment of .22%.
17 TEFA is calculated separately on Schedules SMB-9 SMB-10, SMB-11, and RFF-5 and
18 totaled on Schedule SMB-11. Both adjustments flow to SAP-3 (Income Statement).

19 Schedule SMB-13 is the Company's income statement, reflected by month, for
20 the test period. The months of July, August and September 2009 contain actual data, and
21 the remaining nine months contain the Company's projections. This Schedule will be
22 updated with actual data as the information becomes available to the Company.

23

1 **V. CHANGE IN MONTHLY BGSS THRESHOLD**

2 Currently there are two classes of customers within the BGSSC. One class
3 receives monthly rate changes under the Monthly Formula the other receives, generally,
4 annual rate changes under the Periodic Formula. Residential customers receive yearly
5 changes.

6 It is intended that higher volume customers receive monthly rate changes. These
7 monthly changes provide these customers with timelier price signals, and enable them to
8 adapt their consumption patterns to changes in the energy market.

9 The Monthly Threshold is currently set at an annualized usage of 5,000 therms.
10 Customers whose average annual use is greater than the Monthly Threshold are currently
11 billed under the Monthly Formula. Our larger customers are in a position to better
12 receive and utilize monthly price signals than the residential customers. Additionally,
13 these customers' annual usage patterns are more similar to the customers who currently
14 have monthly pricing available to them. A non-residential customer who utilizes up to
15 2,999 therms annually has an average use of less than 900 therms per year, which more
16 closely aligns this type of customer to a residential customer. Conversely, a periodic
17 non-residential customer who utilizes from 3,000 to 4,999 therms annually has an annual
18 average usage in excess of 3,800 therms per year. This contrast in usage between these
19 two groups supports the movement of the second segment of customers from periodic to
20 monthly. In the interest of gradualism, I am supporting a change to Special Provision (9)
21 of Rider A to reduce the Monthly Threshold from 5,000 to 3,000 therms of annualized
22 usage, applicable to all non-residential customers.

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 OPERATING INCOME
OPERATION AND MAINTENANCE EXPENSE - RATE CASE EXPENSES

Line No.	Category	Expense
1	Legal Expenses	\$ 903,759
2	Consultant Expenses	\$ 399,923
3	Newspaper Notices	\$ 50,000
4	Court Reporting	\$ 50,000
5	Postage	\$ 40,000
6	Miscellaneous Expenses	<u>\$ 20,317</u>
7	Total Rate Case Expenses	<u>\$ 1,463,999</u>
	at 50%	<u>\$ 732,000</u>
8	Pro Forma Adjustment - Three Year Amortization	<u>\$ 244,000</u>

SMB-2
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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 OPERATING INCOME
OPERATION AND MAINTENANCE EXPENSE - AUDIT EXPENSES

Line No.	Category	Expense
1	Liberty Audit Costs	\$ 956,800
2	Gas Supply Hedging Program Audit	<u>\$ 248,974</u>
3	Total Deferred Audit Expenses	<u><u>\$ 1,205,774</u></u>
4	Pro Forma Adjustment - Three Year Amortization	<u><u>\$ 401,925</u></u>

SMB-3
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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 OPERATING INCOME
OPERATION AND MAINTENANCE EXPENSE - INTERGRITY MANAGEMENT

Line No.		Expense
1	Pipeline Intergrity Management Deferred Balance at June 30, 2009	<u>\$ 1,136,098</u>
2	Three Year Amortization of Deferred Expense	\$ 378,699
	Add:	
3	Annual Pipeline Integrity Management Expense	\$ 324,600
4	Annual Distribution Integrity Management Expense	\$ -
5	Pro-Forma Adjustment- Pipeline Integrity Management	<u>\$ 703,299</u>

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO OPERATING INCOME
ROCKFORD-ECLIPSE VALVE REPLACEMENT**

Line No.		Amount
	Income Statement	
1	Rockford-Eclipse Valve Replacement Deferred Balance at June 30, 2009	<u>\$ 491,076</u>
2	Three Year Amortization of Deferred Expense	\$ 163,692
	Add:	
3	Annual Rockford-Eclipse Valve Replacement Expense	\$ 732,000
4	Pro-Forma Adjustment- Rockford-Eclipse Valve Replacement	<u>\$ 895,692</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2009 OPERATING INCOME
OPERATION AND MAINTENANCE EXPENSE - PAYROLL ADJUSTMENT

Line No.		Amount	Reference
1	2004 Payroll Increase and FICA Adjustment	\$ 280,715	SMB-3A
2	Employee Annualization	<u>\$228,560</u>	SMB-3B
3	Pro Forma Payroll and Benefit Adjustment	<u>\$ 509,275</u>	

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 OPERATING INCOME
OPERATION & MAINTENANCE EXPENSE - PAYROLL INCREASE**

Line No.	Month	Base Wages	Additions	Separations	Net Wages	Annualized Wages	Wage Increase	FICA Increase	Payroll Increase
1	July - Actual	\$1,750,619	\$38,287	(\$7,296)	\$1,781,610	\$1,835,058	\$53,448	\$4,089	\$57,537
2	August - Actual	\$1,108,443	\$34,957	(\$6,339)	\$1,137,061	\$1,171,173	\$34,112	\$2,610	\$36,721
3	September - Actual	\$1,298,421	\$31,691	(\$2,158)	\$1,327,953	\$1,367,792	\$39,839	\$3,048	\$42,886
4	October	\$1,191,077	\$30,919	(\$2,162)	\$1,219,834	\$1,256,429	\$36,595	\$2,800	\$39,394
5	November	\$1,187,844	\$26,886	(\$1,880)	\$1,212,850	\$1,249,236	\$36,386	\$2,784	\$39,169
6	December	\$1,984,148	\$30,919	(\$2,162)	\$2,012,905	\$2,073,292	\$60,387	\$4,620	\$65,007
7	January	\$1,223,462	\$0	(\$2,068)	\$1,221,394	\$1,221,394	\$0	\$0	\$0
8	February	\$1,185,142	\$0	\$0	\$1,185,142	\$1,185,142	\$0	\$0	\$0
9	March	\$1,246,772	\$0	\$0	\$1,246,772	\$1,246,772	\$0	\$0	\$0
10	April	\$1,161,733	\$0	\$0	\$1,161,733	\$1,161,733	\$0	\$0	\$0
11	May	\$1,187,173	\$0	\$0	\$1,187,173	\$1,187,173	\$0	\$0	\$0
12	June	\$1,174,598	\$0	\$0	\$1,174,598	\$1,174,598	\$0	\$0	\$0
13	Totals	\$15,699,430	\$193,660	(\$24,065)	\$15,869,025	\$16,129,792	\$260,767	\$19,949	\$280,715

BENEFITS															
	<u>Separations</u>	<u>Separation Date</u>													
54	Street Foreman	02/01/10	(\$1,750)	(\$1,598)	(\$1,674)	(\$1,750)	(\$1,522)	(\$1,750)	(\$1,674)	(\$1,522)	(\$1,674)	(\$1,674)	(\$1,598)	(\$1,674)	(\$19,856)
55	Field Sales Rep	08/31/09	(\$247)	(\$226)	(\$129)	(\$129)	(\$129)	(\$129)	\$0	\$0	\$0	\$0	\$0	\$0	(\$990)
56	Manager A/S	07/31/09	(\$2,936)	(\$2,681)	(\$2,809)	(\$2,936)	(\$2,553)	(\$2,936)	\$0	\$0	\$0	\$0	\$0	\$0	(\$16,852)
57															
58															
59															
60	Total Separations		<u>(\$4,934)</u>	<u>(\$4,505)</u>	<u>(\$4,611)</u>	<u>(\$4,815)</u>	<u>(\$4,204)</u>	<u>(\$4,815)</u>	<u>(\$1,674)</u>	<u>(\$1,522)</u>	<u>(\$1,674)</u>	<u>(\$1,674)</u>	<u>(\$1,598)</u>	<u>(\$1,674)</u>	<u>(\$37,698)</u>
61															
62															
63															
64															
65	<u>Additions</u>	<u>Anticipated Start Date</u>													
66															
67	Street/Utility Tech	08/24/09	\$2,055	\$1,877	\$0	\$2,055	\$1,787	\$2,055	\$0	\$0	\$0	\$0	\$0	\$0	\$9,830
68	Rate Analyst	09/14/09	\$2,070	\$1,890	\$990	\$2,070	\$1,800	\$2,070	\$0	\$0	\$0	\$0	\$0	\$0	\$10,890
69	Staff Accountant	11/02/09	\$2,103	\$1,920	\$2,012	\$2,103	\$1,829	\$2,103	\$0	\$0	\$0	\$0	\$0	\$0	\$12,070
70	CCC rep part time	11/09/09	\$572	\$522	\$547	\$572	\$498	\$572	\$0	\$0	\$0	\$0	\$0	\$0	\$3,284
71	CCC rep	11/30/09	\$572	\$522	\$547	\$572	\$498	\$572	\$0	\$0	\$0	\$0	\$0	\$0	\$3,284
72	CCC rep	11/30/09	\$572	\$522	\$547	\$572	\$498	\$572	\$0	\$0	\$0	\$0	\$0	\$0	\$3,284
73	CCC rep	01/07/10	\$572	\$522	\$547	\$572	\$498	\$572	\$0	\$0	\$0	\$0	\$0	\$0	\$3,284
74	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
75	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
76	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
77	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
78	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
79	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
80	Operations Tech - Street	01/07/10	\$411	\$375	\$393	\$411	\$358	\$411	\$0	\$0	\$0	\$0	\$0	\$0	\$2,360
81	Operations Tech - Utility	01/07/10	\$1,234	\$1,126	\$1,180	\$1,234	\$1,073	\$1,234	\$0	\$0	\$0	\$0	\$0	\$0	\$7,080
82	Operations Tech - Utility	01/07/10	\$1,234	\$1,126	\$1,180	\$1,234	\$1,073	\$1,234	\$0	\$0	\$0	\$0	\$0	\$0	\$7,080
83	Operations Tech - Utility	01/07/10	\$1,234	\$1,126	\$1,180	\$1,234	\$1,073	\$1,234	\$0	\$0	\$0	\$0	\$0	\$0	\$7,080
84															
85	Total Additions		<u>\$15,097</u>	<u>\$13,784</u>	<u>\$11,485</u>	<u>\$15,097</u>	<u>\$13,128</u>	<u>\$15,097</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$83,689</u>
86															
87															
88	Employee Annualization of Benefits		<u>\$10,164</u>	<u>\$9,280</u>	<u>\$6,873</u>	<u>\$10,282</u>	<u>\$8,924</u>	<u>\$10,282</u>	<u>(\$1,674)</u>	<u>(\$1,522)</u>	<u>(\$1,674)</u>	<u>(\$1,674)</u>	<u>(\$1,598)</u>	<u>(\$1,674)</u>	<u>\$45,991</u>
89															
90															
91	Employee Annualization of Payroll and Benefits		<u>\$43,525</u>	<u>\$40,087</u>	<u>\$38,666</u>	<u>\$41,239</u>	<u>\$35,843</u>	<u>\$41,239</u>	<u>(\$3,900)</u>	<u>(\$1,522)</u>	<u>(\$1,674)</u>	<u>(\$1,674)</u>	<u>(\$1,598)</u>	<u>(\$1,674)</u>	<u>\$228,560</u>

**SOUTH JERSEY GAS COMPANY
MISCELLANEOUS SERVICE CHARGES**

<u>Line No.</u>		<u>Current Amount</u>	<u>Proposed Amount</u>	<u>Proposed Increase</u>	<u>Annual Transactions</u>	<u>Pro Forma Revenue Adjustment</u>
1	<u>Section 10 of the Tariff</u>					
2						
3	10.1 Turn On Charge	\$20.00	\$36.00	\$16.00	24,400	\$390,400.00
4						
5	10.2 Returned Bank Item	\$18.00	\$30.00	\$12.00	5,600	\$67,200.00
6						
7	10.4 Field Collection Fee	\$12.00	\$20.00	\$8.00	15,900	<u>\$127,200.00</u>
8						
9						
10						
11	Total					<u>\$584,800.00</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 OPERATING INCOME
EMPLOYEE BENEFITS EXPENSE

Line			
<u>No.</u>			
1	<u>Employee Benefits Expenses:</u>		
2			
3	Annualized Benefit Expenses	\$5,200,784	
4	Less: Test Year Health Ins Expenses	<u>\$5,014,110</u>	
5			
6	Pro Forma Benefits Adjustment		<u>\$ 186,674</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO OPERATING INCOME AND RATE BASE
CUSTOMER DEPOSITS

Line
No.

Line No.	Month	Actual and Projected Data	Number of Customers	Number of Customers with Deposits	Percentage of Customers with Deposits	Average Deposit Per Customer	Rate Base for Customer Deposits	Current Interest Rate	Monthly Interest
1	<u>Test Year Interest Calculation</u>								
2									
3									
4									
5									
6									
7	Jul-09	Actual	340,105	40,485	11.90%	\$251	\$10,144,777	2.34%	\$22,600
8	Aug-09	Actual	340,030	40,152	11.81%	\$250	\$10,046,934	2.34%	\$20,200
9	Sep-09	Actual	339,788	39,972	11.76%	\$249	\$9,957,060	2.34%	\$20,900
10	Oct-09	Projected	340,646	40,060	11.76%	\$249	\$9,978,974	2.34%	\$19,832
11	Nov-09	Projected	342,952	40,331	11.76%	\$249	\$10,046,527	2.34%	\$19,322
12	Dec-09	Projected	344,292	40,489	11.76%	\$249	\$10,085,781	2.34%	\$20,044
13	Jan-10	Projected	344,935	40,564	11.76%	\$249	\$10,104,618	0.43%	\$3,690
14	Feb-10	Projected	345,367	40,615	11.76%	\$249	\$10,117,273	0.43%	\$3,337
15	Mar-10	Projected	345,631	40,646	11.76%	\$249	\$10,125,006	0.43%	\$3,698
16	Apr-10	Projected	345,326	40,610	11.76%	\$249	\$10,116,072	0.43%	\$3,575
17	May-10	Projected	344,775	40,546	11.76%	\$249	\$10,099,931	0.43%	\$3,689
18	Jun-10	Projected	344,447	40,507	11.76%	\$249	\$10,090,322	0.43%	\$3,566
19									
20							Total Test Year (Jul - Jun) Interest		\$144,453
21	<u>Post-Test Year Annualization of Interest</u>								
22									
23	Dec-10	Projected	348,866	41,027	11.76%	\$249	\$10,219,773	0.43%	\$43,945
24									
25									
26	<u>Rate Base Test Year Adjustment</u>			<u>Rate Base Pro-Forma Adjustment</u>			<u>Income Statement Interest Pro-Forma</u>		
27									
28	Deposits at September 30, 2009		\$9,957,060	Deposits at June 30, 2010		\$10,090,322	Test Year Interest		\$144,453
29									
30	Deposits at June 30, 2010		<u>\$10,090,322</u>	Deposits at December 31, 2010		<u>\$10,219,773</u>	Annualization of Interest		<u>\$43,945</u>
31									
32	Test Year Adjustment		<u>\$133,262</u>	Pro-Forma Adjustment		<u>\$129,451</u>	Pro-Forma Adjustment		<u>(\$100,508)</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2010 OPERATING INCOME
CUSTOMER ANNUALIZATION

Line No.		Annualized			
		<u>Dt</u>	<u>Revenue</u>	<u>Cost of Gas</u>	<u>TEFA</u>
1	<u>Residential (RSG)</u>				
2	Heating Sales Service (480.11)	27,680	\$522,123	\$317,902	\$5,618
3	Non-Heating Sales Service (480.12)	<u>(933)</u>	<u>(\$22,987)</u>	<u>(\$13,881)</u>	<u>(\$190)</u>
4	Sub-Total	26,747	\$499,136	\$304,021	\$5,428
5	<u>General Service (GSG)</u>				
6	Commercial Non-Heating Sales Service (481.21)	(6,110)	(\$90,577)	(\$69,053)	(\$1,374)
7	Commercial Heating Sales Service (481.31)	(39,514)	(\$433,025)	(\$349,186)	(\$8,890)
8	Industrial Heating Sales Service (481.32)	(377)	(\$4,907)	(\$3,786)	(\$85)
9	Transportation Commercial Non-Heating (489.821)	(1,303)	(\$6,010)	(\$2,228)	(\$292)
10	Transportation Commercial Heating (489.831)	(2,834)	(\$12,989)	(\$4,884)	(\$637)
11	Transportation Industrial Heating (489.832)	<u>(188)</u>	<u>(\$808)</u>	<u>(\$320)</u>	<u>(\$42)</u>
12	Sub-Total	(50,326)	(\$548,316)	(\$429,457)	(\$11,320)
13	Total Adjustment	<u>(23,579)</u>	<u>(\$49,180)</u>	<u>(\$125,436)</u>	<u>(\$5,892)</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2010 OPERATING INCOME
SALES FROM POST TEST YEAR UTILITY PLANT ADDITIONS

<u>Line No.</u>		<u>Dt</u>	<u>Revenue</u>	<u>Cost of Gas</u>	<u>TEFA</u>
1	Residential Heat (480.11)	274,837.6	\$3,731,781	\$2,531,529	\$55,792
2	Residential Non-Heat (480.12)	3,567.8	\$65,237	\$36,299	\$724
3	Gen. Serv. Comm Heat (481.31)	157,264.6	\$1,968,945	\$1,507,853	\$35,385
4	Pro-Forma Adjustment	435,670.0	\$5,765,963	\$4,075,681	\$91,901

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2010 OPERATING INCOME
TEST YEAR INTERRUPTIBLE AND OFF-SYSTEM SALES, AND STORAGE INCENTIVE MECHANISM**

<u>Line No.</u>		<u>Test Year Ending 6/30/2010</u>	<u>Pro Forma Adjustment</u>	<u>Revenue in Test Year</u>	<u>Amounts Deferred</u>
1	Revenues	\$35,080,600	(\$5,262,090)	\$29,818,510	(\$29,818,510)
2	Cost of Gas	\$26,536,247	(\$2,377,123)	\$24,159,123	(\$24,159,123)
3	PUA Tax	\$3,400	(\$510)	\$2,890	(\$2,890)
4	TEFA Tax	\$66,100	(\$9,915)	\$56,185	(\$56,185)

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2010 OPERATING INCOME
OTHER EXPENSES - REVENUE TAXES

Line No.		
1	<u>PUA Adjustments</u>	
2	CIP Revenue Adjustment (SAP-5)	(\$16,270,963)
3	Customer Annualization (SAP-5)	(\$49,180)
4	Sales from Post Test Year Plant Additions (SAP-5)	\$5,765,963
5	Contract Changes (SAP-5)	(\$1,606,849)
6	CIRT Revenue Adjustment (SAP-5)	(\$7,436,100)
7	Interruptible Sales Revenue Adjustment (SAP-8 WP1)	<u>\$163,470</u>
8	Total Revenue Adjustments	(\$19,433,659)
9	PUA Tax Rate	<u>0.0022</u>
10	Pro Forma Adjustment to PUA Taxes	<u><u>(\$42,754)</u></u>
11	<u>TEFA Adjustments</u>	
12	CIP Revenue Adjustment (SAP-5)	N/A
13	Customer Annualization (SAP-5)	(\$5,892)
14	Sales from Post Test Year Plant Additions (SAP-5)	\$91,901
15	Contract Changes (SAP-5)	(\$18,070)
16	CIRT Revenue Adjustment (SAP-5)	N/A
17	Interruptible Sales Revenue Adjustment (SMB-11)	<u>(\$9,915)</u>
18	Pro Forma Adjustment to Revenue Taxes	<u><u>\$58,024</u></u>

SOUTH JERSEY GAS COMPANY
Test Year JULY 2009 - JUNE 2010
(Thousands Where Applicable)

Description	July Actual	August Actual	September Actual	October Estimate	November Estimate	December Estimate	January Estimate	February Estimate	March Estimate	April Estimate	May Estimate	June Estimate	Test Year Total
Operating Revenues													
Gas Sales Revenues	13,780	17,478	15,961	26,943	42,115	66,853	76,613	66,259	55,932	33,235	21,616	17,358	454,142
Other Gas Revenues	2,942	3,232	2,912	3,387	4,161	5,653	5,947	5,356	4,923	3,515	2,862	2,897	47,788
Total Oper Revenues	16,722	20,709	18,873	30,330	46,276	72,506	82,560	71,616	60,856	36,750	24,478	20,255	501,930
Operating Expenses													
Purchased Gas	8,860	12,534	10,332	18,110	28,536	46,401	51,550	45,189	37,183	20,140	12,757	10,204	301,794
Oper and Maint Exps													
Production	503	499	507	495	546	705	712	701	707	688	686	688	7,436
Transmission	267	167	197	214	191	284	198	175	204	223	195	236	2,551
Distribution	997	855	973	904	914	1,148	917	873	1,163	923	1,046	1,137	11,847
Customer Accounting	968	878	1,067	955	1,023	303	1,224	1,121	1,047	997	929	1,723	12,235
Conservation Program	36	290	921	720	832	1,265	1,206	1,338	1,001	776	570	417	9,372
Sales	78	63	269	139	113	113	86	62	123	86	110	104	1,345
Customer Services	0	0	0	0	0	0	0	0	0	0	0	0	3
EET Programs	0	0	81	107	126	143	164	172	232	256	261	241	1,783
Adm & General	1,893	2,267	2,212	2,380	2,344	3,350	2,122	2,282	2,776	2,371	2,336	2,959	29,291
Total Oper & Maint Exps	4,741	5,017	6,227	5,916	6,087	7,310	6,629	6,724	7,253	6,320	6,133	7,504	75,861
Depreciation	2,259	2,264	2,267	2,254	2,303	2,344	2,318	2,426	2,434	2,443	2,452	2,462	28,225.6
General Taxes													
Revenue Taxes	453	505	458	700	984	1,506	1,600	1,406	1,237	752	540	444	10,584.8
Fed Inc Taxes - Curr	(1,066)	(1,312)	(1,109)	(270)	1,330	3,360	5,572	4,127	3,141	1,368	(51)	(973)	14,116.9
- Def.	736	965	473	850	850	850	351	351	351	351	351	351	6,830.6
Investment Tax Cr.-Net	(64)	(65)	(137)	217	706	1,339	1,853	1,415	1,104	549	117	(165)	6,869.8
New Jersey Corp. Business Tax	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(312.6)
Total Oper Expenses	15,893	19,881	18,486	27,750	40,771	63,085	69,848	61,612	52,677	31,895	22,273	19,801	443,970
Net Operating Expense	830	829	388	2,580	5,505	9,420	12,713	10,003	8,178	4,855	2,205	454	57,960
Ratemaking Adjustment:													
Interest on Customer Deposit	23	20	21	20	19	20	4	3	4	4	4	4	144
Adjusted Net Operating Income	807	808	367	2,560	5,486	9,400	12,709	10,000	8,175	4,851	2,202	450	57,815